

TUSCOLA COUNTY ROAD COMMISSION

A Component Unit of Tuscola County
Caro, Michigan

Report on Financial Statements
(with required and additional supplementary information)
Year Ended December 31, 2023

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INDEPENDENT AUDITOR’S REPORT

Board of Commissioners
Tuscola County Road Commission
Caro, Michigan 48723

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund of the Tuscola County Road Commission, State of Michigan, a component unit of Tuscola County, Michigan, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Tuscola County Road Commission, State of Michigan’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 and the major fund of the Tuscola County Road Commission, State of Michigan, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Tuscola County Road Commission, State of Michigan, 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 Tuscola County Road Commission, State of Michigan’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 judgement 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 judgement 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 Tuscola County Road Commission, State of Michigan'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Tuscola County Road Commission, State of Michigan'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 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, 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 Tuscola County Road Commission, State of Michigan's basic financial statements. The additional supplementary information, as identified 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 18, 2024, on our consideration of the Tuscola County Road Commission, State of Michigan'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 Tuscola County Road Commission, State of Michigan'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 Tuscola County Road Commission, State of Michigan's internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

**ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN**

June 18, 2024

TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

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

Financial Highlights

- Contributions from Local Units Revenue decreased by more than \$500 thousand under last year.
- Overall revenue decreased by approximately \$152 thousand under last year.
- Expenditures decreased by more than \$1,265 thousand under last year.
- Over \$7.2 million was added to net position this year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to 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 the additional supplementary information section that presents the operating fund broken down between primary, local, and county roads. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements report information about the 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 financial statements report the Commission's net position and how they have changed. "Net Position" is the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources – this is one way to measure the Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Note that Tuscola County's government-wide financial statements are not presented herein because the Commission is a component unit of the County. The County presents their financial statements in a separately issued annual comprehensive financial report.

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 whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the year's revenues and expenses are taken into account regardless of when cash is received or paid.

TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements mentioned above, report the Road Commission's net position and the changes in them. The reader can think of the Road Commission's net position (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

Reporting the Road Commission's Major Fund

Our analysis of the Road Commission's major fund and fund financial statements begin on page 14 and provide detailed information about the major fund. The Road Commission currently has only one fund, the General Operating Fund, in which all of the Road Commission's activities are accounted. The General Operating Fund is a governmental 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.

The Road Commission as a Whole

The Road Commission's net position increased by 6.3% from \$116,515,900 to \$123,771,865 for the year ended December 31, 2023. The net position and change in net position are summarized below.

Unrestricted net position, 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 \$1,966,638. Restricted net position, those restricted mainly for Act 51 purposes, increased by \$38,732.

**TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position as of year ended December 31, 2023 and 2022 are as follows:

	2023	2022	Variance	%
Current and Other Assets	\$ 16,146,459	\$ 15,394,747	\$ 751,712	5%
Capital Assets	124,267,816	119,381,816	4,886,000	4%
Total Assets	140,414,275	134,776,563	5,637,712	4%
Deferred Outflows of Resources	977,317	1,277,545	(300,228)	-24%
Current Liabilities	2,927,351	1,780,923	1,146,428	64%
Noncurrent Liabilities	11,792,018	12,055,494	(263,476)	-2%
Total Liabilities	14,719,369	13,836,417	882,952	6%
Deferred Inflows of Resources	2,900,358	5,701,791	(2,801,433)	-49%
Net Position				
Net Investment in				
Capital Assets	123,020,415	117,769,820	5,250,595	4%
Restricted	1,835,389	1,796,657	38,732	2%
Unrestricted	(1,083,939)	(3,050,577)	1,966,638	-64%
Total Net Position	\$ 123,771,865	\$ 116,515,900	\$ 7,255,965	6%

**TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A summary of changes in net position for the years ended December 31, 2023 and 2022 follows:

	Governmental Activities 2023	Governmental Activities 2022	Variance	Variance %
Program Revenue:				
Federal Grants	\$ 570,384	\$ 1,318,213	\$ (747,829)	-57%
State Grants	11,557,235	10,663,800	893,435	8%
Contributions From Local Units	3,677,607	4,254,877	(577,270)	-14%
Charges for Services	1,175,802	1,155,424	20,378	2%
General Revenue:				
Taxes	2,829,448	2,615,554	213,894	8%
Miscellaneous	203,222	316,637	(113,415)	-36%
Licenses & Permits	75,994	58,103	17,891	31%
Salvage Sales	5,238	13,873	(8,635)	-62%
Investment Earnings	99,789	18,986	80,803	426%
Gain on Equipment Disposal	75,624	7,423	68,201	919%
TOTAL REVENUES	20,270,343	20,422,890	(152,547)	-1%
Program Expenses:				
Primary Road Maintenance	2,248,141	2,574,749	(326,608)	-13%
Local Road Maintenance	4,194,947	4,315,321	(120,374)	-3%
State Trunkline Expense	1,032,090	1,035,156	(3,066)	0%
Net Equipment Expense	145,387	45,407	99,980	220%
Administrative Expense	(1,713,359)	829,804	(2,543,163)	-306%
Non Road Related Expense	377,218	-	377,218	100%
Interest Expense	107,739	64,159	43,580	68%
Infrastructure Depreciation Expense	6,622,215	6,315,188	307,027	100%
TOTAL EXPENDITURES	13,014,378	15,179,784	(2,165,406)	-14%
Change in Net Position	\$ 7,255,965	\$ 5,243,106	\$ 2,012,859	38%

TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

The Road Commission's Fund

The Road Commission's General Operating 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, 2023, the fund balance of the General Operating Fund decreased \$646,499 as compared to an increase of \$160,756 in the fund balance for the year ended December 31, 2022. Total revenues were \$20,363,114, an increase of \$142,599 as compared to last year. Total expenses were \$21,009,613, an increase of \$949,854 as compared to last 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 Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was completed.

The final revenue budget for 2023 was less than the original budget by \$1,386,906. There was a large decrease in federal revenue received in 2023. Overall, the actual revenues were more than budgeted by \$1,068,114 mainly due from the state pension grant combined with the lease activity for the year.

Road Commission final expenditures budget for 2023 was lower than the original budget by \$1,480,235. The final budget for Primary Road Preservation and Improvements and the Local Road Preservation and Improvements was decreased. Overall the actual expenditures were more than the final budgeted amounts by \$553,713 mainly due to more local road preservation and improvements and maintenance, the state pension grant, and the lease activity.

**TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

	2023 Original <u>Budget</u>	2023 Final <u>Budget</u>
Revenues:		
Michigan Transportation Funds	\$11,000,000	\$11,000,000
State Trunkline Revenue	1,100,000	1,100,000
Federal/State Funds:		
Primary Roads	1,928,000	368,000
Primary Roads Bridges	208,103	257,000
Local Roads Bridges	390,803	-
County Raised Funds:		
Primary Road Millage	1,800,000	1,800,000
Local Road Bridge Millage	850,000	850,000
Township & Village Contributions	3,200,000	3,700,000
Other Contributions	100,000	100,000
Other Revenues:		
Permit Fees	60,000	75,000
Interest Earned	30,000	30,000
Salvage Sales	15,000	15,000
TOTAL REVENUES	<u>20,681,906</u>	<u>19,295,000</u>
Expenditures:		
Primary Roads Preservation/Improvements	6,111,910	4,669,000
Primary Roads Routine Maintenance	2,000,000	2,300,000
Local Roads Preservation/Improvements	3,900,000	4,400,000
Local Roads Routine Maintenance	3,600,000	4,000,000
Primary Structures Preservation/Improve.	1,320,000	1,500,000
Local Structures Preservation/Improve.	2,866,225	1,360,000
State Trunkline Expense	1,100,000	1,100,000
Administrative Expense	700,000	700,000
Capital Outlay (net)	238,000	(13,100)
Debt Principal Payment		275,000
Interest Expense		65,000
Sundry Billings	100,000	100,000
TOTAL EXPENDITURES	<u>21,936,135</u>	<u>20,455,900</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,254,229)</u>	<u>\$ (1,160,900)</u>

**TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Capital Assets

As of December 31, 2023, the Road Commission had \$195,194,354 invested in capital assets as follows:

	<u>2023</u>	<u>2022</u>
Capital Assets, Not Being Depreciated/Amortized:		
Construction in Progress	\$ 8,500	\$ -
Land and Land Improvements	<u>41,735,042</u>	<u>39,926,180</u>
Other Capital Assets:		
Depletable Assets	278,249	278,249
Buildings	2,422,043	2,282,084
Bridges	52,621,458	50,750,946
Roads	86,717,331	81,937,087
Signals & Guardrails	636,552	632,565
Road Equipment	10,052,659	10,224,811
Shop Equipment	222,234	222,234
Engineers Equipment	37,672	37,672
Right to Use - Road Equipment	135,743	-
Other Equipment	<u>326,871</u>	<u>327,934</u>
Total Other Capital Assets	<u>153,450,812</u>	<u>146,693,582</u>
Total Capital Assets at Historic Cost	<u>195,194,354</u>	<u>186,619,762</u>
Total Accumulated Depreciation/Amortization	<u>70,926,538</u>	<u>67,237,946</u>
Total Net Capital Assets	<u><u>\$ 124,267,816</u></u>	<u><u>\$ 119,381,816</u></u>

Current year net additions/deductions included the following:

Equipment	\$ (173,215)
Buildings	139,959
Roads	4,780,244
Bridges	1,870,512
Signs and guardrails	3,987
Depletable assets	-
Construction in progress	8,500
Right to use – road equipment	135,743
Land improvements	<u>1,808,862</u>
	<u><u>\$8,574,592</u></u>

More detailed information about the Commission's capital assets is presented in Note 6 to the Financial Statements.

TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

As of December 31, 2023, the Road Commission had \$1,316,531 of long-term obligations outstanding as follows:

	2023	2022
Direct borrowings and direct placement	\$ 1,247,401	\$ 1,611,996
Compensated absences	69,130	64,778
Total	\$ 1,316,531	\$ 1,676,774

More detailed information about the Commission's long-term debt is presented in Note 7 to the Financial Statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2024 budget. The Road Commission has budgeted additional road and bridge projects in 2024 with the additional road funding included in the Michigan Transportation Fund with the recent State Legislation.

The Board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road in Tuscola County's transportation system. Therefore, the Board attempts to spend the public's money wisely and equitably, and in the best interest of the motoring public and the citizens of Tuscola County.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of 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 Tuscola County Road Commission administrative offices at (989) 673-2128.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY ROAD COMMISSION

A Component Unit of Tuscola County

STATEMENT OF NET POSITION

DECEMBER 31, 2023

	Governmental Activities
<u>ASSETS</u>	
Current assets	
Cash	\$ 8,339,760
Due from other governments:	
State	2,136,488
Local	1,899,313
Accounts receivable	87,519
Taxes receivable	2,732,120
Inventory	674,868
Prepaid expenses	276,391
Total current assets	<u>16,146,459</u>
Noncurrent assets	
Capital assets not being depreciated/amortized	41,743,542
Capital assets, net of accumulated depreciation/amortized	82,524,274
Total noncurrent assets	<u>124,267,816</u>
TOTAL ASSETS	<u>140,414,275</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to pensions	515,510
Related to OPEB	461,807
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>977,317</u>
<u>LIABILITIES</u>	
Current liabilities	
Accounts payable	874,848
Accrued liabilities	96,351
Advance - townships	5,236
Advance - State of Michigan	327,222
Unearned revenue	1,113,268
Current portion of long-term debt	510,426
Total current liabilities	<u>2,927,351</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	69,130
Noncurrent portion of long-term debt	736,975
Net pension liability	1,375,750
Net other post employment benefit liability	9,610,163
Total noncurrent liabilities	<u>11,792,018</u>
TOTAL LIABILITIES	<u>14,719,369</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to pensions	1,152,704
Related to OPEB	1,747,654
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,900,358</u>
<u>NET POSITION</u>	
Net investment in capital assets	123,020,415
Restricted	1,835,389
Unrestricted	(1,083,939)
TOTAL NET POSITION	<u>\$ 123,771,865</u>

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023

	Governmental Activities
Program expenses:	
Primary road	\$ 2,248,141
Local road	4,194,947
State trunkline	1,032,090
Administrative - net	(1,713,359)
Equipment - net	145,387
Non road related expense	377,218
Interest expense	107,739
Infrastructure depreciation	6,622,215
Total program expenses	13,014,378
Program revenues:	
Charges for services	1,257,034
Operating grants and contributions	5,734,542
Capital grants and contributions	10,070,684
Total program revenues	17,062,260
Net program revenues	4,047,882
General revenues	
Property taxes	2,829,448
Investment gain/(loss)	99,789
Gain/(loss) on sale of capital assets	75,624
Other	203,222
Total general revenues	3,208,083
Change in net position	7,255,965
Net position, beginning of year	116,515,900
Net position, end of year	\$ 123,771,865

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2023

	<u>General Operating Fund</u>
<u>ASSETS</u>	
Cash	\$ 8,339,760
Due from other governments:	
State	2,136,488
Local	1,899,313
Accounts receivable	87,519
Taxes receivable	2,732,120
Inventory	674,868
Prepaid expenditures	276,391
	16,146,459
TOTAL ASSETS	\$ 16,146,459
<u>LIABILITIES</u>	
Accounts payable	\$ 874,848
Accrued liabilities	96,351
Advance - townships	5,236
Advance - State of Michigan	327,222
Unearned revenue	1,113,268
	2,416,925
TOTAL LIABILITIES	2,416,925
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Unavailable revenue - property taxes	2,732,120
Unavailable revenue - other	364,538
	3,096,658
TOTAL DEFERRED INFLOWS OF RESOURCES	3,096,658
<u>FUND BALANCE</u>	
Nonspendable:	
Inventory	674,868
Prepaid expenditures	276,391
Restricted for construction	1,835,389
Assigned for subsequent expenditures	2,844,127
Unassigned	5,002,101
	10,632,876
TOTAL FUND BALANCE	10,632,876
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 16,146,459

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED DECEMBER 31, 2023

Total Fund Balance - Governmental Fund \$ 10,632,876

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 as assets in the governmental fund:

Cost of capital assets	195,194,354
Accumulated depreciation/amortization	(70,926,538)

Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements.

These amounts consist of:

Deferred outflows of resources related to pensions	515,510
Deferred inflows of resources related to pensions	(1,152,704)
Deferred outflows of resources related to OPEB	461,807
Deferred inflows of resources related to OPEB	(1,747,654)
Deferred inflows of resources related to unavailable revenue	3,096,658

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities at year-end consist of:

Direct borrowings and direct placement	(1,247,401)
Compensated absences	(69,130)
Net pension liability	(1,375,750)
Net OPEB liability	(9,610,163)
	<u>3,096,658</u>

Net Position of Governmental Activities **\$ 123,771,865**

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

	General Operating Fund
<u>Revenues</u>	
Taxes	\$ 2,731,152
Intergovernmental -	
Federal sources	570,384
State sources	11,557,235
Local sources	3,677,607
Charges for services	1,045,118
Interest	99,789
Licenses & permits	75,994
Gain (loss) equipment disposal	266,870
Proceeds from leases	135,743
Other	203,222
	20,363,114
Total revenues	20,363,114
 <u>Expenditures</u>	
Primary preservation - structural improvements	5,965,708
Local preservation - structural improvements	5,917,826
Primary maintenance	2,248,141
Local maintenance	4,194,947
State maintenance	1,032,090
Administrative expense	697,180
Equipment expense - net	(196,495)
Capital outlay - net	164,921
Non road related expense	377,218
Debt service	608,077
	21,009,613
Total expenditures	21,009,613
 Net change in fund balance	(646,499)
 Fund balance, beginning of year	11,279,375
	11,279,375
Fund balance, end of year	\$ 10,632,876
	\$ 10,632,876

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net Change in Fund Balance - Governmental Fund \$ (646,499)

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets are allocated over their estimated useful lives as depreciation/amortization expense. In the current period, these amounts are

Capital outlay	12,535,346
Depreciation/amortization expense	(7,458,100)

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed.

(191,246)

Borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payments on notes from direct borrowings and direct placement	500,338
Proceeds from leases	(135,743)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental fund. These activities consist of:

Increase in deferred inflows of resources related to unavailable revenue	234,218
(Increase) in compensated absences	(4,352)
Increase in deferred outflows of resources related to pension	91,891
Decrease in deferred inflows of resources related to pensions	537,503
(Decrease) in deferred outflows of resources related to OPEB	(392,119)
Decrease in deferred inflows of resources related to OPEB	2,263,930
Decrease in net pension liability	406,037
(Increase) in net OPEB liability	(485,239)
	(485,239)

Change in Net Position of Governmental Activities \$ 7,255,965

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The accounting policies of the Tuscola County Road Commission (the "Commission") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

REPORTING ENTITY:

The Tuscola County Road Commission is a discretely presented component unit of the County of Tuscola, Michigan. The Road Commission was established pursuant to the county road law (MCL 224.1) and is governed by a five member Board of County Road Commissioners (Road Commission Board) appointed by the County Board of Commissioners.

The Road Commission is a component unit of the County of Tuscola, Michigan, (County) because the County is a direct beneficiary of the services provided and is financially accountable for the Road Commission. The County's financial statements present the Tuscola County Road Commission, a discretely presented component unit of Tuscola County, and include the Road Commission's General Operating Fund. A copy of the County's audited financial statements may be obtained at the County Courthouse in Caro, Michigan.

The Road Commission General 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 Road Commission Board has responsibility for the administration of the Road Commission's General Operating Fund.

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations. This financial report has been prepared to meet this State requirement.

