

Clinton County
Road Commission
(a Component Unit
of Clinton County,
Michigan)



Year Ended
December 31, 2022

Financial
Statements and
Supplementary
Information

Rehmann

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

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INDEPENDENT AUDITORS' REPORT

April 28, 2023

Members of the Board of County
Road Commissioners
Clinton County Road Commission
St. Johns, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund and the remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the remaining fund information of the Road Commission as of December 31, 2022, and the respective changes in financial position thereof and the budgetary comparison for the General Operating Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of the Road Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these basic financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the basic Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the schedules for the pension and other postemployment benefit plans, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The operating fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2023, on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

As management of the Clinton County Road Commission (the "Road Commission"), we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2022. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Financial Highlights

Net position may, over time, enable governmental agencies to determine their overall fiscal position. The Road Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$85,755,475 at the end of the 2022 fiscal year. Net position, however, must be understood to include all assets of the governmental entity, and may include significant capital improvements that are not exchangeable. For the Road Commission, all public infrastructure in the right-of-way is included in this category, and includes pavement, gravel, bridges, pipes, guardrail, signs, etc.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

Government-wide Statements

The *statement of net position* presents information on all the Road Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of the Road Commission's overall fiscal position.

The *statement of activities* presents information showing how the Road Commission's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial presentation includes only the Road Commission itself (known as the Primary government). The Road Commission's other postemployment benefit plan is considered a separate fiduciary component unit for which the Road Commission is financially accountable. The Road Commission is a discretely presented component unit of Clinton County, Michigan.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in a governmental fund (General Operating Fund).

Governmental Funds

Governmental funds are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the General Operating Fund balance sheet and the General Operating Fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between the General Operating Fund and the government-wide statements.

The Road Commission maintains one governmental fund (General Operating Fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balance. The General Operating Fund is a major fund for financial reporting purposes.

The Road Commission adopts an annual appropriated budget for the General Operating Fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the budget.

The Road Commission does not maintain proprietary funds.

Fiduciary Component Unit

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Road Commission's own programs. The Other Postemployment Benefits Trust Fiduciary Component Unit is used for the accumulation of restricted funds for the payment of retiree healthcare benefits.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission's financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This consists of this management's discussion and analysis as well as information related to the Road Commission's defined benefit pension and other postemployment benefit plans.

Condensed Statements of Net Position

	2022	2021
Assets		
Current and other assets	\$ 20,793,891	\$ 11,009,825
Capital assets, net	<u>87,563,492</u>	<u>74,396,403</u>
Total assets	<u>108,357,383</u>	<u>85,406,228</u>
Deferred outflows of resources	<u>3,888,444</u>	<u>3,055,687</u>
Liabilities		
Current and other liabilities	4,695,169	5,254,462
Long-term debt outstanding	<u>19,746,307</u>	<u>532,040</u>
Total liabilities	<u>24,441,476</u>	<u>5,786,502</u>
Deferred inflows of resources	<u>2,048,876</u>	<u>2,320,946</u>
Net position		
Net investment in capital assets	78,932,370	74,396,403
Restricted	17,230,982	8,463,860
Unrestricted (deficit)	<u>(10,407,877)</u>	<u>(2,505,796)</u>
Total net position	<u>\$ 85,755,475</u>	<u>\$ 80,354,467</u>

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

Condensed Statements of Activities

	2022	2021
Revenues		
Program revenues:		
Charges for services	\$ 2,308,314	\$ 2,728,203
Operating grants and contributions	15,964,623	15,713,611
Capital grants and contributions	5,025,578	4,185,992
Total revenues	<u>23,298,515</u>	<u>22,627,806</u>
Expenses		
Public works	17,086,825	16,032,856
Interest expense	810,682	-
Total expenses	<u>17,897,507</u>	<u>16,032,856</u>
Change in net position	5,401,008	6,594,950
Net position, beginning of year	<u>80,354,467</u>	<u>73,759,517</u>
Net position, end of year	<u>\$ 85,755,475</u>	<u>\$ 80,354,467</u>

Net position increased during the year by \$5,401,008 primarily due to ongoing revenues exceeding ongoing expenses on road projects and additional funding from the State of Michigan. Current and other assets increased by \$9,784,066 primarily due to unspent bond proceeds. Long-term debt outstanding increased by \$19,214,267 due to the issuance of bonds and the related bond premium for \$19,209,814.

Charges for services decreased by \$419,889 from the prior year primarily due to less development in subdivisions and less work for others. Capital grants and contributions increase by \$839,586 from the prior year primarily due to an increase in the Michigan Transportation Fund (MTF) and more work done on local township roads.

Total expenses increased by \$1,864,651 from the prior year. The main reason for this increase was due to inflation with an increase in fuel costs, and overall expenses on projects being higher. As well as debt service costs incurred related to the bond for the new facility.

Financial Analysis of the Road Commission's General Operating Fund

For the year ended December 31, 2022, the fund balance of the General Fund increased by \$9,737,541, as compared to an increase of \$1,506,019 for the prior year. Total revenues and the other financing sources came to \$42,508,991, an increase of \$19,794,887 as compared to the prior year. Total expenditures amounted to \$32,771,450, an increase of \$11,563,365 over the prior year.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

While revenues remained relatively flat (increased approximately 3%), other financing sources increased significantly, a result of the issuance of bonds and the related bond premium for \$19,209,814. The significant increase in fund expenditures was the result of the following:

- Expenditures related to primary road preservation and maintenance increased by \$2,762,637, mainly due to the bridge bundling projects Michigan Department of Transportation (MDOT) facilitated with the reconstruction of the concrete decking on the Tallman Road Bridge and the Herbison Road Bridge.
- Local road expenditures related road preservation and maintenance increased by \$322,206, due to townships spending more on maintenance of local roads.
- Equipment expenditures (net) increased by \$259,941, mostly due to an increase in depreciation.
- Expenditures for non-road projects decreased by \$1,274,054 mostly due to less work for others on pathways and sidewalks.
- Expenditures for capital outlay (net) increased by \$8,604,420 because of construction costs for the new Road Commission facility.

General Operating Fund Budgetary Highlights

The original budget was established using historical facts, information on current funding sources, project information from the townships and forecast. Amendments were made during the year as more information on funding sources and related projects became known.

During the year, there was an increase in estimated revenues between the original and final amended budget of \$4,211,691 during 2022. This increase in estimated revenues was the result of the following significant amendments:

- The budgeted intergovernmental state sources revenue decreased by \$142,154 primarily for a budget adjustment to projected MTF.
- The budgeted charges for services revenue increased by \$817,595 primarily for an increase of work on the trunkline, as well as an increase for transportation work authorizations (TWA) work from MDOT.
- The budgeted revenue for contributions from private sources increased by \$3,001,062 primarily the MDOT bridge bundling projects completed on the Tallman Road Bridge and the Herbison Road Bridge.

During the year, there was an increase in estimated other financing sources between the original and final amended budget of \$1,026,792. This increase was the result of an increase of \$1,029,814 in the budgeted premium from issuance of bonds.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

During the year, there was a decrease in estimated expenditures of \$1,903,963 during 2022. This decrease in estimated expenditures was the result of the following significant amendments:

- The budgeted expenditures for primary roads increased by \$6.5 million during 2022. The main reason for this increase was bridge reconstruction projects (bridge bundling facilitated by MDOT), as well as asphalt resurfacing and heavy preventative maintenance of primary roads.
- The budgeted expenditures for local roads increased by \$3.0 million during 2022. The main reason for this was an increase in project spending by our sixteen (16) township's on their local road projects.
- The budgeted expenditures for State trunkline increased by \$399,000 during 2022. The main reason for this amendment was an increase in winter maintenance and a TWA project MDOT approved for work on Business 27 at the intersections located at Townsend Road, and at Sturgis Street.
- The budgeted net expenditures for equipment (net) increased by \$286,864 during 2022. The main reason for this amendment was an increase in overall equipment expenses, largely fuel costs.
- The budgeted expenditures for non-road projects increased by \$602,769 during 2022. The main reason for this amendment was for the purchase of federal aid from Arenac County Road Commission, as well as approved inter-agency work with the City of St. Johns and the City of East Lansing.
- The budgeted net expenditures for capital outlay, net decreased by \$8.6 million during 2022. The main reason for this amendment was construction costs on the new facility not yet expended.

