

**TUSCOLA COUNTY ROAD COMMISSION**

A Component Unit of Tuscola County  
Caro, Michigan

Report on Financial Statements  
(with required and additional supplementary information)  
Year Ended December 31, 2024

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

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Tuscola County Road Commission  
Caro, Michigan 48723

### Report on the Audit of the Financial Statements

#### **Opinions**

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

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

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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.

#### **Change in Accounting Principles**

As discussed in Note 17 to the financial statements, in 2024 the Commission adopted new accounting guidance, GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, and GASB Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Tuscola County Road Commission, State of Michigan's basic financial statements. The other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 23, 2025, on our consideration of the Tuscola County Road Commission, State of Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Tuscola County Road Commission, State of Michigan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tuscola County Road Commission, State of Michigan's internal control over financial reporting and compliance.

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

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

June 23, 2025

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

### Using this Annual Report

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

### Financial Highlights

- Contributions from Local Units Revenue increased by more than \$1.5 million over last year.
- Overall revenue increased by approximately \$14 million over last year.
- Expenditures increased by approximately \$10 million over last year.
- Over \$11.3 million was added to net position this year.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements are comprised of the following three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

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

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

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

## Reporting the Road Commission as a Whole

### **Government-Wide Statements**

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. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

## Reporting the Road Commission's Major Fund

### **Fund Financial Statements**

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

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

## The Road Commission as a Whole

The Road Commission's net position increased by 9.1% from \$123,771,865 to \$135,089,801 for the year ended December 31, 2024. The net position and change in net position are summarized below.

### **Net Position**

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 \$2,728,993. Restricted net position, those restricted mainly for Act 51 purposes, decreased by \$1,112,093.

Net position increased by \$11,317,936 during 2024 mainly due to Federal Aid Projects, Local Contributions, and Contributions from the Public.

# TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position as of year ended December 31, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 21,728,111	\$ 16,146,459	\$ 5,581,652	35%
Capital Assets	<u>134,406,293</u>	<u>124,267,816</u>	<u>10,138,477</u>	8%
Total Assets	<u>156,134,404</u>	<u>140,414,275</u>	<u>15,720,129</u>	11%
Deferred Outflows of Resources	<u>631,527</u>	<u>977,317</u>	<u>(345,790)</u>	-35%
Current Liabilities	8,487,889	2,927,351	5,560,538	190%
Noncurrent Liabilities	<u>11,377,148</u>	<u>11,792,018</u>	<u>(414,870)</u>	-4%
Total Liabilities	<u>19,865,037</u>	<u>14,719,369</u>	<u>5,145,668</u>	35%
Deferred Inflows of Resources	<u>1,811,093</u>	<u>2,900,358</u>	<u>(1,089,265)</u>	-38%
Net Position				
Net Investment in Capital Assets	132,721,451	123,020,415	9,701,036	8%
Restricted	723,296	1,835,389	(1,112,093)	-61%
Unrestricted	<u>1,645,054</u>	<u>(1,083,939)</u>	<u>2,728,993</u>	-252%
Total Net Position	<u>\$ 135,089,801</u>	<u>\$ 123,771,865</u>	<u>\$ 11,317,936</u>	9%



# TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

A summary of changes in net position for the years ended December 31, 2024 and 2023 follows:

	Governmental Activities 2024	Governmental Activities 2023	Variance	Variance %
Program Revenue:				
Federal Grants	\$ 2,448,858	\$ 570,384	\$ 1,878,474	329%
State Grants	11,691,522	11,557,235	134,287	1%
Contributions From Local Units	5,213,911	3,677,607	1,536,304	42%
Charges for Services	2,706,480	1,175,802	1,530,678	130%
General Revenue:				
Taxes	2,947,682	2,829,448	118,234	4%
Miscellaneous	8,491,072	203,222	8,287,850	4078%
Licenses & Permits	38,660	75,994	(37,334)	-49%
Salvage Sales	13,497	5,238	8,259	158%
Investment Earnings	298,862	99,789	199,073	199%
Gain on Equipment Disposal	351,147	75,624	275,523	364%
<b>TOTAL REVENUES</b>	<b>34,201,691</b>	<b>20,270,343</b>	<b>13,931,348</b>	<b>69%</b>
Program Expenses:				
Primary Road Maintenance	2,116,842	2,248,141	(131,299)	-6%
Local Road Maintenance	12,324,377	4,194,947	8,129,430	194%
State Trunkline Expense	2,411,422	1,032,090	1,379,332	134%
Net Equipment Expense	(257,883)	145,387	(403,270)	-277%
Administrative Expense	(856,985)	(1,713,359)	856,374	-50%
Non Road Related Expense	-	377,218	(377,218)	100%
Interest Expense	78,401	107,739	(29,338)	-27%
Infrastructure Depreciation Expense	7,067,581	6,622,215	445,366	100%
<b>TOTAL EXPENDITURES</b>	<b>22,883,755</b>	<b>13,014,378</b>	<b>9,869,377</b>	<b>76%</b>
<b>Change in Net Positon</b>	<b>\$ 11,317,936</b>	<b>\$ 7,255,965</b>	<b>\$ 4,061,971</b>	<b>56%</b>

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

### The Road Commission's General Operating Fund

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

For the year ended December 31, 2024, the fund balance of the General Operating Fund decreased \$195,739 as compared to a decrease of \$646,499 in the fund balance for the year ended December 31, 2023. Total revenues and other financing sources were \$35,420,576, an increase of \$15,057,462 as compared to last year. Total expenses were \$35,616,315, an increase of \$14,606,702 as compared to last year

The following details the primary road projects for 2024. The primary road millage is only used on primary construction and preservation.

### 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 2024 was more than the original budget by \$9,272,030. There was a large increase in contributions from private sources received in 2024. Overall, the actual revenues were more than budgeted by \$669,576 mainly due to the lease activity for the year.

Road Commission final expenditures budget for 2024 was higher than the original budget by \$8,265,403. The final budget for Local Road and State Trunkline was increased. Overall the actual expenditures were less than the final budgeted amounts by \$972,185 mainly due to less local road maintenance and net equipment expense.

# TUSCOLA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

	2024 Original <u>Budget</u>	2024 Final <u>Budget</u>
Revenues:		
Michigan Transportation Funds	\$11,500,000	\$11,500,000
State Trunkline Revenue	1,100,000	2,300,000
Federal/State Funds:		
Primary Roads	2,530,720	2,500,000
Primary Roads Bridges	1,200,000	-
County Raised Funds:		
Primary Road Millage	1,800,000	1,800,000
Local Road Bridge Millage	850,000	950,000
Township & Village Contributions	3,700,000	5,300,000
Other Contributions	2,688,250	10,075,000
Other Revenues:		
Permit Fees	65,000	40,000
Interest Earned	30,000	275,000
Salvage Sales	15,000	11,000
<b>TOTAL REVENUES</b>	<u>25,478,970</u>	<u>34,751,000</u>
Expenditures:		
Primary Roads Preservation/Improvements	9,257,797	6,800,000
Primary Roads Routine Maintenance	2,300,000	2,300,000
Local Roads Preservation/Improvements	4,400,000	6,100,000
Local Roads Routine Maintenance	4,000,000	4,000,000
Primary Structures Preservation/Improve.	2,701,300	600,000
Local Structures Preservation/Improve.	3,167,000	2,800,000
State Trunkline Expense	1,100,000	2,300,000
Administrative Expense	700,000	600,000
Capital Outlay (net)	257,000	413,500
Debt Principal Payment	275,000	500,000
Interest Expense	65,000	100,000
Sundry Billings	100,000	10,075,000
<b>TOTAL EXPENDITURES</b>	<u>28,323,097</u>	<u>36,588,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (2,844,127)</u>	<u>\$ (1,837,500)</u>

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

### Capital Assets

As of December 31, 2024, the Road Commission had \$207,869,194 invested in capital assets as follows:

	2024	2023
Capital Assets, Not Being Depreciated/Amortized		
Construction in Progress	\$ 167,000	\$ 8,500
Land and Land Improvements	43,533,930	41,735,042
Total Assets Not Being Depreciated/Amortized	<u>43,700,930</u>	<u>41,743,542</u>
Other Capital Assets:		
Depletable Assets	278,249	278,249
Buildings	2,706,215	2,422,043
Bridges	55,818,927	52,621,458
Roads	92,741,366	86,717,331
Signals & Guardrails	687,777	636,552
Road Equipment	9,876,966	10,052,659
Shop Equipment	222,234	222,234
Engineers Equipment	37,672	37,672
Right to Use - Road Equipment	1,471,987	135,743
Other Equipment	326,871	326,871
Total Other Capital Assets	<u>164,168,264</u>	<u>153,450,812</u>
Total Capital Assets at Historic Cost	<u>207,869,194</u>	<u>195,194,354</u>
Total Accumulated Depreciation/Amortization	<u>73,462,901</u>	<u>70,926,538</u>
Total Net Capital Assets	<u><u>\$ 134,406,293</u></u>	<u><u>\$ 124,267,816</u></u>

Current year net additions/deductions included the following:

Equipment	\$ (175,693)
Buildings	284,172
Roads	6,024,035
Bridges	3,197,469
Signs and guardrails	51,225
Depletable assets	-
Construction in progress	158,500
Right to use – road equipment	1,336,244
Land improvements	1,798,888
	<u>\$12,674,840</u>

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

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

### Debt

As of December 31, 2024, the Road Commission had \$1,798,562 of long-term obligations outstanding as follows:

	2024	2023
Direct borrowings and direct placement	\$ 1,684,842	\$ 1,247,401
Compensated absences	113,720	69,130
Total	<u>\$ 1,798,562</u>	<u>\$ 1,316,531</u>

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

### Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2025 budget. The Road Commission has budgeted additional road and bridge projects in 2025 with the additional road funding included in the Michigan Transportation Fund with the recent State Legislation.

