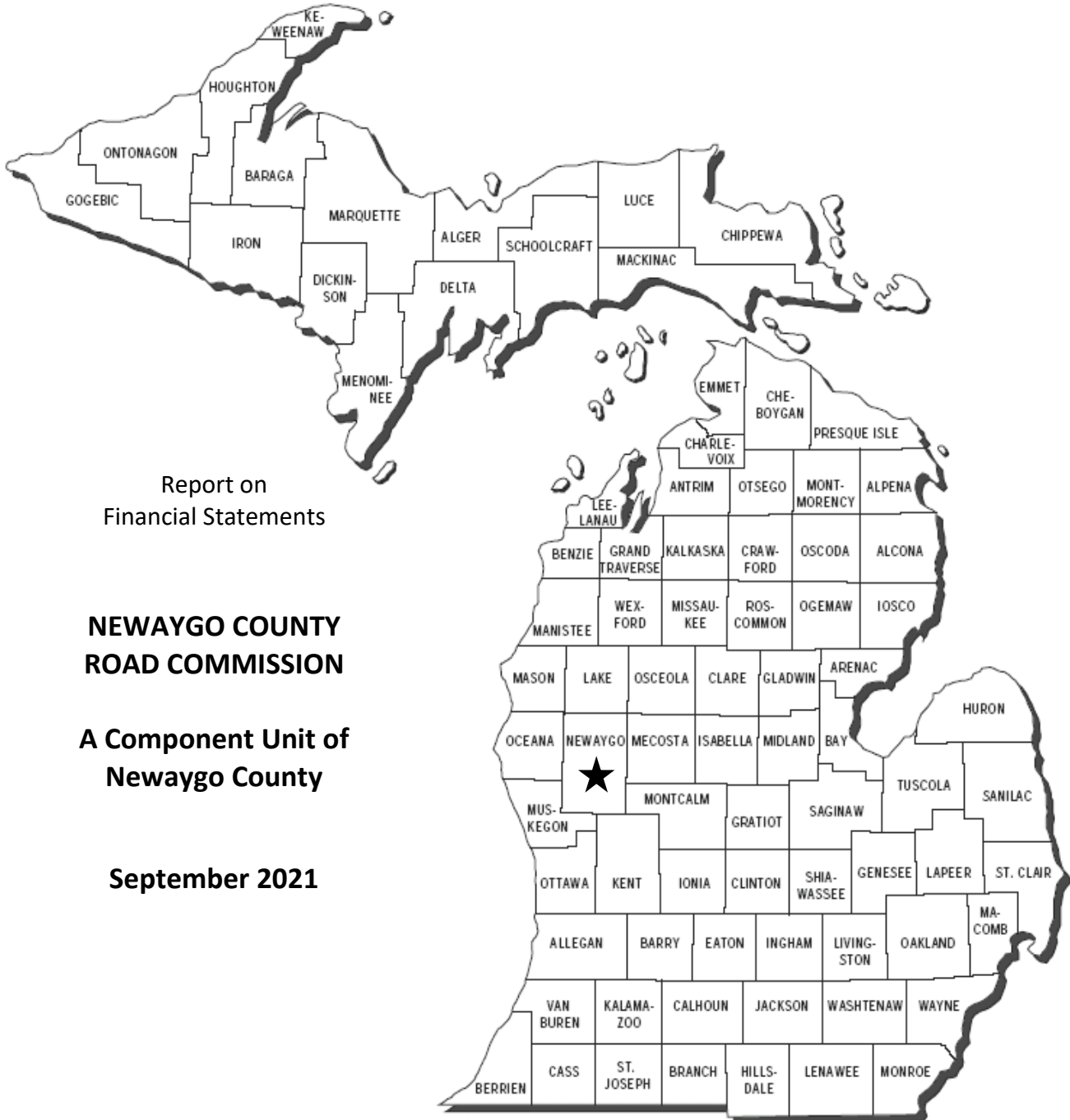


STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

NEWAYGO COUNTY ROAD COMMISSION

A Component Unit of
Newaygo County

September 2021

NEWAYGO COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

March 2, 2022

William Gonyon
Chairman

Douglas Harmon
Vice-Chairman

Louis Meeuwenberg
Member

Derek Wawsczyk
Manager

Kerry Hewitt
Office Manager/Clerk

COUNTY POPULATION--2020
49,978

STATE EQUALIZED VALUATION--2021
2,291,489,905



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 2, 2022

Board of County Road Commissioners
Newaygo County Road Commission
935 One Mile Road
White Cloud, Michigan 49349

Independent Auditor's Report

Dear Board Members:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newaygo County Road Commission, a component unit of Newaygo County, Michigan, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Newaygo 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 misstatement, 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 about 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 accounting 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, major fund, and the aggregate remaining fund information of the Newaygo County Road Commission, Newaygo County, Michigan, as of September 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 one through seven, the budgetary comparison information, pension trend data, and other post-employment benefits trend data in Exhibits I through N 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2022, on our consideration of the Newaygo County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Newaygo 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 the Newaygo County Road Commission's internal control over financial reporting and compliance.

Sincerely,



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

NEWAYGO COUNTY ROAD COMMISSION

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NEWAYGO COUNTY ROAD COMMISSION

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NEWAYGO COUNTY ROAD COMMISSION

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

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

FINANCIAL HIGHLIGHTS

- The Road Commission received \$779,728 more than the prior year in motor transportation funds. In addition, \$1,921,041 in federal and state grants was received for bridge reconstructions.
- The Road Commission contributed an additional \$169,696 towards its net pension liability to continue to reduce the overall unfunded balances.

USING THIS ANNUAL REPORT

This report also contains supplementary information in addition to the basic financial statements. The basic financial statements include a series of financial statements. The Statement of Net Position and the Statement of Activities on Exhibits A and B provide information about the activities of the Road Commission as a whole and present a longer-term view of the Road Commission's finances. Fund financial statements start with Exhibit C. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide statements by providing information about the Road Commission's most significant funds.

Reporting the Road Commission as a Whole

The Statement of Net Position and the Statement of Activities

These statements include all assets and liabilities using accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Road Commission's net position and changes in them. You can think of the Road Commission's net position (the difference between assets and liabilities) as one way to measure the Road Commission's financial health, or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Road Commission's property tax base and the condition of the Road Commission's infrastructure, to assess the overall health of the Road Commission.

NEWAYGO COUNTY ROAD COMMISSION

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

In the Statement of Net Position and the Statement of Activities, the Road Commission presents governmental activities. All of the Road Commission's basic services are reported here. State and Federal grants along with township contributions finance most activities.

