CHIPPEWA COUNTY ROAD COMMISSION

COMPONENT UNIT
AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners of the
Chippewa County Road Commission
3949 S. Mackinac Trail
Sault Ste. Marie, MI 49783

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Road Commission, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2024, on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 6, 2024

Chippewa County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report on the Road Commission's net position and how they have changed. "Net position" is the difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources - this is one way to ensure the Road Commission's financial health or position.

- The remaining statements are fund financial statements that focus on individual fund, reporting the operations in more detail than the government-wide statements.

Reporting the Road Commission as a Whole

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

The two statements mentioned above report the Road Commission's net position and changes in them. The reader can think of the Road Commission's net position (the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources) 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.

Reporting the Road Commission's Major Funds

The Road Commission currently has two funds, the General Fund and the OPEB Trust Fund (a Fiduciary Fund). All of the Road Commission's activities are accounted for in the General Fund. The General Fund is a governmental fund type.

- 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 it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and the governmental fund in a reconciliation following the fund financial statements.

- Fiduciary fund – The Road Commission is trustee, or fiduciary, for its employees' health benefit plan. The Road Commission is responsible for ensuring that the assets reported in the fiduciary funds are used for their intended purposes. All of the Road Commission's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the Road Commission's government-wide financial statements because the Road Commission cannot use these assets to finance its operations.

The Road Commission as a Whole

The Road Commission's net position increased approximately 5.76%, or $4,923,114 from $85,412,672 to $90,335,786 for the year ended December 31, 2023. Net position on as of the year ended December 31, 2023, and 2022 are summarized in Table 1 below.

Table 1
Net Position

	Governmental Activities	
	2023	2022
Current and Other Assets	$5,657,495	$5,461,006
Capital Assets	108,161,628	106,631,912
Total Assets	113,819,123	112,092,918
Deferred Outflows of Resources	1,304,321	2,496,850
Current and Other Liabilities	2,885,607	2,369,023
Non-current Liabilities	19,215,549	23,128,238
Total Liabilities	22,101,156	25,497,261
Deferred Inflows of Resources	2,686,502	3,679,835
Net Position:		
Net investment in capital assets	108,028,398	106,298,091
Restricted	1,287,051	-
Restricted for County roads	(18,979,663)	(20,885,419)
Total Net Position	$90,335,786	$85,412,672

Restricted net position for operations, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased by $1,905,756. The net investment in capital assets increased by $1,730,307.

Changes in Net Position

A summary of changes in net position for the years ended December 31, 2023, and 2022 is summarized in Table 2 below:

Table 2
Changes in Net Position

	Governmental Activities	
	2023	2022
Program Revenue:		
Charges for Services	$4,125,762	$3,921,901
Operating Grants and Contributions	9,406,164	8,932,778
Capital Grants and Contributions	5,086,311	5,568,576
General Revenues:		
Property taxes	943,794	903,554
Gain (loss) on equipment disposal	69,820	17,900
Total Revenue	19,631,851	19,344,709
Program Expenses:		
Primary road — routine and preventative maintenance	3,808,477	4,412,121
Local road — routine and preventative maintenance	3,353,699	3,613,460
State trunkline maintenance	3,824,062	3,754,006
Net equipment expense	1,441,010	269,231
Net administrative expense	485,651	345,821
Non-road projects	2,495,261	58,449
Infrastructure depreciation - unallocated	3,036,779	2,871,608
Compensated absences	113,789	164,903
OPEB/Pension expense	(3,855,875)	(2,974,069)
Interest expense	5,884	12,545
Total Expenses	14,708,737	12,528,075
Change in Net Position	4,923,114	6,816,634
Net Position, Beginning of Year	85,412,672	78,596,038
Net Position, End of Year	$90,335,786	$85,412,672

The net gain of $4,923,114 was due to the following:

Net change in fund balance – total governmental funds		($549,279)
Net change in capital assets		1,529,716
Repayment of debt principal – reclassified to liability		200,591
Proceeds from borrowing		-
Change in compensated absences		(113,789)
Change in accrued interest		-
Change in net pension liability		1,643,640
Change in other post-employment benefits		2,212,235
	Total	$4,923,114

The Road Commission's Fund

The Road Commission's General 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.

For the year ended December 31, 2023, the General Fund had a decrease in fund balance of $549,279, as compared to the prior year's decrease in fund balance of $81,472. Total operating revenues were $18,618,237 in the current year, an increase of $194,982 as compared to the prior year. This change in revenues resulted primarily from funds received in connection with the road projects completed in the prior year.

Total expenditures were $14,708,737 in the current year, an increase of $2,180,662 as compared to the prior year. This change in expenditure resulted in more funds being used for road projects completed in the prior year.

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 Board of County Road Commissioners 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.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2023, the Road Commission had $108,161,628 invested in capital assets, compared to $106,631,912 in the prior year. The change in capital assets is as follows:

Table 3
Capital Assets (Net of accumulated depreciation)

	Governmental Activities	
	2023	2022
Land and improvements	$63,872,886	$61,952,104
Construction in progress	-	-
Buildings	6,545,404	6,302,189
Equipment	18,187,132	17,953,713
Depletable assets	1,551,477	1,309,638
Infrastructure – Bridges	24,425,601	24,425,601
Infrastructure – Roads	48,718,058	47,698,265
Total Capital Assets	163,300,558	159,641,510
Total Accumulated Depreciation	(55,138,930)	(53,009,598)
Total Net Capital Assets	$108,161,628	$106,631,912

The Road Commission reported the infrastructure and related assets during the current year in the amount of $108,161,628, an increase of $1,529,716. The infrastructure recorded during the current fiscal year will be depreciated in the following year. The infrastructure is financed through federal, state, and local contributions.

This year's major capital asset additions included the following:

Land and improvements (Infrastructure)	$1,920,782
Construction in progress	-
Buildings	243,216
Equipment	494,464
Infrastructure – Bridges & Roads	2,915,630
Total Additions	$5,574,092

The Road Commission disposed of $261,046 in Road Equipment and $1,653,998 of road infrastructure during the year which was fully depreciated. More detailed information about the Road Commission's capital assets is presented in the footnotes to the financial statements.

Debt

At year end, the Road Commission had $546,795 in loans, leases, and compensated absences compared to $633,597 in the prior year, a decrease of $86,802 as shown below:

Table 4
Long-term Debt

	Governmental Activities	
	2023	2022
Loans	$-	$112,593
Leases	133,230	221,228
Compensated absences	413,565	299,776
Total	$546,795	$633,597

During the year the Road Commission did not issue any new debt and retired $112,593 in loans and $87,998 in leases.

More detailed information about the Road Commission's long-term debt is presented in the footnotes to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2024 budget. One of the factors is the economy. The Road Commission derives approximately 47% of its revenues from the fuel tax collected. Using the Michigan Department of Transportation projections, it is estimated that the Road Commission will receive an increase of 0.1% in the amount of Michigan Transportation Fund revenues in 2024. The Road Commission received approximately 4% of its revenues from city and township contributions during 2024. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2024, we expect to receive at least $1,000,000 in federal, state, and township aid for road projects.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties with a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Chippewa County Road Commission's administrative offices at 3949 South Mackinac Trail, Sault Ste. Marie, MI 49783.