The amendment to the distributive expenditures reduced those estimated costs to \$0 as these costs are eventually allocated out to the various projects which benefited from them. Thus some of the increases in the budgets for other categories is the allocation of these indirect costs.

Actual revenues came in higher than the final amended budget by \$1.1 million (5.04%). This was largely caused by a budget variance of \$845,483 for intergovernmental revenues (federal, state and local sources) due to the final MTF funds received being higher than anticipated, as well as the local townships spending more funds on the local roads, and a variance in charges for services of \$234,773 that was the result of an increase of approved work on the trunkline and more than anticipated work for other agencies.

Actual expenditures were less than the final amended appropriation by \$387,919 (1.17%).

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

Capital Assets

As of December 31, 2022 the Road Commission had invested \$87,563,492 in capital assets, net of accumulated depreciation, as follows:

	Capital Assets (Net of Depreciation)	
	2022	2021
Land	\$ 220,750	\$ 220,750
Rights of way	2,262,393	2,262,393
Infrastructure - nondepreciable	7,453,917	7,322,864
Construction in progress	10,279,478	482,004
Buildings and improvements	291,235	350,724
Equipment	2,085,722	2,655,579
Leased equipment*	64,808	-
Infrastructure - depreciable	64,905,189	61,102,089

Governmental activities capital assets, net	<u>\$ 87,563,492</u>	<u>\$ 74,396,403</u>
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* The Road Commission implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leased assets have been added to the beginning balances shown in the footnotes, however prior year amounts were not adjusted above.

Construction of a new Road Commission main facility accounted for \$9.8 million in current year additions to construction in progress. Other additions to capital assets consisted of \$8.7 million in infrastructure improvements, two new trucks and various other equipment were purchased.

Additional information on the Road Commission's capital assets can be found in notes to the financial statements.

Long-term Debt

The net increase in the Road Commission's total installment debt is the result of \$18,000,000 in bonds issued. The bonds were issued at a premium with the related bond premium at issuance of \$1,209,814.

As of December 31, 2022, the Road Commission had accrued compensated absences of \$536,493 in long-term debt as compared to \$532,040 at December 31, 2021.

Additional information on the Road Commission's long term debt can be found in notes to the financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Management's Discussion and Analysis

Economic Factors and Road Fund Budgetary Highlights

The Board of County Road Commissioners considers many factors when finalizing the fiscal year budget. The Road Commission's main source of revenue is the Michigan Transportation Fund (MTF) which is directly linked to gas and public transportation spending, as well as economic activity and accounts for approximately 50% of its revenues from the fuel tax and license plate fees collected. Despite the increase of remote work since the coronavirus pandemic and an increase in the use of electric or hybrid vehicles, the MTF has increased slightly, roughly three percent from 2021 to 2022. However, with the rise of electric vehicles and no legislation passed yet on how to replace the lost revenue from EV and hybrid fuel and sales tax, the effects of the loss are expected to become more significant in the coming years if a resolution to recoup these funds isn't implemented. Generally, the Road Commission's expenses continue to increase at a faster rate due to inflation and supply chain distributions. However, the Road Commission anticipates both revenue and expenses will increase with more federal aid dollars being available and additional funding put to roads, as well as just over \$200,000 being awarded to the Road Commission from the Highway Infrastructure Programs – Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (HIP-CRRSAA) funds to address coronavirus disease impacts to Highway Infrastructure Programs. As well, many of our sixteen townships in the county who received American Rescue Plan Act (ARPA) dollars plan to invest those funds into their local roads.

Several factors were considered while preparing the 2023 budget. The 2023 budget includes the continued construction of the new road commission facility. The projected completion date is August 2023. The total projected costs with change orders are estimated at \$18,787,693, which will be paid for by the bond proceeds, premium, and interest earned. With that, the Road Commission will begin paying on the \$18 million dollar capital improvement bond to the County in 2023. The Road Commission has also begun paying for the Other Post Employment Benefits (OPEB) from the OPEB Trust, therefore eliminating that expense from the general fund. The 2023 budget maintains the Road Commission's additional payment of \$1,200,000 towards the Municipal Employees Retirement System pension liability which is currently funded at 89%. Overall, the Road Commission continues to strive to seek a balance between road/bridge projects, equipment, and facilities. With continued needs and road improvements, the Board attempts to budget wisely and equitably and in the best interest of the motoring public and the citizens of Clinton County.

Requests for Information

This financial report is designed to provide a general overview of Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clinton County Road Commission's administrative offices, 3536 S. US Highway 27, St. Johns, MI 48879.



BASIC FINANCIAL STATEMENTS

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Net Position

December 31, 2022

Assets

Cash and investments	\$ 4,004,456
Restricted cash and investments	11,373,276
Receivables	3,101,570
Inventories	951,350
Prepaid items	2,000
Capital assets not being depreciated	20,216,538
Capital assets being depreciated, net	67,346,954
Net other postemployment benefits (OPEB) asset	1,361,239

Total assets 108,357,383

Deferred outflows of resources

Deferred pension amounts	3,283,485
Deferred OPEB amounts	604,959

Total deferred outflows of resources 3,888,444

Liabilities

Accounts payable and accrued liabilities	2,055,730
Deposits	103,036
Advances from other governmental units	343,381
Lease payable:	
Due within one year	64,943
Long-term debt:	
Due within one year	976,597
Due in more than one year	18,769,710
Net pension liability (due in more than one year)	2,128,079

Total liabilities 24,441,476

Deferred inflows of resources

Deferred pension amounts	1,985,371
Deferred OPEB amounts	63,505

Total deferred inflows of resources 2,048,876

Net position

Net investment in capital assets	78,932,370
Restricted for:	
Facility construction	11,373,276
Primary roads	3,900,545
Local roads	54,468
OPEB	1,902,693
Unrestricted (deficit)	(10,407,877)

Total net position \$ 85,755,475

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Activities

For the Year Ended December 31, 2022

Functions / Programs	Expenses	Program Revenues			Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Public works	\$ 17,086,825	\$ 2,308,314	\$ 15,964,623	\$ 5,025,578	\$ 6,211,690
Interest on debt	810,682	-	-	-	(810,682)
Total governmental activities	<u>\$ 17,897,507</u>	<u>\$ 2,308,314</u>	<u>\$ 15,964,623</u>	<u>\$ 5,025,578</u>	5,401,008
Change in net position					5,401,008
Net position, beginning of year					<u>80,354,467</u>
Net position, end of year					<u>\$ 85,755,475</u>

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Balance Sheet

General Operating Fund

December 31, 2022

Assets

Cash and investments	\$ 4,004,456
Restricted cash and investments	11,373,276
Receivables:	
Accounts	83,569
Due from other governmental units:	
Federal/State	2,551,623
Local	466,378
Inventory	951,350
Prepays	2,000

Total assets	\$ 19,432,652
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Liabilities

Accounts payable	\$ 1,813,325
Due to State	45,059
Accrued liabilities	81,271
Deposits	103,036
Advances from other governmental units	343,381

Total liabilities	2,386,072
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Fund balance

Nonspendable:	
Inventory	951,350
Prepays	2,000
Restricted for:	
Facility construction	11,373,276
Primary roads	3,457,403
Unassigned	1,262,551

Total fund balance	17,046,580
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Total liabilities and fund balance	\$ 19,432,652
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Reconciliation

Fund Balance of the General Operating Fund
to Net Position of Governmental Activities
December 31, 2022

Fund balance - General Operating Fund	\$ 17,046,580
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Amounts reported for *governmental activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.