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

### Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Tuscola County Road Commission administrative offices at (989) 673-2128.

## **BASIC FINANCIAL STATEMENTS**

**TUSCOLA COUNTY ROAD COMMISSION**

A Component Unit of Tuscola County

**STATEMENT OF NET POSITION**

DECEMBER 31, 2024

	<b>Governmental Activities</b>
<b><u>ASSETS</u></b>	
Current assets	
Cash	\$ 13,403,455
Due from other governments:	
State	2,371,578
Local	2,186,211
Accounts receivable	40,554
Taxes receivable	2,851,098
Inventory	558,863
Prepaid expenses	316,352
Total current assets	<u>21,728,111</u>
Noncurrent assets	
Capital assets not being depreciated/amortized	43,700,930
Capital assets, net of accumulated depreciation/amortized	<u>90,705,363</u>
Total noncurrent assets	<u>134,406,293</u>
<b>TOTAL ASSETS</b>	<u>156,134,404</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Related to pensions	431,952
Related to OPEB	<u>199,575</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>631,527</u>
<b><u>LIABILITIES</u></b>	
Current liabilities	
Accounts payable	4,658,208
Accrued liabilities	216,250
Accrued construction costs	96,924
Advance - townships	28,677
Unearned revenue	2,496,952
Current portion of compensated absences	103,900
Current portion of long-term debt	886,978
Total current liabilities	<u>8,487,889</u>
Noncurrent liabilities	
Advance - State of Michigan	338,248
Noncurrent portion of compensated absences	9,820
Noncurrent portion of long-term debt	797,864
Net pension liability	1,100,160
Net other post employment benefit liability	9,131,056
Total noncurrent liabilities	<u>11,377,148</u>
<b>TOTAL LIABILITIES</b>	<u>19,865,037</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Related to pensions	735,171
Related to OPEB	<u>1,075,922</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,811,093</u>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	132,721,451
Restricted	723,296
Unrestricted	<u>1,645,054</u>
<b>TOTAL NET POSITION</b>	<u>\$ 135,089,801</u>

See accompanying notes to financial statements.

**TUSCOLA COUNTY ROAD COMMISSION**

A Component Unit of Tuscola County

**STATEMENT OF ACTIVITIES**

YEAR ENDED DECEMBER 31, 2024

	<b>Governmental Activities</b>
Program expenses:	
Primary road	\$ 2,116,842
Local road	12,324,377
State trunkline	2,411,422
Administrative - net	(856,985)
Equipment - net	(257,883)
Interest expense	78,401
Infrastructure depreciation	7,067,581
Total program expenses	<u>22,883,755</u>
Program revenues:	
Charges for services	2,466,318
Operating grants and contributions	5,387,385
Capital grants and contributions	14,207,068
Total program revenues	<u>22,060,771</u>
Net program revenues	<u>(822,984)</u>
General revenues	
Property taxes	2,947,682
Investment gain/(loss)	298,862
Gain/(loss) on sale of capital assets	351,147
Other	8,543,229
Total general revenues	<u>12,140,920</u>
Change in net position	11,317,936
Net position, beginning of year	<u>123,771,865</u>
Net position, end of year	<u><u>\$ 135,089,801</u></u>

See accompanying notes to financial statements.



**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County  
**GOVERNMENTAL FUND**  
**BALANCE SHEET**  
**DECEMBER 31, 2024**

	<b>General Operating Fund</b>
<b><u>ASSETS</u></b>	
Cash	\$ 13,403,455
Due from other governments:	
State	2,371,578
Local	2,186,211
Accounts receivable	40,554
Taxes receivable	2,851,098
Inventory	558,863
Prepaid expenditures	316,352
<b><i>TOTAL ASSETS</i></b>	<b><u>\$ 21,728,111</u></b>
<b><u>LIABILITIES</u></b>	
Accounts payable	\$ 4,658,208
Accrued liabilities	216,250
Accrued construction costs	96,924
Advance - townships	28,677
Advance - State of Michigan	338,248
Unearned revenue	2,496,952
<b><i>TOTAL LIABILITIES</i></b>	<b><u>7,835,259</u></b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Unavailable revenue - property taxes	2,851,015
Unavailable revenue - other	604,700
<b><i>TOTAL DEFERRED INFLOWS OF RESOURCES</i></b>	<b><u>3,455,715</u></b>
<b><u>FUND BALANCE</u></b>	
Nonspendable:	
Inventory	558,863
Prepaid expenditures	316,352
Restricted for construction	723,296
Assigned for subsequent expenditures	2,341,658
Unassigned	6,496,968
<b><i>TOTAL FUND BALANCE</i></b>	<b><u>10,437,137</u></b>
<b><i>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</i></b>	<b><u>\$ 21,728,111</u></b>

See accompanying notes to financial statements.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County  
**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**YEAR ENDED DECEMBER 31, 2024**

<b>Total Fund Balance - Governmental Fund</b>	<b>\$ 10,437,137</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund:

Cost of capital assets	207,869,194
Accumulated depreciation/amortization	(73,462,901)

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

These amounts consist of:

Deferred outflows of resources related to pensions	431,952
Deferred inflows of resources related to pensions	(735,171)
Deferred outflows of resources related to OPEB	199,575
Deferred inflows of resources related to OPEB	(1,075,922)
Deferred inflows of resources related to unavailable revenue	3,455,715

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

Direct borrowings and direct placement	(1,684,842)
Compensated absences	(113,720)
Net pension liability	(1,100,160)
Net OPEB liability	(9,131,056)

<b>Net Position of Governmental Activities</b>	<b>\$ 135,089,801</b>
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See accompanying notes to financial statements.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County  
**STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE**  
**YEAR ENDED DECEMBER 31, 2024**

	<b>General Operating Fund</b>
<b><u>Revenues</u></b>	
Taxes	\$ 2,828,787
Intergovernmental -	
Federal sources	2,448,858
State sources	11,691,522
Local sources	5,213,911
Charges for services	2,427,658
Interest	298,862
Licenses & permits	38,660
Other	9,136,074
<b>Total revenues</b>	<b>34,084,332</b>
<b><u>Expenditures</u></b>	
Current	
Primary road	9,209,954
Local road	21,288,447
State trunkline	2,411,422
Administrative - net	591,310
Equipment - net	(637,952)
Capital outlay - net	1,775,930
Debt service	977,204
<b>Total expenditures</b>	<b>35,616,315</b>
<b>Excess of revenues over (under) expenditures</b>	<b>(1,531,983)</b>
<b><u>Other financing sources (uses):</u></b>	
Proceeds from leases	1,336,244
<b>Total other financing sources (uses)</b>	<b>1,336,244</b>
<b>Net change in fund balance</b>	<b>(195,739)</b>
<b>Fund balance, beginning of year</b>	<b>10,632,876</b>
<b>Fund balance, end of year</b>	<b>\$ 10,437,137</b>

See accompanying notes to financial statements.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2024**

<b>Net Change in Fund Balance - Governmental Fund</b>	<b>\$ (195,739)</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	18,306,442
Depreciation/amortization expense	(7,926,267)

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

(241,698)

Debt proceeds provide current financial resources to governmental funds, but entering into debt agreements increases long-term liabilities in the Statement of Net Position. Repayment of notes/leases payable is an expenditure in the governmental fund, but reduces the long-term liabilities in the Statement of Net Position.