Chippewa County Road Commission

STATEMENT OF NET POSITION

December 31, 2023

ASSETS	
Current Assets:	
Cash	$ 1,309,575
Accounts Receivable:	
Property taxes	1,040,373
Michigan Transportation funds	1,637,602
Trunkline maintenance	372,237
State Highway - Other	-
Due on County Road agreements	5,684
Sundry accounts	4,973
Inventories:	
Road materials	759,207
Equipment parts and materials	447,092
Prepaid items	80,752
Non-current Assets:	
Capital Assets:	
Land and construction in progress	63,872,886
Other capital assets, net	44,288,742
TOTAL ASSETS	113,819,123
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	1,100,388
Deferred outflows related to OPEB	203,933
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,304,321
LIABILITIES	
Current Liabilities:	
Accounts payable	1,443,537
Accrued payroll liabilities	194,595
Advances - trunkline maintenance	742,006
Accrued county share of federal aid projects	414,556
Notes and leases payable - due within one year	90,913
Non-Current Liabilities:	
Notes and leases payable - due in more than one year	42,317
Compensated absences	413,565
Net pension liability	10,607,774
Net OPEB liability	8,151,893
TOTAL LIABILITIES	22,101,156
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	-
Deferred inflows related to OPEB	1,646,129
Deferred inflows related to property taxes levied for a subsequent period	1,040,373
TOTAL DEFERRED INFLOWS OF RESOURCES	2,686,502
NET POSITION	
Net investment in capital assets	108,028,398
Restricted	1,287,051
Restricted for County roads	(18,979,663)
TOTAL NET POSITION	$ 90,335,786

See accompanying notes to the financial statements.

Chippewa County Road Commission

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

PROGRAM EXPENSES:	
Primary road routine and preventative maintenance	$ 3,808,477
Local road routine and preventative maintenance	3,353,699
State trunkline maintenance	3,824,062
Net equipment expense	1,441,010
Net administrative	485,651
Non-road projects	2,495,261
Infrastructure depreciation	3,036,779
Compensated absences	113,789
Other post-employment benefits/pension expense	(3,855,875)
Interest Expense	5,884
TOTAL PROGRAM EXPENSES	14,708,737
PROGRAM REVENUE:	
Charges for Services:	
License and permits	32,265
Charges for services	3,815,443
Reimbursements	278,054
Operating Grants and Contributions:	
Michigan Transportation funds	9,388,790
Investment earnings	17,374
Capital Grants and Contributions:	
Federal grants	1,139,314
State grants	3,090,960
Contributions from local units	856,037
TOTAL PROGRAM REVENUES	18,618,237
NET PROGRAM REVENUE	3,909,500
GENERAL REVENUES:	
Property taxes	943,794
Gain (loss) on equipment disposal	69,820
TOTAL GENERAL REVENUES	1,013,614
Change in Net Position	4,923,114
Net position, beginning of year	85,412,672
NET POSITION, END OF YEAR	$ 90,335,786

See accompanying notes to the financial statements.

Chippewa County Road Commission

BALANCE SHEET

December 31, 2023

ASSETS	
Cash	$ 1,309,575
Accounts Receivable:	
Property taxes	1,040,373
Michigan Transportation Funds	1,637,602
Trunkline maintenance	372,237
State - other	-
Due on County road agreements	5,684
Sundry accounts	4,973
Inventories:	
Road materials	759,207
Equipment parts and materials	447,092
Prepaid items	80,752
TOTAL ASSETS	5,657,495
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,657,495
LIABILITIES	
Accounts payable	$ 1,443,537
Accrued payroll liabilities	194,595
Advances - trunkline maintenance	742,006
Accrued county share of federal aid projects	414,556
TOTAL LIABILITIES	2,794,694
DEFERRED INFLOWS OF RESOURCES	1,040,373
FUND BALANCE	
Non-spendable	1,287,051
Restricted	-
Committed	-
Assigned	-
Unassigned	535,377
TOTAL FUND BALANCE	1,822,428
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 5,657,495

See accompanying notes to the financial statements.

Chippewa County Road Commission

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION

December 31, 2023

Total Fund Balances for Governmental Funds		$ 1,822,428
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.		108,161,628
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Notes and lease payable - current	$ (90,913)	
Notes and lease payable - non-current	(42,317)	
Compensated absences	(413,565)	(546,795)
Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.		
Net pension liability	(10,607,774)	
Deferred outflows of resources related to pension	1,100,388	
Deferred (inflows) of resources related to pension	-	(9,507,386)
Net OPEB liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.		
Net OPEB liability	(8,151,893)	
Deferred outflows of resources related to OPEB	203,933	
Deferred (inflows) of resources related to OPEB	(1,646,129)	(9,594,089)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 90,335,786

See accompanying notes to the financial statements.

Chippewa County Road Commission

STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2023

REVENUES:	
Property taxes	$ 943,794
License and permits	32,265
Federal sources	1,139,314
State sources	12,479,750
Contributions from local units	856,037
Charges for services	3,815,443
Interest and rents	17,374
Other revenue	347,874
TOTAL REVENUES	19,631,851
EXPENDITURES:	
Public works	19,938,802
Capital outlay (net)	35,853
Debt service	206,475
TOTAL EXPENDITURES	20,181,130
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(549,279)
OTHER FINANCING SOURCES (USES):	
Proceeds from borrowing	-
TOTAL OTHER FINANCING SOURCES (USES)	-
CHANGE IN FUND BALANCE	(549,279)
FUND BALANCE, BEGINNING OF YEAR	2,371,707
FUND BALANCE, END OF YEAR	$ 1,822,428

See accompanying notes to the financial statements.

Chippewa County Road Commission

RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2023

Net Change in Fund Balances - Total Governmental Funds		$ (549,279)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays and infrastructure as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense - building and equipment	$ (1,007,597)	
Depreciation expense - infrastructure	(3,036,779)	
Capital outlays - building and equipment	979,519	
Capital outlays - infrastructure - primary	3,443,121	
Capital outlays - infrastructure - local	1,151,452	
Net book value of asset disposals	-	1,529,716
Repayment of note/lease principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.		200,591
Proceeds from debt issuance are an other financing source in the governmental funds, but a debt issuance increases long-term liabilities in the statement of net position.		-
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(113,789)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due		-
Net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		1,643,640
Some expenses reported in the statement of activities, such as other post-employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		2,212,235
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 4,923,114

See accompanying notes to the financial statements.

Chippewa County Road Commission

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2023

	OPEB Trust Fund
ASSETS	
Investments at fair market value	$ 4,626,337
NET POSITION	
Restricted for Other Post Employment Benefits	$ 4,626,337

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

Chippewa County Road Commission

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2023

	OPEB Trust Fund
ADDITIONS	
Contributions - Employer	$ 1,694,763
Investment earnings:	
Net Increase (Decrease) in Fair Value of Investments	555,288
TOTAL ADDITIONS	2,250,051
DEDUCTIONS	
Benefit payments	1,094,763
Administrative fees and other	35,278
TOTAL DEDUCTIONS	1,130,041
CHANGES IN NET POSITION	1,120,010
Net position, beginning of year	3,506,327
NET POSITION, END OF YEAR	$ 4,626,337

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

The Chippewa County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a three-member Board of County Road Commissioners appointed by the Chippewa County Board of County Commissioners. The Road Commission may not issue debt without the County's approval and property tax levies are subject to County Board of Commissioners' approval.

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

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

Fiduciary Component Unit

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

Government-Wide and Fund Financial Statements

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Statement of Net Position presents the Road Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as either invested in capital assets, or restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (i.e. statement of net position and statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and related 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.

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 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. Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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

> The General Fund is the government's primary operating fund. It accounts for all financial resources of the Road Commission not accounted for and reported in another fund.

Additionally, the Road Commission reports the following fund type:

> The OPEB Trust Fund accounts for the accumulated resources for other postemployment benefit payments to qualified employees of the Road Commission.

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. The fair value measurements of investments are based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Property Taxes Receivable

The property tax is levied each December 1st on the taxable valuation of property located in the County as of the preceding December 31st. The 2023 taxable valuation of $1,326,557,410 for Road Millage amounted to $1,392,885 less $352,513 for cities and villages, (on which ad valorem taxes of 0.9821 mills were levied) for road maintenance purposes resulted in a net total of $1,040,373.