BASIS OF PRESENTATION:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities (the government-wide financial statements) present information for the Commission as a whole.

The Statement of Activities presents the direct functional expenses of the Commission and the program revenues that support them. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and shows how governmental functions are either self-financing or supported by the general revenues of the Commission.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Commission's funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Commission's individual major fund.

The *Major Fund* of the Commission is:

The *General Operating Fund* is used to account for all financial resources of the Commission, which are restricted to expenditures for specified county road related purposes.

MEASUREMENT FOCUS:

Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included in the balance sheet. Operating statements of this fund presents increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

BASIS OF ACCOUNTING:

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of account relates to the timing of the measurements made, regardless of the measurement focus applied.

The governmental fund is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used as “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues, which are considered measurable but not available, are recorded as a receivable and unavailable revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

If/when both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGETARY INFORMATION:

Budgetary Basis of Accounting:

Budgetary procedures are established pursuant to Act 621, PA 1978, as amended, (MCL 141.421) which requires the County Board of Road Commissioners to approve a budget for the County Road Fund.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Road Commission does not utilize encumbrance accounting.

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or prior to December 31 of each year, a proposed budget is submitted to the County Board of Road Commissioners for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the County Board of Road Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the Operating Fund.
6. The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the County Board of Road Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were amended.
7. P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. Violations, if any, are reported in the required supplementary information.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. CASH AND INVESTMENTS

Cash consists of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisitions.

Investments consist of OPEB fund securities, mutual funds, and other publicly traded funds. Investments are recorded at acquisition value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Commission. All Commission receipts are deposited with the Tuscola County Treasurer's Office, and in order to make disbursements, the Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made of the County Treasurer. Some of the accounts of the Commission are held with the County Treasurer in separate accounts in the Commission's name.

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

2. ACCOUNTS RECEIVABLE

Accounts receivable are primarily amounts due from other units of government. The Road Commission has not recorded a provision for doubtful accounts receivable since it is the opinion of management that those receivables are collectible in full.

3. INVENTORIES

Inventory of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventory is stated at average cost.

4. PREPAID EXPENSES

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

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

5. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, right to use – road equipment, and infrastructure assets (roads, bridges and similar items), are reported in the government-wide statements (statement of net position and statement of changes in net position). Capital assets are defined by the Tuscola County Road Commission as assets with an initial cost of \$1,000 or more 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 cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (general operating fund balance sheet and statement of general operating fund revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements.

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

Land and construction in progress, if any, are not depreciated. Right to use assets are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The other capital assets are depreciated over the estimated useful lives (ranging from five to fifty years) of the assets, using the sum-of-the-years-digits method for road equipment and the straight-line method for all other capital assets and infrastructure as follows:

Buildings & Improvements	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
Right to use – Road Equipment	5 to 8 years

Depletion is computed by allocating the purchase or process costs over the total resource available and charging depletion for the units extracted and used during the year.

6. ADVANCES FROM THE STATE OF MICHIGAN

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

7. UNEARNED REVENUES

Governmental funds report unearned revenue for amounts received during the year but not yet earned. The Commission reports grant and other contributions as unearned revenue.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

8. NET PENSION LIABILITY

The Commission offers two defined benefit pension plans to its employees.

Municipal Employees Retirement System of Michigan - 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.

Pension Plan for Employees of Tuscola County Road Commission - 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 Pension Plan for Employees of Tuscola County Road Commission and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Tuscola County Road Commission. 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.

9. NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

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 Plan and additions to/deductions from the Commission's fiduciary net position have been determined on the same basis as they are reported for the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value.

10. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission has two items that qualifies for reporting in this category. They are pension and OPEB related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension/OPEB related items which represent a consumption of future resources. These amounts are expensed in the year in which they apply.

In addition to liabilities, the statement of net position 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 Road Commission has four items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: local contributions and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other two items are future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

11. NET POSITION FLOW ASSUMPTION

Sometimes the Road Commission will 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.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

12. FUND BALANCE CLASSIFICATIONS

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five classifications of fund balance under this standard:

Nonspendable – assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted – amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations, or enabling legislation.

Committed – amounts constrained on use imposed by formal action of the government's highest level of decision-making authority i.e., Board, Council, etc.).

Assigned – amounts intended to be used for a specific purpose. This is determined by the governing body, the budget, or finance committee or a delegated municipality official.

Unassigned – all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

13. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

For committed fund balance, the Commission's highest level of decision-making authority is the Board of County Road Commissioners. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is Board resolution.

For assigned fund balance, the Board has not approved a policy indicating who is authorized to assign amounts for a specific purpose. As a result, this authority is retained by the Board.

It is the Road Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

14. LEASES

Lessee: The Commission is a lessee for a noncancelable lease of road equipment. The Commission recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease period or its estimated useful life.

Key estimates and judgements related to leases include how the Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Commission generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Commission is reasonably certain to exercise.

The Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

REVENUES AND EXPENDITURES/EXPENSES:

1. PROGRAM REVENUES

Amounts reported as 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.

2. PROPERTY TAXES

The Road Commission portion of the County property tax is levied each December 1, on the taxable value of property located in the County as of the preceding December 31. Assessed values are established annually by the County and are equalized by the State at 50% of approximated current market value.

In the government-wide financial statements, the property taxes receivable is recorded as revenue when the tax is levied in the current year.

For the governmental fund financial statements, it is the Road Commission's policy to recognize revenues from the current tax levy in the subsequent year, as the levy is received. The Road Commission's property tax rates for the 2023 levy were .4807 mills for voted bridges and .9657 mills for voted Primary Roads.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

3. COMPENSATED ABSENCES (SICK & VACATION BENEFITS)

It is the Road Commission's policy to allow employees to accumulate earned but unused sick and vacation pay benefits. Hourly Union Employees may accumulate up to 160 hours of paid vacation after which credits are discontinued until the paid vacation accumulation is reduced. A Union Employee must work ninety (90) or more hours to accumulate vacation time. Salaried Employees and Working Foremen earn vacation days annually based on years of service with the Road Commission. These employees may carry over from year to year a maximum of ten (10) unused vacation days. For all employee classifications, accumulated and unused vacation credits will be paid out upon separation of employment.

In accordance with the Labor Agreement between the Board of Tuscola County Road Commissioners and the Tuscola County Road Commission Hourly Employees Association, a sickness and accident insurance program funded through a third-party insurance carrier has been established. The program provides a weekly benefit equal to 70% of the employee's regular weekly earnings, with a maximum weekly benefit of \$500 per week, for a maximum period of fifty-two (52) weeks. The Road Commission also provides a short-term (STD) and long-term (LTD) disability plan for Salaried Employees. To be eligible for this plan, the employee must work for the Road Commission for one (1) year. The STD benefit is equal to 70% of the employee's regular wages, with a maximum weekly benefit of \$1,000 per week, from day fifteen (15) through twenty-four (24) weeks. The LTD benefit is equal to 60% of the employee's regular wages, with a maximum monthly benefit of \$3,500 per month, from day one hundred and eighty (180) to age 65.

The General Operating Fund recognizes the expenditure when the obligations come due for payment; the statement of net position and statement of activities recognize the expense at the time the hours are earned by the employees.

4. EQUIPMENT RENTAL

The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is deducted from equipment expenditures for the Statement of Revenues, Expenditures, and Changes in Fund Balance.

5. TAX ABATEMENTS

The Commission's tax revenues have been reduced by tax abatements throughout the County. Management has determined these amounts to be immaterial to the financial statements.

6. USE OF ESTIMATES

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – DEPOSITS AND INVESTMENTS:

As of December 31, 2023 the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. As of December 31, 2023, \$229,839 of the Commission's bank balance of \$479,839 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission's deposits had a carrying amount of \$75 as of December 31, 2023.

Amounts reported on the balance sheet include \$8,339,685 on deposit with the Tuscola County Treasurer. As a result, the insured and uninsured portions related to these amounts cannot be determined.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Custodial Credit Risk – Investments. For an investment, this is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of another side party. The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Commission will do business. As of December 31, 2023, the County Treasurer, on behalf of the Road Commission, had no investments.

Interest Rate Risk. In accordance with its investment policy, the Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in the market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Commission's cash requirements.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of December 31, 2023, the Commission did not hold any investments that would be subject to rating.

Concentration of Credit Risk. The Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk. The Commission is not authorized to invest in investments which have this type of risk.

Fair value measurement. The Road Commission is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Road Commission own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Road Commission does not have any investments subject to the fair value measurement.

The deposits and investments referred to above have been reported in either the cash or investment captions on the financial statements based upon criteria disclosed in Note 1.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

The following summarizes the categorization of these amounts as of December 31, 2023:

	<u>Primary Government</u>
Cash	\$ 75
Deposits with fiscal agent	<u>8,339,685</u>
Total	<u><u>\$ 8,339,760</u></u>

NOTE 3 – ACCOUNTS RECEIVABLE:

Accounts receivable consists of the following:

	<u>December 31, 2023</u>
Due from state	\$2,136,488
Due on county road agreements	1,899,313
Sundry accounts	<u>87,519</u>
TOTAL	<u><u>\$4,123,320</u></u>

The receivables consist primarily of charges to other agencies for services and materials provided by the Road Commission.

