



(A Component Unit of Mason County, Michigan)

# **Financial Statements**

For the Year Ended December 31, 2023



SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

**Mason County Road Commission**  
**(A Component Unit of Mason County)**

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**Mason County Road Commission**  
(A Component Unit of Mason County)

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners  
Mason County Road Commission  
Scottville, Michigan

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

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the ***Mason County Road Commission***, a component unit of Mason County, Michigan as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the ***Mason County 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, the major fund and the aggregate remaining fund information of the ***Mason County 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 ***Mason County Road Commission*** and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-10), budgetary comparison information (pages 36-37), schedules related to the pension plan (pages 38-43) and schedules related to the OPEB plan (pages 44-51) 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 ***Mason County Road Commission's*** basic financial statements. The accompanying other supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2024, on our consideration of the ***Mason County 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 ***Mason County Road Commission's*** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ***Mason County Road Commission's*** internal control over financial reporting and compliance.

*Smith + Klaehwein PC*

***Saginaw, Michigan***

May 16, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# **Mason County Road Commission**

## **Management's Discussion and Analysis**

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Our discussion and analysis of *Mason County Road Commission's* financial performance provides an overview of the Road Commission's financial activities for the year ended December 31, 2023. The Mason County Road Commission's discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues; (b) provide an overview of the road commission's financial activity; (c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); (d) identify any material deviations from the approved budget; and (e) identify any issues or concerns.

This annual report consists of a series of financial statements. The Statements of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

### **Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and an additional section that presents the operating fund separated by primary, local and county road funds. The basic financial statements include two types 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 Road Commission's assets, deferred outflows, liabilities and deferred inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net position and how it has changed. "Net position" is the difference between the assets, liabilities and deferred inflows – this is one way to measure the Road Commission's financial health or position.
- Following the government-wide financial statements are the fund financial statements that focus on the General Operating / Road Fund; reporting the Road Commission's operations in more detail than the government-wide statements.
- Finally, the statements of the Road Commission's Fiduciary Component Unit are presented to account for the financial activity of assets held to fund postemployment health benefits.

Note that Mason County's government-wide financial statements are not herein presented because the Road Commission is a component unit of the County. The County presents their financial statements elsewhere and, in a manner, partially resembling private-sector business in its government-wide financial statements in compliance with GASB Statement No. 34.



# Mason County Road Commission

## Management's Discussion and Analysis

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### **Government-wide Statements**

The *Statement of Net Position* presents information on all of the Road Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

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

The operations of the Road Commission are principally supported by gas and weight taxes (operating grants). The governmental activities of the Road Commission include providing construction, repair, maintenance and snow removal of roads within Mason County.

The government-wide financial statements include only the Road Commission itself and can be found on pages 11 and 13 of this report. In this report, financial information for the Road Commission is reported separately from the financial information presented for Mason County, which reports the Road Commission as a component unit.

### **Fund financial statements**

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

### **Governmental funds**

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

Because the focus of the General Operating / Road Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Operating / Road Fund with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the General Operating / Road Fund Balance Sheet and the General Operating / Road Fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between the General Operating / Road Fund and the government-wide statements.

**Mason County Road Commission**  
**Management’s Discussion and Analysis**

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The Road Commission maintains one governmental fund (the General Operating / Road Fund). Information is presented in the General Operating / Road Fund Balance Sheet and in the General Operating / Road Fund Statement of Revenues, Expenditures and Changes in Fund Balance for the Road Commission. The General Operating / Road Fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34.

The Road Commission adopts an annual appropriated budget for its General Operating / Road Fund. A budgetary comparison schedule has been provided herein to demonstrate compliance with that budget. The Schedules of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Operating / Road Fund can be found on pages 36 and 37 of this report.

The Road Commission Fiduciary Component Unit maintains the Employee Healthcare Benefit Trust to account for the financial activity of assets held to fund postemployment health benefits. The Road Commission does not maintain proprietary funds.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission’s financial statements. The notes to the financial statements can be found on pages 17 through 35 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management’s discussion and analysis, budgetary comparison schedules and the schedules related to the Road Commission’s defined benefit pension plan and the postemployment healthcare (OPEB) plan.

**Government-wide Financial Analysis**

The Road Commission’s net position increased by approximately 9% or \$4,788,900, from \$55,995,693 to \$60,784,593 during the year. Following is a comparative summary:

	<u>2022</u>	<u>2023</u>
Current assets	\$ 3,894,597	\$ 4,496,564
Capital assets, net	<u>56,184,386</u>	<u>59,889,821</u>
Total assets	<u>60,078,983</u>	<u>64,386,385</u>
Deferred outflows of resources	<u>1,710,062</u>	<u>978,454</u>
Current liabilities	551,249	587,832
Net pension liability	3,374,191	2,466,522
Net OPEB liability (asset)	(183,402)	(217,589)
Other long-term liabilities	<u>1,957,139</u>	<u>1,652,750</u>
Total liabilities	<u>5,699,177</u>	<u>4,489,515</u>
Deferred inflows of resources	<u>94,175</u>	<u>90,731</u>
Net position:		
Invested in capital assets	54,425,437	58,391,419
Restricted	<u>1,057,256</u>	<u>2,393,174</u>
Total net position	<u>\$ 55,995,693</u>	<u>\$ 60,784,593</u>

## Mason County Road Commission Management's Discussion and Analysis

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As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of *Mason County Road Commission*, assets and deferred outflows exceeded liabilities by \$60,784,593 at the close of the year. By far the largest portion of the *Mason County Road Commission's* net position reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), net of accumulated depreciation and corresponding debt used to finance the assets.

### Governmental Activities

Following is a summary of changes in net position:

	2022	2023
Program revenue		
Charges for services	\$ 3,565,665	\$ 3,324,330
Operating grants and contributions	7,346,223	8,093,607
Capital grants and contributions	2,862,548	2,062,048
General revenue		
Interest and rents	16,647	84,147
Gain on disposal of assets	143,009	-
Other revenue	31,208	604,956
Total revenue	13,965,300	14,169,088
Expenses		
Public works and debt service	9,194,768	9,380,188
Increase (decrease) in net position	\$ 4,770,532	\$ 4,788,900

Activity of the governmental activities increased the Road Commission's net position by \$4,788,900. The key elements of this increase are as follows:

- Revenue from charges for services decreased as a result of decreased contributions from the State and Townships for non-recurring trunkline maintenance and road projects.
- Revenue from State transportation funds increased as a result of increased distributions of fuel taxes.
- Revenue from capital grants and contributions decreased from the prior year, due to non-recurring Federal and State revenue for road projects in the prior year.
- Revenue from gain on disposal of assets decreased from the prior year, due to non-recurring sales of equipment in the prior year.
- Other revenue increased from the prior year, due to non-recurring sale of federal aid allocation in the current year.
- Public works expenditures increased due mainly to non-recurring maintenance projects and increased expenditures on preservation projects which are capitalized rather than expensed.

**Mason County Road Commission**  
**Management's Discussion and Analysis**

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**General Operating / Road Fund Budgetary Highlights**

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

The final amended revenue budget was \$1,355,336 more than the original budget primarily due to changes in projections for revenue from Federal sources, State sources Township contributions, charges for services related to State trunkline activities and other revenue. Actual revenue recognized during the year was \$219,752 more than the final amended budget primarily due to revenue from State sources and interest being higher than anticipated in the budget.

The final amended expenditure budget was \$1,105,397 more than the original budget primarily due to changes in projections for road maintenance, State trunkline activities, net equipment expenditures, debt service, administrative and capital outlay expenditures. The actual expenditures were \$92,307 more than the final amended budget. There were variances in several expenditure line items, as presented on the budgetary comparison schedule in the financial statements.

A summary of budget and actual activity in the General Operating / Road Fund is as follows:

	<u>For the Year Ended December 31, 2023</u>			Actual for the Year Ended December 31, 2022
	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	
Total revenue	<u>\$ 13,949,336</u>	<u>\$ 14,169,088</u>	<u>\$ 219,752</u>	<u>\$ 13,965,300</u>
Expenditures				
Public works	13,302,952	13,294,923	(8,029)	14,723,350
Debt service	314,600	307,705	(6,895)	610,683
Capital outlay, net	<u>(106,155)</u>	<u>1,076</u>	<u>107,231</u>	<u>705,371</u>
Total expenditures	<u>13,511,397</u>	<u>13,603,704</u>	<u>92,307</u>	<u>16,039,404</u>
Revenue over (under) expenditures	437,939	565,384	127,445	(2,074,104)
Installment purchase proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>884,750</u>
Change in fund balance	437,939	565,384	127,445	(1,189,354)
Fund balance, beginning of year	<u>3,343,348</u>	<u>3,343,348</u>	<u>-</u>	<u>4,532,702</u>
Fund balance, end of year	<u>\$ 3,781,287</u>	<u>\$ 3,908,732</u>	<u>\$ 127,445</u>	<u>\$ 3,343,348</u>

## Mason County Road Commission

### Management's Discussion and Analysis

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#### Capital Assets and Debt Administration

##### Capital Assets

At year-end, the Road Commission had invested \$59,889,821 in capital assets, net of accumulated depreciation. This amount represents a net increase of \$3,705,435 or 6.60%. Following is a summary of the capital assets balances:

	<u>2022</u>	<u>2023</u>
Capital assets not being depreciated		
Land and improvements	\$ 406,769	\$ 410,556
Infrastructure – road and bridges	22,159,259	22,159,259
Construction in progress	-	-
Subtotal	<u>22,566,028</u>	<u>22,569,815</u>
Capital assets being depreciated		
Land and improvements	87,489	354,552
Buildings	2,169,550	2,238,014
Road equipment	8,088,459	8,707,218
Other equipment	469,378	475,865
Infrastructure	<u>54,052,105</u>	<u>59,855,627</u>
Subtotal	<u>64,866,981</u>	<u>71,631,276</u>
Total capital assets	87,433,009	94,201,091
Total accumulated depreciation	<u>(31,248,623)</u>	<u>(34,311,270)</u>
Total net capital assets	<u>\$ 56,184,386</u>	<u>\$ 59,889,821</u>

Major capital asset events during the year included the following:

Purchases of road & other equipment	\$ 625,246
Land and building improvements	339,314
Various resurfacing of roads and bridges	5,803,522
Depreciation expense	(3,062,647)
Loss on disposal of capital assets	-
Total major capital asset events	<u>\$ 3,705,435</u>

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

##### Long-term debt

At the year end, the Road Commission's long-term obligations consisted of outstanding installment purchase agreements and accrued compensated absences. Major long-term debt activity for the year included paying scheduled principal and interest payments on installment purchase agreements and entering into additional installment purchase agreements for the acquisition of equipment. More detailed information about the Road Commission's long-term liabilities is presented in the notes to the financial statements.