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the general fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. 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, and has reported the infrastructure in the Statement of Net Position.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other 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 Department	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure—Roads	8 to 30 years
Infrastructure—Bridges	12 to 50 years

Deferred Outflows of Resources

In addition to assets, the statement of financial 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 future periods(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government reports the following in this category.

In the financial statements, the net difference between projected and actual pension and OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred outflow of resources.

Long-Term Obligations

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

Compensated Absences (Vacation and Sick Leave)

It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds.

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.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net Other Post-Employment Benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Chippewa County Road Commission Other

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Post-Employment Benefits Plan and additions to/deductions from the Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Road Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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 reports the following in this category.

> In the financial statements, the net difference between projected and actual pension and OPEB plan investment earnings, differences between expected and actual experience, changes in assumptions and changes in proportion and differences between employer contributions and proportionate share of contributions create a deferred inflow of resources.
>
> The governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, deferred inflows of resources are reported in the government-wide and governmental fund financial statements for property taxes levied during the year that were intended to finance future periods.

Use of Estimates

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenditure during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 6, 2024, which is the date of the accompanying independent auditor's report, and which is the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public hearing. The budget is amended as necessary during the year and

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

NOTE C – CASH DEPOSITS AND INVESTMENTS:

The cash and investments are classified into the following categories:

Cash – Petty cash		$150
Cash – Bank deposits		1,309,425
	Total	$1,309,575

Custodial Credit Risk – Deposits

Custodial deposit credit risk is the risk that in the event of a bank failure, the Road Commission deposits may not be returned. State law does not require, and the Road Commission does not have a policy for deposit custodial credit risk. The carrying amounts of the Road Commission's deposits with financial institutions were $1,309,425 and the bank balance was $1,469,508. The bank balance is categorized as follows:

Amount insured by FDIC		$500,000
Amount uninsured and uncollateralized		969,508
	Total	$1,469,508

Interest Rate Risk

The Road Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan Compiled Laws, Section 129.91, authorizes the Road Commission to deposit and invest in the accounts of federally insured banks, credit unions, and 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 Governmental or Federal Agency obligation repurchase agreements; banker's acceptance of United States Banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivision which are treated 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 Road Commission has adopted the County's investment policy, which is in accordance with the provisions of *Public Act 20 of 1943 as amended.*

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices.

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued):

Fair value measurement.

The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into various levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Road Commission's assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

As of December 31, 2023, the Road Commission had the following investments:

	Fair Value at 12/31/2023	Fair Value Measurement Level 1	Level 2	Level 3
OPEB Trust Fund:				
MERS Pooled Funds	$4,626,337	$-	$4,626,337	$-

Custodial Investment Credit Risk

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments or securities that are in the possession of an outside party.

NOTE D – CAPITAL ASSETS:

Capital asset activity of the Road Commission for the current year was as follows:

	Balances 12/31/2022	Additions	Deletions	Balances 12/31/2023
Capital Assets Not Being Depreciated:				
Land and improvements	$61,952,104	$1,920,782	$-	$63,872,886
Construction in progress	-	-	-	-
Subtotal	61,952,104	1,920,782	-	63,872,886
Capital Assets Being Depreciated:				
Buildings	6,302,188	243,216	-	6,545,404
Road equipment	17,377,756	471,582	(257,478)	17,591,860
Shop equipment	330,458	20,310	(514)	350,254
Office equipment	78,077	2,572	(3,054)	77,595
Engineers' equipment	167,423	-	-	167,423
Depletable Assets	1,309,638	241,839	-	1,551,477
Infrastructure – Bridges	24,425,601	-	-	24,425,601
Infrastructure - Roads	47,698,265	2,673,791	(1,653,998)	48,718,058
Subtotal	97,689,406	3,653,310	(1,915,044)	99,427,672

NOTE D – CAPITAL ASSETS (Continued):

	Balances 12/31/2022	Additions	Deletions	Balances 12/31/2023
Less Accumulated Depreciation:				
Buildings	($3,335,921)	($181,194)	$-	($3,517,115)
Road equipment	(15,611,431)	(784,302)	257,478	(16,138,255)
Shop equipment	(270,208)	(8,730)	514	(278,424)
Office equipment	(78,077)	(198)	3,054	(75,221)
Engineer's equipment	(81,633)	(25,713)	-	(107,346)
Depletable Assets	(461,195)	(7,460)	-	(468,655)
Infrastructure – Bridges	(10,906,387)	(455,695)	-	(11,362,082)
Infrastructure – Roads	(22,264,746)	(2,581,084)	(1,653,998)	(23,191,832)
Subtotal	(53,009,598)	(4,044,376)	1,915,044	(55,138,930)
Net Capital Assets Being Depreciated	44,679,808	(391,066)	-	44,288,742
Total Net Capital Assets	$106,631,912	$1,529,716	$-	$108,161,628

Depreciation expense was charged to programs of the Road Commission as follows:

Equipment Expense:	
Direct	$784,302
Indirect	103,629
Administrative Expense	8,897
Distributed	46,837
State Salt Shed	56,472
Depletion	7,460
Infrastructure:	3,036,779
Total Depreciation Expense	$4,044,376

NOTE E – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

Non-spendable — amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted — amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed — amounts that can be used only for specific purposes determined by a formal action of the Board of County Road Commissioners (the Board). The Board is the highest level of decision-making authority for the Road Commission. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board.

Assigned — amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. This intent can be expressed by the Board through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned — all other spendable amounts. The unassigned classification also includes negative residual fund balance of any other governmental funds that cannot be eliminated by offsetting of Assigned fund balance amounts.

NOTE E – FUND BALANCES – GOVERNMENTAL FUNDS (Continued):

As of December 31, 2023, fund balances are composed of the following:

		General Fund
Non-spendable:		
Inventories		$1,206,299
Prepaid		80,752
	Subtotal	1,287,051
Restricted:		-
Committed:		-
Assigned:		-
Unassigned		535,377
	Total fund balances	$1,822,428

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the Road Commission considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the Road Commission considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of County Road Commissioners has provided otherwise in its commitment or assignment actions.

NOTE F – LONG-TERM DEBT:

The changes in long-term debt of the Road Commission are summarized as follows:

	Balances 12/31/2022	Additions	Reductions	Balances 12/31/2023	Due Within One Year
Loans:					
Truck Loan – CSB	$112,593	$-	($112,593)	$-	$-
Subtotal	112,593	-	(112,593)	-	-
Leases:					
Komatsu Loader	103,534	-	(40,409)	63,126	41,746
Komatsu Excavator	117,694	-	(47,589)	70,104	49,167
Subtotal	221,228	-	(87,998)	133,230	90,913
Compensated Absences:					
Unused Vacation	42,330	3,786	-	46,116	-
Unused Sick Leave	257,446	110,003	-	367,449	-
Subtotal	299,776	113,789	-	413,565	-
Total	$633,597	$113,789	($200,591)	$546,795	$90,913

NOTE F – LONG-TERM DEBT (Continued):

Truck Loan

In December 2020, a loan was issued to the Road Commission for the purchase of 5 trucks. The loan was originally issued for $325,974 at 3.3100% per annum, with 28 consecutive payments due monthly. The loan was paid in full during fiscal year 2023.

Komatsu Loader Lease

The Road Commission entered into a financing lease with Komatsu Financial in December of 2020 for the use of a loader. The agreement was originally for $208,364 at 3.250% per annum, with 52 consecutive payments due monthly.

Komatsu Excavator Lease

The Road Commission entered into a financing lease with Komatsu Financial in December of 2020 for the use of an excavator. The agreement was originally for $180,521 at 3.250% per annum, with 53 consecutive payments due monthly.