NOTE 4 – ACCRUED CONSTRUCTION:

Prepaid construction represents progress payments made by the Road Commission to the State Highway Department on various road projects not completed at December 31, 2023. These amounts will be either refunded or charged to expense as the projects are completed.

NOTE 5 - ADVANCES - STATE OF MICHIGAN:

The balance of this account consists of the following:

	<u>December 31, 2023</u>
Non-interest bearing notes for the purchase of equipment to maintain State trunklines. The loan does not have to be repaid as long as a maintenance contract exists.	<u>\$327,222</u>

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NOTE 6 - CHANGES IN CAPITAL ASSETS:

A summary of changes in the recorded capital assets follows:

Governmental Activities	BALANCE JANUARY 1, 2023	ADDITIONS & ADJUSTMENTS	DISPOSALS & ADJUSTMENTS	BALANCE DECEMBER 31, 2023
Capital assets, not being depreciated/amortized:				
Construction in progress	\$ -	\$ 8,500	\$ -	\$ 8,500
Land & right of ways	294,218	-	-	294,218
Land improvements	39,631,962	1,808,862	-	41,440,824
Total capital assets, not being depreciated/amortized	39,926,180	1,817,362	-	41,743,542
Capital assets, being depreciated/amortized:				
Buildings	2,282,084	139,959	-	2,422,043
Bridges	50,750,946	1,870,512	-	52,621,458
Roads	81,937,087	8,200,172	3,419,928	86,717,331
Signals & guardrails	632,565	3,987	-	636,552
Equipment - roads	10,224,811	367,611	539,763	10,052,659
Equipment - shop	222,234	-	-	222,234
Equipment - heating	148,354	-	1,063	147,291
Equipment - office	154,763	-	-	154,763
Equipment - engineer	37,672	-	-	37,672
Right to use - road equipment	-	135,743	-	135,743
Depletable assets	278,249	-	-	278,249
Weighmaster equipment	24,817	-	-	24,817
	146,693,582	10,717,984	3,960,754	153,450,812
Less - accumulated depreciation/amortization:				
Buildings	1,795,490	39,266	-	1,834,756
Bridges	20,408,375	1,087,359	-	21,495,734
Roads	36,168,368	5,516,831	3,419,928	38,265,271
Signals & guardrails	525,751	18,025	-	543,776
Equipment - roads	7,824,022	753,566	348,517	8,229,071
Equipment - shop	162,253	13,171	-	175,424
Equipment - heating	109,843	2,327	1,063	111,107
Equipment - office	140,172	3,647	-	143,819
Equipment - engineers	33,543	985	-	34,528
Right to use - road equipment	-	22,624	-	22,624
Depletable assets	47,271	3	-	47,274
Weighmaster equipment	22,858	296	-	23,154
	67,237,946	7,458,100	3,769,508	70,926,538
Total Capital assets, being depreciated/amortized:	79,455,636	3,259,884	191,246	82,524,274
Governmental activities				
Capital assets, net	\$ 119,381,816	\$ 5,077,246	\$ 191,246	\$ 124,267,816

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Total depreciation expense for the year ended December 31, 2023 was \$7,458,100, and was charged to the following activities:

Net equipment expense	
Direct equipment	\$ 776,191
Indirect equipment	52,579
Net administrative expense	7,112
Net depletion expense	3
Infrastructure	<u>6,622,215</u>
	<u><u>\$7,458,100</u></u>

NOTE 7 – LONG-TERM OBLIGATIONS:

The following is a summary of changes in long-term obligations (including current portions) of the Road Commission for the year ended December 31, 2023:

	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023	Amounts Due Within One Year
Direct borrowings and direct placement:					
2018 CAT Grader 1230	\$ 146,754	\$ -	\$ (146,754)	\$ -	\$ -
2018 CAT Grader 1231	146,754	-	(146,754)	-	-
2019 CAT Loader 1076	112,589	-	(20,002)	92,587	92,587
2019 CAT Loader 1232	112,589	-	(20,002)	92,587	92,587
2019 CAT Grader 0591	172,477	-	(28,483)	143,994	143,994
2020 CAT Grader 109	185,145	-	(30,997)	154,148	31,908
2020 CAT Grader 110	183,922	-	(18,133)	165,789	31,773
2020 CAT Grader 111	183,922	-	(18,133)	165,789	31,773
2020 CAT Grader 112	183,922	-	(18,133)	165,789	31,773
2020 CAT Grader 113	183,922	-	(18,133)	165,789	31,773
2023 CAT Loader 2818	-	135,743	(34,814)	100,929	22,258
Total direct borrowings and direct placement	<u>1,611,996</u>	<u>135,743</u>	<u>(500,338)</u>	<u>1,247,401</u>	<u>510,426</u>
Compensated absences	<u>64,778</u>	<u>4,352</u>	<u>-</u>	<u>69,130</u>	<u>-</u>
Total	<u><u>\$ 1,676,774</u></u>	<u><u>\$ 140,095</u></u>	<u><u>\$ (500,338)</u></u>	<u><u>\$ 1,316,531</u></u>	<u><u>\$ 510,426</u></u>

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Significant details regarding outstanding long-term obligations (including current portions) are presented below:

Notes from direct borrowings and direct placement:

Finance purchase agreements:

The Commission purchased a 2019 CAT wheel loader under an installment purchase agreement, dated July 16, 2019, at a cost of \$219,320. The purchase agreement requires 60 consecutive monthly payments through August 9, 2024, which includes financing costs at a rate of 4.15%. \$ 92,587

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The Commission purchased a 2019 CAT motor grader under an installment purchase agreement, dated December 6, 2019, at a cost of \$296,017. The purchase agreement requires 60 consecutive monthly payments through December 27, 2024, which includes financing costs at a rate of 4.14%. 143,994

The Commission purchased a 2020 CAT motor grader under an installment purchase agreement, dated May 12, 2020, at a cost of \$294,509. The purchase agreement requires 60 consecutive monthly payments through June 9, 2025, which includes financing costs at a rate of 3.35%. 154,148

The Commission purchased a 2020 CAT motor grader under an installment purchase agreement, dated May 12, 2020, at a cost of \$301,428. The purchase agreement requires 60 consecutive monthly payments through September 16, 2025, which includes financing costs at a rate of 3.17%. 165,789

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Significant details regarding outstanding long-term obligations (including current portions) continued:

Leases:

The Commission purchased a 2023 CAT wheel loader under an installment purchase agreement, dated March 9, 2023 at a cost of \$135,743. The lease purchase agreement requires 60 consecutive monthly payments through March 16, 2028, which includes lease financing costs at a rate of 6.99%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

	100,929
Total direct borrowings and direct placement	1,247,401
Compensated absences	69,130
Total general long-term obligations	\$1,316,531

The Commission's outstanding notes from direct borrowings and direct placement related to governmental activities of \$1,247,401 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to pay long-term debt principal and interest outstanding for the following debts at December 31, 2023, are as follows:

Year Ending December 31,	Direct Borrowings and Direct Placement		Compensated Absences	Total
	Principal	Interest		
2024	\$ 510,426	\$ 45,123	-	\$ 555,549
2025	682,168	22,182	-	704,350
2026	25,587	7,793	-	33,380
2027	26,846	6,535	-	33,381
2028	2,374	408	-	2,782
	1,247,401	82,041	-	1,329,442
Compensated absences	-	-	69,130	69,130
Total	\$ 1,247,401	\$ 82,041	\$ 69,130	\$ 1,398,572

Interest expense for the year ended December 31, 2023 was approximately \$107,739.

Compensated absences – In accordance with the Road Commission's personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for used vacation under formulas and conditions specified in their respective personnel policies and/or contracts.

Accumulated vacation represents a liability to the Road Commission, which is presented as a long-term liability. For the year ended December 31, 2023, the liability reported in the government-wide financial statements was \$69,130.

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NOTE 8 - DEFERRED COMPENSATION PLAN:

The Road Commission offers elected officials a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were 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 for 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 32, plan balances and activities are not reflected in the Tuscola County Road Commission's financial statements.

NOTE 9 - DEPLETION EXPENSES:

Depletion expense amounted to \$3 for the year ended December 31, 2023. Depletion was computed at a rate of twenty cents per ton of gravel removed from various county gravel pits.

NOTE 10 - RESTRICTED FUND BALANCE:

Fund balance is restricted in the amount of \$1,835,389 for the year ended December 31, 2023. This represents the amount of bridge/road levy assets on hand at year-end. These assets must be used for the purpose of improvements to primary county roads and local road bridges.

