

**Financial Report with  
Supplemental Information  
September 30, 2022**



**Kent County  
Road Commission**



# Kent County Road Commission

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## **Independent Auditor's Report**

To the Board of County Road Commissioners  
Kent County Road Commission

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

#### ***Opinions***

We have audited the financial statements of the governmental activities, the Road Fund, and the aggregate remaining fund information of Kent County Road Commission (the "Road Commission"), a component unit of Kent County, Michigan, as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the Road Fund, and the aggregate remaining fund information of the Road Commission as of September 30, 2022 and the respective changes in its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Road Commission and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of County Road Commissioners  
Kent County Road Commission

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

***Required Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; Road Fund budgetary comparison schedules; pension system schedules of changes in the net pension liability and employer contributions; and OPEB schedules of changes in the net OPEB liability, employer contributions, and investment returns 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, which 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 supplemental 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.

***Supplemental Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The other supplemental information, as identified in the table of contents, is presented for the purpose 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 other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the Board of County Road Commissioners  
Kent County Road Commission

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2023 on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

*Plante & Moran, PLLC*

January 10, 2023

# Kent County Road Commission

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## Management's Discussion and Analysis

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As management of Kent County Road Commission (the "Road Commission"), we offer readers this narrative overview and analysis of the financial activities for the year ended September 30, 2022.

### ***Financial Highlights***

- The Michigan Transportation Fund revenue increased by more than \$3.2 million over last year.
- Revenue increased by approximately \$1.3 million from last year.
- Expenditures increased by approximately \$11.0 million from last year.

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

The discussion and analysis provided here are intended to serve as an introduction to the Road Commission's basic financial statements. The Road Commission's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplemental information intended to furnish additional detail to support the basic financial statements themselves.

### **Government-wide Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission's finances in a manner similar to a private-sector business. The statement of net position presents financial information on all of the Road Commission's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating. The statement of activities presents information showing how the Road Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., the cost of pension and other postemployment benefits).

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Road Commission's funds can be divided into the following two categories:

- Governmental funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements. The Road Commission adopts an annual appropriated budget for its Road Fund. A budgetary comparison statement has been provided for the Road Fund to demonstrate compliance with this budget.
- Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Road Commission's own programs. The accounting used for fiduciary funds is full accrual accounting much like that used for proprietary funds. The Road Commission's fiduciary fund is the other postemployment benefit trust fund.

### **Notes and Other Information**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplemental information concerning the Road Commission's progress in funding its obligation to provide pension and OPEB benefits to its employees.

# Kent County Road Commission

## Management's Discussion and Analysis (Continued)

### ***Government-wide Overall Financial Analysis***

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Road Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$344,767,463 at the close of the most recent fiscal year.

### ***The Road Commission's Statement of Net Position***

	Governmental Activities	
	2022	2021
<b>Assets</b>		
Current and other assets	\$ 47,612,840	\$ 44,680,519
Capital assets	336,215,062	310,266,231
Total assets	383,827,902	354,946,750
<b>Deferred Outflows of Resources</b>	878,544	964,677
<b>Liabilities</b>		
Current liabilities	13,195,802	13,617,034
Noncurrent liabilities	25,440,093	4,727,838
Total liabilities	38,635,895	18,344,872
<b>Deferred Inflows of Resources</b>	1,303,088	1,283,553
<b>Net Position</b>		
Net investment in capital assets	315,886,205	310,266,231
Unrestricted	28,881,258	26,016,771
Total net position	<b>\$ 344,767,463</b>	<b>\$ 336,283,002</b>

Net position of the Road Commission increased by approximately \$8.4 million. The increase in net position is primarily the result of the timing difference between when infrastructure is purchased and when depreciation is recorded on the infrastructure.

### ***The Road Commission's Statement of Activities***

	Governmental Activities	
	2022	2021
<b>Revenue</b>	\$ 88,240,464	\$ 86,955,984
<b>Expenditures</b>	80,350,956	69,412,876
<b>Excess of Revenue Over Expenditures</b>	7,889,508	17,543,108
<b>General Revenue - Gain on sale of capital assets</b>	594,953	918,608
<b>Net Change in Net Position</b>	8,484,461	18,461,716
<b>Net Position - Beginning of year</b>	336,283,002	317,821,286
<b>Net Position - End of year</b>	<b>\$ 344,767,463</b>	<b>\$ 336,283,002</b>

The increase in net position from the prior year was primarily driven by revenue exceeding expenditures. Revenue increased primarily relating to additional federal and state transportation funds and additional local contributions related to road projects. Expenses also increased significantly, primarily relating to increased spending on the central complex project and additional road projects.

# Kent County Road Commission

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## Management's Discussion and Analysis (Continued)

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### ***Financial Analysis of Individual Funds***

As noted earlier, the Road Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the Road Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use, as it represents the portion of the fund balance that has not yet been limited to use for a particular purpose by an external party.

The Road Commission's only governmental fund, the Road Fund, is significant to understanding the Road Commission's financial activities.

At the end of the current year, unassigned fund balance was \$28,045,343.

### ***Road Fund Budgetary Highlights***

The Road Commission amended the budget multiple times throughout the year. Amendments primarily covered carryover road projects from the previous fiscal year, the recording of bond proceeds and related debt service, adjustments to revenue based on updated forecasts, and adjustments to the budget for the construction of the new central complex at Walker View.

### ***Capital Assets and Debt Administration***

The Road Commission's investment in capital assets for its governmental activities as of September 30, 2022 amounts to \$336.2 million (net of accumulated depreciation). Significant capital asset additions during the year included \$9.9 million for new road equipment, \$25.5 million in infrastructure additions, and \$14.2 million in construction in progress additions, largely related to a project to build a new central complex. Additional information on the Road Commission's capital assets can be found in Note 5.

The Road Commission issued \$18.325 million in debt during the year ended September 30, 2022 and paid principal of \$1.605 million, primarily to fund the central complex project.

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

The Road Commission considers many factors when finalizing the fiscal year budget, including the ongoing impact of the coronavirus pandemic. The Road Commission has specifically been impacted by the trend of remote work and its effect on gas and public transportation spending. The Michigan Transportation Fund (MTF), the Road Commission's largest source of revenue, is directly linked to gas and public transportation spending, as well as economic activity. Changes in economic activity, as well as recent changes to the tax and fees that compose the MTF, contribute to the amount of MTF revenue the Road Commission receives. While the Road Commission has seen an overall increase in this revenue, expenses continue to increase at a faster rate due to inflation and supply chain disruptions. The Road Commission anticipates both revenue and expense will continue to increase in the near future. The Road Commission was recently awarded \$8.5 million in American Rescue Plan Act (ARPA) dollars for revenue replacement from the County of Kent, Michigan and anticipates receiving these funds in FY 2023. These dollars will help offset revenue lost during the height of the coronavirus pandemic.

