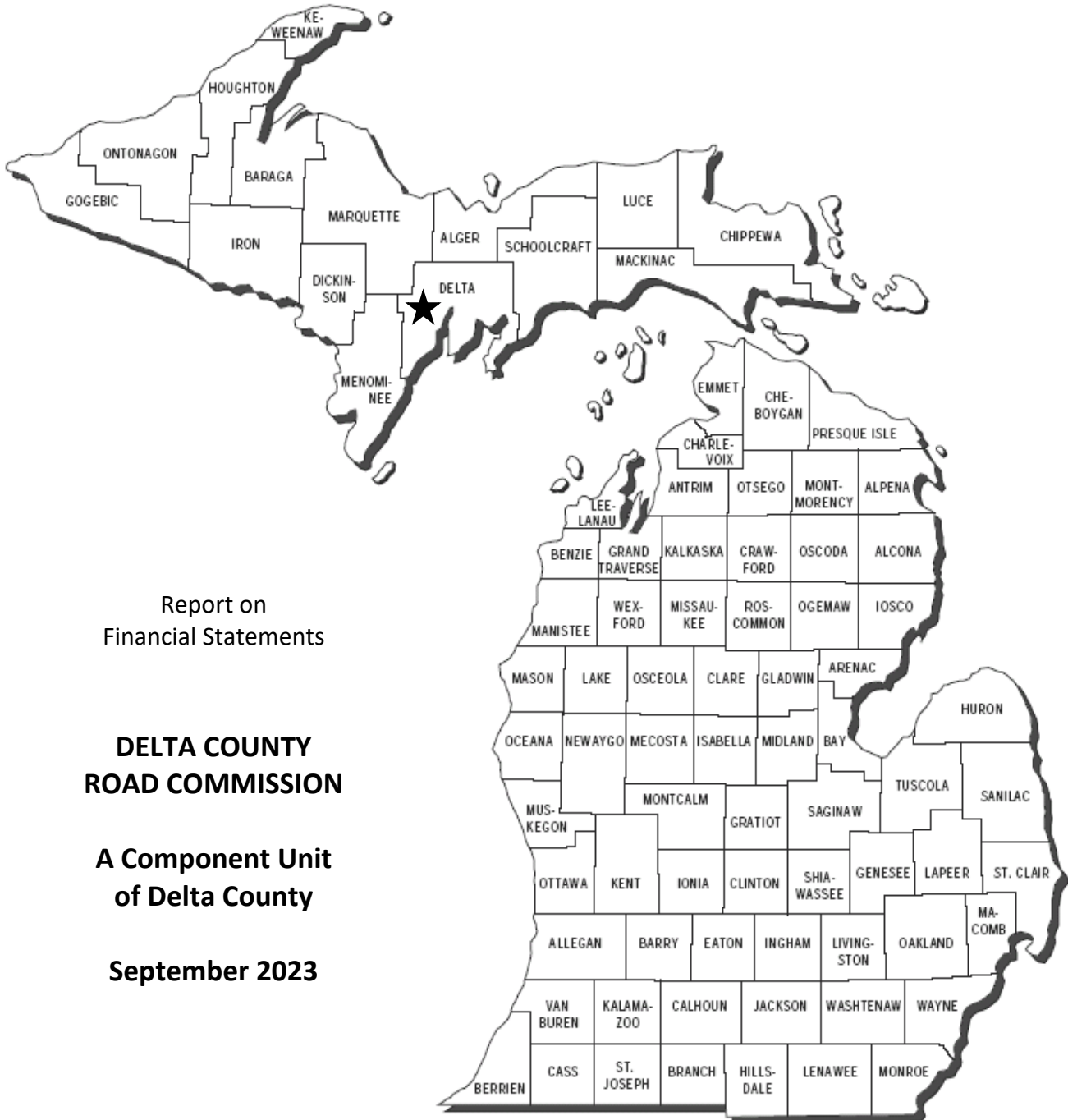


# STATE OF MICHIGAN

Gretchen Whitmer, Governor

## DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on  
Financial Statements

### **DELTA COUNTY ROAD COMMISSION**

**A Component Unit  
of Delta County**

**September 2023**

DELTA COUNTY ROAD COMMISSION  
BOARD OF COUNTY ROAD COMMISSIONERS

February 23, 2024

Bob Aschbacher  
Chairman

Dustin Stempki  
Vice-Chairman

Mark Asselin  
Member

Randy Bjork  
Member

Dennis Stanek  
Member

Jody Norman  
Managing Director

Pamela Peterson  
Finance Director

Samantha Grau  
Office Clerk

COUNTY POPULATION--2020  
36,903

STATE EQUALIZED VALUATION--2023  
\$1,719,677,628



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT

February 23, 2024

Board of County Road Commissioners  
Delta County Road Commission  
3000 32<sup>nd</sup> Avenue North  
Escanaba, Michigan 49829

Report on the Audit of the Financial Statements

*Opinions*

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Delta County Road Commission, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Basis for Opinions*

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

*Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Delta 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 Delta 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 Delta County Road Commission's ability to continue as a going concern for a reasonable period of time.

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

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 8, the schedule of changes in the net pension liability, the schedule of pension contributions and the budgetary comparison information, in Exhibits G through J, 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 Delta County Road Commission's basic financial statements. The accompanying supplementary and related information presented in Exhibits K through M is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary and related information presented in Exhibits K through M is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2024, on our consideration of the Delta County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Delta 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 Delta County Road Commission's internal control over financial reporting and compliance.

Sincerely,



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

DELTA COUNTY ROAD COMMISSION

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DELTA COUNTY ROAD COMMISSION

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# DELTA COUNTY ROAD COMMISSION

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

Our discussion and analysis of the Delta County Road Commission's financial performance provides an overview of its financial activities for the fiscal year ended September 30, 2023. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the Road Commission's financial activity; c) identify changes in the Road Commission's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

### Overview of the Financial Statements

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

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

### Reporting the Road Commission as a Whole

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

## DELTA COUNTY ROAD COMMISSION

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

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

#### Report of the Road Commission's Major Fund

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

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

#### The Road Commission as a Whole

The Road Commission's net position increased 3.20% or \$1,303,398 from \$40,788,864 to \$42,092,262 for the year ended September 30, 2023. The net position and change in net position are summarized below.

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

The total investment in capital assets increased by \$752,599 primarily as a result of capital asset additions being greater than current year depreciation and payments on debt.