NOTE 11 – EMPLOYEE PENSION PLANS:

Municipal Employees Retirement System of Michigan

Plan Description. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

	2022 Valuation		
	Salaried Employees Closed Division	Work Foremen Closed Division	New Hires Open Division
	2.00% Multiplier (no max)	1.30% Multiplier (no max)	1.00% Multiplier (no max)
Benefit multiplier:			
Normal retirement age:	60	60	60
Vesting:	10 years	10 years	6 years
Early retirement (unreduced):	55/20	-	-
Early retirement (reduced)	50/25 55/15	50/25 55/15	-
Final average compensation:	3 years	5 years	3 years
Employee contributions:	5.43%	5.00%	0.00%
Act 88:	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)

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

Inactive employees or beneficiaries currently receiving benefits	26
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>22</u>
	<u>52</u>

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

For the open division, the employer contribution rate was 6.11%. For the closed divisions, the employer was required to contribute approximately \$120,000.

Net Pension Liability. The employer’s Net Pension Liability was measured as of December 31, 2023, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2022.

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

Inflation: 2.5%

Salary Increases: 3.0% in the long-term

Investment rate of return: 7.0%, net of investment 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 3.0% - 4.0%.

The mortality table used were based on a version of Pub-2010 and full generation MP-2019.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money-weighted Rate of Return
Global equity	60.0%	4.20%	2.70%
Global fixed income	20.0%	0.90%	0.40%
Private investments	20.0%	1.90%	1.40%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Assumed investment rate of return			7.00%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount rate. The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than 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 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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 12/31/22	\$ 7,142,528	\$ 5,958,035	\$ 1,184,493
Changes for the year:			
Service cost	92,715		92,715
Interest on total pension liability	503,324		503,324
Difference between expected and actual experience	86,128		86,128
Employer contributions		425,757	(425,757)
Employee contributions		26,639	(26,639)
Net investment income		647,870	(647,870)
Benefit payments, including employee refunds	(492,961)	(492,961)	-
Administrative expense		(13,767)	13,767
Other changes	(5,568)		(5,568)
Net changes	<u>183,638</u>	<u>593,538</u>	<u>(409,900)</u>
Balances at 12/31/23	<u>\$ 7,326,166</u>	<u>\$ 6,551,573</u>	<u>\$ 774,593</u>

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

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Net Pension Liability	\$ 1,482,297	\$774,593	\$167,983

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2023, the Road Commission recognized pension benefit of \$181,007. The Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 57,418	\$ 510
Changes of assumptions	72,632	-
Net difference between projected and actual earnings on pension plan investments	174,305	892,029
	\$ 304,355	\$ 892,539

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

Year ended December 31,	Amount
2024	\$ (208,330)
2025	(233,224)
2026	(190,207)
2027	43,577
	\$ (588,184)

Changes in assumptions. There were no changes of assumptions during the plan year.

Changes in benefits. There were no changes of benefit terms during the plan year.

Pension Plan for Employees of Tuscola County Road Commission

Plan Description. The Road Commission administers the Pension Plan for Employees of Tuscola County Road Commission - a single-employer defined benefit pension plan that provides pension for participants as defined by the plan document. Management of the plan is the responsibility of the Road Commission. The Pension Plan issues a publicly available financial report that includes financial statements and required supplementary information and that report may be obtained by writing to the Tuscola County Road Commission, 1733 Mertz Road, Caro, MI 48723.

Benefits Provided. For active participants in the plan: \$7.35 multiplied by years of benefit service.

Employees covered by benefit terms. At the April 1, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	7
Active employees	18
	25

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Contributions. The Pension Plan for Employees of Tuscola County Road Commission was established and is being funded under the authority of Tuscola County Road Commission. The plan's funding policy is that employees will contribute a fixed hourly rate specified in the plan document, and the employer will contribute any remaining required amounts as determined by an annual actuarial valuation. The current rate of employee contribution is \$0.03 for each straight time hour worked during each month. The plan also calls for Tuscola County Road Commission to contribute amounts sufficient to fund the plan in accordance with minimum funding standards of the Internal Revenue Code. There are no long term contracts for contributions to the plan. The plan has no legally required reserves.

Net Pension Liability. The net pension liability was valued and measured as of April 1, 2023.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of March 31, 2023 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Investment rate of return	3.25%

The mortality tables used were the Pub 2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with modified MP-2020 improvement factors.

The long-term expected rate of return on retirement 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of March 31, 2023 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income general investment contract	100.0%	3.25%

The long-term expected rate of return is 3.25%.

Discount rate. The discount rate used to measure the total pension liability was 4.09%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Last year's discount rate was 3.46%.

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 3/31/22	\$ 615,166	\$ 17,872	\$ 597,294
Changes for the year:			
Service cost	12,282		12,282
Interest on total pension liability	21,416		21,416
Experience (gains)/losses	26,328		26,328
Change in actuarial assumptions	(53,199)		(53,199)
Employer contributions	-	3,903	(3,903)
Employee contributions	-	1,171	(1,171)
Net investment income	-	(1,310)	1,310
Benefit payments, including employee refunds	(16,999)	(16,999)	-
Administrative expense		(800)	800
Net changes	(10,172)	(14,035)	3,863
Balances at 3/31/23	\$ 604,994	\$ 3,837	\$ 601,157

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the net pension liability (NPL) of the Road Commission, calculated using the discount rate of 4.09%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point higher (5.09%) or lower (3.09%) than the current rate:

	<u>1% Lower (3.09%)</u>	<u>Discount Rate (4.09%)</u>	<u>1% Higher (5.09%)</u>
Net Pension Liability	\$690,480	\$601,157	\$526,889

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the plan year ended March 31, 2023 the Road Commission recognized pension expense of \$11,038. The Road Commission reported deferred outflows and inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to valuation date*	\$ 3,212	\$ -
Differences between expected and actual experience	20,662	101,642
Changes of assumptions	185,665	158,523
Net difference between projected and actual earnings on pension plan investments	1,616	-
	\$ 211,155	\$ 260,165

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ended December 31, 2024.

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Other amounts reported as deferred outflows and inflows or resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	Amount
2024	\$ (18,766)
2025	(19,801)
2026	(18,622)
2027	6,142
2028	2,037
	\$ (49,010)

Changes in assumptions. There were no changes of assumptions during the plan year.

Changes in benefits. There were no changes of benefit terms during the plan year.

At December 31, 2023, the above described pension amounts were reported in the Road Commission's governmental activities as follows:

	Net pension liability	Deferred outflows of resources-related to pensions	Deferred inflows of resources-related to pensions
MERS	\$ 774,593	\$ 304,355	\$ 892,539
Mass Mutual	601,157	211,155	260,165
Total	\$ 1,375,750	\$ 515,510	\$ 1,152,704

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS:

Plan Description: In addition to the pension benefits described in Note 11, the Road Commission provides certain post-employment health care benefits (OPEB) to all employees who retire from the Road Commission with 85 points (years of service plus employee age). Those employees who were hired prior to September 16, 2003 and have accumulated the 85 points receive the health insurance for life. Those hired after September 16, 2003 with the same 85 points will receive health insurance for only 3 years after retirement. The Road Commission administers the OPEB plan through a single-employer defined benefit healthcare plan. Plan benefit provisions were established and may be amended under the authority of Board of County Road Commissioners. The Road Commission makes contributions to the extent possible but has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The Road Commission has no legally required reserves that must be maintained. The Road Commission reserves the right to modify to terminate other post-employment benefits. The commission does not issue separate stand-alone financial statements for the plan.

Plan Membership: Membership in the plan at December 31, 2023 is as follows:

Retirees and beneficiaries	35
Active plan members	26
Total membership	61

Benefits Provided: The Road Commission provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personal policies.

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Contributions: The Tuscola County Road Commission Employee OPEB Plan was established and is being funded under the authority of the Board of County Road Commissioners and under agreements with the unions representing various classes of employees. The plan's funding policy is that the employer will fund the plan on a pay-as-you-go basis. That is, benefit payments will be made from general operating funds. There are no long term contracts for contributions to the plan. The plan has no legally required reserves. For the year ended December 31, 2023, the Road Commission expended \$418,485 for actual current premiums.

The County Road Commission's OPEB liability was measured as of December 31, 2023.

Actuarial Assumptions: The assumptions used in the December 31, 2022 valuation were determined by the Commission's management as of December 31, 2023. The assumptions are as follows:

Inflation: not applicable

Salary increases: 3.00%

Investment rate of return: N/A; plan is not pre-funded

20-year AA Municipal bond rate: 4.00%

Mortality: Public General 2010 Employee and Healthy Retiree, Headcount weighted with improvement scale MP-2021.

As this plan is not pre-funded, no long-term expected rate of return on Plan investments was determined.

Discount Rate: The discount rate used to measure the total OPEB liability was 4.00%. Because the Plan does not have a dedicated OPEB trust, there are no assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets (not applicable for this plan), 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"), 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. The discount rate is used to determine the total OPEB liability. As of December 31, 2022 the discount rate used to value OPEB liabilities was 4.31%.