# **Mason County Road Commission**

## **Management's Discussion and Analysis**

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### **Economic Factors and Next Year's Budgets and Rates**

The Board of County Road Commissioners considered many factors when setting the 2024 budget. A key factor that was used in the development of the budget was the number of projects to be completed and township contributions to be received toward the projects under the Mason County Road Commission cost-share program with Townships. Another key factor is the economy and its effect on tax revenue collected for road maintenance. Significant economic instability that has developed since the onset of the COVID-19 pandemic and has resulted in significant increases in operational costs. A growing concern for Road Commissions across the state is the increasing effect on road revenues by the electric vehicle movement. In Fiscal Year 2022, the total revenue loss in Michigan due to electric vehicles not paying fuel tax was \$138 Million. That number is expected to increase every year as electric vehicles grow in popularity, reducing the tax revenues from which road commissions operate. In 2023, the Road Commission derived over 50% of its revenue from fuel taxes and vehicle registrations collected. The electric vehicle variables will have a significant impact on funding for Mason County, if this issue is not addressed. The County Road Association of Michigan has developed a Mileage based User Fee program (MBUF), which the state legislature is currently considering for a pilot program. This program would allow electric vehicle users to fairly contribute to the ongoing maintenance of Michigan's road network.

The Mason County Road Commission Board and Staff have developed a 10-year strategic plan and developed an efficient approach to utilize the road funding revenue received to provide the best possible roadways for the motoring public. The Road Commission continues to face economic challenges due to inflationary cost increases and has made some adjustments from the original plan due to budget constraints. The board faces significant challenges in the current economic climate to achieve adequate road improvements, maintain an operable and efficient equipment fleet and replace the aging and inadequate facility that MCRC has operated out of since 1940. Management and the Board have developed a workable plan to achieve all of these goals and continue to make adjustments as inflation continues to rise. The Board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road and bridge in Mason County's transportation system. Therefore, the Board attempts to spend the public's money wisely and equitably, and in the best interest of the motoring public and the citizens of Mason County.

### **Requests for Information**

This financial report is designed to provide a general overview of the Road Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Mason County Road Commission administrative offices at 510 E. State Street, Scottville, Michigan 49454.

## **BASIC FINANCIAL STATEMENTS**

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## Mason County Road Commission

### General Operating / Road Fund Balance Sheet and Statement of Net Position

December 31, 2023

	General Operating / Road Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,725,679	\$ -	\$ 1,725,679
Receivables	1,543,339	-	1,543,339
Inventories			
Road materials	906,494	-	906,494
Equipment materials and parts	273,419	-	273,419
Prepaid items	47,633	-	47,633
Capital assets, net			
Assets not being depreciated	-	22,569,815	22,569,815
Assets being depreciated	-	37,320,006	37,320,006
Net OPEB asset	-	217,589	217,589
<b>Total assets</b>	<b>\$ 4,496,564</b>	<b>60,107,410</b>	<b>64,603,974</b>
<b>Deferred outflows of resources</b>		<b>978,454</b>	<b>978,454</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 180,804	-	180,804
Accrued liabilities	105,055	-	105,055
Advances - State trunkline	301,973	-	301,973
Long-term liabilities			
Due within one year	-	510,280	510,280
Due after one year	-	1,142,470	1,142,470
Net pension liability	-	2,466,522	2,466,522
<b>Total liabilities</b>	<b>587,832</b>	<b>4,119,272</b>	<b>4,707,104</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>90,731</b>	<b>90,731</b>
<b>FUND BALANCE</b>			
Nonspendable			
Inventory	1,179,913	(1,179,913)	-
Prepaid items	47,633	(47,633)	-
Restricted for road system	2,681,186	(2,681,186)	-
<b>Total fund balance</b>	<b>3,908,732</b>	<b>(3,908,732)</b>	<b>-</b>
<b>Total liabilities and fund balance</b>	<b>\$ 4,496,564</b>		
<b>Net Position:</b>			
Net investment in capital assets		58,391,419	58,391,419
Restricted for OPEB		154,080	154,080
Restricted for road system		2,239,094	2,239,094
<b>Total net position</b>		<b>\$ 60,784,593</b>	<b>\$ 60,784,593</b>

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



## Mason County Road Commission

### Reconciliation of Fund Balances of the General Operating / Road Fund to Net Position of Governmental Activities

December 31, 2023

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Fund balance - General Operating / Road Fund	\$ 3,908,732
Amounts reported for <i>governmental activities</i> 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 General Operating / Road Fund.	
Add - assets not being depreciated	22,569,815
Add - assets being depreciated	71,631,276
Deduct - accumulated depreciation	(34,311,270)
Certain pension-related amounts such as the net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the fund financial statements	
Net pension liability	(2,466,522)
Deferred outflows related to the net pension liability	951,232
Certain OPEB-related amounts such as the net OPEB liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the fund financial statements	
Net OPEB (liability) asset	217,589
Deferred inflows related to the net OPEB liability	(90,731)
Deferred outflows related to the net OPEB liability	27,222
Long-term liabilities are not due and payable in the current period and therefore agreements are not due and payable in the current period and therefore	
Installment purchase agreements	(1,498,402)
Accrued compensated absences	(154,348)
Net position of governmental activities	<u>\$ 60,784,593</u>

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

## Mason County Road Commission

### General Operating / Road Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities

*For the Year Ended December 31, 2023*

	<b>General Operating / Road Fund</b>	<b>Adjustments</b>	<b>Statement of Activities</b>
<b>Expenditures/expenses</b>			
Public works	\$ 6,527,917	\$ 2,805,113	\$ 9,333,030
Debt service	307,705	(260,547)	47,158
Capital outlay	6,768,082	(6,768,082)	-
Total expenditures/expenses	13,603,704	(4,223,516)	9,380,188
<b>Program revenue</b>			
Charges for services	3,324,330	-	3,324,330
Operating grants and contributions			
State transportation funds	8,093,607	-	8,093,607
Capital grants and contributions			
Federal, state and local sources	2,062,048	-	2,062,048
Total program revenue	13,479,985	-	13,479,985
Net program revenue			4,099,797
<b>General revenue</b>			
Interest and rentals	84,147	-	84,147
Sundry refunds	29,558	-	29,558
Proceeds from sale of federal aid	574,194	-	574,194
Other	1,204	-	1,204
Total general revenue	689,103	-	689,103
Total revenue	14,169,088		
Revenue and other financing sources over (under) expenditures	565,384	(565,384)	-
Change in net position	-	4,788,900	4,788,900
Fund balance / net position:			
Beginning of the year	3,343,348	52,652,345	55,995,693
<b>End of the year</b>	\$ 3,908,732	\$ 56,875,861	\$ 60,784,593

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

## Mason County Road Commission

### Reconciliation of Net Change in Fund Balance of the General Operating / Road Fund to Change in Net Position of Governmental Activities

For the Year Ended December 31, 2023

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Change in fund balance - General Operating / Road Fund	\$ 565,384
Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	964,560
Add - infrastructure purchases	5,803,522
Deduct - depreciation expense	(3,062,647)
Repayment of principal on long-term debt consumes financial resources of governmental funds, but reduces long-term liabilities in the Statement of Net Position.	260,547
The change in the net pension liability and related deferred amounts does not impact current financial resources and therefore is not reported in the fund financial statements	188,423
The change in the net OPEB liability (asset) and related deferred amounts does not impact current financial resources and therefore is not reported in the fund financial statements	25,269
The change in the accrued compensated absences is reported as an expense in the Statement of Activities but does not require the use of current financial resources and therefore is not reported as an expenditure in the General Operating / Road Fund.	43,842
Change in net position of governmental activities	<u>\$ 4,788,900</u>

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

**Mason County Road Commission**  
**Fiduciary Component Unit**  
**Statement of Fiduciary Net Position**  
**Employee Healthcare Benefit Trust**

*December 31, 2023*

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<b>Assets</b>	
Investments	\$ 286,184
Receivables	-
<b>Total assets</b>	<u>\$ 286,184</u>
<b>Net position</b> - restricted for postemployment health benefits	<u>\$ 286,184</u>

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

# Mason County Road Commission

## Fiduciary Component Unit

### Statement of Changes in Fiduciary Net Position

#### Employee Healthcare Benefit Trust

For the Year Ended December 31, 2023

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#### Additions

##### Contributions

Employer contributions

\$ -

Employer contributions - benefits paid from general operating funds

5,500

Total contributions

5,500

##### Interest earnings

Net change in fair value of investments

29,866

Less activity costs

(537)

Net interest earnings

29,329

Total additions

34,829

**Deductions** - participant benefits (including those paid from general operating funds)

5,500

Change in net position

29,329

#### Net position

Beginning of the year

256,855

End of the year

\$ 286,184

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

# Mason County Road Commission

## Notes to Financial Statements

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### **NOTE A - Summary of Significant Accounting Policies**

The accounting policies adopted by the *Mason County Road Commission* (the “Road Commission”) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental entities, including the following accounting policies specific to Road Commissions: allocation of depreciation / depletion and equipment rental; the recording of handling and overhead credits; and the recording of equipment retirements with the related gain or loss on disposal of equipment. The following is a summary of the significant policies.

