CHIPPEWA COUNTY ROAD COMMISSION

COMPONENT UNIT
AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2024

TABLE OF CONTENTS

REQUIRED SUPPLEMENTARY INFORMATION

ADDITIONAL SUPPLEMENTARY INFORMATION

COMPLIANCE SECTION

COMMUNICATIONS SECTION

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Road Commission, as of December 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2025, on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 17, 2025

Chippewa County Road Commission

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Reporting the Road Commission as a Whole

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

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

Reporting the Road Commission's Major Funds

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

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

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

The Road Commission as a Whole

The Road Commission's net position increased approximately 2.92%, or $2,633,686 from $90,335,786 to $92,940,489 for the year ended December 31, 2024. Net position as of the year ended December 31, 2024, and 2023 are summarized in Table 1 below.

Table 1
Net Position

	Governmental Activities	
	2024	2023
Current and Other Assets	$5,888,709	$5,657,495
Capital Assets	108,829,404	108,161,628
Total Assets	114,718,113	113,819,123
Deferred Outflows of Resources	1,177,592	1,304,321
Current and Other Liabilities	2,423,982	2,885,607
Non-current Liabilities	18,458,191	19,215,549
Total Liabilities	20,882,173	22,101,156
Deferred Inflows of Resources	2,073,043	2,686,502
Net Position:		
Net investment in capital assets	108,424,381	108,028,398
Restricted	1,555,363	1,287,051
Restricted for County roads	(17,039,255)	(18,979,663)
Total Net Position	$92,940,489	$90,335,786

Restricted net position for operations, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements increased by $1,940,408. The net investment in capital assets increased by $395,983.

Changes in Net Position

A summary of changes in net position for the years ended December 31, 2024, and 2023 is summarized in Table 2 below:

Table 2
Changes in Net Position

	Governmental Activities	
	2024	2023
Program Revenue:		
Charges for Services	$5,121,012	$4,125,762
Operating Grants and Contributions	9,608,929	9,406,164
Capital Grants and Contributions	3,058,962	5,086,311
General Revenues:		
Property taxes	1,003,033	943,794
Gain (loss) on equipment disposal	38,090	69,820
Total Revenue	18,830,026	19,631,851
Program Expenses:		
Primary road — routine and preventative maintenance	5,285,924	3,808,477
Local road — routine and preventative maintenance	4,172,175	3,353,699
State trunkline maintenance	4,675,173	3,824,062
Net equipment expense	32,814	1,441,010
Net administrative expense	461,143	485,651
Non-road projects	73,627	2,495,261
Infrastructure depreciation - unallocated	3,015,181	3,036,779
Compensated absences	214,747	113,789
OPEB/Pension expense	(1,737,241)	(3,855,875)
Interest expense	2,797	5,884
Total Expenses	16,196,340	14,708,737
Change in Net Position	2,633,686	4,923,114
Net Position, Beginning of Year	90,335,786	85,412,672
Prior Period Adjustment	(28,983)	-
Net Position, Beginning of Year, as Restated	90,306,803	85,412,672
Net Position, End of Year	$92,940,489	$90,335,786

The net gain of $2,633,686 was due to the following:

Net change in fund balance – total governmental funds	$686,226
Net change in capital assets	696,759
Repayment of debt principal – reclassified to liability	91,086
Proceeds from borrowing	(362,879)
Change in compensated absences	(214,747)
Change in accrued interest	-
Change in net pension liability	(314,541)
Change in other post-employment benefits	2,051,782
Total	$2,633,686

The Road Commission's General Fund

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

For the year ended December 31, 2024, the General Fund had an increase in fund balance of $686,226, as compared to the prior year's decrease in fund balance of $549,279. Total operating revenues were $18,830,026 in the current year, a decrease of $801,825 as compared to the prior year. This change in revenues resulted primarily from funds received in connection with the road projects completed in the prior year.

Total expenditures were $18,506,679 in the current year, a decrease of $1,674,451 as compared to the prior year. This change in expenditure resulted in more funds being used for road projects completed in the prior year.

Budgetary Highlights

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

Actual revenue was $19,192,905, which was $3,132,280 less than the amount budgeted of $22,325,185. Actual expenditures were $18,506,679 which were $4,277,221 less than the amount budgeted of $22,783,900.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2024, the Road Commission had $108,829,404 invested in capital assets, compared to $108,161,628 in the prior year. The change in capital assets is as follows:

Table 3
Capital Assets (Net of accumulated depreciation)

	Governmental Activities	
	2024	2023
Land and improvements	$64,446,813	$63,872,886
Construction in progress	-	-
Buildings	6,711,948	6,545,404
Equipment	19,187,367	18,187,132
Depletable assets	1,551,477	1,551,477
Infrastructure – Bridges	26,271,836	24,425,601
Infrastructure – Roads	46,016,199	48,718,058
Total Capital Assets	164,185,640	163,300,558
Total Accumulated Depreciation	(55,356,236)	(55,138,930)
Total Net Capital Assets	$108,829,404	$108,161,628

The Road Commission reported the infrastructure and related assets during the current year in the amount of $108,829,404, an increase of $667,776. The infrastructure recorded during the current fiscal year will be depreciated in the following year. The infrastructure is financed through federal, state, and local contributions.

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

Land and improvements (Infrastructure)	$573,927
Construction in progress	-
Buildings	170,652
Equipment	1,221,476
Infrastructure – Bridges & Roads	2,721,116
Total Additions	$4,687,171

The Road Commission disposed of $4,108 of buildings, $380,985 in equipment, and $3,576,740 in infrastructure during the year which was fully depreciated. More detailed information about the Road Commission's capital assets is presented in the footnotes to the financial statements.

Debt

At year end, the Road Commission had $1,033,335 in loans, leases, and compensated absences compared to $546,795 in the prior year, an increase of $486,540 as shown below:

Table 4
Long-term Debt

	Governmental Activities	
	2024	2023
Loans	$-	$-
Leases	405,023	133,230
Compensated absences	628,312	413,565
Total	$1,033,335	$546,795

During the year the Road Commission issued a new lease for an excavator totaling $362,879 and retired $91,086 in debt.

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

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2025 budget. One of the factors is the economy. The Road Commission derives approximately 51% of its revenues from the fuel tax collected. Using the Michigan Department of Transportation projections, it is estimated that the Road Commission will receive an increase of 0.1% in the amount of Michigan Transportation Fund revenues in 2025. The Road Commission received approximately 6% of its revenues from city and township contributions during 2024. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. During 2025, we expect to receive at least $1,000,000 in federal, state, and township aid for road projects.

Contacting the Road Commission's Financial Management

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

Chippewa County Road Commission

STATEMENT OF NET POSITION

December 31, 2024

ASSETS		
Current Assets:		
Cash	$	480,083
Accounts Receivable:		
Property taxes		1,058,249
Michigan Transportation funds		1,747,644
Trunkline maintenance		716,658
State Highway - Other		108,914
Due on County Road agreements		191,853
Sundry accounts		29,945
Inventories:		
Road materials		1,088,602
Equipment parts and materials		351,021
Prepaid items		115,740
Non-current Assets:		
Capital Assets:		
Land and construction in progress		64,446,813
Other capital assets, net		44,382,591
TOTAL ASSETS		114,718,113
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		1,109,209
Deferred outflows related to OPEB		68,383
TOTAL DEFERRED OUTFLOWS OF RESOURCES		1,177,592
LIABILITIES		
Current Liabilities:		
Accounts payable		1,030,595
Accrued payroll liabilities		263,331
Advances - trunkline maintenance		616,928
Accrued county share of federal aid projects		410,952
Notes and leases payable - due within one year		102,176
Non-Current Liabilities:		
Notes and leases payable - due in more than one year		302,847
Compensated absences		628,312
Net pension liability		10,931,136
Net OPEB liability		6,595,896
TOTAL LIABILITIES		20,882,173
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		-
Deferred inflows related to OPEB		1,014,794
Deferred inflows related to property taxes levied for a subsequent period		1,058,249
TOTAL DEFERRED INFLOWS OF RESOURCES		2,073,043
NET POSITION		
Net investment in capital assets		108,424,381
Restricted		1,555,363
Restricted for County roads		(17,039,255)
TOTAL NET POSITION	$	92,940,489

See accompanying notes to the financial statements.