DELTA COUNTY ROAD COMMISSION

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

Net Position as of the fiscal year ended September 30, 2023, compared to the prior year, is as follows:

	Governmental Activities <u>09/30/2022</u>	Governmental Activities <u>09/30/2023</u>	<u>Variance</u>
Current and Other Assets	\$ 7,519,825	\$ 8,424,741	\$ 904,916
Net Capital Assets	<u>41,752,232</u>	<u>42,151,018</u>	<u>398,786</u>
 Total Assets	 <u>49,272,057</u>	 <u>50,575,759</u>	 <u>1,303,702</u>
 Deferred Outflows of Resources			
Deferred Outflows--Pensions	<u>1,317,633</u>	<u>1,775,946</u>	<u>458,313</u>
 Current Liabilities	 162,525	 157,873	 (4,652)
Non-current Liabilities	<u>8,916,948</u>	<u>10,063,032</u>	<u>1,146,084</u>
 Total Liabilities	 <u>9,079,473</u>	 <u>10,220,905</u>	 <u>1,141,432</u>
 Deferred Inflows of Resources			
Deferred Inflows--Pensions	<u>721,353</u>	<u>38,538</u>	<u>(682,815)</u>
 Net Position			
Net Investment in Capital Assets	39,443,136	40,195,735	752,599
Unrestricted	<u>1,345,728</u>	<u>1,896,527</u>	<u>550,799</u>
 Total Net Position	 <u>\$ 40,788,864</u>	 <u>\$ 42,092,262</u>	 <u>\$ 1,303,398</u>

DELTA COUNTY ROAD COMMISSION

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

The following table presents a two-year comparison of the Statement of Activities:

	<u>2022</u>	<u>2023</u>	<u>Difference</u>
Program Revenue			
Charges for Services	\$ 2,470,767	\$ 3,072,532	\$ 601,765
Operating Grants and Contributions	7,209,162	7,545,667	336,505
Capital Grants and Contributions	1,867,093	2,281,725	414,632
General Revenue			
Gain on Equipment Disposal	<u>64,957</u>	<u>826</u>	<u>(64,131)</u>
Total Revenue	<u>11,611,979</u>	<u>12,900,750</u>	<u>1,288,771</u>
Expenses			
Primary Routine and Preventive Maintenance	1,830,255	2,506,914	676,659
Local Routine and Preventive Maintenance	2,472,752	2,410,739	(62,013)
State Trunkline Maintenance	2,394,026	2,836,234	442,208
Net Equipment Expense	500,241	961,564	461,323
Nonroad Projects Expense	-	97,352	97,352
Net Administrative Expense	597,879	670,717	72,838
Maintenance for Other Units	47,346	-	(47,346)
Infrastructure Depreciation Expense	1,901,999	1,992,971	90,972
Compensated Absences	19,238	(28,629)	(47,867)
Pension Expense	(448,586)	110,687	559,273
Interest Expense	<u>23,618</u>	<u>38,803</u>	<u>15,185</u>
Total Expenses	<u>9,338,768</u>	<u>11,597,352</u>	<u>2,258,584</u>
Change in Net Position	<u>2,273,211</u>	<u>1,303,398</u>	<u>(969,813)</u>
Ending Net Position	<u>\$ 40,788,864</u>	<u>\$ 42,092,262</u>	<u>\$ 1,303,398</u>

The total revenues increased by \$1,288,771 or 11.10% from 2022 to 2023. The road commission experienced increases in charges for services due to additional funds being received for MDOT projects in 2023; increases in operating grants and contributions due to significant increases in Michigan Transportation Funds for 2023 and increases in capital grants and contributions due to increases in federal grants, including one grant for various paving projects, and an increase in township contributions.

Total expenses increased overall by \$2,258,584 or 24.19% from 2022 to 2023. The most significant increases were in Primary Routine and Preventive Maintenance due to increase in funding for projects received in 2023, State Trunkline Maintenance for additional projects performed for MDOT in 2023, Net Equipment Expense due to more equipment in fleet as a result

## DELTA COUNTY ROAD COMMISSION

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

of purchases over the last couple years along with an increase in fringe spreads, and an increase in pension expense due to changes in actual investment results.

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

#### The Road Commission's Fund

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

For the year ended September 30, 2023, the fund balance of the General Operating fund increased by \$632,857 compared to an increase of \$732,459 in the fund balance for the prior fiscal year. Total operating revenues were \$13,523,976, an increase of \$1,976,954 as compared to last year. This change in revenues mirrors the changes discussed above with the addition of an increase in other state grants as a result of the Protecting Michigan Pension grant received in 2023.

Total expenditures were \$12,891,945, an increase of \$2,012,425 in comparison to last year. This change in expenditures mirrors the changes noted above with the addition of an increase in other non-road projects as a result of the Protecting Michigan Pension grant received in 2023 and an increase in principal payments as the county made the 2022 principal payment during 2021; offset by a decrease in capital outlay.

#### 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's Board acts to amend its budget to reflect changes in the 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 original revenue budget for 2023 was \$12,436,510, which was \$1,088,292 less than the actual revenue received for the year. The final amended budget was \$13,441,980 which was \$82,822 less than the actual revenue received.

The Road Commission's original expenditure budget was projected at \$11,420,825, while actual expenditures were \$12,891,945 resulting in actual expenditures being more than the original

DELTA COUNTY ROAD COMMISSION

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

budget by \$1,471,120. There were budget amendments made throughout the year, resulting in actual expenditures being less than the final amended budget by \$7,691.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Road Commission had \$42,151,018 invested in capital assets which was a net increase of \$398,786 or .96% from the prior fiscal year as follows:

	<u>09/30/2022</u>	<u>09/30/2023</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 1,563,904	\$ 1,563,904
Construction in Progress	33,602	75,568
Infrastructure--Land and Improvements	<u>7,333,338</u>	<u>7,604,903</u>
Subtotal	<u>8,930,844</u>	<u>9,244,375</u>
Capital Assets Being Depreciated		
Buildings	6,887,307	6,944,602
Road Equipment	12,160,833	12,635,722
Right to Use Road Equipment	294,242	294,242
Shop Equipment	194,869	196,868
Office Equipment	173,194	173,194
Engineer's Equipment	75,297	75,297
Infrastructure--Bridges	11,935,908	11,973,410
Infrastructure--Roads	<u>33,915,660</u>	<u>35,867,845</u>
Subtotal	<u>65,637,310</u>	<u>68,161,180</u>
Total Capital Assets	74,568,154	77,405,555
Total Accumulated Depreciation	<u>(32,815,922)</u>	<u>(35,254,537)</u>
Total Net Capital Assets	<u>\$41,752,232</u>	<u>\$42,151,018</u>

The Road Commission acquired and placed in service infrastructure and other assets during the current year in the amount of \$3,506,058. The Road Commission will begin depreciating infrastructure assets placed in service during the fiscal year ended September 30, 2023 in the following fiscal year. The infrastructure is financed through federal, state, and local contributions.