#### **Reporting Entity**

The *Mason County Road Commission* is a discrete component unit of the County of Mason, Michigan. The Road Commission is considered to be a component unit of the County because it is an entity for which the County is considered to be financially accountable. The Road Commission, as a component unit of the County, is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. These audited financial statements have been prepared to meet this State requirement.

The Road Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, reimbursements from the Department of Transportation for work done by the County on State trunklines, Federal Transportation funds and contributions from other local units of government for work performed by the Road Commission.

The Road Commission is established pursuant to the County Road Law (MCL224.1) and operates under a three-member Board of County Road Commissioners that is appointed by the Mason County Board of Commissioners. The Board of County Road Commissioners establishes policies and reviews operations of the Road Commission.

#### **Fiduciary Component Unit**

The Mason County Road Commission Retiree Health Care Plan a single-employer defined benefit postemployment healthcare plan established and administered by the Road Commission to provide healthcare benefits for retirees and their beneficiaries. Plan provisions are established and may be amended by the Mason County Board of Road Commissioners, subject to provisions cited in collective bargaining agreements.

#### **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 special purpose government. *Governmental Activities* are supported by intergovernmental revenues and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Interest, fines and other similar items are reported as general revenues.

## Mason County Road Commission

### Notes to Financial Statements

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A combined financial statement is provided for the General Operating / Road Fund Balance Sheet and the Statement of Net Position and the General Operating / Road Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. The General Operating / Road Fund is considered to be a major fund for financial reporting purposes.

#### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

State and Federal revenue, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Road Commission.

The Road Commission reports the following major *governmental* fund:

The *General Operating / Road Fund* is the primary operating fund. It accounts for all financial resources of the Road Commission, except those required to be accounted for in another fund.

In addition, the Road Commission reports the following *fiduciary component unit*:

The *Employee Healthcare Benefit Trust* accounts for the financial activity of assets held to fund postemployment health benefits.

#### **Assets, Liabilities, Deferred Outflows / Inflows of Resources and Net Position / Equity**

##### Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits in demand and time deposit accounts, money market deposits and certificates of deposits with original maturities of less than 90 days.

##### Investments

Investments are comprised entirely of mutual funds and are reported at fair value.

##### Receivables and payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

## **Mason County Road Commission**

### **Notes to Financial Statements**

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#### Inventory

Inventory consists of various operating parts, supplies and road material and is stated at cost, as determined on the average unit cost method. Inventory items are charged to road preservation and maintenance, equipment repairs and operations as they are used.

#### Prepaid Items

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

#### Capital Assets

Capital assets consist of property, land improvements, equipment and infrastructure assets (roads, bridges and similar items) and are reported in the government-wide financial statements. No minimum cost is used to record road equipment capital assets (those with published Schedule C rates). Other capital assets are defined by the Road Commission as assets with an initial, individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Donated capital assets are recorded at estimated fair market value at the date donated.

Capital asset purchases are recorded as capital outlay expenditures at the time of purchase in the fund financial statements and are capitalized on the government-wide statements through an adjustment to the governmental fund (General Operating / Road Fund) column. Infrastructure is reported prospectively from 1980, except for rights-of-way, bridges and traffic signals, which are required to be reported regardless of the date of purchase. The Uniform Accounting Procedures Manual for Michigan County Road Commissions (the "Manual") provides for removing roads from capital assets at the time the group of individually recorded roads becomes fully depreciated.

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

The Manual also provides for the net book value of road equipment that is retired to be reported as an equipment retirement in the equipment retirement credit account that is offset against capital outlay. The net of any proceeds received for the retirement (sale, abandonment, trade-in, etc.) is reported as a gain or loss on disposal of equipment. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating / Road Fund

Since the year ended December 31, 2004, costs to construct or substantially rehabilitate major networks and subsystems of infrastructure assets (roads, bridges, traffic signals and similar items) have been capitalized and are reported as infrastructure capital assets in the Statement of Net Position. The Road Commission is a phase 3 government and has elected to retroactively report major general infrastructure assets that were acquired, constructed or significantly reconstructed in all fiscal years ending after December 31, 1980. Infrastructure capital assets continue to be capitalized prospectively.



## Mason County Road Commission

### Notes to Financial Statements

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

Buildings	30 to 50 years
Road equipment	5 to 8 years
Other equipment	4 to 10 years
Infrastructure – bridges	12 to 50 years
Infrastructure – roads	5 to 30 years

#### Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Road Commission has several items that qualify for reporting in this category related to the defined benefit pension plan and the defined benefit OPEB plan.

#### Advances from the State of Michigan

The State of Michigan advances funds on a State maintenance agreement it has with the Road Commission for maintenance performed by the Road Commission during the year and for equipment purchases. These advances are considered current liabilities because they are subject to repayment annually, upon results of audit procedures performed by the State of Michigan.

#### State Trunkline Adjustments

Adjustments to available operating funds resulting from audits of State Trunkline maintenance expenditures are recorded at the time cash settlement is made. The amount of the adjustments, if any, for the current year cannot be reasonably determined. Based on past experience, the Road Commission anticipates that the adjustment could be for a material amount.

#### Long-term Obligations

In the government-wide financial statements (Statement of Net Position), long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Debt issuance costs are reported as expenditures when incurred.

#### Compensated Absences

The Road Commission allows employees to accumulate vacation and sick leave in varying amounts, depending on time of service and other factors. Vacation and sick leave payable is reported in the General Operating / Road Fund only for matured amounts, for example, as a result of employee resignations and retirements. The remaining portion is accounted for as an adjustment to the fund financial statements which results in the government-wide statements including both short and long-term portions of this liability.

#### Deferred Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred Inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has several items that qualify for reporting in this category related to the defined benefit pension plan and the defined benefit OPEB plan.

## Mason County Road Commission

### Notes to Financial Statements

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#### Defined Benefit Pension Plan

The Road Commission offers a defined benefit pension plan to its employees. The Road Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

#### Other Postemployment Benefits

The Road Commission offers retiree healthcare benefits to retirees. The Road Commission records a net OPEB liability (asset) for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Fund Equity

In the financial statements, the General Operating / Road Fund reports the following components of fund balance:

##### Nonspendable

Amounts that are not in spendable form or are legally or contractually required to be maintained intact are reported as nonspendable fund balance.

##### Restricted

Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted fund balance.

##### Committed

Amounts that have been formally set aside by the Board of County Road Commissioners for use for specific purposes are reported as committed fund balance. Commitments are made and can only be rescinded by resolution of the Board of County Road Commissioners.

##### Assigned

Amounts that are constrained by the Road Commission's *intent* to be used for specific purposes but are neither restricted nor committed are reported as assigned fund balance. The Board of County Road Commissioners has not adopted a policy to authorize anyone the authority to assign fund balance on behalf of the Road Commission.

##### Unassigned

Amounts that have not been restricted, committed or assigned to specific purposes are reported as unassigned fund balance.

When expenditures are incurred for purposes for which various fund balance classifications can be used, the Road Commission would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

**Mason County Road Commission**  
**Notes to Financial Statements**

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Equipment Rental

The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated (charged) to the various activities. The effect of this allocation is offset to equipment expenditures / expenses.

Handling and Overhead Credits

The Manual requires that the charging of handling and overhead based upon a calculation related to a specific project's cost (particularly projects on the State Trunkline) be reported as an expenditure to the project, with a credit to administrative expenditures. As a result, fund balance is not affected.

Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**NOTE B - Stewardship, Compliance and Accountability**

**Auditing and Reporting**

The audit was performed 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 as described in the Independent Auditors' Report and with the types of compliance requirements described in Public Act 51 of 1951, as amended. The financial statements were prepared in accordance with U.S. GAAP, as described in the Independent Auditor's Report and also with applicable rules of the Michigan State Department of Transportation.

**NOTE C - Detailed Notes on Select Financial Statement Captions**

**Deposits and Investments**

At year-end, the carrying amounts of the Road Commission's deposits were as follows:

	General Operating / Road Fund	Fiduciary Component Unit
Cash on hand	\$ 200	\$ -
Bank deposits – demand	780	-
Cash on deposit with County Treasurer	1,724,699	-
Investments – mutual funds	-	286,184
Total	<u>\$ 1,725,679</u>	<u>\$ 286,184</u>

The Manual provides that the County Treasurer maintain cash of the Road Commission. All Road Commission receipts are deposited with the Mason County Treasurer's Office, and in order to make disbursements, the Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Investment activities of Road Commission cash are performed by the County Treasurer.

## Mason County Road Commission

### Notes to Financial Statements

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#### **Deposit and Investment Risk**

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by PA 20 as amended through December 31, 1997.

#### *Interest Rate Risk*

The Road Commission's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the Road Commission's investment in the MERS Total Market Fund. At year-end, the balance in the MERS Total Market Fund was comprised of the following:

<u>Investment Type</u>	<u>% of Pool Total</u>	<u>Maturity in Years</u>
U.S. stocks	23.6%	Not applicable
International stocks	16.0%	Not applicable
Emerging market stocks	9.1%	Not applicable
U.S. Treasury	16.3%	Not available
U.S. High yield	1.0%	Not available
Emerging market bonds	5.6%	Not available
Short duration bonds	0.9%	Not available
Private markets	27.5%	Not applicable

#### *Credit Risk*

The Road Commission's investment policy does not have specific limits in excess of State law on investment credit risk.

#### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require, and the Road Commission does not have a policy for deposit custodial credit risk. At year-end, none of the Road Commission's bank balance of \$142,068 was exposed to custodial credit risk because it was not insured by the Federal Deposit Insurance Corporation (FDIC) and not collateralized. Deposits in the amount of \$2,008,967 were held by the Mason County Treasurer and may have been partially covered by the FDIC. The amount of federal depository insurance is determined for the County as a whole and cannot be identified separately for the Road Commission.

**Mason County Road Commission**  
**Notes to Financial Statements**

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The Road Commission has determined that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Road Commission evaluates each financial institution and assesses the level of risk associated with each financial institution. The Road Commission's policy is to conduct business only with financial institutions that have an acceptable estimated level of risk as a depository.

*Custodial Credit Risk – Investments*

For an 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 collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The Road Commission's investment policy does not address custodial credit risk for investments. Custodial credit risk associated with the MERS Total Investment Fund cannot be determined because the investments do not consist of specifically identifiable securities.

*Concentration of Credit Risk*

State law limits allowable investments but does not limit concentration of credit risk. The Road Commission's investment policy does not have specific limits in excess of State law on concentration of credit risk. At year-end, the Road Commission's investments are comprised of a single investment account; the MERS Total Market Fund.

**Receivables**

The balance in receivables at year end was comprised of the following:

MDOT - State trunkline maintenance	\$	103,150
State Transportation - other		10,445
Michigan Transportation Fund		1,354,150
Sundry		<u>75,533</u>
Total	\$	<u>1,543,339</u>

**Mason County Road Commission**  
**Notes to Financial Statements**

**Capital Assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land and improvements	\$ 406,769	\$ 3,787	\$ -	\$ 410,556
Infrastructure and land improvements	22,159,259	-	-	22,159,259
Construction in progress	-	-	-	-
<b>Total capital assets not being depreciated</b>	<u>22,566,028</u>	<u>3,787</u>	<u>-</u>	<u>22,569,815</u>
Capital assets being depreciated				
Land and improvements	87,489	267,063	-	354,552
Buildings	2,169,550	68,464	-	2,238,014
Road equipment	8,088,459	618,759	-	8,707,218
Shop equipment	95,259	2,199	-	97,458
Office equipment	110,220	1,788	-	112,008
Engineering equipment	118,910	2,500	-	121,410
Yard and storage equipment	144,989	-	-	144,989
Infrastructure – bridges	13,955,828	1,981,696	-	15,937,524
Infrastructure – roads	40,096,277	3,821,826	-	43,918,103
<b>Total capital assets being depreciated</b>	<u>64,866,981</u>	<u>6,764,295</u>	<u>-</u>	<u>71,631,276</u>
Less accumulated depreciation				
Land and improvements	(639)	(4,420)	-	(5,059)
Buildings	(1,135,480)	(32,988)	-	(1,168,468)
Road equipment	(6,368,727)	(726,760)	-	(7,095,487)
Shop equipment	(64,003)	(5,199)	-	(69,202)
Office equipment	(86,655)	(10,344)	-	(96,999)
Engineering equipment	(88,583)	(8,413)	-	(96,996)
Yard and storage equipment	(144,989)	-	-	(144,989)
Infrastructure – bridges	(3,825,813)	(296,991)	-	(4,122,804)
Infrastructure – roads	(19,533,734)	(1,977,532)	-	(21,511,266)
<b>Total accumulated depreciation</b>	<u>(31,248,623)</u>	<u>(3,062,647)</u>	<u>-</u>	<u>(34,311,270)</u>
<b>Net capital assets being depreciated</b>	<u>33,618,358</u>	<u>3,701,648</u>	<u>-</u>	<u>37,320,006</u>
<b>Total net capital assets</b>	<u>\$ 56,184,386</u>	<u>\$ 3,705,435</u>	<u>\$ -</u>	<u>\$ 59,889,821</u>

**Mason County Road Commission**  
**Notes to Financial Statements**

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**Long-term Debt**

Long-term liability activity for the year was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Installment purchase agreements	\$ 1,758,949	\$ -	\$ (260,547)	\$ 1,498,402	\$ 355,932
Compensated absences	198,190	194,611	(238,453)	154,348	154,348
Total	\$ 1,957,139	\$ 194,611	\$ (499,000)	\$ 1,652,750	\$ 510,280

The amount of interest expense included as a direct functional expense in the Statement of Activities for the year was \$47,158.

Following is a summary of outstanding debt at year-end:

Installment purchase agreement payable to Westshore Bank, secured by equipment, due in annual installments of \$35,000, plus interest at 1.60% through 2027.	\$ 140,000
Installment purchase agreement payable to Westshore Bank, secured by equipment, due in annual installments of \$28,571, plus interest at 2.20% through 2027.	114,286
Capital lease payable to Caterpillar Financial Services, Corp., secured by equipment, due in monthly installments of \$3,240, including interest at 5.07% through November 2024 and a \$103,360 balloon payment.	124,502
Capital lease payable to Shelby State Bank, secured by equipment, due in annual installments of \$24,156, plus interest at 3.59% through 2027.	96,532
Capital lease payable to Caterpillar Financial Services, Corp., secured by equipment, due in monthly installments of \$3,406, including interest at 3.59% through February 2025 and a \$105,000 balloon payment.	150,168
Installment purchase agreement payable to Shelby State Bank, secured by equipment, due in annual installments of \$19,174, plus interest at 1.88% through 2027.	76,519
Installment purchase agreement payable to Shelby State Bank, secured by equipment, due in annual installments of \$55,020, plus interest at 1.45% through January 2029.	329,728
Installment purchase agreement payable to Westshore Bank, secured by equipment, due in annual installments of \$33,333, plus interest at 3.80% through June 2037.	466,667
Subtotal	1,498,402
Compensated absences	154,348
Total	\$ 1,652,750

**Mason County Road Commission**  
**Notes to Financial Statements**

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The Road Commission’s annual debt service requirements to maturity for installment purchase agreements are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 355,932	\$ 40,477
2025	309,250	25,684
2026	195,256	20,942
2027	194,989	16,855
2028	88,355	13,404
2029-2033	221,283	42,131
2034-2037	<u>133,337</u>	<u>10,267</u>
Total	<u>\$ 1,498,402</u>	<u>\$ 169,760</u>

Compensated absences

In accordance with Board policy and the labor agreement with the Road Commission, employees have a vested right upon termination of employment to receive compensation for unused accumulated sick and vacation leave under formulas and conditions specified in the contracts. The dollar amounts of these vested rights have been accrued in the government-wide financial statements at year-end.

**NOTE D – Other Information**

**Defined Benefit Pension Plan**

Plan Description

The Road Commission participates in an agent multiple employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all full-time employees of the Road Commission. MERS was established as a State-wide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement Board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmichigan.com](http://www.mersofmichigan.com) or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

*01 – Union: Open Division*

Retirement benefits are calculated as 2.0% of the employee’s final 5-year average salary times the employee’s years of service (no maximum). Normal retirement age is 60 years, with early retirement at 55 with 30 years of service (unreduced), 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years.

*10 – Staff: Open Division*

Retirement benefits are calculated as 2.0% of the employee’s final 5-year average salary times the employee’s years of service (no maximum). Normal retirement age is 60 years, with early retirement at 55 with 25 years of service (unreduced), 50 with 25 years of service (reduced) or 55 with 15 years of service (reduced). The vesting period is 10 years. Benefit terms for current retirees also provide for annual cost-of-living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date of 2.5% (non-compound).



**Mason County Road Commission**  
**Notes to Financial Statements**

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Employees are eligible for non-duty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits may also be provided. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the labor union.

Participants Covered by the Benefit Term

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

Inactive plan members or beneficiaries currently receiving benefits	39
Inactive plan members entitled to but not yet receiving benefits	6
Active employees	<u>41</u>
Total participants	<u>86</u>

Contribution Requirements

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2023, the Road Commission's actuarially determined contribution was 22.51% of covered payroll for employees in the Union Division and 27.82% of covered payroll for employees in the Staff Division. Employees are not required to contribute to the plan, regardless of group. During the year, the Road Commission made additional voluntary monthly contributions of \$26,000 for the Union Division (\$312,000 annually) and \$14,000 for the Staff Division (\$168,000 annually).

**Mason County Road Commission**  
**Notes to Financial Statements**

**Net Pension Liability** - The net pension liability reported at year-end was determined using a measure of the total pension liability as of December 31, 2022 rolled forward to December 31, 2023 and the pension net position as of December 31, 2023.