Maturities on long-term obligations are as follows:

Governmental Activities			
Maturity Year	Principal	Interest	Total
2024	$90,913	$2,971	$93,884
2025	42,317	368	42,685
Total	$133,230	$3,339	$136,569

Compensated Absences – Vacation Benefits

Prior to February 1, 1981, employees with vacation time will be credited to the employee and it may be used at the employee's discretion. Beginning February 1, 1985, employees may carry forward 40 hours of vacation per year, which must be used by the end of the next calendar year. Vacation pay is calculated and paid at the current rate of pay.

Compensated Absences – Sick Leave Benefit Policies

Employees hired before February 1, 1993, may accumulate a maximum of 168 days of sick leave. Upon death or retirement, employees are paid for a maximum of 132 days at their current rate of pay. Employees hired on or after February 1, 1993, may accumulate a maximum of 600 hours of sick leave. Upon death or retirement, after 20 years of service employees are paid for 50% of their accumulated sick hours at their current rate of pay.

NOTE G – ADVANCES:

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. The State also advances amounts for routine maintenance as part of the agreement.

NOTE H – DEFINED BENEFIT 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 website at www.mersofmich.com.

Benefits Provided

	2022 Valuation	
	01 – Gnrl: Closed to new hires, linked to Division 10	10 – After 2/04: Open Division, linked to Division 01
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees:	N/A	N/A
Employee Contributions:	0%	2%
Act 88:	Yes: Adopted 11/20/1970	Yes: Adopted 11/20/1970

Employees covered by benefit terms.

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

Active employees:	62
Inactive employees entitled to but not yet receiving*:	4
Inactive employees or beneficiaries currently receiving benefits:	89
Total	155

*Excluding pending refunds of 7

Contributions

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

The contribution rates as a percentage of payroll as of December 31, 2022, is as follows:

	Employer Contribution*	Employee Contribution
Division 01 – Gnrl; closed	$84,171	0.00%
Division 10 - After 2/04; open	11.67%	2.00%

*For open divisions, a percentage of pay contribution is shown. For closed divisions, a monthly dollar contribution is shown.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2022.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2022, rolled forward to December 31, 2023. The following actuarial assumptions were used and applied to all periods included in the measurement:

Inflation:	2.5%
Salary Increases:	3.00% plus merit and longevity; 3.00% in the long-term
Investment Rate of Return	7.00%, net of investment expenses and administrative expense, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

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

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 weighing 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 geometric real rates of return for each major asset class are summarized in the following table:

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

Discount rate

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

Calculating the Net Pension Liability

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of 12/31/2022	$24,100,917	$11,079,002	$13,021,915
Changes for the Year:			
Service Costs	417,687	-	417,687
Interest on Total Pension Liability	1,706,828	-	1,706,828
Changes in benefits	-	-	-
Difference between expected and actual experience	226,109	-	226,109
Changes in assumption	-	-	-
Employer Contributions	-	3,324,298	(3,324,298)
Employee Contributions	-	71,450	(71,450)
Net investment Income	-	1,349,189	(1,349,189)
Benefit payments, including. employee refunds	(1,534,580)	(1,534,580)	-
Administrative expense	-	(27,618)	27,618
Other changes	(47,446)	-	(47,446)
Net Changes	768,598	3,182,739	(2,414,141)
Balances as of 12/31/2023	$24,869,515	$14,261,741	$10,607,774

Sensitivity of the Net Pension Liability to changes in the discount rate.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability at 12/31/2023	$10,607,774	$10,607,774	$10,607,774
Change in Net Pension Liability	2,811,817	-	(2,376,437)
Calculated Net Pension Liability	$13,419,591	$10,607,774	$8,231,337

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

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

For the year ended 2023 the employer recognized pension expense/(benefit) of ($1,643,640). The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	$76,130	$-
Difference in assumptions	555,067	-
Excess (deficit) investment returns	469,191	-
Total	1,100,388	$-

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Plan Year Ended December 31,	Amount
2024	$420,365
2025	449,912
2026	332,008
2027	(101,897)
2028	-
Thereafter	-
Total	$1,100,388

Payable to the Pension Plan

At December 31, 2023, there was a reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2023.

NOTE I – DEFERRED COMPENSATION PLAN:

The Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer (Chippewa County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements. The total amount contributed to the Plan for the year ended December 31, 2023, was $154,555.

NOTE J – OTHER POST EMPLOYMENT BENEFITS:

Plan Description

In addition to the pension benefits, the Chippewa County Road Commission agrees to provide 100% of BC/BS and prescription drug coverage benefits to eligible retirees and/or their spouses who retire after February 1, 1985, and who were hired prior to February 1, 2005, until retiree's death. If a retiree dies, the current spouse shall be provided the same coverage until attainment of Medicare eligibility. Upon attainment of Medicare eligibility, the retiree's spouse will be responsible for 100% of the cost of any medical coverage if they elect to stay in the group.

For eligible retirees who were hired after February 1, 2005, the Chippewa County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

Employees covered by benefit terms.

At the December 31, 2023 valuation, the following employees were covered by the benefit terms:

Active Employees	62
Vested Former Employees	-
Retirees	68
Total	130

Contributions

The Plan was established and is being funded under the authority of the Road Commission. The Plan's funding policy is that the Road Commission will contribute $750,000 per year while continuing to pay retiree benefits from general operating funds until 100% funded status is obtained. Currently, benefit payments are made form general operating funds. There are no long-term contracts for contributions to the plan.

Net OPEB Liability

The employer's Net OPEB Liability was measured as of December 31, 2023.

Actuarial assumptions

The total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of December 31, 2023. The following actuarial assumptions were used in the measurement:

Inflation	Included in the investment return
Salary Increases	2.00%
Investment Rate of Return	6.46% (including inflation)
20-year Aa Municipal Bond Rate	4.00% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

The long-term expected rate of return on pension plan investments was determined using a building-block 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap US	25.00%	8.25%
Mid Cap US	3.00%	8.55%
Small Cap US	4.50%	7.80%
International Equities	25.00%	7.20%
Emerging Mkt Equity	7.50%	8.40%
Short Term Fixed Inc.	14.00%	3.50%
US Fixed Inc.	12.00%	3.80%
International Fixed Inc.	1.00%	3.60%
Inflations – Linked	1.00%	4.60%
High Yield	3.00%	5.40%
Precious Metals (Commodities)	4.00%	4.30%
Total	100.00%	

The sum of each targe allocation times its long-term expected rate of return, plus inflation, is 6.46%.

Discount rate

The discount rate used to measure the total OPEB liability was 6.46%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual contributions of $750,000 until the plan is fully funded. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of December 31, 2023, the discount rate used to value OPEB liabilities was 6.70%.

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

Changes in Net OPEB Liability

Calculating the Net OPEB Liability

Changes in Net OPEB Liability	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net OPEB (b)	Net OPEB Liability (a)-(b)
Balances as of 12/31/2022	$13,179,655	$3,506,327	$9,673,328
Changes for the Year:			
Service Costs	79,563	-	79,563
Interest on Total OPEB Liability	851,693	-	851,693
Changes in benefits	-	-	-
Difference between expected and actual experience	(703,102)	-	(703,102)
Changes in assumption	465,184	-	465,184
Contributions to OPEB trust	-	600,000	(600,000)
Employer Contributions	-	1,094,763	(1,094,763)
Employee Contributions	-	-	-
Net investment Income	-	555,288	(555,288)
Benefit payments, including. employee refunds	(1,094,763)	(1,094,763)	-
Administrative expense	-	(35,278)	35,278
Other changes	-	-	-
Net Changes	(401,425)	1,120,010	(1,521,435)
Balances as of 12/31/2023	$12,778,230	$4,626,337	$8,151,893

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 6.46%, as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (5.46%) or 1% higher (7.46%) than the current rate.