### ***Requests for Further Information***

This financial report is intended to provide a general overview of the Road Commission's finances and demonstrate the Road Commission's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Director of Finance  
1500 Scribner Ave. NW  
Grand Rapids, MI 49504



# Kent County Road Commission

## Statement of Net Position/Governmental Fund Balance Sheet

September 30, 2022

	Road Fund	Adjustments	Statement of Net Position
<b>Assets</b>			
Cash and investments (Note 2)	\$ 26,560,896	\$ -	\$ 26,560,896
Receivables:			
Other receivables	527,452	-	527,452
State of Michigan Transportation Fund	10,113,359	-	10,113,359
State of Michigan trunkline and other	1,718,712	-	1,718,712
Due from local units of government	1,751,846	-	1,751,846
Inventory	3,176,798	-	3,176,798
Prepaid expenses and other assets	1,275,055	-	1,275,055
Net pension asset (Note 8)	-	49,802	49,802
Net OPEB asset (Note 9)	-	2,438,920	2,438,920
Capital assets: (Note 5)			
Assets not subject to depreciation	-	32,058,009	32,058,009
Assets subject to depreciation - Net	-	304,157,053	304,157,053
<b>Total assets</b>	<b>45,124,118</b>	<b>338,703,784</b>	<b>383,827,902</b>
<b>Deferred Outflows of Resources</b> - Deferred OPEB costs (Note 9)	-	878,544	878,544
<b>Total assets and deferred outflows of resources</b>	<b>\$ 45,124,118</b>	<b>339,582,328</b>	<b>384,706,446</b>
<b>Liabilities</b>			
Accounts payable	\$ 6,545,709	-	6,545,709
Due to State of Michigan	1,219,569	-	1,219,569
Advances payable (Note 4)	4,823,409	-	4,823,409
Accrued liabilities and other	542,123	64,992	607,115
Noncurrent liabilities: (Note 6)			
Due within one year:			
Compensated absences	-	2,859,178	2,859,178
Current portion of bonds payable	-	1,673,595	1,673,595
Due in more than one year:			
Compensated absences	-	2,252,058	2,252,058
Bonds payable - Net of current portion	-	18,655,262	18,655,262
<b>Total liabilities</b>	<b>13,130,810</b>	<b>25,505,085</b>	<b>38,635,895</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension cost reductions (Note 8)	-	10,148	10,148
Deferred OPEB cost reductions (Note 9)	-	1,292,940	1,292,940
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>1,303,088</b>	<b>1,303,088</b>
<b>Total liabilities and deferred inflows of resources</b>	<b>13,130,810</b>	<b>26,808,173</b>	<b>39,938,983</b>
<b>Equity</b>			
Fund balance:			
Nonspendable:			
Inventory	3,176,798	(3,176,798)	-
Prepays	771,167	(771,167)	-
Unassigned	28,045,343	(28,045,343)	-
<b>Total fund balance</b>	<b>31,993,308</b>	<b>(31,993,308)</b>	<b>-</b>
<b>Total liabilities, deferred inflows of resources, and fund balance</b>	<b>\$ 45,124,118</b>		
Net position:			
Net investment in capital assets		315,886,205	315,886,205
Unrestricted		28,881,258	28,881,258
<b>Total net position</b>		<b>\$ 344,767,463</b>	<b>\$ 344,767,463</b>

## Kent County Road Commission

### Reconciliation of Fund Balance of the Governmental Fund to the Net Position on the Statement of Net Position

September 30, 2022

<b>Fund Balance Reported in the Governmental Fund</b>	\$ 31,993,308
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 are not reported in the fund	336,215,062
Bonds payable are not due and payable in the current period and are not reported in the funds	(20,328,857)
Accrued interest is not due and payable in the current period and is not reported in the funds	(64,992)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(5,111,236)
Pension benefits	39,654
Retiree health care (OPEB) benefits	2,024,524
<b>Net Position of Governmental Activities</b>	<b><u><u>\$ 344,767,463</u></u></b>

# Kent County Road Commission

## Statement of Activities/Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance

Year Ended September 30, 2022

	Road Fund	Adjustments	Statement of Activities
<b>Revenue</b>			
Intergovernmental:			
Federal grants	\$ 5,999,581	\$ -	\$ 5,999,581
State-shared revenue and grants:			
Act 51 gas and weight tax	58,510,999	-	58,510,999
State trunkline maintenance	13,593,164	-	13,593,164
Other state aid	1,273,673	-	1,273,673
Local grants and contributions	6,540,445	-	6,540,445
Charges for services	1,725,577	-	1,725,577
Investment earnings	337,142	-	337,142
Other revenue:			
Local donations	76,439	-	76,439
Scrap sale	98,918	-	98,918
Refunds	84,526	-	84,526
Total revenue	<u>88,240,464</u>	<u>-</u>	<u>88,240,464</u>
<b>Expenditures</b>			
Construction/capacity improvements	864,499	(864,499)	-
Preservation/structural improvements	24,613,426	(24,613,426)	-
Maintenance	35,603,799	-	35,603,799
State trunkline maintenance	9,762,850	-	9,762,850
State trunkline nonmaintenance	3,830,314	-	3,830,314
Administrative	3,422,847	(211,446)	3,211,401
Equipment - Net	2,019,866	(4,434,221)	(2,414,355)
Capital outlay - Net	23,795,532	(23,795,532)	-
Depreciation expense - Net	-	27,687,573	27,687,573
Work performed for other governmental units	1,705,687	-	1,705,687
Debt service:			
Principal	1,605,000	(1,605,000)	-
Interest and fiscal charges	963,056	631	963,687
Total expenditures	<u>108,186,876</u>	<u>(27,835,920)</u>	<u>80,350,956</u>
<b>Excess of Revenue (Under) Over Expenditures</b>	(19,946,412)	27,835,920	7,889,508
<b>Other Financing Sources</b>			
New debt issued	21,998,218	(21,998,218)	-
Sale of capital assets	664,747	(69,794)	594,953
Total other financing sources	<u>22,662,965</u>	<u>(22,068,012)</u>	<u>594,953</u>
<b>Net Change in Fund Balance/Net Position</b>	2,716,553	5,767,908	8,484,461
<b>Fund Balance/Net Position - Beginning of year</b>	<u>29,276,755</u>	<u>307,006,247</u>	<u>336,283,002</u>
<b>Fund Balance/Net Position - End of year</b>	<u><u>\$ 31,993,308</u></u>	<u><u>\$ 312,774,155</u></u>	<u><u>\$ 344,767,463</u></u>

