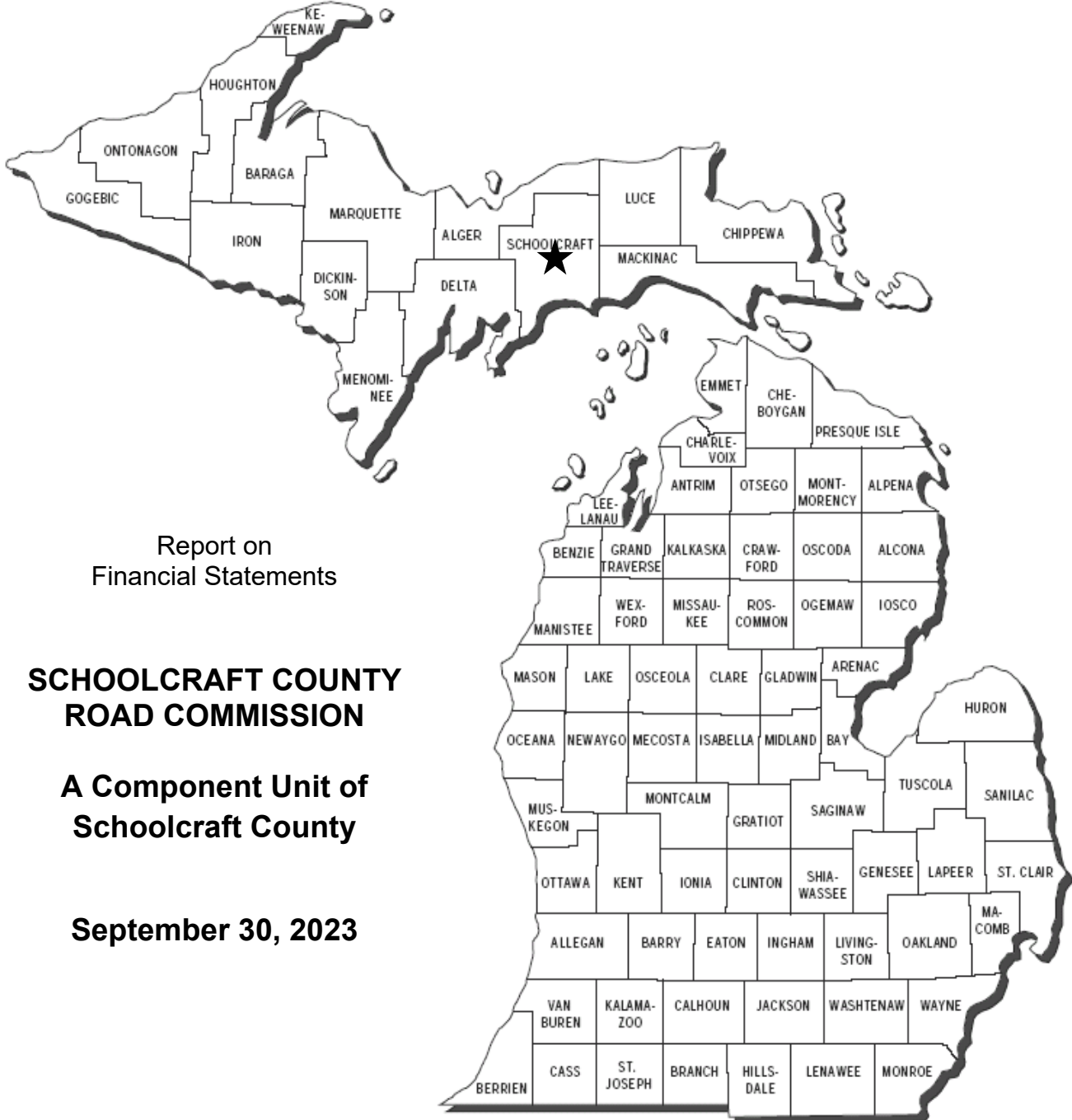


# STATE OF MICHIGAN

Gretchen Whitmer, Governor

## DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on  
Financial Statements

### SCHOOLCRAFT COUNTY ROAD COMMISSION

A Component Unit of  
Schoolcraft County

September 30, 2023

SCHOOLCRAFT COUNTY ROAD COMMISSION

BOARD OF COUNTY ROAD COMMISSIONERS

February 9, 2024

Thomas J. Klarich  
Chairperson

Keith Rochefort  
Vice Chairperson

Robin LaCroix  
Member

Randy Lund  
Member

Dale DuFour  
Member

Jean Vanderville  
Manager

Tanya Hoar  
Finance Director

COUNTY POPULATION--2020  
8,047

STATE EQUALIZED VALUATION--2023  
\$556,744,032



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT

February 9, 2024

Board of County Road Commissioners  
Schoolcraft County Road Commission  
332 N. East Road  
Manistique, Michigan 49854

Report on the Audit of the Financial Statements

*Opinions*

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Schoolcraft County Road Commission, a component unit of Schoolcraft County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Schoolcraft County 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, major fund, and the aggregate remaining fund information of the Schoolcraft County Road Commission, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

We conducted our audit 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Schoolcraft County 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schoolcraft County 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.

*Auditor's Responsibilities for the Audit of the 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 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 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 Schoolcraft County 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Schoolcraft County 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 on pages one through eight, the budgetary comparison information, schedule of changes in the net pension liability, the schedule of pension contributions, the schedule of changes in the net OPEB liability and the schedule of OPEB contributions, in Exhibits I and N, 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 Schoolcraft County Road Commission's basic financial statements. The accompanying supplementary and related information presented in Exhibits O through Q is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates 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 accompanying supplementary and related information

February 9, 2024

presented in Exhibits O through Q is 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 February 9, 2024, on our consideration of the Schoolcraft County Road Commission's internal control over financial reporting and 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 Schoolcraft County 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 Schoolcraft County Road Commission's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Administrator  
Local Audit and Finance Division

SCHOOLCRAFT COUNTY ROAD COMMISSION

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SCHOOLCRAFT COUNTY ROAD COMMISSION

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# SCHOOLCRAFT COUNTY ROAD COMMISSION

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2023

### Using this Annual Report

The Schoolcraft County Road Commission's discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

### Overview of the Financial Statements

This annual report consists of four parts--Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local, and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net position and how it has changed.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements.

### Reporting the Road Commission as a Whole

The Statement of Net Position and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

The two statements mentioned above report the Road Commission's net position and changes in them. The reader can think of the Road Commission's net position (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating.

## SCHOOLCRAFT COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2023

#### Reporting the Road Commission's Major Fund

The fund financial statements begin with Exhibit C and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operating Fund, in which all of the Road Commission's activities are accounted. The General Operating Fund is a governmental fund type.

The governmental fund focuses on how money flows into and out of the Road Commission and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

#### The Road Commission as a Whole

The Road Commission's net position increased \$2,978,047 from \$12,609,650 to \$15,587,697 for the fiscal year ending September 30, 2023. The net position and change in net position are summarized below.

Unrestricted net position, those restricted mainly for Act 51 purposes, increased \$446,414. The net investment in capital assets increased \$2,531,633 from the prior fiscal year. This was primarily due to the capital asset additions of \$3,896,894 being more than the depreciation of \$1,522,747 and no new debt being issued during fiscal year 2023.

SCHOOLCRAFT COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2023

Net position as of the fiscal year ended September 30, 2023, compared to the prior fiscal year end are as follows:

	Governmental Activities 9/30/2022	Governmental Activities 9/30/2023	Variance Increase (Decrease)
<b>Assets</b>			
Current and Other Assets	\$ 7,535,073	\$ 7,088,469	\$ (446,604)
Net Capital Assets	<u>14,875,165</u>	<u>17,249,312</u>	<u>2,374,147</u>
<b>Total Assets</b>	<u>22,410,238</u>	<u>24,337,781</u>	<u>1,927,543</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows--Pension	1,468,446	1,630,464	162,018
Deferred Outflows--OPEB	<u>122,685</u>	<u>43,879</u>	<u>(78,806)</u>
<b>Total Deferred Outflows of Resources</b>	1,591,131	1,674,343	83,212
<b>Liabilities</b>			
Current Liabilities	765,574	290,099	(475,475)
Long-Term Liabilities	<u>9,835,558</u>	<u>9,960,615</u>	<u>125,057</u>
<b>Total Liabilities</b>	<u>10,601,132</u>	<u>10,250,714</u>	<u>(350,418)</u>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows--Pensions	767,191	112,770	(654,421)
Deferred Inflows -- OPEB	<u>23,396</u>	<u>60,943</u>	<u>37,547</u>
<b>Total Deferred Inflows of Resources</b>	790,587	173,713	(616,874)
<b>Net Position</b>			
Net Investment in Capital Assets	14,117,679	16,649,312	2,531,633
Unrestricted	<u>(1,508,029)</u>	<u>(1,061,615)</u>	<u>446,414</u>
<b>Total Net Position</b>	<u>\$ 12,609,650</u>	<u>\$ 15,587,697</u>	<u>\$ 2,978,047</u>