Chippewa County Road Commission

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2024

PROGRAM EXPENSES:	
Primary road routine and preventative maintenance	$ 5,285,924
Local road routine and preventative maintenance	4,172,175
State trunkline maintenance	4,675,173
Net equipment expense	32,814
Net administrative	461,143
Non-road projects	73,627
Infrastructure depreciation	3,015,181
Compensated absences	214,747
Other post-employment benefits/pension expense	(1,737,241)
Interest Expense	2,797
TOTAL PROGRAM EXPENSES	16,196,340
PROGRAM REVENUE:	
Charges for Services:	
License and permits	47,018
Charges for services	4,737,857
Reimbursements	336,137
Operating Grants and Contributions:	
Michigan Transportation funds	9,598,755
Investment earnings	10,174
Capital Grants and Contributions:	
Federal grants	1,481,808
State grants	506,269
Contributions from local units	1,070,885
TOTAL PROGRAM REVENUES	17,788,903
NET PROGRAM REVENUE	1,592,563
GENERAL REVENUES:	
Property taxes	1,003,033
Gain (loss) on equipment disposal	38,090
TOTAL GENERAL REVENUES	1,041,123
Change in Net Position	2,633,686
Net position, beginning of year	90,335,786
Prior period adjustment	(28,983)
Net position, beginning of year, as restated	90,306,803
NET POSITION, END OF YEAR	$ 92,940,489

See accompanying notes to the financial statements.

Chippewa County Road Commission

BALANCE SHEET

December 31, 2024

ASSETS	
Cash	$ 480,083
Accounts Receivable:	
Property taxes	1,058,249
Michigan Transportation Funds	1,747,644
Trunkline maintenance	716,658
State - other	108,914
Due on County road agreements	191,853
Sundry accounts	29,945
Inventories:	
Road materials	1,088,602
Equipment parts and materials	351,021
Prepaid items	115,740
TOTAL ASSETS	5,888,709
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 5,888,709
LIABILITIES	
Accounts payable	$ 1,030,595
Accrued payroll liabilities	263,331
Advances - trunkline maintenance	616,928
Accrued county share of federal aid projects	410,952
TOTAL LIABILITIES	2,321,806
DEFERRED INFLOWS OF RESOURCES	1,058,249
FUND BALANCE	
Non-spendable	1,555,363
Restricted	-
Committed	-
Assigned	-
Unassigned	953,291
TOTAL FUND BALANCE	2,508,654
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 5,888,709

See accompanying notes to the financial statements.

Chippewa County Road Commission

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

December 31, 2024

Total Fund Balances for Governmental Funds		$ 2,508,654
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		108,829,404
Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:		
Notes and lease payable - current	$ (102,176)	
Notes and lease payable - non-current	(302,847)	
Compensated absences	(628,312)	(1,033,335)
Net pension liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.		
Net pension liability	(10,931,136)	
Deferred outflows of resources related to pension	1,109,209	
Deferred (inflows) of resources related to pension	-	(9,821,927)
Net OPEB liability, and related deferred (outflows)/inflows of resources, is not due and payable in the current period and is not reported in the funds.		
Net OPEB liability	(6,595,896)	
Deferred outflows of resources related to OPEB	68,383	
Deferred (inflows) of resources related to OPEB	(1,014,794)	(7,542,307)
NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 92,940,489

See accompanying notes to the financial statements.

Chippewa County Road Commission

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Year Ended December 31, 2024

REVENUES:	
Property taxes	$ 1,003,033
License and permits	47,018
Federal sources	1,481,808
State sources	10,105,024
Contributions from local units	1,070,885
Charges for services	4,737,857
Interest and rents	10,174
Other revenue	374,227
TOTAL REVENUES	18,830,026
EXPENDITURES:	
Public works	17,935,267
Capital outlay (net)	477,529
Debt service	93,883
TOTAL EXPENDITURES	18,506,679
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	323,347
OTHER FINANCING SOURCES (USES):	
Proceeds from leasing activities	362,879
TOTAL OTHER FINANCING SOURCES (USES)	362,879
CHANGE IN FUND BALANCE	686,226
FUND BALANCE, BEGINNING OF YEAR	1,822,428
FUND BALANCE, END OF YEAR	$ 2,508,654

See accompanying notes to the financial statements.

Chippewa County Road Commission

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

For the Year Ended December 31, 2024

Net Change in Fund Balances - Total Governmental Funds		$ 686,226
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays and infrastructure as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Depreciation expense - building and equipment	$ (975,231)	
Depreciation expense - infrastructure	(3,015,181)	
Capital outlays - building and equipment	1,392,128	
Capital outlays - infrastructure - primary	2,183,742	
Capital outlays - infrastructure - local	1,111,301	
Net book value of asset disposals	-	696,759
Repayment of note/lease principal is an expenditure in the governmental funds, but the repayment reduces liabilities in the statement of net position.		91,086
Proceeds from debt issuance are an other financing source in the governmental funds, but a debt issuance increases long-term liabilities in the statement of net position.		(362,879)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(214,747)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due		-
Net pension liability reported in the statement of activities does not require the use of current resources, and therefore, is not reported in the fund statements until it is due for payment.		(314,541)
Some expenses reported in the statement of activities, such as other post-employment benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		2,051,782
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 2,633,686

See accompanying notes to the financial statements.

Chippewa County Road Commission

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2024

	OPEB Trust Fund
ASSETS	
Investments at fair market value	$ 5,114,390
NET POSITION	
Restricted for Other Post Employment Benefits	$ 5,114,390

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

Chippewa County Road Commission

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2024

	OPEB Trust Fund
ADDITIONS	
Contributions - Employer	$ 1,136,989
Investment earnings:	
Net Increase (Decrease) in Fair Value of Investments	424,429
TOTAL ADDITIONS	1,561,418
DEDUCTIONS	
Benefit payments	1,036,989
Administrative fees and other	36,376
TOTAL DEDUCTIONS	1,073,365
CHANGES IN NET POSITION	488,053
Net position, beginning of year	4,626,337
NET POSITION, END OF YEAR	$ 5,114,390

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Reporting Entity

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

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

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

Fiduciary Component Unit

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

Government-Wide and Fund Financial Statements

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

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

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Under the terms of grant agreements, the Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues.

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

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

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

Additionally, the Road Commission reports the following fund type:

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

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. The fair value measurements of investments are based on the hierarchy established by generally accepted accounting principles, which has three levels based on the valuation inputs used to measure an asset's fair value.