## Kent County Road Commission

### Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance to the Statement of Activities

Year Ended September 30, 2022

<b>Net Change in Fund Balance Reported in the Governmental Fund</b>	<b>\$ 2,716,553</b>
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, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	53,706,198
Depreciation expense	(27,687,573)
Net book value of assets disposed of	<u>(69,794)</u>
Total	25,948,831
Issuing debt provides current financial resources to governmental funds but increases long-term liabilities in the statement of net position	(21,998,218)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	1,605,000
Interest and amortization expense is recognized in the government-wide statements as it accrues	(631)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund	<u>212,926</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 8,484,461</u></b>

# Kent County Road Commission

## Statement of Fiduciary Net Position

December 31, 2021

	Other Employee Benefit Trust Fund
<b>Assets</b> - Interest in pooled investments (held by MERS)	\$ 6,327,919
<b>Liabilities</b>	-
<b>Net Position</b> - Restricted for OPEB	<u><u>\$ 6,327,919</u></u>

## Kent County Road Commission

### Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

	<u>Other Employee Benefit Trust Fund</u>
<b>Additions</b>	
Investment income	\$ 782,243
Contributions - Employer contributions	<u>469,459</u>
Total additions	1,251,702
<b>Deductions</b>	
Benefit payments	469,459
Administrative expenses, not investment related	<u>10,842</u>
Total deductions	<u>480,301</u>
<b>Net Increase in Net Position</b>	771,401
<b>Net Position Restricted for Other Employee Benefits - Beginning of year</b>	<u>5,556,518</u>
<b>Net Position Restricted for Other Employee Benefits - End of year</b>	<u><u>\$ 6,327,919</u></u>

September 30, 2022

### Note 1 - Significant Accounting Policies

#### ***Reporting Entity***

Kent County Road Commission (the "Road Commission") is a special purpose governmental agency engaged in a single government program of road and bridge maintenance, preservation, and construction for the County of Kent, Michigan (the "County"). The Road Commission is the jurisdictional authority over all public roads lying outside the incorporated cities and villages within Kent County, Michigan, exclusive of any Michigan Department of Transportation (MDOT) state trunkline highways. The Road Commission is governed by a five-member Board of County Road Commissioners appointed by the Kent County Board of Commissioners. The Road Commission's financial statements will be included in the basic financial statements of the County of Kent, Michigan as a discretely presented component unit.

#### ***Accounting and Reporting Principles***

The Road Commission follows accounting principles generally accepted in the United States of America (GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Road Commission:

#### ***Report Presentation***

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual Road Fund column presents the activity on the modified accrual basis of accounting, as discussed below, which demonstrates accountability for how the current resources have been spent. The government-wide columns are presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

#### ***Fund Accounting***

The Road Commission accounts for its activities in one major governmental fund, the Road Fund. The Road Fund is used to account for all activities of the Road Commission.

#### ***Fiduciary Funds***

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Road Commission's programs. Activities that are reported as fiduciary include the Other Postemployment Benefits (OPEB) Trust, which has a calendar year end of December 31, 2021; therefore, it is included in this report as of December 31, 2021. The OPEB Trust accumulates resources for OPEB benefits to qualified employees.

#### ***Basis of Accounting***

The Road Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Road Commission has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

**Note 1 - Significant Accounting Policies (Continued)**

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Road Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state gas and weight tax revenue and revenue related to construction projects and inspection work orders.

***Specific Balances and Transactions***

**Cash and Investments**

Cash and cash equivalents include 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 and Prepaid Items**

Inventories are valued at cost, on a weighted-average basis. Inventories consist principally of road material, salt, signs, and equipment maintenance materials. Inventories are recorded as expenditures when consumed rather than when purchased. 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 land, property, equipment, and infrastructure, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 to \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Capital assets are depreciated using the Michigan Department of Transportation (MDOT) depreciation schedules for equipment and the straight-line method for infrastructure over the following estimated useful lives:

	<u>Depreciable Life - Years</u>
Buildings and improvements	25-50
Machinery and equipment	3-8
Roads	8-20
Other infrastructure	20-40

**Deferred Outflows and 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 future periods and will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports a deferred outflow of resources related to the OPEB plan, which is only reported in the government-wide financial statements.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Road Commission reports a deferred inflow of resources related to the OPEB plan and the pension plan, which are only reported in the government-wide financial statements.



September 30, 2022

### Note 1 - Significant Accounting Policies (Continued)

#### **Net Position**

Net position of the Road Commission is classified in two components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital.

#### **Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. The Road Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

During the year ended September 30, 2019, the Road Commission adopted a fund balance policy that states that the Road Commission will strive to maintain an unassigned fund balance of no less than 33 percent (four months) of a three-year average of regular operating expenditures.

#### **Grants and Contributions**

The Road Commission receives federal, state, and local grants, as well as contributions from individuals and private organizations. Revenue from grants and contributions (including contributions of capital assets) is recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as nonoperating revenue. Amounts restricted to capital acquisitions are reported after nonoperating revenue and expenses.

#### **Pension**

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

#### **Other Postemployment Benefit Costs**

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

**Note 1 - Significant Accounting Policies (Continued)**

**Compensated Absences (Vacation and Sick Leave)**

It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Sick pay is accrued for the estimated amount that the Road Commission will pay upon employment termination; vacation pay is accrued when incurred. Both of these are reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Use of Estimates**

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

**Upcoming Accounting Pronouncements**

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. This statement addresses eight unrelated practice issues and technical inconsistencies in authoritative literature. The standard addresses leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance-related activities of public entity risk pools, fair value measurements, and derivative instruments. The standard has various effective dates. The Road Commission does not believe this pronouncement will have a significant impact on its financial statements but is still making a full evaluation.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Road Commission's financial statements for the year ending September 30, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Road Commission's financial statements for the year ending September 30, 2025.

**Note 2 - Deposits and Investments**

Deposits and investments are reported in the financial statements as follows:

Kent County Treasurer's Investment Pool	\$ 26,559,896
Petty cash	1,000
MERS Total Market Fund - OPEB Trust	6,327,919
	<hr/>
Total	\$ 32,888,815
	<hr/>

**Note 2 - Deposits and Investments (Continued)**

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The MERS Total Market Fund - OPEB Trust is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The Road Commission's cash and investments are subject to several types of risk, which are examined in more detail below:

**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The Road Commission's investment policy does not restrict investment maturities other than commercial paper, which can only be purchased with a 270-day maturity.