	1% Decrease (5.46%)	Current Discount Rate (6.46%)	1% Increase (7.46%)
Net OPEB Liability	$9,349,821	$8,151,893	$7,124,369

The following presents the Net OPEB Liability of the employer, calculated using the current healthcare cost trend rates as well as what the employer's Net OPEB Liability would be using a trend rate that is 1 percentage point lower or 1% higher than the current trend rate.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	$7,072,617	$8,151,893	$9,401,526

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the employer recognized OPEB expense/(benefit) of ($2,212,235). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	$-	($1,543,801)
Difference in assumptions	-	(102,328)
Excess (deficit) investment returns	203,933	-
Total	$203,933	($1,646,129)

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Plan Year Ended December 31,	Amount
2024	($1,176,316)
2025	(259,786)
2026	58,862
2027	(64,956)
2028	-
Thereafter	-
Total	($1,442,196)

Payable to OPEB Plan

At December 31, 2023, the Road Commission reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2023.

NOTE K – CONTINGENCIES:

Grants – The Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission.

Risk Management – The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining

NOTE K – CONTINGENCIES (Continued):

through member premiums and will reinsure through commercial companies for claims in excess of $1,000 ($2,000 for errors and omissions) for each insured event. The maximum limit of liability for each occurrence is $10,500,000.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

Environmental Remediation – The Road Commission has implemented environmental impact evaluation procedures at its Trout Lake, Strongs, and Paradise, Michigan locations. The cost estimated of any environmental remediation is not determinable at this time. Ongoing monitoring of any existing contamination has been implemented at the Michigan locations and the Road Commission continues to develop plans for remediation with the Department of Environment, Great Lakes and Energy. Future potential liabilities, if any, are undeterminable as of the opinion date. The Road Commission executed provisions of a Consent Agreement for payment of fines and penalties of approximately $100,000 over a period of ten years through 2028.

The Road Commission from time to time is named as a defendant in accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

NOTE L – FEDERAL GRANTS:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2023, the Federal aid received and expended by the Road Commission was $1,139,314 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). The Federal aid received and expended by the Road Commission was $0 for negotiated projects. Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended $750,000. The Road Commissions single audit is completed and reported as part of the audit of Chippewa County, Michigan.

NOTE M – NEW GASB STANDARDS:

Management of the Road Commission has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Road Commission by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

<u>Recently Issued and Adopted Accounting Pronouncements</u>
None

NOTE M – NEW GASB STANDARDS (Continued):

Other Recently Issued Accounting Pronouncements
In March 2020, the GASB issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. GASB 94 will improve financial reporting by establishing the definitions of public-private and public-public partnership arrangements (PPPs) and availability payment arrangements (APAs) and providing uniform guidance on accounting and financial reporting for transactions that meet those definitions. That uniform guidance will provide more relevant and reliable information for financial statement users and create greater consistency in practice. This Statement will enhance the decision usefulness of a government's financial statements by requiring governments to report assets and liabilities related to PPPs consistently and disclose important information about PPP transactions. The required disclosures will allow users to understand the scale and important aspects of a government's PPPs and evaluate a government's future obligations and assets resulting from PPPs. This statement is effective for periods beginning after June 15, 2022. The Road Commission does not have activities that meet the criteria for GASB 94; therefore, GASB 94 is not applicable to the Road Commission.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements.* GASB 96 will improve financial reporting by establishing a definition for subscription-based information technology arrangements (SBITAs) for government end users (governments) and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This Statement also will enhance the relevance and reliability of a government's financial statements by requiring a government to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures will allow users to understand the scale and important aspects of a government's SBITA activities and evaluate a government's obligations and assets resulting from SBITAs. This statement is effective for periods beginning after June 15, 2022. The Road Commission does not have activities that meet the criteria for GASB 96; therefore, GASB 96 is not applicable to the Road Commission.

NOTE N - UPCOMING STANDARDS:

The following pronouncements of the Governmental Accounting Standards Board (GASB) have been released recently and may be applicable to the Road Commission the near future. We encourage management to review the following information and determine which standard(s) may be applicable to the Road Commission.

GASB 100: Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62
Effective for fiscal years beginning after June 15, 2023 (Road Commission's fiscal year 2024)

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the

NOTE N - UPCOMING STANDARDS (Continued):

transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB 101: Compensated Absences
Effective for fiscal years beginning after December 15, 2023 (Road Commission's fiscal year 2024)

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to

NOTE N - UPCOMING STANDARDS (Continued):

compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences—including parental leave, military leave, and jury duty leave—not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

<u>GASB 102: Certain Risk Disclosures</u>
Effective for fiscal years beginning after June 15, 2024 (Road Commission's fiscal year 2025)

The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This Statement defines a *concentration* as a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

REQUIRED SUPPLEMENTARY INFORMATION

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Plan Years

	Plan Year Ending December 31,				
	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	$ 417,687	$ 397,357	$ 367,323	$ 364,811	$ 335,653
Interest	1,706,828	1,610,296	1,623,235	1,534,967	1,578,409
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	226,109	(83,579)	(131,286)	98,920	24,754
Changes of assumptions	-	853,527	513,219	584,149	-
Benefit payments including employee refunds	(1,534,580)	(1,494,108)	(1,481,420)	(1,494,112)	(1,497,808)
Other	(47,446)	58,075	(47,127)	65,087	9,386
Net Change in Total Pension Liability	768,598	1,341,568	843,944	1,153,822	450,394
Total Pension Liability, beginning of year	24,100,917	22,759,349	21,915,405	20,761,583	20,311,189
Total Pension Liability, end of year	$ 24,869,515	$ 24,100,917	$ 22,759,349	$ 21,915,405	$ 20,761,583
Plan Fiduciary Net Position					
Contributions-employer	$ 3,324,298	$ 1,299,983	$ 1,245,140	$ 1,095,363	$ 1,047,895
Contributions-employee	71,450	64,432	62,753	58,181	55,396
Net Investment income	1,349,189	(1,297,802)	1,562,843	1,276,335	1,255,648
Benefit payments including employee refunds	(1,534,580)	(1,494,108)	(1,481,420)	(1,494,112)	(1,497,808)
Administrative expense	(27,618)	(23,082)	(17,926)	(20,343)	(21,628)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	3,182,739	(1,450,577)	1,371,390	915,424	839,503
Plan Fiduciary Net Position, beginning of year	11,079,002	12,529,579	11,158,189	10,242,765	9,403,262
Plan Fiduciary Net Position, end of year	$ 14,261,741	$ 11,079,002	$ 12,529,579	$ 11,158,189	$ 10,242,765
Employer Net Pension Liability	$ 10,607,774	$ 13,021,915	$ 10,229,770	$ 10,757,216	$ 10,518,818
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	57.35%	45.97%	55.05%	50.91%	49.34%
Covered Employee Payroll	$ 3,792,829	$ 3,968,693	$ 3,670,603	$ 3,671,723	$ 3,378,810
Employer's Net Pension Liability as a percentage of covered employee payroll	279.68%	328.12%	278.69%	292.97%	311.32%

Notes to schedule:

	2023	2022	2021	2020	2019
Benefit Changes:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes of Assumptions:	*NONE*	*2022*	*2021*	*2020*	*NONE*

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

2022 - The investment rate of return assumption was reduced from 7.35% to 7.00%

2021 - The mortality table was updated.

2020 - The investment rate of return assumption was reduced from 7.75% to 7.35%
The assumed rate of wage inflation was reduced from 3.75% to 3.00%

2016 - The mortality table was adjusted to reflect longer lifetimes.
The assumed annual rate of investment return, not of all expenses, was lowered from 8% to 7.75%
The asset smoothing was changed from 10 to 5 years.
The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

Schedule is being built prospectively; ultimately ten years of data will be shown.