SCHOOLCRAFT COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2023

Changes in Net Position

A summary of changes in net position for the fiscal year ended September 30, 2023, compared to the prior year follows:

	Governmental Activities 2022	Governmental Activities 2023	Increase (Decrease)
Program Revenue			
Licenses and Permits	\$ 8,550	\$ 11,700	\$ 3,150
Federal Grants	826,063	706,101	(119,962)
State Grants	4,499,057	5,113,702	614,645
Charges for Services	2,244,422	2,326,047	81,625
Contributions	159,187	547,171	387,984
Interest & Royalties Earnings	84,746	245,904	161,158
General Revenue			
Gain on Equipment Disposal	43,906	63,149	19,243
Insurance Recoveries	-	23,755	23,755
<b>Total Revenue</b>	<b>7,865,931</b>	<b>9,037,529</b>	<b>1,171,598</b>
Expenses			
Primary Road Maintenance	1,402,069	1,235,433	(166,636)
Local Road Maintenance	983,169	965,524	(17,645)
State Trunkline Maintenance	2,353,825	2,226,125	(127,700)
Net Equipment Expense	(122,091)	197,526	319,617
Net Administrative Expense	498,665	549,988	51,323
Non-Road Project	2,557	(608)	(3,165)
Infrastructure Depreciation	1,172,792	978,831	(193,961)
Compensated Absences	3,317	22,007	18,690
Other Post-Employment Benefits	(327,161)	(191,691)	135,470
Pension Expense	(342,808)	49,724	392,532
Interest Expense	31,046	26,623	(4,423)
<b>Total Expenses</b>	<b>5,655,380</b>	<b>6,059,482</b>	<b>404,102</b>
<b>Change in Net Position</b>	<b>2,210,551</b>	<b>2,978,047</b>	<b>767,496</b>
<b>Ending Net Position</b>	<b>\$12,609,650</b>	<b>\$ 15,587,697</b>	<b>\$ 2,978,047</b>

The total revenue increased by \$1,171,598 from \$7,865,931 in fiscal year 2022 to \$9,037,529 in fiscal year 2023. The most significant variances were increases in State grants in 2023 due to the

## SCHOOLCRAFT COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2023

new bridge project on CR448 over Stutts Creek and increases in contributions from local units for more road projects in fiscal year 2023.

The total expenditures increased by \$404,102 from \$5,655,380 in fiscal year 2022 to \$6,059,482 in fiscal year 2023. The most significant variances in expenses during fiscal year 2023 were increases in net equipment expenses due to major repairs on several pieces of equipment, increases in wages, increase in depreciation for new salt shed and a decrease in equipment rentals caused by milder winter and less road maintenance and an increase in pension expenses due to changes in actuarial assumptions and experience.

We feel that Road Commission revenue and expenditures will always vary from year to year depending on many factors, such as level of State/Federal funding for capitalization projects, level of local contributions for both maintenance and preservation, weather conditions that may require more or less maintenance, and State trunkline maintenance and non-maintenance expenses and revenue which vary from year to year.

#### The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the county which are earmarked by law for road and highway purposes.

For the fiscal year ending September 30, 2023, the fund balance of the General Operations Fund increased by \$326,454 as compared to an increase of \$494,443 in the fund balance for the year ending September 30, 2022. Total revenues and other financing sources were \$10,854,764, an increase of \$2,988,833 compared with the prior fiscal year which amounted to \$7,865,931 at the end of September 30, 2022. The increase is primarily from an increase in state grants and contributions from local units as outlined above and the funds allocated to the Road Commission under the Protecting Michigan Pension grant.

Total expenditures amounted to \$10,528,310 as of September 30, 2023, an increase of \$3,156,822 compared to the prior fiscal year which amounted to \$7,371,488. This change in expenditures was primarily due to an increase in Primary Structures Heavy Maintenance due to road project on CR448 over Stutts Creek, increase in Other Non-Road Maintenance due to the Protecting Michigan Pension grant, and increases to Net Equipment expenses as outlined above.

## SCHOOLCRAFT COUNTY ROAD COMMISSION

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2023

#### Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The final revenue budget for fiscal year ending September 30, 2023, was higher than the original budget by \$174,697. This was mainly due to changes in anticipated State and Federal grants and increases in anticipated contributions from local units.

The actual revenue recognized during the current fiscal year was more than the final amended budget by \$1,862,064, mainly due to the revenue allocated under the Protecting Michigan Pension grant.

The final amended expenditure budget for the current fiscal year was \$236,362 more than the original budget, primarily due to more Primary and local road preservation / structural improvements than originally anticipated, more net equipment expenses, more net administrative expenses, and more net capital outlay. The actual expenditures recognized during the current fiscal year were \$1,548,426 more than the final amended budget, primarily due to recognizing the expenditures related to the Protecting Michigan Pension grant.

SCHOOLCRAFT COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2023

Capital Assets and Debt Administration

Capital Assets

As of September 30, 2023, the Road Commission had \$ 17,249,312 invested in capital assets as follows:

	<u>9/30/2022</u>	<u>9/30/2023</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 244,064	\$ 244,064
Construction in Progress	1,002,319	330,006
Infrastructure--Land and Improvements	<u>1,537,473</u>	<u>1,537,473</u>
Subtotal	<u>2,783,856</u>	<u>2,111,543</u>
Capital Assets Being Depreciated		
Land Improvements	50,519	50,519
Buildings	3,596,033	4,707,907
Road Equipment	6,791,475	6,890,306
Shop Equipment	277,545	301,299
Yard Equipment	16,603	16,603
Office Equipment	39,746	38,267
Engineer's Equipment	28,708	28,708
Depletable Assets	234,913	234,913
Infrastructure--Bridges	4,093,760	5,481,902
Infrastructure--Roads	<u>14,827,778</u>	<u>14,366,445</u>
Subtotal	<u>29,957,080</u>	<u>32,116,869</u>
Total Capital Assets	<u>32,740,936</u>	<u>34,228,412</u>
Total Accumulated Depreciation	<u>(17,865,771)</u>	<u>(16,979,100)</u>
Total Net Capital Assets	<u>\$ 14,875,165</u>	<u>\$ 17,249,312</u>

More detailed information about the Road Commission's capital assets is presented in Note D to the financial statements.

SCHOOLCRAFT COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2023

Debt

The Road Commission currently has debt in the amount of \$600,000 for the fiscal year ending September 30, 2023, relating to Bonds on the building, which will be paid off over a remaining period of four (4) years. More detailed information about the Road Commission's long-term debt is presented in Note E to the financial statements.

The outstanding long-term debt of the Road Commission as of September 30, 2023, was as follows:

	<u>Balances</u> <u>9/30/2022</u>	<u>Balances</u> <u>9/30/2023</u>
2012 MTF Refunding Bonds	\$ 740,000	\$ 600,000
2020 Installment Purchase - Equipment	<u>17,486</u>	<u>-</u>
Total	<u>\$ 757,486</u>	<u>\$ 600,000</u>

Next Year's Budget

The Board considered many factors when setting the fiscal year 2024 budget. The most significant change from the previous year budget was the decrease in Federal STP and State D funding based on projected road and bridge projects. Amounts available for appropriation in the 2024 budget for projected revenues are \$7,740,895 and projected expenditures are \$7,739,693.

The Board realizes, and the reader should understand, that there are not sufficient funds available to repair and or rebuild every road in Schoolcraft County's transportation system. Therefore, the Board attempts to spend the public's money wisely and equitable and in the best interest of the motoring public and the citizens of Schoolcraft County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Schoolcraft County Road Commission administrative offices at Tannery Location, Manistique, Michigan 49854, (906) 341-5634.