Additional information on capital assets can be found in Note E to the financial statements.

DELTA COUNTY ROAD COMMISSION

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

Long Term Obligations

The Road Commission did not enter into any new financing agreements during the current fiscal year; all the equipment was acquired with Road Commission funds. At the fiscal year end, the Road Commission had \$1,955,283 in debt outstanding, compared to \$2,309,096 outstanding during the prior period, as seen below:

	<u>Balances</u> <u>9/30/2022</u>	<u>Balances</u> <u>9/30/2023</u>
2016 MTF Refunding Bonds	2,190,000	1,895,000
Lease Liability--CAT Financial	<u>119,096</u>	<u>60,283</u>
Total	<u>2,309,096</u>	<u>1,955,283</u>

More detailed information about the Road Commission's long-term liabilities which includes vested employee benefits is presented in Note F to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2024 budget. One of the factors is the economy. The Road Commission derived approximately 55.5% of its revenue from the Michigan Transportation Fund collected in 2023, which is down 5.9% compared to 61.4% of total revenue in 2022. The Road Commission had higher other revenues in 2023 due to more federal/state aid projects, other locally funded projects as well as a grant from the state applied directly to pension unfunded liability. The Road Commission received approximately 6% of its revenues from local contributions during 2023, which is up .6% compared to 5.4% of total revenue in 2022. This amount also includes township contributions which fluctuate with the approved road projects and depends on the number of projects that are scheduled and how much the townships can afford to participate. The Road Commission received approximately 22% of its revenues from charges for services during 2023. This amount includes State Trunkline Maintenance, which had decreased 8.1% from the prior fiscal year. However, the total charges for services for 2023 was more than 2022 due to the higher State Trunkline Non-Maintenance revenues and the State Trunkline audit adjustment received during fiscal year 2023. During 2024, we expect to receive \$2,800,000 (not including Forest Funds Allocation or MTF Allocation) in federal and state aid for road projects.

The preceding items were considered when adopting the budget for 2024. Total projected revenues for fiscal year 2024 are \$13,126,752, while projected expenditures are \$13,243,634. We have projected expenditures to be slightly higher than revenues in fiscal year 2024 as a result of the federal / state aid projects and primary routine and preventative maintenance we have

## DELTA COUNTY ROAD COMMISSION

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

planned in fiscal year 2023 and being cautionary of the current inflation level and costs of materials.

The Board realizes, and the reader should understand that there are not sufficient funds available to repair and/or rebuild every road in Delta 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 Delta County.

#### Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of Delta County Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Delta County administrative offices at: 3000 32<sup>nd</sup> Avenue North, Escanaba, Michigan 49829.



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

EXHIBIT A

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 3,843,470
Accounts Receivable	
Due From State	1,583,709
Due on County Road Agreements	229,925
Sundry Accounts	20,707
Inventories	2,680,270
Long-Term Contracts Receivable	13,986
Prepaid Expenses	52,674
Non-Current Assets	
Capital Assets--Depreciating	32,906,643
Capital Assets--Non-Depreciating	9,244,375
Total Assets	<u>50,575,759</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows--Pension Investments	835,086
Deferred Outflows--Pension Assumptions	162,979
Deferred Outflows--Employer Pension Contributions	777,881
Total Deferred Outflows of Resources	<u>1,775,946</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	80,917
Due to State of Michigan	42,895
Accrued Liabilities	34,061
Non-Current Liabilities	
Advance From State	904,581
Unearned Revenue--Forest Road Funds	1,257,447
Bonds Payable Due Within One Year	305,000
Bonds Payable Due in More Than One Year	1,590,000
Lease Liabilities Due Within One Year	60,283
Vested Employee Benefits Payable Due Within One Year	120,000
Vested Employee Benefits Payable	80,630
Net Pension Liability	5,745,091
Total Liabilities	<u>10,220,905</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows--Pension Experience Differences	38,538
Total Deferred Inflows of Resources	<u>38,538</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	40,195,735
Unrestricted	1,896,527
Total Net Position	<u>\$ 42,092,262</u>

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

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

EXHIBIT B

	<u>Governmental Activities</u>
Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 2,506,914
Local Road Routine and Preventive Maintenance	2,410,739
State Trunkline Maintenance	2,836,234
Net Equipment Expense	961,564
Net Administrative Expense	670,717
Non-road Projects	97,352
Infrastructure Depreciation	1,992,971
Compensated Absences	(28,629)
Pension Expense	110,687
Interest Expense	38,803
	<u>11,597,352</u>
Total Program Expenses	
Program Revenue	
Charges for Services	
License and Permits	19,630
Charges for Services	2,956,242
Other Non-Road Services	96,660
Operating Grants and Contributions	
Michigan Transportation Funds	7,502,476
Investment Earnings	43,191
Capital Grants and Contributions	
Federal Grants	1,431,986
State Grants	25,632
Contributions	824,107
	<u>12,899,924</u>
Program Revenue	
Net Program Revenue	<u>1,302,572</u>
General Revenues	
Gain on Equipment Disposal	826
	<u>826</u>
Total General Revenues	
Change in Net Position	1,303,398
Net Position	
Beginning of Year	<u>40,788,864</u>
End of Year	<u><u>\$ 42,092,262</u></u>

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

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

EXHIBIT C

	General Operating Fund
	<u>                    </u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 3,843,470
Accounts Receivable	
State Trunkline Maintenance	331,924
Michigan Transportation Fund	1,191,902
State--Other	59,883
Sundry Accounts	20,707
Due on County Road Agreements	229,925
Inventories	
Road Materials	2,332,055
Equipment Parts and Materials	348,215
Long-term Contracts Receivable	13,986
Prepaid Expenses	52,674
	<u>                    </u>
Total Assets	<u>\$ 8,424,741</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ 80,917
Due to State	42,895
Accrued Liabilities	34,061
Advances	
State Trunkline Equipment Purchase	704,605
State Trunkline Maintenance	199,976
Unearned Revenue--Forest Road Funds	1,257,447
	<u>                    </u>
Total Liabilities	<u>2,319,901</u>
Fund Balance	
Non-Spendable:	
Inventory	2,680,270
Prepaid Expense--Federal Aid Projects	13,986
Prepays	52,674
Restricted for Road Operations	3,357,910
	<u>                    </u>
Total Fund Balance	<u>6,104,840</u>
Total Liabilities and Fund Balance	<u>\$ 8,424,741</u>