At year end, the Kent County Treasurer's Investment Pool consisted of the following. The Other Postemployment Benefits Trust also holds investments in the MERS Total Market Fund of \$6,327,919 that are excluded from the table below:

Investment	Percentage of Pool Total	Maturity in Years
U.S. Treasury	25	0-5
U.S. government agency securities	22	0-3
Certificates of deposit	36	0-4
Money market	17	N/A

**Credit Risk**

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices. The Road Commission's investments are not rated.

**Fair Value Measurements**

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

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

**Note 2 - Deposits and Investments (Continued)**

The Road Commission has the following recurring fair value measurements as of September 30, 2022:

- The Kent County Treasurer's Investment Pool is valued using a pricing model utilizing observable fair value measures of pool investments and other observable inputs to determine the fair value of securities making up the investment pool (Level 2 inputs).

The valuation method for investments measured at net asset value per share (or its equivalent) is presented on the table below.

***Investments in Entities that Calculate Net Asset Value per Share***

The Road Commission holds shares or interests in the MERS ISP Total Market Portfolio where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At December 31, 2021, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
MERS ISP Total Market Fund	\$ 6,327,919	\$ -	N/A	N/A

The MERS ISP Total Market Fund is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. MERS manages the asset allocation and monitors the underlying investment managers of the MERS ISP Total Market Fund.

**Note 3 - Stewardship, Compliance, and Accountability**

***Budgetary Information***

The Road Commission is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the "Uniform Budgeting Act"). The following is a summary of the requirements of this act according to the state treasurer's Bulletin for Audits of Local Units of Government in Michigan, dated April 1982, as amended by P.A. 493 of 2000:

- Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoption.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

**Note 3 - Stewardship, Compliance, and Accountability (Continued)**

Pursuant to this requirement, the Road Commission follows these procedures:

- The managing director submits a proposed operating budget for the fiscal year to the Board of County Road Commissioners before the beginning of the fiscal year. The budget includes proposed expenditures and the means of providing them.
- A public hearing is held to obtain comments.
- Prior to the beginning of the year, the budget and appropriations are legally adopted by the Board of County Road Commissioners.
- Comparison of budget to actual activity is used as a management control device throughout the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented may be amended throughout the year by an official action of the Board of County Road Commissioners.

***Excess of Expenditures Over Appropriations in Budgeted Funds***

During the year, the Road Commission incurred expenditures in the Road Fund, which were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>
Equipment operations	\$ 1,645,000	\$ 2,019,866
Services provided	1,700,000	1,705,687
Administration	3,300,000	3,327,441
Debt service	2,564,456	2,568,056

**Note 4 - Advances Payable**

Advances due to local units of government, private citizens, and the State of Michigan are as follows:

State trunkline advances	\$ 2,953,687
Soil erosion performance advances	1,544,520
Plat advances	33,752
Commercial driveway performance advances	160,100
Performance deposits - Other	<u>131,350</u>
Total	<u>\$ 4,823,409</u>

# Kent County Road Commission

## Notes to Financial Statements

September 30, 2022

### Note 5 - Capital Assets

Capital asset activity of the Road Commission for the year ended September 30, 2022 was as follows:

	Balance October 1, 2021	Reclassifications	Additions	Disposals	Balance September 30, 2022
Capital assets not being depreciated:					
Land and land improvements	\$ 5,340,359	\$ 147,893	\$ 3,751,443	\$ -	\$ 9,239,695
Construction in progress	9,942,658	(1,286,093)	14,161,749	-	22,818,314
Subtotal	15,283,017	(1,138,200)	17,913,192	-	32,058,009
Capital assets being depreciated:					
Buildings and improvements	14,538,277	-	449,348	-	14,987,625
Machinery and equipment	42,495,265	1,138,200	9,865,733	(1,691,848)	51,807,350
Infrastructure	727,515,958	-	25,477,925	-	752,993,883
Subtotal	784,549,500	1,138,200	35,793,006	(1,691,848)	819,788,858
Accumulated depreciation:					
Buildings and improvements	8,460,643	-	371,372	-	8,832,015
Machinery and equipment	30,547,400	-	4,062,849	(1,622,054)	32,988,195
Infrastructure	450,558,243	-	23,253,352	-	473,811,595
Subtotal	489,566,286	-	27,687,573	(1,622,054)	515,631,805
Net capital assets being depreciated	294,983,214	1,138,200	8,105,433	(69,794)	304,157,053
Net governmental activities capital assets	\$ 310,266,231	\$ -	\$ 26,018,625	\$ (69,794)	\$ 336,215,062

**Note 5 - Capital Assets (Continued)**

**Construction Commitments**

During the year ended September 30, 2021, the Road Commission signed commitments related to construction services of approximately \$42 million. Of this total commitment, approximately \$6.0 million was spent prior to September 30, 2021 and approximately \$23.9 million was spent prior to September 30, 2022, for a total of \$29.9 million spent to date. This commitment is related to the construction of a new central complex, which is expected to be completed during the year ending September 30, 2023. The Road Commission will fund the remainder of the project through proceeds from the sale of the existing land and building.

**Note 6 - Long-term Debt**

Long-term debt activity for the year ended September 30, 2022 can be summarized as follows:

	Interest Rate	Year of Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:							
Direct borrowings and direct placements:							
2021 Michigan Transportation Fund Bonds	5.00 %	2031	\$ -	\$ 18,325,000	\$ (1,605,000)	\$ 16,720,000	\$ 1,540,000
Bond premium		2031	-	3,673,218	(64,361)	3,608,857	133,595
Total bonds payable			-	21,998,218	(1,669,361)	20,328,857	1,673,595
Compensated absences			4,727,838	1,613,949	(1,230,551)	5,111,236	2,859,178
Total governmental activities long-term debt			<u>\$ 4,727,838</u>	<u>\$ 23,612,167</u>	<u>\$ (2,899,912)</u>	<u>\$ 25,440,093</u>	<u>\$ 4,532,773</u>

**Debt Service Requirements to Maturity**

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending September 30	Governmental Activities		
	Direct Borrowings and Direct Placements		
	Principal	Interest	Total
2023	\$ 1,540,000	\$ 779,900	\$ 2,319,900
2024	1,615,000	702,900	2,317,900
2025	1,695,000	622,150	2,317,150
2026	1,780,000	537,400	2,317,400
2027	1,870,000	448,400	2,318,400
2028-2031	8,220,000	1,053,000	9,273,000
Total	<u>\$ 16,720,000</u>	<u>\$ 4,143,750</u>	<u>\$ 20,863,750</u>

**Note 7 - Risk Management**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical and dental benefits provided to employees.