SCHOOLCRAFT COUNTY ROAD COMMISSION  
STATEMENT OF NET POSITION  
September 30, 2023

EXHIBIT A

ASSETS

Cash	\$ 2,554,557
Investments	2,322,234
Accounts Receivable	
State Trunkline Maintenance	236,170
Michigan Transportation Fund	552,368
Due from State--Other	208,491
Due on County Road Agreements	113,762
Sundry Accounts	4,649
Inventories	
Road Materials	448,646
Equipment Parts and Materials	231,368
Prepaid Expenses	118,670
Net OPEB Asset	297,554
Capital Assets--Depreciating	15,137,769
Capital Assets--Non-Depreciating	2,111,543
Total Assets	<u>24,337,781</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows--Pension Investments	793,929
Deferred Outflows--Employer Pension Contributions	836,535
Deferred Outflows--OPEB Investments	43,445
Deferred Outflows--OPEB Assumptions	434
Total Deferred Outflows of Resources	<u>1,674,343</u>

LIABILITIES

Current Liabilities	
Accounts Payable	69,330
Due to State	172,539
Accrued Liabilities	29,914
Driveway Plowing Deposits	18,316
Non-Current Liabilities	
Advance from State	559,693
Unearned Revenues--Forest Road Funds	741,069
Bonds Payable--Due Within One Year	140,000
Bonds Payable--Due in More than One Year	460,000
Vested Employee Benefits Payable Due Within One Year	132,000
Vested Employee Benefits Payable--Due in More than One Year	3,704
Net Pension Liability	7,924,149
Total Liabilities	<u>10,250,714</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows--Pension Experience	112,770
Deferred Inflows--OPEB Experience	60,943
Total Deferred Inflows of Resources	<u>173,713</u>

NET POSITION

Net Investment in Capital Assets	16,649,312
Unrestricted	(1,061,615)
Total Net Position	<u>\$ 15,587,697</u>

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2023

EXHIBIT B

Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 1,235,433
Local Road Routine and Preventive Maintenance	965,524
State Trunkline Maintenance	2,226,125
Net Equipment Expense	197,526
Net Administrative Expense	549,988
Infrastructure Depreciation	978,831
Other Non-Road Maintenance	(608)
Compensated Absences	22,007
Pension Expense	49,724
Other Post Employment Benefits	(191,691)
Interest Expense	26,623
	<hr/>
Total Program Expenses	6,059,482
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	11,700
Charges for Services	2,326,047
Operating Grants and Contributions	
Michigan Transportation Funds	3,672,519
Investment Earnings & Royalties	245,904
Capital Grants and Contributions	
Federal Grants	706,101
State Grants	1,441,183
Contributions	547,171
	<hr/>
Total Program Revenue	8,950,625
	<hr/>
Net Program Revenue	2,891,143
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General Revenue	
Gain on Equipment Disposal	63,149
Insurance Recoveries	23,755
	<hr/>
Total General Revenue	86,904
	<hr/>
Change in Net Position	2,978,047
	<hr/>
Net Position	
Beginning of Year	12,609,650
	<hr/>
End of Year	\$ 15,587,697
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
BALANCE SHEET--GOVERNMENTAL FUND  
September 30, 2023

EXHIBIT C

<u>ASSETS</u>	<u>General Operating Fund</u>
Cash	\$ 2,554,557
Investments	2,322,234
Accounts Receivable	
State Trunkline Maintenance	236,170
Michigan Transportation Fund	552,367
Due from State--Other	208,491
Due on County Road Agreements	113,762
Sundry Accounts	4,649
Inventories	
Road Materials	448,646
Equipment Parts and Materials	231,368
Prepaid Expenses	<u>118,670</u>
Total Assets	<u>\$ 6,790,914</u>
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ 69,330
Due to State	172,539
Accrued Interest Payable	3,771
Other Accrued Liabilities	26,142
Advances	
Driveway Plowing	18,316
State of Michigan	559,693
Unearned Revenues--Forest Road Funds	<u>741,069</u>
Total Liabilities	<u>1,590,860</u>
Fund Balance	
Fund Balance	
Nonspendable:	
Inventory	680,014
Prepaid Expenses	118,670
Restricted for Road Operations	<u>4,401,370</u>
Total Fund Balance	<u>5,200,054</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 6,790,914</u>

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
 RECONCILIATION OF THE GOVERNMENTAL FUND  
 BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 September 30, 2023

EXHIBIT D

Total Governmental Fund Balance \$ 5,200,054

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. 17,249,312

Long-term liabilities are not due and payable in the current period  
 and are not reported in the fund. (735,704)

Net pension liability is not due and payable in the current period and is  
 not reported in the funds. (7,924,149)

Certain pension contributions and changes in pension plan net position are  
 reported as deferred outflows of resources in the statement of net position, but  
 are reported as expenses in the governmental funds. 1,517,694

The asset for other post employment benefits is not due and payable in the  
 current period and is not reported in the funds. 297,554

Certain changes in OPEB plan net position are reported as deferred outflows and  
 deferred inflows of resources in the statement of net position, but are reported  
 as expenses in the governmental funds. (17,064)

Net Position of Governmental Activities \$ 15,587,697

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
For the Fiscal Year Ended September 30, 2023

EXHIBIT E

	General Operating Fund
Revenues	
Licenses and Permits	\$ 11,700
Federal Grants	706,101
State Grants	6,930,937
Contributions from Local Units	544,730
Charges for Services	2,326,047
Interest and Royalties	245,904
Other Revenue	2,441
	<hr/>
Total Revenues	10,767,860
	<hr/>
Expenditures	
Public Works	9,934,148
Capital Outlay	410,053
Debt Service	184,109
	<hr/>
Total Expenditures	10,528,310
	<hr/>
Excess of Revenues Over (Under) Expenditures	239,550
	<hr/>
Other Financing Sources (Uses)	
Proceeds from Sale of Capital Assets	63,149
Insurance Recoveries	23,755
	<hr/>
Total Other Financing Sources (Uses)	86,904
	<hr/>
Net Change in Fund Balance	326,454
	<hr/>
Fund Balance--October 1, 2022	4,873,600
	<hr/>
Fund Balance--September 30, 2023	\$ 5,200,054
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
 RECONCILIATION OF THE GOVERNMENTAL  
 FUND STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE TO THE  
 STATEMENT OF ACTIVITIES  
 For the Fiscal Year Ended September 30, 2023

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds \$ 326,454

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 as depreciation expense. This is the amount  
 by which capital outlays exceeded depreciation in the current period. 2,374,147  
 Equipment retirement is recorded as an expenditure credit in governmental  
 funds, but not recorded as an expense in the Statement of Activities.

Lease proceeds provide current financial resources to governmental funds,  
 but entering into lease agreements increases long-term liabilities in the 157,486  
 Statement of Net Position. Repayment of notes/leases payable is an  
 expenditure in governmental funds, but reduces the long-term liabilities in the  
 Statement of Net Position.

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 governmental funds (increase in compensated absences, OPEB). (22,007)

Certain changes in the pension liability reported in the Statement of Activities does not  
 require the use of resources, and therefore, is not reported in the fund statements until it  
 comes due for payment. (49,724)

Certain changes in the OPEB liability reported in the Statement of Activities does not  
 require the use of resources, and therefore, is not reported in the fund statements until it  
 comes due for payment. 191,691

Change in Net Position of Governmental Activities \$ 2,978,047

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
STATEMENT OF PLAN NET POSITION--  
FIDUCIARY FUND  
September 30, 2023

EXHIBIT G

	<u>OPEB Trust</u>
<u>ASSETS</u>	
Investments at Fair Value--Money Markets	<u>\$ 1,116,021</u>
Total Assets	<u>1,116,021</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>-</u>
<u>NET POSITION</u>	
Restricted for Other Postemployment Benefits	<u><u>\$ 1,116,021</u></u>

The Notes to Financial Statements are an integral part of this Statement.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
 STATEMENT OF CHANGES IN PLAN NET POSITION--  
 FIDUCIARY FUND  
 For the Fiscal Year Ended September 30, 2023

EXHIBIT H

<u>ADDITIONS</u>	<u>OPEB Trust</u>
Contributions	
Employer Contributions	\$ 60,807
Total Contributions	<u>60,807</u>
Investment Earnings	
Interest and Dividends	<u>137,826</u>
Total Investment Earnings	<u>137,826</u>
Net Investment Earnings	<u>137,826</u>
Total Additions	<u>198,633</u>
 <u>DEDUCTIONS</u>	
Benefit Payments	60,807
Administrative Expenses	<u>5,506</u>
Total Deductions	<u>66,313</u>
Changes in Net Position	132,320
Net Position Restricted for Other Postemployment Benefits	
Beginning of Year	<u>983,701</u>
End of Year	<u>\$ 1,116,021</u>

The Notes to Financial Statements are an integral part of this Statement.



# SCHOOLCRAFT COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2023

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Schoolcraft County Road Commission (Road Commission) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Road Commission.

#### Reporting Entity

The Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Laws (MCL) 224.1, is governed by an elected 5-member Board of County Road Commissioners (Board). The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 61, "The Financial Reporting Entity," these financial statements present the Road Commission for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Road Commission, a discretely presented component unit of Schoolcraft County.

The Road Commission General Operating Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the county, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission General Operating Fund.

#### Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Road Commission's assets and liabilities with the difference being reported as either net investment in capital assets or restricted net position

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the General Operating Fund, a governmental fund. The General Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods or services or privileges provided; 2) MTF, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after 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 and claims and judgments, are recorded only when payment is due.

MTFs, grants, permits, township contributions, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction, maintenance, equipment repairs, and operations, as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses in both the government-wide and fund financial statements.