Property Taxes Receivable

The property tax is levied each December 1st on the taxable valuation of property located in the County as of the preceding December 31st. The 2024 taxable valuation of $1,423,731,100 for Road Millage amounted to $1,409,118 less $350,868 for cities and villages, (on which ad valorem taxes of 0.9821 mills were levied) for road maintenance purposes resulted in a net total of $1,058,250.

Inventories

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items), are reported in the general fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34, and has reported the infrastructure in the Statement of Net Position.

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

Depreciation

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

Building	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Department	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure—Roads	8 to 30 years
Infrastructure—Bridges	12 to 50 years

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then. The government reports the following in this category.

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

Long-Term Obligations

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

Compensated Absences (Vacation and Sick Leave)

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

Pensions

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

Other Post-Employment Benefits (OPEB)

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

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

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government reports the following in this category.

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

Use of Estimates

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

Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 17, 2025, which is the date of the accompanying independent auditor's report, and which is the date the financial statements were available to be issued.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Procedures

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

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

NOTE C – CASH DEPOSITS AND INVESTMENTS:

The cash and investments are classified into the following categories:

Cash – Petty cash		$150
Cash – Bank deposits		479,933
	Total	$480,083

Custodial Credit Risk – Deposits

Custodial deposit credit risk is the risk that in the event of a bank failure, the Road Commission deposits may not be returned. State law does not require, and the Road Commission does not have a policy for deposit custodial credit risk. The carrying amounts of the Road Commission's deposits with financial institutions were $480,083 and the bank balance was $603,027. The bank balance is categorized as follows:

Amount insured by FDIC		$500,000
Amount uninsured and uncollateralized		103,027
	Total	$603,027

Interest Rate Risk

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

Credit Risk

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

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of *Public Act 20 of 1943 as amended.*

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

NOTE C – CASH DEPOSITS AND INVESTMENTS (Continued):

Fair value measurement.

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

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

As of December 31, 2024, the Road Commission had the following investments:

		Fair Value Measurement		
	Fair Value at 12/31/2024	Level 1	Level 2	Level 3
OPEB Trust Fund:				
MERS Pooled Funds	$5,114,390	$-	$5,114,390	$-

Custodial Investment Credit Risk

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

NOTE D – CAPITAL ASSETS:

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

	Balances 12/31/2023	Additions	Deletions	Adjustment	Balances 12/31/2024
Capital Assets Not Being Depreciated:					
Land and improvements	$63,872,886	$573,927	$-	$-	$64,446,813
Construction in progress	-	-	-	-	-
Subtotal	63,872,886	573,927	-	-	64,446,813
Capital Assets Being Depreciated:				-	
Buildings	6,545,404	170,652	(4,108)	-	6,711,948
Road equipment	17,591,860	1,160,581	(374,204)	159,744	18,537,981
Shop equipment	350,254	52,524	299	-	403,077
Office equipment	77,595	3,920	(7,080)	-	74,435
Engineers' equipment	167,423	4,451	-	-	171,874
Depletable Assets	1,551,477	-	-	-	1,551,477
Infrastructure – Bridges	24,425,601	1,846,235	-	-	26,271,836
Infrastructure - Roads	48,718,058	874,881	(3,576,740)	-	46,016,199
Subtotal	99,427,672	4,113,244	(3,961,833)	159,744	99,738,827

NOTE D – CAPITAL ASSETS (Continued):

	Balances 12/31/2023	Additions	Deletions	Adjustment	Balances 12/31/2024
Less Accumulated Depreciation:					
Buildings	($3,517,115)	($182,144)	$4,108	$-	($3,695,151)
Road equipment	(16,138,255)	(746,034)	374,204	(188,727)	(16,698,812)
Shop equipment	(278,424)	(15,106)	(299)	-	(293,829)
Office equipment	(75,221)	(1,048)	7,080	-	(69,189)
Engineer's equipment	(107,346)	(25,881)	-	-	(133,227)
Depletable Assets	(468,655)	(5,018)	-	-	(473,673)
Infrastructure – Bridges	(11,362,082)	(455,696)	-	-	(11,817,778)
Infrastructure – Roads	(23,191,832)	(2,559,485)	3,576,740	-	(22,174,577)
Subtotal	(55,138,930)	(3,990,412)	3,961,833	(188,727)	(55,356,236)
Net Capital Assets Being Depreciated	44,288,742	122,832	-	(28,983)	44,382,591
Total Net Capital Assets	$108,161,628	$696,759	$-	($28,983)	$108,829,404

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

Equipment Expense:	
Direct	$746,034
Indirect	113,268
Administrative Expense	9,059
Distributed	46,236
State Salt Shed	55,616
Depletion	5,018
Infrastructure:	3,015,181
Total Depreciation Expense	$3,990,412

NOTE E – FUND BALANCES – GOVERNMENTAL FUNDS:

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

As of December 31, 2024, fund balances are composed of the following:

	General Fund
Non-spendable:	
Inventories	$1,439,623
Prepaid	115,740
Subtotal	1,555,363
Restricted:	-
Committed:	-
Assigned:	-
Unassigned	953,291
Total fund balances	$2,508,654

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

NOTE F – LONG-TERM DEBT:

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

	Balances 12/31/2023	Additions	Reductions	Balances 12/31/2024	Due Within One Year
Leases:					
Komatsu Loader	$63,126	$-	($41,787)	$21,339	$21,339
Komatsu Excavator	70,104	-	(49,299)	20,805	20,805
CAT Excavator	-	362,879	-	362,879	60,032
Subtotal	133,230	362,879	(91,086)	405,023	102,176
Compensated Absences:					
Unused Vacation	46,116	7,410	-	53,526	-
Unused Sick Leave	367,449	207,337	-	574,786	-
Subtotal	413,565	214,747	-	628,312	-
Total	$546,795	$577,626	($91,086)	$1,033,335	$102,176

<u>Komatsu Loader Lease</u>

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

NOTE F – LONG-TERM DEBT (Continued):

Komatsu Excavator Lease

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

CAT Excavator Lease

The Road Commission entered into a financing lease with Caterpillar Financial Services Corporation in December of 2024 for the use of an excavator. The agreement was originally for $362,879 at 4.99% per annum, with 60 consecutive payments due monthly.

Maturities on long-term obligations are as follows:

Governmental Activities			
Maturity Year	Principal	Interest	Total
2025	$102,176	$15,425	$117,601
2026	68,575	13,581	82,156
2027	72,076	10,080	82,156
2028	75,756	6,400	82,156
2029	79,624	2,532	82,156
2030	6,816	31	6,847
Total	$405,023	$48,049	$453,072

Compensated Absences – Vacation Benefits

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

Compensated Absences – Sick Leave Benefit Policies

Employees hired before February 1, 1993, may accumulate a maximum of 168 days of sick leave. Upon death or retirement, employees are paid for a maximum of 132 days at their current rate of pay. Employees hired on or after February 1, 1993, may accumulate a maximum of 600 hours of sick leave. On February 1, 2023, the union ratified a three-year contract that changed the sick leave payout provision. Upon death, retirement, or voluntary separation with 20 years of service and with a proper 2-week notice, employees shall be eligible to receive pay for their accumulated sick leave at the prevailing rate of pay.

NOTE G – ADVANCES:

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract. The State also advances amounts for routine maintenance as part of the agreement.

NOTE H – DEFINED BENEFIT PENSION PLAN:

Plan Description

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

Benefits Provided

	2023 Valuation	
	01 – Gnrl: Closed to new hires, linked to Division 10	10 – After 2/04: Open Division, linked to Division 01
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
COLA for Future Retirees:	N/A	N/A
Employee Contributions:	0%	2%
Act 88:	Yes: Adopted 11/20/1970	Yes: Adopted 11/20/1970

Employees covered by benefit terms.