**Note 7 - Risk Management (Continued)**

The Road Commission participates in the Michigan County Road Commission Self-insurance Pool (MCRCSIP) for claims relating to property loss, torts, errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. MCRCSIP operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Road Commission is a member of the County Road Association Self-insurance Fund (CRASIF) for workers' compensation claims. Member premiums are used to purchase workers' compensation insurance. As a member of CRASIF, the Road Commission is fully insured for workers' compensation claims incurred.

The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

The Road Commission is self-insured for dental claims. The Road Commission estimates the liability for dental claims that have been incurred through the end of the fiscal year, including claims that have been reported and those that have not yet been reported. The estimated liability is insignificant and has not been recorded on the accompanying financial statements.

Settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 8 - Pension Plan**

***Plan Description***

The Road Commission participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan that covers eligible employees of the Road Commission hired before August 19, 1985. The plan has been closed to new entrants. The Road Commission's Board of County Road Commissioners has the authority to establish and amend benefits offered by the defined benefit plan. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report that includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://www.mersofmich.com) or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

***Benefits Provided***

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

Retirement benefits are calculated as a percentage of the employee's final average salary over a given number of years times the employee's years of service. Normal retirement age is 60, with early retirement at 55 with 15 years of service or at 50 with 25 years of service with 0.5 percent reduced benefits. The vesting period is 10 years. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. Death benefits are always the larger of the benefit computed as a contingent survivor beneficiary or 85 percent of accrued retirement allowance benefit. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

***Employees Covered by Benefit Terms***

The following members were covered by the benefit terms:

Date of member count	December 31, 2021
Inactive plan members or beneficiaries currently receiving benefits	2



**Note 8 - Pension Plan (Continued)**

**Contributions**

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

For the year ended September 30, 2022, the Road Commission was not required to make any contributions. Actual contributions also totaled \$0 for the fiscal year.

**Net Pension Asset**

The net pension asset reported at September 30, 2022 was determined by using a measure of the total pension liability and the pension net position as of the December 31, 2021 measurement date. The December 31, 2021 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension asset during the measurement year were as follows:

Changes in Net Pension Asset	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Asset
<b>Balance at December 31, 2020</b>	\$ 89,425	\$ 144,798	\$ (55,373)
Changes for the year:			
Interest	5,763	-	5,763
Differences between expected and actual experience	16,513	-	16,513
Changes in assumptions	732	-	732
Net investment income	-	17,649	(17,649)
Benefit payments, including refunds	(27,202)	(27,202)	-
Administrative expenses	-	(212)	212
Net changes	(4,194)	(9,765)	5,571
<b>Balance at December 31, 2021</b>	<u>\$ 85,231</u>	<u>\$ 135,033</u>	<u>\$ (49,802)</u>

The plan's fiduciary net position represents 158.43 percent of the total pension liability.

**Pension Expense**

For the year ended September 30, 2022, the Road Commission recognized pension expense of \$11,932.

At September 30, 2022, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (10,148)

**Note 8 - Pension Plan (Continued)**

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

Years Ending September 30	Amount
2023	\$ (994)
2024	(4,682)
2025	(2,935)
2026	(1,537)
Total	<u>\$ (10,148)</u>

**Actuarial Assumptions**

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3.00 percent, an investment rate of return (net of investment expenses) of 7.25 percent, and the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement and are based on an experience study dated February 14, 2020 for the period from January 1, 2014 to December 31, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that road commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Projected Cash Flows**

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Investment Rate of Return**

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2021, the measurement date, for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.00
Private investments	20.00	7.00

**Note 8 - Pension Plan (Continued)**

***Sensitivity of the Net Pension Asset to Changes in the Discount Rate***

The following presents the net pension asset of the Road Commission, calculated using the discount rate of 7.25 percent, as well as what the Road Commission's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension asset of the Road Commission	\$ (47,629)	\$ (49,802)	\$ (51,858)

***Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

***Assumption Changes***

During the measurement period ended December 31, 2021, the rate of return was lowered from 7.60 percent to 7.25 percent.

***Defined Contribution Pension Plans***

The Road Commission provides pension benefits to all of its full-time employees through two defined contribution plans administered by The Prudential Financial, a 401(k) plan and a 457(b) plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings.

Relating to the 401(k) plan, as established by resolution by the Board of County Road Commissioners, the Road Commission contributes up to 8 percent of employees' gross earnings. Employees may contribute any amount up to a maximum of 85 percent of their earnings into their retirement accounts within annual Internal Revenue Service (IRS) limitations. Employer and employee contributions for each employee, plus interest allocated to the employee's account, are fully vested after one year of service. For the current year, the Road Commission's contributions were \$1,535,806, and employee contributions were \$1,682,370.

Relating to the 457(b) plan, there is no employer match. Employees may contribute any amount up to the maximum limitations set by Internal Revenue Code Section 457(b)(2) for the applicable plan year, which is adjusted for the cost of living. Employee contributions for each employee, plus interest allocated to the employee's account, are immediately fully vested. For the current year, the Road Commission's contributions were \$233,560.

**Note 9 - Other Postemployment Benefit Plan**

***Plan Description***

The Road Commission provides OPEB for all employees who meet eligibility requirements hired before December 11, 2001. The plan has been closed to new entrants except as described below. The benefits are provided through the plan, a single-employer plan administered by the Road Commission.

The financial statements of the OPEB plan are included in these financial statements as an other employee benefit trust fund (a fiduciary fund).

**Note 9 - Other Postemployment Benefit Plan (Continued)**

Management of the plan is vested in the road commission board.

**Benefits Provided**

Benefit terms provide for various benefits to retirees based on year of employment and classification. The Road Commission generally pays a percentage of the monthly premium cost through the date of eligibility for Medicare, at which time the Road Commission pays for the cost of a Medicare supplement program. Benefit provisions are established through policy and available to all qualifying full-time employees.

**Employees Covered by Benefit Terms**

The following members were covered by the benefit terms:

Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	82
Active plan members	<u>208</u>
Total plan members	<u><u>290</u></u>

**Contributions**

Retiree health care costs are paid by the Road Commission on a pay-as-you-go basis. The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended September 30, 2022, the Road Commission made payments for postemployment health benefit premiums of \$347,384.

