Road Commission of Kalamazoo County

(a component unit of the County of Kalamazoo, Michigan)

Financial Report
with Supplementary Information
December 31, 2022

Road Commission of Kalamazoo County

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Independent Auditor's Report

To the Board of County Road Commissioners
Road Commission of Kalamazoo County

Opinions

We have audited the financial statements of the governmental activities and the Road Fund of the Road Commission of Kalamazoo County (the "Road Commission"), a component unit of the County of Kalamazoo, Michigan, as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Road Commission of Kalamazoo County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Road Fund of the Road Commission of Kalamazoo County as of December 31, 2022 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS 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.

PRAXITY
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To the Board of County Road Commissioners
Road Commission of Kalamazoo County

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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.

Other Supplementary Information

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

Plante & Moran, PLLC

June 6, 2023

As management of the Road Commission of Kalamazoo County (the "Road Commission"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2022.

The Road Commission is a special purpose government engaged in a single government program of road, bridge, and right-of-way maintenance, preservation, and construction for the County of Kalamazoo, Michigan (the "County"). The Road Commission was established by a vote of the citizens of Kalamazoo County in 1909.

The following financial statements are presented in accordance with prescribed methods of accounting. The financial statements related to the governmental fund are prepared in modified accrual format, commonly referred to as governmental fund-level accounting. The full accrual method of accounting focuses on the entity as a whole (the Road Commission's net position) and is referred to as government-wide level accounting. The significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and the infrastructure (roads, bridges, and signals). Capital assets and infrastructure costs are expensed when incurred in the governmental fund statements. In the government-wide statements, these costs are capitalized and recognized over their estimated useful lives through depreciation expense.

With respect to the statements of net position and activities, the fund-level financial statements and the government-wide financial statements have been combined and are presented on the same page.

Using This Annual Report

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information.

The basic financial statements are the statement of net position/governmental fund balance sheet; statement of activities/governmental fund revenue, expenditures, and changes in fund balance; and the notes to the financial statements. The notes to the financial statements are an integral part of the document that explain some of the information in the financial statements and provide more detailed data.

Additional data and schedules that further explain and support the information in the financial statements are provided in both the required supplementary information and the other supplementary information.

Government-wide Overall Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of the Road Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $186,319,183 at the close of the most recent fiscal year.

To assess the overall health of the Road Commission, additional nonfinancial factors need to be considered, such as the condition of the roads in the Road Commission's jurisdiction and changes in the laws related to transportation funding and their distribution.

The following tables provide condensed information about the Road Commission as of and for the years ended December 31, 2022 and 2021:

The Road Commission's Net Position

	2022	2021
Assets		
Current and other assets	$ 57,796,679	$ 19,436,858
Capital assets	193,325,255	164,173,370
Total assets	251,121,934	183,610,228
Deferred Outflows of Resources	1,908,930	423,462
Liabilities		
Current liabilities	8,549,493	2,004,497
Noncurrent liabilities	57,193,942	234,994
Total liabilities	65,743,435	2,239,491
Deferred Inflows of Resources	968,246	2,444,694
Net Position		
Net investment in capital assets	168,632,317	164,173,370
Unrestricted	17,686,866	15,176,135
Total net position	**$ 186,319,183**	**$ 179,349,505**

The Road Commission's net position increased by 3.89 percent from a year ago - increasing from $179,349,505 to $186,319,183. This increase primarily relates to the investment of revenue dollars into infrastructure assets to be recognized into expense over a longer period of time, instead of during the year. Other contributing factors include the excess of total revenue over total expenditures.

The Road Commission's Changes in Net Position

	2022	2021
Revenue		
Intergovernmental - Operating grants	$ 32,298,807	$ 31,586,319
Other revenue:		
Other contributions and service charges	230,018	208,592
Other	45,312	70,084
Total revenue	32,574,137	31,864,995
Expenses		
Primary maintenance	4,489,822	4,394,709
Local maintenance	7,210,868	7,809,766
Administrative	1,896,893	703,001
Equipment rental and other charges	(441,913)	(1,026,551)
Depreciation	10,919,754	10,524,508
Debt service - Interest and fiscal charges	1,529,035	-
Total expenses	25,604,459	22,405,433
Change in Net Position	6,969,678	9,459,562
Net Position - Beginning of year	179,349,505	169,889,943
Net Position - End of year	**$ 186,319,183**	**$ 179,349,505**

The Road Commission's revenue for the year ended December 31, 2022 increased by approximately 2.23 percent over a year ago - increasing from $31,864,995 to $32,574,137. This increase was primarily due to an increase in Michigan Transportation Fund dollars. Total expenses for the year increased by approximately 14.28 percent due to debt service (expense) related expenditures and an increase in administrative costs. This funding varies, as, typically, projects are funded competitively throughout the state.

Budgetary Highlights

Prior to beginning each year, the Road Commission's budget is prepared based upon certain assumptions and facts available at that time. During the year, the Road Commission amends its budget to reflect changes in the original assumptions, facts, and economic conditions that were unknown at the time the original budget was adopted.

The Road Commission amended its 2022 budget during the year. The final budget for revenue was approximately $4,817,000 lower than the original budget, primarily due to a decrease in township and city/other governmental projects. The Road Commission's actual revenue ended the year higher than budgeted by approximately $663,000, chiefly due to an anticipated increase in MTF. The final budget for expenditures was approximately $17,100,000 greater than the original budget largely due to increased spending on capital outlay. Actual expenditures at the end of the year were approximately $938,000 greater than the final amended budget, predominantly due to actual year activity levels and additional capital outlay and debt service expenditures.

Capital Assets and Debt Administration

The Road Commission issued new debt related to the construction of a new facility during the year ended December 31, 2022 in the amount of approximately $57,000,000.

The Road Commission ended the year with an increase in net capital assets amounting to $29,151,885. Infrastructure continues to be the largest asset class and is funded by federal, state, and local government participation, as well as by road commission revenue. Depreciation of capital assets is provided for annually over estimated future lives.