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

Active employees:	63
Inactive employees entitled to but not yet receiving*:	5
Inactive employees or beneficiaries currently receiving benefits:	88
Total	156

*Excluding pending refunds of 9

Contributions

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

The contribution rates as a percentage of payroll as of December 31, 2023, is as follows:

	Employer Contribution*	Employee Contribution
Division 01 – Gnrl; closed	$88,944	0.00%
Division 10 - After 2/04; open	12.76%	2.00%

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

Net Pension Liability

The employer's Net Pension Liability was measured as of December 31, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2023.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. The following actuarial assumptions were used and applied to all periods included in the measurement:

Inflation:	2.5%
Salary Increases:	3.00% plus merit and longevity; 3.00% in the long-term
Investment Rate of Return	6.93%, net of investment expenses and administrative expense, including inflation.

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

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	4.50%
Global Fixed Income	20.0%	2.00%
Private Investments	20.0%	7.00%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

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

Changes in Net Pension Liability

Calculating the Net Pension Liability

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of 12/31/2023	$24,869,515	$14,261,741	$10,607,774
Changes for the Year:			
Service Costs	468,820	-	468,820
Interest on Total Pension Liability	1,763,238	-	1,763,238
Changes in benefits	-	-	-
Difference between expected and actual experience	533,691	-	533,691
Changes in assumption	190,889	-	190,889
Employer Contributions	-	1,466,329	(1,466,329)
Employee Contributions	-	78,280	(78,280)
Net investment Income	-	1,063,768	(1,063,768)
Benefit payments, including. employee refunds	(1,566,832)	(1,566,832)	-
Administrative expense	-	(31,740)	31,740
Other changes	(56,638)	1	(56,639)
Net Changes	1,333,168	1,009,806	323,362
Balances as of 12/31/2024	$26,202,683	$15,271,547	$10,931,136

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 7.18% as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability at 12/31/2024	$10,931,136	$10,931,136	$10,931,136
Change in Net Pension Liability	2,985,604	-	(2,524,299)
Calculated Net Pension Liability	$13,916,740	$10,931,136	$8,406,837

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

NOTE H – DEFINED BENEFIT PENSION PLAN (Continued):

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

For the year ended 2024 the employer recognized pension expense/(benefit) of $314,541. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	$410,269	$-
Difference in assumptions	340,640	-
Excess (deficit) investment returns	358,300	-
Total	1,109,209	$-

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

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

Plan Year Ended December 31,	Amount
2025	$677,972
2026	560,067
2027	(115,364)
2028	(13,466)
2029	-
Thereafter	-
Total	$1,109,209

Payable to the Pension Plan

At December 31, 2024, there was a reported a payable of $0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2024.

NOTE I – DEFERRED COMPENSATION PLAN:

The Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer (Chippewa County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements. The total amount contributed to the Plan for the year ended December 31, 2024, was $209,770.

NOTE J – OTHER POST EMPLOYMENT BENEFITS:

Plan Description

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

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

Employees covered by benefit terms.

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

Active Employees	62
Vested Former Employees	-
Retirees	68
Total	130

Contributions

The Plan was established and is being funded under the authority of the Road Commission. The Plan's funding policy is that the Road Commission will contribute $400,000 per year while continuing to pay retiree benefits from general operating funds until 100% funded status is obtained. Currently, benefit payments are made form general operating funds. There are no long-term contracts for contributions to the plan.

Net OPEB Liability

The employer's Net OPEB Liability was measured as of December 31, 2024.

Actuarial assumptions

The total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of December 31, 2023, rolled forward to December 31, 2024. The following actuarial assumptions were used in the measurement:

Inflation	Included in the investment return
Salary Increases	2.00%
Investment Rate of Return	7.47% (including inflation)
20-year Aa Municipal Bond Rate	4.28% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap US	24.00%	9.45%
Mid Cap US	5.10%	9.80%
Small Cap US	2.90%	9.60%
International Equities	25.00%	8.40%
Emerging Mkt Equity	8.00%	10.00%
US Equity (Other) – Convertibles	3.00%	9.40%
Short Term Fixed Income	14.00%	3.40%
US Fixed Income	9.00%	3.90%
International Fixed Income	1.00%	3.60%
Inflations – Linked Fixed Income	1.00%	4.50%
High Yield Fixed Income	3.00%	5.40%
Precious Metals (Commodities)	4.00%	4.20%
Total	100.00%	

The sum of each targe allocation times its long-term expected rate of return, plus inflation, is 7.47%.

Discount rate

The discount rate used to measure the total OPEB liability was 7.47%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual contributions of $400,000 until the plan is fully funded. Based on this assumption, the retirement plan’s fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”, not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability. As of December 31, 2023, the discount rate used to value OPEB liabilities was 6.46%.

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

Changes in Net OPEB Liability

Calculating the Net OPEB Liability

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability (a)	Plan Fiduciary Net OPEB (b)	Net OPEB Liability (a)-(b)
Balances as of 12/31/2023	$12,778,230	$4,626,337	$8,151,893
Changes for the Year:			
Service Costs	62,536	-	62,536
Interest on Total OPEB Liability	796,019	-	796,019
Changes in benefits	-	-	-
Difference between expected and actual experience	73,923	-	73,923
Changes in assumption	(963,433)	-	(963,433)
Contributions to OPEB trust	-	-	-
Employer Contributions	-	1,136,989	(1,136,989)
Employee Contributions	-	-	-
Net investment Income	-	424,429	(424,429)
Benefit payments, including. employee refunds	(1,036,989)	(1,036,989)	-
Administrative expense	-	(36,376)	36,376
Other changes	-	-	-
Net Changes	(1,067,944)	488,053	(1,555,997)
Balances as of 12/31/2024	$11,710,286	$5,114,390	$6,595,896

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

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 7.47%, as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (6.47%) or 1% higher (8.47%) than the current rate.

	1% Decrease (6.47%)	Current Discount Rate (7.47%)	1% Increase (8.47%)
Net OPEB Liability	$7,589,091	$6,595,896	$5,735,211

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

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	$5,586,543	$6,595,896	$7,755,793

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

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

For the year ended December 31, 2024, the employer recognized OPEB expense/(benefit) of ($2,051,782). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	$-	($525,468)
Difference in assumptions	-	(489,326)
Excess (deficit) investment returns	68,383	-
Total	$68,383	($1,014,794)

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

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

Plan Year Ended December 31,	Amount
2025	($592,278)
2026	(239,773)
2027	(89,659)
2028	(24,701)
2029	-
Thereafter	-
Total	($946,411)

Payable to OPEB Plan

At December 31, 2024, the Road Commission reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2024.

NOTE K – TAXES LEVIED FOR A SUBSEQUENT PERIOD:

Property taxes levied on December 1, 2024 have met all criteria related to revenue recognition except for time and as such are recorded as a deferred inflow of resources. The amount of taxes levied for a subsequent period was $1,058,249.

NOTE L – CONTINGENCIES:

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

NOTE L – CONTINGENCIES (Continued):

Risk Management – The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000 ($2,000 for errors and omissions) for each insured event. The maximum limit of liability for each occurrence is $10,500,000.