Change in Net OPEB Liability: The change in the net OPEB liability for the year ended December 31, 2023, is as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a - b)
Balance at December 31, 2022	\$ 9,124,924	\$ -	\$ 9,124,924
Changes during the year:			
Service cost	62,935		62,935
Interest	386,978		386,978
Experience (Gains)/Losses	13,576		13,576
Change in actuarial assumptions	440,235		440,235
Contributions/benefit paid from general operating funds		418,485	(418,485)
Benefit payments	(418,485)	(418,485)	-
Total Changes	485,239	-	485,239
Balance at December 31, 2023	\$ 9,610,163	\$ -	\$ 9,610,163

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Sensitivity to the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the Road Commission, calculated using the discount rate of 4.00%, as well as what the Road Commission's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.00%) or 1% higher (5.00%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 10,906,641	\$ 9,610,163	\$ 8,542,633

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the Road Commission, calculated using the healthcare cost trend rate, as well as what the Road Commission's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	\$ 8,382,136	\$ 9,610,163	\$ 11,101,112

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2023, the Road Commission recognized OPEB benefit of \$968,087. At December 31, 2023, 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
Experience (Gains)/Losses	\$ 16,934	\$ 334,597
Changes in assumptions	444,873	1,413,057
Total	\$ 461,807	\$ 1,747,654

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

Year Ending December 31,	OPEB Expense
2024	\$ (698,703)
2025	(659,601)
2026	72,457
	\$ (1,285,847)

NOTE 13 – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:

In the normal course of its operations, the Tuscola County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

Also, the Commission participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 14 – RISK MANAGEMENT:

The Road Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to the property, general liability, trunkline, excess liability, auto liability, errors and omissions, physical damage, and storage and tank systems. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the even the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

The Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

NOTE 15 – FEDERAL FINANCIAL ASSISTANCE:

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, 2023, the Federal aid received and expended by the Commission was \$570,384 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Commission would be subject to single audit requirements if it expends \$750,000 or more for negotiated projects.

NOTE 16 – TAX ABATEMENTS:

For the year ended December 31, 2023 the Road Commission is required to disclose significant tax abatements as required by GASB 77 (Tax abatements).

The Road Commission receives reduced property tax revenues as a result of Industrial Facilities Tax exceptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

Municipality	Taxes Abated
Akron Township	\$ 255
Elkland Township	2,470
Elmwood Township	389
Fairgrove Township	666
Gilford Township	1,570
Millington Township	522
City of Caro	45
City of Vassar	466
	466
Total	\$ 6,383

There are no significant abatements made by the Road Commission.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County, Michigan
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended December 31, 2023, the Commission implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

Summary:

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Commission's financial statement after the adoption of GASB Statement 96.

NOTE 18 – UPCOMING ACCOUNTING PRONOUNCEMENT:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government 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. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2023

	ROAD FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Property taxes	\$ 2,650,000	\$ 2,650,000	\$ 2,731,152	\$ 81,152
Interest earned	30,000	30,000	99,789	69,789
Licenses & permits	60,000	75,000	75,994	994
Intergovernmental				
Federal sources				
Surface transportation program	2,526,906	625,000	570,372	(54,628)
Bridge	-	-	12	12
State sources				
Motor vehicle highway funds	11,000,000	11,000,000	11,180,017	180,017
Other state grants	-	-	377,218	377,218
Local sources				
Township and village contributions	3,200,000	3,700,000	3,677,607	(22,393)
Total intergovernmental	<u>16,726,906</u>	<u>15,325,000</u>	<u>15,805,226</u>	<u>480,226</u>
Charges for services				
State trunkline				
Maintenance	1,100,000	1,100,000	1,033,556	(66,444)
Salvage sales	15,000	15,000	5,238	(9,762)
Other	-	-	6,324	6,324
Total charges for services	<u>1,115,000</u>	<u>1,115,000</u>	<u>1,045,118</u>	<u>(69,882)</u>
Other				
Contributions from private sources	100,000	100,000	190,851	90,851
Miscellaneous	-	-	12,371	12,371
Proceeds from sale of assets	-	-	266,870	266,870
Proceeds from leases	-	-	135,743	135,743
Total other	<u>100,000</u>	<u>100,000</u>	<u>605,835</u>	<u>505,835</u>
TOTAL REVENUES	<u>20,681,906</u>	<u>19,295,000</u>	<u>20,363,114</u>	<u>1,068,114</u>
EXPENDITURES:				
Current				
Primary road				
Preservation - structural improvements	7,431,910	6,169,000	5,965,708	203,292
Routine and preventative maintenance	2,000,000	2,300,000	2,248,141	51,859
Total primary road	<u>9,431,910</u>	<u>8,469,000</u>	<u>8,213,849</u>	<u>255,151</u>
Local road				
Preservation - structural improvements	6,766,225	5,760,000	5,917,826	(157,826)
Routine and preventative maintenance	3,700,000	4,100,000	4,194,947	(94,947)
Total local road	<u>10,466,225</u>	<u>9,860,000</u>	<u>10,112,773</u>	<u>(252,773)</u>
State trunkline				
Maintenance	1,100,000	1,100,000	1,032,090	67,910
Total state trunkline	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,032,090</u>	<u>67,910</u>
Administration	<u>700,000</u>	<u>700,000</u>	<u>697,180</u>	<u>2,820</u>
Equipment				
Direct	1,500,000	1,500,000	1,543,100	(43,100)
Indirect	700,000	800,000	785,233	14,767
Operating	600,000	600,000	509,204	90,796
Less: equipment rental	(2,800,000)	(2,900,000)	(3,034,032)	134,032
Total equipment	<u>-</u>	<u>-</u>	<u>(196,495)</u>	<u>196,495</u>
Capital outlay				
Capital outlay	738,000	516,900	651,754	(134,854)
Less: depreciation/amortization & depletion	(500,000)	(530,000)	(486,833)	(43,167)
Total capital outlay	<u>238,000</u>	<u>(13,100)</u>	<u>164,921</u>	<u>(178,021)</u>
Non road related expenses - state pension grant	<u>-</u>	<u>-</u>	<u>377,218</u>	<u>(377,218)</u>
Debt service				
Principal payments	-	275,000	500,338	(225,338)
Interest payments	-	65,000	107,739	(42,739)
Total debt service	<u>-</u>	<u>340,000</u>	<u>608,077</u>	<u>(268,077)</u>
TOTAL EXPENDITURES	<u>21,936,135</u>	<u>20,455,900</u>	<u>21,009,613</u>	<u>(553,713)</u>
CHANGE IN FUND BALANCE	<u>\$ (1,254,229)</u>	<u>\$ (1,160,900)</u>	<u>(646,499)</u>	<u>\$ 514,401</u>
FUND BALANCE - BEGINNING OF YEAR			<u>11,279,375</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,632,876</u>	

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:									
Service cost	\$ 92,715	\$ 78,579	\$ 76,363	\$ 75,240	\$ 84,942	\$ 89,013	\$ 91,294	\$ 80,723	\$ 97,076
Interest	503,324	480,930	512,125	481,435	498,907	490,439	478,491	447,215	448,822
Difference between expected and actual experience	86,128	(1,529)	(341,693)	104,060	(34,936)	(22,411)	10,090	(4,434)	-
Change of assumptions	-	217,896	124,852	190,391	-	-	-	267,140	-
Benefit payments (including refunds of employee contributions)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Other changes	(5,568)	13,966	(19,130)	5,557	23,764	(2,813)	(18,242)	1,012	6,982
NET CHANGE IN TOTAL PENSION LIABILITY	183,638	306,742	(81,561)	383,900	104,575	131,565	162,022	379,267	175,687
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	<u>7,142,528</u>	<u>6,835,786</u>	<u>6,917,347</u>	<u>6,533,447</u>	<u>6,428,872</u>	<u>6,297,307</u>	<u>6,135,285</u>	<u>5,756,018</u>	<u>5,580,331</u>
TOTAL PENSION LIABILITY - END OF YEAR (a)	<u>\$ 7,326,166</u>	<u>\$ 7,142,528</u>	<u>\$ 6,835,786</u>	<u>\$ 6,917,347</u>	<u>\$ 6,533,447</u>	<u>\$ 6,428,872</u>	<u>\$ 6,297,307</u>	<u>\$ 6,135,285</u>	<u>\$ 5,756,018</u>
PLAN FIDUCIARY NET POSITION:									
Contributions - employer	\$ 425,757	\$ 458,727	\$ 492,854	\$ 460,796	\$ 492,382	\$ 498,190	\$ 492,617	\$ 471,508	\$ 143,621
Contributions - employee	26,639	25,529	29,620	28,639	28,736	37,800	65,407	49,032	44,739
Net investment income	647,870	(686,770)	800,611	627,198	601,514	(175,062)	510,386	380,374	(53,796)
Benefit payments (including refunds of employee contributions)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Administrative expenses	(13,767)	(12,109)	(9,224)	(10,143)	(10,347)	(8,750)	(8,082)	(7,516)	(7,889)
NET CHANGE IN FIDUCIARY NET POSITION	593,538	(697,723)	879,783	633,707	644,183	(70,485)	660,717	481,009	(250,518)
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	<u>5,958,035</u>	<u>6,655,758</u>	<u>5,775,975</u>	<u>5,142,268</u>	<u>4,498,085</u>	<u>4,568,570</u>	<u>3,907,853</u>	<u>3,426,844</u>	<u>3,677,362</u>
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	<u>\$ 6,551,573</u>	<u>\$ 5,958,035</u>	<u>\$ 6,655,758</u>	<u>\$ 5,775,975</u>	<u>\$ 5,142,268</u>	<u>\$ 4,498,085</u>	<u>\$ 4,568,570</u>	<u>\$ 3,907,853</u>	<u>\$ 3,426,844</u>
NET PENSION LIABILITY - ENDING (a)-(b)	<u>\$ 774,593</u>	<u>\$ 1,184,493</u>	<u>\$ 180,028</u>	<u>\$ 1,141,372</u>	<u>\$ 1,391,179</u>	<u>\$ 1,930,787</u>	<u>\$ 1,728,737</u>	<u>\$ 2,227,432</u>	<u>\$ 2,329,174</u>
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	89.43%	83.42%	97.37%	83.50%	78.71%	69.97%	72.55%	63.69%	59.53%
COVERED EMPLOYEE PAYROLL	\$ 1,178,102	\$ 1,134,544	\$ 1,119,805	\$ 1,134,883	\$ 1,003,623	\$ 1,046,859	\$ 1,065,069	\$ 1,051,454	\$ 891,693
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	65.75%	104.40%	16.08%	100.57%	138.62%	184.44%	162.31%	211.84%	261.21%