Report the Road Commission's Major Fund

Fund Financial Statements

The Road Commission currently presents only a general operating fund, which is a governmental fund. The fund financial statements are shown as Exhibit C and Exhibit E. All of the Road Commission's basic services are reported in this fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. The fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The general operating fund statements provide a detailed short-term view of the Road Commission's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation included with the financial statements as Exhibits D and F.

Additional Required Supplementary Information (RSI)

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes budgetary comparison schedules, pension trend data, and trend data for other post-employment benefits.

Other Supplementary Information

Other supplementary information following the RSI includes combining financial statements of the individual funds of the Road Commission's general operating fund split between primary road, local road, and county road commission to comply with the reporting provisions issued by the Michigan Department of Transportation under Public Act 51 of 1951.

The Road Commission as a Whole

The Road Commission's net position increased from \$49,153,474 to \$55,852,562 for the year ended September 30, 2021. The net position increased \$6,699,088 compared to an increase of \$2,182,546 in the prior fiscal year. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the Road Commission's governmental activities.

NEWAYGO COUNTY ROAD COMMISSION

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

Table 1
Net Position of Governmental Activities

	9/30/2020 Governmental Activities	9/30/2021 Governmental Activities	Variance
Current and Other Assets	\$ 6,875,828	\$ 8,557,099	\$ 1,681,271
Net Capital Assets	<u>53,818,543</u>	<u>57,926,526</u>	<u>4,107,983</u>
Total Assets	<u>60,694,371</u>	<u>66,483,625</u>	<u>5,789,254</u>
Deferred Outflow of Resources	<u>853,776</u>	<u>899,127</u>	<u>45,351</u>
Current Liabilities	1,509,563	1,766,834	257,271
Non-Current Liabilities	<u>9,421,201</u>	<u>7,441,155</u>	<u>(1,980,046)</u>
Total Liabilities	<u>10,930,764</u>	<u>9,207,989</u>	<u>(1,722,775)</u>
Deferred Inflow of Resources	<u>1,463,909</u>	<u>2,322,201</u>	<u>858,292</u>
Net Position			
Net Investment in Capital Assets	50,191,602	54,588,600	4,396,998
Restricted/(Unrestricted)	<u>(1,038,128)</u>	<u>1,263,962</u>	<u>2,302,090</u>
Total Net Position	<u>\$ 49,153,474</u>	<u>\$ 55,852,562</u>	<u>\$ 6,699,088</u>

The restricted/(unrestricted) portion of net position used to fund the day-to-day operations within the provisions of Public Act 51 of 1951 increased \$2,302,090 [\$1,263,962 compared to (\$1,038,128)]. This increase is due to increased funding received from the state from the MTF funding and an overall decrease in the net pension liability of \$414,562 and net OPEB liability of \$1,242,070 due to additional contributions made by the Road Commission, changes in actuarial assumptions, and investment returns. The increase of \$4,396,998 in the net investment in capital assets is due to the Road Commission investing funds into the county's road and bridge infrastructure.

NEWAYGO COUNTY ROAD COMMISSION

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

Table 2
Changes in Net Position of Governmental Activities

	2020	2021	Difference
Program Revenue			
Licenses and Permits	\$ 24,408	\$ 45,388	\$ 20,980
Charges for Services	1,292,938	1,286,330	(6,608)
State Grants	9,364,528	11,126,873	1,762,345
Contributions From Local Units	3,165,582	3,618,149	452,567
Federal Grants	178,812	1,213,428	1,034,616
Investment Earnings	11,253	4,741	(6,512)
Other Contributions	-	71,899	71,899
General Revenue			
Gain/(Loss) on Equipment Disposal	(177)	846,492	846,669
Total Revenue	<u>14,037,344</u>	<u>18,213,300</u>	<u>4,175,956</u>
Expenses			
Primary Road Maintenance	1,797,054	1,962,149	165,095
Local Road Maintenance	4,455,753	4,210,024	(245,729)
State Trunkline	1,161,771	1,159,374	(2,397)
State Trunkline Non-Maintenance	112,898	115,582	2,682
Net Equipment Expense	(145,207)	(42,458)	102,749
Net Administrative Expense	908,397	810,371	(98,026)
Non-Road Projects	163,511	68,654	(94,857)
Infrastructure Depreciation Expense	3,620,316	4,029,557	409,241
Compensated Absences	(2,431)	(6,072)	(3,641)
Other Postemployment Benefit Expense	(429,651)	(715,286)	(285,635)
Pension Expense	121,468	(128,405)	(249,873)
Interest Expense	90,919	50,724	(40,195)
Total Expenses	<u>11,854,798</u>	<u>11,514,212</u>	<u>(340,586)</u>
Change in Net Position	<u>2,182,546</u>	<u>6,699,088</u>	<u>4,516,542</u>
Ending Net Position	<u>\$ 49,153,474</u>	<u>\$ 55,852,562</u>	<u>\$ 6,699,088</u>

Governmental Activities

As noted above in Table 2, the revenues for the Road Commission's governmental revenues increased by \$4,175,956 or 30%, while expenses decreased \$340,586 or 3%. The increase in revenues was due to an increase in federal and state grants for bridge projects performed, an increase in the MTF revenue, increased township contributions, and from an increase in gain on equipment disposal from turning in equipment without having to make the final lease payments. The decrease in expenses is primarily due to the decrease in the road projects performed and a decrease in pension and OPEB expenses due to additional contributions being made towards the liabilities.

NEWAYGO COUNTY ROAD COMMISSION

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

THE ROAD COMMISSION’S FUND

As the Road Commission completed the year, its general operating fund (as presented in the balance sheet on Exhibit C and the change in fund balance on Exhibit E) reported a fund balance of \$6,491,843 which is more than last year’s \$5,039,516. The primary reasons for the General Operating Fund’s increase in fund balance of \$1,452,327 mirror the governmental activities’ analysis highlighted in the prior paragraph.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the Road Commission had \$57,926,526 invested in a broad range of capital assets, including land, buildings, equipment, roads, and bridges. This amount represents a net increase (including additions and deductions) of \$4,107,983.