Capital Assets

Capital assets, include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the General Operating Fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$3,000 and an estimated useful life in excess of two years and all equipment with a C-rate. Such assets are recorded at cost or an estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation

Depreciation is computed on the sum-of-the-years-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In this category, deferred outflows of resources are related to the defined benefit pension and OPEB plans. The deferred outflows of resources related to pensions and OPEB are from the following sources: difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments, and employer contributions to the plan subsequent to the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future reporting period. In this category deferred inflows of resources are related to unavailable revenues for Forest Road funds and differences between expected and actual experience on pension and OPEB plan investments. Unavailable revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

Pensions

For the purpose of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to / deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Vacation and Sick Leave)

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. Benefits earned by each employee in the current calendar year are to be paid to the employee in the subsequent calendar year; and a two (2) year maximum accumulation is allowed.

Each regular employee shall earn sick leave with pay at the rate of one (1) day per month upon

# SCHOOLCRAFT COUNTY ROAD COMMISSION

## NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2023

### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

completion of one (1) year steady employment. Sick leave may be accumulated to a maximum of 105 days. The Road Commission's sick leave benefits policy provides for payment of 100% of the accumulated benefits, to a maximum of 105 days, when an employee takes regular retirement or a disability retirement.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Road Commission is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Nonspendable – includes fund balance amounts that cannot be spent either because (a) it is not in spendable form; or (b) because it is legally or contractually required to be maintained intact. For the Road Commission, the non-spendable balance reflects the inventory on hand in the amount of \$680,014, and prepaid expenses in the amount of \$118,670.
- Restricted – includes fund balance amounts that can be spent only for specific purposes stipulated by the State Constitution, external resource providers, or through enabling legislation.
- Committed – includes fund balance amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority.
- Assigned – includes fund balance amounts that are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Fund balance may be assigned by the Engineer/Manager or his/her/their designee.
- Unassigned – is to be used only to report a deficit balance from overspending for specific purposes for which amounts have been restricted, committed, or assigned.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the Road Commission incurs an expenditure for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the Road Commission to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, the Road Commission's policy would first use committed amounts, followed by assigned amounts and then unassigned amounts. The Road Commission does not have a formal minimum balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act (PA) 2 of 1968, MCL 141.421, which requires the Board of County Road Commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief administrative officer (CAO) (engineer/manager) prepares and submits a proposed operating budget to the Board of County Road Commissioners for its review and consideration. The Board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year and is approved by the Board. Also, the Board has authorized the CAO to amend the Road Commission budget, when necessary, without increasing the overall budget, by transferring up to 15% from one line-item to another. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. During the year, the Road Commission incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Other Non-Road Maintenance	\$ (90)	\$ 1,816,627	\$ (1,816,717)

The Road Commission will continue to develop budgetary control procedures to make sure that amendments are made to cover expenditures that may exceed amounts authorized in the General Appropriations Act. The budget violation was for the funds that Schoolcraft County Road Commission received from the State Pension grant. The entry was not recorded because the State was undecided at the time of the last budget amendment if the entry needed to be recorded by recipients of the grant because the grant funds were issued directly to MERS.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE C--DEPOSITS AND INVESTMENTS

MCL 129.91, authorizes the county treasurer to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investments by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Road Commission deposits are in accordance with statutory authority.

The OPEB Trust Fund was established with the Constellation Trust Company as governmental trust under Section 115 of the Internal Revenue Code to hold the assets of the retiree health funding vehicle and is administered under the discretion of Constellation Trust Company as fiduciary, directly by (or through a combination of) Constellation Trust Company and the Road Commission's Director of Finance whom directs payment of fund monies for the benefit of eligible employees under the road commission's retiree healthcare benefit program. The OPEB Trust Fund investments are authorized by PA 314 of 1965, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles. Investments within the Trust are in accordance with statutory authority.

The investment policy adopted by the Board in accordance with PA 20 of 1943, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

	General Operating Fund	OPEB Trust Fund	Total
Cash	\$ 2,554,557	\$ -	\$ 2,554,557
Investments	2,322,234	1,116,021	3,438,255
Total	<u>\$ 4,876,791</u>	<u>\$ 1,116,021</u>	<u>\$ 5,992,812</u>

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposits)	\$ 2,549,257
Imprest Cash	<u>5,300</u>
Total	<u>\$ 2,554,557</u>

The bank balance of the Road Commission's deposits is \$2,686,019, of which \$250,000 is covered by Federal depository insurance.

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because non-negotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy authorizes investment in all those that are authorized by law.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds (money market fund) do not have a rating provided by a nationally recognized statistical rating organization.

The Road Commission's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over-concentration in a specific maturity, individual financial institution(s), or a specific class of securities.



SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Road Commission's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the Road Commission's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The Road Commission is not exposed to custodial credit risk for investments.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period).

Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

The Road Commission had the following fair value measurements for investments as of September 30, 2023:

	Fair Value Measurements				Weighted Average Maturity	S&P Rating
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total		
Constellation Trust Mutual Funds	\$ 1,116,021	\$ -	\$ -	\$ 1,116,021	N/A	N/A
U.S. Government Bonds	504,624	-	-	504,624	N/A	AA+
Total Investments at Fair Value	<u>\$ 1,620,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,620,645</u>		

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations. As of September 30, 2023, rating information on the Road Commission's investments is presented above. The Michigan Class investment is rated AAAM by S&P.

Interest Rate Risk

The Road Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio. The Michigan Class investment account has a weighted average maturity of 28 days.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Road Commission's investments in the Michigan CLASS government investment pool of \$1,564,365 are not categorized as they are measured at net asset value per share or its equivalent. The Road Commission holds share in Michigan CLASS whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

There were no unfunded commitments or redemptions associated with these investments.

Certificates of Deposit are valued as cost.

Concentration of Credit Risk

The Road Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Road Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE D--CAPITAL ASSETS

The following is a summary of changes in the capital assets:

	Beginning Balances	Additions	Deductions	Ending Balances
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 244,064	\$ -	\$ -	\$ 244,064
Construction in Progress	1,002,319	330,006	1,002,319	330,006
Infrastructure--Land Improvements	1,537,473	-	-	1,537,473
<b>Subtotal</b>	<b>2,783,856</b>	<b>330,006</b>	<b>1,002,319</b>	<b>2,111,543</b>
<b>Capital Assets Being Depreciated</b>				
Land Improvements	50,519	-	-	50,519
Buildings	3,596,033	1,114,954	3,080	4,707,907
Road Equipment	6,791,475	487,574	388,743	6,890,306
Shop Equipment	277,545	23,754	-	301,299
Yard Equipment	16,603	-	-	16,603
Office Equipment	39,746	-	1,479	38,267
Engineer's Equipment	28,708	-	-	28,708
Depletable Assets	234,913	-	-	234,913
Infrastructure--Bridges	4,093,760	1,388,142	-	5,481,902
Infrastructure--Roads	14,827,778	1,554,783	2,016,116	14,366,445
<b>Total</b>	<b>29,957,080</b>	<b>4,569,207</b>	<b>2,409,418</b>	<b>32,116,869</b>
<b>Less Accumulated Depreciation</b>				
Land Improvements	50,518	-	-	50,518
Building	2,391,034	125,695	3,080	2,513,649
Road Equipment	6,014,361	402,033	388,743	6,027,651
Shop Equipment	204,195	10,729	-	214,924
Yard Equipment	5,800	1,660	-	7,460
Office Equipment	33,616	2,741	1,479	34,878
Engineer's Equipment	24,302	669	-	24,971
Depletable Assets	23,410	389	-	23,799
Infrastructure--Bridges	838,307	104,726	-	943,033
Infrastructure--Roads	8,280,228	874,105	2,016,116	7,138,217
<b>Total</b>	<b>17,865,771</b>	<b>1,522,747</b>	<b>2,409,418</b>	<b>16,979,100</b>
<b>Net Capital Assets Being Depreciated</b>	<b>12,091,309</b>	<b>3,046,460</b>	<b>-</b>	<b>15,137,769</b>
<b>Total Net Capital Assets</b>	<b>\$ 14,875,165</b>	<b>\$ 3,376,466</b>	<b>\$ 1,002,319</b>	<b>\$ 17,249,312</b>

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE D--CAPITAL ASSETS (Continued)

All depreciation has been charged to the public works function.

NOTE E--LONG-TERM OBLIGATIONS

The general long-term debt obligations of the Road Commission and changes therein, may be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Beginning Balance</u>	<u>Due in One Year</u>
Bonds Payable					
Michigan Transportation Fund Bonds Series 2012	\$ 740,000	\$ -	\$ (140,000)	\$ 600,000	\$ 140,000
Installment Purchase Contract					
The State Savings Bank-- Equipment	17,486	-	(17,486)	-	-
Vested Employee Benefits					
Vacation and Sick Leave	<u>113,697</u>	<u>22,007</u>	<u>-</u>	<u>135,704</u>	<u>132,000</u>
Totals	<u>\$ 871,183</u>	<u>\$ 22,007</u>	<u>\$ (157,486)</u>	<u>\$ 735,704</u>	<u>\$ 272,000</u>

The annual interest and principal requirements of the Road Commission's long-term borrowing excluding vested employee benefits may be summarized as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2024	\$ 140,000	\$ 22,628	\$ 162,628
2025	145,000	17,728	162,728
2026	155,000	12,290	167,290
2027	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Total	<u>\$ 600,000</u>	<u>\$ 52,646</u>	<u>\$ 652,646</u>

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE E--LONG-TERM OBLIGATIONS (Continued)

Employee Benefits Payable

Vacation Benefits

Vacation benefits are earned in varying amounts depending on the employee's years of service. Prior to January 1, 1993, the Road Commission's vacation policy required all vacation benefits to be used within the calendar year in which they were credited. New vacation policies provide for all employees to be credited on January 1, 1993, with the vacation benefits they earned for the year 1992, and the 1993 vacation benefits to be credited on a per month basis with employees permitted to accumulate up to a maximum of 2 years of vacation benefits. The liability recorded in the long-term debt for vacation earned but not used, as of September 30, 2023, totaled \$84,426.

