TUSCOLA COUNTY ROAD COMMISSION

A Component Unit of Tuscola County
Caro, Michigan

Report on Financial Statements
(with required and other supplementary information)
Year Ended December 31, 2025

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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, 2025, 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, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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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 12, 2026, 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 12, 2026

TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

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

Financial Highlights

- Contributions from Local Units Revenue decreased by more than $1 million over last year.
- Overall revenue and other financing sources decreased by approximately $7.8 million over last year.
- Expenditures decreased by approximately $6.8 million over last year.
- Over $9.5 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 other 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.

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. The General Operating Fund budget vs. actual schedules are located in the required supplementary information (RSI). The other supplementary information (OSI) provides additional detailed information about the major fund.

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 7.0% from $135,089,801 to $144,581,659 for the year ended December 31, 2025. 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 $835,719. Restricted net position, those restricted mainly for Act 51 purposes, decreased by $306,521.

Net position increased by $9,491,858 during 2025 mainly due to a decrease in expenditures, primarily local road maintenance.

TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Position as of year ended December 31, 2025 and 2024 are as follows:

	2025	2024	Variance	%
Current and Other Assets	$ 14,881,617	$ 21,728,111	$ (6,846,494)	-32%
Capital Assets	143,895,256	134,406,293	9,488,963	7%
Total Assets	158,776,873	156,134,404	2,642,469	2%
Deferred Outflows of Resources	824,416	631,527	192,889	31%
Current Liabilities	3,103,649	8,487,889	(5,384,240)	-63%
Noncurrent Liabilities	11,383,664	11,377,148	6,516	0%
Total Liabilities	14,487,313	19,865,037	(5,377,724)	-27%
Deferred Inflows of Resources	532,317	1,811,093	(1,278,776)	-71%
Net Position				
Net Investment in Capital Assets	141,684,111	132,721,451	8,962,660	7%
Restricted	416,775	723,296	(306,521)	-42%
Unrestricted	2,480,773	1,645,054	835,719	51%
Total Net Position	$ 144,581,659	$ 135,089,801	$ 9,491,858	7%

A summary of changes in net position for the years ended December 31, 2025 and 2024 follows:

	Governmental Activities 2025	Governmental Activities 2024	Variance	%
Program Revenue:				
Federal Grants	$ 2,228,878	$ 2,448,858	$ (219,980)	-9%
State Grants	12,255,535	11,691,522	564,013	5%
Contributions From Local Units	4,174,238	5,213,911	(1,039,673)	-20%
Charges for Services	2,369,379	2,706,480	(337,101)	-12%
General Revenue:				
Taxes	3,064,395	2,947,682	116,713	4%
Miscellaneous	549,816	8,491,072	(7,941,256)	-94%
Licenses & Permits	51,756	38,660	13,096	34%
Salvage Sales	9,403	13,497	(4,094)	-30%
Investment Earnings	234,548	298,862	(64,314)	-22%
Gain on Equipment Disposal	311,159	351,147	(39,988)	-11%
TOTAL REVENUES	25,249,107	34,201,691	(8,952,584)	-26%
Program Expenses:				
Public works	15,653,441	22,805,354	(7,151,913)	-31%
Interest expense	103,808	78,401	25,407	100%
TOTAL EXPENDITURES	15,757,249	22,883,755	(7,126,506)	-31%
Change in Net Positon	$ 9,491,858	$ 11,317,936	$ (1,826,078)	-16%

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, 2025, the fund balance of the General Operating Fund decreased $1,212,172 as compared to a decrease of $195,739 in the fund balance for the year ended December 31, 2024. Total revenues and other financing sources were $27,563,922, a decrease of $7,856,654 as compared to last year. Total expenses were $28,776,094, a decrease of $6,840,221 as compared to last year

A summary of changes in the General Operating Fund for the years ended December 31, 2025 and 2024:

	General Operating Fund			
REVENUES	2024	Change		2025
Taxes	$ 2,828,787	$ 61,181	2%	$ 2,889,968
Intergovernmental	19,354,291	(695,640)	-4%	18,658,651
Charges for services	2,427,658	323,074	13%	2,750,732
Interest	298,862	(64,314)	-22%	234,548
Licenses & permits	38,660	13,096	34%	51,756
Other	9,136,074	(7,800,547)	-85%	1,335,527
TOTAL REVENUES	34,084,332	(8,163,150)	-24%	25,921,182
EXPENDITURES				
Current				
Public works	32,863,181	(7,004,264)	-21%	25,858,917
Capital outlay, net	1,775,930	(78,998)	-4%	1,696,932
Debt service	977,204	243,041	25%	1,220,245
TOTAL EXPENDITURES	35,616,315	(6,840,221)	-1%	28,776,094
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	(1,531,983)	(1,322,929)	-23%	(2,854,912)
OTHER FINANCING SOURCES (USES):				
Proceeds from leases	1,336,244	306,496	23%	1,642,740
TOTAL OTHER FINANCING SOURCES (USES):	1,336,244	306,496	23%	1,642,740
NET CHANGE IN FUND BALANCE	(195,739)	(1,016,433)	0%	(1,212,172)
FUND BALANCE - BEGINNING	10,632,876	(195,739)	-2%	10,437,137
FUND BALANCE - ENDING	$ 10,437,137	$ (1,212,172)	-2%	$ 9,224,965

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 2025 was more than the original budget by $2,207,927. There was a large increase in proceeds from leases received in 2025. Overall, the actual revenues were more than budgeted by $1,678,922 mainly due to the lease activity for the year.

Road Commission final expenditures budget for 2025 was higher than the original budget by $3,171,269. The final budget for Local Road and State trunkline was increased due to more State trunkline maintenance, capital outlay and principle debt payments. Overall the actual expenditures were less than the final budgeted amounts by $413,906 mainly due to less State trunkline maintenance and net equipment expense.

TUSCOLA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

	2025 Original Budget	2025 Final Budget
Revenues:		
Michigan Transportation Funds	$11,500,000	$11,500,000
State Trunkline Revenue	1,200,000	2,600,000
Federal/State Funds:		
Primary Roads	1,727,073	1,900,000
Primary Roads Bridges	1,660,000	700,000
County Raised Funds:		
Primary Road Millage	1,900,000	1,900,000
Local Road Bridge Millage	1,000,000	1,000,000
Township & Village Contributions	4,000,000	3,700,000
Other Contributions	500,000	1,000,000
Other Revenues:		
Permit Fees	50,000	50,000
Interest Earned	100,000	225,000
Gain (Loss) on Disposal of Equipment	30,000	-
Salvage Sales	10,000	10,000
TOTAL REVENUES	23,677,073	$24,585,000
OTHER FINANCING SOURCES		
Proceeds from leases	-	1,300,000
TOTAL REVENUE AND OTHER FINANCING SOURCES	23,677,073	25,885,000
Expenditures:		
Primary Roads Preservation/Improvements	6,698,031	6,700,000
Primary Roads Routine Maintenance	2,400,000	2,400,000
Local Roads Preservation/Improvements	4,800,000	4,500,000
Local Roads Routine Maintenance	4,200,000	4,600,000
Primary Structures Preservation/Improve.	1,434,000	1,700,000
Local Structures Preservation/Improve.	3,801,000	4,000,000
State Trunkline Expense	1,200,000	2,600,000
Administrative Expense	750,000	700,000
Equipment (net)	-	(300,000)
Capital Outlay (net)	135,700	1,290,000
Debt Principal Payment	500,000	900,000
Interest Expense	100,000	100,000
TOTAL EXPENDITURES	26,018,731	29,190,000
NET CHANGE IN FUND BALANCE	$ (2,341,658)	$ (3,305,000)

Capital Assets

As of December 31, 2025, the Road Commission had invested $143,895,256 in net capital assets. The amount represents a net increase (including additions and deductions) of $9,488,963.

	2025	2024
Capital Assets, Not Being Depreciated/Amortized		
Construction in Progress	$ 172,000	$ 167,000
Land and Land Improvements	44,676,246	43,533,930
Total Assets Not Being Depreciated/Amortized	44,848,246	43,700,930
Other Capital Assets:		
Depletable Assets	278,249	278,249
Buildings	2,736,756	2,706,215
Bridges	61,184,594	55,818,927
Roads	98,811,967	92,741,366
Signals & Guardrails	738,310	687,777
Road Equipment	9,049,743	9,876,966
Shop Equipment	222,234	222,234
Engineers Equipment	37,672	37,672
Right to Use - Road Equipment	3,114,727	1,471,987
Other Equipment	333,005	326,871
Total Other Capital Assets	176,507,257	164,168,264
Total Capital Assets at Historic Cost	221,355,503	207,869,194
Total Accumulated Depreciation/Amortization	77,460,247	73,462,901
Total Net Capital Assets	$ 143,895,256	$ 134,406,293

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

Equipment	$ 365,123
Buildings	30,541
Roads	9,722,384
Bridges	5,365,667
Signs and guardrails	50,533
Depletable assets	-
Construction in progress	172,000
Right to use – road equipment	1,642,740
Land improvements	1,142,316
	$18,491,304

During 2025, the Commission traded in or disposed of equipment with an original purchase price of $5,004,995 and accumulated depreciation of $4,591,602. More detailed information about the Commission's capital assets is presented in Note 5 to the Financial Statements.

Debt

As of December 31, 2025, the Road Commission had $2,325,847 of long-term debt (including compensated absences), a net increase of $527,285 from prior year due to entering into six new lease agreements:

	2025	2024
Direct borrowings and direct placement	$2,211,145	$1,684,842
Compensated absences	114,702	113,720
Total	$2,325,847	$1,798,562

More detailed information about the Commission's long-term debt is presented in Note 6 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 2026 budget. The Road Commission has budgeted additional road and bridge projects in 2026 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, 2025

	Governmental Activities
ASSETS	
Current assets	
Cash	$ 7,161,524
Due from other governments:	
State	2,138,809
Local	1,558,044
Accounts receivable	30,598
Taxes receivable	3,025,442
Inventory	608,307
Prepaid expenses	358,893
Total current assets	14,881,617
Noncurrent assets	
Capital assets not being depreciated/amortized	44,848,246
Capital assets, net of accumulated depreciation/amortized	99,047,010
Total noncurrent assets	143,895,256
TOTAL ASSETS	158,776,873
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	714,120
Related to OPEB	110,296
TOTAL DEFERRED OUTFLOWS OF RESOURCES	824,416
LIABILITIES	
Current liabilities	
Accounts payable	274,743
Accrued liabilities	107,081
Advance - State of Michigan	414,003
Unearned revenue	1,663,792
Current portion of compensated absences	104,815
Current portion of long-term debt	539,215
Total current liabilities	3,103,649
Noncurrent liabilities	
Noncurrent portion of compensated absences	9,887
Noncurrent portion of long-term debt	1,671,930
Net pension liability	587,256
Net other post employment benefit liability	9,114,591
Total noncurrent liabilities	11,383,664
TOTAL LIABILITIES	14,487,313
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	395,408
Related to OPEB	136,909
TOTAL DEFERRED INFLOWS OF RESOURCES	532,317
NET POSITION	
Net investment in capital assets	141,684,111
Restricted	416,775
Unrestricted	2,480,773
TOTAL NET POSITION	$ 144,581,659

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2025

	Governmental Activities
Program expenses:	
Public works	$ 15,653,441
Interest expense	103,808
Total program expenses	15,757,249
Program revenues:	
Charges for services	2,369,379
Operating grants and contributions	3,570,600
Capital grants and contributions	15,088,051
Total program revenues	21,028,030
Net program revenues	5,270,781
General revenues	
Property taxes	3,064,395
Investment gain/(loss)	234,548
Gain/(loss) on sale of capital assets	311,159
Other	610,975
Total general revenues	4,221,077
Change in net position	9,491,858
Net position, beginning of year	135,089,801
Net position, end of year	$ 144,581,659

See accompanying notes to financial statements.

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2025

		General Operating Fund
ASSETS		
Cash	$	7,161,524
Due from other governments:		
State		2,138,809
Local		1,558,044
Accounts receivable		30,598
Taxes receivable		3,025,442
Inventory		608,307
Prepaid expenditures		358,893
TOTAL ASSETS	$	14,881,617
LIABILITIES		
Accounts payable	$	274,743
Accrued liabilities		107,081
Advance - State of Michigan		414,003
Unearned revenue		1,663,792
TOTAL LIABILITIES		2,459,619
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes		3,025,442
Unavailable revenue - other		171,591
TOTAL DEFERRED INFLOWS OF RESOURCES		3,197,033
FUND BALANCE		
Nonspendable:		
Inventory		608,307
Prepaid expenditures		358,893
Restricted for construction		416,775
Assigned for subsequent expenditures		658,150
Unassigned		7,182,840
TOTAL FUND BALANCE		9,224,965
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$	14,881,617

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, 2025

Total Fund Balance - Governmental Fund	$ 9,224,965
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	221,355,503
Accumulated depreciation/amortization	(77,460,247)
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	714,120
Deferred inflows of resources related to pensions	(395,408)
Deferred outflows of resources related to OPEB	110,296
Deferred inflows of resources related to OPEB	(136,909)
Deferred inflows of resources related to unavailable revenue	3,197,033
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	(2,211,145)
Compensated absences	(114,702)
Net pension liability	(587,256)
Net OPEB liability	(9,114,591)
Net Position of Governmental Activities	$ 144,581,659

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, 2025

	General Operating Fund
Revenues	
Taxes	$ 2,889,968
Intergovernmental	18,658,651
Charges for services	2,750,732
Interest	234,548
Licenses & permits	51,756
Other	1,335,527
Total revenues	25,921,182
Expenditures	
Current	
Public works	25,858,917
Capital outlay, net	1,696,932
Debt service	1,220,245
Total expenditures	28,776,094
Excess of revenues over (under) expenditures	(2,854,912)
Other financing sources (uses):	
Proceeds from leases	1,642,740
Total other financing sources (uses)	1,642,740
Net change in fund balance	(1,212,172)
Fund balance, beginning of year	10,437,137
Fund balance, end of year	$ 9,224,965

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, 2025

Net Change in Fund Balance - Governmental Fund	$ (1,212,172)
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	18,491,304
Depreciation/amortization expense	(8,588,948)
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.	(413,393)
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	1,116,437
Proceeds from leases	(1,642,740)
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	(258,682)
(Increase) in compensated absences	(982)
Increase in deferred outflows of resources related to pension	282,168
Decrease in deferred inflows of resources related to pensions	339,763
(Decrease) in deferred outflows of resources related to OPEB	(89,279)
Decrease in deferred inflows of resources related to OPEB	939,013
Decrease in net pension liability	512,904
Decrease in net OPEB liability	16,465
Change in Net Position of Governmental Activities	$ 9,491,858

See accompanying notes to financial statements.

NOTE 1 –SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting policies are described below.

REPORTING ENTITY:

The Tuscola County Road Commission is a 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 an elected five-member Board of County Road Commissioners who establish policies and review operations of the Commission.

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Commission. The Commission is considered a component unit of Tuscola County, Michigan and is discretely presented in Tuscola County's (the Primary Government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Caro, Michigan.

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

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

BASIS OF PRESENTATION:

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

The *Major Fund* of the Commission is:

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

MEASUREMENT FOCUS:

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

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

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.

BUDGETS AND BUDGETARY ACCOUNTING:
The annual budget of the Commission is prepared by Commission management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget for the General Operating Fund is adopted on the modified accrual basis of accounting, which is consistent with GAAP.

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 6 of Act No. 105 of the Public Acts of 1855, Section 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.

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.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets required, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized.

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.

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.

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 qualifies for reporting in this category. They are pension and OPEB related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension/OPEB related items which represent a consumption of future resources. These amounts are expensed in the year in which they apply.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Road Commission has four items that qualify for reporting in this category. The deferred inflows of resources related to unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from two sources: local contributions and property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other two items are future resources yet to be recognized in relation to the pension and OPEB actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and OPEB liability and the actual results. The amounts are amortized over a period determined by the actuary.

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.

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.

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 2025 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, 2025 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, 2025, $207,332 of the Commission's bank balance of $520,332 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission's deposits had a carrying amount of $75 as of December 31, 2025.

Amounts reported on the balance sheet include $7,161,449 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, 2025, the County Treasurer, on behalf of the Road Commission, had no investments.

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. As of December 31, 2025, 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, 2025:

	Primary Government
Cash	$ 75
Deposits with fiscal agent	7,161,449
Total	$ 7,161,524

NOTE 3 – ACCOUNTS RECEIVABLE:

Accounts receivable consists of the following:

	December 31, 2025
Due from state	$2,138,809
Due on county road agreements	1,558,044
Sundry accounts	30,598
TOTAL	$3,727,451

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

NOTE 4 - ADVANCES - STATE OF MICHIGAN:

The balance of this account as of December 31, 2025 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.	$414,003

NOTE 5 - CHANGES IN CAPITAL ASSETS:

A summary of changes in the recorded capital assets follows:

Governmental Activities	BALANCE JANUARY 1, 2025	ADDITIONS & ADJUSTMENTS	DISPOSALS & ADJUSTMENTS	BALANCE DECEMBER 31, 2025
Capital assets, not being depreciated/amortized:				
Construction in progress	$ 167,000	$ 172,000	$ 167,000	$ 172,000
Land & right of ways	294,218			294,218
Land improvements	43,239,712	1,142,316		44,382,028
Total capital assets, not being depreciated/amortized	43,700,930	1,314,316	167,000	44,848,246
Capital assets, being depreciated/amortized:				
Buildings	2,706,215	30,541		2,736,756
Bridges	55,818,927	5,365,667		61,184,594
Roads	92,741,366	9,722,384	3,651,783	98,811,967
Signals & guardrails	687,777	50,533		738,310
Equipment - roads	9,876,966	525,989	1,353,212	9,049,743
Equipment - shop	222,234	-	-	222,234
Equipment - heating	147,291	-	-	147,291
Equipment - office	154,763	6,134	-	160,897
Equipment - engineer	37,672	-	-	37,672
Right to use - road equipment	1,471,987	1,642,740	-	3,114,727
Depletable assets	278,249	-	-	278,249
Weighmaster equipment	24,817	-	-	24,817
	164,168,264	17,343,988	5,004,995	176,507,257
Less - accumulated depreciation/amortization:				
Buildings	1,877,573	47,137	-	1,924,710
Bridges	22,636,201	1,232,370	-	23,868,571
Roads	39,188,666	6,359,177	3,651,783	41,896,060
Signals & guardrails	561,931	20,457	-	582,388
Equipment - roads	8,448,382	572,004	939,819	8,080,567
Equipment - shop	188,595	13,171	-	201,766
Equipment - heating	113,146	2,040	-	115,186
Equipment - office	145,954	1,496	-	147,450
Equipment - engineers	35,513	753	-	36,266
Right to use - road equipment	196,209	340,046	-	536,255
Depletable assets	47,280	-	-	47,280
Weighmaster equipment	23,451	297	-	23,748
	73,462,901	8,588,948	4,591,602	77,460,247
Total Capital assets, being depreciated/amortized:	90,705,363	8,755,040	413,393	99,047,010
Governmental activities Capital assets, net	$ 134,406,293	$ 10,069,356	$ 580,393	$ 143,895,256

Total depreciation expense for the year ended December 31, 2025 was $8,588,948, and was charged to the following activities:

Net equipment expense	
Direct equipment	$ 912,050
Indirect equipment	60,573
Net administrative expense	4,321
Infrastructure	7,612,004
	$ 8,588,948

NOTE 6 – 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, 2025:

	Balance Jan. 1, 2025	Additions	Deletions	Balance Dec. 31, 2025	Amounts Due Within One Year
Direct borrowings and direct placement:					
2020 CAT Grader 109	$ 127,633	$ -	$ (127,633)	$ -	$ -
2020 CAT Grader 110	136,702	-	(136,702)	-	-
2020 CAT Grader 111	136,702	-	(136,702)	-	-
2020 CAT Grader 112	136,702	-	(136,702)	-	-
2020 CAT Grader 113	136,702	-	(136,702)	-	-
2023 CAT Loader 2818	80,586	-	(23,726)	56,860	25,439
2023 CAT Grader 921	190,871	-	(42,952)	147,919	45,460
2023 CAT Grader 150	190,871	-	(42,952)	147,919	45,460
2024 CAT Loader 6991	128,504	-	(24,328)	104,176	25,749
2024 CAT Loader 6995	133,356	-	(25,244)	108,112	26,719
2024 CAT Grader 150	209,447	-	(35,995)	173,452	40,353
2024 CAT Loader 926M	76,766	-	(17,340)	59,426	18,353
2025 CAT Grader	-	281,595	(29,623)	251,972	47,295
2025 CAT Grader	-	281,595	(29,623)	251,972	47,295
2025 CAT Grader	-	281,595	(29,623)	251,972	47,295
2025 CAT Grader	-	281,595	(29,623)	251,972	47,295
2025 CAT Grader	-	281,595	(29,623)	251,972	47,295
JD Tractors (3) & Diamond Flail Mowers (3)		234,765	(81,344)	153,421	75,207
Total direct borrowings and direct placement	1,684,842	1,642,740	(1,116,437)	2,211,145	539,215
Compensated absences*	113,720	982	-	114,702	104,815
Total	$ 1,798,562	$ 1,643,722	$ (1,116,437)	$ 2,325,847	$ 644,030

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

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

Notes from direct borrowings and direct placement:

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.	$ 56,860
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.	147,919
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.	147,919
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.	104,176
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.	108,112
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.	173,452

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

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.	$ 59,426
The Commission purchased a 2025 CAT motor grader under an installment purchase agreement, dated November 26, 2025, at a cost of $281,595. The purchase agreement requires 60 consecutive monthly payments through November 22, 2030, which includes financing costs at a rate of 5.02%. 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.	251,972
The Commission purchased a 2025 CAT motor grader under an installment purchase agreement, dated November 26, 2025, at a cost of $281,595. The purchase agreement requires 60 consecutive monthly payments through November 22, 2030, which includes financing costs at a rate of 5.02%. 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.	251,972
The Commission purchased a 2025 CAT motor grader under an installment purchase agreement, dated November 26, 2025, at a cost of $281,595. The purchase agreement requires 60 consecutive monthly payments through November 22, 2030, which includes financing costs at a rate of 5.02%. 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.	251,972
The Commission purchased a 2025 CAT motor grader under an installment purchase agreement, dated November 26, 2025, at a cost of $281,595. The purchase agreement requires 60 consecutive monthly payments through November 22, 2030, which includes financing costs at a rate of 5.02%. 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.	251,972
The Commission purchased a 2025 CAT motor grader under an installment purchase agreement, dated November 26, 2025, at a cost of $281,595. The purchase agreement requires 60 consecutive monthly payments through November 22, 2030, which includes financing costs at a rate of 5.02%. 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.	251,972

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

The Commission purchased three John Deere 5130M utility tractors and three swing flail mowers under an installment purchase agreement, dated June 4, 2025, at a cost of $234,765. The purchase agreeement requires 3 consecutive annual payments through June 6, 2027, with an implied interest rate of 4.00%. 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.	$ 153,421
Total direct borrowings and direct placement	2,211,145
Compensated absences	114,702
Total general long-term obligations	$ 2,325,847

The Commission's outstanding notes from direct borrowings and direct placement related to governmental activities of $2,211,145 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, 2025, are as follows:

Year Ending December 31,	Direct Borrowings and Direct Placement			
	Principal	Interest	Compensated Absences	Total
2026	$ 539,215	$ 166,729	$ -	$ 705,944
2027	562,011	143,928	-	705,939
2028	485,321	111,454	-	596,775
2029	368,083	71,379	-	439,462
2030	256,515	35,515	-	292,030
	2,211,145	529,005	-	2,740,150
Compensated absences	-	-	114,702	114,702
Total	$ 2,211,145	$ 529,005	$ 114,702	$ 2,854,852

Interest expense for the year ended December 31, 2025 was approximately $103,808.

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 $104,815 and a noncurrent liability of $9,887 at December 31, 2025.

NOTE 7 – UNEARNED/UNAVAILABLE REVENUES:

Governmental funds report unearned revenue for amounts received and accrued but not expended by the close of the fiscal year. Unavailable revenues are amounts that have been earned but not received within sixty days of the year end. The Commission reports release and settlement agreements, grants, property taxes, and accounts receivable in these classifications as follows:

Unearned	Unavailable	Total
$ 1,663,792	$3,197,033	$4,860,825

NOTE 8 - DEFERRED COMPENSATION PLAN:

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

NOTE 9 - DEPLETION EXPENSES:

Depletion expense amounted to $0 for the year ended December 31, 2025. Depletion is 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 $416,775 for the year ended December 31, 2025. This represents the amount of bridge/road levy assets on hand at year-end. These assets must be used for the purpose of improvements to primary county roads and local road bridges.

NOTE 11 – EMPLOYEE PENSION PLANS:

Municipal Employees Retirement System of Michigan

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

Benefits Provided

	2024 Valuation		
	Salaried Employees Closed Division	**Work Foremen Closed Division**	**New Hires Open Division**
Benefit multiplier:	2.00% Multiplier (no max)	1.30% Multiplier (no max)	1.00% Multiplier (no max)
Normal retirement age:	60	60	60
Vesting:	10 years	10 years	6 years
Early retirement (unreduced):	55/20	-	-
Early retirement (reduced)	50/25 55/15	50/25 55/15	- -
Final average compensation:	3 years	5 years	3 years
Employee contributions:	5.43%	5.00%	0.00%
Act 88:	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)	Yes (Adopted 1/6/2000)

Employees covered by benefit terms. At the December 31, 2024 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	3
Active employees	25
	57

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 6.64% based on annual payroll. For the closed divisions, the employer was required to contribute approximately $156,000.

Net Pension Liability. The employer's Net Pension Liability was measured as of December 31, 2025, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of December 31, 2024.

Actuarial assumptions. The total pension liability in the December 31, 2024 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 fully generational MP-2021.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study covering the period January 1, 2018 through December 31, 2023.

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%
	100.0%		4.43%
Inflation			2.50%
Assumed investment rate of return			6.93%
Administrative expenses netted above			0.25%
Investment rate of return			7.18%

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**
Balances at 12/31/24	$ 7,511,981	$ 6,642,161	$ 869,820
Changes for the year:			
Service cost	112,141		112,141
Interest on total pension liability	522,920		522,920
Difference between expected and actual experience	43,760		43,760
Changes of assumptions	(31,094)		(31,094)
Employer contributions		136,933	(136,933)
Employee contributions		24,197	(24,197)
Net investment income		1,000,561	(1,000,561)
Benefit payments, including employee refunds	(570,080)	(570,080)	-
Administrative expense		(13,184)	13,184
Other changes	1,567		1,567
Net changes	79,214	578,427	(499,213)
Balances at 12/31/25	$ 7,591,195	$ 7,220,588	$ 370,607

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

	1% Decrease (6.18%)	Discount Rate (7.18%)	1% Increase (8.18%)
Net Pension Liability	$1,085,717	$370,607	($244,403)

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

For the year ended December 31, 2025, the Road Commission recognized pension expense of $94,720. 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	$ 60,392	$ -
Changes of assumptions	15,352	20,729
Net difference between projected and actual earnings on pension plan investments	534,779	233,783
	$ 610,523	$ 254,512

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
2026	$ (26,126)
2027	161,087
2028	113,289
2029	107,761
	$ 356,011

Changes in assumptions. Mortality improvement tables were updated to fully generational MP-2021

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, 2025 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	6
Active employees	15
	21

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, 2025.

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of April 1, 2025 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-2016 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex-distinct with IRS 2024 Adjusted Scale MP-2021 improvement factors.

The long-term expected rate of return on retirement plan investments was determined using a building-block method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan's target asset allocation as of March 31, 2025 (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 4.55%. 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 4.24%.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	**Plan Fiduciary Net Position**	**Net Pension Liability**
Balances at 3/31/24	$ 554,397	$ 324,057	$ 230,340
Changes for the year:			
Service cost	8,756		8,756
Interest on total pension liability	22,490		22,490
Experience (gains)/losses	(10,827)		(10,827)
Change in actuarial assumptions	(19,925)		(19,925)
Employer contributions		3,598	(3,598)
Employee contributions		1,080	(1,080)
Net investment income		9,507	(9,507)
Benefit payments, including employee refunds	(65,402)	(65,402)	-
Net changes	(64,908)	(51,217)	(13,691)
Balances at 3/31/25	$ 489,489	$ 272,840	$ 216,649

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 4.55%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% point higher (5.55%) or lower (3.55%) than the current rate:

	1% Lower (3.55%)	**Discount Rate (4.55%)**	**1% Higher (5.55%)**
Net Pension Liability	$284,148	$216,649	$159,933

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

For the plan year ended March 31, 2025 the Road Commission recognized pension benefit of $9,589. 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*	$ 2,440	$ -
Differences between expected and actual experience	9,967	42,500
Changes of assumptions	90,517	90,214
Net difference between projected and actual earnings on pension plan investments	673	8,182
	$ 103,597	$ 140,896

*The amount reported as deferred outflows of resoucres 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, 2026.

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
2026	$ (28,714)
2027	(2,398)
2028	(5,509)
2029	(678)
	$ (37,299)

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, 2025, 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	$ 370,607	$ 610,523	$ 254,512
Empower	216,649	103,597	140,896
Total	$ 587,256	$ 714,120	$ 395,408

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS:

Plan Description: In addition to the pension benefits described in Note 10, 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, 2025 is as follows:

Retirees and beneficiaries	36
Active plan members	20
Total membership	56

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, 2025, the Road Commission expended $495,483 for actual current premiums.

The County Road Commission's OPEB liability was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024 rolled forward to December 31, 2025.

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: 4.43%
Mortality: Public General 2016 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 4.43%. 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, 2024 the discount rate used to value OPEB liabilities was 4.28%.

Change in Net OPEB Liability: The change in the net OPEB liability for the year ended December 31, 2025, is as follows:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a - b)
Balance at December 31, 2024	$ 9,131,056	$ -	$ 9,131,056
Changes during the year:			
Service cost	57,856		57,856
Interest	382,682		382,682
Experience (Gains)/Losses	63,406		63,406
Change in actuarial assumptions	(24,926)		(24,926)
Contributions/benefit paid from general operating funds		495,483	(495,483)
Benefit payments	(495,483)	(495,483)	-
Total Changes	(16,465)	-	(16,465)
Balance at December 31, 2025	$ 9,114,591	$ -	$ 9,114,591

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 4.43%, 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 (3.43%) or 1% higher (5.43%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	$ 10,211,391	$ 9,114,591	$ 8,200,774

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB Liability	$ 8,056,418	$ 9,114,591	$ 10,380,193

OPEB expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2025, the Road Commission recognized OPEB benefit of $370,716. At December 31, 2025, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains)/Losses	$ 40,006	$ 33,480
Changes in assumptions	70,290	103,429
Total	$ 110,296	$ 136,909

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
2026	$ (34,061)
2027	7,448
	$ (26,613)

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, 2025, the Federal aid received and expended by the Commission was $2,228,878 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 $1,000,000 or more for negotiated projects.

NOTE 16 – TAX ABATEMENTS:

For the year ended December 31, 2025 the Road Commission is required to disclose significant tax abatements as required by GASB 77 (Tax abatements).

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

Municipality	Taxes Abated
Akron Township	$ 256
Elkland Township	2,237
Elmwood Township	308
Fairgrove Township	640
Gilford Township	3,532
Millington Township	514
City of Caro	45
City of Vassar	505
Total	$ 8,037

There are no significant abatements made by the Road Commission.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLE:

For the year ended December 31, 2025, the Commission implemented GASB 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 implementation of GASB statement No. 102, *Certain Risk Disclosures*, did not have a material effect on the Commission's financial statements.

NOTE 18 – UPCOMING ACCOUNTING PRONOUCEMENTS:

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.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2025

	ROAD FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Property taxes	$ 2,900,000	$ 2,900,000	$ 2,889,968	$ (10,032)
Interest earned	100,000	225,000	234,548	9,548
Licenses & permits	50,000	50,000	51,756	1,756
Intergovernmental				
Federal sources				
Surface transportation program	1,727,073	1,900,000	1,653,946	(246,054)
Bridge	1,660,000	700,000	574,932	(125,068)
State sources				
Motor vehicle highway funds	11,500,000	11,500,000	11,265,396	(234,604)
Other state grants	-	-	990,139	990,139
Local sources				
Township, city and village contributions	4,000,000	3,700,000	4,174,238	474,238
Total intergovernmental	18,887,073	17,800,000	18,658,651	858,651
Charges for services				
State trunkline				
Maintenance	1,200,000	2,300,000	2,259,244	(40,756)
Non-maintenance	-	300,000	479,697	179,697
Salvage sales	10,000	10,000	9,403	(597)
Other	-	-	2,388	2,388
Total charges for services	1,210,000	2,610,000	2,750,732	140,732
Other				
Proceeds from sale of assets	30,000	-	724,552	724,552
Contributions from private sources	500,000	1,000,000	593,661	(406,339)
Miscellaneous	-	-	17,314	17,314
Total other	530,000	1,000,000	1,335,527	335,527
TOTAL REVENUES	23,677,073	24,585,000	25,921,182	1,336,182
OTHER FINANCING SOURCES				
Proceeds from leases	-	1,300,000	1,642,740	342,740
TOTAL OTHER FINANCING SOURCES	-	1,300,000	1,642,740	342,740
TOTAL REVENUES AND OTHER FINANCING SOURCES	23,677,073	25,885,000	27,563,922	1,678,922

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2025

	ROAD FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
EXPENDITURES:				
Current				
Primary road				
Preservation - structural improvements	$ 8,132,031	$ 8,400,000	$ 8,204,041	$ 195,959
Routine and preventative maintenance	2,400,000	2,400,000	2,577,240	(177,240)
Total primary road	10,532,031	10,800,000	10,781,281	18,719
Local road				
Preservation - structural improvements	8,601,000	8,500,000	8,076,859	423,141
Routine and preventative maintenance	4,200,000	4,600,000	4,472,265	127,735
Total local road	12,801,000	13,100,000	12,549,124	550,876
State trunkline				
Maintenance	1,200,000	2,230,000	2,229,010	990
Non-maintenance	-	370,000	479,697	(109,697)
Total state trunkline	1,200,000	2,600,000	2,708,707	(108,707)
Administration	750,000	700,000	617,403	82,597
Equipment				
Direct	1,700,000	1,600,000	1,572,070	27,930
Indirect	900,000	900,000	885,507	14,493
Operating	600,000	600,000	461,863	138,137
Less: equipment rental	(3,200,000)	(3,400,000)	(3,717,038)	317,038
Total equipment	-	(300,000)	(797,598)	497,598
Capital outlay				
Capital outlay	660,700	1,800,000	2,208,560	(408,560)
Less: depreciation/amortization & depletion	(525,000)	(510,000)	(511,628)	1,628
Total capital outlay	135,700	1,290,000	1,696,932	(406,932)
Debt service				
Principal payments	500,000	900,000	1,116,437	(216,437)
Interest payments	100,000	100,000	103,808	(3,808)
Total debt service	600,000	1,000,000	1,220,245	(220,245)
TOTAL EXPENDITURES	26,018,731	29,190,000	28,776,094	413,906
NET CHANGE IN FUND BALANCE	$ (2,341,658)	$ (3,305,000)	(1,212,172)	$ 2,092,828
FUND BALANCE - BEGINNING OF YEAR			10,437,137	
FUND BALANCE - END OF YEAR			$ 9,224,965	

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY:										
Service cost	$ 112,141	$ 93,183	$ 92,715	$ 78,579	$ 76,363	$ 75,240	$ 84,942	$ 89,013	$ 91,294	$ 80,723
Interest	522,920	510,202	503,324	480,930	512,125	481,435	498,907	490,439	478,491	447,215
Difference between expected and actual experience	43,760	93,657	86,128	(1,529)	(341,693)	104,060	(34,936)	(22,411)	10,090	(4,434)
Change of assumptions	(31,094)	46,056	-	217,896	124,852	190,391	-	-	-	267,140
Benefit payments (including refunds of employee contributions)	(570,080)	(533,757)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)
Other changes	1,567	(23,526)	(5,568)	13,966	(19,130)	5,557	23,764	(2,813)	(18,242)	1,012
NET CHANGE IN TOTAL PENSION LIABILITY	79,214	185,815	183,638	306,742	(81,561)	383,900	104,575	131,565	162,022	379,267
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	7,511,981	7,326,166	7,142,528	6,835,786	6,917,347	6,533,447	6,428,872	6,297,307	6,135,285	5,756,018
TOTAL PENSION LIABILITY - END OF YEAR (a)	$ 7,591,195	$ 7,511,981	$ 7,326,166	$ 7,142,528	$ 6,835,786	$ 6,917,347	$ 6,533,447	$ 6,428,872	$ 6,297,307	$ 6,135,285
PLAN FIDUCIARY NET POSITION:										
Contributions - employer	$ 136,933	$ 130,226	$ 425,757	$ 458,727	$ 492,854	$ 460,796	$ 492,382	$ 498,190	$ 492,617	$ 471,508
Contributions - employee	24,197	24,493	26,639	25,529	29,620	28,639	28,736	37,800	65,407	49,032
Net investment income	1,000,561	483,914	647,870	(686,770)	800,611	627,198	601,514	(175,062)	510,386	380,374
Benefit payments (including refunds of employee contributions)	(570,080)	(533,757)	(492,961)	(483,100)	(434,078)	(472,783)	(468,102)	(422,663)	(399,611)	(412,389)
Administrative expenses	(13,184)	(14,288)	(13,767)	(12,109)	(9,224)	(10,143)	(10,347)	(8,750)	(8,082)	(7,516)
NET CHANGE IN FIDUCIARY NET POSITION	578,427	90,588	593,538	(697,723)	879,783	633,707	644,183	(70,485)	660,717	481,009
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	6,642,161	6,551,573	5,958,035	6,655,758	5,775,975	5,142,268	4,498,085	4,568,570	3,907,853	3,426,844
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	$ 7,220,588	$ 6,642,161	$ 6,551,573	$ 5,958,035	$ 6,655,758	$ 5,775,975	$ 5,142,268	$ 4,498,085	$ 4,568,570	$ 3,907,853
NET PENSION LIABILITY - ENDING (a)-(b)	$ 370,607	$ 869,820	$ 774,593	$ 1,184,493	$ 180,028	$ 1,141,372	$ 1,391,179	$ 1,930,787	$ 1,728,737	$ 2,227,432
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY	95.12%	88.42%	89.43%	83.42%	97.37%	83.50%	78.71%	69.97%	72.55%	63.69%
COVERED EMPLOYEE PAYROLL	$ 1,566,615	$ 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
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	23.66%	61.88%	65.75%	104.40%	16.08%	100.57%	138.62%	184.44%	162.31%	211.84%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined total contribution	$ 170,160	$ 149,844	$ 108,972	$ 153,996	$ 192,504	$ 220,632	$ 213,348	$ 198,190	$ 192,617	$ 171,508
Employer contribution	136,933	130,226	425,757	458,727	492,854	460,796	492,382	498,190	492,617	471,508
Contribution deficiency (excess)	$ 33,227	$ 19,618	$ (316,785)	$ (304,731)	$ (300,350)	$ (240,164)	$ (279,034)	$ (300,000)	$ (300,000)	$ (300,000)
Covered employee payroll	$ 1,566,615	$ 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
Employer contribution as a percentage of covered payroll	8.74%	9.26%	36.14%	40.43%	44.01%	40.60%	49.06%	47.59%	46.25%	44.84%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
TOTAL PENSION LIABILITY:										
Service cost	$ 8,756	$ 9,868	$ 12,282	$ 21,895	$ 17,601	$ 16,838	$ 17,823	$ 13,615	$ 15,005	$ 16,630
Interest	22,490	23,752	21,416	16,782	23,601	20,494	22,428	28,680	28,826	29,766
Difference between expected and actual experience	(10,827)	426	26,328	(112,262)	(10,620)	(7,293)	(23,115)	(13,187)	(16,078)	(6,357)
Change of assumptions	(19,925)	(16,386)	(53,199)	(183,802)	153,859	47,209	30,126	157,333	1,134	1,143
Benefit payments (including refunds of employee contributions)	(65,402)	(68,257)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)
NET CHANGE IN TOTAL PENSION LIABILITY	(64,908)	(50,597)	(10,172)	(343,626)	184,441	76,977	(31,902)	152,162	2,298	(48,898)
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	554,397	604,994	615,166	958,792	774,351	697,374	729,276	577,114	574,816	623,714
TOTAL PENSION LIABILITY - END OF YEAR (a)	$ 489,489	$ 554,397	$ 604,994	$ 615,166	$ 958,792	$ 774,351	$ 697,374	$ 729,276	$ 577,114	$ 574,816
PLAN FIDUCIARY NET POSITION:										
Contributions - employer	$ 3,598	$ 4,493	$ 3,903	$ 4,655	$ 5,306	$ 5,306	$ 6,180	$ 6,973	$ 7,990	$ 89,250
Contributions - employee	1,080	1,348	1,171	1,397	1,592	1,592	1,854	2,092	2,397	2,458
Net investment income	9,507	5,418	(1,310)	2,443	2,925	2,662	4,900	7,505	8,388	7,853
Benefit payments (including refunds of employee contributions)	(65,402)	(68,257)	(16,999)	(86,239)	-	(271)	(79,164)	(34,279)	(26,589)	(90,080)
Administrative expenses	-	-	(800)	(800)	(800)	(800)	(800)	(800)	(800)	(82)
Government grant	-	377,218	-	-	-	-	-	-	-	-
NET CHANGE IN FIDUCIARY NET POSITION	(51,217)	320,220	(14,035)	(78,544)	9,023	8,489	(67,030)	(18,509)	(8,614)	9,399
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	324,057	3,837	17,872	96,416	87,393	78,904	145,934	164,443	173,057	163,658
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	$ 272,840	$ 324,057	$ 3,837	$ 17,872	$ 96,416	$ 87,393	$ 78,904	$ 145,934	$ 164,443	$ 173,057
NET PENSION LIABILITY - ENDING (a)-(b)	$ 216,649	$ 230,340	$ 601,157	$ 597,294	$ 862,376	$ 686,958	$ 618,470	$ 583,342	$ 412,671	$ 401,759
TOTAL PENSION LIABILITY	55.74%	58.45%	0.63%	2.91%	10.06%	11.29%	11.31%	20.01%	28.49%	30.11%
COVERED EMPLOYEE PAYROLL	$ 999,301	$ 1,079,867	$ 1,104,620	$ 1,202,588	$ 1,260,591	$ 1,268,646	$ 1,364,786	$ 1,472,831	$ 1,619,958	$ 1,685,581
NET PENSION LIABILITY AS PERCENTAGE OF PAYROLL	21.68%	21.33%	54.42%	49.67%	68.41%	54.15%	45.32%	39.61%	25.47%	23.84%

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)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined total contribution	$ 31,236	$ 31,311	$ 56,923	$ 53,730	$ 54,933	$ 55,185	$ 48,593	$ 43,635	$ 44,031	$ 38,417
Employer contribution	3,293	3,659	4,310	4,269	4,818	5,306	5,774	6,485	7,197	8,169
Contribution deficiency (excess)	$ 27,943	$ 27,652	$ 52,613	$ 49,461	$ 50,115	$ 49,879	$ 42,819	$ 37,150	$ 36,834	$ 30,248
Covered employee payroll	$ 1,015,940	$ 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
Employer contribution as a percentage of covered payroll	0.32%	0.37%	0.38%	0.39%	0.40%	0.42%	0.42%	0.44%	0.46%	0.50%

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

	2025	2024	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY:								
Service cost	$ 57,856	$ 67,668	$ 62,935	$ 110,538	$ 131,415	$ 133,109	$ 123,584	$ 119,244
Interest	382,682	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	63,406	(125,208)	13,576	(618,895)	(73,870)	(3,974,772)	44,846	(81,768)
Change of assumptions	(24,926)	(331,164)	440,235	(2,912,185)	(987,320)	2,399,412	689,528	-
Benefit payments (including refunds of employee contributions)	(495,483)	(468,154)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
NET CHANGE IN TOTAL OPEB LIABILITY	(16,465)	(479,107)	485,239	(3,640,308)	(1,025,437)	(1,188,600)	838,690	139,583
TOTAL OPEB LIABILITY - BEGINNING OF YEAR	9,131,056	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)	$ 9,114,591	$ 9,131,056	$ 9,610,163	$ 9,124,924	$ 12,765,232	$ 13,790,669	$ 14,979,269	$ 14,140,579
PLAN FIDUCIARY NET POSITION:								
Contributions/benefit payments made from general operating funds	$ 495,483	$ 468,154	$ 418,485	$ 503,803	$ 360,876	$ 416,247	$ 528,858	$ 404,507
Benefit payments (including refunds of employee contributions)	(495,483)	(468,154)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
NET CHANGE IN FIDUCIARY NET POSITION	-	-	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - BEGINNING OF YEAR	-	-	-	-	-	-	-	-
PLAN FIDUCIARY NET POSITION - END OF YEAR (b)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
NET OPEB LIABILITY - ENDING (a)-(b)	$ 9,114,591	$ 9,131,056	$ 9,610,163	$ 9,124,924	$ 12,765,232	$ 13,790,669	$ 14,979,269	$ 14,140,579
LIABILITY	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
COVERED EMPLOYEE PAYROLL	$ 1,557,608	$ 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	585.17%	648.75%	412.87%	440.40%	648.68%	752.66%	755.19%	743.06%

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)

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially determined total contribution	$ 1,432,272	$ 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)	(495,483)	(468,154)	(418,485)	(503,803)	(360,876)	(416,247)	(528,858)	(404,507)
Contribution deficiency (excess)	$ 936,789	$ 1,029,598	$ 891,797	$ 1,048,983	$ 1,176,573	$ 1,249,501	$ 983,864	$ 1,013,229
Covered employee payroll	$ 1,557,608	$ 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	91.95%	106.41%	56.29%	74.94%	78.13%	90.91%	76.26%	74.50%
Employer contribution as a percentage of covered payroll	31.81%	33.26%	17.98%	24.32%	18.34%	22.72%	26.66%	21.26%

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.

NOTE 1 – MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM:

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2024
Measurement date	December 31, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age – normal
Asset valuation method	5 year smoothed fair value
Amortization method	Level percentage of payroll
Remaining amortization period	15 years
Payroll growth	3.00%
Investment rate of return	6.93%, net of administrative expenses, including inflation
Normal retirement age	60
Early retirement age	Varies depending on plan adoption
Mortality	A version of Pub-2010 and Fully Generational MP-2021

Changes in assumptions:

Plan Year	
2025	Mortality tables updated from fully generational MP-2019 to MP-2021
2024	Decrease in investment rate of return from 7.00% to 6.93%
2022	Decrease in investment rate of return from 7.35% to 7.00%
	Decrease in discount rate from 7.60% to 7.25%
2021	Decrease in rate of inflation from 3.0% to 2.5%
2020	Decrease in payroll growth from 3.75% to 3.00%
	Decrease in investment rate of return from 7.75% to 7.35%

NOTE 2 –PENSION PLAN FOR EMPLOYEES:

Actuarial valuation information relative to the determination of contributions:

Valuation date	April 1, 2025
Measurement date	April 1, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age – normal (level dollar)
Asset valuation method	Market level of assets
Amortization method	Level dollar
Remaining amortization period	7 years
Investment rate of return	3.25% per annum, compounded annually
Normal retirement age	Earlier of age 63 with 10 years of service or age 70
Mortality	Pb-2016 Public Retirement Plans Mortality Tables for General Employees; annuitant and non-annuitant, sex distinct with IRS 2024 Adjusted Scale MP-2021 improvement factors
Discount rate	4.55%

Changes in assumptions:

Plan Year	
2025	Increase in discount rate from 4.24% to 4.55% Mortality tables changed from Pub-2010 tables to the Pub-2016
2024	Increase in the discount rate from 4.09% to 4.24%
2023	Increase in the discount rate from 3.46% to 4.09% Mortality improvement changed from MP-2020 to MP-2021
2022	Increase in the discount rate from 1.79% to 3.46% Mortality improvement changed from MP-2019 to MP-2020
2021	Mortality improvement changed from MP-2018 to MP-2019 Decrease in the discount rate from 2.98% to 1.79%
2020	Mortality tables changed from RP-2014 Blue Collar Mortality to Pub-2010 Public Retirement Plans Mortality Increase in the discount rate from 2.87% to 2.98% Decrease in investment rate of return from 4.50% to 3.75%
2019	Decrease in investment rate of return from 4.75% to 4.50% Decrease in the discount rate from 3.17% to 2.87%
2018	Mortality tables changed from IRS 2017 1.43(h) to RP-2014 Blue Collar Decrease in the investment rate of return from 5.00% to 4.75% Decrease in the discount rate from 5.00% to 3.17%
2017	Mortality tables changed from IRS 2016 1.430(h) to IRS 2017 1.430(h)
2016	Mortality tables changed from IRS 2015 1.430(h) to IRS 2016 1.430(h)

NOTE 3 –OTHER POST-EMPLOYMENT BENEFITS PLAN:

Actuarial valuation information relative to the determination of contributions:

Valuation date	December 31, 2024
Measurement date	December 31, 2025

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Asset valuation method	Not applicable; the plan is not pre-funded
Amortization method	Level dollar
Remaining amortization period	8 years
Payroll growth	3.00%
Medical trend	Pre-65: 7.25% for the first year, then 7.50% graded down to 4.50% by 0.25% per year. Post-65: 5.50% for the first year, then 5.75% graded down to 4.50% by 0.25% per year
Discount rate	4.28% for 2025 contribution, 4.43% for 2025 liability
Mortality	Public General 2016 Employee and Healthy Retiree, Headcount weighted, IRS 2024 Adjusted Scale MP-2021 improvement factors

Changes in assumptions:

Plan Year	
2025	Medical trend updated Increase in discount rate from 4.28% to 4.43% Mortality tables changed from Public General 2010 Employee and Healthy Retiree to Public General 2016 Employee and Healthy Retiree
2024	Medical trend updated Increase in discount rate from 4.00% to 4.28%
2023	Medical trend updated Decrease in discount rate from 4.31% to 4.00%
2022	Mortality improvement table updated from MP-2020 to MP-2021 Increase in salary scale from 2.00% to 3.00% Increase in discount rate from 2.25% to 4.31%
2021	Medical trend updated Increase in discount rate from 1.93% to 2.25%
2020	Mortality improvement scale updated from MP-2019 to MP-2020 Medical and dental trend rates updated Decrease in salary scale from 3.50% to 2.00% Decrease in discount rate from 3.26% to 1.93%
2019	Mortality improvement scale updated from MP-2018 to MP-2019 Decrease in discount rate from 3.64% to 3.26% Amortization period and method updated from 30-year level percentage to 13-year level dollar

Changes in benefits:

2020	Pre-65 medical, opt out and life insurance benefits clarified

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, 2025

TOTAL REVENUES	$ 27,563,922
TOTAL EXPENDITURES	28,776,094
NET CHANGE IN FUND BALANCE	(1,212,172)
Fund Balance, beginning of year	10,437,137
Fund Balance, end of year	$ 9,224,965

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2025

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION	TOTAL
TOTAL REVENUES	$ 10,832,765	$ 10,876,489	$ 5,854,668	$ 27,563,922
TOTAL EXPENDITURES	12,879,376	12,541,117	3,355,601	28,776,094
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,046,611)	(1,664,628)	2,499,067	(1,212,172)
OTHER FINANCING SOURCES (USES)				
Optional transfers in	-	500,000	-	500,000
Optional transfers out	(500,000)	-	-	(500,000)
TOTAL OTHER FINANCING SOURCES (USES)	(500,000)	500,000	-	-
NET CHANGE IN FUND BALANCE	(2,546,611)	(1,164,628)	2,499,067	(1,212,172)
Fund Balance, beginning of year	4,867,792	2,278,012	3,291,333	10,437,137
Fund balance, end of year	$ 2,321,181	$ 1,113,384	$ 5,790,400	$ 9,224,965

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2025

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION	TOTAL
REVENUES AND OTHER FINANCING SOURCES				
Taxes	$ 1,906,981	$ 982,987	$ -	$ 2,889,968
Licenses and Permits	-	-	51,756	51,756
Intergovernmental:				
Federal Sources				
Surface Tran. Program (STP)	1,653,946	-	-	1,653,946
Bridge	-	574,932		574,932
Total Federal Sources	1,653,946	574,932	-	2,228,878
State Sources				
Michigan Transportation Fund				
Engineering	5,481	4,519	-	10,000
Urban Road	25,711	25,940	-	51,651
Allocation	6,141,065	5,062,680	-	11,203,745
Other State Funds				
Michigan Economic Development Corporation Grant	990,139	-	-	990,139
Total State Sources	7,162,396	5,093,139	-	12,255,535
Local Sources				
Township Contributions	-	4,141,191	-	4,141,191
City and Village Contributions	-	33,047	-	33,047
Total Local Sources	-	4,174,238	-	4,174,238
Total Intergovernmental	8,816,342	9,842,309	-	18,658,651
Charges for Services				
State Trunkline Maintenance	-	-	2,259,244	2,259,244
State Trunkline Non-maintenance	-	-	479,697	479,697
Salvage Sales	-	-	9,403	9,403
Other	-	-	2,388	2,388
Total Charges for Services	-	-	2,750,732	2,750,732
Interest Earned	109,392	51,193	73,963	234,548
Other				
Gain (Loss) on Equipment Disposals	50	-	-	50
Other	-	-	1,335,477	1,335,477
Total Other	50	-	1,335,477	1,335,527
Other Financing Sources				
Proceeds from Leases	-	-	1,642,740	1,642,740
Total Other Financing Sources	-	-	1,642,740	1,642,740
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 10,832,765	$ 10,876,489	$ 5,854,668	$ 27,563,922

TUSCOLA COUNTY ROAD COMMISSION
A Component Unit of Tuscola County
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2025

	PRIMARY ROAD FUND	LOCAL ROAD FUND	COUNTY ROAD COMMISSION	TOTAL
EXPENDITURES				
Preservation improvements - roads	$ 6,578,446	$ 4,336,787	$ -	$ 10,915,233
Structural improvements	1,625,595	3,740,072	-	5,365,667
Routine and preventative maintenance	2,577,240	3,908,420	-	6,485,660
State trunkline maintenance	-	-	2,229,010	2,229,010
State trunkline non-maintenance	-	-	479,697	479,697
Administrative expense - net	292,376	325,027	-	617,403
Equipment expense- net	(205,297)	(435,575)	(156,726)	(797,598)
Capital outlay - net	1,696,932	-	-	1,696,932
Debt principal payment	287,282	609,520	219,635	1,116,437
Interest expense	26,802	56,866	20,140	103,808
Other	-	-	563,845	563,845
TOTAL EXPENDITURES	$ 12,879,376	$ 12,541,117	$ 3,355,601	$ 28,776,094

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Tuscola County Road Commission
Caro, Michigan 48723

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Tuscola County Road Commission, a component unit of Tuscola County, State of Michigan, as of and for the year ended December 31, 2025, 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 12, 2026.

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.

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Report On Compliance and Other Matters

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

Purpose of this Report

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

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

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

June 12, 2026