Table 3
Capital Assets at Year-End

	09/30/20	09/30/21
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 118,044	\$ 118,044
Infrastructure--Land and Improvements	2,033,407	2,033,407
Subtotal	<u>2,151,451</u>	<u>2,151,451</u>
Capital Assets Being Depreciated		
Land Improvements	90,517	90,517
Buildings	2,198,171	2,611,232
Road Equipment	10,812,436	10,801,799
Shop Equipment	293,895	303,812
Office Equipment	242,871	242,871
Engineer’s Equipment	71,570	91,401
Infrastructure--Bridges	17,436,183	19,646,585
Infrastructure--Roads	66,154,306	69,716,944
Subtotal	<u>97,299,949</u>	<u>103,505,161</u>
Total Capital Assets	99,451,400	105,656,612
Total Accumulated Depreciation	(45,632,857)	(47,730,086)
Total Net Capital Assets	<u>\$ 53,818,543</u>	<u>\$ 57,926,526</u>

NEWAYGO COUNTY ROAD COMMISSION

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

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

Reconstruction of Bridges	\$ 2,270,402
Resurfacing Projects and Related Land Improvements	5,247,347
Trucks/Road Equipment	1,269,511
Building Improvements	413,061
Shop/Engineer/Office Equipment	<u>29,748</u>
 Total Additions	 <u><u>\$ 9,230,069</u></u>

The Road Commission's FY 2021/2022 Capital Budget calls for it to continue to spend funds for equipment purchases and road/bridge projects. The Road Commission has no plans to issue additional debt to finance these projects. More detailed information about the Road Commission's capital assets is presented in Note D to the financial statements.

Debt

At the fiscal year end, the Road Commission had \$3,337,926 in debt versus \$3,626,941 during the prior period, a decrease of \$289,015 or 8% as seen below:

Table 4
Outstanding Debt, at Year-End

	<u>2020</u>	<u>2021</u>	<u>Variance</u>
Capital Lease Agreements	\$ 1,261,941	\$ 1,347,926	\$ 85,985
Transportation Note	<u>2,365,000</u>	<u>1,990,000</u>	<u>(375,000)</u>
 Total	 <u><u>\$ 3,626,941</u></u>	 <u><u>\$ 3,337,926</u></u>	 <u><u>\$ (289,015)</u></u>

The Road Commission made scheduled debt payments in the amount of \$1,346,940 during the fiscal year. The Road Commission approved five new capital leases for the 2021 fiscal year totaling \$1,057,925 for three motor graders, an excavator, and a backhoe loader. More detailed information about the Road Commission's long-term liabilities which includes vested employee benefits is presented in Note E to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHT

Over the course of the year, the Board of County Road Commissioners revised the budget several times. These budget amendments fall into two categories. The first category includes amendments based on the Federal and State grants received or not received for road and bridge projects. The second category includes year-end adjustments to account for accruals and then the spread of the distributive and non-distributive expenses incurred by the Road Commission.

NEWAYGO COUNTY ROAD COMMISSION

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Road Commission derived approximately 51% of its revenue from the motor vehicle fund revenue collected in fiscal year 2021. The motor vehicle fund revenue increased about 8.86% from the previous fiscal year and increased 14.61% from the 2019 fiscal year. The Newaygo County Road Commission budgeted for additional road projects during the fiscal year 2021 and will continue to do so in 2022, as well as continue the cost share programs with the Townships. We had another busy and big construction season in fiscal year 2021. The Road Commission completed approximately 4 million of Local Township projects and Bridge Construction. The Road Commission received approximately 15% of its revenues from township contributions. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate as well as weather during the construction season.

The Board of County Road Commissioners considered many factors when setting the fiscal year 2022 budget. A few of the factors considered in determining the budget were the economy, the increased cost in maintaining the road system, any new funding monies coming in, and Federal and State aid monies. The main factors that were considered during the budget were the cost of fuel prices and winter maintenance, salt prices, increase in equipment costs, and the cost of supplies and any additional funding that road commissions might see. The Board of County Road Commissioners also factored in the amount of projected Township Projects, Federal Aid Projects, and Local Bridge Projects accepted for the 2022 fiscal year.

Amounts available for appropriation in the 2022 fiscal year budget are \$16,291,911.92.

The Board realizes, and the reader should also understand, that there are not sufficient funds available to repair and/or rebuild every road in Newaygo 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 Newaygo County.

CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the 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's administrative offices at: 935 One Mile Road, White Cloud, Michigan 49349.

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

EXHIBIT A

ASSETS

Cash	\$ 3,998,414
Investments	1,207,149
Accounts Receivable	
Sundry Accounts	51,922
State--Trunkline Maintenance	62,222
Michigan Transportation Fund	840,510
State--Other	29,515
Due From Federal	64,178
Due From Townships--Road Agreements	684,175
Inventories	
Road Materials	1,185,488
Equipment Parts and Materials	433,526
Capital Assets--Non-Depreciating	2,151,451
Capital Assets--Depreciating	55,775,075
	<hr/>
Total Assets	66,483,625
	<hr/>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflow-Pension Related--Change in Experience	77,321
Deferred Outflow-Pension Related--Change in Assumptions	461,806
Deferred Outflow-Pension Related--Employer Contributions	360,000
	<hr/>
Total Deferred Outflow of Resources	899,127
	<hr/>

LIABILITIES

Current Liabilities	
Accounts Payable	1,596,144
Due to State	37,049
Accrued Liabilities	133,641
Non-Current Liabilities	
Advances from State	298,422
Capital Leases Payable	
Due Within One Year	276,546
Due in More Than One Year	1,071,380
Transportation Note Payable	
Due Within One Year	385,000
Due in More Than One Year	1,605,000
Vested Employee Benefits Payable	
Due Within One Year	139,607
Due in More Than One Year	46,535
Net OPEB Liability	1,637,992
Net Pension Liability	1,980,673
	<hr/>
Total Liabilities	9,207,989
	<hr/>

DEFERRED INFLOW OF RESOURCES

Deferred Inflow-Pension Related--Change in Investments	334,886
Deferred Inflow-Pension Related--Change in Experience	156,442
Deferred Inflow-OPEB Related--Change in Investments	110,229
Deferred Inflow-OPEB Related--Change in Experience	908,551
Deferred Inflow-OPEB Related--Change in Assumptions	812,093
	<hr/>
Total Deferred Outflow of Resources	2,322,201
	<hr/>

NET POSITION

Net Investment in Capital Assets	54,588,600
Restricted	1,263,962
	<hr/>
Total Net Position	\$ 55,852,562
	<hr/> <hr/>

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

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

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 1,962,149
Local Road Maintenance	4,210,024
State Trunkline Maintenance	1,159,374
State Trunkline Nonmaintenance	115,580
Net Equipment Expense	(42,458)
Net Administrative Expense	810,371
Nonroad Projects	68,654
Infrastructure Depreciation	4,029,557
Compensated Absences	(6,072)
Other Post Employment Benefit Expense	(715,286)
Pension Expense	(128,405)
Interest Expense	50,724
Total Program Expenses	<u>11,514,212</u>
Program Revenue	
Charges for Services	
License and Permits	45,388
Charges for Services	1,286,330
Operating Grants and Contributions	
Michigan Transportation Funds	9,843,700
Contributions From Local Units	675,468
Investment Earnings	4,741
Capital Grants and Contributions	
Federal Grants	1,213,428
State Grants	1,283,173
Contributions From Local Units	2,942,681
Contributions From Private Sources	71,899
Total Program Revenue	<u>17,366,808</u>
Net Program Revenue	5,852,596
General Revenue	
Gain/(Loss) on Equipment Disposal	<u>846,492</u>
Total General Revenues	<u>846,492</u>
Change in Net Position	6,699,088
Net Position	
Beginning of Year	<u>49,153,474</u>
End of Year	<u>\$ 55,852,562</u>