Sick Leave Benefits

Sick leave benefits are earned at the rate of one (1) day for each calendar month in which the employee has worked at least 12 days and the maximum accumulation will be 105 days. Upon retirement or death, an employee, or his estate, shall be paid for 100% of accumulated sick leave. The accumulated sick leave of \$51,278 recorded in the long-term debt consists of 100% of the maximum accumulated sick leave as of September 30, 2023.

The Road Commission has estimated the current portion of vested employee benefits payable within one (1) year based on historical trends and current policies regarding usage of these benefits.

NOTE F--DEFERRED COMPENSATION PLAN

The Board offers all Road Commission employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan are held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrator (PEBSCO) is an agent of the employer for purposes of providing direction to the custodian of the account regarding investment of funds, transfer of assets to or from the accounts, and all other matters. In accordance with the provisions of GASB Statement No. 32, the plan balances and activities are not reflected in the Road Commission's financial statements.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

*Plan Description:* The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under PA 135 of 1945 and administered by a nine-member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS Web site at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

*Benefits Provided--Defined Benefit:* The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, established and amends the benefit provisions of the participants in MERS.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Table 2

2022 Valuation

	01 - General: Closed to new hires, linked to Division 10
	<hr/>
Benefit Multiplier:	2.50% Multiplier (80% max)
Normal Retirement Age	60
Vesting:	6 years
Early Retirement (Unreduced):	55/30
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
COLA for Future Retirees:	2.50% (Non-Compound)
COLA for Current Retirees:	2.50% (Non-Compound)
Employee Contributions:	0.00%
Act 88:	Yes (Adopted 7/11/2007)
	10 - General after 03/21/2013: Open Division, linked to Division 01
	<hr/>
Benefit Multiplier:	2.00% Multiplier (no max)
Normal Retirement Age	60
Vesting:	10 years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 years
Employee Contributions:	0.00%
Act 88:	Yes (Adopted 7/11/2007)



SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

*Employees covered by benefit terms:* As of December 31, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits (including refunds)	5
Active employees	<u>20</u>
 Total employees covered by MERS Plan	 <u><u>65</u></u>

*Contributions:* Const 1963, art 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. 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. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2023, the Road Commission's contribution rate was \$60,537 per month based on annual payroll for all employees.

Net Pension Liability

The employer's net pension liability reported as of September 30, 2023, was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022, total pension liability was determined by an annual actuarial valuation performed as of that date.

*Actuarial assumptions:* The total pension liability in the December 31, 2022, annual 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 expense, including inflation

Mortality rates used were a version of Pub-2010 and Fully generational MP-2019.

The actuarial assumptions used in the December 31, 2022 valuation was based on the results of the most recent actuarial experience study in 2014-2018.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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 as of December 31, 2022, the measurement date, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Gross Return</u>	<u>Long-Term Expected Gross Return Contribution</u>	<u>Inflation Assumption</u>	<u>Long-Term Real Rate of Return</u>
Global Equity	60%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20%	4.50%	0.90%	2.50%	0.40%
Private Investments	20%	9.00%	1.90%	2.50%	1.40%
Total	<u>100%</u>		<u>7.00%</u>		<u>4.50%</u>

*Discount rate:* The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. 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.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Changes in Net Pension Liability</u>	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances as of December 31, 2021	\$ 16,764,355	\$ 9,706,369	\$ 7,057,986
Changes for the Year:			
Service Cost	115,346	-	115,346
Interest	1,174,885	-	1,174,885
Difference between expected and actual experience	(169,154)	-	(169,154)
Contributions--Employer	-	1,256,831	(1,256,831)
Net investment income	-	(984,031)	984,031
Benefit payments, including refunds	(1,233,462)	(1,233,462)	-
Administrative expense	-	(17,887)	17,887
Other Changes	(1)	-	(1)
Net changes	<u>(112,386)</u>	<u>(978,549)</u>	<u>866,163</u>
Balances as of December 31, 2022	<u>\$ 16,651,969</u>	<u>\$ 8,727,820</u>	<u>\$ 7,924,149</u>

*Sensitivity of the Net Pension Liability to changes in the discount rate:* The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate.

	<u>1.00% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1.00% Increase (8.25%)</u>
Net Pension Liability as of December 31, 2020		\$ 7,924,149	
Change in Net Pension Liability (NPL)	\$ 9,658,082		\$ 6,450,454

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

For the year ending September 30, 2023, the Road Commission recognized pension expense of \$49,724). As of September 30, 2023, the Road Commission reported deferred outflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions to the plan subsequent to the measurement date*	\$ 836,535	\$ -
Net difference between projected and actual earnings on pension plan investments**	793,929	-
Net difference in pension experience	<u>-</u>	<u>112,770</u>
Total	<u>\$ 1,630,464</u>	<u>\$ 112,770</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 fiscal year ending September 30, 2024.

\*\*Amounts reported as deferred outflows of resources related to pensions will be recognized in the pension expense. These amounts are below.

<u>Years Ending September 30</u>	<u>Amount</u>
2023	\$ 19,981
2024	95,681
2025	227,908
2026	337,589

## SCHOOLCRAFT COUNTY ROAD COMMISSION

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2023

#### NOTE H--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefit claims and participates in the Michigan County Road Commission Self-Insurance Pool (Pool) for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings, and contents) and workers' compensation. The Road Commission's maximum deductible for property and liability coverage and automobile coverage is \$1,000 per occurrence. The maximum liability, per occurrence, for property and liability is \$10,500,000. The automobile coverage provides for limits of liability of \$250,000 each person, \$500,000 each accident, and \$1,000,000 total. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

County road commissions in the State of Michigan established and created a trust fund known as the Pool pursuant to the provisions of PA 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities within the State. The Road Commission became a member of the Pool on March 1, 1986.

The Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. The Road Commission also has self-insurance for workers' compensation as a member of the County Road Association Self-Insurance Fund.

As of September 30, 2023, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 4 years.

#### NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS

*Plan Description:* The Road Commission provides postemployment healthcare benefits in accordance with the labor contract and personnel policy.

*Benefits Provided:* Effective December 23, 2009, upon retirement or disability retirement, from age 55 to 65 each employee will receive single subscriber health insurance benefits each week paid by the Road Commission. The expenditures are recognized as the insurance premiums become due. For those who retired prior to April 1, 2017, the employer share is 80%. For all others the employer share is 75%. In order to be eligible, retirees must be at least 55 years of age and have worked a minimum of 15 years with the Road Commission. The benefit will cease when the retiree reaches 65 years of age.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

*Employees covered by benefit terms.* As of September 30, 2023, the following employees were covered by the benefit terms:

Active Plan Participants	5
Inactive Plan Members	0
Retirees and Beneficiaries	<u>2</u>
 Total Participants	 <u><u>7</u></u>

*Contributions.* The Road Commission’s OPEB plan was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The Road Commission’s funding policy is that the Road Commission will pay retiree healthcare benefits from general operating funds until such time as the fund is sufficient to pay benefits. Although assets were insufficient to pay benefits in 2022, investment performance since the previous measurement date of September 30, 2022 has created a fully funded liability, thereby allowing benefits to be paid from the OPEB trust.

*Net OPEB Liability.* The Road Commission’s net OPEB liability was measured as of September 30, 2023.

*Actuarial Assumptions.* The total OPEB liability was determined by an actuarial valuation as of September 30, 2023. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary increases	3.00%
Investment rate of return	6.90%
20-year Aa Municipal bond rate	4.87%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount-weighted MP-2021 Mortality Improvement Scale

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of retirement plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of September 30, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	64.0%	7.80%
Global Fixed Income	26.0%	4.80%
Private Assets	5.0%	6.90%
Diversifying Strategies	5.0%	6.30%

The sum of each target allocation times its long-term expected real rate is 6.90%, including inflation.

*Discount Rate.* The discount rate used to measure the total OPEB liability was 6.90%. The Road Commission OPEB Trust is sufficiently funded to pay benefits and the assets are projected to be sufficient to make projected future benefit payments of current plan members indefinitely. Because there is no Depletion Date (Cross-over Point) the effective discount rate is equal to the expected rate of return. This discount rate is used to determine the Total OPEB Liability. The discount rate used to determine the liability as of September 30, 2022 was 7.45%.