Changes in the net pension liability during the year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Beginning balance	\$ 10,856,129	\$ 7,481,938	\$ 3,374,191
Service cost	236,064	-	236,064
Interest on total pension liability	769,800	-	769,800
Expected and actual experience	18,640	-	18,640
Changes in assumptions	-	-	-
Employer contributions	-	1,087,872	(1,087,872)
Employee contributions	-	-	-
Net investment income (loss)	-	855,463	(855,463)
Benefit payments	(712,451)	(712,451)	-
Administrative expenses	-	(18,082)	18,082
Other changes	(6,920)	-	(6,920)
Net changes	<u>305,133</u>	<u>1,212,802</u>	<u>(907,669)</u>
Ending balance	<u>\$ 11,161,262</u>	<u>\$ 8,694,740</u>	<u>\$ 2,466,522</u>

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

	1% Decrease in Rate to 6.25%	Assumed Discount Rate 7.25%	1% Increase in Rate to 8.25%
Net Pension Liability	<u>\$ 3,719,937</u>	<u>\$ 2,466,522</u>	<u>\$ 1,412,525</u>

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

During the year the Road Commission recognized a negative pension expense of (\$188,423). At year-end, the Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 363,583	\$ -
Differences in experience	363,238	-
Changes in assumptions	<u>224,411</u>	<u>-</u>
Total	<u>\$ 951,232</u>	<u>\$ -</u>

**Mason County Road Commission**  
**Notes to Financial Statements**

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The amounts reported as deferred outflows and inflows of resources related to projected and actual earnings on pension plan investments, differences in experience and differences in assumptions will be recognized as pension expense as follows:

Year Ending December 31,	Net Amount
2024	\$ 390,713
2025	389,499
2026	227,305
2027	(56,285)
Total	\$ 951,232

**Actuarial Assumptions**

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% (plus 0.00% to 6.70% for merit and longevity)
Investment rate of return	7.00%, net of investment expense and including inflation

**Mortality tables:**

This valuation incorporates fully generational mortality. The base mortality tables used are constructed as described below and are based on amount weighted sex distinct rates:

**Pre-Retirement Mortality:**

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubG-2010 Employee Mortality Tables for Ages 18-80
3. 100% of PubG-2010 Healthy Retiree Tables for Ages 81-120

**Non-Disabled retired plan members and beneficiaries:**

1. 106% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 106% of PubG-2010 Employee Mortality Tables for Ages 18-49
3. 106% of PubG-2010 Healthy Retiree Tables for Ages 50-120

**Disabled retired plan members:**

1. 100% of Pub-2010 Juvenile Mortality Tables for Ages 0-17
2. 100% of PubNS-2010 Disabled Retiree Tables for Ages 18-120

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010. These mortality tables were first used for the December 31, 2020 actuarial valuation.

Future mortality improvements are assumed each year using scale MP-2019 applied fully generationally from the Pub-2010 base year of 2010. These mortality tables were first used for the December 31, 2020 actuarial valuation.

**Interest Rate** - Funding plan benefits involves the accumulation of assets to pay benefits in the future. These assets are invested and the net rate of investment earnings is a significant factor in determining the contributions required to support the ultimate cost of benefits. For the 2022 actuarial valuation, the long-term investment return is assumed to be 7.00% annually, net of administrative and investment expenses. This assumption was first used for the December 31, 2022 actuarial valuation.

**Discount Rate** - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

## Mason County Road Commission

### Notes to Financial Statements

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***Projected Cash Flows*** - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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.

***Pension Plan Fiduciary Net Position*** - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to / deduction from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as an expense when due and payable in accordance with the benefit terms.

### **Postemployment Benefits Other than Pensions (OPEB)**

#### **Plan Description**

The Road Commission provides postemployment health care to eligible employees and / or their spouses who retire from the Road Commission on or after attaining retirement age. This is a single employer defined benefit plan that is administered by the Road Commission. Benefits provided by the plan consist of a fixed payment of \$250 per month to the retiree from age 58 to age 65. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees. The plan does not issue a publicly available report.

#### **Funding Policy**

The Mason County Road Commission Retiree Health Care Plan was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that the Road Commission will contribute based on the required amounts determined by the actuarial valuation. Currently, benefit payments are made from general operating funds. Active participants do not make contributions to the plan. There is no long-term contract for contributions to the plan. The plan has no legally required reserves. The Road Commission has no obligation to make contributions in advance of when benefit payments are due (in other words, this may be financed on a "pay-as-you-go" basis).

#### **Annual OPEB Cost and Net OPEB Liability**

The Road Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of five years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**Mason County Road Commission**  
**Notes to Financial Statements**

Participants Covered by the Benefit Terms

At the measurement date, the following participants were covered by the benefit terms:

Active members	39
Inactive members	-
Retirees and beneficiaries	<u>2</u>
Total participants	<u><u>41</u></u>

Contributions

Expenditures for postemployment healthcare benefits are recognized as the benefit payments become due. During the year, the Road Commission paid current retiree benefits of \$5,500 and made no advance funding contributions. The postemployment healthcare benefits were paid from and recorded as expenditures in the General Operating / Road Fund.

Net OPEB Liability (Asset)

The net OPEB liability reported at year-end was determined using a measure of the total OPEB liability and the OPEB net position as of December 31, 2023. The December 31, 2023 total OPEB liability was determined by an actuarial valuation performed as of that date. Changes in the Road Commission's proportionate share of the net OPEB liability during the year were as follows:

Changes in Net OPEB Liability (Asset)	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB (Asset)
Beginning balances	\$ 73,453	\$ 256,855	\$ (183,402)
Service cost	9,709	-	9,709
Interest on total OPEB liability	5,629	-	5,629
Expected / actual experience differences	(12,681)	-	(12,681)
Changes in actuarial assumptions	(2,015)	-	(2,015)
Contributions – benefits paid	-	5,500	(5,500)
Net investment income (loss)	-	29,866	(29,866)
Benefit payments	(5,500)	(5,500)	-
Administrative expenses	-	(537)	537
Other changes	-	-	-
Net changes	<u>(4,858)</u>	<u>29,329</u>	<u>(34,187)</u>
Ending balances	<u><u>\$ 68,595</u></u>	<u><u>\$ 286,184</u></u>	<u><u>\$ (217,589)</u></u>

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

During the year the Road Commission recognized a negative OPEB expense of (\$19,769). At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,820	\$ 39,774
Changes of assumptions	1,404	50,957
Net difference between projected and actual earnings on OPEB plan investments	<u>6,998</u>	<u>-</u>
Total	<u><u>\$ 27,222</u></u>	<u><u>\$ 90,731</u></u>

**Mason County Road Commission**  
**Notes to Financial Statements**

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The amounts reported as deferred outflows and inflows of resources will be recognized as OPEB expense as follows:

Year Ending December 31,	Net Amount
2024	\$ (19,155)
2025	(11,311)
2026	(7,633)
2027	(18,207)
2028	(7,077)
Thereafter	(126)
Total	<u>\$ (63,509)</u>

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The valuation of the total OPEB liability was determined using the following actuarial assumptions (a) 2.50% inflation, (b) projected salary increases of 3.25%, (c) 7.00% net investment rate of return, (d) 20-year Aa municipal bond rate of 4.13%, (e) mortality; 2010 Public General Employees and Healthy Retirees, Headcount weighted, and (f) MP-2021 improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. Although the plan is currently well funded and able to make benefit payments from the trust, a partial amount of the benefit payments for 2022 were still paid from general operating funds. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. There is no cross-over point or depletion date, therefore, the long-term expected rate of return was used to discount the projected benefits.

Investment Rate of Return

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60%	4.50%
Global fixed income	20%	2.00%
Private assets	20%	7.00%

**Mason County Road Commission**  
**Notes to Financial Statements**

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*Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate*

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

	1% Decrease in Rate to 6.00%	Assumed Discount Rate 7.00%	1% Increase in Rate to 8.00%
Net OPEB liability (asset)	\$ (214,838)	\$ (217,589)	\$ (220,190)

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

The Road Commission's net OPEB liability is not subject to changes in the healthcare cost trend rate due to the fixed monthly benefit amount.

**Equipment Expenditure Net Balance**

The Road Commission, in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental, which is based on a rental rate per hour established by the Michigan Department of Transportation multiplied by rental hours, is reported as expenditures in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating / Road Fund. The net amount reported equipment expenditures for the year is comprised of the following:

Equipment –	
Direct	\$ 2,087,289
Indirect	779,944
Operating	405,955
Less equipment rental	(2,600,718)
Total	\$ 672,470

**Administrative Expenditure Net Balance**

On the governmental financial statements, the Road Commission reports an overhead credit as a result of administering the State trunkline maintenance contract to offset administrative expenditures. Purchase discounts are also reported as a credit against administrative expenditures. The balance in administrative expenditures during the year was comprised of the following:

Administrative expenditures	\$ 630,445
Overhead – State trunkline maintenance	(97,313)
Overhead – Other	(30,898)
Total	\$ 502,234

**Capital Outlay Expenditure Net Balance**

On the governmental financial statements, the Road Commission reports a depreciation credit to offset capital outlay as a result of charging depreciation to various expenditure accounts. The net book value of capital asset retirements are also reported as a credit against capital outlay. The net amount reported as capital outlay during the year is comprised of the following:

Capital outlay	\$ 789,202
Less depreciation / depletion	(788,126)
Total	\$ 1,076

# Mason County Road Commission

## Notes to Financial Statements

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### **Risk Management**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for healthcare claims.

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool). The Michigan County Road Commission Self-insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. The insurance coverage includes, but is not limited to, general liability, auto, property insurance, stop loss protection, errors and omissions, truck line liability and an umbrella policy. The amount the Road Commission pays annually is determined by the Administrator of the Pool and is based on miles of roads, population and prior claim history of the Road Commission. The Road Commission's exposure is limited to \$1,000 per claim; all other risk is transferred to the Pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

### **Contingencies**

At times, the Road Commission is named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the Road Commission expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

### **Federal Award Expenditures / Single Audit**

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all Federal and State grants pertaining to their County. The amount of Federal aid expended by the Road Commission was \$2,016,222 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). 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 \$750,000 or more was expended for negotiated projects. The amount of federal award expenditures that were administered by the Road Commission was less than \$750,000; therefore, a single audit was not required.