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

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

EXHIBIT C

	General Operating Fund
<u>ASSETS</u>	
Cash	\$ 3,998,414
Investment	1,207,149
Accounts Receivable	
Sundry Accounts	51,922
State--Trunkline Maintenance	62,222
Michigan Transportation Fund	840,510
State--Other	29,515
Due From Federal	64,178
Due From Townships--Road Agreements	684,175
Inventories	
Road Materials	1,185,488
Equipment Parts and Materials	433,526
Total Assets	<u>\$ 8,557,099</u>
<u>LIABILITIES</u>	
Liabilities	
Accounts Payable	\$ 1,596,144
Due to State	37,049
Accrued Liabilities	133,641
Advances	
State Trunkline Equipment Purchase	199,670
State Trunkline Maintenance	98,752
Total Liabilities	<u>2,065,256</u>
<u>FUND BALANCE</u>	
Nonspendable	
Inventory	1,619,014
Restricted for Road Operations	4,872,829
Total Fund Balance	<u>6,491,843</u>
Total Liabilities and Fund Balance	<u>\$ 8,557,099</u>

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

NEWAYGO 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 \$ 6,491,843

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

Capital assets used for governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 57,926,526

Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as governmental fund liabilities. (186,142)

The Net Pension Liability is not due and payable in the current period and is not reported in the governmental funds. (1,980,673)

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. 407,799

The Net OPEB Liability is not due and payable in the current period and is not reported in the governmental funds. (1,637,992)

Certain changes in the OPEB plan net position are reported as deferred outflows and inflow of resources in the statement of net position, but are reported as expenses in the governmental funds. (1,830,873)

Long term liabilities are not due and payable in the current period and are not reported in the governmental funds. (3,337,926)

Net Position of Governmental Activities \$ 55,852,562

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

NEWAYGO 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
	<u>Fund</u>
Revenues	
Licenses and Permits	\$ 45,388
Federal Grants	1,213,428
State Grants	11,126,873
Contributions From Local Units	3,618,149
Charges for Services	1,286,330
Interest and Rents	4,741
Other Revenue	<u>71,899</u>
Total Revenues	<u>17,366,808</u>
Expenditures	
Public Works	15,801,443
Capital Outlay (Net)	619,791
Debt Service	<u>1,397,664</u>
Total Expenditures	<u>17,818,898</u>
Excess of Revenues Over (Under) Expenditures	(452,090)
Other Financing Sources	
Gain/(Loss) on Equipment Disposal	846,492
Capital Lease Proceeds	<u>1,057,925</u>
Total Other Financing Sources	<u>1,904,417</u>
Net Change in Fund Balance	1,452,327
Fund Balance--Beginning	<u>5,039,516</u>
Fund Balance--Ending	<u>\$ 6,491,843</u>

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

NEWAYGO 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 \$ 1,452,327

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 and reported as depreciation expense.

Add-Capital Outlay	9,230,069
Deduct--Depreciation Expense	(5,122,086)

The decrease in accumulated employee sick and vacation pay and other
 similar expenses reported in the Statement of Activities do not require the use
 of current resources, and therefore, are not reported in the fund financial
 statements until they come due for payment. 6,072

The decrease in Net OPEB Liability reported in the Statement of Activities does not
 require the use of resources, and therefore, is not reported in the fund
 statements until it comes due for payment. 715,286

The decrease in Net Pension Liability reported in the Statement of Activities does not
 require the use of resources, and therefore, is not reported in the fund
 statements until it comes due for payment. 128,405

Debt proceeds provide current financial resources to governmental funds, but entering into
 debt agreements increases long-term liabilities in the Statement of Net Position. Repayment
 of notes/leases payable is an expenditure in governmental funds, but reduces the long term
 liabilities in the Statement of Net Position. 289,015

Change in Net Position of Governmental Activities	\$ 6,699,088
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The Notes to Financial Statements are an integral part of this statement.

NEWAYGO COUNTY ROAD COMMISSION
 STATEMENT OF PLAN NET POSITION
 FIDUCIARY FUND
 September 30, 2021

EXHIBIT G

	<u>OPEB Trust</u>
<u>ASSETS</u>	
Investments at Fair Market Value	
Money Markets	<u>\$ 1,428,677</u>
Total Assets	<u>1,428,677</u>
<u>LIABILITIES</u>	
Total Liabilities	<u>-</u>
<u>NET POSITION</u>	
Restricted for Other Postemployment Benefits	<u><u>\$ 1,428,677</u></u>

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

NEWAYGO COUNTY ROAD COMMISSION
 STATEMENT OF CHANGES IN PLAN NET POSITION--
 FIDUCIARY FUND
 For the Fiscal Year Ended September 30, 2021

EXHIBIT H

	<u>OPEB Trust</u>
Additions	
Contributions	
Employer	<u>\$ 300,000</u>
Total Contributions	<u>300,000</u>
Investment Income	
Interest and Dividends	<u>222,902</u>
Net Investment Income (Loss)	<u>222,902</u>
Total Additions	<u>522,902</u>
Deductions-Administrative Expenses	<u>(2,180)</u>
Total Deductions	<u>(2,180)</u>
Change in Net Position	520,722
Net Position Restricted for Other Postemployment Benefits	
Beginning of Year	<u>907,955</u>
End of Year	<u><u>\$ 1,428,677</u></u>

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

NEWAYGO 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 Newaygo County Road Commission (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 was established pursuant to the County Road Law, Michigan Compiled Laws (MCL) 224.1, is governed by an elected 3-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners.

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

The Road Commission General Operating Fund is used to control the expenditures of Michigan Transportation Fund (MTF) money 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 this fund.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary 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 segment is 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

NEWAYGO COUNTY ROAD COMMISSION

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

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

other items not properly included among program revenues are reported instead as general revenue.

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the General Operating Fund (governmental fund). The General 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.

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 needed.

The Road Commission reports the following major governmental fund:

The General Operating fund is the operating fund of the Commission. It is used to account for all financial resources, except those required to be accounted for in another fund.

Additionally, the Road Commission reports the following fund type:

Fiduciary funds--The Other Postemployment Benefit Trust fund is used to account for assets held in a trustee capacity on behalf of retirees for postretirement health care plans.

NEWAYGO COUNTY ROAD COMMISSION

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

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

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, 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.

Cash 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.

