

TUSCOLA COUNTY ROAD COMMISSION

A Component Unit of Tuscola County

Caro, Michigan

Report on Financial Statements
(with required and other supplementary information)
Year Ended December 31, 2021

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County

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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, the major fund, and the aggregate remaining fund information 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, 2021, 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, the major fund, and the aggregate remaining fund information of the Tuscola County Road Commission, State of Michigan, as of December 31, 2021, 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.

Other 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 other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, as identified in the table of contents, 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2022, 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 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 24, 2022

TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION & 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

- The Michigan Transportation Fund Revenue increased by more than \$1 million over last year.
- Section 19 State Disaster Payment was received for \$500,000 relating to severe storms and flooding in 2019
- Overall revenue decreased by approximately \$1.7 million over last year.
- Expenditures decreased by more than \$3.4 million over last year.
- Over \$2.7 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.

To simplify financial reporting and improve readability, the government-wide financial statements and the governmental funds statements have been combined to report the statement of net position and governmental funds balance sheet on a single page and the statement of activities and governmental funds revenues, expenditures, and changes in fund balance on a single page. This report also contains required supplementary information in addition to the basic financial statements themselves.

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 comprehensive annual 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.

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.

Reporting the Road Commission's Major Fund

Our analysis of the Road Commission's major fund and fund financial statements begin on page 12 and provide detailed information about the major fund. The Road Commission currently has only one fund, the Road Fund, in which all of the Road Commission's activities are accounted. The Road 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 5.2% from \$105,872,963 to \$111,342,586 for the year ended December 31, 2021. 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 \$3,810,744. Restricted net position, those restricted mainly for Act 51 purposes, increased by \$94,934.

Net Position as of year ended December 31, 2021 and 2020 follows:

	2021	2020	Variance	%
Current and Other Assets	\$ 14,868,310	\$ 11,704,420	\$ 3,163,890	27%
Capital Assets	112,834,217	111,270,272	1,563,945	1%
Total Assets	127,702,527	122,974,692	4,727,835	4%
Deferred Outflows of Resources	2,148,397	2,884,802	(736,405)	-26%
Long-Term Obligation	63,191	70,662	(7,471)	-11%
Net OPEB Liability	12,765,232	13,790,669	(1,025,437)	-7%
Net Pension Liability	1,042,404	1,828,330	(785,926)	-43%
Other Liabilities	1,089,703	831,001	258,702	31%
Total Liabilities	14,960,530	16,520,662	(1,560,132)	-9%
Deferred Inflows of Resources	3,547,808	3,465,869	81,939	2%
Net Position				
Net Investment in				
Capital Assets	112,834,217	111,270,272	1,563,945	1%
Restricted	1,866,025	1,771,091	94,934	5%
Unrestricted	(3,357,656)	(7,168,400)	3,810,744	-53%
Total Net Position	\$111,342,586	\$ 105,872,963	\$ 5,469,623	5%

A summary of changes in net position for the years ended December 31, 2021 and 2020 follows:

	Governmental Activities 2021	Governmental Activities 2020	Variance	Variance %
Program Revenue:				
Federal Grants	\$ 258,328	\$ 1,827,678	\$ (1,569,350)	-86%
State Grants	11,035,852	9,355,700	1,680,152	18%
Contributions From Local Units	3,015,286	2,779,754	235,532	8%
Investment Earnings	29,559	31,056	(1,497)	-5%
General Revenue:				
Taxes	2,577,838	2,467,176	110,662	4%
Charges for Services	1,570,997	3,299,420	(1,728,423)	-52%
Miscellaneous	51,864	13,285	38,579	290%
Licenses & Permits	38,436	53,955	(15,519)	-29%
Salvage Sales	23,558	4,032	19,526	484%
Gain on Equipment Disposal	10,311	185,069	(174,758)	
TOTAL REVENUES	18,612,029	20,017,125	(1,405,096)	-7%
Program Expenses:				
Primary Road Maintenance	1,791,241	1,900,804	(109,563)	-6%
Local Road Maintenance	3,881,434	5,123,363	(1,241,929)	-24%
State Trunkline Expense	1,559,776	1,797,610	(237,834)	-13%
Net Equipment Expense	6,283,608	5,961,756	321,852	5%
Administrative Expense	(373,653)	440,430	(814,083)	-185%
TOTAL EXPENDITURES	13,142,406	15,223,963	(2,081,557)	-14%
Change in Net Position	\$ 5,469,623	\$ 4,793,162	\$ 676,461	14%

The Road Commission's Fund

The Road Commission's Road 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, 2021, the fund balance of the Road Fund increased \$2,757,826 as compared to an increase of \$1,068,595 in the fund balance for the year ended December 31, 2020. Total revenues were \$18,464,667, a decrease of \$1,721,211 as compared to last year. Total expenses were \$15,706,841, a decrease of \$3,410,442 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 2021 was greater than the original budget by \$250,480. There was a large increase in state funds received in 2021. Overall, the actual revenues were more than budgeted by \$664,667 mainly due from more Motor Vehicle Highway Funds and property taxes received than budgeted.

Road Commission final expenditures budget for 2021 was lower than the original budget by \$1,540,360. The final budget for Primary Road Preservation and Improvements and the Local Road Preservation and Improvements was decreased. Overall the actual expenditures were less than the final budgeted amounts by \$193,159 mainly due from less preservation and improvements than budgeted.