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

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

EXHIBIT D

Total Governmental Fund Balance \$ 6,104,840

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

Capital assets used in governmental activities are not financial  
 resources and, therefore, are not reported in the funds. 42,151,018

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

Bonds Payable	\$ (1,895,000)	
Lease Liabilities	(60,283)	
Compensated Absences	<u>(200,630)</u>	(2,155,913)

Net pension liability is not due and payable in the current period and is  
 not reported in the funds. (5,745,091)

Certain pension contributions and changes in pension plan net position are  
 reported as deferred outflows of resources in the statement of net position, but  
 are reported as expenses in the governmental funds. 1,737,408

Net Position of Governmental Activities \$ 42,092,262

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

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

EXHIBIT E

	General Operating Fund
Revenues	
Licenses and Permits	\$ 19,630
Federal Grants	1,431,986
State Grants	8,152,160
Contributions From Local Units	824,107
Charges for Services	2,956,242
Interest and Rents	43,191
Other Revenue	96,660
	<hr/>
Total Revenues	13,523,976
	<hr/>
Expenditures	
Public Works	13,019,508
Capital Outlay	(520,179)
Debt Service	392,616
	<hr/>
Total Expenditures	12,891,945
	<hr/>
Excess of Revenues Over (Under) Expenditures	632,031
	<hr/>
Other Financing Sources (Uses)	
Proceeds from Sale of Capital Assets	826
	<hr/>
Total Other Financing Sources (Uses)	826
	<hr/>
Net Change in Fund Balance	632,857
	<hr/>
Fund Balance--October 1, 2022	5,471,983
	<hr/>
Fund Balance--September 30, 2023	\$ 6,104,840
	<hr/> <hr/>

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

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

EXHIBIT F

Net Change in Fund Balance--Total Governmental Fund \$ 632,857

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities. 398,786

Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Position. 353,813

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense) 28,629

The change in pension liability reported in the statement of activities does not require the use of resources, and therefore, is not reported in the funds statements until it comes due for payment. (110,687)

Change in Net Position of Governmental Activities \$ 1,303,398

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

## DELTA COUNTY ROAD COMMISSION

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

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

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

#### Reporting Entity

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

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

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

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

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

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

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

DELTA COUNTY ROAD COMMISSION

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

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

Basis of Presentation--Fund Financial Statements

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

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

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

Amounts reported as program revenue include: 1) charges to customer or applicants for goods or services or privileges provided; and 2) Michigan transportation funds, state/federal contracts, and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

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



DELTA COUNTY ROAD COMMISSION

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

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

Cash, Cash Equivalents and Investments

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

Inventories

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

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

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

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

Long-Term Obligations

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

DELTA COUNTY ROAD COMMISSION

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In this category deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources result from three transactions: 1) contributions to the defined pension plan subsequent to the plan's year end through the Road Commission fiscal year end; 2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings; and 3) the difference in pension assumptions used.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. In this category deferred inflows of resources result from the difference in experiences related to the pensions. This separate financial statement element represents an acquisition of net position that is applicable to a future reporting period.

Pensions

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

Unearned revenue

Unearned revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred. It represents unexpended proceeds of expenditure driven grants and/or charges for services collected in advance.

Compensated Absences (Vacation and Sick Leave)

Road Commission employment policies provide for vacation benefits to be earned in varying amounts each pay period, depending on the number of years of service of the employee. Employees can accumulate vacation between 240 and 300 hours, depending on the years of service, to be used at their discretion.

DELTA COUNTY ROAD COMMISSION

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

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

Each regular employee earns sick leave at the rate of 2.16 hours per pay period. Sick leave may be accumulated to a maximum of 1,040 hours. The Road Commission's sick leave benefits policy provides for payment of 50% of the accumulated benefits, to a maximum of 520 hours, when an employee takes a regular or disability retirement.

Use of Estimates

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

Fund Balance Classifications

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

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. For the Road Commission, the non-spendable balance reflects the inventory on hand in the amount of \$2,680,270, long-term receivables of \$13,986 and prepaid expenses in the amount of \$52,674.
- Restricted – includes fund balance amounts that are constrained for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – includes fund balance amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision making authority.
- Assigned – includes fund balance amounts that are intended to be used by the government for specific purposes but do not meet the criteria to classified as restricted or committed. Fund balance may be assigned by the managing director, finance director their designee.
- Unassigned – is to be used only to report a deficit balance from overspending for specific purpose for which amounts have been restricted, committed or assigned.

DELTA COUNTY ROAD COMMISSION

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

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

When the Road Commission incurs an expenditure for which various fund classification can be used, it is the policy of the Road Commission to use restricted or committed funds first, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Road Commission would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

The Road Commission does not have a formal minimum balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421), which requires the board of county road commissioners to approve a budget for the Operating Fund. Pursuant to the Act, the Road Commission's chief administrative officer (managing director) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year and is approved by the board. Also, the board has authorized the chief administrative officer to amend the Road Commission's budget when necessary, by transferring up to 25% from one line-item to another. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91, authorizes the county to deposit and invest in the accounts of federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated one financial institution for the deposit of Road Commission funds. The investment policy adopted by the board, as in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the

DELTA COUNTY ROAD COMMISSION

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

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

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

	General Operating Fund
Cash	<u>\$ 3,843,470</u>
Total	<u><u>\$ 3,843,470</u></u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 3,843,270
Petty Cash and Cash on Hand	<u>200</u>
Total	<u><u>\$ 3,843,470</u></u>

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

The bank balance of the Road Commission's deposits is \$4,168,106 as of September 30, 2023, of which \$250,000 is covered by federal depository insurance. The remaining amount of \$3,918,106 is uncollateralized.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to US Treasury Securities.

Disclosures Relating to Interest Rate Risk

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

DELTA COUNTY ROAD COMMISSION

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

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The Road Commission manages its exposure to interest rate risk by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities; money market mutual funds or similar investment pools; and limiting the average maturity of the portfolio in accordance with their policy.