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

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

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

NOTE M – FEDERAL GRANTS:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2024, the Federal aid received and expended by the Road Commission was $1,481,808 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). The Federal aid received and expended by the Road Commission was $0 for negotiated projects. Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Road Commission would be subject to single audit requirements if they expended $750,000. The Road Commissions single audit is completed and reported as part of the audit of Chippewa County, Michigan.

NOTE N – NEW GASB STANDARDS:

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

Recently Issued and Adopted Accounting Pronouncements

In June 2022, the GASB issued Statement No. 101, *Compensated Absences.* GASB 101 is built on the unified recognition and measurement model that will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave. The model also will result in a more robust estimate of the amount of compensated absences that a government will pay or settle, which will enhance the relevance and reliability of information about the liability for compensated absences. This statement is effective for periods beginning after December 15, 2023. The Road Commission does have activities that meet the criteria for GASB 101; therefore, GASB 101 is applicable to the Road Commission.

Other Recently Issued Accounting Pronouncements

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Stmt No. 62.* GASB 100 will enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). This statement is effective for periods beginning after June 15, 2023. The Road Commission does not have activities that meet the criteria for GASB 100; therefore, GASB 100 is not applicable to the Road Commission.

NOTE O – NET POSITION RESTATEMENT:

During the current fiscal year, the Road Commission had capital asset adjustments to add several previously retired pieces of equipment and related attachments back into service. This increased road equipment assets by $159,744 and accumulated depreciation by $159,744. In addition, accumulated depreciation increase by $28,983 related to these same assets for incorrect disposal in the previous years.

REQUIRED SUPPLEMENTARY INFORMATION

Chippewa County Road Commission

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

Last 10 Plan Years

	Plan Year Ending December 31,				
	2024	2023	2022	2021	2020
Total Pension Liability					
Service cost	$ 468,820	$ 417,687	$ 397,357	$ 367,323	$ 364,811
Interest	1,763,238	1,706,828	1,610,296	1,623,235	1,534,967
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	533,691	226,109	(83,579)	(131,286)	98,920
Changes of assumptions	190,889	-	853,527	513,219	584,149
Benefit payments including employee refunds	(1,566,832)	(1,534,580)	(1,494,108)	(1,481,420)	(1,494,112)
Other	(56,638)	(47,446)	58,075	(47,127)	65,087
Net Change in Total Pension Liability	1,333,168	768,598	1,341,568	843,944	1,153,822
Total Pension Liability, beginning of year	24,869,515	24,100,917	22,759,349	21,915,405	20,761,583
Total Pension Liability, end of year	$ 26,202,683	$ 24,869,515	$ 24,100,917	$ 22,759,349	$ 21,915,405
Plan Fiduciary Net Position					
Contributions-employer	$ 1,466,329	$ 3,324,298	$ 1,299,983	$ 1,245,140	$ 1,095,363
Contributions-employee	78,280	71,450	64,432	62,753	58,181
Net Investment income	1,063,768	1,349,189	(1,297,802)	1,562,843	1,276,335
Benefit payments including employee refunds	(1,566,832)	(1,534,580)	(1,494,108)	(1,481,420)	(1,494,112)
Administrative expense	(31,740)	(27,618)	(23,082)	(17,926)	(20,343)
Other	1	-	-	-	-
Net Change in Plan Fiduciary Net Position	1,009,806	3,182,739	(1,450,577)	1,371,390	915,424
Plan Fiduciary Net Position, beginning of year	14,261,741	11,079,002	12,529,579	11,158,189	10,242,765
Plan Fiduciary Net Position, end of year	$ 15,271,547	$ 14,261,741	$ 11,079,002	$ 12,529,579	$ 11,158,189
Employer Net Pension Liability	$ 10,931,136	$ 10,607,774	$ 13,021,915	$ 10,229,770	$ 10,757,216
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	58.28%	57.35%	45.97%	55.05%	50.91%
Covered Employee Payroll	$ 4,218,492	$ 3,792,829	$ 3,968,693	$ 3,670,603	$ 3,671,723
Employer's Net Pension Liability as a percentage of covered employee payroll	259.12%	279.68%	328.12%	278.69%	292.97%

Notes to schedule:

Benefit Changes:	*NONE*	*NONE*	*NONE*	*NONE*	*NONE*
Changes of Assumptions:	*2024*	*NONE*	*2022*	*2021*	*2020*

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

2024 - The investment rate of return assumption was reduced from 7.00% to 6.93%

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

2021 - The mortality table was updated.

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

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

Chippewa County Road Commission

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

Last 10 Plan Years
(Continued)

	Plan Year Ending December 31,				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 335,653	$ 312,381	$ 312,302	$ 285,706	$ 281,858
Interest	1,578,409	1,535,810	1,505,449	1,434,259	1,397,298
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	24,754	118,002	(92,224)	81,278	-
Changes of assumptions	-	-	-	916,942	-
Benefit payments including employee refunds	(1,497,808)	(1,404,808)	(1,332,756)	(1,262,953)	(1,201,033)
Other	9,386	5,968	22,721	(471)	(1,078)
Net Change in Total Pension Liability	450,394	567,353	415,492	1,454,761	477,045
Total Pension Liability, beginning of year	20,311,189	19,743,836	19,328,344	17,873,583	17,396,538
Total Pension Liability, end of year	$ 20,761,583	$ 20,311,189	$ 19,743,836	$ 19,328,344	$ 17,873,583
Plan Fiduciary Net Position					
Contributions-employer	$ 1,047,895	$ 974,042	$ 842,918	$ 762,975	$ 685,503
Contributions-employee	55,396	47,782	40,590	35,320	32,043
Net Investment income	1,255,648	(386,989)	1,223,866	993,016	(139,106)
Benefit payments including employee refunds	(1,497,808)	(1,404,808)	(1,332,756)	(1,262,953)	(1,201,033)
Administrative expense	(21,628)	(19,466)	(19,412)	(19,619)	(20,530)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	839,503	(789,439)	755,206	508,739	(643,123)
Plan Fiduciary Net Position, beginning of year	9,403,262	10,192,701	9,437,495	8,928,756	9,571,879
Plan Fiduciary Net Position, end of year	$ 10,242,765	$ 9,403,262	$ 10,192,701	$ 9,437,495	$ 8,928,756
Employer Net Pension Liability	$ 10,518,818	$ 10,907,927	$ 9,551,135	$ 9,890,849	$ 8,944,827
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	49.34%	46.30%	51.62%	48.83%	49.96%
Covered Employee Payroll	$ 3,378,810	$ 3,211,709	$ 3,244,097	$ 3,076,955	$ 3,086,023
Employer's Net Pension Liability as a percentage of covered employee payroll	311.32%	339.63%	294.42%	321.45%	289.85%
Notes to schedule:					
Benefit Changes:	*NONE*	*NONE*	*NONE*	*NONE*	*N/A*
Changes of Assumptions:	*NONE*	*NONE*	*NONE*	*2016*	*N/A*

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

2024 - The investment rate of return assumption was reduced from 7.00% to 6.93%

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

2021 - The mortality table was updated.