	2021 Original Budget	2021 Final Budget
Revenues:		
Michigan Transportation Funds	\$9,500,000	\$10,000,000
State Trunkline Revenue	1,300,000	1,500,000
Federal/State Funds:		
Primary Roads	1,373,520	300,000
Local Roads		
Primary Roads Bridges		
Local Roads Bridges		
County Raised Funds:		
Primary Road Millage	1,500,000	1,600,000
Local Road Bridge Millage	750,000	800,000
Township & Village Contributions	3,000,000	2,800,000
Other Contributions	20,000	200,000
Other Revenues:		
State Disaster Fund	-	500,000
Miscellaneous	-	-
Special State General Fund Grant		
Permit Fees	60,000	40,000
Interest Earned	30,000	30,000
Gain (Loss) on Disposal of Equipment	6,000	10,000
Equipment Retirements		
Salvage Sales	10,000	20,000
TOTAL REVENUES	17,549,520	17,800,000
Expenditures:		
Primary Roads Construction	-	-
Primary Roads Preservation/Improvements	4,152,360	2,500,000
Primary Roads Routine Maintenance	1,900,000	1,900,000
Local Roads Construction	-	-
Local Roads Preservation/Improvements	3,700,000	3,500,000
Local Roads Routine Maintenance	3,500,000	3,500,000
Primary Structures Preservation/Improve.	590,000	500,000
Primary Structures Routine Maintenance	-	-
Local Structures Preservation/Improve.	1,500,000	1,500,000
Local Structures Routine Maintenance	-	-
State Trunkline Expense	1,300,000	1,500,000
Administrative Expense	650,000	650,000
Capital Outlay (net)	128,000	150,000
Interest Expense	-	-
Sundry Billings	20,000	200,000
TOTAL EXPENDITURES	17,440,360	15,900,000
NET CHANGE IN FUND BALANCE	\$ 109,160	\$ 1,900,000

Capital Assets

As of December 31, 2021, the Road Commission had \$178,504,729 invested in capital assets as follows:

	2021	2020	Variance
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 37,397,158	\$ 36,966,261	\$ 430,897
Other Capital Assets:			
Depletable Assets	278,249	278,249	-
Buildings	2,282,084	2,268,072	14,012
Bridges	49,043,785	47,217,939	1,825,846
Roads	80,615,579	78,061,601	2,553,978
Signals & Guardrails	609,507	607,155	2,352
Road Equipment	7,695,127	7,395,050	300,077
Shop Equipment	222,234	222,234	-
Engineers Equipment	37,672	43,313	(5,641)
Other Equipment	323,334	289,322	34,012
Total Other Capital Assets	141,107,571	136,382,935	4,724,636
Total Capital Assets at Historic Cost	178,504,729	173,349,196	5,155,533
Total Accumulated Depreciation	65,670,512	62,078,924	3,591,588
Total Net Capital Assets	\$ 112,834,217	\$ 111,270,272	\$ 1,563,945

Current year net additions/deductions included the following:

Equipment	\$ 328,448
Buildings	14,012
Roads	2,553,978
Bridges	1,825,846
Signs and guardrails	2,352
Depletable assets	-
Land improvements	430,897
	<u>\$5,155,533</u>

Debt

The Road Commission has no long term debt outstanding as of December 31, 2021.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2022 budget. The Road Commission has budgeted additional road and bridge projects in 2022 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
GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Governmental Fund General Operating Fund	Adjustments (Note 2)	Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 8,397,950		\$ 8,397,950
Due from other governments:			
State	1,995,908		1,995,908
Local	981,680		981,680
Accounts receivable	134,686		134,686
Taxes receivable	2,571,303		2,571,303
Inventory	518,375		518,375
Prepaid expenses	268,408		268,408
Capital assets not being depreciated	-	\$ 37,397,158	37,397,158
Capital assets, net accumulated depreciation	-	75,437,059	75,437,059
TOTAL ASSETS	\$ 14,868,310	112,834,217	127,702,527
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Related to pensions	-	575,659	575,659
Related to OPEB	-	1,572,738	1,572,738
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	2,148,397	2,148,397
<u>LIABILITIES</u>			
Accounts payable	\$ 182,683		182,683
Accrued liabilities	117,494		117,494
Accrued construction costs	8,516		8,516
Advance - townships	134,993		134,993
Advance - State of Michigan	222,609		222,609
Unearned revenue	423,408		423,408
Noncurrent liabilities:			
Due after one year - compensated absences	-	63,191	63,191
Net pension liability	-	1,042,404	1,042,404
Net other post employment benefit liability	-	12,765,232	12,765,232
TOTAL LIABILITIES	1,089,703	13,870,827	14,960,530
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue - property taxes	2,571,303	(2,571,303)	-
Unavailable revenue - other	88,685	(88,685)	-
Related to pensions		803,374	803,374
Related to OPEB		2,744,434	2,744,434
TOTAL DEFERRED INFLOWS OF RESOURCES	2,659,988	887,820	3,547,808
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	518,375	(518,375)	-
Prepaid items	268,408	(268,408)	-
Restricted for construction	1,866,025	(1,866,025)	-
Assigned for subsequent expenditures	1,171,735	(1,171,735)	-
Unassigned	7,294,076	(7,294,076)	-
TOTAL FUND BALANCES	11,118,619	(11,118,619)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,868,310		
<u>NET POSITION</u>			
Net investment in capital assets		112,834,217	112,834,217
Restricted		1,866,025	1,866,025
Unrestricted		(3,357,656)	(3,357,656)
TOTAL NET POSITION		\$ 111,342,586	\$ 111,342,586