Notes to Schedule

Benefit changes - there were no changes of benefits terms during plan year 2023.
Changes of assumptions - there were no changes in assumptions during plan year 2023.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined total contribution	\$ 108,972	\$ 153,996	\$ 192,504	\$ 220,632	\$ 213,348	\$ 198,190	\$ 192,617	\$ 171,508	\$ 140,812
Employer contribution	<u>425,757</u>	<u>458,727</u>	<u>492,854</u>	<u>460,796</u>	<u>492,382</u>	<u>498,190</u>	<u>492,617</u>	<u>471,508</u>	<u>143,621</u>
Contribution deficiency (excess)	<u>\$ (316,785)</u>	<u>\$ (304,731)</u>	<u>\$ (300,350)</u>	<u>\$ (240,164)</u>	<u>\$ (279,034)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (2,809)</u>
Covered employee payroll	\$ 1,178,102	\$ 1,134,544	\$ 1,119,805	\$ 1,134,883	\$ 1,003,623	\$ 1,046,859	\$ 1,065,069	\$ 1,051,454	\$ 891,693
Employer contribution as a percentage of covered payroll	36.14%	40.43%	44.01%	40.60%	49.06%	47.59%	46.25%	44.84%	16.11%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll, open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.0%
Investment rate of return	7.0%
Retirement age	Varies depending on plan adoption
Mortality	106% of Pub-2010 Tables Annuity Mortality Table

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
PENSION PLAN FOR EMPLOYEES OF TUSCOLA COUNTY ROAD COMMISSION
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 3/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
TOTAL PENSION LIABILITY:									
Service cost	\$ 12,282	\$ 21,895	\$ 17,601	\$ 16,838	\$ 17,823	\$ 13,615	\$ 15,005	\$ 16,630	\$ 17,727
Interest	21,416	16,782	23,601	20,494	22,428	28,680	28,826	29,766	30,767
Difference between expected and actual experience	26,328	(112,262)	(10,620)	(7,293)	(23,115)	(13,187)	(16,078)	(6,357)	(13,482)
Change of assumptions	(53,199)	(183,802)	153,859	47,209	30,126	157,333	1,134	1,143	1,165
Benefit payments (including refunds of employee contributions)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
NET CHANGE IN TOTAL PENSION LIABILITY	(10,172)	(343,626)	184,441	76,977	(31,902)	152,162	2,298	(48,898)	15,995
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	615,166	958,792	774,351	697,374	729,276	577,114	574,816	623,714	607,719
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 604,994	\$ 615,166	\$ 958,792	\$ 774,351	\$ 697,374	\$ 729,276	\$ 577,114	\$ 574,816	\$ 623,714
PLAN FIDUCIARY NET POSITION:									
Contributions - employer	\$ 3,903	\$ 4,655	\$ 5,306	\$ 5,306	\$ 6,180	\$ 6,973	\$ 7,990	\$ 89,250	\$ 25,086
Contributions - employee	1,171	1,397	1,592	1,592	1,854	2,092	2,397	2,458	2,775
Net investment income	(1,310)	2,443	2,925	2,662	4,900	7,505	8,388	7,853	7,521
Benefit payments (including refunds of employee contributions)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
Administrative expenses	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(82)	(721)
NET CHANGE IN FIDUCIARY NET POSITION	(14,035)	(78,544)	9,023	8,489	(67,030)	(18,509)	(8,614)	9,399	14,479
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	17,872	96,416	87,393	78,904	145,934	164,443	173,057	163,658	149,179
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 3,837	\$ 17,872	\$ 96,416	\$ 87,393	\$ 78,904	\$ 145,934	\$ 164,443	\$ 173,057	\$ 163,658
NET PENSION LIABILITY - ENDING (a)-(b)	\$ 601,157	\$ 597,294	\$ 862,376	\$ 686,958	\$ 618,470	\$ 583,342	\$ 412,671	\$ 401,759	\$ 460,056
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	0.63%	2.91%	10.06%	11.29%	11.31%	20.01%	28.49%	30.11%	26.24%
COVERED EMPLOYEE PAYROLL	\$ 1,104,620	\$ 1,202,588	\$ 1,260,591	\$ 1,268,646	\$ 1,364,786	\$ 1,472,831	\$ 1,619,958	\$ 1,685,581	\$ 1,900,055
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	54.42%	49.67%	68.41%	54.15%	45.32%	39.61%	25.47%	23.84%	24.21%

Notes to Schedule

Change in benefit terms: There were no changes of benefit terms during plan year 2023

Change in assumptions: There were no changes of assumptions during plan year 2023

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
PENSION PLAN FOR EMPLOYEES OF TUSCOLA COUNTY ROAD COMMISSION
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined total contribution	\$ 56,923	\$ 53,730	\$ 54,933	\$ 55,185	\$ 48,593	\$ 43,635	\$ 44,031	\$ 38,417	\$ 44,539
Employer contribution	4,310	4,269	4,818	5,306	5,774	6,485	7,197	8,169	89,547
Contribution deficiency (excess)	<u>\$ 52,613</u>	<u>\$ 49,461</u>	<u>\$ 50,115</u>	<u>\$ 49,879</u>	<u>\$ 42,819</u>	<u>\$ 37,150</u>	<u>\$ 36,834</u>	<u>\$ 30,248</u>	<u>\$ (45,008)</u>
Covered employee payroll	\$ 1,138,192	\$ 1,081,514	\$ 1,191,648	\$ 1,268,646	\$ 1,364,786	\$ 1,472,831	\$ 1,559,771	\$ 1,638,925	\$ 1,762,985
Employer contribution as a percentage of covered payroll	0.38%	0.39%	0.40%	0.42%	0.42%	0.44%	0.46%	0.50%	5.08%

Notes to Schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date	April 1, 2023
Measurement date	April 1, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level dollar)
Asset valuation method	Market value of assets
Interest rate	3.25% per annum, compounded annually
Termination rates	Crocker-Sarason-Straight T-1
Retirement age	Earlier of age 63 with 10 years of service or age 70
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with modified MP-2021 improvement factors
Disability rates	1998 Social Security Disabled Worker Incidence Rates

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
TOTAL OPEB LIABILITY:						
Service cost	\$ 62,935	\$ 110,538	\$ 131,415	\$ 133,109	\$ 123,584	\$ 119,244
Interest	386,978	284,037	265,214	485,878	509,590	506,614
Changes of benefit terms	-	-	-	184,020	-	-
Difference between expected and actual experience	13,576	(618,895)	(73,870)	(3,974,772)	44,846	(81,768)
Change of assumptions	440,235	(2,912,185)	(987,320)	2,399,412	689,528	-
Benefit payments (including refunds of employee contributions)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
Other changes						
NET CHANGE IN TOTAL OPEB LIABILITY	485,239	(3,640,308)	(1,025,437)	(1,188,600)	838,690	139,583
TOTAL OPEB LIABILITY - BEGINNING OF YEAR	9,124,924	12,765,232	13,790,669	14,979,269	14,140,579	14,000,996
TOTAL OPEB LIABILITY - END OF YEAR (a)	\$ 9,610,163	\$ 9,124,924	\$ 12,765,232	\$ 13,790,669	\$ 14,979,269	\$ 14,140,579
PLAN FIDUCIARY NET POSITION:						
Contributions/benefit payments made from general operating funds	\$ 418,485	\$ 503,803	\$ 360,876	\$ 416,247	\$ 528,858	\$ 404,507
Benefit payments (including refunds of employee contributions)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
NET CHANGE IN FIDUCIARY NET POSITION	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NET OPEB LIABILITY - ENDING (a)-(b)	\$ 9,610,163	\$ 9,124,924	\$ 12,765,232	\$ 13,790,669	\$ 14,979,269	\$ 14,140,579
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL OPEB LIABILITY	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVERED EMPLOYEE PAYROLL	\$ 2,327,646	\$ 2,071,961	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
NET OPEB LIABILITY AS PERCENTAGE OF PAYROLL	412.87%	440.40%	648.68%	752.66%	755.19%	743.06%