Payments on notes from direct borrowings and direct placement	898,803
Proceeds from leases	(1,336,244)

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

Increase in deferred inflows of resources related to unavailable revenue	359,057
(Increase) in compensated absences	(44,590)
(Decrease) in deferred outflows of resources related to pension	(83,558)
Decrease in deferred inflows of resources related to pensions	417,533
(Decrease) in deferred outflows of resources related to OPEB	(262,232)
Decrease in deferred inflows of resources related to OPEB	671,732
Decrease in net pension liability	275,590
Decrease in net OPEB liability	479,107

<b>Change in Net Position of Governmental Activities</b>	<b>\$ 11,317,936</b>
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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, 2024

**NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

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

**REPORTING ENTITY:**

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

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

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

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

**BASIS OF PRESENTATION:**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

**FUND FINANCIAL STATEMENTS**

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

The *Major Fund* of the Commission is:

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

**MEASUREMENT FOCUS:**

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

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

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

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

**BASIS OF ACCOUNTING:**

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

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

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

**BUDGETARY INFORMATION:**

Budgetary Basis of Accounting:

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

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

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

1. On or prior to December 31 of each year, a proposed budget is submitted to the County Board of Road Commissioners for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1 the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the County Board of Road Commissioners.
5. Formal budgetary integration is employed as a management control device during the year for the Operating Fund.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

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:**

**a. 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.

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

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

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

**b. 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.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**c. INVENTORIES**

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

**d. 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.

**e. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, right to use – road equipment, and infrastructure assets (roads, bridges and similar items), are reported in the government-wide statements (statement of net position and statement of changes in net position). Capital assets are defined by the Tuscola County Road Commission as assets with an initial cost of \$1,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date donated.

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

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

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

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

Buildings & Improvements	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Department	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years
Right to use – Road Equipment	5 to 8 years

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



**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**f. COMPENSATED ABSENCES**

The Commission recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements.

A liability for compensated absences is recorded in the government funds only if the liability has matured because of employee resignations or retirements.

Paid time off is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee. The liability for compensated absences includes salary-related benefits, where applicable.

Upon termination, an employee receives payment for the balance of unused paid time off, which is credited to an employee each pay period.

**g. 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.

**h. 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.

**i. NET PENSION LIABILITY**

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

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

**Pension Plan for Employees of Tuscola County Road Commission** - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Pension Plan for Employees of Tuscola County Road Commission and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by Tuscola County Road Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**j. NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY**

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Commission's fiduciary net position have been determined on the same basis as they are reported for the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments, if there were any, would be reported at fair value.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**k. 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.

**l. 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.

**m. FUND BALANCE CLASSIFICATIONS**

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

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

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

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

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

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

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**n. 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.

**o. LEASES**

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

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

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

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

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

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

**REVENUES AND EXPENDITURES/EXPENSES:**

**1. PROGRAM REVENUES**

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County, Michigan  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**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 2024 levy were .4807 mills for voted bridges and .9657 mills for voted Primary Roads.

**3. EQUIPMENT RENTAL**

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

**4. TAX ABATEMENTS**

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

**5. USE OF ESTIMATES**

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

**NOTE 2 – DEPOSITS AND INVESTMENTS:**

As of December 31, 2024 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, 2024, \$257,736 of the Commission's bank balance of \$507,736 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission's deposits had a carrying amount of \$219,069 as of December 31, 2024.

Amounts reported on the balance sheet include \$13,184,386 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, 2024, the County Treasurer, on behalf of the Road Commission, had no investments.

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**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, 2024, the Commission did not hold any investments that would be subject to rating.

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

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

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

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

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

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

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

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

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

The following summarizes the categorization of these amounts as of December 31, 2024:

	Primary Government
Cash	\$ 219,069
Deposits with fiscal agent	13,184,386
Total	<u>\$ 13,403,455</u>

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**NOTE 3 – ACCOUNTS RECEIVABLE:**

Accounts receivable consists of the following:

	<b><u>December 31, 2024</u></b>
Due from state	\$2,371,578
Due on county road agreements	2,186,211
Sundry accounts	<u>40,544</u>
 TOTAL	 <u>\$4,598,333</u>

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

**NOTE 4 – ACCRUED CONSTRUCTION:**

Prepaid construction represents progress payments made by the Road Commission to the State Highway Department on various road projects not completed at December 31, 2024. These amounts will be either refunded or charged to expense as the projects are completed.

Accrued construction cost represents work completed but not paid for by the Road Commission to the State Highway Department on various road projects as of December 31, 2024. These amounts will be paid as the projects are completed.

**NOTE 5 - ADVANCES - STATE OF MICHIGAN:**

The balance of this account consists of the following:

Monies provided by MDOT to provide cash flow to finance equipment and services provided by the Road Commission on MDOT trunkline designated roads and monies received in advance of various other services. The cost of equipment and services used to provide these services are billed to MDOT periodically.

**December 31, 2024**

\$338,248

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**NOTE 6 - CHANGES IN CAPITAL ASSETS:**

A summary of changes in the recorded capital assets follows:

	BALANCE JANUARY 1, 2024	ADDITIONS & ADJUSTMENTS	DISPOSALS & ADJUSTMENTS	BALANCE DECEMBER 31, 2024
<b>Governmental Activities</b>				
Capital assets, not being depreciated/amortized:				
Construction in progress	\$ 8,500	\$ 167,000	\$ 8,500	\$ 167,000
Land & right of ways	294,218	-	-	294,218
Land improvements	41,440,824	1,798,888	-	43,239,712
Total capital assets, not being depreciated/amortized	41,743,542	1,965,888	8,500	43,700,930
Capital assets, being depreciated/amortized:				
Buildings	2,422,043	284,172	-	2,706,215
Bridges	52,621,458	3,197,469	-	55,818,927
Roads	86,717,331	11,009,599	4,985,564	92,741,366
Signals & guardrails	636,552	51,225	-	687,777
Equipment - roads	10,052,659	470,345	646,038	9,876,966
Equipment - shop	222,234	-	-	222,234
Equipment - heating	147,291	-	-	147,291
Equipment - office	154,763	-	-	154,763
Equipment - engineer	37,672	-	-	37,672
Right to use - road equipment	135,743	1,336,244	-	1,471,987
Depletable assets	278,249	-	-	278,249
Weighmaster equipment	24,817	-	-	24,817
	153,450,812	16,349,054	5,631,602	164,168,264
Less - accumulated depreciation/amortization:				
Buildings	1,834,756	42,817	-	1,877,573
Bridges	21,495,734	1,140,467	-	22,636,201
Roads	38,265,271	5,908,959	4,985,564	39,188,666
Signals & guardrails	543,776	18,155	-	561,931
Equipment - roads	8,229,071	623,651	404,340	8,448,382
Equipment - shop	175,424	13,171	-	188,595
Equipment - heating	111,107	2,039	-	113,146
Equipment - office	143,819	2,135	-	145,954
Equipment - engineers	34,528	985	-	35,513
Right to use - road equipment	22,624	173,585	-	196,209
Depletable assets	47,274	6	-	47,280
Weighmaster equipment	23,154	297	-	23,451
	70,926,538	7,926,267	5,389,904	73,462,901
Total Capital assets, being depreciated/amortized:	82,524,274	8,422,787	241,698	90,705,363
Governmental activities				
Capital assets, net	\$ 124,267,816	\$ 10,388,675	\$ 250,198	\$ 134,406,293

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Total depreciation expense for the year ended December 31, 2024 was \$7,926,267, and was charged to the following activities:

Net equipment expense	
Direct equipment	\$ 797,236
Indirect equipment	56,157
Net administrative expense	5,287
Net depletion expense	6
Infrastructure	<u>7,067,581</u>
	<u><u>\$ 7,926,267</u></u>

**NOTE 7 – LONG-TERM OBLIGATIONS:**

The following is a summary of changes in long-term obligations (including current portions) of the Road Commission for the year ended December 31, 2024:

	Balance Jan. 1, 2024	Additions	Deletions	Balance Dec. 31, 2024	Amounts Due Within One Year
Direct borrowings and direct placement:					
2019 CAT Loader 1076	\$ 92,587	\$ -	\$ (92,587)	\$ -	\$ -
2019 CAT Loader 1232	92,587	-	(92,587)	-	-
2019 CAT Grader 0591	143,994	-	(143,994)	-	-
2020 CAT Grader 109	154,148	-	(26,515)	127,633	127,633
2020 CAT Grader 110	165,789	-	(29,087)	136,702	136,702
2020 CAT Grader 111	165,789	-	(29,087)	136,702	136,702
2020 CAT Grader 112	165,789	-	(29,087)	136,702	136,702
2020 CAT Grader 113	165,789	-	(29,087)	136,702	136,702
2023 CAT Loader 2818	100,929	-	(20,343)	80,586	23,726
2023 CAT Grader 921	-	260,952	(70,081)	190,871	42,952
2023 CAT Grader 150	-	260,952	(70,081)	190,871	42,952
2024 CAT Loader 6991	-	201,756	(73,252)	128,504	24,328
2024 CAT Loader 6995	-	201,756	(68,400)	133,356	25,244
2024 CAT Grader 150	-	268,438	(58,991)	209,447	35,995
2024 CAT Loader 926M	-	142,390	(65,624)	76,766	17,340
Total direct borrowings and direct placement	<u>1,247,401</u>	<u>1,336,244</u>	<u>(898,803)</u>	<u>1,684,842</u>	<u>886,978</u>
Compensated absences*	<u>69,130</u>	<u>44,590</u>	<u>-</u>	<u>113,720</u>	<u>103,900</u>
Total	<u><u>\$ 1,316,531</u></u>	<u><u>\$ 1,380,834</u></u>	<u><u>\$ (898,803)</u></u>	<u><u>\$ 1,798,562</u></u>	<u><u>\$ 990,878</u></u>

\*The change in the compensated absences liability is presented as a net change.