**Net OPEB Asset**

The Road Commission has chosen to use the December 31 measurement date as its measurement date for the net OPEB asset. The September 30, 2022 fiscal year end reported net OPEB asset was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2021 measurement date. The December 31, 2021 measurement date total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

Changes in the net OPEB asset during the measurement year were as follows:

Changes in Net OPEB Asset	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Asset
<b>Balance at December 31, 2020</b>	\$ 3,825,161	\$ 5,556,518	\$ (1,731,357)
Changes for the year:			
Service cost	11,296	-	11,296
Interest	268,905	-	268,905
Differences between expected and actual experience	20,592	-	20,592
Changes in assumptions	118,800	-	118,800
Contributions - Employer	-	355,755	(355,755)
Net investment income	-	782,243	(782,243)
Benefit payments, including refunds	(355,755)	(355,755)	-
Administrative expenses	-	(10,842)	10,842
Net changes	<u>63,838</u>	<u>771,401</u>	<u>(707,563)</u>
<b>Balance at December 31, 2021</b>	<u><u>\$ 3,888,999</u></u>	<u><u>\$ 6,327,919</u></u>	<u><u>\$ (2,438,920)</u></u>

The plan's fiduciary net position represents 162.71 percent of the total OPEB liability.

**Note 9 - Other Postemployment Benefit Plan (Continued)**

***OPEB Recovery and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended September 30, 2022, the Road Commission recognized OPEB recovery of \$(342,485).

At September 30, 2022, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 302,482	\$ (483,697)
Changes in assumptions	280,904	(320,855)
Net difference between projected and actual earnings on OPEB plan investments	-	(488,388)
Employer contributions to the plan subsequent to the measurement date	<u>295,158</u>	<u>-</u>
Total	<u>\$ 878,544</u>	<u>\$ (1,292,940)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB recovery as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

<u>Years Ending September 30</u>	<u>Amount</u>
2023	\$ (195,963)
2024	(288,909)
2025	(196,740)
2026	(63,995)
2027	11,008
Thereafter	<u>25,045</u>
Total	<u>\$ (709,554)</u>

***Actuarial Assumptions***

The total OPEB liability in the December 31, 2020 actuarial valuation, with a measurement date of December 31, 2021, was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.00 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 7.00 percent, decreasing 0.25 percent per year to an ultimate rate of 4.50 percent; and the Pub-2010 Headcount-weighted mortality table for general public employer, annuitant and nonannuitant, sex distinct with improvement scale MP-2022. These assumptions were applied to all periods included in the measurement.

Certain plan members share in the cost of OPEB by paying the percentage of the benefit not provided under the Road Commission's policy.

***Discount Rate***

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that road commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

**Note 9 - Other Postemployment Benefit Plan (Continued)**

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Investment Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2021 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Global equity	4.50 %
Global fixed income	2.00
Private investment	7.00

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

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

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB asset of the plan	\$ (2,060,013)	\$ (2,438,920)	\$ (2,761,858)

**Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate**

The following presents the net OPEB asset of the Road Commission, calculated using the health care cost trend rate, as described in the actuarial assumptions section, as well as what the Road Commission's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB asset of the plan	\$ (2,797,258)	\$ (2,438,920)	\$ (2,021,426)

**Assumption Changes**

For September 30, 2022 reporting (based on a December 31, 2020 valuation and December 31, 2021 measurement date), the rate of return on plan assets was updated from 7.35 percent to 7.00 percent.

**Note 9 - Other Postemployment Benefit Plan (Continued)**

**Investment Policy**

The OPEB plan’s policy in regard to the allocation of invested assets is established and may be amended by the Road Commission by a majority vote of its members. It is the policy of the Road Commission to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Road Commission’s adopted asset allocation policy as of December 31, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Global equity	60.00 %
Global fixed income	20.00
Private investment	<u>20.00</u>
Total	<u><u>100.00 %</u></u>

**Rate of Return**

For the year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 13.46 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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## Required Supplemental Information

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# Kent County Road Commission

## Required Supplemental Information Budgetary Comparison Schedule Road Fund

**Year Ended September 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance from Final Budget</u>
<b>Revenue</b>				
Intergovernmental:				
Federal and state aid	\$ 8,461,403	\$ 9,192,573	\$ 7,273,254	\$ (1,919,319)
State-shared revenue and grants:				
Michigan Transportation Fund	57,645,654	59,074,765	58,510,999	(563,766)
State trunkline revenue	11,000,000	15,000,000	13,593,164	(1,406,836)
Local government contributions	6,500,000	8,200,000	5,957,776	(2,242,224)
Services provided	2,000,000	2,300,000	2,212,841	(87,159)
Investment earnings:				
Interest income	150,000	200,000	255,630	55,630
Property rental	150,000	80,000	81,512	1,512
Other revenue:				
Local donations	-	-	76,439	76,439
Scrap sale	500,000	850,000	763,665	(86,335)
Refunds	-	85,000	84,526	(474)
Bond proceeds	-	21,998,218	21,998,218	-
Total revenue	<u>86,407,057</u>	<u>116,980,556</u>	<u>110,808,024</u>	<u>(6,172,532)</u>
<b>Expenditures</b>				
Primary roads	22,523,000	26,020,111	22,104,638	3,915,473
Local roads	17,180,000	21,380,000	17,143,664	4,236,336
Routine maintenance	25,585,000	28,085,000	26,919,850	1,165,150
Winter maintenance	10,000,000	8,400,000	8,264,430	135,570
Nonmotorized	-	640,000	242,307	397,693
Equipment operations	500,000	1,645,000	2,019,866	(374,866)
Capital outlay	5,214,500	36,890,261	23,795,532	13,094,729
Services provided	1,000,000	1,700,000	1,705,687	(5,687)
Administration	3,000,000	3,300,000	3,327,441	(27,441)
Debt service	-	2,564,456	2,568,056	(3,600)
Total expenditures	<u>85,002,500</u>	<u>130,624,828</u>	<u>108,091,471</u>	<u>22,533,357</u>
<b>Net Change in Fund Balance</b>	1,404,557	(13,644,272)	2,716,553	16,360,825
<b>Fund Balance - Beginning of year</b>	29,276,755	29,276,755	29,276,755	-
<b>Fund Balance - End of year</b>	<u><u>\$ 30,681,312</u></u>	<u><u>\$ 15,632,483</u></u>	<u><u>\$ 31,993,308</u></u>	<u><u>\$ 16,360,825</u></u>