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	Governmental Fund General Operating Fund	Adjustments (Note 2)	Statement of Activities
<u>Revenues</u>			
Taxes	\$ 2,461,721	\$ 116,117	\$ 2,577,838
Intergovernmental -			
Federal sources	258,328		258,328
State sources	11,035,852		11,035,852
Local sources	3,015,286		3,015,286
Charges for services	1,570,997		1,570,997
Interest and rents	29,559		29,559
Licenses & permits	38,436		38,436
Gain (loss) equipment disposal	10,311		10,311
Other	44,177	31,245	75,422
Total Revenues	18,464,667	147,362	18,612,029
<u>Expenditures</u>			
Primary preservation - structural improvements	2,696,765	(2,696,765)	-
Local preservation - structural improvements	4,772,061	(4,772,061)	-
Primary maintenance	1,791,241		1,791,241
Local maintenance	3,881,434		3,881,434
State maintenance	1,559,776		1,559,776
Administrative expense	626,837	(1,000,490)	(373,653)
Equipment expense - net	187,525	6,096,083	6,283,608
Capital outlay - net	191,202	(191,202)	-
Total Expenditures	15,706,841	(2,564,435)	13,142,406
Changes in Fund Balance/Net Position	2,757,826	2,711,797	5,469,623
Fund Balance/Net Position - Beginning of Year	8,360,793	97,512,170	105,872,963
Fund Balance/Net Position - End of Year	\$ 11,118,619	\$ 100,223,967	\$ 111,342,586

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, 2021

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The accounting policies of the Tuscola County Road Commission (Road 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. These 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.

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.

BASIS OF PRESENTATION:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

As permitted by GASB Statement No. 34, the Road Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

The government reports the following major governmental fund. The General Fund is the government's primary operating fund. It accounts for all financial resources of the Road Commission.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles of generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events at the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

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

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

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

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.

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*.

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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 Township 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

Inventories consist of equipment parts and materials of \$320,671 and road materials of \$197,704. Inventory for the Road Commission utilizes the consumption method and is valued at average cost. Inventory items are charged to road construction, maintenance, equipment, repairs and operations as they are used.

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.

5. CAPITAL ASSETS

Capital assets, which include property, plant, 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 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.

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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 through an adjustment to the governmental fund (general operating fund) column.

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.

Depreciation is recorded 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

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.

8. DEFINED BENEFIT PENSION PLANS

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.

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9. NET OTHER POSTEMPLOYMENT BENEFITS

The net other postemployment benefits asset is deemed to be a noncurrent asset and is recognized in the government-wide financial statements.

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 qualify 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.

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, ect.).

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.

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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.

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 2021 levy were .4807 mills for voted bridges and .9657 mills for voted Primary Roads.

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.

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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 (charged) to the various activities. The effect of this allocation is offset to equipment expenditures/expenses.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

Amounts reported in the government-wide financial statements are different from amount reported in the governmental funds because of the following:

<u>Governmental Fund - Fund Balance</u>	\$ 11,118,619
Capital assets used in governmental activities are not financial resources and are not reported in the governmental fund	112,834,217
Unavailable revenues are not reported in the Statement of Net Position	2,659,988
Net pension liability	(1,042,404)
Deferred outflows of resources - related to pensions	575,659
Deferred inflows of resources - related to pensions	(803,374)
Net other post-employment benefit liability	(12,765,232)
Deferred outflows of resources - related to OPEB	1,572,738
Deferred inflows of resources - related to OPEB	(2,744,434)
Compensated absences	(63,191)
<u>Total Net Position - Governmental Activities</u>	<u>\$ 111,342,586</u>
 <u>Net Change in Fund Balances - Total Governmental Fund</u>	 <u>\$ 2,757,826</u>
Governmental funds report capital outlay as expenditures. In the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay incurred in the current year	8,153,742
Depreciation expense	(6,586,213)
Book value of asset disposed	(3,584)
Increases/(Decreases) in unavailable property tax revenues are recorded when earned in the Statement of Activities	116,117
Increase/(Decreases) in unavailable revenues - other are recorded when earned in the Statement of Activities	31,245
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:	
Pension related items	398,441
OPEB related items	594,578
(Increases)/Decreases in accumulated employee sick and vacation pay are recorded when the liability is incurred in the Statement of Activities	7,471
<u>Change in Net Position - Full-accrual Basis</u>	<u>\$ 5,469,623</u>

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NOTE 3 – DEPOSITS AND INVESTMENTS:

As of December 31, 2021, the carrying amount of deposits and investments is as follows:

Deposits with Financial Institutions	
Checking	\$8,397,950
Investments	
None	\$ -

As of December 31, 2021 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, 2021 \$296,271 of the Commission's bank balance 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, 2021.

Amounts reported on the balance sheet include \$8,397,875 on deposit with the Tuscola County Treasurer. As a result, the insured and uninsured portions related to these amounts cannot be determined.

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, 2021, 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, 2021, 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.

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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.

NOTE 4 – ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following:

	<u>December 31, 2021</u>
Due from state	\$1,995,908
Due on county road agreements	981,680
Sundry accounts	<u>134,686</u>
 TOTAL	 <u>\$3,112,274</u>

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

NOTE 5 – 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, 2021. These amounts will be either refunded or charged to expense as the projects are completed.