	2022	2021
Land	$ 1,339,501	$ 1,339,501
Other nondepreciable assets	49,817,286	26,358,956
Buildings and improvements	4,643,385	4,569,518
Land improvements	402,561	402,561
Road equipment	13,580,840	12,243,376
Other equipment	1,018,515	935,796
Infrastructure and improvements	224,705,095	219,619,429
Gross capital assets	295,507,183	265,469,137
Accumulated depreciation	(102,181,928)	(101,295,767)
Total	**$ 193,325,255**	**$ 164,173,370**

Additional information regarding capital assets is located in Note 6 to the financial statements. Additional information regarding debt is located in Note 7 to the financial statements.

Economic Factors and Next Year's Budget

The Road Commission considers many factors when preparing the fiscal year budget. Staff carefully analyze funding sources, planned expenditures and projects, the fund balance status, various five-year plans, and economic factors.

In 2023, we expect continued economic challenges. We are seeing a slow recovery from the coronavirus pandemic, with inflation, rising interest rates, and a tight labor market. Employers of all sizes in every industry are struggling to retain and attract quality workers. We are no exception. Attracting and retaining road maintenance operators with commercial driver's licenses (CDL) has never been easy, but the problem has only worsened. Costs of maintenance and construction continue to rise.

County road commissions exist per statute to maintain safe and efficient roads and bridges for the people of Michigan (PA 283 of 1909). Michigan's roads carry millions of people daily to work, school, stores, and tourist destinations and are vital to maintaining a vibrant Michigan economy. County road agencies are responsible for 90,000 miles of roads, along with 5,700 local bridges. It is a monumental task, as a decadeslong shortfall in appropriate funding has left most roads and bridges eligible in either "fair" or "poor" condition. Congestion, poor pavement condition, and crashes cost Michigan drivers and businesses in wasted fuel, lost time and productivity, vehicle maintenance costs, and more. As with many of the county road agencies in Michigan, the Road Commission uses an asset management system to prioritize resources when it comes to taking care of the infrastructure under our jurisdiction. The statewide pavement forecast indicates a continued decline in the federal aid roads. By 2033, it is forecast that only 19 percent of the roads will be in good condition, while roads in fair condition will drop to 33 percent. Over those 10 years, the roads in poor condition will reach 48 percent. In 2023, roads are expected to deteriorate from the 2021 measured condition.

The County Road Association (CRA) of Michigan's 2021 County Road Investment Plan indicates that an additional $1.8 billion annually is needed to restore the county and local roads under its statutory responsibility. The Road Commission's gap, as outlined in the 2020 Compliance, Pavement, and Bridge plan, is an estimated $8 million annually. Addressing this substantial gap will require a combination of federal, state, local, private, and user fee investments, as well as financing strategies to meet long-term needs. Asset management plans will be updated in the future for additional insight on the condition of assets and investment necessary.

The MTF, established by Public Act (PA) 51 of 1951, as amended, is the Road Commission's main source of revenue for operating expenses, repair, and maintenance of roads, bridges, and right of way. Michigan Transportation Funds are primarily based on fuel taxes and vehicle registrations fees. A 2015 legislative transportation funding bill was designed to generate $1.2 billion in new MTF revenue by 2021. The Road Commission saw a 30 percent increase in MTF during 2017, receiving $18,603,917, yet in 2020 we saw a 1 percent decrease, receiving $22,347,210. In 2022, we saw a 3 percent increase, receiving $25,644,227. The Michigan fuel taxes have been indexed to inflation, using the Consumer Price Index (CPI), beginning on January 1, 2022 with a maximum adjustment of 5 percent. Though the overall increases are beneficial, they do not address the long-term issue of declining road and infrastructure conditions. Many of the costs associated with critical road maintenance activities, including fuel, asphalt, and equipment, have increased far faster than the consumer rate of inflation, while funding continues to lag.

The Road Commission has optimized the efficiency of operations under the existing revenue and works to ensure it is in the process of continuous improvement. It has also invested in experiments and innovations to support further options in maintaining the infrastructure. The Road Commission, as well as agencies across the nation, cannot change the course of road deterioration through efficiencies and innovation alone.

The Road Commission works diligently to qualify for special sources of Federal Highway Funding revenue. Federal-aid Highway Program funds are authorized periodically by Congress in multiyear laws to assist the states in providing for construction, reconstruction, and improvement of highways and bridges on eligible federal aid routes and for other special purpose programs and projects. The Infrastructure Investment and Jobs Act provides approximately $350 billion for federal highway programs over a five-year period (fiscal years 2022 through 2026). Most of this funding is apportioned (distributed) to states based on formulas specified in federal law. However, the Bipartisan Infrastructure Law also provides funding through a wide range of competitive grant programs. For decades, infrastructure in Michigan has suffered from a systemic lack of investment. In fact, the American Society of Civil Engineers gave Michigan a D+ on its infrastructure report card. The historic Bipartisan Infrastructure Law will make life better for millions of Michigan residents, create a generation of good paying union jobs and economic growth, and position the United States to win the 21st century. Based on formula funding alone, Michigan would expect to receive approximately $7.9 billion over five years in federal highway formula funding for highways and bridges.

Established in 2004, PA 384, an amendment to PA 51, provides financial assistance to local highway authorities for the preservation, improvement, and reconstruction of existing bridges or the construction of bridges to replace existing bridges in whole or in part. Revenue is provided from a PA 51 earmark of a half cent of the gasoline excise tax (approximately $22 million) and a separate PA 51 earmark (approximately $5 million) of MTF revenue. Through legislation in 2004, Michigan created a Local Bridge Fund to be administered by the Local Bridge Advisory Board and seven regional bridge councils. Funding from the Local Bridge Fund is allocated to each region based on available funds through a competitive process and weighted ratios provided in the legislation. The recent Michigan Revenue Package, which began in 2017, did not allocate additional funding to the local bridge program.

The financial commitment of local township boards and residents through the years has proven invaluable. Although not required, these partnerships help to provide better service to joint constituencies and a long-term collaborative effort. For the local road system, the Road Commission establishes road improvement priorities that are developed in conjunction with township governments. Each township works with designated road commission team to develop five-year local road improvement plans supporting asset management for planning purposes and local road preservation. The Road Commission maintains a local road participation fund program that provides funds for each township that must be matched on a dollar-for-dollar basis for local road improvement projects. In 2022, the Road Commission applied $2,180,000 toward this local match program. Local projects include local road preservation/structural improvement; preventive maintenance; and construction projects, such as chip seal, hot mix asphalt (HMA) overlays, and road reconstruction.