Receivables

Receivables consist primarily of the balance of fuel tax and trunkline maintenance fees due from the State of Michigan and the balances due from local units of government and individuals for goods and services provided. These balances are reported net of estimated uncollectible balances (though estimated uncollectible balances were zero at year-end).

Inventories

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

Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the General Operating fund in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an

NEWAYGO COUNTY ROAD COMMISSION

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

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

initial individual cost of more \$1,000. 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. All Road Commission equipment is capitalized if there is a Schedule C rate for it, regardless of the cost.

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	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

Advances

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

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.

Compensated Absences

Under the Road Commission's personnel policy and contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation and sick leave under formulas and conditions specified in the policy and contracts. Accumulated leave of the General fund is recorded on the Statement of Net Position and not on the General fund Balance Sheet because it is not expected to be liquidated with expendable available financial resources.

NEWAYGO COUNTY ROAD COMMISSION

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

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

Pensions

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

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) or inflow (revenue) until then. In this category deferred outflows of resources related to the defined benefit pension and OPEB plans. The deferred outflows/inflows of resources related to pensions and OPEB are from the following sources: difference between expected and actual experience, changes in assumptions, net difference between projected and actual earnings on pension plan investments, and employer contributions to the plan subsequent to the measurement date.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and 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.

Nonspendable Fund Balances

Nonspendable fund balances include amounts in governmental funds to designate amounts which are not available for spending or are legally or contractually required to be maintained.

NEWAYGO COUNTY ROAD COMMISSION

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

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

The non-spendable amount reported is related to the inventory on hand of \$1,619,014.

Restricted Fund Balances

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The remaining Road Commission Funds are restricted as they can only be used in accordance with Public Act 51 of 1951.

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

NOTE B--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, Michigan Compiled Laws (MCL) 141.421, which requires the Board of County Road Commissioners to approve a budget for the General Operating Fund. Pursuant to the Act, the Road Commission's chief administrative officer (manager) prepares and submits a proposed operating budget to the board for its review and consideration. The Board of County Road Commissioners conducts a public budget hearing and, subsequently, adopts the operating budget. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the fund financial statements.

NOTE C--CASH AND INVESTMENTS

MCL 129.91 et seq., authorizes the County to deposit and invest in the accounts of federally insured banks, credit unions, savings and loan associations, bonds, securities, and other 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; mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan; and commercial paper within the two highest classifications that mature not more than 270 days after the date of purchase, and do not involve more than half of any fund. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Road Commission deposits are made in accordance with statutory authority. Deposits are carried at cost. Deposits of the County Road Fund are in various banks in the name of the County Treasurer.

The Road Commission has designated two banks for the deposit of its funds. The investment policy adopted by the Board, in accordance with Public Act 20 of 1943, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposit and investment policy is in accordance with statutory authority.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE C--CASH AND INVESTMENTS (Continued)

The OPEB Trust Fund was established with the Municipal Employees' Retirement System (MERS) as governmental trust under Section 115 of the Internal Revenue Code to hold the assets of the retiree health funding vehicle and is administered under the discretion of MERS as fiduciary, directly by (or through a combination of) MERS or MERS duly appointed Program Administrator.

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

	Operating Fund	OPEB Trust Fund	Total
Cash	\$ 3,998,414	\$ -	\$ 3,998,414
Investments	1,207,149	1,428,677	2,635,826
	<u>\$ 5,205,563</u>	<u>\$ 1,428,677</u>	<u>\$ 6,634,240</u>

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had \$4,011,267 of bank deposits (checking and savings accounts) of which \$250,000 was FDIC insured and the remaining \$3,761,267 was uninsured and uncollateralized. The Road Commission believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The Road Commission also maintains \$100 in imprest cash.

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 its investments to government operating money markets and government securities purchased in the name of the Road Commission.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE C--CASH AND INVESTMENTS (Continued)

hold diverse investments that are authorized by law for direct investment. The Michigan Class investment account has a weighted average maturity of 55 days.

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 Michigan Class investment account is rated AAAM by S&P. The MERS Trust Funds are not rated.

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. 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 deposits. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to the Road Commission's investment.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs. There are three (3) levels of inputs that may be used to measure fair value. Level 1 is quoted prices in active markets for identical securities; Level 2 is prices determined using other significant observable inputs; and Level 3 is prices determined using significant unobservable inputs. The Road Commission's investment in Michigan Class of \$1,207,149 uses a market approach for its valuing methodology and categorized as a Level 2 input.

Investments in Entities that Calculate Net Asset Value per Share

The Road Commission holds \$1,428,677 in shares or interests in the MERS total market fund where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE D--CAPITAL ASSETS

The following is a summary of the changes in capital assets:

	Beginning Balances	Additions	Deductions	Ending Balances
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 118,044	\$ -	\$ -	\$ 118,044
Infrastructure Land Improvements	2,033,407	-	-	2,033,407
Subtotal	2,151,451	-	-	2,151,451
Capital Assets Being Depreciated				
Land Improvements	90,517	-	-	90,517
Buildings	2,198,171	413,061	-	2,611,232
Road Equipment	10,812,436	1,269,511	1,280,148	10,801,799
Shop Equipment	293,895	9,917	-	303,812
Office Equipment	242,871	-	-	242,871
Engineers' Equipment	71,570	19,831	-	91,401
Infrastructure--Bridges	17,436,183	2,270,402	60,000	19,646,585
Infrastructure--Roads	66,154,306	5,247,347	1,684,709	69,716,944
Total	97,299,949	9,230,069	3,024,857	103,505,161
Less Accumulated Depreciation				
Land Improvements	69,322	4,525	-	73,847
Buildings	1,550,908	48,410	-	1,599,318
Road Equipment	9,051,438	1,019,281	1,280,148	8,790,571
Shop Equipment	176,715	14,090	-	190,805
Office Equipment	230,554	5,088	-	235,642
Engineers' Equipment	70,111	1,135	-	71,246
Infrastructure--Bridges	8,371,430	288,518	60,000	8,599,948
Infrastructure--Roads	26,112,379	3,741,039	1,684,709	28,168,709
Total	45,632,857	5,122,086	3,024,857	47,730,086
Net Capital Assets Being Depreciated	51,667,092	4,107,983	-	55,775,075
Total Net Capital Assets	\$ 53,818,543	\$ 4,107,983	\$ -	\$ 57,926,526

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE D--CAPITAL ASSETS (Continued)

Depreciation expense was charged to programs of the primary government as follows:

Net Equipment Expense	
Direct Equipment	\$ 1,019,281
Indirect Equipment	58,403
Net Administrative Expenses	
Administrative	14,845
Infrastructure Depreciation Expense	<u>4,029,557</u>
Total Depreciation Expense	<u>\$ 5,122,086</u>