As of September 30, 2023, the Road Commission did not have any investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains provisions that the investment portfolio will be diversified so that the impact of potential losses from any one type of security or from any one individual will be minimized. With the exception of US Treasury securities and authorized investment pools, no more than 25% of the total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Road Commission's investment policy contains policy minimizing credit risk by limiting investments to the types of securities authorized by PA 20 of 1943, as amended, except commercial paper investments must have a rating of not less than P1 from Moody's or A1 from Standard & Poor's and mutual fund investments must have a par share intended to maintain a net asset value of at least \$1.00 per share.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2023

NOTE D--DEFERRED COMPENSATION PLAN

The Delta County Road Commission offers all Road Commission employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Sections 457 (g) and 457 (b). The assets of the plan are held in a trust in a custodial account as described in IRS Sections 457(g) and (b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted for any other use. The administrators are Nationwide Retirement Solutions and First Investors Corporation. Both are agents of the employer for purposes of providing direction to the custodians of the accounts regarding investment of funds, transfer of assets to or from the accounts, and all other matters. In accordance with the provisions of GASB Statement No. 32, the plan balances and activities are not reflected in the Road Commission's financial statements.

DELTA COUNTY ROAD COMMISSION

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

NOTE E--CAPITAL ASSETS

Following is a summary of the changes in the capital assets:

	Beginning Balances	Additions	Deductions	Ending Balances
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,563,904	\$ -	\$ -	\$ 1,563,904
Construction in Progress	33,602	45,355	3,389	75,568
Infrastructure--Land Improvements	7,333,338	271,565	-	7,604,903
Subtotal	8,930,844	316,920	3,389	9,244,375
Capital Assets Being Depreciated				
Buildings	6,887,307	57,295	-	6,944,602
Road Equipment	12,160,833	534,828	59,939	12,635,722
Right to Use Road Equipment	294,242	-	-	294,242
Shop Equipment	194,869	1,999	-	196,868
Office Equipment	173,194	-	-	173,194
Engineer's Equipment	75,297	-	-	75,297
Infrastructure--Bridges	11,935,908	37,502	-	11,973,410
Infrastructure--Roads	33,915,660	2,560,903	608,718	35,867,845
Total	65,637,310	3,192,527	668,657	68,161,180
Less Accumulated Depreciation				
Building	4,371,760	224,227	-	4,595,987
Road Equipment	9,878,466	825,595	59,939	10,644,122
Right to Use Road Equipment	136,496	58,849	-	195,345
Shop Equipment	143,237	9,099	-	152,336
Office Equipment	154,184	6,504	-	160,688
Engineer's Equipment	52,653	4,443	-	57,096
Infrastructure--Bridges	1,779,673	250,907	-	2,030,580
Infrastructure--Roads	16,299,453	1,727,648	608,718	17,418,383
Total	32,815,922	3,107,272	668,657	35,254,537
Net Capital Assets Being Depreciated	32,821,388	85,255	-	32,906,643
Total Net Capital Assets	\$ 41,752,232	\$ 402,175	\$ 3,389	\$ 42,151,018



DELTA COUNTY ROAD COMMISSION

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

NOTE E--CAPITAL ASSETS (Continued)

All depreciation expense was charged to public works.

NOTE F--LONG-TERM OBLIGATIONS

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

	Beginning Balances	Additions	(Reductions)	Ending Balances	Due Within One Year
2016 MTF Refunding Bonds	\$ 2,190,000	\$ -	\$ (295,000)	\$ 1,895,000	\$ 305,000
Lease Liability Cat Financial	\$ 119,096	\$ -	\$ (58,813)	\$ 60,283	\$ 60,283
Vested Employees Benefits Payable	229,259	-	(28,629)	200,630	120,000
Total	<u>\$ 2,538,355</u>	<u>\$ -</u>	<u>\$ (382,442)</u>	<u>\$ 2,155,913</u>	<u>\$ 485,283</u>

Annual debt service requirements to maturity for long-term bonds are as follows:

Year Ending	Principal	Interest	Total
2024	\$ 305,000	\$ 30,563	\$ 335,563
2025	305,000	25,214	330,214
2026	315,000	19,776	334,776
2027	320,000	14,207	334,207
2028	320,000	8,595	328,595
2029	330,000	2,894	332,894
Total	<u>\$ 1,895,000</u>	<u>\$ 101,249</u>	<u>\$ 1,996,249</u>

DELTA COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS  
 For the Fiscal Year Ended September 30, 2023

NOTE F--LONG-TERM OBLIGATIONS (Continued)

2016 Michigan Transportation Refunding Bonds

On September 22, 2016, the County of Delta approved a \$3,580,000 Michigan Transportation Fund Refunding Bond issue, Series 2016, to refund the 2007 bond issue that was for the purpose of constructing Road Commission buildings. An advance refunding bond issue occurs when a new debt is issued to refinance an existing debt (old debt), but the proceeds must be placed in escrow pending call date or maturity. The difference between the cash flow required to service the old debt and the new debt and complete the refunding is \$569,805. The economic gain from the transaction (difference between the present value of the old debt service requirement and the present value of new debt service requirement, discounted at the effective interest rate on the new debt and adjusted for any additional cash) is \$514,496. The total bond issuance cost, including issuance cost, underwriter's discount, insurance fee, and additional proceeds, was \$42,116. The refunding bonds are payable over the period of 2017 to 2029 at an interest rate 1.754%.

Lease Liability

The Road Commission leases road equipment with a historical cost and accumulated depreciation of \$294,242 and \$195,345, respectively, under lease arrangements with Cat Financial. Future lease payments at September 30, 2023, are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 60,283	\$ 1,507	\$ 61,790
Total	<u>\$ 60,283</u>	<u>\$ 1,507</u>	<u>\$ 61,790</u>

Vested Employee Benefits Payable (Compensated Absences)

Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts each pay period, depending on the number of years of service of the employee. Employees can accumulate vacation between 240 and 300 hours, depending on the years of service, to be used at their discretion.

DELTA COUNTY ROAD COMMISSION

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

NOTE F--LONG-TERM OBLIGATIONS (Continued)

Sick Leave Benefits

Each regular full-time employee receives sick leave with pay at the rate of 2.16 hours per pay period. Sick leave may be accumulated to a maximum of 1,040 hours. Any employee who retires at age 60, or becomes disabled with 10 years of service, and upon proper notice, shall be paid 50% of their accumulated sick leave, up to a maximum of 520 hours. An employee may use up to 32 hours of sick leave each year as personal leave time.

The road commission has estimated the current portion of vested employee benefits payable within one year based on historical trends and current policies regarding usage of these benefits.