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS

Last 10 Plan Years
(Continued)

	Plan Year Ending December 31,				
	2018	2017	2016	2015	
Total Pension Liability					
Service cost	$ 312,381	$ 312,302	$ 285,706	$ 281,858	
Interest	1,535,810	1,505,449	1,434,259	1,397,298	
Changes of benefit terms	-	-	-	-	
Difference between expected and actual experience	118,002	(92,224)	81,278	-	
Changes of assumptions	-	-	916,942	-	
Benefit payments including employee refunds	(1,404,808)	(1,332,756)	(1,262,953)	(1,201,033)	
Other	5,968	22,721	(471)	(1,078)	
Net Change in Total Pension Liability	567,353	415,492	1,454,761	477,045	
Total Pension Liability, beginning of year	19,743,836	19,328,344	17,873,583	17,396,538	
Total Pension Liability, end of year	$ 20,311,189	$ 19,743,836	$ 19,328,344	$ 17,873,583	
Plan Fiduciary Net Position					
Contributions-employer	$ 974,042	$ 842,918	$ 762,975	$ 685,503	
Contributions-employee	47,782	40,590	35,320	32,043	
Net Investment income	(386,989)	1,223,866	993,016	(139,106)	
Benefit payments including employee refunds	(1,404,808)	(1,332,756)	(1,262,953)	(1,201,033)	
Administrative expense	(19,466)	(19,412)	(19,619)	(20,530)	
Other	-	-	-	-	
Net Change in Plan Fiduciary Net Position	(789,439)	755,206	508,739	(643,123)	
Plan Fiduciary Net Position, beginning of year	10,192,701	9,437,495	8,928,756	9,571,879	
Plan Fiduciary Net Position, end of year	$ 9,403,262	$ 10,192,701	$ 9,437,495	$ 8,928,756	
Employer Net Pension Liability	$ 10,907,927	$ 9,551,135	$ 9,890,849	$ 8,944,827	
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	46.30%	51.62%	48.83%	49.96%	
Covered Employee Payroll	$ 3,211,709	$ 3,244,097	$ 3,076,955	$ 3,086,023	
Employer's Net Pension Liability as a percentage of covered employee payroll	339.63%	294.42%	321.45%	289.85%	

Notes to schedule:

Benefit Changes:	*NONE*	*NONE*	*NONE*	*N/A*
Changes of Assumptions:	*NONE*	*NONE*	*2016*	*N/A*

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

2022 - The investment rate of return assumption was reduced from 7.35% to 7.00%

2021 - The mortality table was updated.

2020 - The investment rate of return assumption was reduced from 7.75% to 7.35%
The assumed rate of wage inflation was reduced from 3.75% to 3.00%

2016 - The mortality table was adjusted to reflect longer lifetimes.
The assumed annual rate of investment return, not of all expenses, was lowered from 8% to 7.75%
The asset smoothing was changed from 10 to 5 years.
The amortization period was moved to a fixed period amortization for the December 31, 2014 annual valuations.

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2023	2022	2021	2020	2019
Actuarial determined contributions	$ 1,515,672	$ 1,442,784	$ 1,245,140	$ 1,095,363	$ 1,047,895
Contributions in relation to the actuarially determined contribution	1,515,672	1,442,784	1,245,140	1,095,363	1,047,895
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 3,968,693	$ 3,670,603	$ 3,671,723	$ 3,378,810	$ 3,211,709
Contributions as a percentage of covered employee payroll	38.19%	39.31%	33.91%	32.42%	32.63%

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry Age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00% average, including inflation
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2019

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years
(continued)

	Fiscal Year Ending December 31,				
	2018	2017	2016	2015	
Actuarial determined contributions	$ 974,042	$ 842,918	$ 762,975	$ 685,503	$ -
Contributions in relation to the actuarially determined contribution	974,042	842,918	762,975	685,503	-
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 3,244,097	$ 3,076,955	$ 3,086,023	$ 2,660,500	$ -
Contributions as a percentage of covered employee payroll	30.03%	27.39%	24.72%	25.77%	

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry Age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00% average, including inflation
Investment rate of return	7.00%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2019

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Plan Years

	Plan Year Ending December 31,				
	2023	2022	2021	2020	2019
Total OPEB Liability					
Service Cost	$ 79,563	$ 93,774	$ 106,750	$ 113,097	$ 235,298
Interest	851,693	819,643	1,075,225	1,099,108	940,390
Changes of Benefit Terms	-	-	73,308	-	-
Difference between expected and actual experience	(703,102)	347,527	(3,859,812)	25,384	(195,101)
Changes of assumptions	465,184	(637,725)	(691,997)	(7,086)	(7,287,012)
Benefit payments including employee refunds	(1,094,763)	(1,311,388)	(1,179,566)	(1,116,829)	(1,014,717)
Other	-	-	-	-	-
Net Change in Total OPEB Liability	(401,425)	(688,169)	(4,476,092)	113,674	(7,321,142)
Total OPEB Liability beginning	13,179,655	13,867,824	18,343,916	18,230,242	25,551,384
Total OPEB Liability ending	$ 12,778,230	$ 13,179,655	$ 13,867,824	$ 18,343,916	$ 18,230,242
Plan Fiduciary Net Position					
Contributions-employer	$ 1,694,763	$ 1,711,388	$ 1,829,566	$ 1,916,829	$ 1,764,717
Contributions-employee	-	-	-	-	-
Net Investment income	555,288	(638,517)	229,438	494,383	182,778
Benefit payments including employee refunds	(1,094,763)	(1,311,388)	(1,179,566)	(1,116,829)	(1,014,717)
Administrative expense	(35,278)	(34,019)	(32,669)	(19,858)	(11,082)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,120,010	(272,536)	846,769	1,274,525	921,696
Plan Fiduciary Net Position beginning	3,506,327	3,778,863	2,932,094	1,657,569	735,873
Plan Fiduciary Net Position ending	$ 4,626,337	$ 3,506,327	$ 3,778,863	$ 2,932,094	$ 1,657,569
Employer Net OPEB Liability	$ 8,151,893	$ 9,673,328	$ 10,088,961	$ 15,411,822	$ 16,572,673
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	36.20%	26.60%	27.25%	15.98%	9.09%
Covered Employee Payroll	$ 3,855,149	$ 3,615,308	$ 3,622,027	$ 3,978,757	$ 3,603,686
Employer's Net OPEB Liability as a percentage of covered employee payroll	211.45%	267.57%	278.54%	387.35%	459.88%
Notes to schedule:					
Benefit Changes:	*NONE*	*NONE*	*2021*	*NONE*	*NONE*
Changes of Assumptions:	*2023*	*2022*	*NONE*	*NONE*	*NONE*

2023 - Salary scale decreased from 4.0% to 2.0%
- The discount rate decreased from 6.70% to 6.46%

2022 - The 20-year bond rate increased from 2.25% to 4.31%
- The discount rate increased from 6.16% to 6.20%
- Investment rate changed from 6.16% to 6.70%

2021 - Plan provisions corrected to show life insurance benefit.

Schedule is being built prospectively; ultimately ten years of data will be shown.

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET OPEB LIABILITY AND RELATED RATIOS

Last 10 Plan Years
(Continued)

	Plan Year Ending December 31,				
	2018				
Total OPEB Liability					
Service Cost	$ 265,610				
Interest	861,367				
Changes of Benefit Terms	-				
Difference between expected and actual experience	(175,598)				
Changes of assumptions	(1,989,391)				
Benefit payments including employee refunds	(806,914)				
Other	-				
Net Change in Total OPEB Liability	(1,844,926)				
Total OPEB Liability beginning	27,396,310				
Total OPEB Liability ending	$ 25,551,384				
Plan Fiduciary Net Position					
Contributions-employer	$ 1,606,914				
Contributions-employee	-				
Net Investment income	(59,045)				
Benefit payments including employee refunds	(806,914)				
Administrative expense	(5,082)				
Other	-				
Net Change in Plan Fiduciary Net Position	735,873				
Plan Fiduciary Net Position beginning	-				
Plan Fiduciary Net Position ending	$ 735,873				
Employer Net OPEB Liability	$ 24,815,511				
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	2.88%				
Covered Employee Payroll	Not Available				
Employer's Net OPEB Liability as a percentage of covered employee payroll	Not Available				

Notes to schedule:
Benefit Changes: *NONE*
Changes of Assumptions: *NONE*

2023 - Salary scale decreased from 4.0% to 2.0%
- The discount rate decreased from 6.70% to 6.46%

2022 - The 20-year bond rate increased from 2.25% to 4.31%
- The discount rate increased from 6.16% to 6.20%
- Investment rate changed from 6.16% to 6.70%

2021 - Plan provisions corrected to show life insurance benefit.