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Beginning Balance	\$ 994,191	\$ 983,701	\$ 10,490
Changes for the Year:			
Service Cost	16,622	-	16,622
Interest	73,040	-	73,040
Change in Expected and Actual Experience	(206,046)	-	(206,046)
Change in Actuarial Assumptions	1,467	-	1,467
Contributions to OPEB Trust	-	-	-
Contributions / benefit from general operating fund	-	60,807	(60,807)
Net Investment Income	-	137,826	(137,826)
Benefit Payments, Including Refunds	(60,807)	(60,807)	-
Administrative Expenses	-	(5,506)	5,506
Net Changes	<u>(175,724)</u>	<u>132,320</u>	<u>(308,044)</u>
Ending Balance	<u>\$ 818,467</u>	<u>\$ 1,116,021</u>	<u>\$ (297,554)</u>

*Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.*

The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Current Discount</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 858,771	\$ 818,467	\$ 780,690
Plan Fiduciary Net Position	<u>1,116,021</u>	<u>1,116,021</u>	<u>1,116,021</u>
Net OPEB Liability	<u>\$ (257,250)</u>	<u>\$ (297,554)</u>	<u>\$ (335,331)</u>



SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

*Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.* The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 775,524	\$ 818,467	\$ 864,472
Plan Fiduciary Net Position	<u>1,116,021</u>	<u>1,116,021</u>	<u>1,116,021</u>
Net OPEB Liability	<u>\$ (340,497)</u>	<u>\$ (297,554)</u>	<u>\$ (251,549)</u>

*OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* For the year ended September 30, 2023, the Road Commission recognized OPEB expense of (\$130,884). At September 30, 2023, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ -	\$ 60,943
Differences in Assumptions	434	-
Excess (Deficit) Investment Returns	<u>43,445</u>	<u>-</u>
Total	<u>\$ 43,879</u>	<u>\$ 60,943</u>

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

<u>Years Ending September 30</u>	<u>Amount</u>
2024	\$ (51,365)
2025	9,879
2026	37,371
2027	(12,949)

SCHOOLCRAFT COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2023

NOTE J--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ending September 30, 2023, the Road Commission received \$706,101 in Federal grants for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the fiscal year ending September 30, 2023, the Road Commission did not receive and expend and funds for Federal grants for negotiated (force account) projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$750,000 or more. A single audit was not required during the fiscal year ending September 30, 2023.

NOTE K--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline maintenance revenues of \$1,998,587 and expenditures of \$1,903,972 is the result of the Michigan Department of Transportation (MDOT) issuing auditor's report 2023-76 for the 2021 State Trunkline Maintenance contract. The result of the audit increased the payments by \$94,615.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S  
NET PENSION LIABILITY AND RELATED RATIOS\*  
For the Measurement Date December 31, 2022

EXHIBIT I

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 115,346	\$ 85,748	\$ 106,144	\$ 113,169	\$ 107,106	\$ 93,813	\$ 107,736	\$ 111,605	\$ 142,426
Interest	1,174,885	1,203,183	1,160,453	1,194,414	1,170,652	1,153,384	1,144,774	1,090,093	1,071,981
Difference Between Expected and Actual Experience	(169,154)	(242,310)	116,318	(268,185)	194,422	99,297	(58,265)	118,125	-
Changes in Assumptions	-	551,846	422,243	501,760	-	-	-	810,342	-
Other	(1)	(1)	-	-	-	-	-	(763)	-
Benefit Payments Including Employee Refunds	(1,233,462)	(1,245,168)	(1,220,269)	(1,177,137)	(1,179,245)	(1,095,357)	(1,063,947)	(998,146)	(960,761)
Net Change in Total Pension Liability	(112,386)	353,298	584,889	364,021	292,935	251,137	130,298	1,131,256	253,646
Total Pension Liability--Beginning	16,764,355	16,411,057	15,826,168	15,462,147	15,169,212	14,918,075	14,787,777	13,656,521	13,402,875
Total Pension Liability--Ending	<u>\$ 16,651,969</u>	<u>\$ 16,764,355</u>	<u>\$ 16,411,057</u>	<u>\$ 15,826,168</u>	<u>\$ 15,462,147</u>	<u>\$ 15,169,212</u>	<u>\$ 14,918,075</u>	<u>\$ 14,787,777</u>	<u>\$ 13,656,521</u>
Plan Fiduciary Net Position									
Contributions--Employer	\$ 1,256,831	\$ 1,251,928	\$ 1,116,546	\$ 1,149,147	\$ 912,468	\$ 847,654	\$ 807,649	\$ 822,340	\$ 688,346
Contributions--Employees	-	-	-	26,188	-	-	-	-	-
Net Investment Income	(984,031)	1,195,490	958,252	919,892	(282,168)	878,278	705,262	(99,707)	403,998
Benefit Payments Including Employee Refunds	(1,233,462)	(1,245,168)	(1,220,269)	(1,177,137)	(1,179,245)	(1,095,357)	(1,063,947)	(998,146)	(960,761)
Administrative Expense	(17,887)	(13,680)	(15,196)	(15,747)	(13,905)	(13,924)	(13,938)	(14,393)	(14,781)
Net Change in Plan Fiduciary Net Position	(978,549)	1,188,570	839,333	902,343	(562,850)	616,651	435,026	(289,906)	116,802
Plan Fiduciary Net Position--Beginning	9,706,369	8,517,799	7,678,466	6,776,123	7,338,973	6,722,322	6,287,296	6,577,202	6,460,400
Plan Fiduciary Net Position--Ending	<u>\$ 8,727,820</u>	<u>\$ 9,706,369</u>	<u>\$ 8,517,799</u>	<u>\$ 7,678,466</u>	<u>\$ 6,776,123</u>	<u>\$ 7,338,973</u>	<u>\$ 6,722,322</u>	<u>\$ 6,287,296</u>	<u>\$ 6,577,202</u>
Employer Net Pension Liability	<u>\$ 7,924,149</u>	<u>\$ 7,057,986</u>	<u>\$ 7,893,258</u>	<u>\$ 8,147,702</u>	<u>\$ 8,686,024</u>	<u>\$ 7,830,239</u>	<u>\$ 8,195,753</u>	<u>\$ 8,500,481</u>	<u>\$ 7,079,319</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52%	58%	52%	49%	44%	48%	45%	43%	48%
Covered Employee Payroll	\$ 1,136,884	\$ 904,067	\$ 1,065,915	\$ 1,088,766	\$ 1,008,908	\$ 838,376	\$ 957,342	\$ 1,071,002	\$ 1,074,102
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	697%	781%	741%	748%	861%	934%	856%	794%	659%

Notes to Schedule:

There were no benefit changes or changes in assumptions or methods affecting the 2022 valuation.

Above dates are based on measurement date, which may not necessarily tie to the fiscal year.

\*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

Changes in assumptions: Decreases in investment rate of return from 7.35% to 7.00%; change in discount rate from 7.60% to 7.25%.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS  
For the Fiscal Year Ending September 30, 2023

EXHIBIT J

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 805,362	\$ 770,673	\$ 727,603	\$ 661,080	\$ 637,855	\$ 592,582	\$ 408,642	\$ 477,811	\$ 522,776	\$ 492,176
Contributions in Relation to the Actuarially Determined Contribution	<u>1,080,362</u>	<u>1,250,673</u>	<u>1,241,212</u>	<u>1,101,080</u>	<u>1,142,855</u>	<u>981,755</u>	<u>807,649</u>	<u>822,340</u>	<u>688,347</u>	<u>663,210</u>
Contribution Deficiency (Excess)	<u>\$ (275,000)</u>	<u>\$ (480,000)</u>	<u>\$ (513,609)</u>	<u>\$ (440,000)</u>	<u>\$ (505,000)</u>	<u>\$ (389,173)</u>	<u>\$ (399,007)</u>	<u>\$ (344,529)</u>	<u>\$ (165,571)</u>	<u>\$ (171,034)</u>
Covered Employee Payroll	\$ 1,199,959	\$ 904,067	\$ 1,065,915	\$ 1,088,766	\$ 1,008,908	\$ 838,376	\$ 957,342	\$ 1,071,002	\$ 1,074,102	\$ 1,050,832
Contributions as a Percentage of Covered Employee Payroll	90%	138%	116%	101%	113%	117%	84%	77%	64%	63%

Notes to Schedule:

Actuarial valuation information relative to the determination of contributions:

Valuation Date                      Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	Five-year smoothed market
Inflation	2.5%
Salary Increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Retirement age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010

SCHOOLCRAFT COUNTY ROAD COMMISSION  
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S  
NET OPEB LIABILITY AND RELATED RATIOS\*  
For the Fiscal Year Ending September 30, 2023