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

*Plan Description:* The Road Commission's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

DELTA COUNTY ROAD COMMISSION

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

**NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)**

*Benefits Provided*

Table 2

	2022 Valuation		
	01 - Teamsters: Closed to new hires, linked to Division 13	10 - Non-Union: Closed to new hires, linked to Division 14	12 - Supervisory: Closed to new hires
Benefit Multiplier:	2.00% Multiplier (no max)	2.50% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age	60	60	60
Vesting:	10 years	6 years	10 years
Early Retirement (Unreduced)	-	55/25	-
Early Retirement (Reduced):	50/25	50/25	50/25
	55/15	55/15	55/15
Final Average Compensation:	5 years	5 years	5 years
COLA for Future Retirees:	-	2.50% (Non-Compound)	-
Employee Contributions:	0%	0%	0%
Act 88:	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)
	13 - Teamsters: hired after 4/1/12: 14 - Non-Union: hired after 9/1/12: Open Division, linked to Division 01 Open Division, linked to Division 10		
Benefit Multiplier:	1.70% Multiplier (no max)	2.25% Multiplier (no max)	
Normal Retirement Age	60	60	
Vesting:	10 years	6 years	
Early Retirement (Unreduced)	-	55/25	
Early Retirement (Reduced):	50/25	50/25	
	55/15	55/15	
Final Average Compensation:	5 years	5 years	
COLA for Future Retirees:	-	2.5% (Non-Compound)	
Employee Contributions:	3.00%	0.00%	
Act 88:	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)	

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

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	9
Active employees	37
 Tital employees covered by MERS Plan	 96

DELTA COUNTY ROAD COMMISSION

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

NOTE G--RETIREMENT SYSTEM (Continued)

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

For the year ended September 30, 2023, the Road Commission's contribution rate was \$10,544 per month for supervisory employees, 6.69% for Teamsters and 22.65% for the non-union employees based on annual payroll for all employees.

*Net Pension Liability:* The Road Commission's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate Net Pension Liability was determined by an annual actuarial valuation as of that date.

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

Inflation	2.5%
Salary Increases	3.00% in the long-term
Investment Rate of Return	7.00%, net of investment expense and administrative expense including inflation

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

Mortality rates used were a version of Pub-2010 and Fully generational MP-2019, based upon the experience study dated February 14, 2020.

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

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

DELTA COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

*Discount rate:* The discount rate used to measure the total pension liability is 7.25% for 2022. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

DELTA COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances as of December 31, 2021	\$ 14,499,013	\$ 10,005,737	\$ 4,493,276
Changes for the year			
Service Cost	198,996	-	198,996
Interest on total pension liability	1,023,054	-	1,023,054
Difference between expected and actual experience	(11,462)	-	(11,462)
Employer contributions	-	968,594	(968,594)
Employee contributions	-	32,609	(32,609)
Net investment income	-	(1,023,886)	1,023,886
Benefit payments, including employee refunds	(974,871)	(974,871)	-
Administrative expense	-	(18,544)	18,544
Net changes	235,717	(1,016,098)	1,251,815
Balances as of December 31, 2022	<u>\$ 14,734,730</u>	<u>\$ 8,989,639</u>	<u>\$ 5,745,091</u>

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

	1% Decrease (6.25%)	Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability at December 31, 2022		\$ 5,745,091	
Change in Net Pension Liability (NPL)	\$ 7,340,544		\$ 4,397,884

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

DELTA COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

For the year ended September 30, 2023, the Road Commission recognized pension expense of \$110,687. At September 30, 2023, the Road Commission reported deferred outflows of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in Experience	\$ -	\$ 38,538
Differences in Assumptions	162,979	-
Excess (Deficit) Investment Returns	835,086	-
Contributions Subsequent to Measurement Date*	777,881	-
Total	\$ 1,775,946	\$ 38,538

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2024.

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

Year Ended September 30	Amount
2024	\$ 214,695
2025	157,627
2026	237,289
2027	349,916

NOTE H--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefit claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. The Road Commission's



DELTA COUNTY ROAD COMMISSION

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

NOTE H--RISK MANAGEMENT (Continued)

maximum deductible for property & liability coverage and automobile coverage is \$500 per occurrence. The maximum liability for the property and liability is \$10,500,000 per occurrence. The automobile coverage provides for limits of liability of \$250,000 each person, \$500,000 each accident and \$1,000,000 total. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

County road commissions in the State of Michigan established and created a trust fund known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

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

NOTE I--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county. During the fiscal year, the federal grants received and expended by the Road Commission were \$1,391,610 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the fiscal year, the Road Commission received and expended \$40,376 in funds from federal grants for negotiated (force account) projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements if the amount expended is \$750,000 or more. A single audit was not required for the fiscal year ended September 30, 2023.

NOTE J--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline maintenance revenues of \$2,277,321 and expenditures of \$2,162,011 is the result of the Michigan Department of Transportation (MDOT) issuing auditor's report 2022-157 for the 2020 State Trunkline Maintenance contract. The result of the audit increased the payments by \$115,310.

DELTA COUNTY ROAD COMMISSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S  
 NET PENSION LIABILITY AND RELATED RATIOS\*