Schedule is being built prospectively; ultimately ten years of data will be shown.

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2023	2022	2021	2020	2019
Actuarial Determined Contributions*	$ 1,240,086	$ 1,176,351	$ 1,929,608	$ 1,931,995	$ 1,495,901
Contributions in relation to the actuarially determined contribution	1,694,763	1,711,388	1,829,566	1,916,829	1,764,717
Contribution deficiency / (excess)	$ (454,677)	$ (535,037)	$ 100,042	$ 15,166	$ (268,816)
Covered Employee Payroll	$ 3,855,149	$ 3,615,308	$ 3,622,027	$ 3,978,757	$ 3,603,686
Contributions as a percentage of covered employee payroll	32.17%	32.54%	53.27%	48.56%	41.51%

Valuation Date December 31, 2023
Measurement Date December 31, 2023

Methods and assumptions used to determine contribution rate:

Actuarial methods

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	Market Value

Actuarial assumptions

Discount rate	6.70% for 2023 contribution; 6.46% for December 31, 2023 liability and 2024 contribution
20-year Aa Municipal Bond Rate	4.0% (S&P Municipal Bond 20-Year High Grade Rate Index)
Salary Increases	2.00% (for purposes of allocating liability)
Investment rate of return	6.46%, including inflation
Mortality	Public General 2010 Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021
Retirement age	Varies depending on plan adoption

Assumption changes since prior valuation

Medical trend updated
Salary scale updated from 4.0% to 2.0%
Discount rate changed from 6.70% to 6.46%

Schedule is being built prospectively; ultimately ten years of data will be shown.

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS

Last 10 Fiscal Years
(Continued)

	Fiscal Year Ending December 31,				
	2018				
Actuarial Determined Contributions*	$ 1,527,292				
Contributions in relation to the actuarially determined contribution	1,606,914				
Contribution deficiency (excess)	$ (79,622)				
Covered Employee Payroll	Not Available				
Contributions as a percentage of covered employee payroll	Not Available				

Valuation Date	December 31, 2023
Measurement Date	December 31, 2023

Methods and assumptions used to determine contribution rate:

Actuarial methods	
Actuarial cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	Market Value
Actuarial assumptions	
Discount rate	6.70% for 2023 contribution; 6.46% for December 31, 2023 liability and 2024 contribution
20-year Aa Municipal Bond Rate	4.0% (S&P Municipal Bond 20-Year High Grade Rate Index)
Salary Increases	2.00% (for purposes of allocating liability)
Investment rate of return	6.46%, including inflation
Mortality	Public General 2010 Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021
Retirement age	Varies depending on plan adoption

Assumption changes since prior valuation

Medical trend updated
Salary scale updated from 4.0% to 2.0%
Discount rate changed from 6.70% to 6.46%

Schedule is being built prospectively; ultimately ten years of data will be shown.

Chippewa County Road Commission

GENERAL FUND - BUDGETARY COMPARISON SCHEDULES
SCHEDULE OF REVENUES - BUDGET TO ACTUAL

For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Property Taxes:				
Taxes	$ 920,000	$ 945,000	$ 943,794	$ (1,206)
Total Property Taxes	920,000	945,000	943,794	(1,206)
Licenses and Permits:				
Permits	-	-	32,265	32,265
Total Licenses and Permits	-	-	32,265	32,265
Federal Sources:				
Surface Transportation Program	706,204	1,141,000	298,210	(842,790)
C-Funds - Federal	-	-	-	-
Bridge	-	-	-	-
Other	-	-	841,104	841,104
Total Federal Sources	706,204	1,141,000	1,139,314	(1,686)
State Sources:				
Michigan Transportation Fund:				
Engineering	-	-	10,000	10,000
Snow removal	-	-	668,753	668,753
Urban	-	-	593,139	593,139
Allocation	9,830,357	12,750,000	8,116,898	(4,633,102)
Total Michigan Transportation Fund	9,830,357	12,750,000	9,388,790	(3,361,210)
Other:				
Bridge	-	-	104,175	104,175
Other	-	-	2,756,375	2,756,375
Total Other	-	-	2,860,550	2,860,550
Economic Development Fund:				
Target industry	-	-	-	-
Urban congestion	-	-	-	-
Rural primary	-	-	55	55
Forest road	-	-	230,355	230,355
Other	-	-	-	-
Total Economic Development Fund	-	-	230,410	230,410
Total State Sources	9,830,357	12,750,000	12,479,750	(270,250)
Contributions from Local Units:				
City contribution	-	-	-	-
Township contribution	1,620,000	2,020,000	621,266	(1,398,734)
Private contribution	-	-	234,771	234,771
Total Contributions from Local Units	1,620,000	2,020,000	856,037	(1,163,963)

Chippewa County Road Commission

GENERAL FUND - BUDGETARY COMPARISON SCHEDULES
SCHEDULE OF REVENUES - BUDGET TO ACTUAL

For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services:				
Trunkline maintenance	$ 3,500,000	$ 3,950,000	$ 3,140,672	$ (809,328)
Trunkline non-maintenance	-	-	653,480	653,480
Salvage sales	-	-	21,291	21,291
Other	-	-	-	-
Total Charges for Services	3,500,000	3,950,000	3,815,443	(134,557)
Interest and Rents:				
Interest earned	-	-	17,174	17,174
Property rentals	-	-	200	200
Total Interest and Rents	-	-	17,374	17,374
Other Revenue:				
Sundry refunds	-	-	-	-
Gain (loss) equipment disposal	-	-	69,820	69,820
Other	860,811	100,000	278,054	178,054
Total Other Revenue	860,811	100,000	347,874	247,874
TOTAL OPERATING REVENUE	$ 17,437,372	$ 20,906,000	$ 19,631,851	$ (1,274,149)

Chippewa County Road Commission

GENERAL FUND - BUDGETARY COMPARISON SCHEDULES
SCHEDULE OF EXPENDITURES - BUDGET TO ACTUAL

For the Year Ended December 31, 2023

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Construction/Capacity Improvement				
Roads	$ -	$ -	$ 298	$ (298)
Structures	-	-	-	-
Total Construction/Capacity Improvements	-	-	298	(298)
Preservation - Structural Improvements:				
Roads	3,905,000	4,910,430	4,594,275	316,155
Structures	-	-	294,296	(294,296)
Safety projects	-	-	-	-
Total Preservation - Structural Improvements	3,905,000	4,910,430	4,888,571	21,859
Maintenance:				
Roads	5,394,862	6,781,070	3,583,030	3,198,040
Structures	-	-	106,007	(106,007)
Winter maintenance	-	-	2,915,404	(2,915,404)
Traffic control	-	-	263,439	(263,439)
Total Maintenance	5,394,862	6,781,070	6,867,880	(86,810)
Total Preservation - Structural Improvements and Maintenance	9,299,862	11,691,500	11,756,749	(65,249)
Other:				
Trunkline maintenance	3,700,000	4,051,000	3,170,582	880,418
Trunkline non-maintenance	-	-	653,480	(653,480)
Administrative expense	36,500	485,000	485,651	(651)
Equipment expense - net	100,000	1,400,000	1,441,010	(41,010)
Capital outlay - net	(372,000)	(100,000)	35,853	(135,853)
Other	-	2,440,000	2,431,330	8,670
Debt principal payment	306,199	216,200	200,590	15,610
Interest expense	-	-	5,885	(5,885)
Distributive expense	4,586,000	(4,586,000)	-	(4,586,000)
Total Other	8,356,699	8,492,200	8,424,381	67,819
TOTAL EXPENDITURES	$ 17,656,561	$ 20,183,700	$ 20,181,130	$ 2,570