The board, management, and team of the Road Commission continue to work diligently to be efficient and keep expenses low, look for opportunities to partner with other agencies in the area and region, and access all available dollars to maintain the roads and infrastructure within Kalamazoo County. The results of this effort can be seen as you compare the condition of the County's roads and bridges to others across the state.

As we work and plan for the future, our facilities are an integral and essential tool used for our success. Our current facility buildings date back to the 1940's with a variety of renovations completed over the years. Unlike many other road commissions throughout the State, the Road Commission only has one centrally located facility and garage location. In March 2022 we broke ground for the new complex. Over the years, we have worked to maintain this important infrastructure asset, yet we are constrained by the footprint. There are also environmental considerations with our salt/sand facility condition and its proximity to Davis Creek. In 2019, an architecture and engineering company was engaged to conduct a facility condition assessment and facility needs assessment of our current Road Commission facilities at 3801 East Kilgore Road, Kalamazoo, Michigan. The assessments highlighted our capacity limitations, overall remaining service life of the current facility, environmental concerns, and options for renovations and improvements. Following the assessment, a vacant commercial property on 26th Street in Comstock Township became available on the market. It is less than 1.5 miles from our current facility, which is centrally located in our county. The Road Commission team thoroughly investigated the option of building a new facility in lieu of renovating the existing site location. A five-year budget forecast and a cash flow projection were also completed. With board support, the Road Commission purchased the land in 2020. The board and Road Commission worked cooperatively with Kalamazoo County to fund this project. Kalamazoo County issued a Limited Tax General Obligations Bond for $55,235,000. The current site will be sold soon after the move to the new facility. Construction is expected to be complete in the spring of 2024. We look forward to moving to the new facility.

Summary

The board and Road Commission continue to be committed to providing the safest and most convenient road system possible and to contribute to economic development and high quality of life throughout the County. In order to do so, during these unprecedented times as we complete and present the financial audit, the strong fund balance and past solid budgeting strategies will continue to be critical to manage the current economic impacts.

Requests for Further Information

This financial report is intended to provide a general overview of the Road Commission's finances and demonstrate the Road Commission's accountability for the money it receives. If you have questions about this report or need additional information, please contact us by mail at Road Commission of Kalamazoo County, 3801 East Kilgore Road, Kalamazoo, MI 49001 or visit our website at www.kalamazoocountyroads.com and view our full annual report.

Road Commission of Kalamazoo County

Governmental Funds
Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2022

	Modified Accrual Basis		
	Road Fund	Adjustments	Statement of Net Position
Assets			
Cash (Note 5)	$ 11,744,673	$ -	$ 11,744,673
Receivables:			
Special assessments receivable	53,003	-	53,003
Due from state transportation department	5,035,454	-	5,035,454
Due on county road agreements	209,999	-	209,999
Sundry accounts receivable	60,566	-	60,566
Inventory	999,103	-	999,103
Prepaid expenses	179,571	-	179,571
Advances	264,913	-	264,913
Restricted assets (Note 2)	38,279,189	-	38,279,189
Net pension asset (Note 8)	-	646,647	646,647
Net OPEB asset (Note 9)	-	323,561	323,561
Capital assets: (Note 6)			
Assets not subject to depreciation	-	51,156,787	51,156,787
Assets subject to depreciation - Net	-	142,168,468	142,168,468
Total assets	56,826,471	194,295,463	251,121,934
Deferred Outflows of Resources			
Deferred pension costs (Note 8)	-	1,557,550	1,557,550
Deferred OPEB costs (Note 9)	-	351,380	351,380
Total deferred outflows of resources	-	1,908,930	1,908,930
Total assets and deferred outflows of resources	$ 56,826,471	196,204,393	253,030,864
Liabilities			
Accounts payable	$ 7,617,908	-	7,617,908
Accrued liabilities and other	35,642	400,470	436,112
Unearned revenue	194,634	-	194,634
Advances	300,839	-	300,839
Noncurrent liabilities:			
Due within one year - Compensated absences	-	196,225	196,225
Due in more than one year- Bonds payable - Net of current portion	-	56,997,717	56,997,717
Total liabilities	8,149,023	57,594,412	65,743,435
Deferred Inflows of Resources			
Unavailable revenue	53,003	(53,003)	-
Deferred pension cost reductions (Note 8)	-	359,299	359,299
Deferred OPEB cost reductions (Note 9)	-	608,947	608,947
Total deferred inflows of resources	53,003	915,243	968,246
Equity			
Fund balance:			
Nonspendable	1,178,674	(1,178,674)	-
Restricted - Capital projects	32,304,779	(32,304,779)	-
Assigned - Capital projects	4,300,000	(4,300,000)	-
Unassigned	10,840,992	(10,840,992)	-
Total fund balance	48,624,445	(48,624,445)	-
Total liabilities, deferred inflows of resources, and fund balance	$ 56,826,471		
Net position:			
Net investment in capital assets		168,632,317	168,632,317
Unrestricted		17,686,866	17,686,866
Total net position		$ 186,319,183	$ 186,319,183

See notes to financial statements.

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

Year Ended December 31, 2022

	Modified Accrual Basis		
	Road Fund	Adjustments	Statement of Activities
Revenue			
Intergovernmental:			
Federal grants	$ 2,956,291	$ -	$ 2,956,291
State-shared revenue and grants:			
General state aid	406,460	-	406,460
Michigan Transportation Fund	25,644,227	-	25,644,227
Township and other governmental contributions	3,291,829	-	3,291,829
Other revenue:			
Other contributions and service charges	230,018	-	230,018
Miscellaneous	102,745	(57,433)	45,312
Total revenue	32,631,570	(57,433)	32,574,137
Expenditures/Expenses			
Preservation and structural improvements:			
Roads	10,709,076	(10,709,076)	-
Structures	4,186,341	(4,186,341)	-
Routine and preventive maintenance:			
Roads	4,489,822	-	4,489,822
Structures	7,210,868	-	7,210,868
Administrative	1,909,862	(12,969)	1,896,893
Equipment - Net	(441,913)	-	(441,913)
Capital outlay - Net	25,176,343	(25,176,343)	-
Depreciation expense	-	10,919,754	10,919,754
Debt service - Interest and fiscal charges	1,128,565	400,470	1,529,035
Total expenditures/expenses	54,368,964	(28,764,505)	25,604,459
Other Financing Sources			
New debt issued	55,235,000	(55,235,000)	-
Debt premium	1,762,717	(1,762,717)	-
Total other financing sources	56,997,717	(56,997,717)	-
Net Change in Fund Balance/Net Position	35,260,323	(28,290,645)	6,969,678
Fund Balance/Net Position - Beginning of year	13,364,122	165,985,383	179,349,505
Fund Balance/Net Position - End of year	**$ 48,624,445**	**$ 137,694,738**	**$ 186,319,183**

See notes to financial statements.

Note 1 - Nature of Business

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

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

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

Report Presentation

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

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

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

Basis of Accounting

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

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

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Road Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state gas and weight tax revenue and revenue related to construction projects and inspection work orders. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Due from State Transportation Department and Due on County Road Agreements

Due from state transportation department consists of amounts due from the Michigan Transportation Fund (MTF) for state-shared revenue. Due on county road agreements consists of receivables from townships, cities, and villages for their share of construction projects.

Inventories and Prepaid Items

Inventories are valued at cost on a weighted-average basis. Inventories consist principally of road material, salt, signs, and equipment maintenance materials. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

The following amounts are reported as restricted assets:

- Unspent bond proceeds, held at the County, required to be set aside for construction or other allowable bond purchases of $38,279,189

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation, with the related revenue recorded as other contributions.

Land is not subject to depreciation, road equipment is depreciated using the "sum of the years' digits" method, and all other capital asset classes are depreciated using the straight-line method over the following useful lives:

Capital Asset Class	Depreciable Life - Years
Infrastructure and improvements	5-50
Buildings and improvements	25-50
Road equipment	5-8
Other equipment	4-20
Land improvements	5-10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an other financing source, as well as bond premiums and discounts.

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports deferred outflows of resources related to the defined benefit pension plan and the retiree health care plan, which are reported only in the government-wide financial statements.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Road Commission reports a deferred inflow of resources related to unavailable revenue from special assessments, which is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The Road Commission also reports deferred inflows of resources related to the defined benefit pension plan and the retiree health care plan, which are only reported in the government-wide financial statements.

Net Position

Net position of the Road Commission is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for various uses. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Road Commission will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Road Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Road Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Road Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Board of County Road Commissioners is the highest level of decision-making authority for the Road Commission that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Road Commission for specific purposes but do not meet the criteria to be classified as committed. The Road Commission has, by resolution, authorized the finance director to assign fund balance. The Board of County Road Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Beginning in January 2014 and continued in 2022, the Road Commission set a goal to maintain a minimum fund balance of 30 - 40 percent of MTF revenue in the Road Fund. This is deemed to be the prudent amount to maintain the Road Commission's ability to meet obligations as they come due throughout the year and for emergency issues that may arise.

Pension

The Road Commission offers a defined benefit pension plan to its employees administered through the Kalamazoo County Employees' Retirement System. The Road Commission records a net pension asset for its proportionate share of the aggregate net pension asset. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Road Commission's portion of the Kalamazoo County Employees' Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs (OPEB)

The Road Commission offers retiree health care benefits to retirees. The Road Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

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. There is no liability for unpaid accumulated sick leave since the Road Commission does not have a policy to pay any amounts when employees separate from service with the Road Commission, except at retirement for nonbargaining employees. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the Road Fund only for employee terminations as of year end.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Road Commission's financial statements for the year ending December 31, 2023.

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, *Compensated Absences*, which updates the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Road Commission's financial statements for the year ending December 31, 2024.

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the Road Fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Fund	$	48,624,445
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the fund		193,325,255
Special assessment and state funding receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds		53,003
Bonds payable are not due and payable in the current period and are not reported in the funds		(56,997,717)
Accrued interest is not due and payable in the current period and is not reported in the funds		(400,470)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported in the fund:		
Employee compensated absences		(196,225)
Pension benefits		1,844,898
Retiree health care benefits		65,994
Net Position of Governmental Activities	$	186,319,183

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the Road Fund column because of the different measurements focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Fund	$	35,260,323
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capital outlay		40,071,760
Depreciation expense		(10,919,754)
Net book value of assets disposed of		(121)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available		(57,312)
Issuing debt, net of premiums and discounts, provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position		(56,997,717)
Interest expense is recognized in the government-wide statements as it accrues		(400,470)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported in the governmental fund		12,969
Change in Net Position of Governmental Activities	$	6,969,678

Note 4 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

- The managing director submits a proposed operating budget for the fiscal year to the Board of County Road Commissioners before the beginning of the fiscal year. The budget includes proposed expenditures and the means of providing them.
- A public hearing is held to obtain comments.

Note 4 - Stewardship, Compliance, and Accountability (Continued)

- Prior to the beginning of the year, the budget and appropriations are legally adopted by the Board of County Road Commissioners.
- Comparison of budget-to-actual activity is used as a management control device throughout the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented may be amended throughout the year by an official action of the Board of County Road Commissioners.

Excess of Expenditures Over Appropriations in Budgeted Funds

The law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. During the year ended December 31, 2022, the Road Commission had expenditure budget overruns, as listed in the chart below. These overruns were due to minor timing differences.

	Budget	Actual
Debt service - Interest and fiscal charges	$ 715,000	$ 1,128,565
Capital outlay - Net	22,840,000	25,176,343
Work performed for other governmental units	420,000	470,055
Total	$ 23,975,000	$ 26,774,963

Note 5 - Deposits and Investments

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

The Road Commission has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Road Commission's investments comply with all required laws and regulations.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had bank deposits of approximately $8.0 million (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Road Commission believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Deposits and Investments (Continued)

In addition, at December 31, 2022, the Road Commission had bank deposits of approximately $7,581,000 that were held by the County's treasurer on its behalf, as well as bank deposits of approximately $42,160,000 related to bond proceeds that were held by the County's treasurer on its behalf. Of this total amount of approximately $49,741,000, $250,000 was insured. The remaining amount is insured up to the $250,000 limit but is based on the combined amount of all county accounts. Therefore, the specific insured amount for the Road Commission is unknown.

Note 6 - Capital Assets

Capital asset activity of the Road Commission's governmental activities was as follows:

	Balance January 1, 2022	Additions and Depreciation	Disposals and Adjustments	Balance December 31, 2022
Capital assets not being depreciated:				
Land	$ 1,339,501	$ -	$ -	$ 1,339,501
Construction in progress	1,023,492	23,458,330	-	24,481,822
Infrastructure land	25,335,464	-	-	25,335,464
Subtotal	27,698,457	23,458,330	-	51,156,787
Capital assets being depreciated:				
Buildings and improvements	4,569,518	73,867	-	4,643,385
Land improvements	402,561	-	-	402,561
Road equipment	12,243,376	1,561,428	(223,964)	13,580,840
Other equipment	935,796	82,719	-	1,018,515
Infrastructure and improvements	219,619,429	14,895,416	(9,809,750)	224,705,095
Subtotal	237,770,680	16,613,430	(10,033,714)	244,350,396
Accumulated depreciation:				
Buildings and improvements	3,087,942	84,804	-	3,172,746
Land improvements	382,635	15,845	-	398,480
Road equipment	10,192,356	956,214	(223,843)	10,924,727
Other equipment	826,160	46,503	-	872,663
Infrastructure and improvements	86,806,674	9,816,388	(9,809,750)	86,813,312
Subtotal	101,295,767	10,919,754	(10,033,593)	102,181,928
Net capital assets being depreciated	136,474,913	5,693,676	(121)	142,168,468
Net governmental activities capital assets	$ 164,173,370	$ 29,152,006	$ (121)	$ 193,325,255

Construction Commitments

During the year ended December 31, 2022, the Road Commission was committed to services of approximately $61,400,000, of which approximately $24,200,000 was incurred prior to December 31, 2022. The majority of this commitment, approximately $32,000,000 is related to the construction of a new complex at 4400 26th Street, which has an estimated cost of $65,000,000 and is expected to be completed during the fiscal year ending December 31, 2023. The Road Commission intends to utilize the bonds described in Note 7 of approximately $57,000,000 to fund this construction, as well as assigned fund balance of $4,300,000. The Road Commission has a signed sales agreement for the current facility at 3801 E. Kigore Road, with a closing date in May 2024, and a purchase price of $3,800,000, which the Road Commission intends to utilize to fund the remaining balance of the construction. The remaining committed services, approximately $5,200,000, relate to road projects.

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2022 can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:							
2022 County of Kalamazoo Limited Tax General Obligation Bonds	4.25% - 5.00%	2023 - 2052	$ -	$55,235,000	$ -	$ 55,235,000	$ -
Bond premium			-	1,762,717	-	1,762,717	-
Total bonds payable			$ -	$56,997,717	$ -	$ 56,997,717	$ -

Debt Service Requirements to Maturity

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

	Governmental Activities		
	Other Debt		
Years Ending December 31	Principal	Interest	Total
2023	$ -	$ 2,402,819	$ 2,402,819
2024	945,000	2,379,194	3,324,194
2025	990,000	2,330,819	3,320,819
2026	1,040,000	2,280,069	3,320,069
2027	1,090,000	2,226,819	3,316,819
2028-2032	6,335,000	10,236,969	16,571,969
2033-2037	8,060,000	8,478,819	16,538,819
2038-2042	9,915,000	6,611,344	16,526,344
2043-2047	12,070,000	4,413,516	16,483,516
2048-2052	14,790,000	1,624,138	16,414,138
Total	$ 55,235,000	$ 42,984,506	$ 98,219,506

Revenue Pledged in Connection with Component Unit Debt

The Road Commission has pledged, as security for bonds issued by the County of Kalamazoo, a portion of the Road Commission's Michigan Transportation Fund revenue. The bonds, issued by the County of Kalamazoo in the amount of $55,235,000 to provide funding for the construction of a new facility, are payable through 2052. The Road Commission has committed to appropriate each year, from the Michigan Transportation Fund revenue, amounts sufficient to cover the principal and interest requirements of the debt. The County of Kalamazoo has pledged, as the sole security for the bonds, the annual appropriations from the Road Commission. Total principal and interest remaining on the debt are noted above.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Road Commission participates in the Kalamazoo County Employees' Retirement System (the "System"). The System is a single-employer defined benefit pension plan that provides retirement and disability benefits to eligible plan members and beneficiaries. The System was established by the County of Kalamazoo County Board of Commissioners and is administered by the Office of Finance of the County of Kalamazoo, Michigan. The System was moved to a single-employer defined benefit pension plan by the County in 2015. Accordingly, it is included as a pension trust fund in the County's Annual Comprehensive Financial Report. The County, the Road Commission, and Kalamazoo Community Mental Health and Substance Abuse Services (the "Authority") are participating employers of the System.

The System issues a publicly available financial report that can be obtained by writing to the System at 201 W. Kalamazoo Avenue, Kalamazoo, MI 49007 or by calling (269) 384-8111.

Benefits Provided

The System provides retirement, disability, and death benefits to the members and their beneficiaries.

Retirement benefits for Road Commission employees are calculated as a percentage of the employee's final average salary (FAS) times the employee's years of service, 2.1 percent for nonunion and 2.2 percent for Teamsters State County and Municipal Workers Local 214 (2.1 percent if hired on or after February 6, 2019). The FAS is calculated using the highest 5 consecutive years out of the last 10 years, some lump sums included. Normal retirement age is 60 with 8 or more years of service or age 55 with 25 or more years of service. For members retiring after age 60 with at least 8 years of service, the amount will be calculated using the greater of (a) the benefit based on service, FAS, and multiplier or (b) the actuarial equivalent of the benefit accrued at age 60. The maximum employer-financed portion is 75 percent of FAS.

Early retirement age is 55 with 8 or more years of service. The amount is then computed as a regular retirement but reduced by 4/10 of 1 percent (0.004) for each month of age preceding age 60.

Employees are eligible for nonduty disability benefits after 10 or more years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but with a minimum benefit of 15 percent of FAS.

Employees are eligible for death benefits after 10 or more years of service or age 60 with 8 years of service. The amount is computed as a regular retirement but actuarially reduced in accordance with a 100 percent joint and survivor election.

Benefit terms are established and amended by authority of the Board of County Road Commissioners.

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The System hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Road Commission's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2022, no contribution was required in the current year. Plan members are currently not required to contribute to the System.

Note 8 - Defined Benefit Pension Plan (Continued)

Net Pension Asset

At December 31, 2022, the Road Commission reported an asset of $646,647 for its proportionate share of the net pension asset. The System's net pension asset was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2021, which used update procedures to roll forward the estimated liability to December 31, 2022. The Road Commission followed the allocation methodology directed by the County to the actuary, and, as such, the Road Commission's proportionate share of the System's net pension asset was determined based on the Road Commission's relative percentage of the present value of the future benefits for its participants in relation to the present value of the future benefits for the System as a whole. At December 31, 2022, the Road Commission's proportion was 6.314 percent, which was an increase of 0.079 from its proportion measured as of December 31, 2021. Based on its separately issued actuarial funding valuation as of the same date, the Road Commission's overfunded accrued liability (excess assets at market value) is $4,564,580 as of December 31, 2022 and $8,843,008 as of December 31, 2021.

Pension Expense and Deferrals

For the year ended December 31, 2022, the Road Commission recognized pension expense of $472,809.

At December 31, 2022, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 194,900	$ 4,646
Changes in assumptions	21,418	-
Net difference between projected and actual earnings on pension plan investments	1,275,458	-
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	65,774	354,653
Total	$ 1,557,550	$ 359,299

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

Years Ending December 31	Amount
2023	$ (14,086)
2024	251,444
2025	294,826
2026	666,067
Total	$ 1,198,251

Actuarial Assumptions

The total pension liability in the December 31, 2021 actuarial valuation was determined using an inflation rate of 3.25 percent, assumed salary increases (including inflation) ranging from 3.25 to 6.98 percent, an investment rate of return (net of investment expenses) of 7.25 percent, and mortality rates based on the Pub-2010 amount-weighted tables with future mortality improvements projected to 2025 using scale MP-2019.

Note 8 - Defined Benefit Pension Plan (Continued)

The actuarial assumptions used in the December 31, 2021 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2018.

Discount Rate

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

Projected Cash Flows

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

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2022 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. small cap (Manager 1)	5.00 %	4.13 %
U.S. small cap (Manager 2)	10.00	4.13
International developed equity	10.00	3.43
U.S. large cap (Manager 1)	30.00	3.63
U.S. large cap (Manager 2)	5.00	3.63
Emerging markets	10.00	5.73
Domestic fixed income	25.00	2.03
Real estate (Manager 1)	2.50	3.43
Real estate (Manager 2)	2.50	3.43

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

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

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension (liability) asset	$ (1,099,494)	$ 646,647	$ 2,107,518

Note 8 - Defined Benefit Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Road Commission provides retiree medical benefits for all employees who meet eligibility requirements. The benefits are provided through the Kalamazoo County Retiree Medical Benefits Plan (the "Plan"), a single-employer plan established by the Kalamazoo County Board of Commissioners and administered by the Office of Finance of the County. The County, the Road Commission, and Kalamazoo Community Mental Health and Substance Abuse Services are participating employers of the Plan. The Plan was moved to a single-employer defined benefit other post employment benefit plan by the County in 2015. The Plan issues a publicly available financial report that can be obtained at 201 W. Kalamazoo Avenue, Kalamazoo, MI 49007 or by calling (269) 384-8111.

Benefits Provided

The Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided to nonunion members hired on or before December 31, 2012 and union members (members of the Teamsters State County and Municipal Workers Local 214 union) hired on or before December 31, 2016 who have attained age 55 with 25 years of service or age 60 with 8 years of service. Nonunion members hired on or after January 1, 2013 and union members hired on or after January 1, 2017 are not eligible for retiree health care benefits.

Benefit terms provide for annual cost of living adjustments to each employee's OPEB benefits subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in OPEB benefits of 2 percent for general employees and 3 percent for public safety employees.

Benefits are established and can be amended by the Board of County Road Commissioners.

Contributions

The County of Kalamazoo, Michigan establishes contribution rates based on an actuarially determined rate per a funding valuation. The Plan hires an independent actuary for this purpose and annually contributes the amount determined. Retirees will contribute 20 percent of the premium cost annually. Retirees pay the full cost of vision and dental coverage. The Road Commission's contractually determined contributions for the year ended December 31, 2022 were $0. Actual contributions to the Plan from the Road Commission were $70,709 for the year ended December 31, 2022.

Note 9 - Other Postemployment Benefit Plan (Continued)

Net OPEB Asset

At December 31, 2022, the Road Commission reported an asset of $323,561 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021, which used update procedures to roll forward the estimated liability to December 31, 2022. The Road Commission's proportion of the net OPEB liability was based on the Road Commission's relative percentage of the present value of the future benefits for its participants in relation to the present value of the future benefits for the Plan as a whole. At December 31, 2022, the Road Commission's proportion was (3.019) percent. At December 31, 2022, the Road Commission's proportion was (3.019) percent, which was a decrease of 3.177 percent from its proportion measured as of December 31, 2021.

OPEB Recovery and Deferrals

For the year ended December 31, 2022, the Road Commission recognized OPEB recovery of $485,778.

At December 31, 2022, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 608,947
Changes in assumptions	132,697	-
Net difference between projected and actual earnings on OPEB plan investments	218,683	-
Total	$ 351,380	$ 608,947

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

Years Ending December 31	Amount
2023	$ (403,158)
2024	(13,720)
2025	55,464
2026	103,847
Total	$ (257,567)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 3.25 percent; assumed salary increases (including inflation) ranging from 3.25 to 6.98 percent; an investment rate of return (net of investment expenses) of 7.25 percent; a health care cost trend rate of 7.50 percent decreasing to 3.50 percent; and the Pub-2010 mortality tables, amount weighted. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2021 valuation (measurement date of December 31, 2022) were based on the results of an actuarial experience study for the five-year period ended December 31, 2018.

Note 9 - Other Postemployment Benefit Plan (Continued)

Discount Rate

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

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2022 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. small cap (Manager 1)	5.00 %	4.13 %
U.S. small cap (Manager 2)	10.00	4.13
International developed equity	10.00	3.43
U.S. large cap (Manager 1)	30.00	3.63
U.S. large cap (Manager 2)	5.00	3.63
Emerging markets	10.00	5.73
Domestic fixed income	25.00	2.03
Real estate (Manager 1)	2.50	3.43
Real estate (Manager 2)	2.50	3.43

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

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

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB asset of the Road Commission	$ (127,026)	$ (323,561)	$ (493,490)

Note 9 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB asset of the Road Commission, calculated using the health care cost trend rate of 7.50 percent decreasing to 3.50 percent, as well as what the Road Commission's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB asset of the Road Commission	$ (516,970)	$ (323,561)	$ (99,849)

OPEB Plan Fiduciary Net Position

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

Note 10 - Risk Management

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission participates in the Michigan County Road Commission Self-insurance Pool (MCRCSIP) for claims relating to property loss, torts, errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

MCRCSIP operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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

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

The Road Commission offers a high-deductible health insurance plan with a Health Reimbursement Account (HRA). The HRA reimburses a certain level of medical expenses not covered by the high-deductible plan. The Road Commission is responsible for expenses up to the specified HRA plan limits.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund

Year Ended December 31, 2022

	Original Budget	Final Budget	Actual	Variance with Amended Budget
Revenue				
Michigan Transportation Funds:				
Primary Road Fund	$ 19,015,200	$ 19,015,200	$ 19,489,613	$ 474,413
Local Road Fund	6,004,800	6,004,800	6,154,614	149,814
Federal, state, and enhancement	2,975,000	3,107,000	3,355,837	248,837
Township projects	5,915,000	3,570,000	3,437,746	(132,254)
Township special assessments	58,000	58,000	57,312	(688)
Cities and other governmental	2,334,000	290,000	290,549	549
Interest - Investment earnings	20,000	63,000	71,080	8,080
Other - Other contributions and service charges	925,000	322,000	236,551	(85,449)
Total revenue	37,247,000	32,430,000	33,093,302	663,302
Expenditures				
Preservation and structural improvements:				
Primary road system	10,537,000	12,060,000	10,709,076	1,350,924
Local road system	7,440,000	4,605,000	4,186,340	418,660
Routine and preventive maintenance:				
Primary road system	5,185,500	4,608,000	4,489,822	118,178
Local road system	4,973,000	7,297,000	7,210,868	86,132
Administrative	1,674,000	1,937,000	1,901,540	35,460
Less equipment rental and other charges to other expenditures	(1,208,000)	(589,000)	(441,913)	(147,087)
Capital outlay - Net	3,986,000	22,840,000	25,176,343	(2,336,343)
Work performed for other governmental units	4,212,000	420,000	470,055	(50,055)
Debt service - Interest and fiscal charges	-	715,000	1,128,565	(413,565)
Total expenditures	36,799,500	53,893,000	54,830,696	(937,696)
Other Financing Sources - New debt issued, including bond premium	-	21,400,000	56,997,717	35,597,717
Net Change in Fund Balance	447,500	(63,000)	35,260,323	35,323,323
Fund Balance - Beginning of year	13,364,122	13,364,122	13,364,122	-
Fund Balance - End of year	**$ 13,811,622**	**$ 13,301,122**	**$ 48,624,445**	**$ 35,323,323**

See notes to required supplementary information.

Required Supplementary Information
Schedule of the Road Commission's Proportionate Share of the Net Pension Asset
Kalamazoo County Employees' Retirement System

Last Nine Fiscal Years

Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Road Commission's proportion of the net pension asset	6.31400 %	6.23500 %	6.33100 %	6.39300 %	7.14700 %	6.91000 %	7.06200 %	7.20000 %	- %
Road Commission's proportionate share of the net pension asset	$ 646,647	$ 3,957,924	$ 2,252,588	$ 2,184,684	$ 951,766	$ 3,583,731	$ 2,542,616	$ 1,875,773	$ -
Road Commission's covered payroll	$ 4,315,179	$ 3,904,965	$ 3,534,841	$ 3,299,694	$ 2,897,844	$ 2,700,098	$ 2,459,213	$ 2,137,399	$ 2,074,153
Road Commission's proportionate share of the net pension asset as a percentage of its covered payroll	14.99 %	101.36 %	63.73 %	66.21 %	32.84 %	132.73 %	103.39 %	87.76 %	- %
Plan fiduciary net position as a percentage of total pension liability	104.67 %	129.88 %	117.25 %	117.33 %	106.99 %	129.41 %	121.00 %	115.70 %	- %

*Note: GASB 68 was implemented in 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions
Kalamazoo County Employees' Retirement System

Last Ten Fiscal Years

Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution Deficiency	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Road Commission's Covered Payroll	$ 4,315,179	$ 3,904,965	$ 3,534,841	$ 3,299,694	$ 2,897,844	$ 2,700,098	$ 2,459,213	$ 2,137,399	$ 2,074,153	$ 2,222,722
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

*Historically, contributions have not been required due to the Road Commission's portion of the plan being overfunded.

See notes to required supplementary information.

Required Supplementary Information
Schedule of the Road Commission's Proportionate Share of the Net OPEB (Asset) Liability
Kalamazoo County Retiree Medical Benefits Plan

Last Six Fiscal Years

Years Ended December 31

	2022	2021	2020	2019	2018	2017
Road Commission's proportion of the net OPEB (asset) liability	(3.01857)%	0.15767 %	1.50057 %	2.43100 %	2.90300 %	3.05700 %
Road Commission's proportionate share of the net OPEB (asset) liability	$ (323,561)	$ 38,769	$ 460,822	$ 856,145	$1,207,669	$1,406,706
Road Commission's covered payroll	$1,516,499	$1,431,613	$1,415,348	$1,577,971	$1,663,500	$1,921,362
Road Commission's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(21.34)%	2.71 %	32.56 %	54.26 %	72.60 %	73.21 %
Plan fiduciary net position as a percentage of total OPEB (asset) liability	114.85 %	58.31 %	47.07 %	39.69 %	31.39 %	58.68 %

*Note: GASB 75 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to required supplementary information.

Required Supplementary Information
Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended December 31

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarially determined contribution	$ -	$ 81,548	$ 83,556	$ 123,181	$ 125,066	$ 179,423	$ 181,088	$ 182,295	$ 182,851	$ 222,630
Contributions in relation to the actuarially determined contribution	70,709	139,465	115,341	199,525	211,297	297,957	241,142	215,529	175,031	169,453
Contribution Excess (Deficiency)	**$ 70,709**	**$ 57,917**	**$ 31,785**	**$ 76,344**	**$ 86,231**	**$ 118,534**	**$ 60,054**	**$ 33,234**	**$ (7,820)**	**$ (53,177)**
Covered Payroll	$ 1,516,499	$ 1,431,613	$ 1,415,348	$ 1,577,971	$ 1,663,500	$ 1,921,362	$ 1,883,924	$ 1,702,440	$ 1,880,109	$ 2,200,685
Contributions as a Percentage of Covered Payroll	4.66 %	9.74 %	8.15 %	12.64 %	12.70 %	15.51 %	12.80 %	12.66 %	9.31 %	7.70 %

See notes to required supplementary information.

Budgetary Information

The budgetary comparison schedule for the Road Fund is presented on the same basis of accounting used in preparing the adopted budget. The following is a reconciliation of the budgetary comparison schedule to the Road Fund (statement of governmental fund revenue, expenditures, and changes in fund balance):

	Total Revenue	Total Expenditures
Amounts per operating statement	$ 32,631,570	$ 54,368,964
Specific revenue accounts budgeted for against expenditures	(8,322)	(8,322)
Project performed on behalf of another governmental unit	470,054	470,054
Amounts per budget statement	$ 33,093,302	$ 54,830,696

During the year, the Road Commission of Kalamazoo County incurred expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual	Variance
Debt service - Interest and fiscal charges	$ 715,000	$ 1,128,565	$ (413,565)
Capital outlay - Net	22,840,000	25,176,343	(2,336,343)
Work performed for other governmental units	420,000	470,055	(50,055)
Total	$ 23,975,000	$ 26,774,963	$ (2,799,963)

Pension Information

Changes in Assumptions

The 2019 assumption changes included the following: wage inflation decreased from 3.50 percent in 2018 to 3.25 percent in 2019. Mortality rates for 2019 were based on the Pub-2010 amount-weighted tables, with future mortality improvements projected to 2025 using scale MP-2019, whereas mortality rates for 2018 were based on the RP-2000 mortality combined healthy tables, projected 20 years with U.S. projection scale BB.

The 2018 assumption changes included the following: the investment rate of return decreased from 7.50 to 7.25 percent for the December 31, 2018 actuarial valuation.

The 2015 assumption changes included the following: mortality rates for 2015 were based on the RP-2000 mortality combined healthy tables, whereas mortality rates for 2014 were based on the 1994 group annuity mortality table. Salary increases for the Road Commission ranged from 3.50 to 8.20 percent in 2014 to 3.50 to 7.20 percent in 2015.

OPEB Information

Changes in Assumptions and Changes in Benefits

The 2020 assumption changes included the following: the health care cost trend rate was adjusted to 8.25 percent decreasing to 3.50 percent (down from 8.5 percent decreasing to 3.5 percent for the year ended December 31, 2019).

The 2019 assumption changes included the following: in 2018, aging factors were based on an internal GRS study using several pricing manuals from national health care consultant groups and incorporating analysis and data from a SOA survey regarding aging practices used in health care valuations. In 2019, aging factors were based on the 2013 SOA study, "Health Care Costs - From Birth to Death."

The 2018 assumption changes included the following: the investment rate of return decreased from 7.50 to 7.25 percent for the December 31, 2018 actuarial valuation.

The 2017 benefit changes included the following: the Road Commission's eligibility requirements in 2016 included members hired on or before December 31, 2012. In 2017, eligibility included nonunion members hired on or before December 31, 2012 and union members hired on or before December 31, 2016.

Other Supplementary Information

Other Supplementary Information
Analysis of Changes in Road Fund Balances

Year Ended December 31, 2022

	Primary Road	Local Road	County Road Commission	Total Road Fund
Revenue				
Michigan Transportation Fund:				
Engineering	$ 7,531	$ 2,469	$ -	$ 10,000
Snow removal	2,027	3,763	-	5,790
Urban road	3,192,063	1,004,439	-	4,196,502
Allocation	16,139,683	5,292,252	-	21,431,935
Other governmental funding:				
Federal sources	2,866,012	-	90,279	2,956,291
Other state sources - Other state aid	406,460	-	-	406,460
Township and other governmental contributions	63,081	3,228,748	459,432	3,751,261
Charges for services - Other contributions and charges for services - Construction code fees	-	-	173,875	173,875
Licenses and permits - Other licenses and permits	18,390	20,600	-	38,990
Other:				
Other	217	57,312	(6,411)	51,118
Interest earned	63,261	-	7,819	71,080
Total revenue	22,758,725	9,609,583	724,994	33,093,302
Expenditures				
Preservation and structural improvements:				
Primary road system	10,709,076	-	-	10,709,076
Local road system	-	4,186,341	-	4,186,341
Routine and preventive maintenance:				
Primary road system	4,489,822	-	-	4,489,822
Local road system	-	7,210,867	-	7,210,867
Administrative	1,086,675	814,865	-	1,901,540
Equipment - Net	196,141	404,019	61,292	661,452
Capital outlay - Net	(39,647)	-	24,112,626	24,072,979
Other	-	141,495	742,953	884,448
Debt service - Interest and fiscal charges	-	-	714,171	714,171
Total expenditures	16,442,067	12,757,587	25,631,042	54,830,696
Excess of Revenue Over (Under) Expenditures	6,316,658	(3,148,004)	(24,906,048)	(21,737,394)
Other Financing Sources - New debt issued	-	-	56,997,717	56,997,717
Optional Transfers	(3,148,004)	3,148,004	-	-
Net Change in Fund Balances	3,168,654	-	32,091,669	35,260,323
Fund Balances - Beginning of year	11,921,058	-	1,443,064	13,364,122
Fund Balances - End of year	**$ 15,089,712**	**$ -**	**$ 33,534,733**	**$ 48,624,445**

See note to other supplementary information.

Note to Other Supplementary Information

December 31, 2022

A reconciliation of the analysis of changes in Road Fund balances to the statement of governmental fund revenue, expenditures, and changes in fund balance is as follows:

	Total Revenue	Total Expenditures
Amounts per operating statement	$ 32,631,570	$ 54,368,964
Project performed on behalf of another governmental unit	470,054	470,054
Specific revenue accounts applied against expenditures	(8,322)	(8,322)
Amounts per analysis of changes in Road Fund balances	$ 33,093,302	$ 54,830,696