## **REQUIRED SUPPLEMENTARY INFORMATION**

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# Mason County Road Commission

## General Operating / Road Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

*For the Year Ended December 31, 2023*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Licenses and permits	\$ 20,000	\$ 57,825	\$ 58,025	\$ 200
Federal sources				
Surface transportation program (STP)	-	560,000	560,000	-
Bridge	1,425,000	1,398,306	1,456,222	57,916
Other	632,000	-	-	-
State sources				
Michigan transportation funds				
Engineering	10,000	10,000	10,000	-
Snow removal	217,000	228,490	228,490	-
Urban road	211,000	228,456	341,959	113,503
Allocation	6,800,000	6,980,531	7,092,958	112,427
Other				
Local bridge			45,826	45,826
Economic development funds				
Forest road (E)	48,000	48,297	48,297	-
Urban area (F)	375,000	371,903	371,903	-
Contributions from local units				
Townships and other	1,057,000	1,895,420	1,880,357	(15,063)
Charges for services				
State trunkline maintenance	1,025,000	937,342	955,553	18,211
State trunkline non-maintenance	-	140,414	140,858	444
Salvage sales	-	10,531	10,604	73
Other	200,000	419,454	278,933	(140,521)
Interest and rentals	-	59,236	84,147	24,911
Other revenue				
Sundry refunds	-	28,937	29,558	621
Proceeds from sale of federal aid	574,000	574,194	574,194	-
Other	-	-	1,204	1,204
<b>Total revenue</b>	<u>\$ 12,594,000</u>	<u>\$ 13,949,336</u>	<u>\$ 14,169,088</u>	<u>\$ 219,752</u>

# Mason County Road Commission

## General Operating / Road Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

*For the Year Ended December 31, 2023*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Primary Road				
Preservation / structural improvements	\$ 3,596,000	\$ 3,786,819	\$ 4,073,835	\$ 287,016
Maintenance	1,095,000	1,100,400	1,139,310	38,910
Local Road				
Preservation / structural improvements	1,400,000	1,719,036	1,799,802	80,766
Maintenance	3,243,000	3,566,479	3,530,015	(36,464)
Total preservation and maintenance	9,334,000	10,172,734	10,542,962	370,228
State trunkline maintenance	1,025,000	937,342	955,553	18,211
State trunkline non-maintenance	-	138,682	140,858	2,176
Other governmental agencies	200,000	478,194	480,846	2,652
Administrative (net)	448,000	655,465	502,234	(153,231)
Equipment (net)	930,000	920,535	672,470	(248,065)
Capital outlay (net)	166,000	(106,155)	1,076	107,231
Debt service	303,000	314,600	307,705	(6,895)
<b>Total expenditures</b>	<u>12,406,000</u>	<u>13,511,397</u>	<u>13,603,704</u>	<u>92,307</u>
Revenue over (under) expenditures	188,000	437,939	565,384	127,445
<b>Fund balance</b>				
Beginning of the year	<u>2,989,287</u>	<u>3,343,348</u>	<u>3,343,348</u>	<u>-</u>
<b>End of the year</b>	<u><u>\$ 3,177,287</u></u>	<u><u>\$ 3,781,287</u></u>	<u><u>\$ 3,908,732</u></u>	<u><u>\$ 127,445</u></u>

## Mason County Road Commission

### Required Supplementary Information

#### Schedule of Changes in Net Pension Liability and Related Ratios

*Last 10 Fiscal Years Ended December 31,*

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Total pension liability</b>				
Service cost	\$ 236,064	\$ 192,429	\$ 180,422	\$ 166,933
Interest	769,800	681,204	655,950	661,366
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	18,640	651,127	91,049	171,982
Changes in assumptions	-	369,530	158,588	250,783
Benefit payments	(712,451)	(690,313)	(629,287)	(574,537)
Other changes	(6,920)	7,290	39,212	1,521
Net change in total pension liability	<u>305,133</u>	<u>1,211,267</u>	<u>495,934</u>	<u>678,048</u>
Total pension liability - beginning	10,856,129	9,644,862	9,148,928	8,470,880
Total pension liability - ending	<u><u>\$ 11,161,262</u></u>	<u><u>\$ 10,856,129</u></u>	<u><u>\$ 9,644,862</u></u>	<u><u>\$ 9,148,928</u></u>
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 1,087,872	\$ 1,025,786	\$ 844,180	\$ 626,006
Contributions - member	-	-	-	-
Net investment income (loss), net	855,463	(827,163)	973,008	786,463
Benefit payments, including refunds of member contributions	(712,451)	(690,313)	(629,287)	(574,537)
Administrative expenses	(18,082)	(15,087)	(11,149)	(12,156)
Other	-	-	-	-
Net change in fiduciary net position	<u>1,212,802</u>	<u>(506,777)</u>	<u>1,176,752</u>	<u>825,776</u>
Fiduciary net position - beginning	7,481,938	7,988,715	6,811,963	5,986,187
Fiduciary net position - ending	<u><u>\$ 8,694,740</u></u>	<u><u>\$ 7,481,938</u></u>	<u><u>\$ 7,988,715</u></u>	<u><u>\$ 6,811,963</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 2,466,522</u></u>	<u><u>\$ 3,374,191</u></u>	<u><u>\$ 1,656,147</u></u>	<u><u>\$ 2,336,965</u></u>
Fiduciary net position as a percentage of the total pension liability	77.90%	68.92%	82.83%	74.46%
Covered-employee payroll	\$ 2,353,703	\$ 2,094,921	\$ 1,947,073	\$ 1,808,066
Net pension liability as percentage of covered-employee payroll	104.79%	161.07%	85.06%	129.25%

## Mason County Road Commission

### Required Supplementary Information

#### Schedule of Changes in Net Pension Liability and Related Ratios

*Last 10 Fiscal Years Ended December 31,*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
<b>Total pension liability</b>					
Service cost	\$ 162,474	\$ 152,624	\$ 143,552	\$ 134,411	\$ 145,384
Interest	633,665	640,651	612,520	605,095	576,243
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	73,305	(441,536)	10,624	(360,537)	-
Changes in assumptions	-	-	-	337,511	-
Benefit payments	(463,754)	(374,857)	(367,230)	(352,484)	(336,472)
Other changes	(6,264)	(24,686)	(48,544)	(39,185)	(21,937)
Net change in total pension liability	<u>399,426</u>	<u>(47,804)</u>	<u>350,922</u>	<u>324,811</u>	<u>363,218</u>
Total pension liability - beginning	<u>8,071,454</u>	<u>8,119,258</u>	<u>7,768,336</u>	<u>7,443,525</u>	<u>7,080,307</u>
Total pension liability - ending	<u><u>\$ 8,470,880</u></u>	<u><u>\$ 8,071,454</u></u>	<u><u>\$ 8,119,258</u></u>	<u><u>\$ 7,768,336</u></u>	<u><u>\$ 7,443,525</u></u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 592,550	\$ 347,363	\$ 301,961	\$ 290,143	\$ 252,898
Contributions - member	-	-	-	-	-
Net investment income (loss), net	710,324	(213,430)	639,846	501,752	(68,546)
Benefit payments, including refunds of member contributions	(463,754)	(374,857)	(367,230)	(352,484)	(336,472)
Administrative expenses	(12,253)	(10,527)	(10,126)	(9,901)	(10,010)
Other	-	-	-	-	-
Net change in fiduciary net position	<u>826,867</u>	<u>(251,451)</u>	<u>564,451</u>	<u>429,510</u>	<u>(162,130)</u>
Fiduciary net position - beginning	<u>5,159,320</u>	<u>5,410,771</u>	<u>4,846,320</u>	<u>4,416,810</u>	<u>4,578,940</u>
Fiduciary net position - ending	<u><u>\$ 5,986,187</u></u>	<u><u>\$ 5,159,320</u></u>	<u><u>\$ 5,410,771</u></u>	<u><u>\$ 4,846,320</u></u>	<u><u>\$ 4,416,810</u></u>
<b>Net pension liability - ending</b>	<u><u>\$ 2,484,693</u></u>	<u><u>\$ 2,912,134</u></u>	<u><u>\$ 2,708,487</u></u>	<u><u>\$ 2,922,016</u></u>	<u><u>\$ 3,026,715</u></u>
Fiduciary net position as a percentage of the total pension liability	70.67%	63.92%	66.64%	62.39%	59.34%
Covered-employee payroll	\$ 1,768,083	\$ 1,616,727	\$ 1,536,826	\$ 1,458,502	\$ 1,575,702
Net pension liability as percentage of covered-employee payroll	140.53%	180.13%	176.24%	200.34%	192.09%

\* GASB Statement No. 68 was implemented as of December 31, 2015. Information from 2013 and 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net Pension Liability**  
*Last 10 Fiscal Years Ended December 31,*

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	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 11,161,262	\$ 10,856,129	\$ 9,644,862	\$ 9,148,928
Plan net position	8,694,740	7,481,938	7,988,715	6,811,963
Net pension liability	2,466,522	3,374,191	1,656,147	2,336,965
Plan net position as a percent of total pension liability	77.90%	68.92%	82.83%	74.46%
Covered payroll	\$ 2,353,703	\$ 2,094,921	\$ 1,947,073	\$ 1,808,066
Net pension liability as a percent of covered payroll	104.79%	161.07%	85.06%	129.25%

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net Pension Liability**  
*Last 10 Fiscal Years Ended December 31,*