Capital assets not being depreciated	20,216,538
Capital assets being depreciated, net	67,346,954

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

Long-term debt	(19,209,814)
Leases payable	(64,943)
Accrued interest on long-term debt	(116,075)
Compensated absences payable	(536,493)

Certain pension and OPEB-related amounts, such as the net pension and net OPEB liabilities (assets) and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.

Net pension liability	(2,128,079)
Deferred outflows related to the net pension liability	3,283,485
Deferred inflows related to the net pension liability	(1,985,371)
Net other postemployment benefits asset	1,361,239
Deferred outflows related to the net OPEB liability	604,959
Deferred inflows related to the net OPEB liability	(63,505)

Net position of governmental activities	<u>\$ 85,755,475</u>
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Statement of Revenues, Expenditures and Change in Fund Balance

General Operating Fund

For the Year Ended December 31, 2022

Revenues

Intergovernmental:	
Federal sources	\$ 1,499,481
State sources	12,818,804
Local sources	3,350,669
Charges for services	2,206,493
Licenses and permits	80,505
Interest and rentals	309,185
Other	3,012,062

Total revenues	23,277,199
-----------------------	-------------------

Expenditures

Current:	
Primary road	11,485,333
Local road	8,227,879
State trunkline	1,398,618
Administrative, net	787,829
Equipment, net	(5,044)
Drains at-large	56,695
Non-road projects	1,002,342
Capital outlay, net	9,061,198
Debt service:	
Lease principal	61,993
Interest charges	694,607

Total expenditures	32,771,450
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Revenues under expenditures	(9,494,251)
-----------------------------	-------------

Other financing sources

Proceeds from issuance of bonds	18,000,000
Premium on issuance of bonds	1,209,814
Proceeds from sales of capital assets	21,978

Total other financing sources	19,231,792
--------------------------------------	-------------------

Net change in fund balance	9,737,541
-----------------------------------	------------------

Fund balance, beginning of year	7,309,039
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Fund balance, end of year	\$ 17,046,580
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Reconciliation

Net Change in Fund Balance of the General Operating Fund to
Change in Net Position of Governmental Activities
For the Year Ended December 31, 2022

Net change in fund balance - General Operating Fund	\$ 9,737,541
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Infrastructure purchased or constructed	8,674,417
Capital assets purchased	10,354,494
Depreciation expense	(5,988,096)
Gain on sale of capital assets	21,316
Proceeds from sale of capital assets	(21,978)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on lease liabilities	61,993
Issuance of long-term debt	(19,209,814)
Change in accrued interest payable	(116,075)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in compensated absences	(4,453)
Change in net pension liability and related deferred amounts	1,934,143
Change in net OPEB asset and related deferred amounts	(42,480)

Change in net position of governmental activities	<u>\$ 5,401,008</u>
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Operating Fund
For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal sources:				
Surface Transportation Program	\$ 1,436,000	\$ 1,670,651	\$ 1,670,651	\$ -
Critical bridge	-	4,258	4,258	-
Other	270,000	(175,429)	(175,428)	1
	<u>1,706,000</u>	<u>1,499,480</u>	<u>1,499,481</u>	<u>1</u>
State sources				
Motor vehicle highway funds:				
Engineering	10,000	10,000	10,000	-
Urban road	1,242,000	1,102,000	1,225,443	123,443
Primary road	7,081,440	7,234,135	7,487,654	253,519
Local road	3,638,560	3,528,560	3,855,144	326,584
Economic development	152,347	107,498	240,563	133,065
	<u>12,124,347</u>	<u>11,982,193</u>	<u>12,818,804</u>	<u>836,611</u>
Local sources:				
Township contributions	2,850,000	3,341,798	3,350,669	8,871
Other contributions	300	-	-	-
	<u>2,850,300</u>	<u>3,341,798</u>	<u>3,350,669</u>	<u>8,871</u>
Total intergovernmental	<u>16,680,647</u>	<u>16,823,471</u>	<u>17,668,954</u>	<u>845,483</u>
Charges for services:				
State trunkline:				
Maintenance	900,000	1,015,093	1,192,696	177,603
Non-maintenance	100,000	333,486	333,486	-
Salvage sales	8,000	20,772	21,199	427
Other	146,125	602,369	659,112	56,743
Total charges for services	<u>1,154,125</u>	<u>1,971,720</u>	<u>2,206,493</u>	<u>234,773</u>
Permits	<u>87,000</u>	<u>78,060</u>	<u>80,505</u>	<u>2,445</u>
Interest and rentals:				
Interest	5,000	260,000	289,728	29,728
Rentals	10,507	14,657	19,457	4,800
Total interest and rentals	<u>15,507</u>	<u>274,657</u>	<u>309,185</u>	<u>34,528</u>
Other:				
Contributions from private sources	11,000	3,012,062	3,012,062	-
Total revenues	<u>17,948,279</u>	<u>22,159,970</u>	<u>23,277,199</u>	<u>1,117,229</u>
Other financing sources				
Proceeds from issuance of bonds	18,000,000	17,820,000	18,000,000	180,000
Premium on issuance of bonds	-	1,209,814	1,209,814	-
Proceeds from sales of capital assets	25,000	21,978	21,978	-
Total revenues and other financing sources	<u>35,973,279</u>	<u>41,211,762</u>	<u>42,508,991</u>	<u>1,297,229</u>

continued...

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Operating Fund

For the Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
Primary road:				
Construction	\$ -	\$ (19,500)	\$ (22,183)	\$ (2,683)
Preservation - structural improvements	1,895,000	7,464,562	7,463,761	(801)
Routine and preventative maintenance	3,136,000	4,044,897	4,043,755	(1,142)
Total primary road	5,031,000	11,489,959	11,485,333	(4,626)
Local road:				
Preservation - structural improvements	1,000,000	1,233,000	1,232,841	(159)
Routine and preventative maintenance	4,240,000	6,996,456	6,995,038	(1,418)
Total local roads	5,240,000	8,229,456	8,227,879	(1,577)
State trunkline:				
Maintenance	900,000	1,065,500	1,065,133	(367)
Non-maintenance	100,000	333,500	333,485	(15)
Total state trunkline	1,000,000	1,399,000	1,398,618	(382)
Administrative, net:				
Administration	615,645	943,420	919,820	(23,600)
Less:				
Handling charges	(500)	(500)	(503)	(3)
Overhead - state	(104,000)	(119,626)	(122,010)	(2,384)
Purchase discount	(5,250)	(4,736)	(4,737)	(1)
Other	(7,150)	(4,737)	(4,741)	(4)
Total administrative, net	498,745	813,821	787,829	(25,992)
Equipment, net:				
Direct	1,320,000	1,935,000	1,934,517	(483)
Indirect	636,680	715,595	716,116	521
Operating	350,000	510,000	507,244	(2,756)
Less: equipment rental	(2,400,000)	(2,967,051)	(3,162,921)	(195,870)
Total equipment, net	(93,320)	193,544	(5,044)	(198,588)
Drains at-large:				
Drain assessment	52,675	56,695	56,695	-
Other:				
Non-road projects	400,000	1,002,769	1,002,342	(427)
Capital outlay, net:				
Capital outlay	18,719,000	10,359,793	10,354,485	(5,308)
Less:				
Equipment retirements	(5,000)	(44,000)	(45,455)	(1,455)
Depreciation and depletion	(915,000)	(1,107,175)	(1,247,832)	(140,657)
Total capital outlay, net	17,799,000	9,208,618	9,061,198	(147,420)
Debt service:				
Lease principal	-	62,128	61,993	(135)
Interest charges	1,200,000	703,379	694,607	(8,772)
Total debt service:	1,200,000	765,507	756,600	(8,907)
Distributive expenditures:				
Fringe benefits	3,302,342	-	-	-
Other	632,890	-	-	-
Total distributive expenditures:	3,935,232	-	-	-
Total expenditures	35,063,332	33,159,369	32,771,450	(387,919)
Net change in fund balance	909,947	8,052,393	9,737,541	1,685,148
Fund balance, beginning of year	7,309,039	7,309,039	7,309,039	-
Fund balance, end of year	\$ 8,218,986	\$ 15,361,432	\$ 17,046,580	\$ 1,685,148

concluded

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Fiduciary Net Position

Other Postemployment Benefits Fiduciary Component Unit
December 31, 2022

Assets

Investments:	
MERS total market portfolio	<u>\$ 5,942,711</u>

Liabilities

Accounts payable	<u>83,320</u>
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Net position restricted for