# Kent County Road Commission

## Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

### Last Eight Calendar Years

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Interest	\$ 5,763	\$ 6,501	\$ 7,202	\$ 11,856	\$ 12,451	\$ 16,946	\$ 17,673	\$ 20,211
Differences between expected and actual experience	16,513	10,964	15,521	(39,941)	13,007	(33,628)	21,041	-
Changes in assumptions	732	341	1,069	-	-	-	6,178	-
Benefit payments, including refunds	(27,202)	(27,835)	(28,722)	(31,452)	(34,357)	(44,643)	(49,924)	(52,020)
<b>Net Change in Total Pension Liability</b>	(4,194)	(10,029)	(4,930)	(59,537)	(8,899)	(61,325)	(5,032)	(31,809)
<b>Total Pension Liability - Beginning of year</b>	89,425	99,454	104,384	163,921	172,820	234,145	239,177	270,986
<b>Total Pension Liability - End of year</b>	<b>\$ 85,231</b>	<b>\$ 89,425</b>	<b>\$ 99,454</b>	<b>\$ 104,384</b>	<b>\$ 163,921</b>	<b>\$ 172,820</b>	<b>\$ 234,145</b>	<b>\$ 239,177</b>
<b>Plan Fiduciary Net Position</b>								
Contributions - Employer	\$ -	\$ -	\$ -	\$ 49,509	\$ 118,649	\$ 49,380	\$ -	\$ 86,268
Net investment income (loss)	17,649	17,712	20,665	(5,615)	9,640	3,413	(797)	3,588
Administrative expenses	(212)	(286)	(355)	(274)	(145)	(77)	(164)	(135)
Benefit payments, including refunds	(27,202)	(27,835)	(28,722)	(31,452)	(34,357)	(44,643)	(49,924)	(52,020)
<b>Net Change in Plan Fiduciary Net Position</b>	(9,765)	(10,409)	(8,412)	12,168	93,787	8,073	(50,885)	37,701
<b>Plan Fiduciary Net Position - Beginning of year</b>	144,798	155,207	163,619	151,451	57,664	49,591	100,476	62,775
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 135,033</b>	<b>\$ 144,798</b>	<b>\$ 155,207</b>	<b>\$ 163,619</b>	<b>\$ 151,451</b>	<b>\$ 57,664</b>	<b>\$ 49,591</b>	<b>\$ 100,476</b>
<b>Net Pension (Asset) Liability - Ending</b>	<b>\$ (49,802)</b>	<b>\$ (55,373)</b>	<b>\$ (55,753)</b>	<b>\$ (59,235)</b>	<b>\$ 12,470</b>	<b>\$ 115,156</b>	<b>\$ 184,554</b>	<b>\$ 138,701</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	158.43 %	161.92 %	156.06 %	156.75 %	92.39 %	33.37 %	21.18 %	42.01 %
<b>Covered Payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net Pension (Asset) Liability as a Percentage of Covered Payroll</b>	- %	- %	- %	- %	- %	- %	- %	- %

Above data is based on a measurement date of December 31, which is not the Road Commission's fiscal year end.

Covered payroll is not applicable.

This schedule is being built prospectively until 10 years of data are presented.



# Kent County Road Commission

## Required Supplemental Information Schedule of Changes in the Net OPEB Liability and Related Ratios

**Last Six Calendar Years**

	2021	2020	2019	2018	2017	2016
<b>Total OPEB Liability</b>						
Service cost	\$ 11,296	\$ 13,999	\$ 17,204	\$ 16,456	\$ 19,331	\$ 16,496
Interest	268,905	277,592	287,110	307,892	306,849	294,901
Differences between expected and actual experience	20,592	379,254	(103,754)	(896,864)	(218,334)	19,750
Changes in assumptions	118,800	(434,836)	9,845	419,617	-	9,054
Benefit payments, including refunds	(355,755)	(347,196)	(176,476)	(83,342)	(101,660)	(262,966)
<b>Net Change in Total OPEB Liability</b>	63,838	(111,187)	33,929	(236,241)	6,186	77,235
<b>Total OPEB Liability - Beginning of year</b>	3,825,161	3,936,348	3,902,419	4,138,660	4,132,474	4,055,239
<b>Total OPEB Liability - End of year</b>	<u>\$ 3,888,999</u>	<u>\$ 3,825,161</u>	<u>\$ 3,936,348</u>	<u>\$ 3,902,419</u>	<u>\$ 4,138,660</u>	<u>\$ 4,132,474</u>
<b>Plan Fiduciary Net Position</b>						
Contributions - Employer	\$ 355,755	\$ 347,196	\$ 176,476	\$ 583,342	\$ 1,101,660	\$ 163,107
Net investment income (loss)	782,242	651,935	585,657	(145,195)	381,305	259,370
Administrative expenses	(10,841)	(8,815)	(8,345)	(9,774)	(7,363)	(6,332)
Benefit payments, including refunds	(355,755)	(347,196)	(176,476)	(83,342)	(101,660)	(262,966)
<b>Net Change in Plan Fiduciary Net Position</b>	771,401	643,120	577,312	345,031	1,373,942	153,179
<b>Plan Fiduciary Net Position - Beginning of year</b>	5,556,518	4,913,398	4,336,086	3,991,055	2,617,113	2,463,934
<b>Plan Fiduciary Net Position - End of year</b>	<u>\$ 6,327,919</u>	<u>\$ 5,556,518</u>	<u>\$ 4,913,398</u>	<u>\$ 4,336,086</u>	<u>\$ 3,991,055</u>	<u>\$ 2,617,113</u>
<b>Net OPEB (Asset) Liability - Ending</b>	<u>\$ (2,438,920)</u>	<u>\$ (1,731,357)</u>	<u>\$ (977,050)</u>	<u>\$ (433,667)</u>	<u>\$ 147,605</u>	<u>\$ 1,515,361</u>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	162.71 %	145.26 %	124.82 %	111.11 %	96.43 %	63.33 %
<b>Covered-employee Payroll</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Net OPEB (Asset) Liability as a Percentage of Covered-employee Payroll</b>	- %	- %	- %	- %	- %	- %

Above data is based on a measurement date of December 31, which is not the Road Commission's fiscal year end.

Covered-employee payroll is not available.

This schedule is being built prospectively until 10 years of data are presented.



**Kent County Road Commission**

**Required Supplemental Information  
Schedule of OPEB Investment Returns**

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	<b>Last Six Plan Years Years Ended December 31</b>					
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Annual money-weighted rate of return - Net of investment expense	13.46 %	13.46 %	13.51 %	(3.80)%	13.24 %	10.37 %

This schedule is being built prospectively until 10 years of data are presented.