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE E--LONG-TERM DEBT

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

	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Caterpillar Financial Services Lease for 1 Backhoe	\$ 55,507	\$ -	\$ (55,507)	\$ -	\$ -
Caterpillar Financial Services Lease for 1 Wheel Loader	185,824	-	(185,824)	-	-
Caterpillar Financial Services Lease for 1 Excavator	42,360	-	(42,360)	-	-
Caterpillar Financial Services Lease for 1 Motor Grader	190,475	-	(190,475)	-	-
Caterpillar Financial Services Lease for 1 Motor Grader	190,475	-	(190,475)	-	-
Caterpillar Financial Services Lease for 1 Motor Grader	180,000	-	(180,000)	-	-
Caterpillar Financial Services Lease for 1 Excavator	202,942	-	(21,637)	181,305	181,305
Caterpillar Financial Services Lease for 1 Wheel Loader	214,358	-	(20,361)	193,997	20,979
Caterpillar Financial Services Lease for 1 Motor Grader	-	268,585	(23,087)	245,498	15,912
Caterpillar Financial Services Lease for 1 Motor Grader	-	292,085	(26,239)	265,846	18,469
Caterpillar Financial Services Lease for 1 Motor Grader	-	292,085	(26,239)	265,846	18,469
Caterpillar Financial Services Lease for 1 Excavator	-	89,085	(9,736)	79,349	7,417
Caterpillar Financial Services Lease for 1 Backhoe	-	116,085	-	116,085	13,995
10-Year Bond Payable with annual payments ranging from \$350,000 to \$415,000 at an implied interest rate of 1.79%	2,365,000	-	(375,000)	1,990,000	385,000
Vested Employee Benefits Vacation and Sick Leave	192,214	214,135	(220,207)	186,142	139,607
Totals	<u>\$ 3,819,155</u>	<u>\$ 1,272,060</u>	<u>\$ (1,567,147)</u>	<u>\$ 3,524,068</u>	<u>\$ 801,153</u>

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE E--LONG-TERM DEBT (Continued)

The annual interest and principal requirements of the Road Commission's long-term borrowing excluding vested employee benefits may be summarized as follows:

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 661,545	\$ 67,797	\$ 729,342
2023	483,995	57,411	541,406
2024	620,944	47,565	668,509
2025	481,770	33,579	515,349
2026	1,033,356	24,352	1,057,708
2027	56,316	1,684	58,000
Total	\$ 3,337,926	\$ 232,388	\$ 3,570,314

A Caterpillar 335F Excavator was purchased in 2017 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$291,525, with 5 annual payments of \$26,894 and a \$186,001 balloon payment due in 2022 at an implied interest rate of 2.59%.

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 181,305	\$ 4,696	\$ 186,001

A Caterpillar 950M Wheel Loader was purchased in 2019 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$260,989, with 5 annual payments of \$26,870 and a \$156,000 balloon payment due in 2025 at an implied interest rate of 3.0366%.

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 20,979	\$ 5,891	\$ 26,870
2023	21,616	5,254	26,870
2024	151,402	4,598	156,000
Total	\$ 193,997	\$ 15,743	\$ 209,740

A Caterpillar 150-15AWD Motor Grader was purchased in 2020 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$268,585, with 5 annual payments of \$23,087 and a \$184,999 balloon payment due in 2026 at an implied interest rate of 2.989%.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE E--LONG-TERM DEBT (Continued)

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 15,912	\$ 7,175	\$ 23,087
2023	16,207	6,880	23,087
2024	16,692	6,396	23,088
2025	17,191	5,897	23,088
2026	179,496	5,503	184,999
Total	<u>\$ 245,498</u>	<u>\$ 31,851</u>	<u>\$ 277,349</u>

A Caterpillar 150-15AWD Motor Grader was purchased in 2020 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$292,085, with 5 annual payments of \$26,239 and a \$195,000 balloon payment due in 2026 at an implied interest rate of 2.99%.

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 18,469	\$ 7,770	\$ 26,239
2023	18,825	7,414	26,239
2024	19,387	6,851	26,238
2025	19,967	6,272	26,239
2026	189,198	5,802	195,000
Total	<u>\$ 265,846</u>	<u>\$ 34,109</u>	<u>\$ 299,955</u>

A Caterpillar 150-15AWD Motor Grader was purchased in 2020 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$292,085, with 5 annual payments of \$26,239 and a \$195,000 balloon payment due in 2026 at an implied interest rate of 2.99%.

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 18,469	\$ 7,770	\$ 26,239
2023	18,825	7,414	26,239
2024	19,387	6,851	26,238
2025	19,967	6,272	26,239
2026	189,198	5,802	195,000
Total	<u>\$ 265,846</u>	<u>\$ 34,109</u>	<u>\$ 299,955</u>

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE E--LONG-TERM DEBT (Continued)

A Caterpillar 307.5-07 Hydraulic Excavator was purchased in 2020 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$89,085, with 5 annual payments of \$9,736 and a \$50,000 balloon payment due in 2026 at an implied interest rate of 2.99%.

Fiscal Year	Principal	Interest	Annual Total
2022	\$ 7,417	\$ 2,319	\$ 9,736
2023	7,579	2,157	9,736
2024	7,805	1,931	9,736
2025	8,038	1,697	9,735
2026	48,510	1,490	50,000
Total	<u>\$ 79,349</u>	<u>\$ 9,594</u>	<u>\$ 88,943</u>

A Caterpillar 420-07 Backhoe Loader was purchased in 2021 under a lease purchase agreement through Caterpillar Financial Services Corporation. The original purchase price was \$116,085, with 5 annual payments of \$13,995 and a \$58,000 balloon payment due in 2026 at an implied interest rate of 2.99%.

Fiscal Year	Principal	Interest	Annual Total
2022	13,995	-	\$ 13,995
2023	10,943	3,052	13,995
2024	11,270	2,725	13,995
2025	11,607	2,388	13,995
2026	11,954	2,041	13,995
2027	56,316	1,684	58,000
Total	<u>\$ 116,085</u>	<u>\$ 11,890</u>	<u>\$ 127,975</u>

On March 1, 2016, the Road Commission issued a 10-year 2016 Michigan Transportation Fund Note in the amount of \$3,800,000. The payments range from \$350,000 to \$415,000 with principal paid annually and interest paid semi-annually at an implied interest rate of 1.79%.