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

**Notes from direct borrowings and direct placement:**

**Finance purchase agreements:**

The Commission purchased a 2020 CAT motor grader under an installment purchase agreement, dated May 12, 2020, at a cost of \$294,509. The purchase agreement requires 60 consecutive monthly payments through June 9, 2025, which includes financing costs at a rate of 3.35%. \$ 127,633

The Commission purchased a 2020 CAT motor grader under an installment purchase agreement, dated May 12, 2020, at a cost of \$301,428. The purchase agreement requires 60 consecutive monthly payments through September 16, 2025, which includes financing costs at a rate of 3.17%. 136,702

The Commission purchased a 2020 CAT motor grader under an installment purchase agreement, dated May 12, 2020, at a cost of \$301,428. The purchase agreement requires 60 consecutive monthly payments through September 16, 2025, which includes financing costs at a rate of 3.17%. 136,702

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**Leases:**

The Commission purchased a 2023 CAT wheel loader under an installment purchase agreement, dated March 9, 2023 at a cost of \$135,743. The lease purchase agreement requires 60 consecutive monthly payments through March 16, 2028, which includes lease financing costs at a rate of 6.99%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. 80,586

The Commission purchased a 2023 CAT wheel loader under an installment purchase agreement, dated January 18, 2024 at a cost of \$260,952. The lease purchase agreement requires 60 consecutive monthly payments through January 21, 2029, which includes lease financing costs at a rate of 5.69%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. 190,871

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

The Commission purchased a 2023 CAT wheel loader under an installment purchase agreement, dated January 18, 2024 at a cost of \$260,952. The lease purchase agreement requires 60 consecutive monthly payments through January 21, 2029, which includes lease financing costs at a rate of 5.69%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

190,871

The Commission purchased a 2024 CAT medium wheel loader under an installment purchase agreement, dated September 9, 2024 at a cost of \$201,756. The lease purchase agreement requires 60 consecutive monthly payments through September 1, 2029, which includes lease financing costs at a rate of 5.69%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

128,504

The Commission purchased a 2024 CAT medium wheel loader under an installment purchase agreement, dated September 9, 2024 at a cost of \$201,756. The lease purchase agreement requires 60 consecutive monthly payments through September 1, 2029, which includes lease financing costs at a rate of 5.69%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

133,356

The Commission purchased a 2024 CAT motor grader under an installment purchase agreement, dated December 11, 2024 at a cost of \$268,438. The lease purchase agreement requires 60 consecutive monthly payments through December 17, 2029, which includes lease financing costs at a rate of 4.99%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

209,447

The Commission purchased a 2024 CAT small wheel loader under an installment purchase agreement, dated January 16, 2024 at a cost of \$142,390. The lease purchase agreement requires 60 consecutive monthly payments through January 21, 2029, which includes lease financing costs at a rate of 5.69%. The lease purchase agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception.

76,766

**Total direct borrowings and direct placement**

1,684,842

**Compensated absences**

113,720

**Total general long-term obligations**

\$1,798,562

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The Commission's outstanding notes from direct borrowings and direct placement related to governmental activities of \$1,684,842 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to pay long-term debt principal and interest outstanding for the following debts at December 31, 2024, are as follows:

Year Ending December 31,	Direct Borrowings and Direct Placement		Compensated Absences	Total
	Principal	Interest		
2025	\$ 886,978	\$ 103,808	\$ -	\$ 990,786
2026	227,533	78,482	-	306,015
2027	240,877	65,139	-	306,016
2028	229,911	48,284	-	278,195
2029	99,543	21,339	-	120,882
	<u>1,684,842</u>	<u>317,052</u>	<u>-</u>	<u>2,001,894</u>
Compensated absences	-	-	113,720	113,720
Total	<u>\$ 1,684,842</u>	<u>\$ 317,052</u>	<u>\$ 113,720</u>	<u>\$ 2,115,614</u>

Interest expense for the year ended December 31, 2024 was approximately \$78,401.

**Compensated Absences**

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

Accumulated vacation and related payroll taxes and retirement represents a liability to the Commission, which is presented in current and non-current portions of the liability. For this reason, the total liability reported in the government-wide financial statements represents a current liability of \$103,900 and a noncurrent liability of \$9,820 at December 31, 2024.

**NOTE 8 - DEFERRED COMPENSATION PLAN:**

The Road Commission offers elected officials a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, (custodial account or annuity contract) as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the Tuscola County Road Commission's financial statements.

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**NOTE 9 - DEPLETION EXPENSES:**

Depletion expense amounted to \$6 for the year ended December 31, 2024. Depletion was computed at a rate of twenty cents per ton of gravel removed from various county gravel pits.

**NOTE 10 - RESTRICTED FUND BALANCE:**

Fund balance is restricted in the amount of \$723,296 for the year ended December 31, 2024. This represents the amount of bridge/road levy assets on hand at year-end. These assets must be used for the purpose of improvements to primary county roads and local road bridges.

**NOTE 11 – EMPLOYEE PENSION PLANS:**

**Municipal Employees Retirement System of Michigan**

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

**Benefits Provided**

	<b>2023 Valuation</b>		
	<b>Salaried Employees Closed Division</b>	<b>Work Foremen Closed Division</b>	<b>New Hires Open Division</b>
	2.00% Multiplier (no max)	1.30% Multiplier (no max)	1.00% Multiplier (no max)
<b>Benefit multiplier:</b>			
<b>Normal retirement age:</b>	60	60	60
<b>Vesting:</b>	10 years	10 years	6 years
<b>Early retirement (unreduced):</b>	55/20	-	-
<b>Early retirement (reduced)</b>	50/25 55/15	50/25 55/15	- -
<b>Final average compensation:</b>	3 years	5 years	3 years
<b>Employee contributions:</b>	5.43%	5.00%	0.00%
<b>Act 88:</b>	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)

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

Inactive employees or beneficiaries currently receiving benefits	28
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>22</u>
	<u>54</u>

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

For the open division, the employer contribution rate was 6.93%. For the closed divisions, the employer was required to contribute approximately \$118,000.

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

**Actuarial assumptions.** The total pension liability in the December 31, 2023 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 plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases

Investment rate of return: 6.93%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3.0% - 4.0%.

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

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Expected Money- weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.15%	0.43%
Private investments	20.0%	6.50%	1.30%
	<u>100.0%</u>		<u>4.43%</u>
Inflation			<u>2.50%</u>
Assumed investment rate of return			6.93%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.18%</u></u>

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**Discount rate.** The discount rate used to measure the total pension liability is 7.18%. The current discount rate shown for GASB 68 purposes is higher than MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at 12/31/23</b>	\$ 7,326,166	\$ 6,551,573	\$ 774,593
Changes for the year:			
Service cost	93,183		93,183
Interest on total pension liability	510,202		510,202
Difference between expected and actual experience	93,657		93,657
Changes of assumptions	46,056		46,056
Employer contributions		130,226	(130,226)
Employee contributions		24,493	(24,493)
Net investment income		483,914	(483,914)
Benefit payments, including employee refunds	(533,757)	(533,757)	-
Administrative expense		(14,288)	14,288
Other changes	(23,526)		(23,526)
Net changes	185,815	90,588	95,227
<b>Balances at 12/31/24</b>	<u>\$ 7,511,981</u>	<u>\$ 6,642,161</u>	<u>\$ 869,820</u>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.18%) or 1% higher (8.18%) than the current rate.

	<u>1% Decrease (6.18%)</u>	<u>Discount Rate (7.18%)</u>	<u>1% Increase (8.18%)</u>
Net Pension Liability	\$1,586,098	\$869,820	\$255,389

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

For the year ended December 31, 2024, the Road Commission recognized pension benefit of \$39,861. The Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 91,147	\$ -
Changes of assumptions	30,704	-
Net difference between projected and actual earnings on pension plan investments	152,835	539,292
	<u>\$ 274,686</u>	<u>\$ 539,292</u>

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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
2025	\$ (181,127)
2026	(138,110)
2027	49,103
2028	5,528
	\$ (264,606)

**Changes in assumptions.** There was a decrease in investment rate of return from 7.00% to 6.93%.

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

**Pension Plan for Employees of Tuscola County Road Commission**

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

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

**Employees covered by benefit terms.** At the April 1, 2024 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>16</u>
	<u>23</u>

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

**Net Pension Liability.** The net pension liability was valued and measured as of April 1, 2024.

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

Inflation	0.00%
Investment rate of return	3.25%

The mortality tables used were the Pub 2010 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with IRS 2024 Adjusted Scale MP-2021 improvement factors.

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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, 2024 (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%	3.25%

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

**Discount rate.** The discount rate used to measure the total pension liability was 4.24%. 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 difference between actuarially determined contribution rates and the member rate. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date"), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate yields the same present value of benefits is calculated. This discount rate is used to determine the Total Pension Liability. Last year's discount rate was 4.09%.

**Changes in Net Pension Liability**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<b>Balances at 3/31/23</b>	\$ 604,994	\$ 3,837	\$ 601,157
Changes for the year:			
Service cost	9,868		9,868
Interest on total pension liability	23,752		23,752
Experience (gains)/losses	426		426
Change in actuarial assumptions	(16,386)		(16,386)
Employer contributions	-	4,493	(4,493)
Employee contributions	-	1,348	(1,348)
Net investment income	-	5,418	(5,418)
Benefit payments, including employee refunds	(68,257)	(68,257)	-
Other changes	-	377,218	(377,218)
Net changes	(50,597)	320,220	(370,817)
<b>Balances at 3/31/24</b>	<u>\$ 554,397</u>	<u>\$ 324,057</u>	<u>\$ 230,340</u>

**Sensitivity of the Net Pension Liability to changes in the discount rate.** The following presents the net pension liability (NPL) of the Road Commission, calculated using the discount rate of 4.24%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point higher (5.24%) or lower (3.24%) than the current rate:

	<u>1% Lower (3.24%)</u>	<u>Discount Rate (4.24%)</u>	<u>1% Higher (5.24%)</u>
Net Pension Liability	\$309,694	\$230,340	\$164,034



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

For the plan year ended March 31, 2024 the Road Commission recognized pension benefit of \$377,188. 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*	\$ 2,745	\$ -
Differences between expected and actual experience	15,705	70,844
Changes of assumptions	137,993	125,035
Net difference between projected and actual earnings on pension plan investments	823	-
	<u>\$ 157,266</u>	<u>\$ 195,879</u>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ended December 31, 2025.

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
2025	\$ (22,079)
2026	(23,645)
2027	5,111
2028	2,000
	<u>\$ (38,613)</u>

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

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

At December 31, 2024, 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	\$ 869,820	\$ 274,686	\$ 539,292
Empower	230,340	157,266	195,879
Total	<u>\$ 1,100,160</u>	<u>\$ 431,952</u>	<u>\$ 735,171</u>

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**NOTE 12 – OTHER POST EMPLOYMENT BENEFITS:**

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

**Plan Membership:** Membership in the plan at December 31, 2024 is as follows:

Retirees and beneficiaries	36
Active plan members	20
	<hr/>
Total membership	56
	<hr/>

**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.

**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, 2024, the Road Commission expended \$468,154 for actual current premiums.

The County Road Commission's OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023.

**Actuarial Assumptions:**

Inflation: not applicable; the plan is not prefunded  
Salary increases: 3.00%  
Investment rate of return: not applicable; the plan is not pre-funded  
20-year AA Municipal bond rate: 4.28%  
Mortality: Public General 2010 Employee and Healthy Retiree, Headcount weighted  
Improvement Scale: IRS 2024 Adjusted Scale MP-2021

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

**Discount Rate:** The discount rate used to measure the total OPEB liability was 4.28%. 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, 2023 the discount rate used to value OPEB liabilities was 4.00%.

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**Change in Net OPEB Liability:** The change in the net OPEB liability for the year ended December 31, 2024, is as follows:

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a - b)</b>
<b>Balance at December 31, 2023</b>	\$ 9,610,163	\$ -	\$ 9,610,163
Changes during the year:			
Service cost	67,668		67,668
Interest	377,751		377,751
Experience (Gains)/Losses	(125,208)		(125,208)
Change in actuarial assumptions	(331,164)		(331,164)
Contributions/benefit paid from general operating funds		468,154	(468,154)
Benefit payments	(468,154)	(468,154)	-
<b>Total Changes</b>	<b>(479,107)</b>	<b>-</b>	<b>(479,107)</b>
<b>Balance at December 31, 2024</b>	<b>\$ 9,131,056</b>	<b>\$ -</b>	<b>\$ 9,131,056</b>

**Sensitivity to the Total OPEB Liability to Changes in the Discount Rate:** The following presents the total OPEB liability of the Road Commission, calculated using the discount rate of 4.28%, as well as what the Road Commission's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.28%) or 1% higher (5.28%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 10,280,801	\$ 9,131,056	\$ 8,178,348

**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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB Liability	\$ 8,106,121	\$ 9,131,056	\$ 10,359,952

**OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:** For the year ended December 31, 2024, the Road Commission recognized OPEB benefit of \$420,453. At December 31, 2024, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ 5,970	\$ 217,234
Changes in assumptions	193,605	858,688
<b>Total</b>	<b>\$ 199,575</b>	<b>\$ 1,075,922</b>

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**YEAR ENDED DECEMBER 31, 2024**

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
2025	\$ (826,770)
2026	(49,577)
	<u>\$ (876,347)</u>

**NOTE 13 – SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES:**

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

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

**NOTE 14 – RISK MANAGEMENT:**

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

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

**NOTE 15 – FEDERAL FINANCIAL ASSISTANCE:**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2024, the Federal aid received and expended by the Commission was \$2,448,858 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.

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YEAR ENDED DECEMBER 31, 2024

**NOTE 16 – TAX ABATEMENTS:**

For the year ended December 31, 2024 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	\$ 263
Elkland Township	2,251
Elmwood Township	348
Fairgrove Township	457
Gilford Township	2,056
Millington Township	252
City of Caro	45
City of Vassar	490
	<hr/>
Total	\$ 6,162

There are no significant abatements made by the Road Commission.

**NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES:**

For the year ended December 31, 2024, the Commission implemented the following new pronouncements: GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and GASB No. 101, *Compensated Absences*.

**Summary:**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period.

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

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**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2024**

**NOTE 18 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable uses of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements – or modifies existing requirements – related to the following:

- a. Management's discussion and analysis (MD&A);
  - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
    - 1. Overview of the Financial Statements,
    - 2. Financial Summary,
    - 3. Detailed Analyses,
    - 4. Significant Capital Asset and Long-Term Financing Activity,
    - 5. Currently Known Facts, Decisions, or Conditions;
  - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
  - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;
- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
  - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
  - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

**TUSCOLA COUNTY ROAD COMMISSION**  
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**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**YEAR ENDED DECEMBER 31, 2024**

	ROAD FUND			VARIANCE WITH FINAL BUDGET
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Property taxes	\$ 2,650,000	\$ 2,750,000	\$ 2,828,787	\$ 78,787
Interest earned	30,000	275,000	298,862	23,862
Licenses & permits	65,000	40,000	38,660	(1,340)
Intergovernmental				
Federal sources				
Surface transportation program	2,530,720	2,500,000	2,448,858	(51,142)
Bridge	1,200,000	-	-	-
State sources				
Motor vehicle highway funds	11,500,000	11,500,000	11,394,938	(105,062)
Other state grants	-	-	296,584	296,584
Local sources				
Township and village contributions	3,700,000	5,300,000	5,213,911	(86,089)
Total intergovernmental	18,930,720	19,300,000	19,354,291	54,291
Charges for services				
State trunkline				
Maintenance	1,100,000	1,400,000	1,510,848	110,848
Non-maintenance	-	900,000	900,574	574
Salvage sales	15,000	11,000	13,497	2,497
Other	-	-	2,739	2,739
Total charges for services	1,115,000	2,311,000	2,427,658	116,658
Other				
Proceeds from sale of assets	-	-	592,845	592,845
Contributions from private sources	2,688,250	10,075,000	8,485,553	(1,589,447)
Miscellaneous	-	-	7,676	7,676
Lawsuit settlement	-	-	50,000	50,000
Total other	2,688,250	10,075,000	9,136,074	(938,926)
<b>TOTAL REVENUES</b>	<b>25,478,970</b>	<b>34,751,000</b>	<b>34,084,332</b>	<b>(666,668)</b>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from leases	-	-	1,336,244	1,336,244
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>-</b>	<b>1,336,244</b>	<b>1,336,244</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>25,478,970</b>	<b>34,751,000</b>	<b>35,420,576</b>	<b>669,576</b>
<b>EXPENDITURES:</b>				
Current				
Primary road				
Preservation - structural improvements	11,959,097	7,400,000	7,093,112	306,888
Routine and preventative maintenance	2,300,000	2,300,000	2,116,842	183,158
Total primary road	14,259,097	9,700,000	9,209,954	490,046
Local road				
Preservation - structural improvements	7,567,000	8,900,000	8,964,070	(64,070)
Routine and preventative maintenance	4,100,000	14,075,000	12,324,377	1,750,623
Total local road	11,667,000	22,975,000	21,288,447	1,686,553
State trunkline				
Maintenance	1,100,000	1,400,000	1,510,848	(110,848)
Non-maintenance	-	900,000	900,574	(574)
Total state trunkline	1,100,000	2,300,000	2,411,422	(111,422)
Administration	700,000	600,000	591,310	8,690
Equipment				
Direct	1,500,000	1,700,000	1,480,382	219,618
Indirect	800,000	900,000	803,256	96,744
Operating	600,000	600,000	459,764	140,236
Less: equipment rental	(2,900,000)	(3,200,000)	(3,381,354)	181,354
Total equipment	-	-	(637,952)	637,952
Capital outlay				
Capital outlay	787,000	913,500	2,251,018	(1,337,518)
Less: depreciation/amortization & depletion	(530,000)	(500,000)	(475,088)	(24,912)
Total capital outlay	257,000	413,500	1,775,930	(1,362,430)
Debt service				
Principal payments	275,000	500,000	898,803	(398,803)
Interest payments	65,000	100,000	78,401	21,599
Total debt service	340,000	600,000	977,204	(377,204)
<b>TOTAL EXPENDITURES</b>	<b>28,323,097</b>	<b>36,588,500</b>	<b>35,616,315</b>	<b>972,185</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (2,844,127)</b>	<b>\$ (1,837,500)</b>	<b>(195,739)</b>	<b>\$ 1,641,761</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			10,632,876	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 10,437,137</b>	



**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY:</b>										
Service cost	\$ 93,183	\$ 92,715	\$ 78,579	\$ 76,363	\$ 75,240	\$ 84,942	\$ 89,013	\$ 91,294	\$ 80,723	\$ 97,076
Interest	510,202	503,324	480,930	512,125	481,435	498,907	490,439	478,491	447,215	448,822
Difference between expected and actual experience	93,657	86,128	(1,529)	(341,693)	104,060	(34,936)	(22,411)	10,090	(4,434)	-
Change of assumptions	46,056	-	217,896	124,852	190,391	-	-	-	267,140	-
Benefit payments (including refunds of employee contributions)	(533,757)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Other changes	(23,526)	(5,568)	13,966	(19,130)	5,557	23,764	(2,813)	(18,242)	1,012	6,982
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>185,815</b>	<b>183,638</b>	<b>306,742</b>	<b>(81,561)</b>	<b>383,900</b>	<b>104,575</b>	<b>131,565</b>	<b>162,022</b>	<b>379,267</b>	<b>175,687</b>
<b>TOTAL PENSION LIABILITY - BEGINNING OF YEAR</b>	<b>7,326,166</b>	<b>7,142,528</b>	<b>6,835,786</b>	<b>6,917,347</b>	<b>6,533,447</b>	<b>6,428,872</b>	<b>6,297,307</b>	<b>6,135,285</b>	<b>5,756,018</b>	<b>5,580,331</b>
<b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>	<b>\$ 7,511,981</b>	<b>\$ 7,326,166</b>	<b>\$ 7,142,528</b>	<b>\$ 6,835,786</b>	<b>\$ 6,917,347</b>	<b>\$ 6,533,447</b>	<b>\$ 6,428,872</b>	<b>\$ 6,297,307</b>	<b>\$ 6,135,285</b>	<b>\$ 5,756,018</b>
<b>PLAN FIDUCIARY NET POSITION:</b>										
Contributions - employer	\$ 130,226	\$ 425,757	\$ 458,727	\$ 492,854	\$ 460,796	\$ 492,382	\$ 498,190	\$ 492,617	\$ 471,508	\$ 143,621
Contributions - employee	24,493	26,639	25,529	29,620	28,639	28,736	37,800	65,407	49,032	44,739
Net investment income	483,914	647,870	(686,770)	800,611	627,198	601,514	(175,062)	510,386	380,374	(53,796)
Benefit payments (including refunds of employee contributions)	(533,757)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)	(377,193)
Administrative expenses	(14,289)	(13,767)	(12,109)	(9,224)	(10,143)	(10,347)	(8,750)	(8,082)	(7,516)	(7,889)
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	<b>90,588</b>	<b>593,538</b>	<b>(697,723)</b>	<b>879,783</b>	<b>633,707</b>	<b>644,183</b>	<b>(70,485)</b>	<b>660,717</b>	<b>481,009</b>	<b>(250,518)</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR</b>	<b>6,551,573</b>	<b>5,958,035</b>	<b>6,655,758</b>	<b>5,775,975</b>	<b>5,142,268</b>	<b>4,498,085</b>	<b>4,568,570</b>	<b>3,907,853</b>	<b>3,426,844</b>	<b>3,677,362</b>
<b>PLAN FIDUCIARY NET POSITION - END OF YEAR (b)</b>	<b>\$ 6,642,161</b>	<b>\$ 6,551,573</b>	<b>\$ 5,958,035</b>	<b>\$ 6,655,758</b>	<b>\$ 5,775,975</b>	<b>\$ 5,142,268</b>	<b>\$ 4,498,085</b>	<b>\$ 4,568,570</b>	<b>\$ 3,907,853</b>	<b>\$ 3,426,844</b>
<b>NET PENSION LIABILITY - ENDING (a)-(b)</b>	<b>\$ 869,820</b>	<b>\$ 774,593</b>	<b>\$ 1,184,493</b>	<b>\$ 180,028</b>	<b>\$ 1,141,372</b>	<b>\$ 1,391,179</b>	<b>\$ 1,930,787</b>	<b>\$ 1,728,737</b>	<b>\$ 2,227,432</b>	<b>\$ 2,329,174</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY</b>	<b>88.42%</b>	<b>89.43%</b>	<b>83.42%</b>	<b>97.37%</b>	<b>83.50%</b>	<b>78.71%</b>	<b>69.97%</b>	<b>72.55%</b>	<b>63.69%</b>	<b>59.53%</b>
<b>COVERED EMPLOYEE PAYROLL</b>	<b>\$ 1,405,591</b>	<b>\$ 1,178,102</b>	<b>\$ 1,134,544</b>	<b>\$ 1,119,805</b>	<b>\$ 1,134,883</b>	<b>\$ 1,003,623</b>	<b>\$ 1,046,859</b>	<b>\$ 1,065,069</b>	<b>\$ 1,051,454</b>	<b>\$ 891,693</b>
<b>NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL</b>	<b>61.88%</b>	<b>65.75%</b>	<b>104.40%</b>	<b>16.08%</b>	<b>100.57%</b>	<b>138.62%</b>	<b>184.44%</b>	<b>162.31%</b>	<b>211.84%</b>	<b>261.21%</b>

**Notes to Schedule**

Change in benefit terms: There were no changes of benefits terms during plan year 2024.

Change in assumptions: Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically lowers the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. The dedicated gains policy was implemented with the December 31, 2021 annual actuarial valuation and was reflected in the computed employer contribution amounts beginning in fiscal year 2023.

Investment performance measured for the one-year period ending December 31, 2023 resulted in current year excess gains for use in lowering the assumed rate of investment return. As a result, the assumed rate of investment return was lowered from 7.00% to 6.93%. The December 31, 2023 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognized excess market gains, the valuation assets used to fund these liabilities are 1.4% higher than if there were no dedicated gains policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined total contribution	\$ 149,844	\$ 108,972	\$ 153,996	\$ 192,504	\$ 220,632	\$ 213,348	\$ 198,190	\$ 192,617	\$ 171,508	\$ 140,812
Employer contribution	130,226	425,757	458,727	492,854	460,796	492,382	498,190	492,617	471,508	143,621
Contribution deficiency (excess)	<u>\$ 19,618</u>	<u>\$ (316,785)</u>	<u>\$ (304,731)</u>	<u>\$ (300,350)</u>	<u>\$ (240,164)</u>	<u>\$ (279,034)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>\$ (2,809)</u>
Covered employee payroll	\$ 1,405,591	\$ 1,178,102	\$ 1,134,544	\$ 1,119,805	\$ 1,134,883	\$ 1,003,623	\$ 1,046,859	\$ 1,065,069	\$ 1,051,454	\$ 891,693
Employer contribution as a percentage of covered payroll	9.26%	36.14%	40.43%	44.01%	40.60%	49.06%	47.59%	46.25%	44.84%	16.11%

**Notes to Schedule**

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2023
Measurement date	December 31, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age - Normal
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.50%
Salary Increases	3.00%
Investment rate of return	6.93%
Retirement age	Varies depending on plan adoption
Mortality	A version of Pub-2010 and Fully Generational MP-2019

**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
<b>TOTAL PENSION LIABILITY:</b>										
Service cost	\$ 9,868	\$ 12,282	\$ 21,895	\$ 17,601	\$ 16,838	\$ 17,823	\$ 13,615	\$ 15,005	\$ 16,630	\$ 17,727
Interest	23,752	21,416	16,782	23,601	20,494	22,428	28,680	28,826	29,766	30,767
Difference between expected and actual experience	426	26,328	(112,262)	(10,620)	(7,293)	(23,115)	(13,187)	(16,078)	(6,357)	(13,482)
Change of assumptions	(16,386)	(53,199)	(183,802)	153,859	47,209	30,126	157,333	1,134	1,143	1,165
Benefit payments (including refunds of employee contributions)	(68,257)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>(50,597)</b>	<b>(10,172)</b>	<b>(343,626)</b>	<b>184,441</b>	<b>76,977</b>	<b>(31,902)</b>	<b>152,162</b>	<b>2,298</b>	<b>(48,898)</b>	<b>15,995</b>
<b>TOTAL PENSION LIABILITY - BEGINNING OF YEAR</b>	<b>604,994</b>	<b>615,166</b>	<b>958,792</b>	<b>774,351</b>	<b>697,374</b>	<b>729,276</b>	<b>577,114</b>	<b>574,816</b>	<b>623,714</b>	<b>607,719</b>
<b>TOTAL PENSION LIABILITY - END OF YEAR (a)</b>	<b>\$ 554,397</b>	<b>\$ 604,994</b>	<b>\$ 615,166</b>	<b>\$ 958,792</b>	<b>\$ 774,351</b>	<b>\$ 697,374</b>	<b>\$ 729,276</b>	<b>\$ 577,114</b>	<b>\$ 574,816</b>	<b>\$ 623,714</b>
<b>PLAN FIDUCIARY NET POSITION:</b>										
Contributions - employer	\$ 4,493	\$ 3,903	\$ 4,655	\$ 5,306	\$ 5,306	\$ 6,180	\$ 6,973	\$ 7,990	\$ 89,250	\$ 25,086
Contributions - employee	1,348	1,171	1,397	1,592	1,592	1,854	2,092	2,397	2,458	2,775
Net investment income	5,418	(1,310)	2,443	2,925	2,662	4,900	7,505	8,388	7,853	7,521
Benefit payments (including refunds of employee contributions)	(68,257)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)	(20,182)
Administrative expenses	-	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(82)	(721)
Government grant	377,218	-	-	-	-	-	-	-	-	-
<b>NET CHANGE IN FIDUCIARY NET POSITION</b>	<b>320,220</b>	<b>(14,035)</b>	<b>(78,544)</b>	<b>9,023</b>	<b>8,489</b>	<b>(67,030)</b>	<b>(18,509)</b>	<b>(8,614)</b>	<b>9,399</b>	<b>14,479</b>
<b>PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR</b>	<b>3,837</b>	<b>17,872</b>	<b>96,416</b>	<b>87,393</b>	<b>78,904</b>	<b>145,934</b>	<b>164,443</b>	<b>173,057</b>	<b>163,658</b>	<b>149,179</b>
<b>PLAN FIDUCIARY NET POSITION - END OF YEAR (b)</b>	<b>\$ 324,057</b>	<b>\$ 3,837</b>	<b>\$ 17,872</b>	<b>\$ 96,416</b>	<b>\$ 87,393</b>	<b>\$ 78,904</b>	<b>\$ 145,934</b>	<b>\$ 164,443</b>	<b>\$ 173,057</b>	<b>\$ 163,658</b>
<b>NET PENSION LIABILITY - ENDING (a)-(b)</b>	<b>\$ 230,340</b>	<b>\$ 601,157</b>	<b>\$ 597,294</b>	<b>\$ 862,376</b>	<b>\$ 686,958</b>	<b>\$ 618,470</b>	<b>\$ 583,342</b>	<b>\$ 412,671</b>	<b>\$ 401,759</b>	<b>\$ 460,056</b>
<b>TOTAL PENSION LIABILITY</b>	<b>58.45%</b>	<b>0.63%</b>	<b>2.91%</b>	<b>10.06%</b>	<b>11.29%</b>	<b>11.31%</b>	<b>20.01%</b>	<b>28.49%</b>	<b>30.11%</b>	<b>26.24%</b>
<b>COVERED EMPLOYEE PAYROLL</b>	<b>\$ 1,079,867</b>	<b>\$ 1,104,620</b>	<b>\$ 1,202,588</b>	<b>\$ 1,260,591</b>	<b>\$ 1,268,646</b>	<b>\$ 1,364,786</b>	<b>\$ 1,472,831</b>	<b>\$ 1,619,958</b>	<b>\$ 1,685,581</b>	<b>\$ 1,900,055</b>
<b>NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL</b>	<b>21.33%</b>	<b>54.42%</b>	<b>49.67%</b>	<b>68.41%</b>	<b>54.15%</b>	<b>45.32%</b>	<b>39.61%</b>	<b>25.47%</b>	<b>23.84%</b>	<b>24.21%</b>

**Notes to Schedule**

Change in benefit terms: There were no changes of benefit terms during plan year 2024

Change in assumptions: Mortality improvement scale changed from MP-2021

**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)**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined total contribution	\$ 31,311	\$ 56,923	\$ 53,730	\$ 54,933	\$ 55,185	\$ 48,593	\$ 43,635	\$ 44,031	\$ 38,417	\$ 44,539
Employer contribution	3,659	4,310	4,269	4,818	5,306	5,774	6,485	7,197	8,169	89,547
Contribution deficiency (excess)	\$ 27,652	\$ 52,613	\$ 49,461	\$ 50,115	\$ 49,879	\$ 42,819	\$ 37,150	\$ 36,834	\$ 30,248	\$ (45,008)
Covered employee payroll	\$ 988,556	\$ 1,138,192	\$ 1,081,514	\$ 1,191,648	\$ 1,268,646	\$ 1,364,786	\$ 1,472,831	\$ 1,559,771	\$ 1,638,925	\$ 1,762,985
Employer contribution as a percentage of covered payroll	0.37%	0.38%	0.39%	0.40%	0.42%	0.42%	0.44%	0.46%	0.50%	5.08%

**Notes to Schedule**

Actuarial valuation information relative to the determination of contributions:

Valuation date	April 1, 2024
Measurement date	April 1, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level dollar)
Asset valuation method	Market value of assets
Interest rate	3.25% per annum, compounded annually
Termination rates	Crocker-Sarason-Straight T-1
Retirement age	Earlier of age 63 with 10 years of service or age 70
Mortality table	Pub-2010 Public Retirement Plans Mortality Tables for General Employees: annuitant and non-annuitant, sex-distinct with IRS 2024 adjusted MP-2021 improvement factors
Disability rates	1998 Social Security Disabled Worker Incidence Rates

**TUSCOLA COUNTY ROAD COMMISSION**  
A Component Unit of Tuscola County  
**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)**

	2024	2023	2022	2021	2020	2019	2018
<b>TOTAL OPEB LIABILITY:</b>							
Service cost	\$ 67,668	\$ 62,935	\$ 110,538	\$ 131,415	\$ 133,109	\$ 123,584	\$ 119,244
Interest	377,751	386,978	284,037	265,214	485,878	509,590	506,614
Changes of benefit terms	-	-	-	-	184,020	-	-
Difference between expected and actual experience	(125,208)	13,576	(618,895)	(73,870)	(3,974,772)	44,846	(81,768)
Change of assumptions	(331,164)	440,235	(2,912,185)	(987,320)	2,399,412	688,528	-
Benefit payments (including refunds of employee contributions)	<u>(468,154)</u>	<u>(418,485)</u>	<u>(503,803)</u>	<u>(360,876)</u>	<u>(416,247)</u>	<u>(528,858)</u>	<u>(404,507)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	(479,107)	485,239	(3,640,308)	(1,025,437)	(1,188,600)	838,690	139,583
TOTAL OPEB LIABILITY - BEGINNING OF YEAR	9,610,163	9,124,924	12,765,232	13,790,669	14,979,269	14,140,579	14,000,996
TOTAL OPEB LIABILITY - END OF YEAR (a)	<u>\$ 9,131,056</u>	<u>\$ 9,610,163</u>	<u>\$ 9,124,924</u>	<u>\$ 12,765,232</u>	<u>\$ 13,790,669</u>	<u>\$ 14,979,269</u>	<u>\$ 14,140,579</u>
<b>PLAN FIDUCIARY NET POSITION:</b>							
Contributions/benefit payments made from general operating funds	\$ 468,154	\$ 418,485	\$ 503,803	\$ 360,876	\$ 416,247	\$ 528,858	\$ 404,507
Benefit payments (including refunds of employee contributions)	<u>(468,154)</u>	<u>(418,485)</u>	<u>(503,803)</u>	<u>(360,876)</u>	<u>(416,247)</u>	<u>(528,858)</u>	<u>(404,507)</u>
NET CHANGE IN FIDUCIARY NET POSITION	-	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	-	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
NET OPEB LIABILITY - ENDING (a)-(b)	<u>\$ 9,131,056</u>	<u>\$ 9,610,163</u>	<u>\$ 9,124,924</u>	<u>\$ 12,765,232</u>	<u>\$ 13,790,669</u>	<u>\$ 14,979,269</u>	<u>\$ 14,140,579</u>
OPEB LIABILITY	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVERED EMPLOYEE PAYROLL	\$ 1,407,493	\$ 2,327,646	\$ 2,071,961	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
NET OPEB LIABILITY AS PERCENTAGE OF PAYROLL	648.75%	412.87%	440.40%	648.68%	752.66%	755.19%	743.06%

**Notes to Schedule**

Change in benefit terms: There were no changes of benefit terms during plan year 2024

Change in assumptions: Medical trend updated

Discount rate changed from 4.00% to 4.28%

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)**

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined total contribution	\$ 1,497,752	\$ 1,310,282	\$ 1,552,786	\$ 1,537,449	\$ 1,665,748	\$ 1,512,722	\$ 1,417,736
Employer contribution (benefit payments)	(468,154)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
Contribution deficiency (excess)	<u>\$ 1,029,598</u>	<u>\$ 891,797</u>	<u>\$ 1,048,983</u>	<u>\$ 1,176,573</u>	<u>\$ 1,249,501</u>	<u>\$ 983,864</u>	<u>\$ 1,013,229</u>
Covered employee payroll	\$ 1,407,493	\$ 2,327,646	\$ 2,071,961	\$ 1,967,884	\$ 1,832,256	\$ 1,983,519	\$ 1,903,029
Actuarially determined total contribution as a percentage of covered payroll	106.41%	56.29%	74.94%	78.13%	90.91%	76.26%	74.50%
Employer contribution as a percentage of covered payroll	33.26%	17.98%	24.32%	18.34%	22.72%	26.66%	21.26%

**Notes to Schedule**

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2024
Measurement date	December 31, 2024

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Asset valuation method	Market value
Discount rate	4.00% for 2024 contribution; 4.28% for 2024 liability and 2025 contribution
20-year Aa Municipal Bond Rate	4.28%
Salary scale	3.00%
Return on Plan Assets	Not applicable - Plan is not prefunded
Mortality rates	Public General 2010 Employee and Healthy Retiree, Headcount weighted, MP-2021 improvement scale
Amortization method	Level dollar, closed
Remaining amortization period	8 years
Utilization	100% of future retirees will elect coverage at retirement; actual coverage used for nonactive
Medical trend	Pre-65 7.25% for the first year, then graded down to 4.50% by 0.25% per year; Post-65 5.50% for the first year, then graded down to 4.50% by 0.25% per year

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, 2024**

TOTAL REVENUES	\$ 35,420,576
TOTAL EXPENDITURES	<u>35,616,315</u>
NET CHANGE IN FUND BALANCE	(195,739)
Fund Balance, beginning of year	<u>10,632,876</u>
Fund Balance, end of year	<u><u>\$ 10,437,137</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, 2024**

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTAL</b>
TOTAL REVENUES	<u>\$ 11,056,412</u>	<u>\$ 11,438,906</u>	<u>\$ 12,925,258</u>	<u>\$ 35,420,576</u>
TOTAL EXPENDITURES	<u>11,303,027</u>	<u>13,323,056</u>	<u>10,990,232</u>	<u>35,616,315</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(246,615)</u>	<u>(1,884,150)</u>	<u>1,935,026</u>	<u>(195,739)</u>
OTHER FINANCING SOURCES (USES)				
Optional transfers in		2,000,000	-	2,000,000
Optional transfers out	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(2,000,000)</u>	<u>2,000,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>(2,246,615)</u>	<u>115,850</u>	<u>1,935,026</u>	<u>(195,739)</u>
Fund Balance, beginning of year	<u>7,114,407</u>	<u>2,162,162</u>	<u>1,356,307</u>	<u>10,632,876</u>
Fund balance, end of year	<u><u>\$ 4,867,792</u></u>	<u><u>\$ 2,278,012</u></u>	<u><u>\$ 3,291,333</u></u>	<u><u>\$ 10,437,137</u></u>

**TUSCOLA COUNTY ROAD COMMISSION**

A Component Unit of Tuscola County

**GENERAL OPERATING FUND**

**ANALYSIS OF REVENUES**

**YEAR ENDED DECEMBER 31, 2024**

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTAL</b>
<b>REVENUES AND OTHER FINANCING SOURCES</b>				
Taxes	\$ 1,839,704	\$ 989,083	\$ -	\$ 2,828,787
Licenses and Permits	-	-	38,660	38,660
Intergovernmental:				
Federal Sources				
Surface Tran. Program (STP)	2,448,858	-	-	2,448,858
Total Federal Sources	2,448,858	-	-	2,448,858
State Sources				
Michigan Transportation Fund				
Engineering	5,505	4,495	-	10,000
Urban Road	26,448	26,332	-	52,780
Allocation	6,237,846	5,094,312	-	11,332,158
Other State Funds				
Michigan Economic Development Corporation Grant	296,584	-	-	296,584
Total State Sources	6,566,383	5,125,139	-	11,691,522
Local Sources				
Township Contributions	-	5,169,193	-	5,169,193
Village Contributions	-	44,718	-	44,718
Total Local Sources	-	5,213,911	-	5,213,911
Total Intergovernmental	9,015,241	10,339,050	-	19,354,291
Charges for Services				
State Trunkline Maintenance	-	-	1,510,848	1,510,848
State Trunkline Non-maintenance	-	-	900,574	900,574
Salvage Sales	-	-	13,497	13,497
Other	-	-	2,739	2,739
Total Charges for Services	-	-	2,427,658	2,427,658
Interest Earned	199,967	60,773	38,122	298,862
Other				
Gain (Loss) on Equipment Disposals	1,500	-	-	1,500
Other	-	50,000	9,084,574	9,134,574
Total Other	1,500	50,000	9,084,574	9,136,074
Other Financing Sources				
Proceeds from Leases	-	-	1,336,244	1,336,244
Total Other Financing Sources	-	-	1,336,244	1,336,244
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 11,056,412</b>	<b>\$ 11,438,906</b>	<b>\$ 12,925,258</b>	<b>\$ 35,420,576</b>

**TUSCOLA COUNTY ROAD COMMISSION**

A Component Unit of Tuscola County

GENERAL OPERATING FUND

ANALYSIS OF EXPENDITURES

YEAR ENDED DECEMBER 31, 2024

	<b>PRIMARY ROAD FUND</b>	<b>LOCAL ROAD FUND</b>	<b>COUNTY ROAD COMMISSION</b>	<b>TOTAL</b>
EXPENDITURES				
Preservation improvements - roads	\$ 6,550,072	\$ 6,309,640	\$ -	\$ 12,859,712
Structural improvements	543,040	2,654,430	-	3,197,470
Routine and preventative maintenance	2,116,842	3,830,225	-	5,947,067
State trunkline maintenance	-	-	1,510,848	1,510,848
State trunkline non-maintenance	-	-	900,574	900,574
Administrative expense - net	247,495	343,815	-	591,310
Equipment expense- net	(130,972)	(347,789)	(159,191)	(637,952)
Capital outlay - net	1,775,930	-	-	1,775,930
Debt principal payment	184,525	489,994	224,284	898,803
Interest expense	16,095	42,741	19,565	78,401
Other	-	-	8,494,152	8,494,152
TOTAL EXPENDITURES	<u>\$ 11,303,027</u>	<u>\$ 13,323,056</u>	<u>\$ 10,990,232</u>	<u>\$ 35,616,315</u>



Valerie J. Hartel, CPA  
Jamie L. Peasley, CPA  
Angela M. Burnette, CPA  
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Thomas B. Doran, CPA  
Chelsie M. Peruski, CPA  
Kendra K. Bednarski, CPA

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

Board of Commissioners  
Tuscola County Road Commission  
Caro, Michigan 48723

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Tuscola County Road Commission, component unit of Tuscola County, State of Michigan, as of and for the year ended December 31, 2024, 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 23, 2025.

**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, Bernharddt, & Doran, P.C.  
Certified Public Accountants  
Caro, Michigan

June 23, 2025



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

Certified Public Accountants

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

We have audited the financial statements of the governmental activities and the major fund of the **Tuscola County Road Commission** for the year ended December 31, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related the planned scope and timing of our audit. We have communicated such information in our letter to you. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Matters

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the **Tuscola County Road Commission** are described in Note 1 to the financial statements. As described in Note 17 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62* and GASB No. 101, *Compensated Absences* during the year ended December 31, 2024. Accordingly, the cumulative effects of the accounting changes are reported in the applicable financial statements and note disclosures. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate in calculating the current and noncurrent liability of the payout of employee compensated absences is based on current hourly rates and policies regarding payment of compensation banks and was based on an estimate of the percentage of employee's use of compensated absences. We evaluated the methods, assumptions, and data used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

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

Certain financial statement disclosures are particularly sensitive because of the significance to financial statement users. We did not identify any sensitive disclosures.

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

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have proposed adjustments that we consider to be material and have communicated these to management.

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 23, 2025.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

*Other Matters*

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

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

Restriction on Use

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

Very truly yours,

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

Anderson, Tuckey, Bernhardt, & Doran, P.C.  
Certified Public Accountants  
Caro, Michigan  
June 23, 2025