# Kent County Road Commission

## Notes to Required Supplemental Information

September 30, 2022

### ***Budgetary Information***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Road Fund, except that proceeds from the sale of capital assets have been included in the revenue category, rather than as other financing sources (uses), and certain charges for services have been included against expenditures instead of included in revenue.

The budget document presents information for the Road Fund by activity line items before distributive expenses are allocated to the other lines above. The legal level of budgetary control adopted by the governing body is the activity level (i.e., the level at which expenditures may not legally exceed appropriations).

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

A reconciliation of the budgetary comparison schedule to the fund-based statement of revenue, expenditures, and changes in fund balance is as follows:

	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 88,240,464	\$ 108,186,876
New debt issued	21,998,218	-
Proceeds from the sale of capital assets	664,747	-
Certain charges for services	<u>(95,405)</u>	<u>(95,405)</u>
Amounts per budget statement	<u>\$ 110,808,024</u>	<u>\$ 108,091,471</u>

### ***Pension Information***

#### **Changes in Assumptions**

During the measurement period ended December 31, 2021, the rate of return was lowered from 7.60 percent to 7.25 percent.

During the measurement year ended December 31, 2020, the mortality tables were updated from the RP-2014 tables to the Pub-2010 mortality tables.

During the measurement year ended December 31, 2019, the assumed rate of return was adjusted down from 7.60 to 7.00 percent, and the salary increase remained at 3.00 percent.

During the year ended September 30, 2016, the actuary modified significant assumptions that affected the measurement of the total pension liability. The actuary adjusted the assumed annual rate of return down from 8.25 to 8.00 percent. The mortality tables were updated from the 1994 Group Mortality Table to a blend of the RP-2014 tables.

### ***OPEB Information***

#### **Changes in Assumptions**

For September 30, 2022 reporting (based on a December 31, 2020 valuation and December 31, 2021 measurement date), the 20-year Aa Municipal Bond Rate was updated from 1.93 percent to 2.25 percent, and the return on plan assets was updated from 7.35 percent to 7.00 percent.

For September 30, 2021 reporting (based on a December 31, 2020 valuation and measurement date), the health care trend and mortality tables were updated. The utilization assumption for nonunion individuals promoted prior to December 11, 2001 was updated from 90 percent and 60 percent for participants and spouses, respectively, to 100 percent and 67 percent, respectively.

## **Kent County Road Commission**

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### Notes to Required Supplemental Information

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**September 30, 2022**

For September 30, 2020 reporting (based on a December 31, 2018 valuation and measurement date), the health care cost trend and mortality tables were updated. The discount rate of return was also reduced from 7.35 to 7.00 percent.

During the year ended September 30, 2019, the actuary modified significant assumptions that affected the measurement of the total OPEB liability. The actuary adjusted the health care cost trend rate and updated the mortality tables.



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## Other Supplemental Information

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# Kent County Road Commission

## Other Supplemental Information Analysis of Changes in Road Fund Balances

**Year Ended September 30, 2022**

	Primary Road	Local Road	County Road	Total
<b>Revenue</b>				
Michigan Transportation Fund:				
Engineering	\$ 8,143	\$ 1,857	\$ -	\$ 10,000
Snow removal	-	27,323	-	27,323
Urban road	5,991,123	1,877,969	-	7,869,092
Allocation	41,204,938	9,399,646	-	50,604,584
Other governmental funding:				
Federal sources	5,999,581	-	-	5,999,581
Other state sources:				
General state aid	665,115	-	-	665,115
Local bridge	-	608,558	-	608,558
Trunkline maintenance	-	-	10,156,590	10,156,590
Trunkline nonmaintenance	-	-	3,436,574	3,436,574
Other	-	-	1,596,926	1,596,926
Local sources	3,336	5,801,988	367,509	6,172,833
Licenses and permits - Cable franchise fees	-	-	595,178	595,178
Other revenue:				
Property rentals	203,730	11,068	40,832	255,630
Interest	-	-	81,515	81,515
Refunds	-	-	84,526	84,526
Local donations	-	-	76,439	76,439
<b>Total revenue</b>	<b>54,075,966</b>	<b>17,728,409</b>	<b>16,436,089</b>	<b>88,240,464</b>
<b>Expenditures</b>				
Construction	862,044	2,454	-	864,498
Preservation	16,059,745	8,553,680	-	24,613,425
Maintenance	14,284,631	21,319,168	-	35,603,799
State trunkline maintenance	-	-	9,762,850	9,762,850
State trunkline nonmaintenance	-	-	3,830,314	3,830,314
Administrative	990,096	947,863	1,487,447	3,425,406
Equipment	559,123	857,275	600,911	2,017,309
Capital outlay - Net	35,724	53,586	23,706,222	23,795,532
Other	-	-	1,705,687	1,705,687
Debt service - Principal	-	-	2,568,056	2,568,056
<b>Total expenditures</b>	<b>32,791,363</b>	<b>31,734,026</b>	<b>43,661,487</b>	<b>108,186,876</b>
<b>Other Financing Sources</b>				
New debt issued	-	-	21,998,218	21,998,218
Sale of capital assets	-	-	664,747	664,747
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>22,662,965</b>	<b>22,662,965</b>
<b>Optional Transfers</b>	<b>(14,500,000)</b>	<b>14,500,000</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>6,784,603</b>	<b>494,383</b>	<b>(4,562,433)</b>	<b>2,716,553</b>
<b>Fund Balances - Beginning of year</b>	<b>23,332,775</b>	<b>1,267,600</b>	<b>4,676,380</b>	<b>29,276,755</b>
<b>Fund Balances - End of year</b>	<b>\$ 30,117,378</b>	<b>\$ 1,761,983</b>	<b>\$ 113,947</b>	<b>\$ 31,993,308</b>

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*

**Independent Auditor's Report**

To Management and the Board of County  
Road Commissioners  
Kent County Road Commission

We have audited, 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, the financial statements of the governmental activities, the Road Fund, and the aggregate remaining fund information of Kent County Road Commission (the "Road Commission") as of and for the year ended September 30, 2022 and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated January 10, 2023.

**Report on Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Road Commission'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 or significant deficiencies may exist that have not been identified.

**Report on Compliance and Other Matters**

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

To Management and the Board of County  
Road Commissioners  
Kent County Road Commission

**Purpose of This Report**

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

*Plante & Moran, PLLC*

January 10, 2023