Other postemployment benefits	<u><u>\$ 5,859,391</u></u>
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Statement of Changes in Fiduciary Net Position

Other Postemployment Benefits Fiduciary Component Unit
For the Year Ended December 31, 2022

Additions

Investment loss	\$ (729,217)
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Deductions

Benefits payments	351,258
Administrative expense	11,219

Total deductions	<u>362,477</u>
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Change in fiduciary net position	(1,091,694)
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Net position, beginning of year	<u>6,951,085</u>
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Net position, end of year	<u><u>\$ 5,859,391</u></u>
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The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clinton County Road Commission (the "Road Commission") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Road Commission was established pursuant to the County Road Law (MCL 224.1), and is governed by the three member Board of County Road Commissioners appointed by the Clinton County Board of Commissioners.

The Road Commission is a component unit of Clinton County, Michigan (the "County") because the County is a direct beneficiary of the services provided and is financially accountable for the Road Commission.

The Road Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners has responsibility for the administration of the Road Commission's General Operating Fund.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

Fiduciary Component Unit

The OPEB Trust Fund was established to account for the assets set aside to fund the Clinton County Road Commission Retiree Health Care Trust Fund. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through MERS Retiree Health Funding Vehicle, with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services, Michigan Transportation Funds (MTF), state and federal grants and contracts, and contributions from local units of governments.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net position and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental fund:

The *General Operating Fund* is the government's primary operating fund. It accounts for all financial resources of the Road Commission.

The General Operating Fund is under formal budgetary control. Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles (GAAP), which is the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved or as amended by the Board of County Road Commissioners. Budgets for the General Operating Fund are adopted on a category basis.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Cash and Investments

Amounts reported as cash and investments consist of cash on hand, short-term investments and deposits in demand deposit accounts. Investments are stated at fair value. Restricted cash and investments represents unspent bond proceeds restricted for construction costs on the new facility project.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

Inventories

Inventories consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first in, first out method, and are not in excess of fair value.

Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide statements. The Road Commission defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment shown on the reconciliation of net changes in fund balance of the general operating fund to change in net position of governmental activities.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

	Useful Life in Years
Buildings and improvements	10-50
Equipment	4-10
Infrastructure	25-50

Leased equipment is amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of 4-10 years.

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports deferred outflows of resources related to the net pension liability and the other postemployment benefits (OPEB) asset.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in government activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lessee. The Road Commission is a lessee for noncancellable leases of equipment. The Road Commission recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Road Commission recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the Road Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Road Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Road Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Road Commission generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the Road Commission is reasonably certain to exercise.

The Road Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Pension and Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net pension liability and the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Road Commission, employees have a vested right upon termination to receive compensation for accumulated vacation leave under formulas and conditions specified in the contracts. In the event of termination, an employee is paid for up to 240 and 600 hours of unused accumulated vacation and sick time, respectively. This amount along with related payroll taxes is recorded in the government-wide financial statements.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission reports deferred inflows of resources related to the net pension liability and the net OPEB asset. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Road Commissioners. Assigned fund balance is reported in instances where the Board of Road Commissioners has given authority for the making of such assignments to the Road Commission management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the General Operating Fund.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

When the Road Commission incurs an expenditure for purposes for which various fund balance classification can be used, it is the Road Commission's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

2. DEPOSITS AND INVESTMENTS

At December 31, 2022, the Road Commission's cash and investments were comprised as follows:

Statement of Net Position

Cash and investments	\$ 4,004,456
Restricted cash and investments	11,373,276

Statement of Fiduciary Net Position

Investments	<u>5,942,711</u>
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Total	<u><u>\$ 21,320,443</u></u>
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Checking and savings accounts	1,499,027
Investments	19,821,316
Petty cash	<u>100</u>

Total	<u><u>\$ 21,320,443</u></u>
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CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Statutes authorize the Road Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Road Commission chooses to disclose its investments by specifically identifying each. As of December 31, 2022, the Road Commission had the following investments:

Investment	Maturity	Amortized	Rating
Michigan Cooperative Liquid Assets			
Securities System	Various	\$ 13,878,605	AAAm (S&P)
MERS RHFV total market portfolio	N/A	<u>5,942,711</u>	N/A
Total investments		<u><u>\$ 19,821,316</u></u>	

The Road Commission voluntarily invests certain excess funds in an external investment pool (Michigan Cooperative Liquid Assets Securities System). The pool is an external investment pool of "qualified" investments for Michigan municipalities. The pool is not regulated nor registered with the SEC. The fair value of the Road Commission's investments is the same as the value of the pool.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Road Commission's investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of December 31, 2022, \$1,656,819 of the Road Commission's bank balance of \$1,906,819 (book amount of \$1,499,027) was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government's name. In accordance with the Road Commission's investment policy, all investments are held in the name of the Road Commission and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under "statutory authority" above. The Road Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value Measurement

The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of December 31, 2022, the Road Commission's investments in the MERS RHFV Total Market Portfolio fund is classified as level 1. The Michigan Cooperative Liquid Assets Securities System investments are valued at amortized cost, which approximates fair value.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Notes to Financial Statements

3. RECEIVABLES

At December 31, 2022, the Road Commission's receivables consisted of the following:

	Governmental Activities
Accounts	\$ 83,569
Due from other governmental units:	
Federal/State	2,551,623
Local	466,378
Total	\$ 3,101,570

4. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 220,750	\$ -	\$ -	\$ -	\$ 220,750
Rights of way	2,262,393	-	-	-	2,262,393
Infrastructure - land improvements	7,322,864	131,053	-	-	7,453,917
Construction in progress	482,004	9,797,474	-	-	10,279,478
	<u>10,288,011</u>	<u>9,928,527</u>	<u>-</u>	<u>-</u>	<u>20,216,538</u>
Capital assets, being depreciated:					
Buildings and improvements	2,069,003	-	-	-	2,069,003
Road equipment	9,906,535	534,191	(186,009)	-	10,254,717
Leased equipment*	126,936	-	-	-	126,936
Shop equipment	154,240	-	-	-	154,240
Office equipment	179,547	-	-	-	179,547
Engineers' equipment	38,323	22,829	-	-	61,152
Yard and storage	227,416	-	-	-	227,416
Infrastructure - roads	80,039,322	5,394,930	(2,110,273)	-	83,323,979
Infrastructure - bridges	35,859,019	3,148,434	-	-	39,007,453
Infrastructure - traffic signals	1,357,033	-	-	-	1,357,033
Depletable assets	67,448	-	-	-	67,448
	<u>130,024,822</u>	<u>9,100,384</u>	<u>(2,296,282)</u>	<u>-</u>	<u>136,828,924</u>