EXHIBIT K

	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability							
Service Cost	\$ 16,622	\$ 17,672	\$ 58,471	\$ 37,473	\$ 64,034	\$ 59,989	\$ 57,280
Interest	73,040	72,613	68,497	96,135	73,914	77,021	75,057
Difference Between Expected and Actual Experience	(206,046)	(44,737)	(323,408)	(24,571)	(201,001)	(24,814)	-
Change of Assumptions	1,467	(21,197)	(221,271)	213,392	(81,371)	28,252	-
Benefit Payments Including Employee Refunds	(60,807)	(99,644)	(116,957)	(116,169)	(109,230)	(114,537)	(72,537)
Net Change in Total OPEB Liability	(175,724)	(75,293)	(534,668)	206,260	(253,654)	25,911	59,800
Total OPEB Liability Beginning	994,191	1,069,484	1,604,152	1,397,892	1,651,546	1,625,635	1,565,835
Total OPEB Liability Ending	<u>\$ 818,467</u>	<u>\$ 994,191</u>	<u>\$ 1,069,484</u>	<u>\$ 1,604,152</u>	<u>\$ 1,397,892</u>	<u>\$ 1,651,546</u>	<u>\$ 1,625,635</u>
Plan Fiduciary Net Position							
Contributions to OPEB Trust	\$ -	\$ 60,000	\$ 120,000	\$ 130,000	\$ 110,000	\$ 50,000	\$ 50,000
Contributions/Benefit Payments Made From General Operating Funds	60,807	99,644	116,957	116,169	109,230	114,537	72,537
Net Investment Income	137,826	(172,565)	174,590	52,296	12,996	35,358	48,133
Benefit Payments Including Employee Refunds	(60,807)	(99,644)	(116,957)	(116,169)	(109,230)	(114,537)	(72,537)
Administrative Expenses	(5,506)	(5,394)	(5,096)	(3,452)	(1,930)	(2,224)	(1,804)
Net Change in Plan Fiduciary Net Position	132,320	(117,959)	289,494	178,844	121,066	83,134	96,329
Plan Fiduciary Net Position Beginning	983,701	1,101,660	812,166	633,322	512,256	429,122	332,793
Plan Fiduciary Net Position Ending	<u>\$ 1,116,021</u>	<u>\$ 983,701</u>	<u>\$ 1,101,660</u>	<u>\$ 812,166</u>	<u>\$ 633,322</u>	<u>\$ 512,256</u>	<u>\$ 429,122</u>
Employer Net OPEB Liability	<u>\$ (297,554)</u>	<u>\$ 10,490</u>	<u>\$ (32,176)</u>	<u>\$ 791,986</u>	<u>\$ 764,570</u>	<u>\$ 1,139,290</u>	<u>\$ 1,196,513</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	136%	99%	103%	51%	45%	31%	26%
Covered Employee Payroll	\$ 339,579	\$ 320,074	\$ 340,516	\$ 513,878	\$ 1,317,015	\$ 1,273,371	not available
Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll	-88%	3%	-9%	154%	58%	89%	n/a

Notes to Schedule:

There were no benefit changes or changes in assumptions or methods affecting the 2017 valuation.

Above dates are based on measurement date, which may not necessarily tie to the fiscal year.

\*10-year schedule as required by GASB Statement No. 75 will be built prospectively upon implementation of the standard.

SCHOOLCRAFT COUNTY ROAD COMMISSION  
SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS--OPEB  
For the Fiscal Year Ending September 30, 2023

EXHIBIT L

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial Determined Contributions	\$ 21,890	\$ 9,410	\$ 280,542	\$ 226,461	\$ 287,410	\$ 256,333	\$ 236,720
Contributions in Relation to the Actuarially Determined Contribution	<u>60,807</u>	<u>159,644</u>	<u>236,957</u>	<u>246,169</u>	<u>219,230</u>	<u>164,537</u>	<u>122,537</u>
Contribution deficiency (excess)	<u>\$ (38,917)</u>	<u>\$ (150,234)</u>	<u>\$ 43,585</u>	<u>\$ (19,708)</u>	<u>\$ 68,180</u>	<u>\$ 91,796</u>	<u>\$ 114,183</u>
Covered Employee Payroll	\$ 339,579	\$ 320,074	\$ 340,516	\$ 513,878	\$ 1,317,015	\$ 1,273,371	Not Available
Contributions as a Percentage of Covered Employee Payroll	18%	50%	70%	48%	17%	13%	n/a

Notes to Schedule

10 Year Requirement for Disclosure      The ten year requirement of information will be built prospectively.

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date      September 30, 2023

Measurement Date      September 30, 2023

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method      Entry Age Normal (level of percentage of compensation)

Asset Valuation Method      Market Value

Discount Rate      7.45% for 2023 contribution; 6.90% for 2023 liability and 2024 contribution; Rationale - Blended rate based on long term expected return and the 20-year Aa Municipal Bond Rate

20-year Aa Municipal Bond Rate      4.87%

Inflation      Included in investment rate of return

Payroll Inflation      3.00%

Return on Plan Assets      6.90%

Mortality      2010 Public General Employees and Healthy Retirees, Headcount weighted; MP-2021

Rationale - Most current mortality rates available for municipalities

SCHOOLCRAFT COUNTY ROAD COMMISSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL OPERATING FUND--SCHEDULE OF  
 REVENUES AND OTHER FINANCING SOURCES  
 BUDGETARY COMPARISON SCHEDULE  
 For the Fiscal Year Ended September 30, 2023

EXHIBIT M

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits				
Permits	\$ 8,000	\$ 11,450	\$ 11,700	\$ 250
Federal Grants (Contracted Projects)				
Critical Bridge	574,340	-	-	-
Surface Transportation Program	730,332	551,118	551,101	(17)
ARPA Funds	-	155,000	155,000	-
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	2,643,040	2,640,000	2,640,506	506
Local Road	750,000	750,000	792,455	42,455
Snow Removal	200,000	200,000	229,558	29,558
Critical Bridge Funds	896,126	517,851	484,310	(33,541)
Rural Primary "D" Funds	80,000	82,000	82,060	60
Forest Road "E" Funds	-	803,000	803,743	743
Chemical Storage Facility Grant	50,050	70,070	70,070	-
Other State Grants	-	1,000	1,818,235	1,817,235
Contributions from Local Units				
Townships	403,452	535,141	544,730	9,589
Charges for Services				
State Trunkline Maintenance	2,077,423	2,042,473	1,998,587	(43,886)
State Trunkline Non-Maintenance	235,120	304,578	322,153	17,575
Other Non-Road Services	8,500	3,215	3,216	1
Salvage Sales	5,000	2,000	2,091	91
Interest and Rents				
Interest Earned	62,500	108,565	130,100	21,535
Rents and Royalties	74,120	115,804	115,804	-
Other Revenue				
Reimbursements	-	-	2,441	2,441
Total Revenues	8,808,003	8,903,265	10,767,860	1,864,595
Other Financing Sources				
Proceeds from Sale of Capital Assets	10,000	65,681	63,149	(2,532)
Insurance Recoveries	-	23,754	23,755	1
Total Other Financing Sources	10,000	89,435	86,904	(2,531)
Total Revenues and Other Financing Sources	8,818,003	8,992,700	\$ 10,854,764	\$ 1,862,064
Fund Balance--October 1, 2022	4,873,600	4,873,600		
Total Budget	<u>\$ 13,691,603</u>	<u>\$ 13,866,300</u>		

SCHOOLCRAFT COUNTY ROAD COMMISSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 GENERAL OPERATING FUND--SCHEDULE OF  
 EXPENDITURES--BUDGETARY COMPARISON SCHEDULE  
 For the Fiscal Year Ended September 30, 2023

EXHIBIT N

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 928,765	\$ 925,000	\$ 837,339	\$ 87,661
Routine and Preventive Maintenance	1,063,628	1,241,291	1,235,433	5,858
Local Road				
Preservation/Structural Improvements	496,220	717,510	717,443	67
Routine and Preventive Maintenance	668,473	973,250	965,403	7,847
Primary Road Structures				
Preservation/Structural Improvements	1,526,000	1,445,642	1,381,056	64,586
Local Road Structures				
Preservation/Structural Improvements	-	7,087	7,087	-
Routine and Preventive Maintenance	-	121	121	-
State Trunkline				
Maintenance	2,017,423	1,947,858	1,903,972	43,886
Non-Maintenance	235,120	322,178	322,153	25
Other Non-Road Maintenance	84,980	(90)	1,816,627	(1,816,717)
Equipment Expense--Net	(9,702)	197,921		
Direct			\$ 1,109,089	
Indirect			662,752	
Operating			385,039	
Less: Equipment Rentals			<u>(1,959,354)</u>	395
Administrative Expense--Net	225,453	561,546		
Administrative Expense			809,006	
Handling Charge			(206,781)	
Purchase Discounts			<u>(52,237)</u>	11,558
Distributive Expense	1,274,118	-	-	-
Capital Outlay--Net	48,926	455,574		
Capital Outlay			953,969	
Less: Depreciation Credits			(543,916)	
Equipment Retirements			<u>-</u>	45,521
Debt Service				
Principal Payments	157,495	158,000	157,486	514
Interest Payments	<u>26,623</u>	<u>26,996</u>	<u>26,623</u>	<u>373</u>
Total Expenditures	8,743,522	8,979,884	<u>\$ 10,528,310</u>	<u>\$ (1,548,426)</u>
Fund Balance--September 30, 2023	<u>4,948,081</u>	<u>4,886,416</u>		
Total Budget	<u>\$ 13,691,603</u>	<u>\$ 13,866,300</u>		