NOTE 6 - ADVANCES - STATE OF MICHIGAN:

The balance of this account consists of the following:

	<u>December 31, 2021</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>\$222,609</u>

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NOTE 7 - CHANGES IN CAPITAL ASSETS:

A summary of changes in the recorded capital assets follows:

<u>Governmental Activities</u>	<u>BALANCE JANUARY 1, 2021</u>	<u>ADDITIONS & ADJUSTMENTS</u>	<u>DISPOSALS & ADJUSTMENTS</u>	<u>BALANCE DECEMBER 31, 2021</u>
Capital assets, not being depreciated:				
Land & right of ways	\$ 294,218	\$ -	\$ -	\$ 294,218
Land improvements	36,672,043	430,897	-	37,102,940
Total capital assets, not being depreciated	36,966,261	430,897	-	37,397,158
Capital assets, being depreciated:				
Buildings	2,268,072	14,012		2,282,084
Bridges	47,217,939	1,825,846		49,043,785
Roads	78,061,601	5,209,730	2,655,752	80,615,579
Signals & guardrails	607,155	2,352		609,507
Equipment - roads	7,395,050	631,042	330,965	7,695,127
Equipment - shop	222,234			222,234
Equipment - heating	117,258	36,947	5,851	148,354
Equipment - office	147,247	2,916		150,163
Equipment - engineer	43,313		5,641	37,672
Depletable assets	278,249			278,249
Weighmaster equipment	24,817	-	-	24,817
	136,382,935	7,722,845	2,998,209	141,107,571
Less - accumulated depreciation:				
Buildings	1,702,407	49,838		1,752,245
Bridges	18,344,856	1,016,389		19,361,245
Roads	34,702,332	5,050,413	2,655,752	37,096,993
Signals & guardrails	486,140	20,367		506,507
Equipment - roads	6,357,820	427,984	330,965	6,454,839
Equipment - shop	135,911	13,171		149,082
Equipment - heating	107,851	1,645	2,267	107,229
Equipment - office	134,928	5,055		139,983
Equipment - engineers	37,213	985	5,641	32,557
Depletable assets	47,271			47,271
Weighmaster equipment	22,195	366		22,561
	62,078,924	6,586,213	2,994,625	65,670,512
Total Capital assets, being depreciated:	74,304,011	1,136,632	3,584	75,437,059
Governmental activity Capital assets, net	\$ 111,270,272	\$ 1,567,529	\$ 3,584	\$ 112,834,217

Total depreciation expense for the year ended December 31, 2021 was \$6,586,213.

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NOTE 8 – LONG-TERM OBLIGATIONS:

The long-term liability of the Road Commission are summarized as follows:

	<u>Balance</u> <u>12/31/2020</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 70,662	\$ -	\$ 7,471	\$ 63,191	\$ -
Total	<u>\$ 70,662</u>	<u>\$ -</u>	<u>\$ 7,471</u>	<u>\$ 63,191</u>	<u>\$ -</u>

NOTE 9 - 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 10 - DEPLETION EXPENSES:

Depletion expense amounted to \$0 for the year ended December 31, 2021. Depletion was computed at a rate of twenty cents per ton of gravel removed from various county gravel pits.

NOTE 11 - RESTRICTED FUND BALANCE:

Fund balance is restricted in the amount of \$1,866,025 for the year ended December 31, 2021. 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 12 - OPERATING LEASES:

Commitments under various operating lease agreements for road equipment provide for minimum annual rental payments as follows:

2022	\$ 390,054
2023	378,814
2024	537,918
2025	<u>686,221</u>
TOTAL	<u>\$1,993,007</u>

There were no contingent rentals or sublease rentals associated with leases in effect at December 31, 2021.

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NOTE 13 – EMPLOYEE PENSION PLANS:

Municipal Employees Retirement System of Michigan

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

Benefits Provided

	2020 Valuation		
	Salaried Employees Closed Division	Work Foremen Closed Division	New Hires Open Division
Benefit multiplier:	2.00% Multiplier (no max)	1.30% Multiplier (no max)	1.00% Multiplier (no max)
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)	No

Employees covered by benefit terms. At the December 31, 2020 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	27
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>23</u>
	<u>53</u>

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

For the open division, the employer contribution rate was 5.30%. For the closed divisions, the employer was required to contribute approximately \$154,000.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2020.

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Actuarial assumptions. The total pension liability in the December 31, 2020 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: 7.35%, 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%-4%.

The mortality table used to project the mortality experience of non-disabled plan members is a 50% Male – 50% Female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
2. The RP-2014 Employee Mortality Tables, and
3. The RP-2014 Juvenile Mortality Tables

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2013-2018.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	60.0%	5.25%
Global fixed income	20.0%	1.25%
Private investments	20.0%	7.25%
	<u>100.0%</u>	

Discount rate. The discount rate used to measure the total pension liability is 7.6%. 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.

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Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 12/31/20	\$ 6,917,347	\$ 5,775,975	\$ 1,141,372
Changes for the year:			
Service cost	76,363		76,363
Interest on total pension liability	512,125		512,125
Difference between expected and actual experience	(341,693)		(341,693)
Changes of assumptions	124,852		124,852
Employer contributions		492,854	(492,854)
Employee contributions		29,620	(29,620)
Net investment income		800,611	(800,611)
Benefit payments, including employee refunds	(434,078)	(434,078)	-
Administrative expense		(9,224)	9,224
Other changes	(19,130)		(19,130)
Net changes	(81,561)	879,783	(961,344)
Balances at 12/31/21	\$ 6,835,786	\$ 6,655,758	\$ 180,028

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 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.6%) or 1% higher (8.6%) than the current rate.