CLINTON COUNTY ROAD COMMISSION
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	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation for:					
Buildings and					
improvements	\$ (1,718,279)	\$ (59,489)	\$ -	\$ -	\$ (1,777,768)
Road equipment	(7,458,027)	(1,083,453)	185,347	-	(8,356,133)
Leased equipment	-	(62,128)	-	-	(62,128)
Shop equipment	(143,300)	(1,853)	-	-	(145,153)
Office equipment	(117,922)	(18,957)	-	-	(136,879)
Engineers' equipment	(5,442)	(5,926)	-	-	(11,368)
Yard and storage	(125,791)	(16,026)	-	-	(141,817)
Infrastructure - roads	(35,963,676)	(4,112,788)	2,110,273	-	(37,966,191)
Infrastructure - bridges	(19,187,229)	(567,125)	-	-	(19,754,354)
Infrastructure - traffic signals	(1,002,380)	(60,351)	-	-	(1,062,731)
Depletable assets	(67,448)	-	-	-	(67,448)
	<u>(65,789,494)</u>	<u>(5,988,096)</u>	<u>2,295,620</u>	<u>-</u>	<u>(69,481,970)</u>
Total capital assets being depreciated, net	<u>64,235,328</u>	<u>3,112,288</u>	<u>(662)</u>	<u>-</u>	<u>67,346,954</u>
Total capital assets, net	<u><u>\$ 74,523,339</u></u>	<u><u>\$ 13,040,815</u></u>	<u><u>\$ (662)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 87,563,492</u></u>

* The Road Commission implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leased assets have been added to the beginning balances shown above and a corresponding lease liability has been recorded for the same amount.

At December 31, 2022, the amount reported as construction in progress is primarily for costs related to a new Road Commission Facility. As of December 31, 2022 the Road Commission had construction commitments outstanding relating to the new facility of \$ 9,420,381.

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5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2022, the Road Commission's accounts payable and accrued liabilities were as follows:

	Governmental Activities
Accounts payable	\$ 1,813,325
Due to State	45,059
Accrued liabilities	81,271
Accrued interest payable	<u>116,075</u>
Total	<u><u>\$ 2,055,730</u></u>

6. LONG-TERM DEBT

Long-term debt of the Road Commission consists of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct borrowings and direct placements:					
Limited Tax Bonds:					
Series 2022	\$ -	\$ 18,000,000	\$ -	\$ 18,000,000	\$ 645,000
Bond premium	-	1,209,814	-	1,209,814	60,491
Compensated absences	<u>532,040</u>	<u>324,573</u>	<u>(320,120)</u>	<u>536,493</u>	<u>271,106</u>
Total governmental activities	<u><u>\$ 532,040</u></u>	<u><u>\$ 19,534,387</u></u>	<u><u>\$ (320,120)</u></u>	<u><u>\$ 19,746,307</u></u>	<u><u>\$ 976,597</u></u>

Bonds payable at December 31, 2022, are as follows:

\$18,000,000 General Obligation Limited Tax Bonds, Series 2022 issued through Clinton County, dated April 14, 2022, due in annual installments ranging from \$645,000 to \$1,175,000 through May 1, 2042, with interest ranging from 1.37 percent to 3.22 percent, payable semi-annually.

\$ 18,000,000

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Annual debt service requirements to maturity for bonds payable are as follows:

Year Ended December 31,	Principal	Interest
2023	\$ 645,000	\$ 680,325
2024	690,000	646,950
2025	710,000	611,950
2026	735,000	575,825
2027	755,000	538,575
2028-2032	4,130,000	2,098,625
2033-2037	4,785,000	1,218,925
2038-2042	5,550,000	437,769
	<u>\$ 18,000,000</u>	<u>\$ 6,808,944</u>

7. LEASES

Lessee - The Road Commission is involved several agreements as a lessee that qualifies as long-term lease agreements. The agreements qualifies as an intangible, right-to-use assets and not financed purchases, as the Road Commission will not own the assets at the end of the contract term and the noncancelable term of the agreements surpasses one year. The present values are discounted using the Road Commission's incremental borrowing rate for the leases.

Asset Type	Remaining Term of Agreements
Equipment	Less than 1 year

The assets acquired through leases are summarized as follows:

Equipment	\$ 126,936
Less accumulated amortization	<u>(62,128)</u>
Net book value	<u>\$ 64,808</u>

The net present value of future minimum payments as of December 31, 2022, were as follows:

Year Ended December 31,	Principal	Interest
2023	<u>\$ 64,943</u>	<u>\$ 3,090</u>

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Lease liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance *	Additions	Deductions	Ending Balance	Due Within One Year
Leases payable	\$ 126,936	\$ -	\$ (61,993)	\$ 64,943	\$ 64,943

* The Road Commission implemented the provisions of GASB Statement No. 87, *Leases*, in the current year. In accordance with this Statement, leases payable have been added to the beginning balances shown above and a corresponding lease asset has been recorded for the same amount.

8. DEFINED BENEFIT PENSION PLAN

General Information About the Plan

Plan Description. The Road Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 3-5 year period) and multipliers that vary from 2.5% for the closed divisions to 1.5% for the open divisions. Participants are considered to be fully vested in the plan after 6-10 years. Normal retirement age is 60.

Employees Covered by Benefit Terms. At December 31, 2021 plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	62
Inactive employees entitled to but not yet receiving benefits	9
Active employees	44
Total membership	115

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

Total employer contributions were \$2,286,927 during the year ended December 31, 2021, on required contributions of \$1,085,911, while employees contributed \$57,818 to the plan.

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Net Pension Liability. The Road Commission's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation

The December 31, 2021 valuation incorporates fully generation mortality. The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

Pre-Retirement Mortality:

- 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
- 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Non-Disabled retired plan members and beneficiaries:

- 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 106% of PubG-2010 Employee Mortality Tables for Ages 18-80
- 106% of PubG-2010 Healthy Retiree Tables for Ages 81-120

Disabled retired plan members:

- 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
- 100% of PubNS-2010 Disabled Retiree Tables for Ages 81-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010.

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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Long-term Expected Rate of Return. The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2021 was 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability

The components of the change in the net pension liability (asset) are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2020	\$ 24,163,697	\$ 20,072,042	\$ 4,091,655
Changes for the year:			
Service cost	221,163	-	221,163
Interest	1,786,618	-	1,786,618
Differences between expected and actual experience	215,640	-	215,640
Changes in assumptions	899,394	-	899,394
Employer contributions	-	2,286,927	(2,286,927)
Employee contributions	-	57,818	(57,818)
Net investment income	-	2,774,390	(2,774,390)
Benefit payments, including refunds of employee contributions	(1,532,293)	(1,532,293)	-
Administrative expense	-	(32,744)	32,744
Net changes	1,590,522	3,554,098	(1,963,576)
Balances at December 31, 2021	\$ 25,754,219	\$ 23,626,140	\$ 2,128,079

Changes in Assumptions. In 2021, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Road Commission, calculated using the discount rate of 7.25%, as well as what the Road Commission's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 5,022,005	\$ 2,128,079	\$ (307,361)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

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Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended December 31, 2022, the Road Commission recognized pension expense of \$344,022. The Road Commission reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 161,730	\$ 291,965	\$ (130,235)
Changes in assumptions	843,590	-	843,590
Net difference between projected and actual earnings on pension plan investments	-	1,693,406	(1,693,406)
	1,005,320	1,985,371	(980,051)
Contributions subsequent to the measurement date	2,278,165	-	2,278,165
Total	\$ 3,283,485	\$ 1,985,371	\$ 1,298,114

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2023. Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2023	\$ (147,380)
2024	(375,043)
2025	(213,769)
2026	(243,859)
Total	\$ (980,051)

Payable to the Pension Plan. At December 31, 2022, the Road Commission had no amount payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the general operating fund.