Fiscal Year	Principal 1-May	Interest		Annual Total
		1-Nov	1-May	
2022	\$ 385,000	\$ 17,811	\$ 14,365	\$ 417,176
2023	390,000	14,365	10,875	415,240
2024	395,000	10,875	7,339	413,214
2025	405,000	7,339	3,714	416,053
2026	415,000	3,714	-	418,714
Total	<u>\$ 1,990,000</u>	<u>\$ 54,104</u>	<u>\$ 36,293</u>	<u>\$ 2,080,397</u>

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE F--VESTED EMPLOYEE BENEFITS

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available to the employee on his or her anniversary date. Union employees must generally use vacation leave within 1 year after being earned. If a union employee has less than 1 day unused, he/she will be paid for that time. A union employee, however, may request carryover of 10 unused vacation days into the next year under special circumstances. Foremen and management employees may carry forward 50% of vacation leave earned to the following year but may not extend it beyond 1 year. Upon termination of employment, vacation leave is payable at 100%. The liability recorded in long-term debt for vacation earned, but not used as of September 30, 2021, totaled \$115,882 based on 100% of the vacation leave balances.

Prior to October 1, 2006, sick leave was accumulated at the rate of 1 day per month by union employees and ½ day per month for management and administrative employees, not to exceed 1,200 hours or 150 days. Sick leave is payable at 50% to the maximum of 75 days when an employee retires or dies. This policy was discontinued effective October 1, 2006. The sick leave benefits recorded in long-term debt is 50% of the remaining accumulated sick leave in the amount of \$9,271.

Beginning October 1, 2006, all employees are granted 48 hours of personal time each year in the first full pay period following their anniversary date. Employees may only accumulate up to a maximum of 96 hours of personal leave time. Any hours earned in excess of 96 hours shall be paid off at the employee's current hourly rate of pay in the first pay period following the anniversary date. The liability recorded in the long-term debt for personal time benefits earned, but not used as of September 30, 2021, totaled \$60,989.

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Summary of Significant Accounting Policies

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

Benefits Provided--Defined Benefit. The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the Board of County Road Commissioners, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the Board in this manner also.

Benefits Provided by Division

2020 Valuation	Division 01 - Management Post July 1999: Open	Division 10 - Union: Closed	Division 11 - Mgmt. Pre July 1999: Closed
Benefit Multiplier	2% Multiplier (No Max)	2% Multiplier (No Max)	2% Multiplier (No Max)
Normal Retirement Age	60	60	60
Vesting	5 Years	5 Years	5 Years
Early Retirement (Unreduced)	N/A	N/A	55/30
Early Retirement (Reduced)	50/25, 55/10	50/25, 55/10	50/25, 55/10
Final Average Compensation	2 Years	5 Years	2 Years
Employee Contributions	4% SLIF (100 days)	2%	4% SLIF (100 days)
Act 88	No	No	No
2020 Valuation	Division 12 - Commissioners: Closed	Division 13 - Union Hired after 8/1/2010: Closed	Division 14 - Union Hired after 9/1/2013: Open
Benefit Multiplier	2.25% Multiplier (80% Max)	1.5% Multiplier (No Max)	1.5% Multiplier (No Max)
Normal Retirement Age	60	60	60
Vesting	10 Years	5 Years	5 Years
Early Retirement (Unreduced)	55/25	N/A	N/A
Early Retirement (Reduced)	50/25, 55/10	50/25, 55/10	50/25, 55/10
Final Average Compensation	5 Years	5 Years	5 Years
Employee Contributions	0%	2%	3%
Act 88	Yes (Adopted 7/1/1965)	No	No

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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	51
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>43</u>
Total employees covered by MERS Plan	<u><u>100</u></u>

Contributions. Constitution 1963, article 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The Road Commission has also established contribution rates to be paid by its covered employees. As of September 30, 2021, the contribution rates are as follows.

<u>Division</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate*</u>
Management Hired after July 1999	4%	19.44%
Union Hired after December 1, 2019	5%	2.25%
Union Hired prior to August 2010	2%	\$ 82,044
Management Hired prior to July 1999	4%	\$ 34,044
Commissioners Elected prior to March 2010	0%	\$ -
Union hired between August 2010 and September 2013	2%	\$ 10,536
Union Hired after September 2013	3%	\$ 32,028

*Employer contributions are based on percentages for open divisions and annual payments for closed divisions.

Net Pension Liability

The net pension liability reported as of September 30, 2021, was determined using a measure of the total pension liability and the pension net position as of December 31, 2020. The December 31, 2020, total pension liability was determined by an actuarial valuation performed as of that date.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

Inflation	2.50%
Salary Increases	3% plus merit and longevity: 3% in the long-term
Investment Rate of Return	7.35%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with the price inflation of 3%-4%.

Mortality rates used were a version of Pub-2010 and Fully generational MP-2019.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected 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%	7.45%	4.47%	2.50%	3.15%
Global Fixed Income	20%	4.90%	0.98%	2.50%	0.25%
Private Investments	20%	9.50%	1.90%	2.50%	1.45%
Total	<u>100%</u>		<u>7.35%</u>		<u>4.85%</u>

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Discount rate. The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Beginning Balance	\$ 11,827,525	\$ 9,432,290	\$ 2,395,235
Changes for the Year:			
Service Cost	175,268	-	175,268
Interest	875,221	-	875,221
Difference Between Expected and Actual Experience	(85,754)	-	(85,754)
Change in Assumptions	342,876	-	342,876
Contributions - Employer	-	480,000	(480,000)
Contributions - Employee	-	68,153	(68,153)
Net Investment Income	-	1,192,903	(1,192,903)
Benefit Payments, Including Refunds	(798,195)	(798,195)	-
Administrative Expenses	-	(18,883)	18,883
Net Changes	509,416	923,978	(414,562)
Ending Balance	\$ 12,336,941	\$ 10,356,268	\$ 1,980,673

Sensitivity of the net pension liability to changes in the discount rate. The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.6%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.6%) or 1% higher (8.6%) than the current rate.

	1.00% Decrease (6.6%)	Current Discount Rate (7.6%)	1.00% Increase (8.6%)
Net Pension Liability of the Road Commission	\$ 3,464,658	\$ 1,980,673	\$ 734,679

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

For the year ending September 30, 2021, the Road Commission recognized pension expense of (\$128,405). At September 30, 2021, the Road Commission reported deferred outflow and inflow of resources related to pensions from the following sources:

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	\$ -	\$ 334,886
Differences in Experience	77,321	156,442
Changes in Assumptions	461,806	-
Contributions subsequent to the measurement date*	360,000	-
Total	\$ 899,127	\$ 491,328

*The amount reported as deferred outflow 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, 2021.

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

Years Ending December 31	Amount
2021	\$ (3,894)
2022	117,133
2023	(69,264)
2024	3,824

NOTE H--DEFERRED COMPENSATION PLAN

The Newaygo County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in annuity contracts described in IRC Section 457(g) 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 the Section 457 plans and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE H--DEFERRED COMPENSATION PLAN (Continued)

of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements. The Road Commission will match up to \$5,000 for the Manager and \$1,500 for all other office and administrative staff. For the fiscal year ending September 30, 2021, employees contributed \$81,683 while the Road Commission contributed \$23,448.