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

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

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2024	2023	2022	2021	2020
Actuarial determined contributions	$ 1,637,640	$ 1,515,672	$ 1,442,784	$ 1,245,140	$ 1,095,363
Contributions in relation to the actuarially determined contribution	1,637,640	1,515,672	1,442,784	1,245,140	1,095,363
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 4,218,492	$ 3,968,693	$ 3,670,603	$ 3,671,723	$ 3,378,810
Contributions as a percentage of covered employee payroll	38.82%	38.19%	39.31%	33.91%	32.42%

Valuation Date December 31, 2023
Measurement Date December 31, 2024

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry Age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00% average, including inflation
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2019

Chippewa County Road Commission

MUNICIPAL EMPLOYEES RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years
(continued)

	Fiscal Year Ending December 31,				
	2019	2018	2017	2016	2015
Actuarial determined contributions	$ 1,047,895	$ 974,042	$ 842,918	$ 762,975	$ 685,503
Contributions in relation to the actuarially determined contribution	1,047,895	974,042	842,918	762,975	685,503
Contribution deficiency / (excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 3,211,709	$ 3,244,097	$ 3,076,955	$ 3,086,023	$ 2,660,500
Contributions as a percentage of covered employee payroll	32.63%	30.03%	27.39%	24.72%	25.77%

Valuation Date	December 31, 2023
Measurement Date	December 31, 2024

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry Age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00% average, including inflation
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption by division
Mortality	50% Female/50% Male RP-2019

Chippewa County Road Commission

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

Last 10 Plan Years

	Plan Year Ending December 31,				
	2024	2023	2022	2021	2020
Total OPEB Liability					
Service Cost	$ 62,536	$ 79,563	$ 93,774	$ 106,750	$ 113,097
Interest	796,019	851,693	819,643	1,075,225	1,099,108
Changes of Benefit Terms	-	-	-	73,308	-
Difference between expected and actual experience	73,923	(703,102)	347,527	(3,859,812)	25,384
Changes of assumptions	(963,433)	465,184	(637,725)	(691,997)	(7,086)
Benefit payments including employee refunds	(1,036,989)	(1,094,763)	(1,311,388)	(1,179,566)	(1,116,829)
Other	-	-	-	-	-
Net Change in Total OPEB Liability	(1,067,944)	(401,425)	(688,169)	(4,476,092)	113,674
Total OPEB Liability beginning	12,778,230	13,179,655	13,867,824	18,343,916	18,230,242
Total OPEB Liability ending	$ 11,710,286	$ 12,778,230	$ 13,179,655	$ 13,867,824	$ 18,343,916
Plan Fiduciary Net Position					
Contributions-employer	$ 1,136,989	$ 1,694,763	$ 1,711,388	$ 1,829,566	$ 1,916,829
Contributions-employee	-	-	-	-	-
Net Investment income	424,429	555,288	(638,517)	229,438	494,383
Benefit payments including employee refunds	(1,036,989)	(1,094,763)	(1,311,388)	(1,179,566)	(1,116,829)
Administrative expense	(36,376)	(35,278)	(34,019)	(32,669)	(19,858)
Other	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	488,053	1,120,010	(272,536)	846,769	1,274,525
Plan Fiduciary Net Position beginning	4,626,337	3,506,327	3,778,863	2,932,094	1,657,569
Plan Fiduciary Net Position ending	$ 5,114,390	$ 4,626,337	$ 3,506,327	$ 3,778,863	$ 2,932,094
Employer Net OPEB Liability	$ 6,595,896	$ 8,151,893	$ 9,673,328	$ 10,088,961	$ 15,411,822
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	43.67%	36.20%	26.60%	27.25%	15.98%
Covered Employee Payroll	$ 4,189,003	$ 3,855,149	$ 3,615,308	$ 3,622,027	$ 3,978,757
Employer's Net OPEB Liability as a percentage of covered employee payroll	157.46%	211.45%	267.57%	278.54%	387.35%

Notes to schedule:					
Benefit Changes:	*NONE*	*NONE*	*NONE*	*2021*	*NONE*
Changes of Assumptions:	*2024*	*2023*	*2022*	*NONE*	*NONE*

2024 - 20-year bond rate increased from 4.00% to 4.28%
- The discount rate increased from 6.46% to 7.47%

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

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

2021 - Plan provisions corrected to show life insurance benefit.

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

Chippewa County Road Commission

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

Last 10 Plan Years
(Continued)

	Plan Year Ending December 31,				
	2019	2018			
Total OPEB Liability					
Service Cost	$ 235,298	$ 265,610			
Interest	940,390	861,367			
Changes of Benefit Terms	-	-			
Difference between expected and actual experience	(195,101)	(175,598)			
Changes of assumptions	(7,287,012)	(1,989,391)			
Benefit payments including employee refunds	(1,014,717)	(806,914)			
Other	-	-			
Net Change in Total OPEB Liability	(7,321,142)	(1,844,926)			
Total OPEB Liability beginning	25,551,384	27,396,310			
Total OPEB Liability ending	$ 18,230,242	$ 25,551,384			
Plan Fiduciary Net Position					
Contributions-employer	$ 1,764,717	$ 1,606,914			
Contributions-employee	-	-			
Net Investment income	182,778	(59,045)			
Benefit payments including employee refunds	(1,014,717)	(806,914)			
Administrative expense	(11,082)	(5,082)			
Other	-	-			
Net Change in Plan Fiduciary Net Position	921,696	735,873			
Plan Fiduciary Net Position beginning	735,873	-			
Plan Fiduciary Net Position ending	$ 1,657,569	$ 735,873			
Employer Net OPEB Liability	$ 16,572,673	$ 24,815,511			
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	9.09%	2.88%			
Covered Employee Payroll	$ 3,603,686	Not Available			
Employer's Net OPEB Liability as a percentage of covered employee payroll	459.88%	Not Available			

Notes to schedule:

Benefit Changes:	*NONE*	*NONE*
Changes of Assumptions:	*NONE*	*NONE*

2024 - 20-year bond rate increased from 4.00% to 4.28%
- The discount rate increased from 6.46% to 7.47%

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

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

2021 - Plan provisions corrected to show life insurance benefit.

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

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS

Last 10 Fiscal Years

	Fiscal Year Ending December 31,				
	2024	2023	2022	2021	2020
Actuarial Determined Contributions*	$ 1,034,885	$ 1,240,086	$ 1,176,351	$ 1,929,608	$ 1,931,995
Contributions in relation to the actuarially determined contribution	1,136,989	1,694,763	1,711,388	1,829,566	1,916,829
Contribution deficiency / (excess)	$ (102,104)	$ (454,677)	$ (535,037)	$ 100,042	$ 15,166
Covered Employee Payroll	$ 4,189,003	$ 3,855,149	$ 3,615,308	$ 3,622,027	$ 3,978,757
Contributions as a percentage of covered employee payroll	24.70%	32.17%	32.54%	53.27%	48.56%

Valuation Date	December 31, 2023
Measurement Date	December 31, 2024
Methods and assumptions used to determine contribution rate:	
Actuarial methods	
Actuarial cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	Market Value
Actuarial assumptions	
Discount rate	6.46% for 2024 contribution; 7.47% for December 31, 2024 liability and 2025 contribution
20-year Aa Municipal Bond Rate	4.28% (S&P Municipal Bond 20-Year High Grade Rate Index)
Salary Increases	2.00% (for purposes of allocating liability)
Investment rate of return	7.47%, including inflation
Mortality	Public General 2010 Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021
Retirement age	Varies depending on plan adoption

Assumption changes since prior valuation

Medical trend updated
20-year Bond rate changed from 4.00% to 4.28%
Discount rate changed from 6.46% to 7.47%

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

Chippewa County Road Commission

DEFINED BENEFIT OPEB PLAN
SCHEDULE OF EMPLOYER'S OPEB CONTRIBUTIONS

Last 10 Fiscal Years
(Continued)

	Fiscal Year Ending December 31,				
	2019	2018			
Actuarial Determined Contributions*	$ 1,495,901	$ 1,527,292			
Contributions in relation to the actuarially determined contribution	1,764,717	1,606,914			
Contribution deficiency (excess)	$ (268,816)	$ (79,622)			
Covered Employee Payroll	$ 3,603,686	Not Available			
Contributions as a percentage of covered employee payroll	41.51%	Not Available			

Valuation Date December 31, 2023
Measurement Date December 31, 2024

Methods and assumptions used to determine contribution rate:

Actuarial methods

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

Actuarial assumptions

Discount rate	6.46% for 2024 contribution; 7.47% for December 31, 2024 liability and 2025 contribution
20-year Aa Municipal Bond Rate	4.28% (S&P Municipal Bond 20-Year High Grade Rate Index)
Salary Increases	2.00% (for purposes of allocating liability)
Investment rate of return	7.47%, including inflation
Mortality	Public General 2010 Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021
Retirement age	Varies depending on plan adoption

Assumption changes since prior valuation

Medical trend updated
20-year Bond rate changed from 4.00% to 4.28%
Discount rate changed from 6.46% to 7.47%

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

Chippewa County Road Commission

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

For the Year Ended December 31, 2024

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Property Taxes:				
Taxes	$ 945,000	$ 983,000	$ 1,003,033	$ 20,033
Total Property Taxes	945,000	983,000	1,003,033	20,033
Licenses and Permits:				
Permits	-	-	47,018	47,018
Total Licenses and Permits	-	-	47,018	47,018
Federal Sources:				
Surface Transportation Program	251,169	251,169	251,169	-
C-Funds - Federal	6,129	6,129	6,129	-
D-Funds - Federal	4,560,039	3,804,446	1,224,510	(2,579,936)
Bridge	-	-	-	-
Other	-	-	-	-
Total Federal Sources	4,817,337	4,061,744	1,481,808	(2,579,936)
State Sources:				
Michigan Transportation Fund:				
Engineering	10,000	10,000	10,000	-
Snow removal	702,642	702,642	702,642	-
Urban	604,079	604,079	604,079	-
Allocation	10,505,220	10,505,220	8,282,034	(2,223,186)
Total Michigan Transportation Fund	11,821,941	11,821,941	9,598,755	(2,223,186)
Other:				
Bridge	-	-	229,596	229,596
Other	-	-	-	-
Total Other	-	-	229,596	229,596
Economic Development Fund:				
Target industry	-	-	-	-
Urban congestion	-	-	-	-
Rural primary	-	-	1,308	1,308
Forest road	-	-	230,365	230,365
Other	-	-	45,000	45,000
Total Economic Development Fund	-	-	276,673	276,673
Total State Sources	11,821,941	11,821,941	10,105,024	(1,716,917)
Contributions from Local Units:				
City contribution	-	-	-	-
Township contribution	1,400,000	1,558,500	1,043,543	(514,957)
Private contribution	-	-	27,342	27,342
Total Contributions from Local Units	1,400,000	1,558,500	1,070,885	(487,615)

Chippewa County Road Commission

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

For the Year Ended December 31, 2024

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Charges for Services:				
Trunkline maintenance	$ 3,800,000	$ 3,800,000	$ 3,766,650	$ (33,350)
Trunkline non-maintenance	-	-	945,059	945,059
Salvage sales	-	-	26,148	26,148
Other	-	-	-	-
Total Charges for Services	3,800,000	3,800,000	4,737,857	937,857
Interest and Rents:				
Interest earned	-	-	1,829	1,829
Property rentals	-	-	8,345	8,345
Total Interest and Rents	-	-	10,174	10,174
Other Revenue:				
Sundry refunds	-	-	-	-
Gain (loss) equipment disposal	-	-	38,090	38,090
Other	860,811	100,000	336,137	236,137
Total Other Revenue	860,811	100,000	374,227	274,227
Other Financing Sources				
Proceeds from leasing activities	-	-	362,879	362,879
Total Other Financing Sources	-	-	362,879	362,879
TOTAL OPERATING REVENUE	$ 23,645,089	$ 22,325,185	$ 19,192,905	$ (3,132,280)

Chippewa County Road Commission

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

For the Year Ended December 31, 2024

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Construction/Capacity Improvement				
Roads	$ -	$ -	$ 1,282	$ (1,282)
Structures	-	-	19,172	(19,172)
Total Construction/Capacity Improvements	-	-	20,454	(20,454)
Preservation - Structural Improvements:				
Roads	1,448,840	1,448,810	1,448,810	-
Structures	2,547,872	2,547,872	2,045,407	502,465
Safety projects	-	-	-	-
Total Preservation - Structural Improvements	3,996,712	3,996,682	3,494,217	502,465
Maintenance:				
Roads	7,059,457	7,059,457	5,761,615	1,297,842
Structures	101,285	101,285	101,285	-
Winter maintenance	2,781,850	2,781,850	2,781,850	-
Traffic control	593,721	593,721	593,721	-
Total Maintenance	10,536,313	10,536,313	9,238,471	1,297,842
Total Preservation - Structural Improvements and Maintenance	14,533,025	14,532,995	12,753,142	1,779,853
Other:				
Trunkline maintenance	3,800,000	3,800,000	3,730,114	69,886
Trunkline non-maintenance	-	-	945,059	(945,059)
Administrative expense	72,000	153,652	461,143	(307,491)
Equipment expense - net	100,000	100,000	32,814	67,186
Capital outlay - net	1,281,370	1,663,370	477,529	1,185,841
Other	-	2,440,000	12,995	2,427,005
Debt principal payment	93,883	93,883	90,900	2,983
Interest expense	-	-	2,983	(2,983)
Distributive expense	4,604,000	4,836,560	-	4,836,560
Total Other	9,951,253	8,250,905	5,753,537	2,497,368
TOTAL EXPENDITURES	$ 24,484,278	$ 22,783,900	$ 18,506,679	$ 4,277,221

ADDITIONAL SUPPLEMENTARY INFORMATION

Chippewa County Road Commission

ANALYSIS OF EQUITY

For the Year Ended December 31, 2024

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Total Revenues and Other Financing Sources	$ 8,082,334	$ 5,962,624	$ 5,147,947	$ 19,192,905
Total Expenditures and Other Financing Uses	7,750,165	5,486,165	5,270,349	18,506,679
Excess of Revenues Over (Under) Expenditures	332,169	476,459	(122,402)	686,226
Optional Transfers	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	332,169	476,459	(122,402)	686,226
FUND BALANCE, BEGINNING OF YEAR	743,241	305,924	773,263	1,822,428
FUND BALANCE, END OF YEAR	$ 1,075,410	$ 782,383	$ 650,861	$ 2,508,654

Chippewa County Road Commission

ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended December 31, 2024

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Property Taxes:				
Taxes	$ 601,820	$ 401,213	$ -	$ 1,003,033
Total Property Taxes	601,820	401,213	-	1,003,033
Licenses and Permits:				
Permits	-	47,018	-	47,018
Total Licenses and Permits	-	47,018	-	47,018
Federal Sources:				
Surface Transportation Program	251,169	-	-	251,169
C-Funds - Federal	6,129	-	-	6,129
D-Funds - Federal	1,224,510	-	-	1,224,510
Bridge	-	-	-	-
Other	-	-	-	-
Total Federal Sources	1,481,808	-	-	1,481,808
State Sources:				
Michigan Transportation Fund:				
Engineering	5,616	4,384	-	10,000
Snow removal	-	702,642	-	702,642
Urban	509,132	94,947	-	604,079
Allocation	4,651,398	3,630,636	-	8,282,034
Total Michigan Transportation Fund	5,166,146	4,432,609	-	9,598,755
Other:				
Bridge	229,596	-	-	229,596
Other	-	-	-	-
Total Other	229,596	-	-	229,596
Economic Development Fund:				
Target industry	-	-	-	-
Urban congestion	-	-	-	-
Rural primary	1,308	-	-	1,308
Forest road	-	230,365	-	230,365
Other	-	45,000	-	45,000
Total Economic Development Fund	1,308	275,365	-	276,673
Total State Sources	5,397,050	4,707,974	-	10,105,024
Contributions from Local Units:				
City contribution	-	-	-	-
Township contribution	517,551	525,992	-	1,043,543
Private contribution	-	-	-	-
Other	27,342	-	-	27,342
Total Contributions from Local Units	544,893	525,992	-	1,070,885
Charges for Services:				
Trunkline maintenance	-	-	3,766,650	3,766,650
Trunkline non-maintenance	-	-	945,059	945,059
Salvage sales	-	-	26,148	26,148
Other	-	-	-	-
Total Charges for Services	-	-	4,737,857	4,737,857

Chippewa County Road Commission

ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES

For the Year Ended December 31, 2024

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Interest and Rents:				
Interest earned	$ 746	$ 307	$ 776	$ 1,829
Property rentals	-	-	8,345	8,345
Total Interest and Rents	746	307	9,121	10,174
Other Revenue:				
Sundry refunds	-	-	-	-
Gain (loss) equipment disposal	-	-	38,090	38,090
Other	56,017	280,120	-	336,137
Total Other Revenue	56,017	280,120	38,090	374,227
Other Financing Sources:				
Inst. Purch./Leases	-	-	362,879	362,879
Total Other Financing Sources	-	-	362,879	362,879
TOTAL OPERATING REVENUE	$ 8,082,334	$ 5,962,624	$ 5,147,947	$ 19,192,905

Chippewa County Road Commission

ANALYSIS OF EXPENDITURES AND OTHER FINANCING USES

For the Year Ended December 31, 2024

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Construction/Capacity Improvement				
Roads	$ -	$ 1,282	$ -	$ 1,282
Structures	-	19,172	-	19,172
Total Construction/Capacity Improvement	-	20,454	-	20,454
Preservation - Structural Improvements:				
Roads	542,243	906,567	-	1,448,810
Structures	1,771,606	273,801	-	2,045,407
Safety projects	-	-	-	-
Total Preservation - Structural Improvements	2,313,849	1,180,368	-	3,494,217
Maintenance:				
Roads	2,605,700	3,155,915	-	5,761,615
Structures	69,736	31,549	-	101,285
Winter maintenance	1,969,253	812,597	-	2,781,850
Traffic control	511,128	82,593	-	593,721
Total Maintenance	5,155,817	4,082,654	-	9,238,471
Total Preservation - Structural Improvements and Maintenance	7,469,666	5,283,476	-	12,753,142
Other:				
Trunkline maintenance	-	-	3,730,114	3,730,114
Trunkline non-maintenance	-	-	945,059	945,059
Administrative expense	270,097	191,046	-	461,143
Equipment expense - net	10,402	11,643	10,769	32,814
Capital outlay - net	-	-	477,529	477,529
Other	-	-	12,995	12,995
Debt principal payment	-	-	90,900	90,900
Debt interest	-	-	2,983	2,983
Total Other	280,499	202,689	5,270,349	5,753,537
TOTAL EXPENDITURES	$ 7,750,165	$ 5,486,165	$ 5,270,349	$ 18,506,679

COMPLIANCE SECTION

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Road Commission's basic financial statements, and have issued our report thereon dated June 17, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Board of County Road Commissioners of the
Chippewa County Road Commission

Report on Compliance and Other Matters

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

Purpose of this Report

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 17, 2025

COMMUNICATIONS SECTION

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

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

Chippewa County Road Commission
Report to Management
For the Year Ended December 31, 2024

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County Road Commission (the Road Commission), a component unit of Chippewa County, as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered the Road Commission's system of internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control.

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

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

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

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 17, 2025

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

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

Chippewa County Road Commission
Communication with Those Charged with Governance
For the Year Ended December 31, 2024

June 17, 2025

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Chippewa County Road Commission (Road Commission), a component unit of Chippewa County, for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 6, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Road Commission are described in the Notes to the financial statements. Newly adopted GASB standards are disclosed in the notes to the financial statements. We noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

> Management's estimate of accumulated depreciation and depreciation expense is based on historical costs and useful lives of the assets. Depreciation is calculated using the straight-line method. We evaluated the methods, assumptions, and data used to develop the current years depreciation expense and accumulated

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

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

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

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

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

The disclosure of the Defined Benefit Pension Plan includes significant actuarial assumptions used in calculating the valuation. GRS Retirement Plan Services was the actuarial company hired by the Retirement Board of the Municipal Employees' Retirement System of Michigan (MERS) for preparation of the annual actuarial valuation. A full listing of the actuarial assumptions used can be found MERS' Comprehensive Annual Financial Report of the Fiscal Year Ended December 31, 2023.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 17, 2025.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

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

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

Upcoming Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) has recently released new standards that may be applicable to the Road Commission in the future. We encourage management to review the information included in the Attachment and determine which standard(s) may be applicable to the Road Commission.

Other Matters

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

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

Restriction on Use

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

Very truly yours,

Anderson, Tackman & Company, PLC
Certified Public Accountants

The Governmental Accounting Standards Board (the Board) routinely issues pronouncements to enhance accounting and financial reporting. Below are synopses of currently issued standards that may be applicable to the Road Commission in the future. More information related to these standards can be found at www.gasb.org including full copies of the standards along with implementation guides and technical bulletins. We encourage management to review the following pronouncements to determine which standard(s) may be applicable to the Road Commission.

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

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

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

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

We do not expect this standard to have any significant effect on the Road Commission's financial statements.

<u>GASB 103: Financial Reporting Model Improvements</u>
Effective for fiscal years beginning after June 15, 2025 (Road Commission's fiscal year 2026)

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues.

This Statement requires that the information presented in MD&A be limited to the related topics discussed in five sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement stresses that the detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed and avoid “boilerplate” discussions. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A.

This Statement describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence. Furthermore, governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.

This Statement requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenses. Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses. In addition to the subtotals currently required in a proprietary fund statement of revenues, expenses, and changes in fund net position, this Statement requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

This Statement requires governments to present each major component unit separately in the reporting entity’s statement of net position and statement of activities if it does not reduce the readability of the statements. If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements. The requirement for presentation of major component unit information will improve comparability.

This Statement requires governments to present budgetary comparison information using a single method of communication—RSI. Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

We expect this standard to have a significant effect on the presentation of the Road Commission’s financial statements.

GASB 104: Disclosure of Certain Capital Assets
Effective for fiscal years beginning after June 15, 2025 (Road Commission's fiscal year 2026)

The objective of this Statement is to provide detailed information about capital assets in notes to financial statements by requiring certain capital assets to be presented by major class. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale.

We expect this standard to have a significant effect on the presentation of the Road Commission's financial statements.