Notes to Schedule

Change in benefit terms:

There were no changes of benefit terms during plan year 2023

Change in assumptions:

Medical trend updated
Discount rate changed from 4.31% to 4.0%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined total contribution	\$ 1,310,282	\$ 1,552,786	\$ 1,537,449	\$ 1,665,748	\$ 1,512,722	\$ 1,417,736
Employer contribution (benefit payments)	<u>(418,485)</u>	<u>(503,803)</u>	<u>(360,876)</u>	<u>(416,247)</u>	<u>(528,858)</u>	<u>(404,507)</u>
Contribution deficiency (excess)	<u>\$ 891,797</u>	<u>\$ 1,048,983</u>	<u>\$ 1,176,573</u>	<u>\$ 1,249,501</u>	<u>\$ 983,864</u>	<u>\$ 1,013,229</u>
Covered employee payroll	\$ 2,327,646	\$ 2,071,961	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
Actuarially determined total contribution as a percentage of covered payroll	56.29%	74.94%	78.13%	90.91%	76.26%	74.50%
Employer contribution as a percentage of covered payroll	17.98%	24.32%	18.34%	22.72%	26.66%	21.26%

Notes to Schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2022
Measurement date	December 31, 2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	Not applicable - Plan is not prefunded
Amortization method	Level dollar, closed
Remaining amortization period	9 years
Salary scale	3.00%
Medical trend	Pre-65 7.25% for two years graded down to 4.50% by 0.25% per year; Post-65 5.50% for two years graded down to 4.50% by 0.25% per year
Investment rate of return	Not applicable - Plan is not prefunded
Discount rate	4.00%
Mortality rates	Public General 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021 improvement scale

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the Road Commission presents information for those years for which information is available.

ADDITIONAL SUPPLEMENTARY INFORMATION

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

TOTAL REVENUES	\$ 20,363,114
TOTAL EXPENDITURES	<u>21,009,613</u>
NET CHANGE IN FUND BALANCE	(646,499)
Fund Balance, beginning of year	<u>11,279,375</u>
Fund balance, end of year	<u><u>\$ 10,632,876</u></u>

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
TOTAL REVENUES	\$ 8,596,583	\$ 9,655,139	\$ 2,111,392	\$ 20,363,114
TOTAL EXPENDITURES	8,787,820	10,649,997	1,571,796	21,009,613
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(191,237)	(994,858)	539,596	(646,499)
OTHER FINANCING SOURCES (USES)				
Optional transfers in		1,000,000	-	1,000,000
Optional transfers out	(1,000,000)	-	-	(1,000,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,000,000)	1,000,000	-	-
NET CHANGE IN FUND BALANCE	(1,191,237)	5,142	539,596	(646,499)
Fund Balance, beginning of year	8,305,644	2,157,020	816,711	11,279,375
Fund balance, end of year	<u>\$ 7,114,407</u>	<u>\$ 2,162,162</u>	<u>\$ 1,356,307</u>	<u>\$ 10,632,876</u>

TUSCOLA COUNTY ROAD COMMISSION

A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2023

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
REVENUES				
Taxes	\$ 1,794,896	\$ 936,256	\$ -	\$ 2,731,152
Licenses and Permits	-	-	75,994	75,994
Intergovernmental:				
Federal Sources				
Bridge	12			12
Surface Tran. Program (STP)	570,372	-	-	570,372
Total Federal Sources	<u>570,384</u>	<u>-</u>	<u>-</u>	<u>570,384</u>
State Sources				
Michigan Transportation Fund				
Engineering	5,510	4,490	-	10,000
Urban Road	25,969	25,856	-	51,825
Allocation	6,126,343	4,991,849	-	11,118,192
Other State Funds				
State Pension Grant			377,218	377,218
Total State Sources	<u>6,157,822</u>	<u>5,022,195</u>	<u>377,218</u>	<u>11,557,235</u>
Local Sources				
Township Contributions	-	3,592,080	-	3,592,080
Village Contributions	-	85,527	-	85,527
Total Local Sources	<u>-</u>	<u>3,677,607</u>	<u>-</u>	<u>3,677,607</u>
Total Intergovernmental	<u>6,728,206</u>	<u>8,699,802</u>	<u>377,218</u>	<u>15,805,226</u>
Charges for Services				
State Trunkline Maintenance	-	-	1,033,556	1,033,556
Salvage Sales	-	-	5,238	5,238
Other	-	-	6,324	6,324
Total Charges for Services	<u>-</u>	<u>-</u>	<u>1,045,118</u>	<u>1,045,118</u>
Interest Earned	<u>73,481</u>	<u>19,081</u>	<u>7,227</u>	<u>99,789</u>
Other Financing Sources				
Proceeds from Leases	-	-	135,743	135,743
Other	-	-	470,092	470,092
Total Other	<u>-</u>	<u>-</u>	<u>605,835</u>	<u>605,835</u>
TOTAL REVENUES	<u>\$ 8,596,583</u>	<u>\$ 9,655,139</u>	<u>\$ 2,111,392</u>	<u>\$ 20,363,114</u>

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2023

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
EXPENDITURES				
Preservation improvements - roads	\$ 5,394,324	\$ 4,618,697	\$ -	\$ 10,013,021
Structural improvements	571,384	1,299,129	-	1,870,513
Routine and preventative maintenance	2,248,141	4,098,962	-	6,347,103
State trunkline maintenance	-	-	1,032,090	1,032,090
Administrative expense - net	314,116	383,064	-	697,180
Equipment expense- net	(45,323)	(119,423)	(31,749)	(196,495)
Capital outlay - net	164,921	-	-	164,921
Debt principal payment	115,406	304,088	80,844	500,338
Interest expense	24,851	65,480	17,408	107,739
Other	-	-	95,985	95,985
Non road related expenses - state pension grant	-	-	377,218	377,218
TOTAL EXPENDITURES	<u><u>\$ 8,787,820</u></u>	<u><u>\$ 10,649,997</u></u>	<u><u>\$ 1,571,796</u></u>	<u><u>\$ 21,009,613</u></u>



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.....

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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

Board of Commissioners
Tuscola County Road Commission
Caro, Michigan 48723

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Tuscola County Road Commission, component unit of Tuscola County, State of Michigan, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Tuscola County Road Commission’s basic financial statements, and have issued our report thereon dated June 18, 2024.

Report On Internal Control Over Financial Reporting

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

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

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

Report On Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tuscola County 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, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

June 18, 2024



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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To the Members of the Board
Tuscola County Road Commission
Caro, Michigan

We have audited the financial statements of the governmental activities and the major fund of the **Tuscola County Road Commission** for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related the planned scope and timing of our audit. We have communicated such information in our letter to you. 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 **Tuscola County Road Commission** are described in Note 1 to the financial statements. As described in Note 17 to the financial statements, the **Tuscola County Road Commission** adopted Governmental Accounting Standards Board (GASB Statement) No. 96, *Subscription-based Information Technology Arrangements*, during the year ended December 31, 2023. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the payout of employee compensated absences upon their retirement is based on an expected payout. We evaluated the methods, assumptions, and data used to develop the estimated balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of depreciation expense for the current period is based on an estimate of the useful lives of capital assets. We evaluated the methods, assumptions, and data used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferrals are based on an actuarial study which utilized certain actuarial assumptions. We evaluated the methods, assumptions, and data used to develop the estimated balance of the net pension liability and related deferrals in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net other postemployment benefit liability and related deferrals are based on an actuarial study which utilized certain actuarial assumptions. We evaluated the methods, assumptions, and data used to develop the estimated balance of the other postemployment benefit liability and related deferrals in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of the significance to financial statement users.

We did not identify any sensitive disclosures.

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6476 Main Street, Suite 1 • Cass City, MI 48726
989-872-3730 fax: 989-872-3978

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. We have proposed adjustments that we consider to be material and have communicated this to management.

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 18, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit'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 governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

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

We were engaged to report on the other supplementary information, 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 financial statements or to the financial statements themselves.

Restriction on Use

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

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

June 18, 2024