SCHOOLCRAFT COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
ANALYSIS OF CHANGES IN FUND BALANCES  
For the Fiscal Year Ended September 30, 2023

EXHIBIT O

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 4,935,773	\$ 1,495,533	\$ 4,336,554	\$ 10,767,860
Total Expenditures	<u>3,880,112</u>	<u>1,929,557</u>	<u>4,718,641</u>	<u>10,528,310</u>
Excess of Revenues Over (Under) Expenditures	1,055,661	(434,024)	(382,087)	239,550
Other Financing Sources (Uses)				
Optional Transfers	(500,000)	500,000	-	-
Proceeds from Sale of Capital Assets	-	-	63,149	63,149
Insurance Recoveries	-	-	23,755	23,755
Total Other Financing Sources (Uses)	<u>(500,000)</u>	<u>500,000</u>	<u>86,904</u>	<u>86,904</u>
Net Change in Fund Balance	555,661	65,976	(295,183)	326,454
Fund Balance--October 1, 2022	<u>1,303,398</u>	<u>979,475</u>	<u>2,590,727</u>	<u>4,873,600</u>
Fund Balance--September 30, 2023	<u>\$ 1,859,059</u>	<u>\$ 1,045,451</u>	<u>\$ 2,295,544</u>	<u>\$ 5,200,054</u>

SCHOOLCRAFT COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND--ANALYSIS OF REVENUES  
AND OTHER FINANCING SOURCES  
For the Fiscal Year Ended September 30, 2023

EXHIBIT P

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Permits	\$ -	\$ -	\$ 11,700	\$ 11,700
Federal Grants (Contracted Projects)				
Surface Transportation Funds	551,101	-	-	551,101
ARPA Funds	155,000	-	-	155,000
State Grants				
Michigan Transportation Fund				
Engineering	7,692	2,308	-	10,000
Allocation	2,640,506	792,455	-	3,432,961
Snow Removal	176,567	52,991	-	229,558
Critical Bridge Funds	484,310	-	-	484,310
Rural Primary "D" Funds	82,060	-	-	82,060
Forest Road "E" Funds	803,743	-	-	803,743
Chemical Storage Facility Grant	-	-	70,070	70,070
Other State Grants	-	1,000	1,817,235	1,818,235
Contributions from Local Units				
Townships	-	544,730	-	544,730
Charges for Services				
State Trunkline Maintenance	-	-	1,998,587	1,998,587
State Trunkline Non-Maintenance	-	-	322,153	322,153
Other Non-Road Services	-	3,216	-	3,216
Salvage Sales	-	-	2,091	2,091
Interest and Rents				
Interest Earned	34,794	26,147	69,159	130,100
Rents and Royalties	-	72,686	43,118	115,804
Other Revenue				
Reimbursements	-	-	2,441	2,441
<b>Total Revenue</b>	<b>4,935,773</b>	<b>1,495,533</b>	<b>4,336,554</b>	<b>10,767,860</b>
Other Financing Sources				
Proceeds from Sale of Capital Assets	-	-	63,149	63,149
Insurance Recoveries	-	-	23,755	23,755
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>86,904</b>	<b>86,904</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 4,935,773</b>	<b>\$ 1,495,533</b>	<b>\$ 4,423,458</b>	<b>\$ 10,854,764</b>

SCHOOLCRAFT COUNTY ROAD COMMISSION  
GENERAL OPERATING FUND  
ANALYSIS OF EXPENDITURES  
For the Fiscal Year Ended September 30, 2023

EXHIBIT Q

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 837,339	\$ -	\$ -	\$ 837,339
Routine and Preventive Maintenance	1,235,433	-	-	1,235,433
Local Road				
Preservation/Structural Improvements	-	717,443	-	717,443
Routine and Preventive Maintenance	-	965,403	-	965,403
Primary Road Structures				
Preservation/Structural Improvements	1,381,056	-	-	1,381,056
Local Road Structures				
Preservation/Structural Improvements	-	7,087	-	7,087
Routine and Preventive Maintenance	-	121	-	121
State Trunkline				
Maintenance	-	-	1,903,972	1,903,972
Non-Maintenance	-	-	322,153	322,153
Other Non-Road Projects	-	(608)	1,817,235	1,816,627
Equipment Expense--Net (Per Exhibit J)	56,998	59,409	81,119	197,526
Administrative Expense--Net (Per Exhibit J)	369,286	180,702	-	549,988
Capital Outlay--Net (Per Exhibit J)	-	-	410,053	410,053
Debt Service				
Principal Payments	-	-	157,486	157,486
Interest Payments	-	-	26,623	26,623
Total Expenditures	<u>\$ 3,880,112</u>	<u>\$ 1,929,557</u>	<u>\$ 4,718,641</u>	<u>\$ 10,528,310</u>



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S 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*

February 9, 2024

Board of County Road Commissioners  
Schoolcraft County Road Commission  
332 N. East Road  
Manistique, Michigan 49854

Dear Commissioners:

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 aggregate remaining fund information of the Schoolcraft County Road Commission, a component unit of Schoolcraft County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Schoolcraft County Road Commission's basic financial statements, and have issued our report thereon dated February 9, 2024.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Schoolcraft County Road Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in circumstance 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 Schoolcraft County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Schoolcraft County 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 may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Schoolcraft County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance 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 one instance of non-compliance or other matters that is required to be reported under *Government Auditing Standards* and is listed as Finding 2023-001 in the Schedule of Findings and Responses.

#### 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, not to provide an opinion on the effectiveness of the Schoolcraft County 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 Schoolcraft County Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Administrator  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

February 9, 2024

Board of County Road Commissioners  
Schoolcraft County Road Commission  
332 N. East Road  
Manistique, Michigan 49854

Dear Commissioners:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Schoolcraft County Road Commission, a component unit of Schoolcraft County, Michigan, for the fiscal year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Schoolcraft County Road Commission are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended September 30, 2023. We noted no transactions entered into by the Schoolcraft County Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities were:

Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. Management's estimate of the depreciation is based on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets.

Management's estimate of the compensated absences is based on current hourly rates and policies regarding payment of compensation banks. Management's calculation of the current and noncurrent compensated absence liability amounts was based on an estimate of the percentage of employees' use of compensated absences.

Management's estimate of the quantities in the road material stock piles is based on cross sections prepared by the Engineer using a Laser Range Finder which calculates the tonnage in each pile.

The calculation of the net pension liability and related deferred outflows and deferred inflows of resources is based on an actuarial study which utilized certain actuarial assumptions. The actuary's calculations are based on significant assumptions, including anticipated rate of return of investments, estimated future healthcare costs, employee eligibility rates, and project salary increases. Management is responsible for reviewing the assumptions used in the actuary's calculation for reasonableness.

The calculation of the net other post-employment asset is determined using an alternative method whose estimations and assumptions are based on actuarial techniques.

We evaluated the key factors and assumptions used to develop these accounting estimates in determining that they are reasonable in relation to the financial statement taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 9, 2024.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Schoolcraft County Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Schoolcraft County Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information, and pension and OPEB trend data in Exhibits I through N, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.



We were engaged to report on Exhibit O through Q, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Schoolcraft County Road Commission's Board of County Road Commissioners and management of the Schoolcraft County Road Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM  
Administrator  
Local Audit and Finance Division

SCHOOLCRAFT COUNTY ROAD COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES  
For the Fiscal Year Ended September 30, 2023

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.

NONCOMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Violation of Public Act 2 of 1968

*Finding 2023-001*

*Condition:* During the fiscal year ended September 30, 2023, expenditures were incurred in excess of amounts appropriated in the amended budgets as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Other Non-Road Maintenance	\$ (90)	\$ 1,816,627	\$(1,816,717)

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Cause:* The Board of County Road Commissioners did not adjust the budget sufficiently to avoid the overages.

*Effect:* The Road Commission is in non-compliance with State statute.

*Directive:* We direct that the Road Commission develop budgetary control procedures which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof.

*Management’s Response:* The budget violation was for the funds that Schoolcraft County Road Commission received from the State Pension grant. The entry was not recorded because the State was undecided at the time of the final budget amendment if the entry needed to be recorded by recipients of the grant because the grant funds were issued directly to MERS.