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9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the Plan

Plan Administration. The Road Commission administers a single-employer defined benefit healthcare plan (OPEB Plan) that is used to provide postemployment benefits other than pensions (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The Road Commission has adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

Plan Membership. At December 31, 2021, the date of the latest actuarial valuation, Plan membership consisted of the following:

Beneficiaries currently receiving benefit payments	49
Active plan members	<u>19</u>
Total membership	<u><u>68</u></u>

Benefits Provided. The Board of County Road Commissioners has the authority to establish or amend benefit terms, to determine the types of benefits provided through the Plan, and to determine the classes of plan members covered. For administrative employees that retired prior to January 1, 2016 and union employees that retired prior to August 20, 2015, the Road Commission permits retiring employees to continue theirs and their spouse on the employer-paid health insurance program until death with a Medicare Supplemental plan. For all other employees, the coverage extends to the retiree only.

Contributions. The Clinton County Road Commission Retiree Healthcare Plan was established and is being funded under the authority of the Road Commission. The plan's funding policy is that the employer will make contributions to a trust as necessary to maintain a funded percentage at or near 100%. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Rate of Return. For the year ended December 31, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -10.67% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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Investment Policy and Long-term Expected Rate of Return. The Road Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security. The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is 4.50 percent or 7.00 percent with inflation.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2021 and rolled forward to the measurement date of December 31, 2022, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation rate —2.5% Included in investment rate of return

Salary increases —3.0%

Investment rate of return —7.00%, including inflation

Healthcare cost trend rate —Pre-65: 7.5% in 2022 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 5.75% in 2022 graded down 0.25% per year to an ultimate rate of 4.5%; and Dental and Vision 3.0%.

Retirement age for active employees —Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55 to 70 depending on the bargaining unit.

Marital status —70% of the future retirees will have a covered spouse at retirement with females 3 years younger than males; actual spouse data used for retirees.

Mortality —2010 Public General Employees and Healthy Retirees, Headcount weighted.

Health insurance premiums —2022 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Probability of accepting benefits —Based on the historical participation rate, a probability rate of accepting benefits of 100% was utilized.

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Discount Rate. The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members. There is no cross-over point.

Changes in the Net OPEB Asset

The components of the change in the net OPEB asset are summarized as following:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at December 31, 2021	\$ 4,413,106	\$ 6,951,085	\$ (2,537,979)
Changes for the year:			
Service cost	19,382	-	19,382
Interest	312,879	-	312,879
Differences between expected and actual experience	(31,397)	-	(31,397)
Change in assumptions	135,440	-	135,440
Net investment income	-	(729,217)	729,217
Benefit payments, including refunds	(351,258)	(351,258)	-
Administrative expenses	-	(11,219)	11,219
Net changes	85,046	(1,091,694)	1,176,740
Balances at December 31, 2022	\$ 4,498,152	\$ 5,859,391	\$ (1,361,239)

Changes in Assumptions. In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return and discount rate from 7.35% to 7.00%.

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Sensitivity of the Net OPEB Asset to Changes in the Discount Rate. The following presents the net OPEB asset of the Road Commission, calculated using the discount rate of 7.00%, as well as what the Road Commission's net OPEB asset would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ (927,452)	\$ (1,361,239)	\$ (1,728,725)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB asset of the Road Commission, calculated using the long-term healthcare cost trend rate of 7.50 percent trending down to an eventual rate of 4.5 percent, as well as what the Road Commission's net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower (6.50-3.5%) or 1% higher (8.50-5.50%) than the current rate:

1% Decrease (6.50-3.50%)	Current Healthcare Cost Trend Rate (7.50-4.50%)	1% Increase (8.50 -5.50%)
\$ (1,627,507)	\$ (1,361,239)	\$ (1,046,865)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended December 31, 2022, the Road Commission recognized OPEB expense of \$42,480. The Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience actual experience	\$ -	\$ 53,109	\$ (53,109)
Changes in assumptions	73,312	10,396	62,916
Net difference between projected and actual earnings on OPEB plan investments	531,647	-	531,647
Total	\$ 604,959	\$ 63,505	\$ 541,454

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Amounts reported as deferred outflows/inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31,	Amount
2023	\$ 35,981
2024	100,860
2025	159,252
2026	<u>245,361</u>
Total	<u><u>\$ 541,454</u></u>

Payable to the OPEB Plan. At December 31, 2022, the Road Commission did not have any contributions payable to the OPEB plan.

10. RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the Road Commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for Road Commissions. Clinton County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage. The agreement for formation of the MCRCSIP provides that MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

The Road Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

11. FEDERAL FUNDING

The Road Commission is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Because the Road Commission expended less than \$750,000 in directly administered federal awards, no single audit was required for the year ended December 31, 2022.

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12. CONTINGENCIES

The Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures that may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Road Commission. Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

13. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2022, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated	\$ 20,216,538
Capital assets being depreciated, net	67,346,954
	<u>87,563,492</u>
Related debt:	
Due within one year	645,000
Due in more than one year	17,355,000
Net premium	1,209,814
Unexpended bond proceeds	(11,373,276)
Accrued interest payable on bonds	116,075
Capital related payables and retainage	613,566
Leases payable	64,943
	<u>8,631,122</u>
Net investment in capital assets	<u><u>\$ 78,932,370</u></u>

14. CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The pandemic has resulted in operational challenges for the Road Commission as it determines the impact on employees, vendors, and taxpayers, and the appropriate method for providing services. At this time, management does not believe that any ongoing negative financial impact related to the pandemic, if any, would be material to the Road Commission.



REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios

	Plan Year Ended December 31,			
	2021	2020	2019	2018
Total pension liability				
Service cost	\$ 221,163	\$ 237,627	\$ 244,971	\$ 247,551
Interest	1,786,618	1,772,947	1,768,955	1,756,766
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	215,640	(875,893)	(164,889)	(437,446)
Changes of assumptions	899,394	507,137	764,081	-
Benefit payments, including refunds of employee contributions	(1,532,293)	(1,375,124)	(1,411,125)	(1,415,332)
Net change in total pension liability	1,590,522	266,694	1,201,993	151,539
Total pension liability, beginning of year	24,163,697	23,897,003	22,695,010	22,543,471
Total pension liability, end of year	25,754,219	24,163,697	23,897,003	22,695,010
Plan fiduciary net position				
Employer contributions	2,286,927	2,117,969	2,063,265	1,423,552
Employee contributions	57,818	66,464	73,125	74,346
Net investment income (loss)	2,774,390	2,545,898	1,961,870	(580,769)
Benefit payments, including refunds of employee contributions	(1,532,293)	(1,375,124)	(1,411,125)	(1,415,332)
Administrative expense	(32,744)	(34,498)	(33,829)	(28,517)
Net change in plan fiduciary net position	3,554,098	3,320,709	2,653,306	(526,720)
Plan fiduciary net position, beginning of year	20,072,042	16,751,333	14,098,027	14,624,747
Plan fiduciary net position, end of year	23,626,140	20,072,042	16,751,333	14,098,027
Commission's net pension liability	<u>\$ 2,128,079</u>	<u>\$ 4,091,655</u>	<u>\$ 7,145,670</u>	<u>\$ 8,596,983</u>
Plan fiduciary net position as a percentage of total pension liability	91.7%	83.1%	70.1%	62.1%
Covered payroll	\$ 2,678,629	\$ 2,518,091	\$ 2,447,098	\$ 2,461,222
Commission's net pension liability as a percentage of covered payroll	79.4%	162.5%	292.0%	349.3%

See notes to required supplementary information.

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Plan Year Ended December 31,			
2017	2016	2015	2014
\$ 241,667	\$ 230,086	\$ 228,933	\$ 232,992
1,685,641	1,617,574	1,551,089	1,502,255
-	(11,207)	-	-
350,651	338,844	(123,747)	-
-	-	984,607	-
(1,368,359)	(1,292,102)	(1,153,611)	(1,129,007)
909,600	883,195	1,487,271	606,240
21,633,871	20,750,676	19,263,405	18,657,165
22,543,471	21,633,871	20,750,676	19,263,405
1,384,213	1,228,855	708,544	657,574
80,104	71,885	59,105	64,053
1,710,080	1,319,203	(177,715)	737,953
(1,368,359)	(1,292,102)	(1,153,611)	(1,129,007)
(27,020)	(26,025)	(26,202)	(27,008)
1,779,018	1,301,816	(589,879)	303,565
12,845,729	11,543,913	12,133,792	11,830,227
14,624,747	12,845,729	11,543,913	12,133,792
\$ 7,918,724	\$ 8,788,142	\$ 9,206,763	\$ 7,129,613
64.9%	59.4%	55.6%	63.0%
\$ 2,353,336	\$ 2,273,963	\$ 2,169,911	\$ 2,176,821
336.5%	386.5%	424.3%	327.5%

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2022	\$ 1,078,165	\$ 2,278,165	\$ (1,200,000)	\$ 2,534,229	89.9%
2021	1,085,911	2,286,927	(1,201,016)	2,678,629	85.4%
2020	914,082	2,117,969	(1,203,887)	2,562,858	82.6%
2019	863,265	2,063,265	(1,200,000)	2,526,434	81.7%
2018	823,388	1,423,552	(600,164)	2,476,656	57.5%
2017	695,686	1,384,213	(688,527)	2,473,945	120.6%
2016	560,950	1,228,855	(667,905)	2,169,911	56.6%
2015	510,638	708,544	(197,906)	2,176,821	32.5%

See notes to required supplementary information.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Required Supplementary Information

Retired Employees' Healthcare Plan

Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios

	Year Ended December 31,		
	2022	2021	2020
Total OPEB liability			
Service cost	\$ 19,382	\$ 33,564	\$ 20,044
Interest	312,879	334,284	284,060
Differences between expected and actual experience	(31,397)	(236,742)	562,951
Changes in assumptions	135,440	(68,154)	(32,884)
Benefit payments	(351,258)	(328,736)	(318,288)
Net change in total OPEB liability	85,046	(265,784)	515,883
Total OPEB liability, beginning of year	4,413,106	4,678,890	4,163,007
Total OPEB liability, end of year	4,498,152	4,413,106	4,678,890
Plan fiduciary net position			
Employer contributions:			
OPEB Trust fund	-	-	-
Pay-as-you-go	-	-	318,288
Net investment income (loss)	(729,217)	899,914	750,004
Benefit payments	(351,258)	(328,736)	(318,288)
Administrative expenses	(11,219)	(12,472)	(10,141)
Net change in plan fiduciary net position	(1,091,694)	558,706	739,863
Plan fiduciary net position, beginning of year	6,951,085	6,392,379	5,652,516
Plan fiduciary net position, end of year	5,859,391	6,951,085	6,392,379
Net OPEB (asset) liability	<u>\$ (1,361,239)</u>	<u>\$ (2,537,979)</u>	<u>\$ (1,713,489)</u>
Plan fiduciary net position as a percentage of total OPEB liability	130.3%	157.5%	136.6%
Covered-employee payroll	\$ 2,950,421	\$ 3,029,053	\$ 2,819,634
Road Commission's net OPEB liability as a percentage of covered-employee payroll	-46.1%	-83.8%	-60.8%

See notes to required supplementary information.

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Year Ended December 31,		
2019	2018	2017

\$ 41,071	\$ 41,856	\$ 38,845
371,303	374,600	373,280

(1,041,662)	(44,358)	(151,195)
228,426	(35,384)	154,004
(372,147)	(384,788)	(417,015)

(773,009)	(48,074)	(2,081)
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4,936,016	4,984,090	4,986,171
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4,163,007	4,936,016	4,984,090
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-	600,000	900,000
372,147	384,788	417,015
673,757	(191,169)	463,930
(372,147)	(384,788)	(417,015)
(9,600)	(11,872)	(8,930)

664,157	396,959	1,355,000
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4,988,359	4,591,400	3,236,400
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5,652,516	4,988,359	4,591,400
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\$ (1,489,509)	\$ (52,343)	\$ 392,690
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135.8%	101.1%	92.1%
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\$ 2,834,156	\$ 2,675,500	Not available
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-52.6%	-2.0%	Not available
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CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Required Supplementary Information

Retired Employees' Healthcare Plan
Schedule of Contributions

Year Ended December 31,	Actuarial Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency (Excess)	Covered- employee Payroll	Contributions as Percentage of Covered- employee Payroll
2022	\$ -	\$ -	\$ -	\$ 2,950,421	0.0%
2021	-	-	-	3,029,053	0.0%
2020	-	318,288	(318,288)	2,819,634	11.3%
2019	44,254	372,147	(327,893)	2,834,156	13.1%
2018	190,040	984,788	(794,748)	2,675,500	36.8%
2017	147,788	1,317,015	(1,169,227)	Not available	Not available

See notes to required supplementary information.

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Required Supplementary Information

Retired Employees' Healthcare Plan
Schedule of Investment Returns

Year Ended December 31,	Money- weighted Rate or Return *
2022	-10.67%
2021	14.09%
2020	13.28%
2019	-12.66%
2018	-3.99%
2017	7.75%

* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

See notes to required supplementary information.

Clinton County Road Commission

(a Component Unit of Clinton County, Michigan)

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

GASB 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Changes in Assumptions

In 2015, there was an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses, was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

In 2019, there was a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2020, a 5-year experience study analyzing experience from 2013 through 2018 was completed. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation.

In 2021, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 24 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2021, based on the 12/31/2019 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	13-17 years
Asset valuation method	5-year smooth market
Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	7.35%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%, the RP-2014 Employee Mortality Tables, and the RP-2014 Juvenile Mortality Tables

Clinton County Road Commission

(a Component Unit of Clinton County, Michigan)

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Retired Employees' Healthcare Plan

GASB 75 was implemented in fiscal year 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Notes to Schedule of Contributions

Valuation Date December 31, 2022

Methods and assumptions used to determine contribution rates for the current year:

Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	8 years
Asset valuation method	Market value
Inflation	Implicit in expected payroll increases
Salary increases	3.00%, including inflation
Investment rate of return	7.00%, net of OPEB plan investment expense, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Health care trend rates	Pre-Medicare, 7.5% graded down to 4.5% by 0.25% per year; Post-Medicare, 5.75% graded down to 4.5% by 0.25% per year; Dental and Vision, 3.0%
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs
Other information	There were no benefit changes during the year

Changes in Assumptions

In 2017, trend rates were updated from 7.50% to 5.00% over 5 years to 8.00% graded down 0.50% per year for 6 years to 5.0% for pre-65 and 5.00% in all years for post-65, mortality tables were updated, and the discount rate and return on assets changed from 6.00% to 7.75%.

In 2018, trend rates were updated from 8.00% graded down 0.50% over 6 years and mortality tables were updated from IRC 1.430(h) table to RPH 2014 table with MP-2018 improvement.

In 2019, there was an adjustment to the mortality table to reflect longer lifetimes, the salary scale changed from 4.5% to 3.5% and the discount rate was lowered from 7.75% to 7.35%.

In 2020, the mortality table projection was updated from MP-2018 to MP-2020.

In 2021, the Mortality Improvement Scale was updated from MP-2020 to MP-2021, trend rates were updated to the rates prescribed by Public Act 202 for 2021, and the salary scale was updated from 3.50% to 3.00%.

In 2022, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return and discount rate from 7.35% to 7.00%.

GENERAL OPERATING FUND SCHEDULES

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Schedule of Revenues

General Operating Fund

For the Year Ended December 31, 2022

	Primary Roads	Local Roads	County Road Commission	Totals
Revenues				
Intergovernmental:				
Federal:				
Motor Vehicle Highway Funds:				
Surface transportation program	\$ 1,670,651	\$ -	\$ -	\$ 1,670,651
Critical bridge	4,258	-	-	4,258
Other	(175,428)	-	-	(175,428)
	<u>1,499,481</u>	<u>-</u>	<u>-</u>	<u>1,499,481</u>
State:				
Motor Vehicle Highway Funds:				
Engineering	6,601	3,399	-	10,000
Urban road	869,979	355,464	-	1,225,443
Primary road	7,487,654	-	-	7,487,654
Local road	-	3,855,144	-	3,855,144
Economic development	240,563	-	-	240,563
	<u>8,604,797</u>	<u>4,214,007</u>	<u>-</u>	<u>12,818,804</u>
Local:				
Township contributions	-	3,350,669	-	3,350,669
Total intergovernmental	<u>10,104,278</u>	<u>7,564,676</u>	<u>-</u>	<u>17,668,954</u>
Charges for services:				
State trunkline:				
Maintenance	-	-	1,192,696	1,192,696
Non-maintenance	-	-	333,486	333,486
Salvage sales	-	-	21,199	21,199
Other	-	-	659,112	659,112
	<u>-</u>	<u>-</u>	<u>2,206,493</u>	<u>2,206,493</u>
Licenses and permits:				
Permits	-	-	80,505	80,505
Interest and rentals:				
Interest	218,750	39,650	31,328	289,728
Rentals	-	-	19,457	19,457
	<u>218,750</u>	<u>39,650</u>	<u>50,785</u>	<u>309,185</u>
Other:				
Contributions from private sources	-	-	3,012,062	3,012,062
Total revenues	<u>\$ 10,323,028</u>	<u>\$ 7,604,326</u>	<u>\$ 5,349,845</u>	<u>\$ 23,277,199</u>

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Schedule of Expenditures

General Operating Fund

For the Year Ended December 31, 2022

	Primary Roads	Local Roads	County Road Commission	Totals
Expenditures				
Primary road:				
Construction	\$ (22,183)	\$ -	\$ -	\$ (22,183)
Preservation - structural improvements	7,463,761	-	-	7,463,761
Routine and preventative maintenance	4,043,755	-	-	4,043,755
Total primary road	<u>11,485,333</u>	<u>-</u>	<u>-</u>	<u>11,485,333</u>
Local road:				
Preservation - structural improvements	-	1,232,841	-	1,232,841
Routine and preventative maintenance	-	6,995,038	-	6,995,038
Total local road	<u>-</u>	<u>8,227,879</u>	<u>-</u>	<u>8,227,879</u>
State trunkline:				
Maintenance	-	-	1,065,133	1,065,133
Non-maintenance	-	-	333,485	333,485
Total state trunkline	<u>-</u>	<u>-</u>	<u>1,398,618</u>	<u>1,398,618</u>
Administrative expense, net	<u>459,004</u>	<u>328,825</u>	<u>-</u>	<u>787,829</u>
Equipment expense, net	<u>(3,399)</u>	<u>(6,614)</u>	<u>4,969</u>	<u>(5,044)</u>
Drains at large:				
Drain assessment	<u>-</u>	<u>-</u>	<u>56,695</u>	<u>56,695</u>
Other:				
Lease principal	-	-	61,993	61,993
Interest charges	-	-	694,607	694,607
Non-road projects	-	-	1,002,342	1,002,342
Total other	<u>-</u>	<u>-</u>	<u>1,758,942</u>	<u>1,758,942</u>
Capital outlay, net	<u>-</u>	<u>-</u>	<u>9,061,198</u>	<u>9,061,198</u>
Total expenditures	<u>\$ 11,940,938</u>	<u>\$ 8,550,090</u>	<u>\$ 12,280,422</u>	<u>\$ 32,771,450</u>

CLINTON COUNTY ROAD COMMISSION
(a Component Unit of Clinton County, Michigan)

Schedule of Changes in Fund Balances

General Operating Fund

For the Year Ended December 31, 2022

	Primary Roads	Local Roads	County Road Commission	Totals
Total revenues	\$ 10,323,028	\$ 7,604,326	\$ 5,349,845	\$ 23,277,199
Total expenditures	11,940,938	8,550,090	12,280,422	32,771,450
Revenues over (under) expenditures	(1,617,910)	(945,764)	(6,930,577)	(9,494,251)
Other Financing Sources				
Proceeds from issuance of bonds	-	-	18,000,000	18,000,000
Premium on issuance of bonds	-	-	1,209,814	1,209,814
Proceeds from sales of capital assets	-	-	21,978	21,978
Total other financing sources	-	-	19,231,792	19,231,792
Net change in fund balances	(1,617,910)	(945,764)	12,301,215	9,737,541
Fund balances, beginning of year	5,518,455	1,000,232	790,352	7,309,039
Fund balances, end of year	<u>\$ 3,900,545</u>	<u>\$ 54,468</u>	<u>\$ 13,091,567</u>	<u>\$ 17,046,580</u>

INTERNAL CONTROL AND COMPLIANCE

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

April 28, 2023

Members of the Board of County
Road Commissioners
Clinton County Road Commission
St. Johns, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated April 28, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Road Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses, as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Road Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Clinton County Road Commission's Response to Findings

The Road Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Road Commission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style.

CLINTON COUNTY ROAD COMMISSION

(a Component Unit of Clinton County, Michigan)

Schedule of Findings and Responses

For the Year Ended December 31, 2022

2022-001 – Material Audit Adjustments (Repeat)

Finding Type. Material Weakness in Internal Control over Financial Reporting

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. We identified audit adjustments (which were approved and posted by management) to adjust the Road Commission's accounting records to reach proper year-end balances.

Cause. This condition was the result of internal controls not detecting all adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the Road Commission's accounting records were initially misstated by amounts material to the financial statements. Specifically, the following areas were misstated:

- Accounts payable and related professional fees expenses in the general fund were understated by \$613,566 due to the Road Commission not accruing retainage payable relating to the new facility construction project at year-end. This error also resulted in governmental activities capital assets being initially understated by the same amount.
- Accrued liabilities and related interest expense in governmental activities were understated by \$116,075 due to the Road Commission not accruing interest on the bonds payable at year-end.
- General fund accounts receivable was overstated by \$552,695, related revenue overstated by \$58,855, and beginning fund balance was overstated by 493,840 due to adjustments with State of Michigan road projects.

Recommendation. Management has already taken appropriate corrective action by posting correcting journal entries.

View of Responsible Officials. We agree with the finding. Management going forward will accrue the retainage payable relating to the new facility construction project monthly with each pay app. The related interest expense for the bond payable will be posted at year end according to the provided schedule. Lastly, the State of Michigan road projects will be reconciled annually with MDOT's Project Accounting department, regardless of whether the project is complete or not. The managements spreadsheets used for tracking the federal aid project payments and vouchers have also been revised to be more detailed, specifying any max revenue not to exceed amounts if applicable. The State of MI contracts, along with any revisions if relevant, will be provided to the auditor for accuracy and review.



CLINTON COUNTY ROAD COMMISSION

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2022

Finding 2021-001 – Material Audit Adjustment

The audit identified the need for a material adjustment to the Road Commission's accounting records, related to a capital project, which had a material effect on the financial statements. This matter has been repeated as item 2022-001.

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