EXHIBIT G

For the Plan Year Ending December 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service Cost	\$ 198,996	\$ 173,802	\$ 164,931	\$ 162,581	\$ 140,799	\$ 127,523	\$ 126,660	\$ 119,662	\$ 114,334
Interest	1,023,054	1,024,356	987,684	987,049	955,343	940,940	906,491	872,732	848,222
Changes in Experience	(11,462)	(89,822)	(3,409)	32,176	175,235	(60,442)	180,625	(44,201)	-
Changes in Assumptions	-	488,935	303,729	413,023	-	-	-	534,196	-
Benefit Payments Including Employee Refunds	(974,871)	(979,475)	(970,201)	(906,345)	(865,525)	(803,723)	(763,479)	(703,177)	(633,049)
Net Change in Total Pension Liability	235,717	617,796	482,734	688,484	405,852	204,298	450,297	779,212	329,507
Total Pension Liability--Beginning	14,499,013	13,881,217	13,398,483	12,709,999	12,304,147	12,099,849	11,649,552	10,870,340	10,540,833
Total Pension Liability--Ending	<u>\$ 14,734,730</u>	<u>\$ 14,499,013</u>	<u>\$ 13,881,217</u>	<u>\$ 13,398,483</u>	<u>\$ 12,709,999</u>	<u>\$ 12,304,147</u>	<u>\$ 12,099,849</u>	<u>\$ 11,649,552</u>	<u>\$ 10,870,340</u>
Plan Fiduciary Net Position									
Contributions--Employer	\$ 968,594	\$ 1,417,854	\$ 930,224	\$ 550,232	\$ 1,084,965	\$ 640,593	\$ 439,534	\$ 735,719	\$ 660,540
Contributions--Employees	32,609	31,857	27,617	26,583	22,241	19,017	55,473	12,958	7,208
MERS Adjustment	-	-	-	-	-	168,880	-	-	-
Net Investment Income	(1,023,886)	1,200,645	960,818	913,767	(286,674)	815,891	637,694	(78,578)	339,991
Benefit Payments Including Employee Refunds	(974,871)	(979,475)	(970,201)	(906,345)	(865,525)	(803,723)	(763,479)	(703,177)	(633,049)
Administrative Expense	(18,544)	(13,706)	(14,934)	(15,738)	(13,606)	(12,906)	(12,598)	(12,611)	(12,525)
Net Change in Plan Fiduciary Net Position	(1,016,098)	1,657,175	933,524	568,499	(58,599)	827,752	356,624	(45,689)	362,165
Plan Fiduciary Net Position--Beginning	10,005,737	8,348,562	7,415,038	6,846,539	6,905,138	6,077,386	5,720,762	5,766,451	5,404,286
Plan Fiduciary Net Position--Ending	<u>\$ 8,989,639</u>	<u>\$ 10,005,737</u>	<u>\$ 8,348,562</u>	<u>\$ 7,415,038</u>	<u>\$ 6,846,539</u>	<u>\$ 6,905,138</u>	<u>\$ 6,077,386</u>	<u>\$ 5,720,762</u>	<u>\$ 5,766,451</u>
Employer Net Pension Liability	<u>\$ 5,745,091</u>	<u>\$ 4,493,276</u>	<u>\$ 5,532,655</u>	<u>\$ 5,983,445</u>	<u>\$ 5,863,460</u>	<u>\$ 5,399,009</u>	<u>\$ 6,022,463</u>	<u>\$ 5,928,790</u>	<u>\$ 5,103,889</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	61%	69%	60%	55%	54%	56%	50%	49%	53%
Covered Employee Payroll	\$ 1,980,841	\$ 1,886,032	\$ 1,768,538	\$ 1,793,272	\$ 1,586,458	\$ 1,450,708	\$ 1,451,488	\$ 1,371,526	\$ 1,306,931
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	290%	238%	313%	334%	370%	372%	415%	432%	391%

Notes to Schedule:

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

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

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

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

DELTA COUNTY ROAD COMMISSION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS  
 For the Fiscal Year Ending September 30, 2023

EXHIBIT H

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions*	\$ 767,342	\$ 758,249	\$ 699,535	\$ 612,462	\$ 484,965	\$ 432,069	\$ 439,535	\$ 385,719	\$ 360,540	\$ 354,186
Contributions in Relation to the Actuarially Determined Contribution	967,342	958,249	1,399,535	912,462	1,084,965	640,592	589,535	735,719	660,540	554,186
Contribution Deficiency (excess)	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (700,000)</u>	<u>\$ (300,000)</u>	<u>\$ (600,000)</u>	<u>\$ (208,523)</u>	<u>\$ (150,000)</u>	<u>\$ (350,000)</u>	<u>\$ (300,000)</u>	<u>\$ (200,000)</u>
Covered Employee Payroll	\$ 1,952,556	\$ 1,886,032	\$ 1,768,838	\$ 1,793,272	\$ 1,586,458	\$ 1,450,708	\$ 1,451,488	\$ 1,371,526	\$ 1,306,931	\$ 1,235,451
Contributions as a Percentage of Covered Employee Payroll	50%	51%	79%	51%	68%	44%	41%	54%	51%	45%

Notes to Schedule:

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which is 9 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	16 years
Asset Valuation Method	Five-year smoothed market
Inflation	2.5%
Salary Increases	3.00%, including inflation
Investment Rate of Return	7.00%, net of investment and administrative expense including inflation
Retirement Age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010

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

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits				
Permits	\$ 19,200	\$ 19,630	\$ 19,630	\$ -
Federal Grants				
Contracted				
Surface Transportation Program	1,099,860	1,352,497	1,105,530	(246,967)
Federal Safety Improvement Funds	50,000	35,708	35,708	
HIC Covid Relief Program	-	-	247,000	247,000
Critical Bridges	1,220,140	3,405	3,372	(33)
Negotiated				
Federal Safety Improvement Funds	70,000	40,376	40,376	-
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	4,900,000	4,800,000	4,841,091	41,091
Local Road	2,000,000	2,100,000	2,117,031	17,031
Urban Primary	100,000	325,000	335,000	10,000
Urban Local	100,000	125,000	137,163	12,163
Snow Removal	50,000	62,191	62,191	-
Critical Bridges	5,000	632	632	
Other State Grants	-	649,052	649,052	-
Contributions--Local Units				
Townships	700,000	767,617	767,617	-
Other Governmental Contributions	-	53,969	56,490	2,521
Charges for Services				
State Trunkline Maintenance	2,015,310	2,276,310	2,277,321	1,011
State Trunkline Non-Maintenance	20,000	674,223	674,223	-
Salvage Sales	10,000	4,698	4,698	-
Interest and Rents				
Interest Earned	7,000	43,000	43,191	191
Other Revenue				
Sundry Refunds	-	300	-	(300)
Other Non-Road Services	59,174	97,546	96,660	(886)
Total Revenues	<u>12,435,684</u>	<u>13,441,154</u>	<u>13,523,976</u>	<u>82,822</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	<u>826</u>	<u>826</u>	<u>826</u>	<u>-</u>
Total Other Financing Sources	<u>826</u>	<u>826</u>	<u>826</u>	<u>-</u>
Total Revenues and Other Financing Sources	<u>12,436,510</u>	<u>13,441,980</u>	<u>\$ 13,524,802</u>	<u>\$ 82,822</u>
Fund Balance--October 1, 2022	<u>5,471,983</u>	<u>5,471,983</u>		
Total Budget	<u>\$ 17,908,493</u>	<u>\$ 18,913,963</u>		

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

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 2,996,000	\$ 2,621,501	\$ 2,621,501	\$ -
Routine and Preventive Maintenance	1,200,000	2,499,320	2,499,320	-
Local Road				
Preservation/Structural Improvements	100,000	223,352	223,352	-
Routine and Preventive Maintenance	1,600,000	2,408,641	2,408,640	1
Primary Road Structure				
Preservation/Structural Improvements	1,319,000	67,083	67,083	-
Routine and Preventive Maintenance	-	7,594	7,594	-
Local Road Structure				
Routine and Preventive Maintenance	-	2,099	2,099	-
State Trunkline				
Maintenance	1,900,000	2,162,011	2,162,011	-
Non-Maintenance	20,000	674,223	674,223	-
Non-road Projects	80,000	721,404	721,404	-
Equipment Expense--Net	600,000	969,254		
Direct			\$ 1,854,265	
Indirect			756,448	
Operating			353,812	
Less: Equipment Rentals			(2,002,961)	7,690
Distributive Expense	1,380,000	-	-	-
Administrative Expense--Net	395,000	670,717		
Administrative Expense			1,018,934	
Less: Overhead--State Trunkline			(335,653)	
Overhead--Other			(12,564)	-
Capital Outlay--Net	(500,000)	(520,179)		
Capital Outlay			594,122	
Less: Depreciation Credits			(1,114,301)	
Equipment Retirements			-	-
Debt Service				
Principal	295,000	353,813	353,813	-
Interest	35,825	38,803	38,803	-
Total Expenditures	<u>11,420,825</u>	<u>12,899,636</u>	<u>\$ 12,891,945</u>	<u>\$ 7,691</u>
Fund Balance--September 30, 2023	<u>6,487,668</u>	<u>6,014,327</u>		
Total Budget	<u>\$ 17,908,493</u>	<u>\$ 18,913,963</u>		