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	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Total pension liability	\$ 8,470,880	\$ 8,071,454	\$ 8,119,258	\$ 7,768,336	\$ 7,443,525
Plan net position	5,986,187	5,159,320	5,410,771	4,846,320	4,416,810
Net pension liability	2,484,693	2,912,134	2,708,487	2,922,016	3,026,715
Plan net position as a percent of total pension liability	70.67%	63.92%	66.64%	62.39%	59.34%
Covered payroll	\$ 1,768,083	\$ 1,616,727	\$ 1,536,826	\$ 1,458,502	\$ 1,575,702
Net pension liability as a percent of covered payroll	140.53%	180.13%	176.24%	200.34%	192.09%

\* GASB Statement No. 68 was implemented as of December 31, 2015. Information from 2013 and 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**

*Last 10 Fiscal Years Ended December 31,*

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	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Actuarially determined contribution	\$ 607,872	\$ 545,786	\$ 526,516	\$ 386,006
Contributions in relation to the actuarially determined contribution	1,087,872	1,025,786	844,180	626,006
Contribution deficiency (excess)	\$ (480,000)	\$ (480,000)	\$ (317,664)	\$ (240,000)
 Covered-employee payroll	 \$ 2,353,703	 \$ 2,094,921	 \$ 1,947,073	 \$ 1,808,066
 Contributions as percentage of covered- employee payroll	 46.22%	 48.97%	 43.36%	 34.62%



**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions**  
*Last 10 Fiscal Years Ended December 31,*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015*</u>
Actuarially determined contribution	\$ 352,550	\$ 347,363	\$ 301,961	\$ 290,143	\$ 252,898
Contributions in relation to the actuarially determined contribution	592,550	347,363	301,961	290,143	252,898
Contribution deficiency (excess)	<u>\$ (240,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,768,083	\$ 1,616,727	\$ 1,536,826	\$ 1,458,502	\$ 1,575,702
Contributions as percentage of covered- employee payroll	33.51%	21.49%	19.65%	19.89%	16.05%

\* GASB Statement No. 68 was implemented as of December 31, 2015. Information from 2013 and 2014 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**

*Last 10 Fiscal Years Ended December 31,*

	<b>2023</b>
<b>Total OPEB liability</b>	
Service cost	\$ 9,709
Interest on total OPEB liability	5,629
Changes of benefit terms	-
Differences between expected and actual experience	(12,681)
Changes in assumptions	(2,015)
Benefit payments	(5,500)
Other changes	-
Net change in total OPEB liability	(4,858)
Total OPEB liability - beginning	73,453
Total OPEB liability - ending	\$ 68,595
 <b>Plan fiduciary net position</b>	
Contributions by employer:	
Deposits to OPEB trust	\$ -
Benefits paid from operating funds	5,500
Contributions by employees	-
Net investment income (loss)	29,866
Benefit payments and refunds	(5,500)
Administrative expenses	(537)
Other	-
Net change in fiduciary net position	29,329
Fiduciary net position - beginning	256,855
Fiduciary net position - ending	\$ 286,184
<b>Net OPEB liability (asset) - ending</b>	<b>\$ (217,589)</b>
 Fiduciary net position as a percentage of the total OPEB liability	417.21%
Covered-employee payroll	\$ 2,744,010
Net OPEB liability as percentage of covered-employee payroll	-7.93%

## Mason County Road Commission

### Required Supplementary Information

#### Schedule of Changes in Net OPEB Liability and Related Ratios

*Last 10 Fiscal Years Ended December 31,*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
<b>Total OPEB liability</b>					
Service cost	\$ 9,842	\$ 5,571	\$ 9,168	\$ 12,199	\$ 12,765
Interest on total OPEB liability	5,222	5,211	3,488	7,644	9,446
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	9,392	15,104	(8,041)	(49,842)	(44,576)
Changes in assumptions	1,002	782	(9,797)	(92,249)	(4,971)
Benefit payments	(26,442)	(35,132)	(19,500)	(13,250)	(8,000)
Other changes	-	-	5,227	-	-
Net change in total OPEB liability	(984)	(8,464)	(19,455)	(135,498)	(35,336)
Total OPEB liability - beginning	74,437	82,901	102,356	237,854	273,190
Total OPEB liability - ending	<u>\$ 73,453</u>	<u>\$ 74,437</u>	<u>\$ 82,901</u>	<u>\$ 102,356</u>	<u>\$ 237,854</u>
<b>Plan fiduciary net position</b>					
Contributions by employer:					
Deposits to OPEB trust	\$ -	\$ -	\$ -	\$ 21,750	\$ 21,750
Benefits paid from operating funds	10,752	15,690	19,500	13,250	8,000
Contributions by employees	-	-	-	-	-
Net investment income (loss)	(31,114)	38,314	46,995	5,231	2,947
Benefit payments and refunds	(26,442)	(35,132)	(19,500)	(13,250)	(8,000)
Administrative expenses	(484)	(529)	(67)	-	-
Other	-	(58)	-	-	-
Net change in fiduciary net position	(47,288)	18,285	46,928	26,981	24,697
Fiduciary net position - beginning	304,143	285,858	238,930	211,949	187,252
Fiduciary net position - ending	<u>\$ 256,855</u>	<u>\$ 304,143</u>	<u>\$ 285,858</u>	<u>\$ 238,930</u>	<u>\$ 211,949</u>
<b>Net OPEB liability (asset) - ending</b>	<u>\$ (183,402)</u>	<u>\$ (229,706)</u>	<u>\$ (202,957)</u>	<u>\$ (136,574)</u>	<u>\$ 25,905</u>
Fiduciary net position as a percentage of the total OPEB liability	349.69%	408.59%	344.82%	233.43%	89.11%
Covered-employee payroll	\$ 2,638,435	\$ 2,358,982	\$ 2,124,727	\$ 1,598,062	\$ 1,616,727
Net OPEB liability as percentage of covered-employee payroll	-6.95%	-9.74%	-9.55%	-8.55%	1.60%

\* GASB Statement No. 74 was implemented as of December 31, 2018. Information from 2014 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net OPEB Liability**  
*Last 10 Fiscal Years Ended December 31,*

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	<u>2023</u>
Total OPEB liability	\$ 68,595
Plan net position	286,184
Net OPEB liability (asset)	(217,589)
Plan net position as a percent of total OPEB liability	417.21%
Covered payroll	\$ 2,744,010
Net OPEB liability as a percent of covered payroll	-7.93%

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer's Net OPEB Liability**  
*Last 10 Fiscal Years Ended December 31,*

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	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018*</b>
Total OPEB liability	\$ 73,453	\$ 74,437	\$ 82,901	\$ 102,356	\$ 237,854
Plan net position	256,855	304,143	285,858	238,930	211,949
Net OPEB liability (asset)	(183,402)	(229,706)	(202,957)	(136,574)	25,905
Plan net position as a percent of total OPEB liability	349.69%	408.59%	344.82%	233.43%	89.11%
Covered payroll	\$ 2,638,435	\$ 2,358,982	\$ 2,124,727	\$ 1,598,062	\$ 1,616,727
Net OPEB liability as a percent of covered payroll	-6.95%	-9.74%	-9.55%	-8.55%	1.60%

\* GASB Statement No. 74 was implemented as of December 31, 2018. Information from 2014 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - OPEB**  
*Last 10 Fiscal Years Ended December 31,*

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	<b>2023</b>
Actuarially determined contribution	\$ -
Contributions in relation to the actuarially determined contribution	5,500
Contribution deficiency (excess)	\$ (5,500)
 Covered-employee payroll	\$ 2,744,010
 Contributions as percentage of covered- employee payroll	0.20%

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - OPEB**

*Last 10 Fiscal Years Ended December 31,*

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018*</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 17,889	\$ 19,130
Contributions in relation to the actuarially determined contribution	10,752	15,690	19,500	35,000	29,750
Contribution deficiency (excess)	<u>\$ (10,752)</u>	<u>\$ (15,690)</u>	<u>\$ (19,500)</u>	<u>\$ (17,111)</u>	<u>\$ (10,620)</u>
Covered-employee payroll	\$ 2,638,435	\$ 2,358,982	\$ 2,124,727	\$ 1,598,062	\$ 1,616,727
Contributions as percentage of covered- employee payroll	0.41%	0.67%	0.92%	2.19%	1.84%

\* GASB Statement No. 74 was implemented as of December 31, 2018. Information from 2014 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - OPEB**  
*Last 10 Fiscal Years Ended December 31,*

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	<u>2023</u>
Annual money-weighted rate of return, net of investment expenses	11.00%



**Mason County Road Commission**  
**Required Supplementary Information**  
**Schedule of Employer Contributions - OPEB**  
*Last 10 Fiscal Years Ended December 31,*

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	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018*</b>
Annual money-weighted rate of return, net of investment expenses	-11.09%	12.99%	17.91%	2.32%	1.48%

\* GASB Statement No. 74 was implemented as of December 31, 2018. Information from 2014 through 2017 is not available. Additional years will be presented on this schedule on a prospective basis.