	<u>1% Decrease (6.6%)</u>	<u>Discount Rate (7.6%)</u>	<u>1% Increase (8.6%)</u>
Net Pension Liability	\$ 841,354	\$ 180,028	(\$ 387,588)

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

For the year ended December 31, 2021, the Road Commission recognized pension expense of \$24,844. 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 in experiences	\$ 34,687	\$ 227,796
Changes of assumptions	146,698	-
(Excess) deficit investment returns	108,947	524,602
	<u>\$ 290,332</u>	<u>\$ 752,398</u>

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
2022	\$ (32,145)
2023	(239,241)
2024	(118,954)
2025	(71,726)
	<u>\$ (462,066)</u>

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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 March 31, 2021 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	<u>22</u>
	29

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 March 31, 2021.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of March 31, 2021 and the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0.00%
Investment rate of return	3.75%

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-2019 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, 2021 (see the discussion of the retirement plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income general investment contract	100.0%	3.75%

The long-term expected rate of return is 3.75%.

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Discount rate. The discount rate used to measure the total pension liability was 1.79%. 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 2.98%.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at 3/31/20	\$ 774,351	\$ 87,393	\$ 686,958
Changes for the year:			
Service cost	17,601		17,601
Interest on total pension liability	23,601		23,601
Experience (gains)/losses	(10,620)		(10,620)
Change in actuarial assumptions	153,859		153,859
Employer contributions	-	5,306	(5,306)
Employee contributions	-	1,592	(1,592)
Net investment income	-	2,925	(2,925)
Administrative expense		(800)	800
Other changes	-	-	-
Net changes	184,441	9,023	175,418
Balances at 3/31/21	\$ 958,792	\$ 96,416	\$ 862,376

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 1.79%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point higher (2.79%) or lower (1.79%) than the current rate:

	<u>1% Lower (.79%)</u>	<u>Discount Rate (1.79%)</u>	<u>1% Higher (2.79%)</u>
Net Pension Liability	\$1,027,401	\$862,376	\$728,455

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

For the year ended March 31, 2021 the Road Commission recognized pension expense of \$74,712. 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	\$ 3,558	
Experience (gains)/losses		\$ 50,976
Changes of assumptions	281,009	
Investment earnings (gains)/losses	760	
	<u>\$ 285,327</u>	<u>\$ 50,976</u>

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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
2022	\$ 37,726
2023	37,711
2024	37,648
2025	39,825
2026	41,005
Thereafter	36,878
	\$ 230,793

At December 31, 2021, 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	\$ 180,028	\$ 290,332	\$ 752,398
Mass Mutual	862,376	285,327	50,976
Total	\$ 1,042,404	\$ 575,659	\$ 803,374

NOTE 14 – OTHER POST EMPLOYMENT BENEFITS:

Plan Description: In addition to the pension benefits described in Note 13, 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 or 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, 2021 is as follows:

Retirees and beneficiaries	36
Active plan members	30
Total membership	66

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, 2021, the Road Commission expended \$360,876 for actual current premiums.

The County Road Commission's OPEB liability was measured as of December 31, 2021.

Actuarial Assumptions: The assumptions used in the December 31, 2020 valuation were determined by the Commission's management as of December 31, 2021. The assumptions are as follows:

Inflation: not applicable

Salary increases: 2.00%

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

20-year AA Municipal bond rate: 2.25%

Mortality: Public General 2010 Employee and Healthy Retiree, Headcount weighted with improvement scale MP-2020

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 2.25%. 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, 2020 the discount rate used to value OPEB liabilities was 1.93%.

Change in Net OPEB Liability: The change in the net OPEB liability for the year ended December 31, 2021, is as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a - b)
Balance at December 31, 2020	\$ 13,790,669	\$ -	\$ 13,790,669
Changes during the year:			
Service cost	131,415		131,415
Interest	265,214		265,214
Experience (Gains)/Losses	(73,870)		(73,870)
Change in actuarial assumptions	(987,320)		(987,320)
Contributions/benefit paid from general operating funds		360,876	(360,876)
Benefit payments	(360,876)	(360,876)	-
Total Changes	(1,025,437)	-	(1,025,437)
Balance at December 31, 2021	<u>\$ 12,765,232</u>	<u>\$ -</u>	<u>\$ 12,765,232</u>

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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 2.25%, 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 (1.25%) or 1% higher (3.25%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$ 14,791,605	\$ 12,765,232	\$ 11,134,972

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	\$ 10,928,973	\$ 12,765,232	\$ 15,055,379

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2021, the Road Commission recognized OPEB benefit of \$233,702. At December 31, 2021, 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	\$ 22,235	\$ 2,082,962
Changes in assumptions	1,550,503	661,472
Total	<u>\$ 1,572,738</u>	<u>\$ 2,744,434</u>

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
2022	\$ (630,331)
2023	(630,331)
2024	88,966
	<u>\$ (1,171,696)</u>

NOTE 15 – RISK MANAGEMENT:

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The Road Commission has joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability insurance. The government pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Michigan County Road Commission Self-Insurance Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for large claims.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

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The Michigan County Road Commission Self-Insurance Pool publishes its own financial report annually, which can be obtained from Michigan County Road Commission Self-Insurance Pool, P. O. Box 14203, Lansing, MI 48901.

