

**CLARE COUNTY ROAD COMMISSION**  
**FINANCIAL REPORT**  
**SEPTEMBER 30, 2023**

**CLARE COUNTY**

**BOARD OF COUNTY ROAD COMMISSIONERS**

Karen Hulliberger – Commissioner

William Simpson - Commissioner

Max Schunk – Commissioner

Dave Coker - Commissioner

Merle Harmon – Commissioner

Dewayne Rogers – Manager

Kayla Randle – Finance Director

Donna Henke – Administrative Assistant

**CLARE COUNTY ROAD COMMISSION  
TABLE OF CONTENTS**

INDEPENDENT AUDITOR’S REPORT .....	1
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	5
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION .....	12
STATEMENT OF ACTIVITIES .....	13
BALANCE SHEET .....	14
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO THE STATEMENT OF NET POSITION .....	15
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE .....	16
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	17
NOTES TO FINANCIAL STATEMENTS .....	18
REQUIRED SUPPLEMENTAL INFORMATION:	
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES - BUDGETARY COMPARISON SCHEDULE .....	37
STATEMENT OF EXPENDITURES - BUDGETARY COMPARISON SCHEDULE .....	38
SCHEDULE 1 - SCHEDULE OF CHANGES IN ROAD COMMISSION’S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS .....	39
SCHEDULE 2 - SCHEDULE OF ROAD COMMISSION PENSION CONTRIBUTIONS .....	40
SCHEDULE 3 - SCHEDULE OF CHANGES IN ROAD COMMISSION’S TOTAL OPEB LIABILITY AND RELATED RATIOS .....	41
SUPPLEMENTAL SCHEDULES:	
ANALYSIS OF CHANGES OF FUND BALANCES .....	43
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES .....	44
ANALYSIS OF EXPENDITURES .....	45
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 <i>GOVERNMENT AUDITING STANDARDS</i> .....	46



**Tyler J. Watters, P.C.**

Certified Public Accountant

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## **INDEPENDENT AUDITOR'S REPORT**

March 11, 2024

Board of County Road Commissioners  
Clare County Road Commission  
Harrison, MI 48625

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities and major fund of the Clare County Road Commission, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Clare 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***

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Clare County Road Commission and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 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***

My 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 my 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*, I:

- . Exercise professional judgement 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 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and budgetary comparison information and schedule of funding progress for the post-employment benefits and pension liability on pages 5-11 and 37-41 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clare County Road Commission’s basic financial statements. The accompanying supplementary and related information is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 my opinion, the accompanying supplementary and related information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated March 11, 2024, on my consideration of the Clare County Road Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 Clare 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 Clare County Road Commission internal control over financial reporting and compliance.



TYLER J. WATTERS, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2023**

Our discussion and analysis of Clare County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the fiscal year ended September 30, 2023. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the road commission's operations in more detail than a government-wide financial statements.

**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 types of statements that present different views of the road Commission:

The first 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, deferred outflows, liabilities and deferred outflows. 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 they have changed. "Net Position" is the difference between the assets and liabilities. This is one way to measure the Road Commission's financial health or position.

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**

**Government-Wide Statements**

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. The Statement of Net Position includes all of the Road Commission's assets, deferred outflows, liabilities and deferred inflows, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. 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.



**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

The two statements, mentioned above, report the road commission's net position and how they have changed. The reader can think of the road commission's net position (the difference between assets, deferred outflows, liabilities and deferred inflows) 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, respectively. To assess the overall health of the road commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the road commission's roads, and changes in the law related to the gas taxes and its distribution.

Fund Financial Statements

The road commission currently has only one fund, the general operations fund. All of the road commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the road commission's major fund begins on this page. The fund financial statements begin on page 14 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund 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 its 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 Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

**FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE**

The road commission's net position increased 8.86% from \$33,256,375 to \$36,201,440 as of September 30, 2023. The net position is summarized below.

Net Position

Restricted net position are the portions of net position that have constraints placed on them by either: a) by creditors, grantors, contributors, or laws or regulations of other governments; b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used for only the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

The investment in capital assets, net of related debt, was \$32,057,301 at September 30, 2022, and \$35,777,704 as of September 30, 2023. The change in net position is primarily the result of capitalizing infrastructure of \$6,425,695 and equipment purchases offset by the current year depreciation. The restricted net position decreased by \$775,338 during the current year.

Net position as of year ended September 30, 2023, and September 30, 2022.

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>Increase/ Decrease</u>
<b>Assets</b>			
Current and Other Assets	\$ 5,358,975	\$ 5,994,419	\$ (635,444)
Capital Assets (Net)	36,367,762	32,057,301	4,310,461
Total Assets	<u>41,726,737</u>	<u>38,051,720</u>	<u>3,675,017</u>
<b>Deferred Outflows</b>	<u>2,690,916</u>	<u>1,507,481</u>	<u>1,183,435</u>
<b>Liabilities</b>			
Long-Term Debt Outstanding	6,747,512	4,193,080	2,554,432
Other Liabilities	766,738	1,068,512	(301,774)
Total Liabilities	<u>7,514,250</u>	<u>5,261,592</u>	<u>2,252,658</u>
<b>Deferred Inflows</b>	<u>701,963</u>	<u>813,565</u>	<u>(111,602)</u>
<b>Net Position</b>			
Invested in Capital Assets	35,777,704	32,057,301	3,720,403
Restricted	423,736	1,199,074	(775,338)
Total Net Position	<u>\$36,201,440</u>	<u>\$33,256,375</u>	<u>\$2,945,065</u>

Changes in Net Position

A summary of changes in net position follows:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>Increase/ Decrease</u>
<b>Program Revenues</b>			
Charges for Services	\$ 1,369,730	\$ 1,837,023	\$ (467,293)
Operating Grants and Contributions	9,508,478	8,216,049	1,292,429
Capital Grants and Contributions	2,136,081	1,413,319	722,762
<b>General Revenues</b>			
Gain (Loss) on Disposals	195,057	88,187	106,870
Interest Earnings	122,727	(28,072)	150,799
Other	139,035	426,841	(287,806)
Total Revenues	<u>13,471,108</u>	<u>11,953,347</u>	<u>1,517,761</u>
<b>Program Expenses</b>			
Public Works	10,508,183	9,358,349	1,149,834
Interest Expense	17,860	-	17,860
Total Program Expenses	<u>10,526,043</u>	<u>9,358,349</u>	<u>1,167,694</u>
Changes in Net Position	2,945,065	2,594,998	350,067
Net Position - Beginning of Year	<u>33,256,375</u>	<u>30,661,377</u>	<u>2,594,998</u>
Net Position - End of Year	<u>\$36,201,440</u>	<u>\$33,256,375</u>	<u>\$2,945,065</u>

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

The Road commission's Fund

The road commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

A summary of changes in the Operating Fund is as follows:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<b>Increase/ Decrease</b>
Revenues			
Licenses and Permits	\$ 39,175	\$ 35,530	\$ 3,645
Federal	2,064,964	1,337,097	727,867
State	7,773,997	7,443,483	330,514
Local	1,805,598	848,788	956,810
Charges for Services	1,330,555	1,801,493	(470,938)
Interest and Rents	122,727	(28,072)	150,799
Other	334,092	515,028	(180,936)
Total Revenues	<u>13,471,108</u>	<u>11,953,347</u>	<u>1,517,761</u>
Expenditures			
Public Works	13,199,272	12,038,945	1,160,327
Net Capital Outlay	1,063,197	(3,875)	1,067,072
Debt Service	158,117	-	158,117
Total Expenditures	<u>14,420,586</u>	<u>12,035,070</u>	<u>2,385,516</u>
Excess of Revenues Over (Under) Expenditures	(949,478)	(81,723)	(867,755)
Other Financing Sources			
Debt Proceeds	730,315	-	730,315
Total Other Financing Sources	<u>730,315</u>	<u>-</u>	<u>730,315</u>
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	(219,163)	(81,723)	2,614,805
Fund Balance - January 1	<u>4,925,907</u>	<u>5,007,630</u>	<u>(81,723)</u>
Fund Balance - December 31	<u>\$ 4,706,744</u>	<u>\$ 4,925,907</u>	<u>\$ 2,533,082</u>

**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 amended revenue budget for 2023 was \$192,040 higher than the original budget.

The final amended expenditure budget for 2023 was \$205,492 less than the original budget. The actual expenditures incurred during 2023 were over the final amended budget by \$3,231,086 primarily due to the forced entry for federal projects, increases in trunkline maintenance and Net Equipment Expense. There were eight unfavorable variances in expenditure line items.

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

Capital Assets

As of the respective year ends, the road commission had invested the following in net capital assets:

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>Increase/ Decrease</u>
Capital Assets Not Being Depreciated:			
Land and Improvements	\$ 187,883	\$ 187,883	\$ -
Subtotal	<u>187,883</u>	<u>187,883</u>	<u>-</u>
Capital Assets Being Depreciated:			
Buildings	1,642,270	1,622,614	19,656
Road Equipment	9,743,590	9,683,163	60,427
Shop Equipment	350,967	343,516	7,451
Office Equipment	162,399	158,843	3,556
Engineers Equipment	72,950	69,659	3,291
Yard & Storage Equipment	264,477	264,477	-
Infrastructure - Bridges	13,648,824	12,913,211	735,613
Infrastructure - Roads	<u>76,212,229</u>	<u>70,522,147</u>	<u>5,690,082</u>
Subtotal	<u>102,097,706</u>	<u>95,577,630</u>	<u>6,520,076</u>
Total Capital Assets	<u>102,285,589</u>	<u>95,765,513</u>	<u>6,520,076</u>
Total Accumulated Depreciation	<u>65,917,827</u>	<u>63,708,212</u>	<u>2,209,615</u>
Total Net Capital Assets	<u>\$ 36,367,762</u>	<u>\$ 32,057,301</u>	<u>\$ 4,310,461</u>
Debt Related to capital assets - bonds and lease purchase agreements			<u>\$ 590,058</u>

The Road Commission capitalized infrastructure and related assets during the current year in the amount of \$8,392,838. The infrastructure recorded, during 2023 will be depreciated in the following years. The infrastructure is financed through Federal, State and local contributions.

Debt

At the year end, the Road Commission had \$590,058 in debt relating to three lease-purchase agreements for a 2022 motor grader, a 2021 motor grader, and a 2022 cab tractor and boom mower . Other long-term debt includes compensated absences liability accrued in the amount of \$355,590.

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

**Economic Factors and Next Year's Budget**

**The Road Commission as a Whole**

We had a productive year in 2023. We were able to accomplish more than the number of road and bridge projects we set out to do including two projects that were in partnership with local universities.

**Federal and State Funded Road Projects**

There were three Federal/State funded project in 2022-2023.

- (1) A carryover project from 2022 for a single course chip seal on five roadway segments in Clare County, \$311,864 STP, and \$275,161 Local match.
- (2) Round-a-bout Road Project, \$661,000 STP, \$240,640 Local match, and approximately \$72,565 TEDF "D".
- (3) Small Urban Grant, \$340,810 STP and approximately \$569,191 local match.

There will be one Federal/State funded project scheduled in 2023-2024 on Colonville Road to widen shoulders and overlay approximately four miles of road.

**Township Work**

In 2023, the townships participated in road construction projects. We plan to continue our \$40,000 match program for HMA and chip seal. Gravel projects continue to be 50/50 match for materials, labor, and equipment.

**Capital Assets**

In 2023, the road commission purchased five pickup trucks, two tandem blade trucks (still waiting for builds), a truck to be used for night patrol/sign shop, an Aspen boom mower, and other miscellaneous equipment.

Projected equipment purchases for 2024: four tandem blade trucks (builds to be completed in 2025), pay for two builds for tandems purchased in 2023, bed rebuild for a mechanic pickup truck, and a sign truck/bucket truck.

**CLARE COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
SEPTEMBER 30, 2023**

**Next Year's Forecast**

With the revenue coming in 2024 through MTF and Township contributions, it will allow us to have a great year in delivering road construction projects at a higher rate than 2023.

**Closing**

This financial report is intended to provide our citizens, taxpayers and the general public with a general overview of the road commission's finances and how they are being spent.

**Requests for information**

This financial Report is designed to provide a general overview of the Road Commissions finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Clare County Road Commission  
3900 E. Mannsiding Road  
Harrison, MI 48625  
Phone: (989)539-2151  
Fax: (989)539-7751  
Email: [ccrc@clarecrc.com](mailto:ccrc@clarecrc.com)**

**CLARE COUNTY ROAD COMMISSION  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023**

<b>Assets</b>	
Cash and Equivalents	\$ 1,278,537
Investments	1,265,452
Accounts receivable:	
Sundry	-
Due from other governmental units	1,912,004
Inventories	882,063
Prepaid Expenses	20,919
Capital Assets (Net of Accumulated Depreciation)	<u>36,367,762</u>
Total Assets	<u>41,726,737</u>
<b>Deferred Outflows of Resources</b>	<u>2,690,916</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	54,113
Accrued liabilities	96,125
Due to other governmental units	143,751
Advances from governmental units	358,242
Lease Purchase (Due within One Year)	114,507
<b>Non Current Liabilities</b>	
Lease Purchase	475,551
Vested Employee Benefits Payable	355,590
Post Employment Benefit Liabilities	1,618,210
Net Pension Liability	<u>4,298,161</u>
Total Liabilities	<u>7,514,250</u>
<b>Deferred Inflows of Resources</b>	<u>701,963</u>
<b>Net Position</b>	
Net Investment in Capital Assets	35,777,704
Restricted for County Roads	<u>423,736</u>
Total Net Position	<u><u>\$ 36,201,440</u></u>

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

**CLARE COUNTY ROAD COMMISSION  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

**Program Expenses**

Primary Road Maintenance	\$ 1,423,550
Local Road Maintenance	3,616,259
State Trunkline Maintenance	1,370,592
Net Equipment Expense	(275,905)
Net Administrative Expense	639,081
Infrastructure Depreciation	3,178,431
Compensated Absences	39,947
Post Employment Benefits	304,378
Pension Expense	211,850
Interest Expense	17,860
Total Program Expenses	<u>10,526,043</u>

**Program Revenue**

Charges for Services	
Licenses and Permits	39,175
Charges for Services	1,330,555
Operating Grants and Contributions	
Michigan Transportation Funds	7,702,880
Interest Earnings	122,727
Contributions from Local Units	1,805,598
Capital Grants and Contributions	
Federal Grants	2,064,964
State Grants	71,117
Total Program Revenues	<u>13,137,016</u>

Net Program Revenues (Expenses)	<u>2,610,973</u>
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**General Revenues**

Gain (Loss) on Disposal of Assets	195,057
Other	139,035
Total General Revenues	<u>334,092</u>

<b>Change in Net Position</b>	<b>2,945,065</b>
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Net Position - Beginning Balance	<u>33,256,375</u>
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Net Position - Ending Balance	<u><u>\$ 36,201,440</u></u>
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The accompanying notes are an integral part of these financial statements.



**CLARE COUNTY ROAD COMMISSION  
BALANCE SHEET  
SEPTEMBER 30, 2023**

	<b>Governmental Fund Type</b>
	<b>General Operating</b>
<b>Assets</b>	
Imprest cash	\$ 250
Cash demand and time deposits	1,278,287
Investments	1,265,452
Accounts receivable:	
Sundry	-
Due from other governmental units	1,912,004
Inventories	882,063
Prepaid items	20,919
Total Assets	\$ 5,358,975
<b>Liabilities</b>	
Accounts payable	\$ 54,113
Accrued liabilities	96,125
Due to other governmental units	143,751
Advances from governmental units	358,242
Total Liabilities	652,231
<b>Fund Balances</b>	
Non-Spendable	902,982
Unassigned	3,803,762
Total Fund Balances	4,706,744
Total Liabilities and Fund Balances	\$ 5,358,975

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

**CLARE COUNTY ROAD COMMISSION  
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO  
THE STATEMENT OF NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Total governmental fund balance	\$ 4,706,744
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 funds.	36,367,762
Long-Term Debt	(590,058)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as fund liabilities.	(355,590)
Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities.	(1,618,210)
Net pension liability is not due and payable in the current period and is not reported in the funds.	(4,298,161)
Certain pension contributions and changes in pension plan net position are reported as deferred inflows and outflows of resources in the statement of net position, but are reported as expenses in the governmental funds.	<u>1,988,953</u>
Net Position of governmental activities	<u><u>\$ 36,201,440</u></u>

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

**CLARE COUNTY ROAD COMMISSION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
SEPTEMBER 30, 2023**

	<b>Governmental Fund Type</b>
	<b>General Operating</b>
<b>Revenues</b>	
Licenses and Permits	\$ 39,175
Federal Sources	2,064,964
State Sources	7,773,997
Contributions from Local Units	1,805,598
Charges for Services	1,330,555
Interest and Rents	122,727
Other	334,092
Total Revenues	13,471,108
<b>Expenditures</b>	
Public Works	13,199,272
Net Capital Outlay	1,063,197
Debt Service	158,117
Total Expenditures	14,420,586
Excess of Revenues Over (Under) Expenditures	(949,478)
<b>Other Financing Sources</b>	
Proceeds from Debt	730,315
Total Other Financing Sources	730,315
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(219,163)
Fund Balance - Beginning of Year	4,925,907
Fund Balance - End of Year	\$ 4,706,744

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

**CLARE COUNTY ROAD COMMISSION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF  
ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Net Change in fund balances - total governmental funds \$ (219,163)

Amounts reported for governmental activities in  
the Statement of Activities are different because:

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

Add - capital outlay	8,392,838
Deduct - depreciation expense and retirements	(4,082,377)

Lease proceeds provide current financial resources to governmental  
funds, but entering into bond or lease agreements increases long-term  
liabilities in the statement of net position. Repayment of notes/leases  
payable is an expenditure in governmental funds, but reduces the  
longterm liabilities in the statement of net position. (590,058)

(Increase)/Decrease in accumulated employee sick and vacation pay  
and other similar expenses reported in the Statement of Activities do  
not require the use of current resources, and therefore, are not  
reported in the fund financial statements until they come due for  
payment. (39,947)

Other postemployment benefit obligation expense is recognized in the  
Statement of Activities, but not in the government funds. (304,378)

Increase in 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. (211,850)

Change in Net Position of governmental activities \$ 2,945,065

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

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023**

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

The accounting policies of the Clare County Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

REPORTING ENTITY AND FUND TYPE - The County Road Commission's financial activity is considered a Governmental Special Revenue Fund Type and a reporting agency of Clare County in accordance with the established criteria in Statement No. 61, "The Financial Reporting Entity", issued by the Governmental Accounting Standards Board.

**BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The government-wide financial statements (ie., the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the Clare County 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, deferred outflows, liabilities, and deferred inflows with the difference being reported as either invested in capital assets, net of related debt or restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense 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.

**BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS**

Separate financial statements are provided for the operating fund (governmental fund). The 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 of 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 customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, 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.

**CLARE COUNTY ROAD COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**SEPTEMBER 30, 2023**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, 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.

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.

INVENTORY

Inventories consisting of equipment parts and supplies of \$235,795 and road materials of \$646,268, are stated at cost based on the first in - first out (FIFO) method. Inventory items are charged to equipment repairs and operations, and to road construction and maintenance as used.

PRE-PAID EXPENSES

Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements. As of September 30, 2023, the Road Commission has \$20,919 in prepaid expenses.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Clare County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Clare County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the statement of net position.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**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:

Building	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	12-50 years

**LONG-TERM OBLIGATIONS**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in operating fund statement of net position.

**USE OF ESTIMATES**

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

**BUDGETS AND BUDGETARY ACCOUNTING**

The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its general appropriations act. Any violations are disclosed in audits of the County Road Commission financial statements as required by law.

**DEFERRED OUTFLOWS OF RESOURCES** - In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D.

**DEFERRED INFLOWS OF RESOURCES** - In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)**

**PENSIONS**

For purposes 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.

**FUND BALANCE**

Fund balance is essentially the difference between the assets and liabilities reported in a governmental fund. There are five separate components of fund balance, each of which identifies the extent to which the Road Commission is bound to honor constraints on the specific purpose for which amounts can be spent.

1. Non-spendable fund balance (inherently non-spendable)
2. Restricted fund balance (externally enforceable limitations on use)
3. Committed fund balance (self-imposed limitations on use)
4. Assigned fund balance (limitation resulting from intended use)
5. Unassigned fund balance (the residual classification of the general fund)

As a general rule, when multiple categories of fund balance are available for expenditure, the Road Commission will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

**NOTE B - CASH AND INVESTMENTS**

Michigan compiled Laws 129.91, authorizes the Road Commission to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other 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 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 as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, 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.



**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE B - CASH AND INVESTMENTS (CONTINUED)**

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

Imprest Cash	\$	250
Cash demand and time deposits		1,278,287
Investments		<u>1,265,452</u>
Total		<u><u>\$ 2,543,989</u></u>

Deposits

Cash and cash equivalents are considered to be cash on demand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. At year-end the carrying amount of the County Road Commissions deposits were \$1,278,287 and the bank balance was \$1,937,381. According to the Federal Deposit Insurance Corporation, approximately 51% of the total bank balance was covered by federal depository insurance.

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 and the Road Commission's investment policy do not contain legal or policy requirements that would limit the 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 and the Road Commission's investment policy do not contain legal or policy requirements 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.

As of September 30, 2023, the Road Commission had the following investments held by the County Treasurer:

		<u>Reported Amount (Fair Value)</u>
Investments:		
Michigan Class - Government Securities	\$	438,157
U.S. Government Securities		<u>827,295</u>
Total		<u><u>\$ 1,265,452</u></u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE B - CASH AND INVESTMENTS (CONTINUED)**

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 investment policy of the Road Commission contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by Michigan law.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates 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. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

**NOTE C - CAPITAL ASSETS**

The following is a summary of changes in the Capital Assets Account Group.

	<u>Balance</u> <u>10/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2023</u>
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 187,883	\$ -	\$ -	\$ 187,883
Subtotal	<u>187,883</u>	<u>-</u>	<u>-</u>	<u>187,883</u>
Capital Assets Being Depreciated:				
Buildings	1,622,614	19,656	-	1,642,270
Road Equipment	9,683,163	1,933,189	1,872,762	9,743,590
Shop Equipment	343,516	7,451	-	350,967
Office Equipment	158,843	3,556	-	162,399
Engineers Equipment	69,659	3,291	-	72,950
Yard & Storage Equipment	264,477	-	-	264,477
Infrastructure - Bridges	12,913,211	735,613	-	13,648,824
Infrastructure - Roads	<u>70,522,147</u>	<u>5,690,082</u>	<u>-</u>	<u>76,212,229</u>
Total	<u>95,577,630</u>	<u>8,392,838</u>	<u>1,872,762</u>	<u>102,097,706</u>
Less Accumulated Depreciation:				
Buildings	1,286,521	42,287	-	1,328,808
Road Equipment	7,736,828	820,637	936,832	7,620,633
Shop Equipment	271,526	18,375	-	289,901
Office Equipment	137,091	6,428	-	143,519
Engineers Equipment	57,880	4,349	-	62,229
Yard & Storage Equipment	227,971	11,870	-	239,841
Infrastructure - Bridges	5,074,140	208,943	-	5,283,083
Infrastructure - Roads	<u>48,916,255</u>	<u>2,033,558</u>	<u>-</u>	<u>50,949,813</u>
Total	<u>63,708,212</u>	<u>3,146,447</u>	<u>936,832</u>	<u>65,917,827</u>
Net Capital Assets Being Depreciated	<u>31,869,418</u>	<u>5,246,391</u>	<u>935,930</u>	<u>36,179,879</u>
Total Net Capital Assets	<u>\$32,057,301</u>	<u>\$ 5,246,391</u>	<u>\$ 935,930</u>	<u>\$36,367,762</u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM**

General Information about the Pension Plan

*Plan Description* - The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer 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 Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at [www.mersofmich.com](http://www.mersofmich.com).

Benefits Provided:

	<b>General Closed to New Hires</b>	<b>Non Union Closed to New Hires</b>	<b>Non Union Hired After 3/1/2013</b>	<b>General Hired After 9/1/2014</b>
Benefit Multiplier:	2.50% (80% max)	2.50% (80% max)	2.00% (no max)	1.50% (no max)
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (Unreduced):	55/30	55/30	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years	5 years	5 years
Employee Contributions:	5%	0%	5%	5%
Act 88:	Yes	Yes	Yes	Yes

Employees covered by benefit terms:

At the December 31, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	48
Inactive employees or beneficiaries entitled but not yet receiving benefits	11
Active employees	<u>30</u>
Total Employees covered by MERS Plan	<u><u>89</u></u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

*Contributions:*

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during the 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 costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2022, the active employee contribution was 5% of annual pay and the Road Commission's contribution rate of annual payroll was an average of 48.63%.

Net Pension Liability

The 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 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: 2.5%

Salary Increases: 3.00% in the long-term

Investment rate of return: 7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on the RP-2019 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2021.

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

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

*Actuarial Assumptions (Continued)*

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return	Expected Nominal Return Asset Class	Expected Real Return Asset Class
Global Equity	60.0%	7.00%	2.50%	4.50%	4.20%	2.70%
Global Fixed Income	20.0%	4.50%	2.50%	2.00%	0.90%	0.40%
Private Investments	20.0%	9.50%	2.50%	7.00%	1.90%	1.40%
Total	100.0%	7.00%	2.50%	4.50%	7.00%	4.50%

*Discount rate:*

The discount rate used to measure the total pension liability is 7.25% for 2022. 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.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
<b><u>Changes in Net Pension Liability</u></b>	<b><u>(a)</u></b>	<b><u>(b)</u></b>	<b><u>(a)-(b)</u></b>
Balance at 12/31/2021	\$ 14,361,674	\$ 11,798,069	\$ 2,563,605
Changes for the Year:			
Service Cost	180,095	-	180,095
Interest	1,013,063	-	1,013,063
Changes in benefits	-	-	-
Differences between expected and actual experience	223,150	-	223,150
Change in assumptions	-	-	-
Contributions: employer	-	850,897	(850,897)
Contributions: employees	-	77,713	(77,713)
Net investment income	-	(1,224,937)	1,224,937
Benefit payments, including refunds	(956,889)	(956,889)	-
Administrative expense	-	(21,921)	21,921
Other changes	-	-	-
Net Changes	<u>459,419</u>	<u>(1,275,137)</u>	<u>1,734,556</u>
Balance at 12/31/2022	<u>\$ 14,821,093</u>	<u>\$ 10,522,932</u>	<u>\$ 4,298,161</u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)**

*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% lower (6.25%) or 1% higher (8.25%) than the current rate.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
Total Pension Liability	\$ 16,470,750	\$ 14,821,093	\$ 13,433,255
Fiduciary Net Position	10,522,932	10,522,932	10,522,932
Net Pension Liability	\$ 5,947,818	\$ 4,298,161	\$ 2,910,323

**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 \$1,062,747. At September 30, 2023, the Road Commission reported deferred outflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 204,089	\$ -
Differences in assumptions	167,810	-
Excess (deficit) investment returns	1,662,782	701,963
Contributions subsequent to the measurement date *	656,235	-
Total	\$ 2,690,916	\$ 701,963

The amount reported as deferred outflow 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, 2023.

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

Years Ending September 30,	Amount
2024	\$ 383,902
2025	253,664
2026	279,455
2027	415,697

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE E - STATE EQUIPMENT PURCHASE ADVANCE**

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract.

**NOTE F - LONG TERM DEBT**

The following is a summary of pertinent information concerning the County Road Commission's long-term debt.

	<u>Changes in Long-Term Debt</u>				Due Within One Year
	<u>Balance 10/1/2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2023</u>	
Lease Purchase - 2022 Cab Tractor and Boom Mower	\$ -	\$ 134,083	\$ 31,198	\$ 102,885	\$ 37,637
Lease Purchase - 2021 Motor Grader	-	265,493	33,963	231,530	39,322
Lease Purchase - 2022 Motor Grader	-	330,739	75,096	255,643	37,548
Compensated Absences	<u>315,643</u> (1)	<u>39,947</u>	<u>-</u>	<u>355,590</u>	<u>-</u>
Totals	<u>\$ 315,643</u>	<u>\$ 770,262</u>	<u>\$ 140,257</u>	<u>\$ 945,648</u>	<u>\$ 114,507</u>

(1) The change in compensated absences is shown as a net addition

**Lease Purchase - 2022 Cab Tractor and Boom Mower**

The Road Commission entered into a lease purchase agreement with Deere Credit, Inc. for the purchase of a 2022 6145M Cab Tractor and 2022 Boom Mower in the amount of \$171,721. The lease terms include interest of 4.70% and annual payments of \$37,636.70 through May 19, 2026.

**Annual Debt Service Requirements:**

<u>Year</u>	<u>Amount</u>
2023-2024	\$ 37,637
2024-2025	37,637
2025-2026	<u>37,637</u>
Total Payments	112,911
Less - Interest and fees	<u>(10,026)</u>
Net Balance Due	<u>\$ 102,885</u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE F - LONG TERM DEBT (CONTINUED)**

Lease Purchase – 2021 Motor Grader

The Road Commission entered into a lease purchase agreement with Deere Credit, Inc. for the purchase of a 2021 672G Motor Grader in the amount of \$349,785. The lease terms include interest of 2.0% and annual payments of \$39,322.57 through January 27, 2026, and a final payment of \$128,000 on January 27, 2027.

Annual Debt Service Requirements:

<u>Year</u>	<u>Amount</u>
2023-2024	\$ 39,322
2024-2025	39,323
2025-2026	39,323
2026-2027	<u>128,000</u>
Total Payments	245,968
Less - Interest and fees	<u>(14,438)</u>
Net Balance Due	<u><u>\$231,530</u></u>

Lease Purchase – 2022 Motor Grader

The Road Commission entered into a lease purchase agreement with the Bank of the West for the purchase of a 2022 150JOY-BR Motor Grader in the amount of \$398,739. The lease terms do not state an annual interest rate and no interest rate was imputed. The lease states annual payments of \$37,547.79 through September 2026, and a final payment of \$143,000 in September 2027.

Annual Debt Service Requirements:

<u>Year</u>	<u>Amount</u>
2023-2024	\$ 37,548
2024-2025	37,548
2025-2026	37,547
2026-2027	<u>143,000</u>
Total Payments	255,643
Less - Interest and fees	<u>-</u>
Net Balance Due	<u><u>\$255,643</u></u>



**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE G – EQUIPMENT LEASES**

The Road Commission has entered into cancelable operating equipment leases as follows:

<u>Equipment Item</u>	<u>Lease Date</u>	<u>Lease Maturity Date</u>	<u>Annual Lease Payment</u>	<u>Guaranteed Purchase Amount</u>
CAT 150-15 AWD Motor Grader	2/2/2022	2/2/2027	\$ 37,548	\$ 120,000

Lease expense for fiscal year 2023 was approximately \$69,035.

Subsequent maturities are as follows for lease commitments:

2024	\$37,548
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**NOTE H - VESTED EMPLOYEE BENEFITS**

County Road employees, after six months of service, are credited with 8 hours vacation leave per month, and an additional two to seven days based on years of service exceeding four years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited. Vacation leave for 2023 amounted to \$124,343.

County Road post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn 8 hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2023 amounted to \$231,247.

**NOTE I - FEDERAL FINANCIAL ASSISTANCE**

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. However, only the federal financial assistance applicable to negotiated account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation.

The federal aid revenue of \$2,064,964 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors paid for and administered by the Michigan Department of Transportation.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE J - EXCESS EXPENDITURES OVER APPROPRIATIONS**

Public Act 621 of 1978, section 18 (1), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the twelve months ended September 30, 2023 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Primary Road			
Preservation/Structural Improvements	\$ 1,660,000	\$ 3,983,108	\$ (2,323,108)
Maintenance	\$ 1,225,000	\$ 1,423,550	\$ (198,550)
Local Road			
Preservation/Structural Improvements	\$ 1,400,000	\$ 2,442,587	\$ (1,042,587)
Maintenance	\$ 3,150,000	3,616,259	\$ (466,259)
State Trunkline Maintenance/ Non-Maintenance	\$ 1,300,000	\$ 1,370,592	\$ (70,592)
Equipment Expense - Net	\$ (1,250,000)	\$ (275,905)	\$ (974,095)
Long-Term Debt Payments	\$ -	\$ 140,257	\$ (140,257)
Interest Expense	\$ -	\$ 17,860	\$ (17,860)

The Road Commission does not use encumbrances for budgetary purposes. During the twelve months ended September 30, 2023, the Road Commissioners made one amendment to the General Operating Fund Budget.

**NOTE K - RISK MANAGEMENT**

Clare County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE K - RISK MANAGEMENT (CONTINUED)**

The Clare Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

During the twelve months ended September 30, 2023, and the previous two years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

**NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

Plan Description

Clare County Road Commission administers a single employer defined benefit healthcare plan. The plan provides healthcare benefits for eligible employees and their spouses upon retirement, in accordance with labor contracts. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

Clare County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the road commission's group health insurance plan, which covers both active and retired members as follows:

- Non-Union employees hired prior to February 6, 2013, and union employees hired prior to September 1, 2014, and who retire between the ages of 60 and 65 will receive health insurance comparable to that provided to the current employees for themselves and their spouse until age 65 years. Single employees and married employees must contribute \$100 and \$200 per month, respectively, towards the premiums.

Employees Covered by the Benefit Terms

At year end, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees or beneficiaries entitled to but not yet receiving benefits	0
Active employees	<u>14</u>
Total	<u><u>17</u></u>

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONTINUED)**

The plan is closed to new non-union employees and new union employees hired after February 6, 2013, and September 1, 2014, respectively.

Contributions

The Road Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). For the year ended September 30, 2023, the Road Commission’s actuarially determined contribution was \$69,985. The Road Commission paid retiree premiums of \$42,553 during the year and made no contributions to pre-fund the liability. Employees are required to contribute to the premium costs in accordance with the benefit provisions described previously.

Net OPEB Liability

The Road Commission’s net OPEB liability was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined using the alternative measurement method as permitted GASB Statement 75 for employers in plans fewer than 100 (one hundred) total plan members.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Assumptions

The total OPEB liability in the September 30, 2023 valuation was determined using the following actuarial assumptions:

Salary increases	3.25%, average, including inflation
Discount rate	3.54%, net of OPEB plan investment expense
Healthcare cost trend rates	Initial rate of 7.25% decreasing .25% per year to a 4.5% long-term rate.
Mortality	Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2019

The discount rate was based on the Uniform Assumptions determined by the State Treasurer.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONTINUED)**

Changes in the Total OPEB Liability

Changes in the Total OPEB liability during the year were as follows:

<u>Changes in OPEB Liability</u>	<u>Total OPEB Liability</u>
Beginning Balance	\$ 1,313,832
Service Cost	69,985
Interest	46,510
Other Changes	230,436
Benefit Payments	(42,553)
Net Changes	<u>304,378</u>
Ending Balance	<u>\$ 1,618,210</u>

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the change in the net OPEB liability of the Road Commission, calculated using the discount rate of 3.54%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.54%) or 1% higher (4.54%) than the current rate:

	<u>1.0% Decrease in rate to 2.54%</u>	<u>Assumed Rates Discount Rate 3.54%</u>	<u>1.0% Increase in rate to 4.54%</u>
Net OPEB Liability	<u>\$ 1,664,678</u>	<u>\$ 1,618,210</u>	<u>\$ 1,573,785</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Road Commission, as well as what the Road Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current healthcare cost trend rates:

	<u>1.0% Decrease 6.25%</u>	<u>Healthcare Cost Trend Rates 7.25%</u>	<u>1.0% Increase 8.25%</u>
Net OPEB Liability	<u>\$ 1,504,542</u>	<u>\$ 1,618,210</u>	<u>\$ 1,741,536</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 an OPEB expense of \$346,931. At September 30, 2023, the Road Commission did not report deferred outflows of resources and deferred inflows of resources related to OPEB from the following source as they use the alternative measurement method to determine the OPEB liability.

**CLARE COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023**

**NOTE M - FUND BALANCE CLASSIFICATIONS**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which Clare County Road Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Non-spendable* - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

*Restricted* - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

*Committed* - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

*Assigned* - amounts intended to be used for specific purposes. The governing body, the budget or finance committee or a delegated municipality official, determines this.

*Unassigned* - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

**Fund Balance Classification Policies and Procedures**

For committed fund balance, Clare County Road Commission's highest level of decision-making authority is the County Road Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by vote and approval by the County Road Board.

For assigned fund balance, the Road Commission Manager is authorized to assign amounts to a specific purpose. Such assignments cannot exceed the available fund balance in any particular fund.

For the classification of fund balances, the Clare County Road Commission considers restricted amounts to have been spent when expenditures are incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the road commission considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**REQUIRED SUPPLEMENTAL INFORMATION**

**CLARE COUNTY ROAD COMMISSION**  
**STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -**  
**BUDGETARY COMPARISON SCHEDULE**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Licenses and Permits	\$ -	\$ -	\$ 39,175	\$ 39,175
Federal Sources				
Surface Transportation Program	1,313,673	1,001,809	2,064,964	1,063,155
State Sources				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Allocation	7,670,035	7,668,595	7,435,507	(233,088)
Urban	-	-	182,405	182,405
Snow Removal	500	4,580	4,579	(1)
Critical Bridge	-	-	-	-
Economic Development Fund				
Rural Primary (D)	72,565	72,565	71,117	(1,448)
Forest Road	70,390	70,390	70,389	(1)
Contributions from Local Units				
Townships	1,410,000	1,506,141	1,805,598	299,457
Charges for Services				
State Trunkline Maintenance/ Non-Maintenance	1,096,356	1,300,000	1,330,555	30,555
Salvage Sales	-	-	7,360	7,360
Interest and Rents	125,000	326,479	122,727	(203,752)
Other Revenue				
Gain (loss) Sale of Equipment	-	-	195,057	195,057
Other	-	-	131,675	131,675
Other Financing Sources				
Lease Purchase Proceeds	-	-	730,315	730,315
 Total Revenue	 <u>\$ 11,768,519</u>	 <u>\$ 11,960,559</u>	 <u>\$ 14,201,423</u>	 <u>\$ 2,240,864</u>



**CLARE COUNTY ROAD COMMISSION**  
**STATEMENT OF EXPENDITURES - BUDGETARY COMPARISON SCHEDULE**  
**TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

	<b>Original Budget</b>	<b>Final Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Primary Road				
Preservation - Structural Improvements	\$ 650,000	\$ 1,660,000	\$ 3,983,108	\$ (2,323,108)
Maintenance	2,500,000	1,225,000	1,423,550	(198,550)
Local Road				
Preservation - Structural Improvements	2,050,000	1,400,000	2,442,587	(1,042,587)
Maintenance	2,600,000	3,150,000	3,616,259	(466,259)
State Trunkline Maintenance/ Non-Maintenance	1,300,000	1,300,000	1,370,592	(70,592)
Administrative Expense - Net	2,174,500	2,449,500	639,081	1,810,419
Equipment Expense - Net	(1,300,000)	(1,250,000)	(275,905)	(974,095)
Capital Outlay - Net	1,420,492	1,255,000	1,063,197	191,803
Long-Term Debt Payments	-	-	140,257	(140,257)
Interest Expense	-	-	17,860	(17,860)
<b>Total Expenditures</b>	<b>\$ 11,394,992</b>	<b>\$ 11,189,500</b>	<b>\$ 14,420,586</b>	<b>\$ (3,231,086)</b>

**CLARE COUNTY ROAD COMMISSION**  
**SCHEDULE OF CHANGES IN ROAD COMMISSION'S NET PENSION**  
**LIABILITY (ASSET) AND RELATED RATIOS**  
**YEAR ENDED SEPTEMBER 30, 2023**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 180,095	\$ 167,211	\$ 161,600	\$ 169,923	\$ 178,026	\$ 185,938	\$ 173,635	\$ 149,193	\$ 136,098
Interest on total pension liability	1,013,063	994,971	961,477	965,785	945,471	915,328	848,114	814,957	798,099
Changes in benefit terms	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	223,150	165,968	(79,312)	13,236	33,329	125,379	618,059	63,113	-
Changes in assumptions	-	503,428	354,834	377,515	-	-	-	462,006	-
Benefit payments including employee refunds	(956,889)	(956,042)	(965,352)	(921,848)	(875,839)	(815,968)	(795,611)	(761,051)	(711,753)
<b>Net change in total pension liability</b>	<b>459,419</b>	<b>875,536</b>	<b>433,247</b>	<b>604,611</b>	<b>280,987</b>	<b>410,677</b>	<b>844,197</b>	<b>728,218</b>	<b>222,444</b>
<b>Total pension liability - beginning</b>	<b>14,361,674</b>	<b>13,486,138</b>	<b>13,052,891</b>	<b>12,448,280</b>	<b>12,167,293</b>	<b>11,756,616</b>	<b>10,912,419</b>	<b>10,184,201</b>	<b>9,961,757</b>
<b>Total pension liability - ending</b>	<b>\$ 14,821,093</b>	<b>\$ 14,361,674</b>	<b>\$ 13,486,138</b>	<b>\$ 13,052,891</b>	<b>\$ 12,448,280</b>	<b>\$ 12,167,293</b>	<b>\$ 11,756,616</b>	<b>\$ 10,912,419</b>	<b>\$ 10,184,201</b>
<b>Plan fiduciary net position</b>									
Contributions - employer	\$ 850,897	\$ 874,980	\$ 854,150	\$ 750,000	\$ 750,000	\$ 750,000	\$ 744,703	\$ 474,931	\$ 529,211
Contributions - employee	77,713	76,771	76,330	76,753	77,698	75,618	67,684	59,041	51,356
Net investment income	(1,224,937)	1,467,152	1,198,566	1,116,305	(341,159)	1,014,540	783,303	(106,641)	432,025
Benefit payments, including employee refunds	(956,889)	(956,042)	(965,352)	(921,848)	(875,839)	(815,968)	(795,611)	(761,051)	(711,753)
Administrative expenses	(21,921)	(16,835)	(18,670)	(19,233)	(16,772)	(16,036)	(15,461)	(15,616)	(15,987)
<b>Net change in plan fiduciary net position</b>	<b>(1,275,137)</b>	<b>1,446,026</b>	<b>1,145,024</b>	<b>1,001,977</b>	<b>(406,072)</b>	<b>1,008,154</b>	<b>784,618</b>	<b>(349,336)</b>	<b>284,852</b>
<b>Total plan fiduciary net position - beginning</b>	<b>11,798,069</b>	<b>10,352,043</b>	<b>9,207,019</b>	<b>8,205,042</b>	<b>8,611,114</b>	<b>7,602,960</b>	<b>6,818,342</b>	<b>7,167,678</b>	<b>6,882,826</b>
<b>Total plan fiduciary net position - ending</b>	<b>\$ 10,522,932</b>	<b>\$ 11,798,069</b>	<b>\$ 10,352,043</b>	<b>\$ 9,207,019</b>	<b>\$ 8,205,042</b>	<b>\$ 8,611,114</b>	<b>\$ 7,602,960</b>	<b>\$ 6,818,342</b>	<b>\$ 7,167,678</b>
<b>Road Commission's net pension liability</b>	<b>\$ 4,298,161</b>	<b>\$ 2,563,605</b>	<b>\$ 3,134,095</b>	<b>\$ 3,845,872</b>	<b>\$ 4,243,238</b>	<b>\$ 3,556,179</b>	<b>\$ 4,153,656</b>	<b>\$ 4,094,077</b>	<b>\$ 3,016,523</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>71.00%</b>	<b>82.15%</b>	<b>76.76%</b>	<b>70.54%</b>	<b>65.91%</b>	<b>70.77%</b>	<b>64.67%</b>	<b>62.48%</b>	<b>70.38%</b>
<b>Covered employee payroll</b>	<b>\$ 1,749,913</b>	<b>\$ 1,732,410</b>	<b>\$ 1,682,142</b>	<b>\$ 1,740,993</b>	<b>\$ 1,767,643</b>	<b>\$ 1,816,097</b>	<b>\$ 1,650,120</b>	<b>\$ 1,403,341</b>	<b>\$ 1,258,168</b>
<b>Employer's Net Pension Liability as a percentage of covered employee payroll</b>	<b>245.62%</b>	<b>147.98%</b>	<b>186.32%</b>	<b>220.90%</b>	<b>240.05%</b>	<b>195.81%</b>	<b>251.72%</b>	<b>291.74%</b>	<b>239.76%</b>

Notes to schedule:

the schedule is based on a calendar year measurement date.

**CLARE COUNTY ROAD COMMISSION  
SCHEDULE OF ROAD COMMISSION PENSION CONTRIBUTIONS  
YEAR ENDED SEPTEMBER 30, 2023**

	Calendar Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	\$ 576,822	\$ 531,612	\$ 464,599	\$ 419,541	\$ 353,977	\$ 293,861	\$ 277,078	\$ 251,647	\$ 211,074	\$ 197,111
Contributions in relation to the actuarially determined contribution	850,897	874,980	854,149	750,000	750,000	750,000	744,703	474,932	273,819	197,111
Contribution excess (deficiency)	<u>\$ 274,075</u>	<u>\$ 343,368</u>	<u>\$ 389,550</u>	<u>\$ 330,459</u>	<u>\$ 396,023</u>	<u>\$ 456,139</u>	<u>\$ 467,625</u>	<u>\$ 223,285</u>	<u>\$ 62,745</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,749,913	\$ 1,732,410	\$ 1,682,142	\$ 1,740,993	\$ 1,767,643	\$ 1,816,097	\$ 1,650,120	\$ 1,403,341	\$ 1,258,168	\$ 1,291,966
Actuarially determined contributions as a percentage of covered-employee payroll	32.96%	30.69%	27.62%	24.10%	20.03%	16.18%	16.79%	17.93%	16.78%	15.26%

**Notes to Schedule**

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 normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	5-year smoothed marked
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%, net of pension plan investment expense including inflation

**CLARE COUNTY ROAD COMMISSION**  
**SCHEDULE OF CHANGES IN ROAD COMMISSION'S TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>						
Service cost	\$ 69,985	\$ 91,625	\$ 99,610	\$ 115,485	\$ 95,617	\$ 99,538
Interest	46,510	33,862	34,412	53,902	50,584	43,628
Changes in benefit terms	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-
Other changes	230,436	(260,952)	(71,128)	(47,907)	(46,456)	(52,016)
Benefit payments	<u>(42,553)</u>	<u>(35,136)</u>	<u>(48,277)</u>	<u>(75,192)</u>	<u>(56,638)</u>	<u>(53,420)</u>
<b>Net change in total OPEB Liability</b>	304,378	(170,601)	14,617	46,288	43,107	37,730
<b>Total OPEB Liability - Beginning</b>	<u>1,313,832</u>	<u>1,484,433</u>	<u>1,469,816</u>	<u>1,423,528</u>	<u>1,380,421</u>	<u>1,342,691</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 1,618,210</u>	<u>\$ 1,313,832</u>	<u>\$ 1,484,433</u>	<u>\$ 1,469,816</u>	<u>\$ 1,423,528</u>	<u>\$ 1,380,421</u>
<b>Covered Employee Payroll</b>	<u>\$ 883,488</u>	<u>\$ 928,423</u>	<u>\$ 872,186</u>	<u>\$ 987,331</u>	<u>\$ 1,097,747</u>	<u>\$ 1,213,369</u>
Total OPEB Liability as a percentage of covered-employee payroll	<u>183.16%</u>	<u>141.51%</u>	<u>170.20%</u>	<u>148.87%</u>	<u>129.68%</u>	<u>113.77%</u>

GASB Statement No. 75 was implemented as of September 30, 2018. Information from prior years are not available. Additional years will be presented on this schedule on a prospective basis.

**SUPPLEMENTAL SCHEDULES**

**CLARE COUNTY ROAD COMMISSION  
ANALYSIS OF CHANGES OF FUND BALANCES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Total Revenues	\$ 6,844,808	\$ 5,847,850	\$ 1,508,765	\$ 14,201,423
Total Expenditures	<u>5,653,137</u>	<u>7,444,375</u>	<u>1,323,074</u>	<u>14,420,586</u>
Excess of Revenues Over (Under) Expenditures	1,191,671	(1,596,525)	185,691	(219,163)
Optional Transfers and Adjustments	(1,305,647)	1,305,647	-	-
Fund Balance - October 1, 2022	<u>1,419,622</u>	<u>1,306,541</u>	<u>2,199,744</u>	<u>4,925,907</u>
Fund Balance - September 30, 2023	<u>\$ 1,305,646</u>	<u>\$ 1,015,663</u>	<u>\$ 2,385,435</u>	<u>\$ 4,706,744</u>

**CLARE COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Licenses and Permits	\$ -	\$ -	\$ 39,175	\$ 39,175
Federal Sources				
Surface Transportation Program	2,064,964	-	-	2,064,964
State Sources				
Michigan Transportation Fund				
Engineering	5,985	4,015	-	10,000
Allocation	4,449,896	2,985,611	-	7,435,507
Urban	116,514	65,891	-	182,405
Snow Removal	4,579	-	-	4,579
Economic Development Fund				
Rural Primary (D)	71,117	-	-	71,117
Forest Road	70,389	-	-	70,389
Contributions from Local Units				
Townships	-	1,805,598	-	1,805,598
Charges for Services				
State Trunkline Maintenance/ Non-Maintenance	-	-	1,330,555	1,330,555
Salvage Sales	-	-	7,360	7,360
Interest and Rents	61,364	61,363	-	122,727
Other Revenue				
Gain (Loss) on sale of equipment	-	195,057	-	195,057
Other	-	-	131,675	131,675
Other Financing Sources				
Lease Purchase Proceeds	-	730,315	-	730,315
 Total Revenue	 <u>\$6,844,808</u>	 <u>\$5,847,850</u>	 <u>\$1,508,765</u>	 <u>\$14,201,423</u>

**CLARE COUNTY ROAD COMMISSION  
ANALYSIS OF EXPENDITURES  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Primary Road				
Preservation - Structural Improvements	\$ 3,983,108	\$ -	\$ -	\$ 3,983,108
Maintenance	1,423,550	-	-	1,423,550
Local Road				
Preservation - Structural Improvements	-	2,442,587	-	2,442,587
Maintenance	-	3,616,259	-	3,616,259
State Trunkline Maintenance/ Non-Maintenance	-	-	1,370,592	1,370,592
Administrative Expense - Net	301,364	337,717	-	639,081
Equipment Expense - Net	(54,885)	(173,502)	(47,518)	(275,905)
Capital Outlay - Net	-	1,063,197	-	1,063,197
Long-Term Debt Payments	-	140,257	-	140,257
Interest Expense	-	17,860	-	17,860
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	<u>\$ 5,653,137</u>	<u>\$ 7,444,375</u>	<u>\$ 1,323,074</u>	<u>\$ 14,420,586</u>





# Tyler J. Watters, P.C.

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## 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*

March 11, 2024

Board of County Road Commissioners  
Clare County Road Commission  
Harrison, MI 48625

I 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, and major fund of the Clare County Road Commission, a Special Revenue Fund of the County of Clare, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Clare County Road Commission's basic financial statements and have issued my report thereon dated March 11, 2024.

### Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Clare County Road Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clare County Road Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Clare 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.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Clare County Road Commission's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



TYLER J. WATTERS, P.C.

CERTIFIED PUBLIC ACCOUNTANT



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March 11, 2024

Board of County Road Commissioners  
Clare County Road Commission  
Harrison, MI 48625

I have audited the financial statements of the governmental activities, major fund and the aggregate remaining fund information of the Clare County Road Commission for the year ended September 30, 2023. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 17, 2023. Professional standards also require that I communicate to you the following information related to my 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 Clare 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 2023. I noted no transactions entered into by the 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 Road Commission's financial statements were:

- Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. I evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for the pension benefits and the estimate of the current portion of vested employee benefits.
- Management's estimate of the liability for other post-employment benefits and the estimate of the current portion of vested employee benefits.

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

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

*Corrected and Uncorrected Misstatements*

Professional standards require me 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 each opinion unit's 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 my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

*Management Representations*

I have requested certain representations from management that are included in the management representation letter dated March 11, 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 Clare County Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

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

During the course of my audit of the basic financial statements of the Clare County Road Commission for the year ended September 30, 2023, I noted the following items which I believe should be brought to your attention:

**Budgets**

The Road Commission follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Act of 1978) as prescribed by the State of Michigan.

Public Act 621 of 1978, section 18 (1), as amended, provides that County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended September 30, 2023, the County Road Commission incurred expenditures, which were in excess of the amount appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Primary Road			
Preservation/Structural Improvements	\$ 1,660,000	\$ 3,983,108	\$ (2,323,108)
Maintenance	\$ 1,225,000	\$ 1,423,550	\$ (198,550)
Local Road			
Preservation/Structural Improvements	\$ 1,400,000	\$ 2,442,587	\$ (1,042,587)
Maintenance	\$ 3,150,000	3,616,259	\$ (466,259)
State Trunkline Maintenance/ Non-Maintenance	\$ 1,300,000	\$ 1,370,592	\$ (70,592)
Equipment Expense - Net	\$ (1,250,000)	\$ (275,905)	\$ (974,095)
Long-Term Debt Payments	\$ -	\$ 140,257	\$ (140,257)
Interest Expense	\$ -	\$ 17,860	\$ (17,860)

**Fixed Assets**

The fixed asset report generated from the accounting software appears to be including assets purchased after the fiscal year end. There were also a few mistakes in entering the asset values into Precision and a couple assets were missed in getting entered as fixed assets. I recommend contacting the software company to discuss why the fixed asset report includes purchases subsequent to the fiscal year end and request that they attempt to resolve the issue. I also recommend that a fiscal year end reconciliation be completed between the system fixed asset report and general ledger to verify that there are no discrepancies between the two systems.

Other Matters

I applied certain limited procedures to the Budgetary Comparison Schedules and the Schedule of Changes in Pension and OPEB Liability and Related Ratios, which are a required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statement. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of County Road Commissioners, and management of the Clare 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.



Tyler J. Watters, P.C.  
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