ADDITIONAL SUPPLEMENTARY INFORMATION

Chippewa County Road Commission

ANALYSIS OF EQUITY

For the Year Ended December 31, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Total Revenues and Other Financing Sources	$ 7,943,609	$ 4,720,580	$ 6,967,662	$ 19,631,851
Total Expenditures and Other Financing Uses	8,021,143	5,192,325	6,967,662	20,181,130
Excess of Revenues Over (Under) Expenditures	(77,534)	(471,745)	-	(549,279)
Optional Transfers	(300,000)	300,000	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(377,534)	(171,745)	-	(549,279)
FUND BALANCE, BEGINNING OF YEAR	1,120,775	477,669	773,263	2,371,707
FUND BALANCE, END OF YEAR	$ 743,241	$ 305,924	$ 773,263	$ 1,822,428

Chippewa County Road Commission

ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended December 31, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Property Taxes:				
Taxes	$ -	$ 134,956	$ 808,838	$ 943,794
Total Property Taxes	-	134,956	808,838	943,794
Licenses and Permits:				
Permits	-	32,265	-	32,265
Total Licenses and Permits	-	32,265	-	32,265
Federal Sources:				
Surface Transportation Program	298,210	-	-	298,210
C-Funds - Federal	-	-	-	-
Bridge	-	-	-	-
Other	841,104	-	-	841,104
Total Federal Sources	1,139,314	-	-	1,139,314
State Sources:				
Michigan Transportation Fund:				
Engineering	5,612	4,388	-	10,000
Snow removal	-	668,753	-	668,753
Urban	499,911	93,228	-	593,139
Allocation	4,555,270	3,561,628	-	8,116,898
Total Michigan Transportation Fund	5,060,793	4,327,997	-	9,388,790
Other:				
Bridge	104,175	-	-	104,175
Other	765,321	-	1,991,054	2,756,375
Total Other	869,496	-	1,991,054	2,860,550
Economic Development Fund:				
Target industry	-	-	-	-
Urban congestion	-	-	-	-
Rural primary	55	-	-	55
Forest road	230,355	-	-	230,355
Other	-	-	-	-
Total Economic Development Fund	230,410	-	-	230,410
Total State Sources	6,160,699	4,327,997	1,991,054	12,479,750
Contributions from Local Units:				
City contribution	-	-	-	-
Township contribution	399,339	221,927	-	621,266
Private contribution	-	-	-	-
Other	232,773	-	1,998	234,771
Total Contributions from Local Units	632,112	221,927	1,998	856,037
Charges for Services:				
Trunkline maintenance	-	-	3,140,672	3,140,672
Trunkline non-maintenance	-	-	653,480	653,480
Salvage sales	-	-	21,291	21,291
Other	-	-	-	-
Total Charges for Services	-	-	3,815,443	3,815,443

Chippewa County Road Commission

ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended December 31, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Interest and Rents:				
Interest earned	$ 8,243	$ 3,435	$ 5,496	$ 17,174
Property rentals	-	-	200	200
Total Interest and Rents	8,243	3,435	5,696	17,374
Other Revenue:				
Sundry refunds	-	-	-	-
Gain (loss) equipment disposal	-	-	69,820	69,820
Other	3,241	-	274,813	278,054
Total Other Revenue	3,241	-	344,633	347,874
TOTAL OPERATING REVENUE	$ 7,943,609	$ 4,720,580	$ 6,967,662	$ 19,631,851

Chippewa County Road Commission

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended December 31, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Construction/Capacity Improvement				
Roads	$ -	$ 298	$ -	$ 298
Structures	-	-	-	-
Total Construction/Capacity Improvement	-	298	-	298
Preservation - Structural Improvements:				
Roads	3,443,121	1,151,154	-	4,594,275
Structures	294,296	-	-	294,296
Safety projects	-	-	-	-
Total Preservation - Structural Improvements	3,737,417	1,151,154	-	4,888,571
Maintenance:				
Roads	1,380,368	2,202,662	-	3,583,030
Structures	35,055	70,952	-	106,007
Winter maintenance	1,940,939	974,465	-	2,915,404
Traffic control	157,819	105,620	-	263,439
Total Maintenance	3,514,181	3,353,699	-	6,867,880
Total Preservation - Structural Improvements and Maintenance	7,251,598	4,505,151	-	11,756,749
Other:				
Trunkline maintenance	-	-	3,170,582	3,170,582
Trunkline non-maintenance	-	-	653,480	653,480
Administrative expense	299,551	186,100	-	485,651
Equipment expense - net	469,994	501,074	469,942	1,441,010
Capital outlay - net	-	-	35,853	35,853
Other	-	-	2,431,330	2,431,330
Debt principal payment	-	-	200,590	200,590
Debt interest	-	-	5,885	5,885
Total Other	769,545	687,174	6,967,662	8,424,381
TOTAL EXPENDITURES	$ 8,021,143	$ 5,192,325	$ 6,967,662	$ 20,181,130

COMPLIANCE SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

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*

To the Board of County Road Commissioners of the
Chippewa County Road Commission
3949 S. Mackinac Trail
Sault Ste. Marie, MI 49855

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated June 6, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of County Road Commissioners of the
Chippewa County Road Commission

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 6, 2024

COMMUNICATIONS SECTION

ANDERSON, TACKMAN & COMPANY, PLC
Certified Public Accountants
102 W. Washington St. Suite 109 Marquette, MI 49855 (906) 225-1166 www.atcomqt.com

PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Chippewa County Road Commission
Report to Management
For the Year Ended December 31, 2023

To the Board of County Road Commissioners and
Management of the Chippewa County Road Commission
3949 S. Mackinac Trail
Sault Ste. Marie, MI 49783

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the Road Commission's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, Board of County Road Commissioners, and others within the Road Commission, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 6, 2024

ANDERSON, TACKMAN & COMPANY, PLC
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PARTNERS
Michael A. Grentz, CPA
William C. Sheltrow, CPA

Chippewa County Road Commission
Communication with Those Charged with Governance
For the Year Ended December 31, 2023

June 6, 2024

To the Board of County Road Commissioners of the
Chippewa County Road Commission
3949 S. Mackinac Trail
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chippewa County Road Commission (Road Commission), a component unit of Chippewa County, for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 22, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Road Commission are described in the Notes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We 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 accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the methods, assumptions, and data used to develop the current years depreciation expense and accumulated

depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of compensated absences is based on employee pay rates and the various subsidiary ledgers maintained for hour balances. We evaluated the methods, assumptions, and data used to develop the accrued employee benefit balances in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Net Pension Liability is based on an actuarial performed for the Municipal Employees' Retirement System of Michigan to determine its liability. We evaluated the methods, assumptions, and data used to develop the Net Pension Liability, based on information provided by the GRS Retirement Plan Services, in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the Net OPEB Liability is based on an actuarial performed by Watkins Ross to determine its liability. We evaluated the methods, assumptions, and data used to develop the Net OPEB Liability, based on information provided by Watkins Ross, in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. GRS Retirement Plan Services was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2022.

The disclosure of the Defined Benefit OPEB Plan includes significant actuarial assumptions used in calculating the valuation. Watkins Ross was the actuarial company hired for preparation of the annual actuarial valuation.

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to 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 our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 6, 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 Road Commission's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Our consideration of internal control was for the limited purpose described in a separate letter and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Other Matters

We applied certain limited procedures to required supplementary information (RSI), as listed in the table of contents, which supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

This information is intended solely for the information and use of the Board of County Road Commissioners and management of the Road Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants