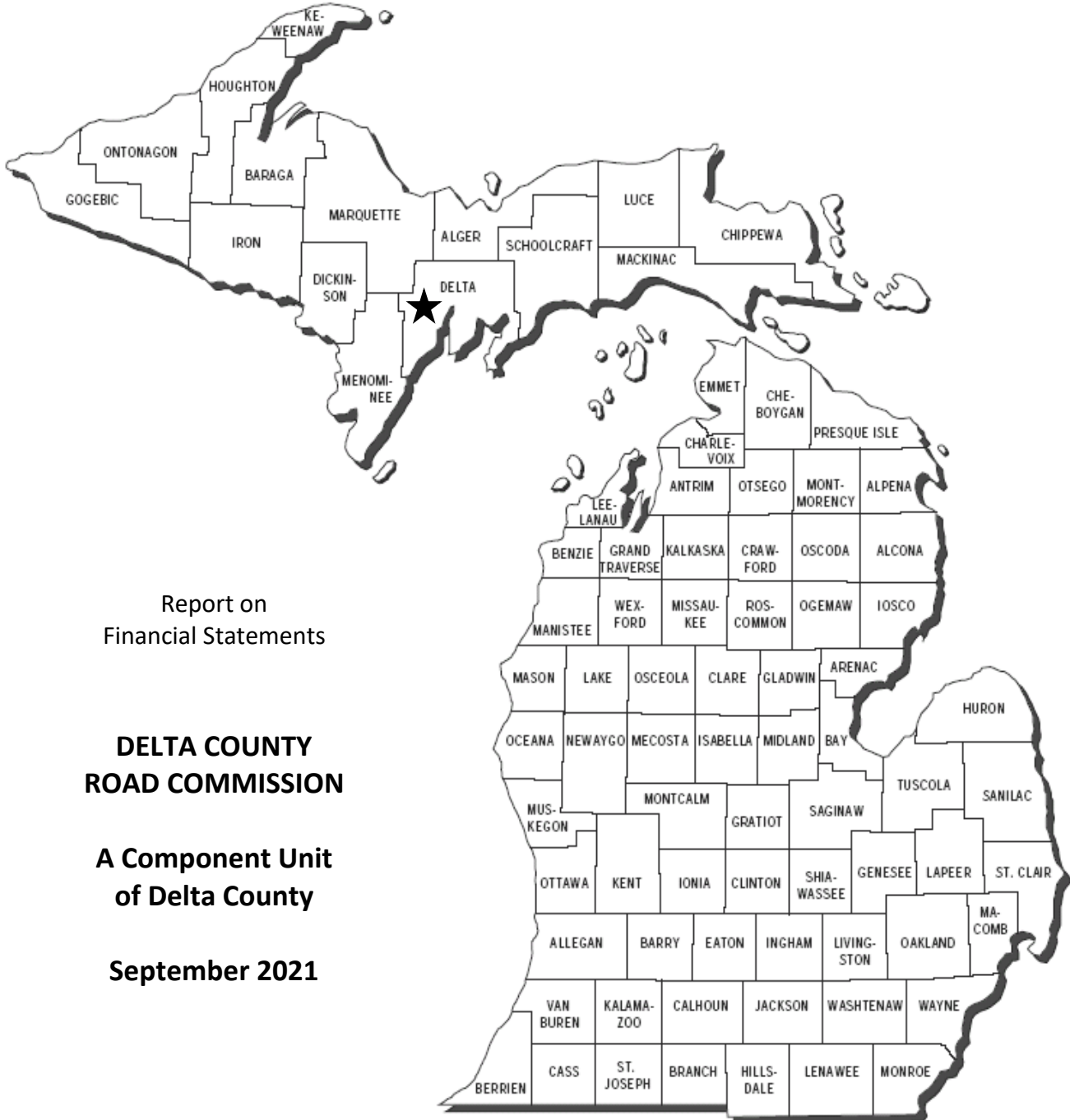


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

DELTA COUNTY ROAD COMMISSION

**A Component Unit
of Delta County**

September 2021

DELTA COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

February 9, 2022

Bob Aschbacher
Chairman

Randy Bjork
Vice-Chairman

Mark Asselin
Member

Dustin Stempki
Member

Dennis Stanek
Member

Jody Norman
Managing Director

Pamela Peterson
Finance Director

Samantha Grau
Office Clerk

COUNTY POPULATION--2020
36,903

STATE EQUALIZED VALUATION--2021
\$1,488,023,084



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 9, 2022

Board of County Road Commissioners
Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Independent Auditor's Report

Dear Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Delta County Road Commission, a component unit of Delta County, Michigan, as of and for the fiscal year ended September 30, 2021, and related notes to the financial statements, which collectively comprise the Delta County Road Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Delta County Road Commission, as of September 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 through 10 and the budgetary comparison information in Exhibits I and J, schedule of changes in the net pension liability in Exhibit G and the schedule of pension contributions in Exhibit H be presented to supplement the basic financial statements. Such information, 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 the 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 the sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Delta County Road Commission's basic financial statements. The accompanying supplementary and related information in Exhibits K through M is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary and related information presented in Exhibits K through M is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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 accompanying supplementary and related information presented in Exhibits K through M are fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2022, on our consideration of Delta County Road Commission'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 Delta County Road Commission'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 Delta County Road Commission's internal control over financial reporting and compliance.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division

DELTA COUNTY ROAD COMMISSION

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DELTA COUNTY ROAD COMMISSION

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DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2021

Our discussion and analysis of the Delta County Road Commission's financial performance provides an overview of its financial activities for the fiscal year ended September 30, 2021. This 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.

Overview of 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 an additional section that presents the operating fund broken down between primary, local, and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Road Commission'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 Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. The two government-wide statements report the Road Commission's net position and how they have changed.
- The remaining statements are fund financial statements that focus on individual funds, reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending.

Reporting the Road Commission as a Whole

The Statement of Net Position and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of 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.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2021

The two statements mentioned above report the Road Commission's net position and 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 and decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating.

Report of the Road Commission's Major Fund

The fund financial statements begin with Exhibit C and provide detailed information about the major fund. The Road Commission 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 type fund.

- **Governmental Fund**--The governmental fund focuses 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 0.46% or \$176,307 from \$38,299,226 to \$38,475,533 for the year ended September 30, 2021. The net position and change in net position are summarized below.

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charges or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets-net of related debt) are considered restricted.

The total investment in capital assets increased by \$602,675 primarily as a result of additional payments on bonds during 2021.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

Net Position as of the fiscal year ended September 30, 2021, compared to the prior year, is as follows:

	Governmental Activities 09/30/2020	Governmental Activities 09/30/2021	Variance	Percentage
Current and Other Assets	\$ 7,316,849	\$ 6,356,161	\$ (960,688)	-13.13%
Net Capital Assets	40,453,937	40,481,612	27,675	0.07%
Total Assets	47,770,786	46,837,773	(933,013)	-1.95%
Deferred Outflows of Resources				
Deferred Outflows--Pensions	1,194,128	1,463,824	269,696	22.59%
Current Liabilities	165,185	37,913	(127,272)	-77.05%
Non-current Liabilities	10,500,503	9,511,400	(989,103)	-9.42%
Total Liabilities	10,665,688	9,549,313	(1,116,375)	-10.47%
Deferred Inflows of Resources				
Deferred Inflows--Pensions	-	276,751	276,751	100.00%
Net Position				
Net Investment in Capital Assets	37,688,937	38,291,612	602,675	1.60%
Unrestricted	610,289	183,921	(426,368)	-69.86%
Total Net Position	\$ 38,299,226	\$ 38,475,533	\$ 176,307	0.46%

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

The following table presents a two-year comparison of the Statement of Activities:

	2020	2021	Difference	Percent
Program Revenue				
Charges for Services	\$ 2,280,227	\$ 2,822,675	\$ 542,448	23.79%
Operating Grants and Contributions	6,361,230	6,920,270	559,040	8.79%
Capital Grants and Contributions	1,523,535	1,929,586	406,051	26.65%
General Revenue				
Gain on Equipment Disposal	152,892	10,553	(142,339)	-93.10%
Total Revenue	10,317,884	11,683,084	1,365,200	13.23%
Expenses				
Primary Routine and Preventive Maintenance	2,664,753	3,273,070	608,317	22.83%
Local Routine and Preventive Maintenance	1,739,326	2,357,283	617,957	35.53%
State Trunkline Maintenance	1,811,961	2,321,652	509,691	28.13%
Net Equipment Expense	416,749	812,460	395,711	94.95%
Nonroad Projects Expense	-	317,056	317,056	100.00%
Net Administrative Expense	866,606	824,201	(42,405)	-4.89%
Maintenance for Other Units	67,893	142,371	74,478	109.70%
Infrastructure Depreciation Expense	1,813,729	1,828,800	15,071	0.83%
Compensated Absences	(10,912)	6,190	17,102	-156.73%
Pension Expense	(59,276)	(443,735)	(384,459)	648.59%
Interest Expense	23,540	67,429	43,889	186.44%
Total Expenses	9,334,369	11,506,777	2,172,408	23.27%
Change in Net Position	983,515	176,307	(807,208)	-82.07%
Ending Net Position	\$ 38,299,226	\$ 38,475,533	\$ 176,307	0.46%

The total revenues increased by \$1,365,200 or 13.23% from 2020 to 2021. The road commission experienced increases in charges for services due to additional funds being received for MDOT projects in 2021, increases in operating grants and contributions due to significant increases in Michigan Transportation Funds, and increases in capital grants and contributions due to increase in federal aid as a result of a large project being completed in 2021.

Total expenses increased overall by \$2,172,408 or 23.27% from 2020 to 2021. The most significant increases were in Primary and Local Routine and Preventive Maintenance, State Trunkline Maintenance, Net Equipment Expense, and Non-Roads Project Expense, which were partially offset by a decrease in GASB 68 pension expenses.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2021

We feel that the Road Commission revenue and expenditures will always vary from year to year depending on many factors, such as level of state/federal funding for capitalization projects, level of local contributions for both maintenance and preservation, weather conditions that may require more or less maintenance, and state trunkline maintenance and non-maintenance expenses and revenue which vary from year to year.

The Road Commission's Fund

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

For the year ended September 30, 2021, the fund balance of the General Operating fund decreased by \$863,913 compared to an increase of \$1,547,233 in the fund balance for the prior fiscal year. Total operating revenues were \$11,672,531, an increase of \$1,507,539 as compared to last year. This change in revenues resulted from an increase in federal and state grants, which vary from year to year depending on funding available and projects that qualify for grants, and charges in services.

Total expenditures were \$12,546,997, an increase of \$3,776,346 in comparison to last year. This change in expenditures is primarily the result of an increase in primary and local road and road structures preservation/structural improvements and routine maintenance and an increase in principal payments as the county made the 2022 principal payment during 2021.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

	<u>2020</u>	<u>2021</u>	<u>Variance</u>	<u>Percent</u>
Revenues				
Licenses and Permits	\$ 40,000	\$ 20,379	\$ (19,621)	-49.05%
Federal Grants	348,131	983,221	635,090	182.43%
State Grants	6,413,355	7,078,332	664,977	10.37%
Contributions From Local Units	1,087,811	703,562	(384,249)	-35.32%
Charges for Services	2,171,052	2,656,503	485,451	22.36%
Interest and Rents	19,781	23,461	3,680	18.60%
Other Revenue	<u>84,862</u>	<u>207,073</u>	<u>122,211</u>	<u>144.01%</u>
Total Revenues	<u>10,164,992</u>	<u>11,672,531</u>	<u>1,507,539</u>	<u>14.83%</u>
Expenditures				
Public Works	8,703,710	12,020,282	3,316,572	38.11%
Capital Outlay	43,401	(115,714)	(159,115)	-366.62%
Debt Service	<u>23,540</u>	<u>642,429</u>	<u>618,889</u>	<u>2629.10%</u>
Total Expenditures	<u>8,770,651</u>	<u>12,546,997</u>	<u>3,776,346</u>	<u>43.06%</u>
Excess of Expenditures (Under) Revenues	1,394,341	(874,466)	(2,268,807)	162.72%
Other Financing Sources (Uses)				
Gain on Equipment Disposals	<u>152,892</u>	<u>10,553</u>	<u>(142,339)</u>	<u>-93.10%</u>
Total Other Financing Sources (Uses)	152,892	10,553	(142,339)	-93.10%
Net Change in Fund Balance	1,547,233	(863,913)	(2,411,146)	155.84%
Fund Balance--Beginning	<u>4,056,204</u>	<u>5,603,437</u>	<u>1,547,233</u>	<u>38.14%</u>
Fund Balance--Ending	<u>\$ 5,603,437</u>	<u>\$ 4,739,524</u>	<u>\$ (863,913)</u>	<u>-15.42%</u>

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2021

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's Board acts to amend its budget to reflect changes in the original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

The original revenue budget for 2021 was \$10,464,000, which was \$1,219,084 less than the actual revenue received for the year. The final amended budget was \$11,531,579 which was \$151,505 less than the actual revenue received.

The Road Commission's original expenditure budget was projected at \$12,356,055, while actual expenditures were \$12,546,997, resulting in actual expenditures being more than the original budget by \$190,942. There were budget amendments made throughout the year, resulting in actual expenditures being more than the final amended budget by \$274,583.

Capital Assets and Debt Administration

Capital Assets

As of year-end, the Road Commission had \$40,481,612 invested in capital assets which was a net increase of \$27,675 or .07% from the prior fiscal year as follows:

The Road Commission acquired and placed in service infrastructure and other assets during the current year in the amount of \$2,877,577. The Road Commission will begin depreciating infrastructure assets placed in service during the fiscal year ended September 30, 2021 in the following fiscal year. The infrastructure is financed through federal, state, and local contributions.

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

	<u>09/30/2020</u>	<u>09/30/2021</u>	Percentage <u>Change</u>
Capital Assets Not Being Depreciated			
Land and Improvements	\$ 1,453,374	\$ 1,453,374	0.00%
Construction in Progress	43,356	52,827	21.84%
Infrastructure--Land and Improvements	<u>6,489,786</u>	<u>7,030,361</u>	<u>8.33%</u>
Subtotal	<u>7,986,516</u>	<u>8,536,562</u>	<u>6.89%</u>
Capital Assets Being Depreciated			
Buildings	7,202,583	7,202,583	0.00%
Road Equipment	10,546,062	11,249,826	6.67%
Shop Equipment	166,921	154,666	-7.34%
Office Equipment	170,519	171,035	0.30%
Engineer's Equipment	75,297	75,297	0.00%
Infrastructure--Bridges	10,944,500	11,076,074	1.20%
Infrastructure--Roads	<u>33,948,231</u>	<u>35,238,800</u>	<u>3.80%</u>
Subtotal	<u>63,054,113</u>	<u>65,168,281</u>	<u>3.35%</u>
Total Capital Assets	71,040,629	73,704,843	3.75%
Total Accumulated Depreciation	<u>(30,586,692)</u>	<u>(33,223,231)</u>	<u>8.62%</u>
Total Net Capital Assets	<u>\$ 40,453,937</u>	<u>\$ 40,481,612</u>	<u>0.07%</u>

DELTA COUNTY ROAD COMMISSION

MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2021

Additional information on capital assets can be found in Note E to the financial statements.

This year’s major capital asset additions included the following:

Various Resurfacing Projects and Related Land	\$	1,972,189
Equipment		905,388
 Total Additions	 \$	 2,877,577

Debt

The Road Commission did not enter into any new financing agreements during the current fiscal year; all the equipment was acquired with Road Commission funds. At the fiscal year end, the Road Commission had \$2,190,000 in debt outstanding, compared to \$2,765,000 outstanding during the prior period. There was additional principal paid during fiscal year 2021 due to the County Treasurer paying the 2022 payment during 2021, as seen below:

	Balances 09/30/2020	Balances 09/30/2021
2016 MTF Refunding Bonds	\$ 2,765,000	\$ 2,190,000
Total	\$ 2,765,000	\$ 2,190,000

More detailed information about the Road Commission’s long-term liabilities which includes vested employee benefits is presented in Note F 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 2022 budget. One of the factors is the economy. The Road Commission derived approximately 58.5% of its revenue from the fuel tax collected in 2021, which is down 3.4% compared to 61.9% of total revenue in 2020. That change is due to the impact that the covid pandemic had on people driving (paying fuel tax) and also vehicle registrations collected and distributed. The Road Commission had higher other revenues in 2021 due to more federal/state aid projects and other locally funded projects. The Road Commission received approximately 6.1% of its revenues from local contributions during 2021. This amount also includes township contributions which fluctuate with the approved road projects and depends on the number of projects that are scheduled and how much the townships can afford to participate. The Road Commission received approximately 23.2% of its revenues from charges for services during 2021. This amount includes State Trunkline Maintenance, which was increased 27.5% from the prior fiscal year. During 2022,

DELTA COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2021

we expect to receive \$1,345,542 (not including Forest Funds Allocation or MTF Allocation) in federal and state aid for road projects.

The preceding items were considered when adopting the budget for 2022. Total projected revenues for fiscal year 2022 are \$10,640,542, while projected expenditures are \$10,640,956. We have projected revenues and expenditures to be very similar in FY 2022 as a result of the federal / state aid funding and the projects we have planned in FY 2022.

The Board realizes, and the reader should understand that there are not sufficient funds available to repair and/or rebuild every road in Delta 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 Delta 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 Delta County Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Delta County administrative offices at: 3000 32nd Avenue North, Escanaba, Michigan 49829.

DELTA COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
September 30, 2021

EXHIBIT A

	Governmental Activities
<u>ASSETS</u>	
Current Assets	
Cash	\$ 2,617,981
Accounts Receivable	
Due From State	1,152,264
Due on County Road Agreements	56,748
Sundry Accounts	12,581
Inventories	2,445,043
Prepaid Expenses	71,544
Non-Current Assets	
Capital Assets--Depreciating	31,945,050
Capital Assets--Non-Depreciating	8,536,562
Total Assets	46,837,773
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred Outflows--Pension Experience Differences	16,088
Deferred Outflows--Pension Assumptions	408,998
Deferred Outflows--Employer Pension Contributions	1,038,738
Total Deferred Outflows of Resources	1,463,824
<u>LIABILITIES</u>	
Current Liabilities	
Due to State of Michigan	3,224
Accrued Liabilities	34,689
Non-Current Liabilities	
Advance From State	696,229
Unearned Revenue--Forest Road Funds	882,495
Bonds Payable Due Within One year	-
Bonds Payable Due in More Than One Year	2,190,000
Vested Employee Benefits Payable Due Within One Year	83,900
Vested Employee Benefits Payable	126,121
Net Pension Liability	5,532,655
Total Liabilities	9,549,313
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Inflows--Pension Investments	274,478
Deferred Inflows--Pension Experience Differences	2,273
Total Deferred Inflows of Resources	276,751
<u>NET POSITION</u>	
Net Investment in Capital Assets	38,291,612
Unrestricted	183,921
Total Net Position	\$ 38,475,533

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION
 STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended September 30, 2021

EXHIBIT B

	<u>Governmental Activities</u>
Program Expenses	
Primary Road Routine and Preventive Maintenance	\$ 3,273,070
Local Road Routine and Preventive Maintenance	2,357,283
State Trunkline Maintenance	2,321,652
Net Equipment Expense	812,460
Net Administrative Expense	824,201
Non-road Projects	317,056
Maintenance for Other Units	142,371
Infrastructure Depreciation	1,828,800
Compensated Absences	6,190
Pension Expense	(443,735)
Interest Expense	67,429
	<hr/>
Total Program Expenses	11,506,777
Program Revenue	
Charges for Services	
License and Permits	20,379
Charges for Services	2,656,503
Other Non-Road Services	145,793
Operating Grants and Contributions	
Michigan Transportation Funds	6,896,809
Investment Earnings	23,461
Capital Grants and Contributions	
Federal Grants	983,221
State Grants	181,523
Contributions	764,842
	<hr/>
Program Revenue	11,672,531
	<hr/>
Net Program Revenue	165,754
General Revenues	
Gain on Equipment Disposal	10,553
	<hr/>
Total General Revenues	10,553
	<hr/>
Change in Net Position	176,307
Net Position	
Beginning of Year	38,299,226
	<hr/>
End of Year	\$ 38,475,533
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION
 BALANCE SHEET--GOVERNMENTAL FUND
 September 30, 2021

EXHIBIT C

	<u>General Operating Fund</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 2,617,981
Accounts Receivable	
State Trunkline Maintenance	484,871
Michigan Transportation Fund	643,826
State--Other	23,567
Sundry Accounts	12,581
Due on County Road Agreements	56,748
Inventories	
Road Materials	2,137,879
Equipment Parts and Materials	307,164
Prepaid Expenses	71,544
	<hr/>
Total Assets	<u>\$ 6,356,161</u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Accounts Payable	\$ -
Due to State	3,224
Accrued Liabilities	34,689
Advances	
State Trunkline Equipment Purchase	557,620
State Trunkline Maintenance	138,609
Unearned Revenue--Forest Road Funds	882,495
	<hr/>
Total Liabilities	<u>1,616,637</u>
Fund Balance	
Non-Spendable:	
Inventory	2,445,043
Prepays	71,544
Restricted for Road Operations	2,222,937
	<hr/>
Total Fund Balance	<u>4,739,524</u>
Total Liabilities and Fund Balance	<u>\$ 6,356,161</u>

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL
 FUND BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 September 30, 2021

EXHIBIT D

Total Governmental Fund Balance		\$ 4,739,524
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 in the funds.		40,481,612
Long-term liabilities are not due and payable in the current period and are not reported in the fund.		
Bonds Payable	\$ (2,190,000)	
Compensated Absences	<u>(210,021)</u>	(2,400,021)
Net pension liability is not due and payable in the current period and is not reported in the funds.		(5,532,655)
Certain pension contributions and changes in pension plan net position are reported as deferred outflows of resources in the statement of net position, but are reported as expenses in the governmental funds.		<u>1,187,073</u>
Net Position of Governmental Activities		<u><u>\$ 38,475,533</u></u>

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
For the Fiscal Year Ended September 30, 2021

EXHIBIT E

	General Operating Fund
Revenues	
Licenses and Permits	\$ 20,379
Federal Grants	983,221
State Grants	7,078,332
Contributions From Local Units	703,562
Charges for Services	2,656,503
Interest and Rents	23,461
Other Revenue	207,073
	<hr/>
Total Revenues	11,672,531
	<hr/>
Expenditures	
Public Works	12,020,282
Capital Outlay	(115,714)
Debt Service	642,429
	<hr/>
Total Expenditures	12,546,997
	<hr/>
Excess of Revenues Over (Under) Expenditures	(874,466)
	<hr/>
Other Financing Sources (Uses)	
Proceeds from Sale of Capital Assets	10,553
	<hr/>
Total Other Financing Sources (Uses)	10,553
	<hr/>
Net Change in Fund Balance	(863,913)
	<hr/>
Fund Balance--October 1, 2020	5,603,437
	<hr/>
Fund Balance--September 30, 2021	\$ 4,739,524
	<hr/> <hr/>

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended September 30, 2021

EXHIBIT F

Net Change in Fund Balance--Total Governmental Fund \$ (863,913)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	27,675
Repayment of notes/leases payable is an expenditure in governmental funds, but reduces the long-term liabilities in the Statement of Net Position.	575,000
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and decrease in interest expense)	(6,190)
The change in pension liability reported in the statement of activities does not require the use of resources, and therefore, is not reported in the funds statements until it comes due for payment.	<u>443,735</u>

Change in Net Position of Governmental Activities \$ 176,307

The Notes to Financial Statements are an integral part of this statement.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Delta County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Road Commission.

Reporting Entity

The Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by an elected 5-member Board of County Road Commissioners. The Road Commission may not issue debt without the approval of the county board of commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors. The taxes would be included as part of the county's total tax levy as well as reported in the County Road Fund.

In accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements present the Road Commission for financial reporting purposes. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if component unit data were not included. Based on the above criteria, these financial statements present the Road Commission, a discretely presented component unit of Delta County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Road Commission's assets and liabilities with the difference being reported as either net investment in capital assets or restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

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

Amounts reported as program revenue include: 1) charges to customer or applicants for goods or services or privileges provided; and 2) Michigan transportation funds, state/federal contracts, and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Measurement Focus/Basis of Accounting--Fund Financial Statements

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

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

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

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Inventories

Inventories are recorded at cost as determined on the average cost method. Inventory items are charged to road construction and equipment maintenance, and repairs and operations as used.

Prepaid Expenses

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$200 and an estimated useful life in excess of two years. Such assets are recorded at cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings and Improvements	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. In this category deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources result from three transactions: 1) contributions to the defined pension plan subsequent to the plan's year end through the Road Commission fiscal year end; 2) the variance between the plan's actual investment earnings compared to the plan's assumed investment earnings; 3) the difference in pension assumptions used; and 4) the difference in experiences related to the pensions.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that is applicable to a future reporting period.

Pensions

For the purpose 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.

Unearned revenue

Unearned revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred. It represents unexpended proceeds of expenditure driven grants and/or charges for services collected in advance.

Compensated Absences (Vacation and Sick Leave)

Road Commission employment policies provide for vacation benefits to be earned in varying amounts each pay period, depending on the number of years of service of the employee. Employees can accumulate vacation between 240 and 300 hours, depending on the years of service, to be used at their discretion.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Each regular employee earns sick leave at the rate of 2.16 hours per pay period. Sick leave may be accumulated to a maximum of 1,040 hours. The Road Commission's sick leave benefits policy provides for payment of 50% of the accumulated benefits, to a maximum of 520 hours, when an employee takes a regular or disability retirement.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements. These estimates and assumptions also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the Road Commission is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

- Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. For the Road Commission, the non-spendable balance reflects the inventory on hand in the amount of \$2,445,043 and prepaid expenses in the amount of \$71,544.
- Restricted – includes fund balance amounts that are constrained for specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – includes fund balance amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision making authority.
- Assigned – includes fund balance amounts that are intended to be used by the government for specific purposes but do not meet the criteria to classified as restricted or committed. Fund balance may be assigned by the managing director, finance director their designee.
- Unassigned – is to be used only to report a deficit balance from overspending for specific purpose for which amounts have been restricted, committed or assigned.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When the Road Commission incurs an expenditure for which various fund classification can be used, it is the policy of the Road Commission to use restricted or committed funds first, unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Road Commission would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

The Road Commission does not have a formal minimum balance policy.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Procedures

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421), which requires the board of county road commissioners to approve a budget for the Operating Fund. Pursuant to the Act, the Road Commission's chief administrative officer (managing director) prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board conducts a public budget hearing and subsequently adopts an operating budget. The budget is amended as necessary during the year and is approved by the board. Also, the board has authorized the chief administrative officer to amend the Road Commission's budget when necessary, by transferring up to 25% from one line-item to another. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

Budget Violations

Public Act 2 of 1968, as amended, requires budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. The following activities exceeded the final amended budget:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt Service--Principal	\$ 285,000	\$ 575,000	\$ (290,000)

The Board will monitor budgeted amounts to actual year-to-date revenues and expenditures with a budget amendment being processed if necessary, just prior to the end of the fiscal year to ensure expenditures will not exceed amounts authorized.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws 129.91, authorizes the county to deposit and invest in the accounts of federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated one financial institution for the deposit of Road Commission funds. The investment policy adopted by the board, as in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

	<u>General Operating Fund</u>
Cash	<u>\$ 2,617,981</u>
Total	<u><u>\$ 2,617,981</u></u>

The breakdown between deposits and investments is as follows:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 2,617,781
Petty Cash and Cash on Hand	<u>200</u>
Total	<u><u>\$ 2,617,981</u></u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because non-negotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2021

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The bank balance of the Road Commission's deposits is \$3,301,639 as of September 30, 2021, of which \$250,000 is covered by federal depository insurance. The remaining amount of \$3,051,639 is uncollateralized.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to US Treasury Securities.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates.

The Road Commission manages its exposure to interest rate risk by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities; money market mutual funds or similar investment pools; and limiting the average maturity of the portfolio in accordance with their policy.

As of September 30, 2021, the Road Commission did not have any investments.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains provisions that the investment portfolio will be diversified so that the impact of potential losses from any one type of security or from any one individual will be minimized. With the exception of US Treasury securities and authorized investment pools, no more than 25% of the total investment portfolio will be invested in a single security type or with a single financial institution.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Road Commission's investment policy contains policy minimizing credit risk by limiting investments to the types of

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

securities authorized by PA 20 of 1943, as amended, except commercial paper investments must have a rating of not less than P1 from Moody's or A1 from Standard & Poor's and mutual fund investments must have a par share intended to maintain a net asset value of at least \$1.00 per share.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--DEFERRED COMPENSATION PLAN

The Delta County Road Commission offers all Road Commission employees a choice of two deferred compensation plans created in accordance with Internal Revenue Code Sections 457 (g) and 457 (b). The assets of the plan are held in a trust in a custodial account as described in IRS Sections 457(g) and (b) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted for any other use. The administrators are Nationwide Retirement Solutions and First Investors Corporation. Both are agents of the employer for purposes of providing direction to the custodians of the accounts regarding investment of funds, transfer of assets to or from the accounts, and all other matters. In accordance with the provisions of GASB Statement No. 32, the plan balances and activities are not reflected in the Road Commission's financial statements.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE E--CAPITAL ASSETS

Following is a summary of the changes in the capital assets:

	Beginning Balances	Additions	Deductions	Ending Balances
Capital Assets Not Being Depreciated				
Land and Land Improvements	\$ 1,453,374	\$ -	\$ -	\$ 1,453,374
Construction in Progress	43,356	31,234	21,763	52,827
Infrastructure--Land Improvements	6,489,786	540,575	-	7,030,361
	<u>7,986,516</u>	<u>571,809</u>	<u>21,763</u>	<u>8,536,562</u>
Subtotal				
Capital Assets Being Depreciated				
Buildings	7,202,583	-	-	7,202,583
Road Equipment	10,546,062	898,436	194,672	11,249,826
Shop Equipment	166,921	6,436	18,691	154,666
Office Equipment	170,519	516	-	171,035
Engineer's Equipment	75,297	-	-	75,297
Infrastructure--Bridges	10,944,500	131,574	-	11,076,074
Infrastructure--Roads	33,948,231	1,290,569	-	35,238,800
	<u>63,054,113</u>	<u>2,327,531</u>	<u>213,363</u>	<u>65,168,281</u>
Total				
Less Accumulated Depreciation				
Building	4,237,340	226,389	-	4,463,729
Road Equipment	8,646,808	790,885	194,672	9,243,021
Shop Equipment	148,674	5,211	18,691	135,194
Office Equipment	137,464	8,590	-	146,054
Engineer's Equipment	43,767	4,443	-	48,210
Infrastructure--Bridges	1,352,632	216,505	-	1,569,137
Infrastructure--Roads	16,020,007	1,597,879	-	17,617,886
	<u>30,586,692</u>	<u>2,849,902</u>	<u>213,363</u>	<u>33,223,231</u>
Total				
Net Capital Assets Being Depreciated	<u>32,467,421</u>	<u>(522,371)</u>	<u>-</u>	<u>31,945,050</u>
Total Net Capital Assets	<u>\$ 40,453,937</u>	<u>\$ 49,438</u>	<u>\$ 21,763</u>	<u>\$ 40,481,612</u>

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE E--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the Road Commission as follows:

Net Equipment Expense		
Direct Equipment	\$	790,885
Indirect Equipment		
Shop Building		214,272
Shop Equipment		5,211
Net Administrative Expenses		
Office Equipment and Furniture		20,707
Engineer Equipment		4,443
Infrastructure Depreciation Expense		<u>1,814,384</u>
 Total Depreciation Expense	 \$	 <u><u>2,849,902</u></u>

NOTE F--LONG-TERM DEBT

The changes in long-term debt of the Road Commission may be summarized as follows:

	Beginning Balances	Additions	(Reductions)	Ending Balances	Due Within One Year
2016 MTF Refunding Bonds	\$ 2,765,000	\$ -	\$ (575,000)	\$ 2,190,000	\$ -
Vested Employees					
Benefits Payable	<u>203,831</u>	<u>98,715</u>	<u>(92,525)</u>	<u>210,021</u>	<u>83,900</u>
Total	<u><u>\$ 2,968,831</u></u>	<u><u>\$ 98,715</u></u>	<u><u>\$ (667,525)</u></u>	<u><u>\$ 2,400,021</u></u>	<u><u>\$ 83,900</u></u>

Annual debt service requirements to maturity for long-term debt excluding vested employee benefits are as follows:

Year Ending	Principal	Interest	Total
2022	\$ -	\$ 19,206	\$ 19,206
2023	295,000	35,825	330,825
2024	305,000	30,563	335,563
2025	305,000	25,214	330,214
2026	315,000	19,776	334,776
2027-2029	<u>970,000</u>	<u>22,802</u>	<u>992,802</u>
Total	<u><u>\$ 2,190,000</u></u>	<u><u>\$ 153,386</u></u>	<u><u>\$ 2,343,386</u></u>

DELTA COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 For the Fiscal Year Ended September 30, 2021

NOTE F--LONG-TERM DEBT (Continued)

2016 Michigan Transportation Refunding Bonds

On September 22, 2016, the County of Delta approved a \$3,580,000 Michigan Transportation Fund Refunding Bond issue, Series 2016, to refund the 2007 bond issue that was for the purpose of constructing Road Commission buildings. An advance refunding bond issue occurs when a new debt is issued to refinance an existing debt (old debt), but the proceeds must be placed in escrow pending call date or maturity. The difference between the cash flow required to service the old debt and the new debt and complete the refunding is \$569,805. The economic gain from the transaction (difference between the present value of the old debt service requirement and the present value of new debt service requirement, discounted at the effective interest rate on the new debt and adjusted for any additional cash) is \$514,496. The total bond issuance cost, including issuance cost, underwriter's discount, insurance fee, and additional proceeds, was \$42,116. The refunding bonds are payable over the period of 2017 to 2029 at an interest rate 1.754%.

The annual debt service requirements are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ -	\$ 19,206	\$ 19,206
2023	295,000	35,825	330,825
2024	305,000	30,563	335,563
2025	305,000	25,214	330,214
2026	315,000	19,776	334,776
2027-2029	<u>970,000</u>	<u>22,802</u>	<u>992,802</u>
Total	<u>\$ 2,190,000</u>	<u>\$ 153,386</u>	<u>\$ 2,343,386</u>

Vested Employee Benefits Payable (Compensated Absences)

Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts each pay period, depending on the number of years of service of the employee. Employees can accumulate vacation between 240 and 300 hours, depending on the years of service, to be used at their discretion.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE F--LONG-TERM DEBT (Continued)

Sick Leave Benefits

Each regular full-time employee receives sick leave with pay at the rate of 2.16 hours per pay period. Sick leave may be accumulated to a maximum of 1,040 hours. Any employee who retires at age 60, or becomes disabled with 10 years of service, and upon proper notice, shall be paid 50% of their accumulated sick leave, up to a maximum of 520 hours. An employee may use up to 32 hours of sick leave each year as personal leave time.

The road commission has estimated the current portion of vested employee benefits payable within one year based on historical trends and current policies regarding usage of these benefits.

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

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

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided

Table 2	2020 Valuation		
	01 - Teamsters: Closed to new hires, linked to Division 13	10 - Non-Union: Closed to new hires, linked to Division 14	12 - Supervisory: Closed to new hires
Benefit Multiplier:	2.00% Multiplier (no max)	2.50% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age	60	60	60
Vesting:	10 years	6 years	10 years
Early Retirement (Unreduced)	-	55/25	-
Early Retirement (Reduced):	50/25	50/25	50/25
	55/15	55/15	55/15
Final Average Compensation:	5 years	5 years	5 years
COLA for Future Retirees:	-	2.50% (Non-Compound)	-
Employee Contributions:	0%	0%	0%
Act 88:	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)
	13 - Teamsters: hired after 4/1/12: 14 - Non-Union: hired after 9/1/12: <u>Open Division, linked to Division 01</u> <u>Open Division, linked to Division 10</u>		
Benefit Multiplier:	1.70% Multiplier (no max)	2.25% Multiplier (no max)	
Normal Retirement Age	60	60	
Vesting:	10 years	6 years	
Early Retirement (Unreduced)	-	55/25	
Early Retirement (Reduced):	50/25	50/25	
	55/15	55/15	
Final Average Compensation:	5 years	5 years	
COLA for Future Retirees:	-	2.5% (Non-Compound)	
Employee Contributions:	3.00%	0.00%	
Act 88:	Yes (Adopted 5/8/2003)	Yes (Adopted 5/8/2003)	

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

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>37</u>
Total employees covered by MERS Plan	<u><u>95</u></u>

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended September 30, 2021

NOTE G--RETIREMENT SYSTEM (Continued)

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

For the year ended September 30, 2021, the Road Commission's contribution rate was \$9,779 per month for supervisory employees, 5.67% for Teamsters and 19.42% for the non-union employees based on annual payroll for all employees.

Net Pension Liability: The Road Commission's net pension liability was measured as of December 31, 2020, and the total pension liability used to calculate Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2020 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3.00% in the long-term
Investment Rate of Return	7.35%, net of investment expense and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.

Mortality rates used were a version of Pub-2010 and Fully generational MP-2019, based upon the experience study dated February 14, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of the most recent actuarial experience study in 2014 – 2018.

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

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Gross Return</u>	<u>Long-Term Expected Gross Return Contribution</u>	<u>Inflation Assumption</u>	<u>Long-Term Real Rate of Return</u>
Global Equity	60%	7.75%	4.65%	2.50%	3.15%
Global Fixed Income	20%	3.75%	0.75%	2.50%	0.25%
Private Investments	20%	9.75%	1.95%	2.50%	1.45%
Total	<u>100%</u>		<u>7.35%</u>		<u>4.85%</u>

Discount rate: The discount rate used to measure the total pension liability is 7.60% for 2020. 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.

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net Pension Liability (a)-(b)</u>
Balances as of December 31, 2019	\$ 13,398,483	\$ 7,415,038	\$ 5,983,445
Changes for the year			
Service Cost	164,931	-	164,931
Interest on total pension liability	987,684	-	987,684
Difference between expected and actual experience	(3,409)	-	(3,409)
Changes in assumptions	303,729	-	303,729
Employer contributions	-	930,224	(930,224)
Employee contributions	-	27,617	(27,617)
Net investment income	-	960,818	(960,818)
Benefit payments, including employee refunds	(970,201)	(970,201)	-
Administrative expense	-	(14,934)	14,934
Net changes	<u>482,734</u>	<u>933,524</u>	<u>(450,790)</u>
Balances as of December 31, 2020	<u>\$ 13,881,217</u>	<u>\$ 8,348,562</u>	<u>\$ 5,532,655</u>

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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 7.60%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.60%) or 1% higher (8.60%) than the current rate.

	<u>1% Decrease (6.60%)</u>	<u>Rate (7.60%)</u>	<u>1% Increase (8.60%)</u>
Net Pension Liability at December 31, 2020		\$ 5,532,655	
Change in Net Pension Liability (NPL)	\$ 6,995,141		\$ 4,294,456

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the Road Commission recognized pension expense of \$755,801. At September 30, 2021, the Road Commission reported deferred outflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ 16,088	\$ 2,273
Differences in Assumptions	408,998	-
Excess (Deficit) Investment Returns	-	274,478
Contributions subsequent to measurement Date*	<u>1,038,738</u>	<u>-</u>
Total	<u>\$ 1,463,824</u>	<u>\$ 276,751</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2022.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

<u>Year Ended September 30</u>	<u>Amount</u>
2021	\$ 158,218
2022	225,414
2023	(155,634)
2024	(79,663)

NOTE H--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefit claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. The Road Commission's maximum deductible for property & liability coverage and automobile coverage is \$500 per occurrence. The maximum liability for the property and liability is \$10,500,000 per occurrence. The automobile coverage provides for limits of liability of \$250,000 each person, \$500,000 each accident and \$1,000,000 total. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

County road commissions in the State of Michigan established and created a trust fund known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

DELTA COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2021

NOTE I--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county. During the fiscal year, the federal grants received and expended by the Road Commission were \$983,221 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the fiscal year, the Road Commission did not receive and funds from federal grants for negotiated (force account) projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements if the amount expended is \$750,000 or more. A single audit was not required for the fiscal year ended September 30, 2021.

NOTE J--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline maintenance revenues of \$2,648,876 and expenditures of \$2,321,652 is the result of the Michigan Department of Transportation (MDOT) issuing auditor's report 2020-210 for the 2018 State Trunkline Maintenance contract and auditor's report 2021-102 for the 2019 State Trunkline Maintenance contract. The results of the audits increased the revenues by \$327,224.

NOTE K--UPCOMING REPORTING CHANGE

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, Leases, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Road Commission's financial statements for the 2023 fiscal year.

DELTA COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S
 NET PENSION LIABILITY AND RELATED RATIOS*

EXHIBIT G

For the Plan Year Ending December 31, 2020

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 164,931	\$ 162,581	\$ 140,799	\$ 127,523	\$ 126,660	\$ 119,662	\$ 114,334
Interest	987,684	987,049	955,343	940,940	906,491	872,732	848,222
Changes in Experience	(3,409)	32,176	175,235	(60,442)	180,625	(44,201)	-
Changes in Assumptions	303,729	413,023	-	-	-	534,196	-
Benefit Payments Including Employee Refunds	(970,201)	(906,345)	(865,525)	(803,723)	(763,479)	(703,177)	(633,049)
Net Change in Total Pension Liability	482,734	688,484	405,852	204,298	450,297	779,212	329,507
Total Pension Liability--Beginning	13,398,483	12,709,999	12,304,147	12,099,849	11,649,552	10,870,340	10,540,833
Total Pension Liability--Ending	<u>\$ 13,881,217</u>	<u>\$ 13,398,483</u>	<u>\$ 12,709,999</u>	<u>\$ 12,304,147</u>	<u>\$ 12,099,849</u>	<u>\$ 11,649,552</u>	<u>\$ 10,870,340</u>
Plan Fiduciary Net Position							
Contributions--Employer	\$ 930,224	\$ 550,232	\$ 1,084,965	\$ 640,593	\$ 439,534	\$ 735,719	\$ 660,540
Contributions--Employees	27,617	26,583	22,241	19,017	55,473	12,958	7,208
MERS Adjustment	-	-	-	168,880	-	-	-
Net Investment Income	960,818	913,767	(286,674)	815,891	637,694	(78,578)	339,991
Benefit Payments Including Employee Refunds	(970,201)	(906,345)	(865,525)	(803,723)	(763,479)	(703,177)	(633,049)
Administrative Expense	(14,934)	(15,738)	(13,606)	(12,906)	(12,598)	(12,611)	(12,525)
Net Change in Plan Fiduciary Net Position	933,524	568,499	(58,599)	827,752	356,624	(45,689)	362,165
Plan Fiduciary Net Position--Beginning	7,415,038	6,846,539	6,905,138	6,077,386	5,720,762	5,766,451	5,404,286
Plan Fiduciary Net Position--Ending	<u>\$ 8,348,562</u>	<u>\$ 7,415,038</u>	<u>\$ 6,846,539</u>	<u>\$ 6,905,138</u>	<u>\$ 6,077,386</u>	<u>\$ 5,720,762</u>	<u>\$ 5,766,451</u>
Employer Net Pension Liability	<u>\$ 5,532,655</u>	<u>\$ 5,983,445</u>	<u>\$ 5,863,460</u>	<u>\$ 5,399,009</u>	<u>\$ 6,022,463</u>	<u>\$ 5,928,790</u>	<u>\$ 5,103,889</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	60%	55%	54%	56%	50%	49%	53%
Covered Employee Payroll	\$ 1,768,538	\$ 1,793,272	\$ 1,586,458	\$ 1,450,708	\$ 1,451,488	\$ 1,371,526	\$ 1,306,931
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	313%	334%	370%	372%	415%	432%	391%

Notes to Schedule:

There were no significant benefit changes affecting the 2019 valuation.

Assumption Changes: Investment Rate of Return reduced from 7.75% to 7.35% and wage inflation reduced from 3.75% to 3.0%.

Above dates are based on measurement date, which may not necessarily tie to the fiscal year.

*10-year schedule as required by GASB Statement No. 68 will be built prospectively upon implementation of the standard.

DELTA COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS
 For the Fiscal Year Ending September 30, 2021

EXHIBIT H

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial Determined Contributions*	\$ 699,535	\$ 612,462	\$ 484,965	\$ 432,069	\$ 439,535	\$ 385,719	\$ 360,540	\$ 354,186	\$ 348,582	\$ 324,149
Contributions in Relation to the Actuarially Determined Contribution	1,399,535	912,462	1,084,965	640,592	589,535	735,719	660,540	554,186	548,582	524,149
Contribution Deficiency (excess)	<u>\$ (700,000)</u>	<u>\$ (300,000)</u>	<u>\$ (600,000)</u>	<u>\$ (208,523)</u>	<u>\$ (150,000)</u>	<u>\$ (350,000)</u>	<u>\$ (300,000)</u>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>
Covered Employee Payroll	\$ 1,768,838	\$ 1,793,272	\$ 1,586,458	\$ 1,450,708	\$ 1,451,488	\$ 1,371,526	\$ 1,306,931	\$ 1,235,451	\$ 1,188,423	\$ 1,189,429
Contributions as a Percentage of Covered Employee Payroll	79%	51%	68%	44%	41%	54%	51%	45%	46%	44%

Notes to Schedule:

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date Actuarially determined contribution rates are calculated as of December 31 each year, which is 9 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, open
Remaining Amortization Period	25 years
Asset Valuation Method	Five-year smoothed market
Inflation	2.5%
Salary Increases	3.00%, including inflation
Investment Rate of Return	7.35%, net of investment and administrative expense including inflation
Retirement Age	Experienced-based tables of rates that are specific to the type of eligibility condition
Mortality	MP-2019 scale applied fully generationally from the Pub-2010 base year of 2010

DELTA COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL OPERATING FUND--SCHEDULE OF
 REVENUES AND OTHER FINANCING SOURCES
 BUDGETARY COMPARISON SCHEDULE
 For the Fiscal Year Ended September 30, 2021

EXHIBIT I

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Licenses and Permits				
Permits	\$ 8,000	\$ 20,379	\$ 20,379	\$ -
Federal Grants				
Contracted				
Federal Safety Improvement Funds	57	57	57	-
Surface Transportation Program	1,271,943	983,164	678,116	(305,048)
Critical Bridges	235,000	-	-	-
High Risk Rural Roads	-	-	305,048	305,048
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	4,400,000	4,300,000	4,417,736	117,736
Local Road	1,890,000	1,980,000	1,980,206	206
Urban Primary	100,000	300,000	309,151	9,151
Urban Local	100,000	100,000	124,874	24,874
Snow Removal	50,000	54,843	54,842	(1)
Economic Development Fund				
Urban Area (F)	-	101,563	101,563	-
Rural Primary (D)	-	79,960	79,960	-
Contributions--Local Units				
Townships	500,000	703,562	703,562	-
Charges for Services				
State Trunkline Maintenance	1,600,000	2,466,682	2,466,663	(19)
State Trunkline Non-Maintenance	80,000	182,116	182,213	97
Salvage Sales	1,500	7,627	7,627	-
Interest and Rents				
Interest Earned	19,000	24,000	23,461	(539)
Other Revenue				
Contributions from Other Sources	68,000	61,280	61,280	-
Other Non-Road Services	60,000	145,793	145,793	-
Total Revenues	10,393,500	11,521,026	11,672,531	151,505
Other Financing Sources				
Proceeds from Sale of Capital Assets	70,500	10,553	10,553	-
Total Other Financing Sources	70,500	10,553	10,553	-
Total Revenues and Other Financing Sources	10,464,000	11,531,579	<u>\$ 11,683,084</u>	<u>\$ 151,505</u>
Fund Balance--October 1, 2020	5,603,437	5,603,437		
Total Budget	<u>\$ 16,067,437</u>	<u>\$ 17,135,016</u>		

DELTA COUNTY ROAD COMMISSION
 REQUIRED SUPPLEMENTARY INFORMATION
 GENERAL OPERATING FUND--
 SCHEDULE OF EXPENDITURES
 BUDGETARY COMPARISON SCHEDULE
 For the Fiscal Year Ended September 30, 2021

EXHIBIT J

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 2,618,000	\$ 1,462,125	\$ 1,462,125	\$ -
Routine and Preventive Maintenance	2,400,000	3,266,251	3,266,251	-
Local Road				
Preservation/Structural Improvements	360,000	362,720	362,720	-
Routine and Preventive Maintenance	2,000,000	2,343,093	2,343,093	-
Primary Road Structure				
Preservation/Structural Improvements	110,000	27,087	27,087	-
Routine and Preventive Maintenance	-	6,819	6,819	-
Local Road Structure				
Preservation/Structural Improvements	100,000	120,257	120,257	-
Routine and Preventive Maintenance	-	14,190	14,190	-
State Trunkline				
Maintenance	1,600,000	2,139,458	2,139,439	19
Non-Maintenance	80,000	182,213	182,213	-
Non-road Projects	317,056	317,056	317,056	-
Maintenance for Other Units	70,000	142,371	142,371	-
Equipment Expense--Net	450,000	812,460		
Direct			\$ 1,717,665	
Indirect			657,245	
Operating			183,216	
Less: Equipment Rentals			<u>(1,745,666)</u>	
			812,460	-
Distributive Expense	1,760,000	-	-	-
Administrative Expense--Net	400,000	824,201		
Administrative Expense			1,023,942	
Less: Overhead--State Trunkline			(190,236)	
Overhead--Other			<u>(9,505)</u>	
			824,201	-
Capital Outlay--Net	(240,000)	(115,714)		
Capital Outlay			905,388	
Less: Depreciation Credits			(1,021,102)	
Equipment Retirements			<u>-</u>	
			(115,714)	-
Debt Service				
Principal	285,000	285,000	575,000	(290,000)
Interest	45,999	82,827	67,429	15,398
Total Expenditures	<u>12,356,055</u>	<u>12,272,414</u>	<u>\$ 12,546,997</u>	<u>\$ (274,583)</u>
Fund Balance--September 30, 2021	<u>3,711,382</u>	<u>4,862,602</u>		
Total Budget	<u>\$ 16,067,437</u>	<u>\$ 17,135,016</u>		

DELTA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 2021

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 5,973,673	\$ 2,872,248	\$ 2,826,610	\$ 11,672,531
Total Expenditures	<u>6,275,384</u>	<u>3,440,632</u>	<u>2,830,981</u>	<u>12,546,997</u>
Excess of Revenues Over (Under) Expenditures	<u>(301,711)</u>	<u>(568,384)</u>	<u>(4,371)</u>	<u>(874,466)</u>
Other Financing Sources and (Uses) Proceeds from Sale of Capital Assets	<u>10,355</u>	<u>-</u>	<u>198</u>	<u>10,553</u>
Total Other Financing Sources and (Uses)	<u>10,355</u>	<u>-</u>	<u>198</u>	<u>10,553</u>
Net Change in Fund Balance	(291,356)	(568,384)	(4,173)	(863,913)
Fund Balance--October 1, 2020	<u>3,309,661</u>	<u>1,353,986</u>	<u>939,790</u>	<u>5,603,437</u>
Fund Balance--September 30, 2021	<u><u>\$ 3,018,305</u></u>	<u><u>\$ 785,602</u></u>	<u><u>\$ 935,617</u></u>	<u><u>\$ 4,739,524</u></u>

DELTA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--ANALYSIS OF REVENUES
AND OTHER FINANCING SOURCES
For the Fiscal Year Ended September 30, 2021

EXHIBIT L

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Permits	\$ -	\$ -	\$ 20,379	\$ 20,379
Federal Grants				
Contracted				
Federal Safety Improvement Funds	57	-	-	57
Surface Transportation Program	678,116	-	-	678,116
High Risk Rural Road Funds	305,048	-	-	305,048
State Grants				
Michigan Transportation Fund				
Engineering	6,905	3,095	-	10,000
Allocation	4,417,736	1,980,206	-	6,397,942
Urban	309,151	124,874	-	434,025
Snow Removal	-	54,842	-	54,842
Urban Area "F" Funds	101,563	-	-	101,563
Rural Primary "D" Funds	79,960	-	-	79,960
Contributions From Local Units				
Townships	-	703,562	-	703,562
Charges for Services				
State Trunkline Maintenance	-	-	2,466,663	2,466,663
State Trunkline Non-Maintenance	-	-	182,213	182,213
Salvage Sales	-	-	7,627	7,627
Interest and Rents				
Interest Earned	13,857	5,669	3,935	23,461
Other Revenue				
Contributions from Other Sources	61,280	-	-	61,280
Other Non-Road Services	-	-	145,793	145,793
Total Revenue	<u>5,973,673</u>	<u>2,872,248</u>	<u>2,826,610</u>	<u>11,672,531</u>
Other Financing Sources				
Proceeds from Sale of Capital Assets	<u>10,355</u>	<u>-</u>	<u>198</u>	<u>10,553</u>
Total Other Financing Sources	<u>10,355</u>	<u>-</u>	<u>198</u>	<u>10,553</u>
Total Revenues and Other Financing Sources	<u>\$ 5,984,028</u>	<u>\$ 2,872,248</u>	<u>\$ 2,826,808</u>	<u>\$ 11,683,084</u>

DELTA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND--ANALYSIS OF
EXPENDITURES
For the Fiscal Year Ended September 30, 2021

EXHIBIT M

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 1,462,125	\$ -	\$ -	\$ 1,462,125
Routine and Preventive Maintenance	3,266,251	-	-	3,266,251
Local Road				
Preservation/Structural Improvements	-	362,720	-	362,720
Routine and Preventive Maintenance	-	2,343,093	-	2,343,093
Primary Road Structures				
Preservation/Structural Improvements	27,087	-	-	27,087
Routine and Preventive Maintenance	6,819	-	-	6,819
Local Road Structures				
Preservation/Structural Improvements	-	120,257	-	120,257
Routine and Preventive Maintenance	-	14,190	-	14,190
State Trunkline				
Maintenance	-	-	2,139,439	2,139,439
Non-Maintenance	-	-	182,213	182,213
Non-Road Projects	317,056	-	-	317,056
Maintenance for Other Units	-	-	142,371	142,371
Equipment Expense--Net (Per Exhibit H)	153,046	292,456	366,958	812,460
Administrative Expense--Net (Per Exhibit H)	516,285	307,916	-	824,201
Capital Outlay--Net (Per Exhibit H)	(115,714)	-	-	(115,714)
Debt Service				
Principal	575,000	-	-	575,000
Interest	67,429	-	-	67,429
Total Expenditures	<u>\$ 6,275,384</u>	<u>\$ 3,440,632</u>	<u>\$ 2,830,981</u>	<u>\$ 12,546,997</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 9, 2022

Board of County Road Commissioners
Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Independent Auditor's Report

RE: Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of the Financial Statements Performed
in Accordance With *Government Auditing Standards*

Dear Commissioners:

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 the Delta County Road Commission, a component unit of Delta County, Michigan, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Delta County Road Commission's basic financial statements, and have issued our report thereon dated February 9, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Delta County Road Commission's internal control over financial reporting (internal control) to determine the 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 the Delta County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Delta 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 Delta County Road Commission'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. During our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be a significant deficiency that is required to be reported under *Government Auditing Standards*.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Delta County Road Commission's financial statements are free of 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 determination of financial statement amounts. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Responses as Finding 2021-001.

Delta County Road Commission's Response to Findings

The Delta County Road Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Delta County Road Commission's responses and, accordingly, we express no opinion on them.

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 Delta County Road Commission's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Delta County Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Community Engagement and Finance Division



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

February 9, 2022

Board of County Road Commissioners
Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

RE: Report to Those Charged With Governance

Dear Commissioners:

We have audited the financial statements of the governmental activities and the major fund of the Delta County Road Commission, a component unit of Delta County, Michigan, for the fiscal year ended September 30, 2021, and have issued our report thereon dated February 9, 2022. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in the engagement letter dated October 14, 2019, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Delta County Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

As part of obtaining reasonable assurance about whether the Delta County Road Commission's financial statements are free of material misstatement, we performed tests of the Delta County Road Commission's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the methods of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter and our meeting about planning matters on November 24, 2021, with management.

Significant Results of the Audit

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Delta County Road Commission are described in Note A to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the fiscal year ended September 30, 2021. We noted no transactions entered into by the Delta County Road Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The most sensitive estimates affecting the governmental activities in the government-wide statements relate to depreciation, the net pension liability and the estimate of the current portion of vested employee benefits. Management's estimate of the depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets in accordance with Generally Accepted Accounting Principles. For the pension, estimates and assumptions are determined by MERS and its actuary, based on the Road Commission's negotiations with its bargaining units and resolutions of the Board of County Road

Commissioners. Management's estimate of the current portion of vested employee benefits payable within the next year is based on historical trends and current policies regarding the usage of these benefits. We evaluated the key factors and assumptions used to develop the depreciation, the net pension liability, and the current portion of vested employee benefits payable in determining that they are reasonable in relation to the financial statements, taken as a whole.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 9, 2022.

Management Consultations with Other Independent Accountants

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

Other Matters

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

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Delta Board of County Road Commissioners and management of the Delta County Road Commission and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,



Cary Jay Vaughn, CPA, CGFM

Audit Manager

Community Engagement and Finance Division

DELTA COUNTY ROAD COMMISSION

SCHEDULE OF FINDINGS AND RESPONSES
For the Fiscal Year Ended September 30, 2021

NON-COMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Violation of Public Act 2 of 1968, as Amended

Finding 2021-001

Condition: During the fiscal year ended September 30, 2021, expenditures were incurred in excess of amounts appropriated in the amended budgets as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Debt Service--Principal	\$ 285,000	\$ 575,000	\$ (290,000)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

Cause: The Board of County Road Commissioners did not adjust the budget sufficiently to avoid the overages.

Effect: The Road Commission is in non-compliance with State statute.

Directive: We direct that the Road Commission develop budgetary control procedures which will ensure that expenditures will not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Management's Response: We continue to develop budgetary control procedures to make sure that amendments are made to cover expenditures that may exceed amounts authorized in the General Appropriations Act. However, things invariably come up in the year end closing process that will cause expenditures to be recorded which will exceed the final amended budgeted amounts on a few of the line-items. We have made great improvement in this area over the last few years and will continue to work toward achieving full compliance.

The Delta County Treasurer had paid our Bond payment early (paid in FY21, should have been paid in FY22). No one at the Road Commission was notified of this payment being made until after the end of FY21. The result of this payment being made early was a large variance in the budget for Debt Principal.