NOTE 16 – 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 as a part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's cost charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 17 – FEDERAL GRANTS:

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2021, the Federal aid received and expended by the Commission was \$258,328 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 18 – TAX ABATEMENTS:

For the year ended December 31, 2021 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:

<u>Municipality</u>	<u>Taxes Abated</u>
Akron Township	\$ 405
Denmark Township	402
Elkland Township	2,603
Elmwood Township	430
Gilford Township	1,423
Indianfields Township	86
Millington Township	189
City of Caro	53
City of Vassar	432
Total	<u>\$ 6,023</u>

There are no significant abatements made by the Road Commission.

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YEAR ENDED DECEMBER 31, 2021

NOTE 19 – UPCOMING ACCOUNTING PRONOUNCEMENT:

In June 2017, Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. This Statement will improve financial reporting by eliminating the existing option for issuers to report conduit debt obligations as their own liabilities, thereby ending significant diversity in practice. The clarified definition will resolve stakeholders' uncertainty as to whether a given financing is, in fact, a conduit debt obligation. Requiring issuers to recognize liabilities associated with additional commitments extended by issuers and to recognize assets and deferred inflows of resources related to certain arrangements associated with conduit debt obligations also will eliminate diversity, thereby improving comparability in reporting by issuers. Revised disclosure requirements will provide financial statement users with better information regarding the commitment issuers extended and the likelihood that they will fulfill those commitments. That information will inform users of the potential impact of such commitments on the financial resources of issuers and help users assess issuers' roles in conduit debt obligations. The Commission is current evaluating the impact this statement will have on the financial statements when adopted during the 2022 fiscal year.

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. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCOLA COUNTY ROAD COMMISSION
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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2021

	ROAD FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<u>REVENUES</u>				
State funds:				
State trunkline revenue	\$ 1,300,000	\$ 1,500,000	\$ 1,544,584	\$ 44,584
Motor vehicle highway funds	9,500,000	10,000,000	10,535,852	535,852
Other	-	500,000	500,000	-
Federal funds:				
Surface transportation program	1,373,520	300,000	258,328	(41,672)
County raised funds:				
Township and village contributions	3,000,000	2,800,000	3,015,286	215,286
Property taxes	2,250,000	2,400,000	2,461,721	61,721
Interest earned	30,000	30,000	29,559	(441)
Salvage sales	10,000	20,000	23,558	3,558
Licenses & permits	60,000	40,000	38,436	(1,564)
Contributions from private sources	20,000	200,000	21,733	(178,267)
Miscellaneous	-	-	25,299	25,299
Proceeds from sale of assets	6,000	10,000	10,311	311
TOTAL REVENUES	17,549,520	17,800,000	18,464,667	664,667
<u>EXPENDITURES:</u>				
Primary preservation - structural improvements	4,742,360	3,000,000	2,696,765	303,235
Local preservation - structural improvements	5,200,000	5,000,000	4,772,061	227,939
Primary maintenance	1,900,000	1,900,000	1,791,241	108,759
Local maintenance	3,520,000	3,700,000	3,881,434	(181,434)
State maintenance	1,300,000	1,500,000	1,559,776	(59,776)
Administrative expense	650,000	650,000	626,837	23,163
Equipment expense - net	-	-	187,525	(187,525)
Capital outlay	528,000	600,000	690,246	(90,246)
Less:				
Depreciation & depletion	(400,000)	(450,000)	(499,044)	49,044
TOTAL EXPENDITURES	17,440,360	15,900,000	15,706,841	193,159
CHANGE IN FUND BALANCE	\$ 109,160	\$ 1,900,000	2,757,826	\$ 857,826
FUND BALANCE - BEGINNING OF YEAR			8,360,793	
FUND BALANCE - END OF YEAR			\$ 11,118,619	

TUSCOLA COUNTY ROAD COMMISSION
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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)

	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:							
Service cost	\$ 76,363	\$ 75,240	\$ 84,942	\$ 89,013	\$ 91,294	\$ 80,723	\$ 97,076
Interest	512,125	481,435	498,907	490,439	478,491	447,215	448,822
Difference between expected and actual experience	(341,693)	104,060	(34,936)	(22,411)	10,090	(4,434)	-
Change of assumptions	124,852	190,391	-	-	-	267,140	-
Benefit payments (including refunds of employee contributions)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Other changes	(19,130)	5,557	23,764	(2,813)	(18,242)	1,012	6,982
NET CHANGE IN TOTAL PENSION LIABILITY	(81,561)	383,900	104,575	131,565	162,022	379,267	175,687
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	6,917,347	6,533,447	6,428,872	6,297,307	6,135,285	5,756,018	5,580,331
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 6,835,786	\$ 6,917,347	\$ 6,533,447	\$ 6,428,872	\$ 6,297,307	\$ 6,135,285	\$ 5,756,018
PLAN FIDUCIARY NET POSITION:							
Contributions - employer	\$ 492,854	\$ 460,796	\$ 492,382	\$ 498,190	\$ 492,617	\$ 471,508	\$ 143,621
Contributions - employee	29,620	28,639	28,736	37,800	65,407	49,032	44,739
Net investment income	800,611	627,198	601,514	(175,062)	510,386	380,374	(53,796)
Benefit payments (including refunds of employee contributions)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Administrative expenses	(9,224)	(10,143)	(10,347)	(8,750)	(8,082)	(7,516)	(7,889)
NET CHANGE IN FIDUCIARY NET POSITION	879,783	633,707	644,183	(70,485)	660,717	481,009	(250,518)
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	5,775,975	5,142,268	4,498,085	4,568,570	3,907,853	3,426,844	3,677,362
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 6,655,758	\$ 5,775,975	\$ 5,142,268	\$ 4,498,085	\$ 4,568,570	\$ 3,907,853	\$ 3,426,844
NET PENSION LIABILITY - ENDING (a)-(b)	\$ 180,028	\$ 1,141,372	\$ 1,391,179	\$ 1,930,787	\$ 1,728,737	\$ 2,227,432	\$ 2,329,174
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	97.37%	83.50%	78.71%	69.97%	72.55%	63.69%	59.53%
COVERED EMPLOYEE PAYROLL	\$ 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	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.