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

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 6,650,439	\$ 3,146,606	\$ 3,726,931	\$ 13,523,976
Total Expenditures	<u>6,982,875</u>	<u>3,204,548</u>	<u>2,704,522</u>	<u>12,891,945</u>
Excess of Revenues Over (Under) Expenditures	<u>(332,436)</u>	<u>(57,942)</u>	<u>1,022,409</u>	<u>632,031</u>
Other Financing Sources and (Uses) Proceeds from Sale of Capital Assets	<u>661</u>	<u>-</u>	<u>165</u>	<u>826</u>
Total Other Financing Sources and (Uses)	<u>661</u>	<u>-</u>	<u>165</u>	<u>826</u>
Net Change in Fund Balance	(331,775)	(57,942)	1,022,574	632,857
Fund Balance--October 1, 2022	<u>4,405,430</u>	<u>389,101</u>	<u>677,452</u>	<u>5,471,983</u>
Fund Balance--September 30, 2023	<u><u>\$ 4,073,655</u></u>	<u><u>\$ 331,159</u></u>	<u><u>\$ 1,700,026</u></u>	<u><u>\$ 6,104,840</u></u>

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

EXHIBIT L

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Permits	\$ -	\$ -	\$ 19,630	\$ 19,630
Federal Grants				
Contracted				
Surface Transportation Program	1,105,530	-	-	1,105,530
Federal Safety Improvement Funds	35,708			35,708
HIC Covid Relief Program	247,000	-	-	247,000
Critical Bridges	3,372	-	-	3,372
Negotiated				
Federal Safety Improvement Funds	40,376	-	-	40,376
State Grants				
Michigan Transportation Fund				
Engineering	6,957	3,043	-	10,000
Allocation	4,841,091	2,117,031	-	6,958,122
Urban	335,000	137,163	-	472,163
Snow Removal	-	62,191	-	62,191
State Critical Bridge Funds	632			632
Other State Grants	-	-	649,052	649,052
Contributions From Local Units				
Townships	-	767,617	-	767,617
Other Governmental Contributions	-	56,490	-	56,490
Charges for Services				
State Trunkline Maintenance	-	-	2,277,321	2,277,321
State Trunkline Non-Maintenance	-	-	674,223	674,223
Salvage Sales	-	-	4,698	4,698
Interest and Rents				
Interest Earned	34,773	3,071	5,347	43,191
Other Revenue				
Other Non-Road Services	-	-	96,660	96,660
Total Revenue	<u>6,650,439</u>	<u>3,146,606</u>	<u>3,726,931</u>	<u>13,523,976</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	<u>661</u>	<u>-</u>	<u>165</u>	<u>826</u>
Total Other Financing Sources	<u>661</u>	<u>-</u>	<u>165</u>	<u>826</u>
Total Revenues and Other Financing Sources	<u>\$ 6,651,100</u>	<u>\$ 3,146,606</u>	<u>\$ 3,727,096</u>	<u>\$ 13,524,802</u>

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

EXHIBIT M

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 2,621,501	\$ -	\$ -	\$ 2,621,501
Routine and Preventive Maintenance	2,499,320	-	-	2,499,320
Local Road				
Preservation/Structural Improvements	-	223,352	-	223,352
Routine and Preventive Maintenance	-	2,408,640	-	2,408,640
Primary Road Structures				
Preservation/Structural Improvements	67,083	-	-	67,083
Routine and Preventive Maintenance	7,594	-	-	7,594
Local Road Structures				
Routine and Preventive Maintenance	-	2,099	-	2,099
State Trunkline				
Maintenance	-	-	2,162,011	2,162,011
Non-Maintenance	-	-	674,223	674,223
Non-Road Projects	715,270	6,134	-	721,404
Equipment Expense--Net (Per Exhibit H)	234,422	338,675	388,467	961,564
Administrative Expense--Net (Per Exhibit H)	445,069	225,648	-	670,717
Capital Outlay--Net (Per Exhibit H)	-	-	(520,179)	(520,179)
Debt Service				
Principal--Leases	353,813	-	-	353,813
Interest	38,803	-	-	38,803
Total Expenditures	<u>\$ 6,982,875</u>	<u>\$ 3,204,548</u>	<u>\$ 2,704,522</u>	<u>\$ 12,891,945</u>





STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

GRETCHEN WHITMER  
GOVERNOR

RACHAEL EUBANKS  
STATE TREASURER

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

February 23, 2024

Board of County Road Commissioners  
Delta County Road Commission  
3000 32<sup>nd</sup> Avenue North  
Escanaba, Michigan 49829

Dear Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Delta County Road Commission, a component unit of Delta County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Delta County Road Commission's basic financial statements, and have issued our report thereon dated February 23, 2024.

#### Internal Control Over Financial Reporting

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

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

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

#### Purpose of this Report

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

Sincerely,



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



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RACHAEL EUBANKS  
STATE TREASURER

## INDEPENDENT AUDITOR'S COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

February 23, 2024

Board of County Road Commissioners  
Delta County Road Commission  
3000 32<sup>nd</sup> Avenue North  
Escanaba, Michigan 49829

Dear Commissioners:

We have audited the financial statements of the governmental activities and the major fund of the Delta County Road Commission, a component unit of Delta County, Michigan, for the fiscal year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2022. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### *Qualitative Aspects of Accounting Practices*

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

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

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

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

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

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

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

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

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

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

#### Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the

financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 23, 2024.

#### Management Consultations with Other Independent Accountants

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

#### Other Audit Findings or Issues

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

#### Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison information, and pension trend data in Exhibits G through J, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Sincerely,

A handwritten signature in black ink, appearing to read 'CJ Vaughn', written in a cursive style.

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