*See Notes to Required Supplementary Information*

**Mason County Road Commission**  
**Notes to Required Supplementary Information**

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**Budgetary Data**

The Road Commission’s procedures for establishing budgetary data are as follows:

- \* The Finance & Human Resources Manager prepares a proposed operating budget for the calendar year commencing January 1st, using data submitted by other administrative staff. The proposed operating budget includes identification of expenditures and resources to finance them.
- \* Prior to December 31st, the proposed budget is presented to the Board of County Road Commissioners. The budget is reviewed and may be amended by the Board and a public hearing is held regarding the proposed budget. The budget is then legally enacted through passage of a resolution adopted by the Board of County Road Commissioners and is placed in the Board minutes.
- \* The Road Commission’s approved budget was adopted at the activity level. This is the legally enacted level under the State of Michigan Uniform Budgeting and Accounting Act, since the Board of County Road Commissioners must approve amendments to the budget at the activity level.
- \* The budget for the General Operating / Road Fund is adopted on a basis consistent with U.S GAAP. Budget amounts shown in the financial statements consist of those amounts contained in the formal budget approved and amended by the Board.
- \* The Road Commission adopts a budget for the General Operating / Road Fund by means of an appropriations act, on a departmental activity basis in summary form. Periodic internal reporting is on a detail basis in accordance with the State-prescribed uniform chart of accounts consistent with the way the books are maintained. The budget is prepared on the modified accrued basis of accounting.
- \* Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level. The General Operating / Road Fund had expenditures that exceeded budgeted appropriations at the activity level, which is the Road Commission’s legal level of budgetary control. The General Operating / Road Fund had expenditures that exceeded budgeted appropriations at the activity level, which is the Road Commission’s legal level of budgetary control, as follows:

	<b><u>Final Budget</u></b>	<b><u>Actual</u></b>	<b><u>Over Budget</u></b>
Capital outlay (net)	\$ (106,155)	\$ 1,076	\$ 107,231

Revenues and existing fund balance were sufficient to cover all expenditures in the General Operating / Road Fund.

**Mason County Road Commission**  
**Notes to Required Supplementary Information**

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**Methods and Assumptions:**

*Defined Benefit Pension Plan*

Valuation date	December 31, 2022
Notes	Actuarially determined contribution rates are calculated as of the December 31 that is 12 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	16 years
Asset valuation method	Open; 10-year smoothed market
Inflation	2.50%
Salary increases	3.00% (plus 0.00% to 6.70% for merit and longevity)
Investment rate of return	7.00% (net of administrative and investment expenses)
Retirement age	Age-based table of rates that are specific to the type of eligibility condition
Mortality	The base mortality tables are based on are amount weighted sex distinct rates and the following groups are considered separately: Pre-retirement, Non-disabled retired and Disabled retired. See footnotes to financial statements for additional information

Other information	Changes to price inflation, salary increase rates and mortality tables as the result of an assumption study were adopted by the Retirement Board for use in the annual valuations of the Retirement System beginning with the December 31, 2015 actuarial valuation.  Changes to the investment rate of return assumption and salary increase rates were adopted by the Retirement Board for use in the 2019 valuation of the Retirement System.
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*Other Postemployment Benefits (OPEB) Plan*

Valuation date	December 31, 2023
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Discount rate	7.35% for 2022 contribution; 7.00% for 2022 liability, and 2023 contribution
20-year Aa municipal bond rate	4.31%
Salary increases	3.25%
Investment rate of return	7.00% (net of administrative and investment expenses)
Inflation	2.50%
Retirement age	Earlier of age 55 and 25 years of service or age 60 and 10 years of service
Medical trend	Pre-Medicare: 8.50% graded down to 4.50% by 0.25% per year; Post-Medicare: 7.00% graded down to 4.50% by .25% per year.
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted, MP-2021.

Other information	The discount rate was increased from 3.26% to 7.35% for the 2020 valuation. Mortality improvement scale changed from 2018 to 2020.
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## **OTHER SUPPLEMENTARY INFORMATION**

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## Mason County Road Commission

### General Operating / Road Fund

#### Schedule of Revenues by Component

*For the Year Ended December 31, 2023*

	<u>Primary Roads</u>	<u>Local Roads</u>	<u>County Roads</u>	<u>Total</u>
<b>Revenues</b>				
Licenses and permits	\$ -	\$ -	\$ 58,025	\$ 58,025
Federal sources				
Surface transportation program (STP)	560,000	-	-	560,000
Bridge	1,456,222	-	-	1,456,222
State sources				
Michigan transportation funds				
Engineering	6,126	3,874	-	10,000
Snow removal	139,983	88,507	-	228,490
Urban road	263,795	78,164	-	341,959
Allocation	4,345,470	2,747,488	-	7,092,958
Other				
Local bridge	45,826	-	-	45,826
Economic Development Fund				
Forest road (E)	48,297	-	-	48,297
Urban area (F)	371,903	-	-	371,903
Contributions from local units				
Townships and other	574,194	1,156,056	150,107	1,880,357
Charges for services				
State trunkline maintenance	-	-	955,553	955,553
State trunkline non-maintenance	-	-	140,858	140,858
Salvage sales	-	-	10,604	10,604
Other	-	-	278,933	278,933
Interest and rentals	14,254	29,307	40,586	84,147
Other				
Sundry refunds	-	-	29,558	29,558
Proceeds from sale of federal aid	-	574,194	-	574,194
Other	-	-	1,204	1,204
<b>Total revenues</b>	<u>\$ 7,826,070</u>	<u>\$ 4,677,590</u>	<u>\$ 1,665,428</u>	<u>\$ 14,169,088</u>

## Mason County Road Commission

### General Operating / Road Fund

#### Schedule of Expenditures by Component

*For the Year Ended December 31, 2023*

	<u>Primary Roads</u>	<u>Local Roads</u>	<u>County Roads</u>	<u>Total</u>
<b>Expenditures</b>				
Preservation / Structural Improvements				
Roads	\$ 1,942,866	\$ 1,775,824	\$ -	\$ 3,718,690
Structures	2,130,867	23,978	-	2,154,845
Safety projects	102	-	-	102
Maintenance				
Roads	755,236	3,192,768	-	3,948,004
Winter maintenance	335,522	285,843	-	621,365
Traffic control	48,552	51,404	-	99,956
Total preservation and maintenance	5,213,145	5,329,817	-	10,542,962
State trunkline maintenance	-	-	955,553	955,553
State trunkline non-maintenance	-	-	140,858	140,858
Administrative (net)	248,338	253,896	-	502,234
Equipment (net)	84,908	358,986	228,576	672,470
Capital outlay (net)	-	-	1,076	1,076
Debt service				
Principal	-	-	260,547	260,547
Interest	-	-	47,158	47,158
Other	-	-	480,846	480,846
<b>Total expenditures</b>	<u>\$ 5,546,391</u>	<u>\$ 5,942,699</u>	<u>\$ 2,114,614</u>	<u>\$ 13,603,704</u>

## Mason County Road Commission

### General Operating / Road Fund

#### Schedule of Changes in Fund Balance by Component

For the Year Ended December 31, 2023

	<u>Primary Roads</u>	<u>Local Roads</u>	<u>County Roads</u>	<u>Total</u>
<b>Total revenues</b>	\$ 7,826,070	\$ 4,677,590	\$ 1,665,428	\$ 14,169,088
<b>Total expenditures</b>	<u>5,546,391</u>	<u>5,942,699</u>	<u>2,114,614</u>	<u>13,603,704</u>
Excess of revenue over (under) expenditures	2,279,679	(1,265,109)	(449,186)	565,384
<b>Other financing sources (uses)</b>				
Optional transfers	<u>(1,500,000)</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Excess of revenue and other financing sources (uses) over (under) expenditures	779,679	234,891	(449,186)	565,384
<b>Fund balance</b>				
Beginning of the year	<u>583,644</u>	<u>1,199,979</u>	<u>1,559,725</u>	<u>3,343,348</u>
<b>End of the year</b>	<u><u>\$ 1,363,323</u></u>	<u><u>\$ 1,434,870</u></u>	<u><u>\$ 1,110,539</u></u>	<u><u>\$ 3,908,732</u></u>

## **INTERNAL CONTROL AND COMPLIANCE**

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SMITH & KLACZKIEWICZ, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

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  
Mason County Road Commission  
Scottville, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the **Mason County Road Commission**, a component unit of Mason County, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the **Mason County Road Commission's** basic financial statements and have issued our report thereon dated May 16, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the **Mason County 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 **Mason County Road Commission's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Mason County Road Commission's** internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, as described as findings 2023-1 and 2023-2 in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the *Mason County Road Commission's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

**Road Commission's Responses to Findings**

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

**Purpose of this Report**

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

*Smith + Klausheinz PC*

***Saginaw, Michigan***  
May 16, 2024

# Mason County Road Commission

## Schedule of Findings and Responses

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### **Finding 2023-1** – Preparation of Financial Statements in Accordance with U.S. GAAP (repeat comment)

**Criteria:** The Road Commission is required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). This is a responsibility of the Road Commission's management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

**Condition:** As is the case with many smaller and medium-sized entities, the Road Commission has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Road Commission's ability to prepare financial statements in accordance with U.S. GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

**Cause:** This condition was caused by the Road Commission's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

**Effect:** As a result of this condition, the Road Commission lacks internal controls over the preparation of financial statements in accordance with U.S. GAAP, and instead relies, in part, on its external auditors for assistance with this task.

**View of  
Responsible  
Officials:**

The Road Commission has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with U.S. GAAP, and determined that it is in the best interests of the Road Commission to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

**Mason County Road Commission**  
**Schedule of Findings and Responses**

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**Finding 2023-2** – **Lack of Segregation of Incompatible Duties** (*repeat comment*)

**Criteria:** An important component of any internal control system is appropriate segregation of duties over key accounting functions.

**Condition:** The Clerk at the Road Commission performs several accounting functions related to cash receipts, cash disbursements and recording of financial activity to the general ledger. To provide a system of checks and balances, these functions are generally assigned to different employees to minimize the potential for unauthorized transactions.

**Cause:** Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the additional personnel that would be required to segregate all incompatible duties.

**Effect:** This condition creates opportunities for inaccurate or unauthorized disbursements or transfers of Road Commission assets and increases the potential for inaccurate reporting of financial activity.

**View of  
Responsible  
Officials:**

The Road Commission is aware of the weakness in this area and has determined that the strong oversight and involvement of the Board of County Road Commissioners reduces the risk of unauthorized disbursements and inaccurate financial reporting to an acceptably low level.