Changes of assumptions - mortality, retirement, disability, and termination 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 EMPLOYER CONTRIBUTIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 12/31 OF EACH FISCAL YEAR)

	<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	\$ 192,504	\$ 220,632	\$ 213,348	\$ 198,190	\$ 192,617	\$ 171,508	\$ 140,812
Employer contribution	<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>\$ (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	\$ 1,119,805	\$ 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	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	19 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3.00%
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male RP-2014 Group
	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)

	2021	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY:							
Service cost	\$ 17,601	\$ 16,838	\$ 17,823	\$ 13,615	\$ 15,005	\$ 16,630	\$ 17,727
Interest	23,601	20,494	22,428	28,680	28,826	29,766	30,767
Difference between expected and actual experience	(10,620)	(7,293)	(23,115)	(13,187)	(16,078)	(6,357)	(13,482)
Change of assumptions	153,859	47,209	30,126	157,333	1,134	1,143	1,165
Benefit payments (including refunds of employee contributions)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
NET CHANGE IN TOTAL PENSION LIABILITY	184,441	76,977	(31,902)	152,162	2,298	(48,898)	15,995
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	774,351	697,374	729,276	577,114	574,816	623,714	607,719
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 958,792	\$ 774,351	\$ 697,374	\$ 729,276	\$ 577,114	\$ 574,816	\$ 623,714
PLAN FIDUCIARY NET POSITION:							
Contributions - employer	\$ 5,306	\$ 5,306	\$ 6,180	\$ 6,973	\$ 7,990	\$ 89,250	\$ 25,086
Contributions - employee	1,592	1,592	1,854	2,092	2,397	2,458	2,775
Net investment income	2,925	2,662	4,900	7,505	8,388	7,853	7,521
Benefit payments (including refunds of employee contributions)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
Administrative expenses	(800)	(800)	(800)	(800)	(800)	(82)	(721)
NET CHANGE IN FIDUCIARY NET POSITION	9,023	8,489	(67,030)	(18,509)	(8,614)	9,399	14,479
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	87,393	78,904	145,934	164,443	173,057	163,658	149,179
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 96,416	\$ 87,393	\$ 78,904	\$ 145,934	\$ 164,443	\$ 173,057	\$ 163,658
NET PENSION LIABILITY - ENDING (a)-(b)	\$ 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	10.06%	11.29%	11.31%	20.01%	28.49%	30.11%	26.24%
COVERED EMPLOYEE PAYROLL	\$ 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	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 2021

Change in assumptions:

Mortality table updated

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)

	2021	2020	2019	2018	2017	2016	2015
Actuarially determined total contribution	\$ 54,933	\$ 55,185	\$ 48,593	\$ 43,635	\$ 44,031	\$ 38,417	\$ 44,539
Employer contribution	<u>4,818</u>	<u>5,306</u>	<u>5,774</u>	<u>6,485</u>	<u>7,197</u>	<u>8,169</u>	<u>89,547</u>
Contribution deficiency (excess)	<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	\$ 1,191,648	\$ 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	0.40%	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, 2021
Measurement date April 1, 2021

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 3.75% 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-2020
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)

	2021	2020	2019	2018
TOTAL OPEB LIABILITY:				
Service cost	\$ 131,415	\$ 133,109	\$ 123,584	\$ 119,244
Interest	265,214	485,878	509,590	506,614
Changes of benefit terms	-	184,020	-	-
Difference between expected and actual experience	(73,870)	(3,974,772)	44,846	(81,768)
Change of assumptions	(987,320)	2,399,412	689,528	-
Benefit payments (including refunds of employee contributions)	(360,876)	(416,247)	(528,858)	(404,507)
NET CHANGE IN TOTAL OPEB LIABILITY	(1,025,437)	(1,188,600)	838,690	139,583
TOTAL OPEB LIABILITY - BEGINNING OF YEAR	13,790,669	14,979,269	14,140,579	14,000,996
TOTAL OPEB LIABILITY - END OF YEAR (a)	\$ 12,765,232	\$ 13,790,669	\$ 14,979,269	\$ 14,140,579
PLAN FIDUCIARY NET POSITION:				
Contributions/benefit payments made from general operating funds	\$ 360,876	\$ 416,247	\$ 528,858	\$ 404,507
Benefit payments (including refunds of employee contributions)	(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)	\$ 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%
COVERED EMPLOYEE PAYROLL	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
NET OPEB LIABILITY AS PERCENTAGE OF PAYROLL	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 2021

Change in assumptions:

Medical trend updated
Discount rate changed from 1.93% to 2.25%

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined total contribution	\$ 1,537,449	\$ 1,665,748	\$ 1,512,722	\$ 1,417,736
Employer contribution (benefit payments)	<u>(360,876)</u>	<u>(416,247)</u>	<u>(528,858)</u>	<u>(404,507)</u>
Contribution deficiency (excess)	<u>\$ 1,176,573</u>	<u>\$ 1,249,501</u>	<u>\$ 983,864</u>	<u>\$ 1,013,229</u>
Covered employee payroll	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
Contribution as a percentage of covered payroll	78.13%	90.91%	76.26%	74.50%

Notes to Schedule

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2020
Measurement date	December 31, 2021

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	11 years
Salary scale	2.00%
Medical trend	Pre-Medicare 8.25% graded down to 7.50% after one year and then by 0.25% per year to an ultimate rate of 4.50%; Post-Medicare 6.50% graded down to 5.75% after one year and then by 0.25% per year to an ultimate rate of 4.50%
Investment rate of return	Not applicable - Plan is not prefunded
Discount rate	2.25%
Mortality rates	Public General 2010 Employee and Healthy Retiree, Headcount weighted, MP-2020 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.

OTHER 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, 2021

TOTAL REVENUES	\$ 18,464,667
TOTAL EXPENDITURES	<u>15,706,841</u>
NET CHANGE IN FUND BALANCE	2,757,826
Fund Balance, beginning of year	<u>8,360,793</u>
Fund balance, end of year	<u><u>\$ 11,118,619</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, 2021

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
TOTAL REVENUES	<u>\$ 8,425,362</u>	<u>\$ 8,381,592</u>	<u>\$ 1,657,713</u>	<u>\$ 18,464,667</u>
TOTAL EXPENDITURES	<u>4,938,131</u>	<u>8,925,103</u>	<u>1,843,607</u>	<u>15,706,841</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,487,231</u>	<u>(543,511)</u>	<u>(185,894)</u>	<u>2,757,826</u>
OTHER FINANCING SOURCES (USES)				
Optional transfers in		500,000		500,000
Optional transfers out	<u>(500,000)</u>			<u>(500,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(500,000)</u>	<u>500,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	2,987,231	(43,511)	(185,894)	2,757,826
Fund Balance, beginning of year	<u>4,934,637</u>	<u>2,315,498</u>	<u>1,110,658</u>	<u>8,360,793</u>
Fund balance, end of year	<u><u>\$ 7,921,868</u></u>	<u><u>\$ 2,271,987</u></u>	<u><u>\$ 924,764</u></u>	<u><u>\$ 11,118,619</u></u>

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2021

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION	TOTAL
REVENUES				
Taxes	\$ 1,644,293	\$ 817,428	\$ -	\$ 2,461,721
Licenses and Permits	-	-	38,436	38,436
Intergovernmental:				
Federal Sources				
Surface Tran. Program (STP)	258,328	-	-	258,328
Total Federal Sources	258,328	-	-	258,328
State Sources				
Michigan Transportation Fund				
Engineering	5,529	4,471	-	10,000
Urban Road	24,127	24,021	-	48,148
Allocation	5,793,350	4,684,354	-	10,477,704
Other	500,000	-	-	500,000
Total State Sources	6,323,006	4,712,846	-	11,035,852
Local Sources				
Township Contributions	-	2,843,132	-	2,843,132
Village Contributions	171,978	-	-	171,978
Total Local Sources	171,978	2,843,132	-	3,015,110
Total Intergovernmental	6,753,312	7,555,978	-	14,309,290
Charges for Services				
State Trunkline Maintenance	-	-	1,419,450	1,419,450
State Trunkline Non-maintenance	-	-	125,134	125,134
Salvage Sales	-	-	23,558	23,558
Other	-	-	2,855	2,855
Total Charges for Services	-	-	1,570,997	1,570,997
Interest Earned	17,446	8,186	3,927	29,559
Other:				
Proceeds from Sale of Assets	10,311	-	-	10,311
Miscellaneous	-	-	44,353	44,353
Total Other	10,311	-	44,353	54,664
TOTAL REVENUES	\$ 8,425,362	\$ 8,381,592	\$ 1,657,713	\$ 18,464,667

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2021

	<u>PRIMARY ROAD FUND</u>	<u>LOCAL ROAD FUND</u>	<u>COUNTY ROAD COMMISSION</u>	<u>TOTAL</u>
EXPENDITURES				
Preservation improvements	\$ 2,218,992	\$ 3,423,988	\$ -	\$ 5,642,980
Structural improvements	477,773	1,348,073	-	1,825,846
Routine and preventative maintenance	1,791,241	3,629,861	-	5,421,102
State trunkline maintenance	-	-	1,434,642	1,434,642
State trunkline non-maintenance	-	-	125,134	125,134
Administrative expense - net	218,252	408,585	-	626,837
Equipment expense- net	40,671	114,596	32,258	187,525
Capital outlay - net	191,202	-	-	191,202
Sundry billings	-	-	251,573	251,573
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 4,938,131</u>	<u>\$ 8,925,103</u>	<u>\$ 1,843,607</u>	<u>\$ 15,706,841</u>



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

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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, the major fund, and the aggregate remaining fund information of Tuscola County Road Commission, component unit of Tuscola County, State of Michigan, as of and for the year ended December 31, 2021, 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 24, 2022.

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 24, 2022