

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



Year Ended
December 31, 2023

Financial
Statements and
Supplementary
Information

Rehmann

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CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

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INDEPENDENT AUDITORS' REPORT

April 19, 2024

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, 2023, 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, 2023, 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 Opinions

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 general 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 general operating fund 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 19, 2024, 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 "Rehmann Johnson 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, 2023. 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 \$91,761,127 at the end of the 2023 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/amortization 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.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

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.

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

	2023	2022
Assets		
Current and other assets	\$ 14,454,647	\$ 20,793,891
Capital assets, net	<u>99,289,633</u>	<u>87,563,492</u>
Total assets	<u>113,744,280</u>	<u>108,357,383</u>
Deferred outflows of resources	<u>5,526,008</u>	<u>3,888,444</u>
Liabilities		
Current and other liabilities	2,880,348	2,502,147
Long-term liabilities	<u>24,286,354</u>	<u>21,939,329</u>
Total liabilities	<u>27,166,702</u>	<u>24,441,476</u>
Deferred inflows of resources	<u>342,459</u>	<u>2,048,876</u>
Net position		
Net investment in capital assets	80,674,143	78,932,370
Restricted	10,599,919	17,230,982
Unrestricted (deficit)	<u>487,065</u>	<u>(10,407,877)</u>
Total net position	<u>\$ 91,761,127</u>	<u>\$ 85,755,475</u>

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Management's Discussion and Analysis

Condensed Statements of Activities

	2023	2022
Revenues		
Program revenues:		
Charges for services	\$ 2,006,379	\$ 2,308,314
Operating grants and contributions	15,134,217	15,964,623
Capital grants and contributions	6,429,713	5,025,578
Total revenues	<u>23,570,309</u>	<u>23,298,515</u>
Expenses		
Public works	16,994,967	17,086,825
Interest expense	569,690	810,682
Total expenses	<u>17,564,657</u>	<u>17,897,507</u>
Change in net position	6,005,652	5,401,008
Net position, beginning of year	<u>85,755,475</u>	<u>80,354,467</u>
Net position, end of year	<u>\$ 91,761,127</u>	<u>\$ 85,755,475</u>

Net position increased during the year by \$6,005,652 primarily due to ongoing revenues exceeding ongoing expenses on road projects and additional funding from the State of Michigan. Current and other assets decreased by \$6,339,244 primarily due to spending of bond proceeds. Capital assets increased by \$11,726,141 due to completion of the new Road Commission Facility.

Charges for services decreased by \$301,935 from the prior year primarily due to a decrease in permit fees and less work for others. Operating grants and contributions decreased by \$830,406 from the prior year primarily attributed to the participation in the bridge bundling projects in 2022, but none occurring in 2023. Capital grants and contributions increased by \$1,404,135 from the prior year primarily due to an increase in federal aid projects, including the federal aid buyout program, and more work on local roads.

Total expenses remained relatively consistent from the prior year.

Financial Analysis of the Road Commission's General Operating Fund

For the year ended December 31, 2023, the fund balance of the General Fund decreased by \$7,617,626, as compared to an increase of \$9,737,541 for the prior year. Total revenues and the other financing sources came to \$24,110,808, a decrease of \$18,398,183 as compared to the prior year. Total expenditures amounted to \$31,728,434, a decrease of \$1,043,016 compared to the prior year.

CLINTON COUNTY ROAD COMMISSION

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Management's Discussion and Analysis

While revenues remained relatively flat (increased approximately 1%), other financing sources decreased significantly, a result of the issuance of bonds and the related bond premium in the prior year for \$19,209,814. The significant decrease in fund expenditures was the result of the following:

- Expenditures related to primary road preservation and maintenance decreased by \$3,212,218, primarily as a result of the bridge bundling projects facilitated by MDOT in the preceding year.
- Expenditures related to local road preservation and maintenance increased by \$709,341, due to townships spending more on maintenance of local roads.
- State truckline expenditures decreased by \$360,494, mostly due to less work contracted by MDOT on the State Trunkline.
- Equipment expenditures (net) increased by \$391,279, mainly attributed to inflation and heightened maintenance costs on equipment.
- Expenditures for non-road projects increased by \$443,191 mostly due to the pathway project in DeWitt Township.

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 \$749,500. This increase in estimated revenues was the result of the following significant amendments:

- The budgeted intergovernmental federal sources revenue increased by \$669,000 primarily due to the completion of federal aid projects.
- The budgeted intergovernmental state sources revenue decreased by \$938,500 mainly because grants funds originally designated as state sources were transferred to federal sources.
- The budgeted local sources revenue increased by \$960,000 primarily due to increased funding from townships for improvements on local roads.
- The budgeted charges for services revenue decreased by \$653,000 primarily as a result of less maintenance and non-maintenance work for trunkline.
- The budgeted contributions from private sources revenue increased by \$262,000 primarily as a result of a subdivision road constructed with the ROW deeded to the Road Commission and revenue from Bingham Township for tie into the water main.

CLINTON COUNTY ROAD COMMISSION (A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

During the year, there was an increase in estimated other financing sources between the original and final amended budget of \$122,800. This increase was the result of an increase of \$125,000 in the budgeted proceeds from sales of capital assets.

During the year, there was an increase in estimated expenditures of \$1,719,990. This increase in estimated expenditures was the result of the following significant amendments:

- The budgeted expenditures for primary roads increased by \$530,000 during 2023. The main reason for this increase was higher than anticipated costs for materials and labor for projects.
- The budgeted expenditures for local roads increased by \$4.1 million during 2023. The main reason for this was an increase in project spending by our sixteen township's on their local road projects, including repaving in multiple sub divisions.
- The budgeted net expenditures for equipment (net) increased by \$817,459 during 2023. The was primarily due to heightened overall equipment expenses and supplies, alongside expenses related to the new facility, which had a net impact on equipment.

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 \$1,547,836 (7.05%). This was largely caused by a budget variance of \$1,120,411 for intergovernmental revenues (federal, state and local sources) attributed to the final MTF funds received being higher than anticipated, increased spending by local townships spending on the local roads, and a variance in charges for services of \$395,165 due to increased work for other agencies.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Management's Discussion and Analysis

Capital Assets

As of December 31, 2023 the Road Commission had invested \$99,289,633 in capital assets, net of accumulated depreciation/amortization, as follows:

	Capital Assets (Net of Depreciation/Amortization)	
	2023	2022
Land	\$ 2,033,668	\$ 220,750
Rights of way	2,275,793	2,262,393
Infrastructure - nondepreciable	7,527,648	7,453,917
Construction in progress	-	10,279,478
Buildings and improvements	16,621,133	291,235
Equipment	3,153,965	2,085,722
Leased equipment	313,991	64,808
Infrastructure - depreciable	<u>67,363,435</u>	<u>64,905,189</u>
Governmental activities capital assets, net	<u><u>\$ 99,289,633</u></u>	<u><u>\$ 87,563,492</u></u>

Construction of a new Road Commission main facility accounted for \$6.4 million in current year additions to buildings and improvements. Other additions to capital assets consisted of \$7.2 million in infrastructure improvements.

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

Long-term Debt

The net decrease in the Road Commission's total installment debt is the result of scheduled payments on the bonds.

As of December 31, 2023, the Road Commission had accrued compensated absences of \$584,391 in long-term debt as compared to \$536,493 at December 31, 2022.

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 in remote work due to the coronavirus pandemic and the rising use of electric or hybrid vehicles, the MTF has seen a slight increase, roughly five percent from 2022 to 2023. However, with the growth of electric vehicles and the absence of legislation to address the loss of revenue from EV and hybrid fuel sales taxes, the impacts of this loss is expected to become more significant in the coming years unless measures are taken to recover these funds. Overall, the Road Commission's expenses continue to rise at a faster pace due to inflation and supply chain distributions. Nonetheless, the Road Commission anticipates both revenue and expenses to increase further with availability of more federal aid dollars and additional funding allocated to roads. Participation in the Federal Aid Buyout Program enabled CCRC to obtain federal aid transportation funds from the Surface Transportation Block Grant program by exchanging those federal funds with MDOT for State Transportation dollars. The exchange rate operates at 90 cents per dollar of federal aid programmed to the projects, allowing for more funds to be utilized on the roads compared to the standard 80-20 allocation with a typical federal aid project.

Several factors were considered while preparing the 2024 budget. The 2024 budget includes the initial expenditures and revenue linked to two state-funded projects. These projects have been earmarked by the state and awarded funding to CCRC, involve the reconstruction of DeWitt Road and the Chandler Road reconstruction. The design-build phase for both projects is slated to commence in 2024, with construction likely starting in 2025. The Road Commission is sustaining payments for Other Post Employment Benefits (OPEB) from the OPEB Trust, effectively removing this expense from the general fund. With a decrease in liability attributed to changes in retiree demographics, including retiree dropouts, several retiree deaths, and new retirements, along with some fluctuations in premiums, the plan is now funded at 157%. The 2024 budget also upholds the Road Commission's additional payment of \$1,200,000 toward the Municipal Employees Retirement System pension liability, which currently stands at 82% funded. Overall, the Road Commission remains dedicated to achieving a balance among road/bridge projects, equipment, and facilities. With ongoing needs for road improvements, the Board aims to budget judiciously and fairly, prioritizing the interests 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 Road Commission'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.

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BASIC FINANCIAL STATEMENTS

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Net Position

December 31, 2023

Assets

Cash and investments	\$ 5,494,506
Restricted cash and investments	1,825,454
Receivables	3,883,717
Inventories	994,925
Capital assets not being depreciated/amortized	11,837,109
Capital assets being depreciated/amortized, net	87,452,524
Net other postemployment benefits (OPEB) asset	<u>2,256,045</u>

Total assets 113,744,280

Deferred outflows of resources

Deferred pension amounts	5,216,505
Deferred OPEB amounts	<u>309,503</u>

Total deferred outflows of resources 5,526,008

Liabilities

Accounts payable and accrued liabilities	1,891,732
Deposits	679,430
Advances from other governmental units	309,186
Bonds and other long-term liabilities:	
Due within one year	1,055,173
Due in more than one year	18,333,786
Net pension liability (due in more than one year)	<u>4,897,395</u>

Total liabilities 27,166,702

Deferred inflows of resources

Deferred OPEB amounts	<u>342,459</u>
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Net position

Net investment in capital assets	80,674,143
Restricted for:	
Facility construction	1,825,454
Primary roads	5,217,464
Local roads	1,300,956
OPEB	2,256,045
Unrestricted	<u>487,065</u>

Total net position \$ 91,761,127

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, 2023

Functions / Programs	Expenses	Program Revenues			Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Public works	\$ 16,994,967	\$ 2,006,379	\$ 15,134,217	\$ 6,429,713	\$ 6,575,342
Interest on debt	569,690	-	-	-	(569,690)
Total governmental activities	<u>\$ 17,564,657</u>	<u>\$ 2,006,379</u>	<u>\$ 15,134,217</u>	<u>\$ 6,429,713</u>	6,005,652
Change in net position					6,005,652
Net position, beginning of year					<u>85,755,475</u>
Net position, end of year					<u>\$ 91,761,127</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, 2023

Assets

Cash and investments	\$ 5,494,506
Restricted cash and investments	1,825,454
Receivables:	
Accounts	78,667
Due from other governmental units:	
Federal/State	3,457,939
Local	347,111
Inventory	<u>994,925</u>

Total assets \$ 12,198,602

Liabilities

Accounts payable	\$ 1,639,085
Due to State	82,502
Accrued liabilities	59,445
Deposits	679,430
Advances from other governmental units	<u>309,186</u>

Total liabilities 2,769,648

Fund balance

Nonspendable:	
Inventory	994,925
Restricted for:	
Facility construction	1,825,454
Primary roads	4,940,857
Local roads	997,132
Unassigned	<u>670,586</u>

Total fund balance 9,428,954

Total liabilities and fund balance \$ 12,198,602

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, 2023

Fund balance - General Operating Fund **\$ 9,428,954**

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/amortized	11,837,109
Capital assets being depreciated/amortized, net	87,452,524

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

Bonds and other long-term liabilities	(18,804,568)
Accrued interest on bonds and other long-term liabilities	(110,700)
Compensated absences payable	(584,391)

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	(4,897,395)
Deferred outflows related to the net pension liability	5,216,505
Net OPEB asset	2,256,045
Deferred outflows related to the net OPEB asset	309,503
Deferred inflows related to the net OPEB asset	(342,459)

Net position of governmental activities **\$ 91,761,127**

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, 2023

Revenues

Intergovernmental:

Federal sources	\$ 3,375,933
State sources	13,590,986
Local sources	3,755,092
Charges for services	1,868,347
Licenses and permits	63,266
Interest and rentals	582,533
Other	<u>259,386</u>

Total revenues 23,495,543

Expenditures

Current:

Primary road	8,273,115
Local road	8,937,220
State trunkline	1,038,124
Administrative, net	980,638
Equipment, net	386,235
Drains at-large	54,696
Non-road projects	1,445,533
Capital outlay, net	9,180,773
Debt service:	
Principal	750,674
Interest charges	<u>681,426</u>

Total expenditures 31,728,434

Revenues under expenditures (8,232,891)

Other financing sources

Proceeds from issuance of bonds and other long-term liabilities	386,847
Proceeds from sales of capital assets	<u>228,418</u>

Total other financing sources 615,265

Net change in fund balance (7,617,626)

Fund balance, beginning of year 17,046,580

Fund balance, end of year \$ 9,428,954

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, 2023

Net change in fund balance - General Operating Fund \$ (7,617,626)

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/amortization expense.

Capital assets purchased or constructed	17,743,907
Depreciation/amortization expense	(5,864,114)
Gain on sale of capital assets	74,766
Proceeds from sale of capital assets	(228,418)

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 bonds and other long-term liabilities	750,674
Issuance of bonds and other long-term liabilities	(386,847)
Change in accrued interest payable	51,245
Amortization of bond premium	60,491

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	(47,898)
Change in net pension liability and related deferred amounts	1,149,075
Change in net OPEB asset and related deferred amounts	320,397

Change in net position of governmental activities \$ 6,005,652

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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal sources:				
Surface Transportation Program	\$ 2,000,000	\$ 2,672,000	\$ 2,674,607	\$ 2,607
Critical bridge	-	-	14	14
Other	678,000	675,000	701,312	26,312
	<u>2,678,000</u>	<u>3,347,000</u>	<u>3,375,933</u>	<u>28,933</u>
State sources				
Motor vehicle highway funds:				
Engineering	10,000	10,000	10,000	-
Urban road	1,285,000	1,235,000	1,297,475	62,475
Primary road	7,350,100	7,287,600	7,840,232	552,632
Local road	3,750,000	3,670,000	4,063,958	393,958
Other	342,000	340,000	346,500	6,500
Economic development	776,000	32,000	32,821	821
	<u>13,513,100</u>	<u>12,574,600</u>	<u>13,590,986</u>	<u>1,016,386</u>
Local sources:				
Township contributions	2,720,000	3,680,000	3,755,092	75,092
	<u>18,911,100</u>	<u>19,601,600</u>	<u>20,722,011</u>	<u>1,120,411</u>
Charges for services:				
State trunkline:				
Maintenance	1,225,000	736,065	788,871	52,806
Non-maintenance	100,000	170,000	174,437	4,437
Salvage sales	5,000	8,500	35,232	26,732
Other	771,100	533,535	869,807	336,272
	<u>2,101,100</u>	<u>1,448,100</u>	<u>1,868,347</u>	<u>420,247</u>
Permits	87,500	57,500	63,266	5,766
Interest and rentals:				
Interest	75,000	555,000	567,226	12,226
Rentals	10,507	10,507	15,307	4,800
	<u>85,507</u>	<u>565,507</u>	<u>582,533</u>	<u>17,026</u>
Other:				
Contributions from private sources	13,000	275,000	259,386	(15,614)
Total revenues	<u>21,198,207</u>	<u>21,947,707</u>	<u>23,495,543</u>	<u>1,547,836</u>
Other financing sources				
Proceeds from issuance of bonds and other long-term liabilities	389,000	386,800	386,847	47
Proceeds from sales of capital assets	75,000	200,000	228,418	28,418
Total other financing sources	<u>464,000</u>	<u>586,800</u>	<u>615,265</u>	<u>28,465</u>
Total revenues and other financing sources	<u>21,662,207</u>	<u>22,534,507</u>	<u>24,110,808</u>	<u>1,576,301</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, 2023

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
Primary road:				
Preservation - structural improvements	\$ 5,560,000	\$ 4,785,000	\$ 4,750,804	\$ (34,196)
Routine and preventative maintenance	3,172,000	4,477,000	3,522,311	(954,689)
Total primary road	8,732,000	9,262,000	8,273,115	(988,885)
Local road:				
Construction	-	180,000	176,509	(3,491)
Preservation - structural improvements	1,505,000	2,488,000	2,318,651	(169,349)
Routine and preventative maintenance	4,520,000	7,495,000	6,442,060	(1,052,940)
Total local roads	6,025,000	10,163,000	8,937,220	(1,225,780)
State trunkline:				
Maintenance	1,225,250	905,250	863,686	(41,564)
Non-maintenance	100,000	190,000	174,438	(15,562)
Total state trunkline	1,325,250	1,095,250	1,038,124	(57,126)
Administrative, net:				
Administration	485,730	1,014,062	1,083,925	69,863
Less:				
Handling charges	-	-	(466)	(466)
Overhead - state	-	-	(94,298)	(94,298)
Purchase discount	-	-	(3,975)	(3,975)
Other	-	-	(4,548)	(4,548)
Total administrative, net	485,730	1,014,062	980,638	(33,424)
Equipment, net:				
Direct	1,700,000	2,100,000	1,717,851	(382,149)
Indirect	655,041	1,130,000	1,125,088	(4,912)
Operating	510,000	452,500	424,455	(28,045)
Less: equipment rental	(2,900,000)	(2,900,000)	(2,881,159)	18,841
Total equipment, net	(34,959)	782,500	386,235	(396,265)
Drains at-large:				
Drain assessment	55,000	55,000	54,696	(304)
Other:				
Non-road projects	1,360,000	1,543,300	1,445,533	(97,767)
Capital outlay, net:				
Capital outlay	10,541,000	10,976,966	10,497,940	(479,026)
Less:				
Equipment retirements	(5,000)	(151,925)	(153,652)	(1,727)
Depreciation/amortization and depletion	(1,300,000)	(1,500,000)	(1,163,515)	336,485
Total capital outlay, net	9,236,000	9,325,041	9,180,773	(144,268)
Debt service:				
Principal	667,000	754,000	750,674	(3,326)
Interest charges	742,825	682,575	681,426	(1,149)
Total debt service:	1,409,825	1,436,575	1,432,100	(4,475)
Distributive expenditures:				
Fringe benefits	3,636,550	-	-	-
Other	726,342	-	-	-
Total distributive expenditures:	4,362,892	-	-	-
Total expenditures	32,956,738	34,676,728	31,728,434	(2,948,294)
Net change in fund balance	(11,294,531)	(12,142,221)	(7,617,626)	4,524,595
Fund balance, beginning of year	17,046,580	17,046,580	17,046,580	-
Fund balance, end of year	\$ 5,752,049	\$ 4,904,359	\$ 9,428,954	\$ 4,524,595

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, 2023

Assets

Investments:

MERS total market portfolio \$ 6,263,483

Liabilities

Accounts payable 77,035

Net position restricted for

Other postemployment benefits \$ 6,186,448

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, 2023

Additions

Investment earnings	<u>\$ 665,999</u>
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Deductions

Benefits payments	326,952
Administrative expense	<u>11,990</u>

Total deductions

338,942

Change in fiduciary net position

327,057

Net position, beginning of year

5,859,391

Net position, end of year

\$ 6,186,448

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.

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.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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.

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.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Notes to Financial Statements

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 change 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 assets 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.

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.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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.

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.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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 assets 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 OPEB asset. The 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.

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.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

At December 31, 2023, the Road Commission’s cash and investments were comprised of the following:

Statement of Net Position

Cash and investments	\$ 5,494,506
Restricted cash and investments	1,825,454

Statement of Fiduciary Net Position

Investments	<u>6,263,483</u>
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Total	<u><u>\$ 13,583,443</u></u>
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Checking and savings accounts	\$ 1,792,285
Investments	11,791,058
Petty cash	<u>100</u>

Total	<u><u>\$ 13,583,443</u></u>
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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.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

The Road Commission chooses to disclose its investments by specifically identifying each. As of December 31, 2023, the Road Commission had the following investments:

Investment	Maturity	Amortized	Rating
Michigan Cooperative Liquid Assets Securities System	Various	\$ 5,527,575	AAAm (S&P)
MERS RHFV total market portfolio	N/A	<u>6,263,483</u>	N/A
Total investments		<u>\$ 11,791,058</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.

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, 2023, \$1,765,391 of the Road Commission's bank balance of \$2,015,391 (book amount of \$1,792,285) 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.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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, 2023, 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.

3. RECEIVABLES

At December 31, 2023, the Road Commission's receivables consisted of the following:

Accounts	\$	78,667
Due from other governmental units:		
Federal/State		3,457,939
Local		<u>347,111</u>
Total	\$	<u><u>3,883,717</u></u>

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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/amortized:					
Land	\$ 220,750	\$ 1,886,649	\$ -	\$ -	\$ 2,107,399
Rights of way	2,262,393	13,400	-	-	2,275,793
Infrastructure - land improvements	7,453,917	-	-	-	7,453,917
Construction in progress	10,279,478	-	-	(10,279,478)	-
	<u>20,216,538</u>	<u>1,900,049</u>	<u>-</u>	<u>(10,279,478)</u>	<u>11,837,109</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	2,069,003	6,372,797	(1,429,570)	10,279,478	17,291,708
Road equipment	10,254,717	521,839	(531,115)	-	10,245,441
Leased equipment (Note 7)	126,936	386,847	(89,560)	-	424,223
Shop equipment	154,240	539,328	(117,135)	-	576,433
Office equipment	179,547	258,857	(56,280)	-	382,124
Engineers' equipment	61,152	8,282	-	-	69,434
Yard and storage	227,416	210,531	-	-	437,947
Land improvements	-	386,542	-	-	386,542
Infrastructure - roads	83,323,979	7,137,278	(6,221,501)	-	84,239,756
Infrastructure - bridges	39,007,453	21,557	-	-	39,029,010
Infrastructure - traffic signals	1,357,033	-	-	-	1,357,033
Depletable assets	67,448	-	-	-	67,448
	<u>136,828,924</u>	<u>15,843,858</u>	<u>(8,445,161)</u>	<u>10,279,478</u>	<u>154,507,099</u>

continued...

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation/amortization for:					
Buildings and improvements	\$ (1,777,768)	\$ (179,626)	\$ 1,286,819	\$ -	\$ (670,575)
Road equipment	(8,356,133)	(773,590)	527,190	-	(8,602,533)
Leased equipment (Note 7)	(62,128)	(137,664)	89,560	-	(110,232)
Shop equipment	(145,153)	(14,270)	110,159	-	(49,264)
Office equipment	(136,879)	(24,078)	56,280	-	(104,677)
Engineers' equipment	(11,368)	(6,645)	-	-	(18,013)
Yard and storage	(141,817)	(17,716)	-	-	(159,533)
Land improvements	-	(9,936)	-	-	(9,936)
Infrastructure - roads	(37,966,191)	(4,036,622)	6,221,501	-	(35,781,312)
Infrastructure - bridges	(19,754,354)	(628,503)	-	-	(20,382,857)
Infrastructure - traffic signals	(1,062,731)	(35,464)	-	-	(1,098,195)
Depletable assets	(67,448)	-	-	-	(67,448)
	<u>(69,481,970)</u>	<u>(5,864,114)</u>	<u>8,291,509</u>	<u>-</u>	<u>(67,054,575)</u>
Total capital assets being depreciated/amortized, net	<u>67,346,954</u>	<u>9,979,744</u>	<u>(153,652)</u>	<u>10,279,478</u>	<u>87,452,524</u>
Total capital assets, net	<u>\$ 87,563,492</u>	<u>\$ 11,879,793</u>	<u>\$ (153,652)</u>	<u>\$ -</u>	<u>\$ 99,289,633</u>

concluded

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At December 31, 2023, the Road Commission's accounts payable and accrued liabilities were as follows:

Accounts payable	\$ 1,639,085
Due to State	82,502
Accrued liabilities	59,445
Accrued interest payable	<u>110,700</u>
Total	<u>\$ 1,891,732</u>

CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

6. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities 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	\$ -	\$ (645,000)	\$ 17,355,000	\$ 690,000
Bond premium	1,209,814	-	(60,491)	1,149,323	60,491
Leases payable (Note 7)	19,072	386,847	(105,674)	300,245	68,658
Compensated absences	536,493	319,004	(271,106)	584,391	236,024
Total governmental activities	\$ 19,765,379	\$ 705,851	\$ (1,082,271)	\$ 19,388,959	\$ 1,055,173

For the governmental activities, compensated absences are liquidated by the general operating fund.

Bonds payable at December 31, 2023, are as follows:

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.

\$ 17,355,000

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

Year Ended December 31,	Principal	Interest
2024	\$ 690,000	\$ 646,950
2025	710,000	611,950
2026	735,000	575,825
2027	755,000	538,575
2028	780,000	500,200
2029-2033	4,250,000	1,902,375
2034-2038	4,930,000	1,068,700
2039-2042	4,505,000	284,044
	<u>\$ 17,355,000</u>	<u>\$ 6,128,619</u>

**CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

7. LEASES

Lessee - The Road Commission is involved in several agreements as a lessee that qualify as long-term lease agreements. The agreements qualify 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 to 4 years

The right-to-use asset and the related activity are included in Note 4, Capital Assets. The leases payable and related activity are presented in Note 6, Bonds and Other Long-term Liabilities.

The net present value of future minimum payments as of December 31, 2023, were as follows:

Year Ended December 31,	Principal	Interest
2024	\$ 68,658	\$ 17,943
2025	72,761	13,841
2026	77,109	9,493
2027	81,717	4,884
Totals	\$ 300,245	\$ 46,161

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.

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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, 2022 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	<u>41</u>
Total membership	<u><u>112</u></u>

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 \$2,278,165 during the year ended December 31, 2022, including the required contributions of \$1,078,165, while employees contributed \$39,243 to the plan.

Net Pension Liability. The Road Commission's net pension liability was measured as of December 31, 2022, 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, 2022 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, 2022 valuation incorporates fully generation mortality. The base mortality tables used are constructed as described below and are based on 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

CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

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 18-49
- 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

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, 2022 valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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><u>7.25%</u></u>

CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2022 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.

Changes in Net Pension Liability

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

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2021	\$ 25,754,219	\$ 23,626,140	\$ 2,128,079
Changes for the year:			
Service cost	212,342	-	212,342
Interest	1,810,948	-	1,810,948
Differences between expected and actual experience	414,233	-	414,233
Employer contributions	-	2,278,165	(2,278,165)
Employee contributions	-	39,243	(39,243)
Net investment income (loss)	-	(2,605,194)	2,605,194
Benefit payments, including refunds of employee contributions	(1,763,594)	(1,763,594)	-
Administrative expense	-	(44,007)	44,007
Net changes	<u>673,929</u>	<u>(2,095,387)</u>	<u>2,769,316</u>
Balances at December 31, 2022	<u>\$ 26,428,148</u>	<u>\$ 21,530,753</u>	<u>\$ 4,897,395</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of the Road Commission, calculated using the discount rate of 7.25%, as well as what the Road Commission's net pension liability 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%)
\$ 7,857,485	\$ 4,897,395	\$ 2,407,566

CLINTON COUNTY ROAD COMMISSION
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended December 31, 2023, the Road Commission recognized pension expense (benefit) of (\$1,118,752). 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	\$ 418,495	\$ -	\$ 418,495
Changes in assumptions	449,696	-	449,696
Net difference between projected and actual earnings on pension plan investments	2,079,069	-	2,079,069
	<u>2,947,260</u>	<u>-</u>	<u>2,947,260</u>
Contributions subsequent to the measurement date	2,269,245	-	2,269,245
	<u>2,269,245</u>	<u>-</u>	<u>2,269,245</u>
Total	<u>\$ 5,216,505</u>	<u>\$ -</u>	<u>\$ 5,216,505</u>

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, 2024. 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
2024	\$ 595,829
2025	757,102
2026	727,015
2027	<u>867,314</u>
Total	<u>\$ 2,947,260</u>

Payable to the Pension Plan. At December 31, 2023, the Road Commission had no amount payable for contributions to the pension plan.

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Notes to Financial Statements

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

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, 2023, the date of the latest actuarial valuation, Plan membership consisted of the following:

Beneficiaries currently receiving benefit payments	40
Active plan members	<u>17</u>
Total membership	<u><u>57</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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 11.61% 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. 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 Road 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 Road Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2023, 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: 7.25% in 2023 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 5.25% in 2023 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 —Spouses of future retirees are not eligible for OPEB benefits; actual spouse data used for retirees.

Mortality —Public General 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021 improvement.

Health insurance premiums —2024 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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Long-term Expected Rate of Return. The long-term expected rate of return on OPEB 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 OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation 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	<u>20.0%</u>	7.00%	1.40%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Investment rate of return			<u><u>7.00%</u></u>

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.

CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

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, 2022	\$ 4,498,152	\$ 5,859,391	\$ (1,361,239)
Changes for the year:			
Service cost	20,588	-	20,588
Interest	304,869	-	304,869
Differences between expected and actual experience	(593,498)	-	(593,498)
Change in assumptions	27,244	-	27,244
Net investment income (loss)	-	665,999	(665,999)
Benefit payments, including refunds	(326,952)	(326,952)	-
Administrative expenses	-	(11,990)	11,990
Net changes	<u>(567,749)</u>	<u>327,057</u>	<u>(894,806)</u>
Balances at December 31, 2023	<u><u>\$ 3,930,403</u></u>	<u><u>\$ 6,186,448</u></u>	<u><u>\$ (2,256,045)</u></u>

Changes in Assumptions. In 2023, amounts reported as changes of assumptions resulted from a decrease in the assumed healthcare cost trend rate decreasing from 7.50% to 7.25% for Pre-65 and decreasing from 5.75% to 5.25% for Post-65.

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%)
\$ (1,874,000)	\$ (2,256,045)	\$ (2,580,512)

CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

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 7.25 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 (6.25-3.5%) or 1% higher (8.25-5.50%) than the current rate:

1% Decrease (6.25/4.25% decreasing to 3.50%)	Current Healthcare Cost Trend Rates (7.25/5.25% decreasing to 4.50%)	1% Increase (8.25/6.25% decreasing to 5.50%)
\$ (2,516,020)	\$ (2,256,045)	\$ (1,952,361)

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

For the year ended December 31, 2023, the Road Commission recognized OPEB expense (benefit) of (\$320,397). 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	\$ -	\$ 342,459	\$ (342,459)
Changes in assumptions	26,785	-	26,785
Net difference between projected and actual earnings on OPEB plan investments	282,718	-	282,718
Total	<u>\$ 309,503</u>	<u>\$ 342,459</u>	<u>\$ (32,956)</u>

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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
2024	\$ (194,670)
2025	23,435
2026	191,820
2027	<u>(53,541)</u>
Total	<u><u>\$ (32,956)</u></u>

Payable to the OPEB Plan. At December 31, 2023, 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, 2023.

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Notes to Financial Statements

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, 2023, was as follows:

	Governmental Activities
Capital assets:	
Capital assets not being depreciated/amortized	\$ 11,837,109
Capital assets being depreciated/amortized, net	<u>87,452,524</u>
	<u>99,289,633</u>
Related debt:	
Limited Tax Bonds, Series 2022	17,355,000
Bond premium	1,149,323
Unexpended bond proceeds	(1,825,454)
Accrued interest payable on bonds	110,700
Capital related payables and retainage	1,525,676
Leases payable	<u>300,245</u>
	<u>18,615,490</u>
Net investment in capital assets	<u><u>\$ 80,674,143</u></u>



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REQUIRED SUPPLEMENTARY INFORMATION

CLINTON COUNTY ROAD COMMISSION
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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,			
	2022	2021	2020	2019
Total pension liability				
Service cost	\$ 212,342	\$ 221,163	\$ 237,627	\$ 244,971
Interest	1,810,948	1,786,618	1,772,947	1,768,955
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	414,233	215,640	(875,893)	(164,889)
Changes of assumptions	-	899,394	507,137	764,081
Benefit payments, including refunds of employee contributions	(1,763,594)	(1,532,293)	(1,375,124)	(1,411,125)
Net change in total pension liability	673,929	1,590,522	266,694	1,201,993
Total pension liability, beginning of year	25,754,219	24,163,697	23,897,003	22,695,010
Total pension liability, end of year	26,428,148	25,754,219	24,163,697	23,897,003
Plan fiduciary net position				
Employer contributions	2,278,165	2,286,927	2,117,969	2,063,265
Employee contributions	39,243	57,818	66,464	73,125
Net investment income (loss)	(2,605,194)	2,774,390	2,545,898	1,961,870
Benefit payments, including refunds of employee contributions	(1,763,594)	(1,532,293)	(1,375,124)	(1,411,125)
Administrative expense	(44,007)	(32,744)	(34,498)	(33,829)
Net change in plan fiduciary net position	(2,095,387)	3,554,098	3,320,709	2,653,306
Plan fiduciary net position, beginning of year	23,626,140	20,072,042	16,751,333	14,098,027
Plan fiduciary net position, end of year	21,530,753	23,626,140	20,072,042	16,751,333
Commission's net pension liability	\$ 4,897,395	\$ 2,128,079	\$ 4,091,655	\$ 7,145,670
Plan fiduciary net position as a percentage of total pension liability	81.5%	91.7%	83.1%	70.1%
Covered payroll	\$ 2,475,746	\$ 2,678,629	\$ 2,518,091	\$ 2,447,098
Commission's net pension liability as a percentage of covered payroll	197.8%	79.4%	162.5%	292.0%

See notes to required supplementary information.



Plan Year Ended December 31,

2018	2017	2016	2015	2014
\$ 247,551	\$ 241,667	\$ 230,086	\$ 228,933	\$ 232,992
1,756,766	1,685,641	1,617,574	1,551,089	1,502,255
-	-	(11,207)	-	-
(437,446)	350,651	338,844	(123,747)	-
-	-	-	984,607	-
<u>(1,415,332)</u>	<u>(1,368,359)</u>	<u>(1,292,102)</u>	<u>(1,153,611)</u>	<u>(1,129,007)</u>
151,539	909,600	883,195	1,487,271	606,240
<u>22,543,471</u>	<u>21,633,871</u>	<u>20,750,676</u>	<u>19,263,405</u>	<u>18,657,165</u>
<u>22,695,010</u>	<u>22,543,471</u>	<u>21,633,871</u>	<u>20,750,676</u>	<u>19,263,405</u>
1,423,552	1,384,213	1,228,855	708,544	657,574
74,346	80,104	71,885	59,105	64,053
(580,769)	1,710,080	1,319,203	(177,715)	737,953
(1,415,332)	(1,368,359)	(1,292,102)	(1,153,611)	(1,129,007)
<u>(28,517)</u>	<u>(27,020)</u>	<u>(26,025)</u>	<u>(26,202)</u>	<u>(27,008)</u>
(526,720)	1,779,018	1,301,816	(589,879)	303,565
<u>14,624,747</u>	<u>12,845,729</u>	<u>11,543,913</u>	<u>12,133,792</u>	<u>11,830,227</u>
<u>14,098,027</u>	<u>14,624,747</u>	<u>12,845,729</u>	<u>11,543,913</u>	<u>12,133,792</u>
<u>\$ 8,596,983</u>	<u>\$ 7,918,724</u>	<u>\$ 8,788,142</u>	<u>\$ 9,206,763</u>	<u>\$ 7,129,613</u>
62.1%	64.9%	59.4%	55.6%	63.0%
\$ 2,461,222	\$ 2,353,336	\$ 2,273,963	\$ 2,169,911	\$ 2,176,821
349.3%	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
2023	\$ 1,069,245	\$ 2,269,245	\$ (1,200,000)	\$ 2,528,718	89.7%
2022	1,078,165	2,278,165	(1,200,000)	2,475,746	92.0%
2021	1,085,911	2,286,927	(1,201,016)	2,678,629	85.4%
2020	914,082	2,117,969	(1,203,887)	2,518,091	84.1%
2019	863,265	2,063,265	(1,200,000)	2,447,098	84.3%
2018	823,388	1,423,552	(600,164)	2,461,222	57.8%
2017	695,686	1,384,213	(688,527)	2,353,336	120.6%
2016	560,950	1,228,855	(667,905)	2,273,963	54.0%
2015	510,638	708,544	(197,906)	2,169,911	32.7%

See notes to required supplementary information.

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CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

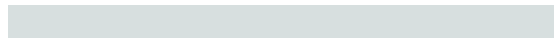
Required Supplementary Information

Retired Employees' Healthcare Plan

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

	Year Ended December 31,			
	2023	2022	2021	2020
Total OPEB liability				
Service cost	\$ 20,588	\$ 19,382	\$ 33,564	\$ 20,044
Interest	304,869	312,879	334,284	284,060
Differences between expected and actual experience	(593,498)	(31,397)	(236,742)	562,951
Changes in assumptions	27,244	135,440	(68,154)	(32,884)
Benefit payments	(326,952)	(351,258)	(328,736)	(318,288)
Net change in total OPEB liability	(567,749)	85,046	(265,784)	515,883
Total OPEB liability, beginning of year	4,498,152	4,413,106	4,678,890	4,163,007
Total OPEB liability, end of year	3,930,403	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)	665,999	(729,217)	899,914	750,004
Benefit payments	(326,952)	(351,258)	(328,736)	(318,288)
Administrative expenses	(11,990)	(11,219)	(12,472)	(10,141)
Net change in plan fiduciary net position	327,057	(1,091,694)	558,706	739,863
Plan fiduciary net position, beginning of year	5,859,391	6,951,085	6,392,379	5,652,516
Plan fiduciary net position, end of year	6,186,448	5,859,391	6,951,085	6,392,379
Net OPEB (asset) liability	<u>\$ (2,256,045)</u>	<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	157.4%	130.3%	157.5%	136.6%
Covered-employee payroll	\$ 1,164,496	\$ 2,950,421	\$ 3,029,053	\$ 2,819,634
Road Commission's net OPEB liability as a percentage of covered-employee payroll	-193.7%	-46.1%	-83.8%	-60.8%

See notes to required supplementary information.



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
<u>(372,147)</u>	<u>(384,788)</u>	<u>(417,015)</u>
(773,009)	(48,074)	(2,081)
<u>4,936,016</u>	<u>4,984,090</u>	<u>4,986,171</u>
<u>4,163,007</u>	<u>4,936,016</u>	<u>4,984,090</u>

-	600,000	900,000
372,147	384,788	417,015
673,757	(191,169)	463,930
<u>(372,147)</u>	<u>(384,788)</u>	<u>(417,015)</u>
<u>(9,600)</u>	<u>(11,872)</u>	<u>(8,930)</u>
664,157	396,959	1,355,000
<u>4,988,359</u>	<u>4,591,400</u>	<u>3,236,400</u>
<u>5,652,516</u>	<u>4,988,359</u>	<u>4,591,400</u>
<u>\$ (1,489,509)</u>	<u>\$ (52,343)</u>	<u>\$ 392,690</u>

135.8%	101.1%	92.1%
\$ 2,834,156	\$ 2,675,500	Not available
-52.6%	-2.0%	Not available

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
2023	\$ -	\$ -	\$ -	\$ 1,164,496	0.0%
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 *
2023	11.61%
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.

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

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%.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Notes to Schedule of Contributions

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

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 (2022, based on the 12/31/2020 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, closed
Remaining amortization period	10-15 years
Asset valuation method	5-year smooth market
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
Normal retirement age	Age 60
Mortality	Pre-Retirement Mortality: 1. 100% of Pub-2010 Juvenile Mortality Tables for Ages; 0-17; 2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80; 3. 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120 Non-Disabled retired plan members and beneficiaries: 1. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17; 2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49; 3. 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120 Disabled retired plan members: 1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17; 2. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Required Supplementary Information

Retired Employees' Healthcare Plan

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

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

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%.

In 2023, amounts reported as changes of assumptions resulted from a decrease in the assumed healthcare cost trend rate decreasing from 7.50% to 7.25% for Pre-65 and decreasing from 5.75% to 5.25% for Post-65.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Required Supplementary Information

Retired Employees' Healthcare Plan

Notes to Schedule of Contributions

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

Valuation Date December 31, 2023

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	7 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	Age 55 with 25 years of service or 60 with 10 years of service
Health care trend rates	Pre-65: 7.25% in 2023 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 5.25% in 2023 graded down 0.25% per year to an ultimate rate of 4.5%; and 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

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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, 2023

	Primary Roads	Local Roads	County Road Commission	Totals
Revenues				
Intergovernmental:				
Federal:				
Motor Vehicle Highway Funds:				
Surface transportation program	\$ 2,674,607	\$ -	\$ -	\$ 2,674,607
Critical bridge	14	-	-	14
Other	701,312	-	-	701,312
	<u>3,375,933</u>	<u>-</u>	<u>-</u>	<u>3,375,933</u>
State:				
Motor Vehicle Highway Funds:				
Engineering	6,586	3,414	-	10,000
Urban road	922,940	374,535	-	1,297,475
Primary road	7,840,232	-	-	7,840,232
Local road	-	4,063,958	-	4,063,958
Other	346,500	-	-	346,500
Economic development	32,821	-	-	32,821
	<u>9,149,079</u>	<u>4,441,907</u>	<u>-</u>	<u>13,590,986</u>
Local:				
Township contributions	-	3,755,092	-	3,755,092
	<u>-</u>	<u>3,755,092</u>	<u>-</u>	<u>3,755,092</u>
Total intergovernmental	<u>12,525,012</u>	<u>8,196,999</u>	<u>-</u>	<u>20,722,011</u>
Charges for services:				
State trunkline:				
Maintenance	-	-	788,871	788,871
Non-maintenance	-	-	174,437	174,437
Salvage sales	-	-	35,232	35,232
Other	-	-	869,807	869,807
	<u>-</u>	<u>-</u>	<u>1,868,347</u>	<u>1,868,347</u>
Licenses and permits:				
Permits	-	-	63,266	63,266
	<u>-</u>	<u>-</u>	<u>63,266</u>	<u>63,266</u>
Interest and rentals:				
Interest	129,790	1,813	435,623	567,226
Rentals	-	-	15,307	15,307
	<u>129,790</u>	<u>1,813</u>	<u>450,930</u>	<u>582,533</u>
Other:				
Contributions from private sources	-	219,886	39,500	259,386
	<u>-</u>	<u>219,886</u>	<u>39,500</u>	<u>259,386</u>
Total revenues	<u>\$ 12,654,802</u>	<u>\$ 8,418,698</u>	<u>\$ 2,422,043</u>	<u>\$ 23,495,543</u>

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Schedule of Expenditures

General Operating Fund

For the Year Ended December 31, 2023

	Primary Roads	Local Roads	County Road Commission	Totals
Expenditures				
Primary road:				
Preservation - structural improvements	\$ 4,750,804	\$ -	\$ -	\$ 4,750,804
Routine and preventative maintenance	3,522,311	-	-	3,522,311
Total primary road	<u>8,273,115</u>	<u>-</u>	<u>-</u>	<u>8,273,115</u>
Local road:				
Construction	-	176,509	-	176,509
Preservation - structural improvements	-	2,318,651	-	2,318,651
Routine and preventative maintenance	-	6,442,060	-	6,442,060
Total local road	<u>-</u>	<u>8,937,220</u>	<u>-</u>	<u>8,937,220</u>
State trunkline:				
Maintenance	-	-	863,686	863,686
Non-maintenance	-	-	174,438	174,438
Total state trunkline	<u>-</u>	<u>-</u>	<u>1,038,124</u>	<u>1,038,124</u>
Administrative expense, net	<u>466,624</u>	<u>504,078</u>	<u>9,936</u>	<u>980,638</u>
Equipment expense, net	<u>98,144</u>	<u>230,912</u>	<u>57,179</u>	<u>386,235</u>
Drains at large:				
Drain assessment	<u>-</u>	<u>-</u>	<u>54,696</u>	<u>54,696</u>
Other:				
Principal	-	-	750,674	750,674
Interest charges	-	-	681,426	681,426
Non-road projects	-	-	1,445,533	1,445,533
Total other	<u>-</u>	<u>-</u>	<u>2,877,633</u>	<u>2,877,633</u>
Capital outlay, net	<u>-</u>	<u>-</u>	<u>9,180,773</u>	<u>9,180,773</u>
Total expenditures	<u><u>\$ 8,837,883</u></u>	<u><u>\$ 9,672,210</u></u>	<u><u>\$ 13,218,341</u></u>	<u><u>\$ 31,728,434</u></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, 2023

	Primary Roads	Local Roads	County Road Commission	Totals
Total revenues	\$ 12,654,802	\$ 8,418,698	\$ 2,422,043	\$ 23,495,543
Total expenditures	8,837,883	9,672,210	13,218,341	31,728,434
Revenues over (under) expenditures	3,816,919	(1,253,512)	(10,796,298)	(8,232,891)
Other Financing Sources (Uses)				
Proceeds from issuance of bonds and other long-term liabilities	-	-	386,847	386,847
Proceeds from sales of capital assets	-	-	228,418	228,418
Optional transfers (out) / in	(2,500,000)	2,500,000	-	-
Total other financing sources	(2,500,000)	2,500,000	615,265	615,265
Net change in fund balances	1,316,919	1,246,488	(10,181,033)	(7,617,626)
Fund balances, beginning of year	3,900,545	54,468	13,091,567	17,046,580
Fund balances, end of year	<u>\$ 5,217,464</u>	<u>\$ 1,300,956</u>	<u>\$ 2,910,534</u>	<u>\$ 9,428,954</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 19, 2024

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, 2023, 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 19, 2024.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.



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

Government Auditing Standards requires the auditor to perform limited procedures on the Road Commission's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Road Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 "Lehman Lohman 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, 2023

2023-001 – Audit Adjustments (Repeat)

Finding Type. Significant Deficiency 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 significant to the financial statements. Specifically, the following areas were misstated:

- Capital assets were initially understated by \$393,548 and capital outlay initially overstated by the same amount in governmental activities. Not all costs related to the construction of the new Road Commission facility had been properly capitalized. Management provided an updated capital asset listing and adjusting journal entry to correct the error.
- Lease payables and debt service expense were both overstated by \$70,385 in governmental activities due to the Road Commission not adjusting lease liabilities at year-end.

Recommendation. We recommend management prepare, review, and reconcile all year-end schedules that are used in the financial reporting prior to audit fieldwork.

View of Responsible Officials. We agree with the finding. Management going forward will ensure that all capital outlay expenditures are recorded to the appropriate account to ensure at year end that capital assets balance to capital expenses. Monthly review and verification of documentation related to capital expenditures will ensure that all eligible costs are properly identified and recorded to correct account(s). Management going forward has added the necessary transfer voucher entry into the year-end checklist for required entries. The checklist will help to prevent overlooking the year-end journal entry in question.



**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2023

Finding 2022-001 – Material Audit Adjustment

The audit identified the need for material adjustments to the Road Commission's accounting records, which had a material effect on the financial statements. This matter was repeated in finding 2023-001.