The Newaygo County Road Commission offers commissioners appointed after March 1, 2010, deferred compensation plans created in accordance with the Internal Revenue Code (IRC), Section 401(a). The assets of the plans are held in annuity contracts described in IRC Section 401(a) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by MERS for the exclusive benefit of the participants and beneficiaries of the Section 401(a) plans and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements. The Road Commission provides two options to the commissioners: Commissioners can elect to contribute 0% or 3% and the Road Commission will then match 5% or 8%, respectively. For the fiscal year ending September 30, 2021, commissioners contributed \$137 while the Road Commission contributed \$455.

NOTE I--POST EMPLOYMENT HEALTHCARE BENEFITS

Plan Description. In addition to the pension benefits described in Note G, the Road Commission administers a single-employer defined benefit healthcare plan. The Road Commission provides postemployment healthcare insurance benefits to certain retired union and administrative employees through the Road Commission's group health insurance plan which covers both active and retired members. Benefit provisions are established through negotiations between the Road Commission and the union in accordance with the labor contract and personnel policy which is negotiated every three-year bargaining period.

Benefits Provided. The Road Commission provides postemployment healthcare benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The Road Commission pays all costs for health insurance premiums, including spouse, for management employees who retire at age 55 with 30 years of service, continuing until the retiree reaches age 65, or from early optional retirement date of age 55 with 10 years or more of service and continuing until the retiree and his spouse reach age 65. After age 65,

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

retirees must reimburse the employer for the cost of insurance. The Road Commission agrees to pay 75% of the Medicare Supplement health insurance premium for management retirees after age 65.

Effective June 1, 2010, for all new union employees, the Road Commission stopped providing retiree health insurance benefits for spouses. Spouses may remain on the group plan if they pay 100% of their premium. Furthermore, for new hires effective June 1, 2010, the Road Commission stopped paying any percentage of the Medicare Supplement once the retiree reaches age 65.

Employees who retire before the respective age limits do not qualify for health insurance even though they may have the required years of service.

Employees covered by benefit terms. At the September 30, 2021, the following employees were covered by the benefit terms:

Retirees and Beneficiaries	11
Active Plan Participants	<u>42</u>
Total Participants	<u><u>53</u></u>

Contributions. The Newaygo County Road Commission Retiree Health Care Plan was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. Currently, benefit payments are made from the general operating funds. Active participants do not make contributions to the plan. There are no long-term contracts for contributions to the plan. The Road Commission had no obligation to make contributions in advance of when the insurance premiums were due for payment (in other words, this was financed on a "pay-as-you go" basis). During the year, the Road Commission contributed \$151,354 for the benefit. In addition to the "pay-as-you-go" amount, the Road Commission also contributed \$300,000 to a MERS OPEB Trust Fund.

Net OPEB Liability. The Road Commission's net OPEB liability was measured as of September 30, 2021.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of the September 30, 2021 measurement date. The following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	3.0% (for purpose of allocating liability)
Investment rate of return	7.35% (including inflation)

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

20-year Aa Municipal bond rate	2.43% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount Weighted
Improvement Scale	MP-2021

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	60.0%	5.25%
Global Fixed Income	20.0%	1.25%
Private Assets	20.0%	7.25%

The sum of each target allocation times its long-term expected real rate is 7.35%.

Discount Rate. The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the Village will make annual contributions of \$300,000 into the OPEB trust, in addition to paying current benefits from general operating funds. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members, therefore, there is no crossover point or depletion date. Projected benefits were discounted at a discount rate equal to the Long-Term rate of return, plus inflation, as shown above. As of September 30, 2020, the discount rate used to value OPEB liabilities was 7.35%.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Changes in Net OPEB Liability

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance	\$ 3,788,017	\$ 907,955	\$ 2,880,062
Changes for the Year:			
Service Cost	90,270	-	90,270
Interest	279,492	-	279,492
Change in Expected and Actual Experience	(846,763)	-	(846,763)
Change in Actuarial Assumptions	(92,993)	-	(92,993)
Contributions - Employer	-	451,354	(451,354)
Net Investment Income	-	222,902	(222,902)
Benefit Payments, Including Refunds	(151,354)	(151,354)	-
Administrative Expenses	-	(2,180)	2,180
Net Changes	(721,348)	520,722	(1,242,070)
Ending Balance	\$ 3,066,669	\$ 1,428,677	\$ 1,637,992

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease,	Current Discount	1% Increase,
Total OPEB Liability	\$ 3,351,904	\$ 3,066,669	\$ 2,819,612
Plan Fiduciary Net Position	(1,428,677)	(1,428,677)	(1,428,677)
Net OPEB Liability	\$ 1,923,227	\$ 1,637,992	\$ 1,390,935

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE I--POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

	<u>1% Decrease,</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase,</u>
Total OPEB Liability	\$ 2,782,233	\$ 3,066,669	\$ 3,399,497
Plan Fiduciary Net Position	<u>(1,428,677)</u>	<u>(1,428,677)</u>	<u>(1,428,677)</u>
Net OPEB Liability	<u>\$ 1,353,556</u>	<u>\$ 1,637,992</u>	<u>\$ 1,970,820</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2021, the Road Commission recognized OPEB expense of (\$715,286). On September 30, 2021, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in Experience	\$ -	\$ 908,551
Differences in Assumptions	-	812,093
Excess (Deficit) Investment Returns	-	<u>110,229</u>
Total	<u>\$ -</u>	<u>\$ 1,830,873</u>

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

<u>Years Ending September 30</u>	<u>Amount</u>
2022	\$ (558,194)
2023	(559,602)
2024	(428,865)
2025	(226,026)
2026	(58,186)

NOTE J--TRUNKLINE MAINTENANCE REVENUE

The difference between the State Trunkline maintenance revenues of \$1,145,777 and expenditures of \$1,159,374 is the result of the Michigan Department of Transportation (MDOT) issuing auditor's report 2020-185 for the 2018 State Trunkline Maintenance contract. The reports included adjustments for fringe benefits, salt shed repairs, equipment rental, and overhead. The result of the audit decreased the payments by \$13,597.

NEWAYGO COUNTY ROAD COMMISSION

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

NOTE K--RISK MANAGEMENT

The Road Commission pays an annual premium to the Michigan County Road Commission Self-Insurance Pool (Pool) for property (buildings and contents) coverage, automobile and equipment liability, trunkline liability, errors and omissions, bodily injury, property damage, and personal injury liability. The agreement provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board. Commercial insurance was purchased for healthcare benefits.

The Road Commission also has self-insurance for workers' compensation as a member of the County Road Association Self-Insurance Fund.

As of September 30, 2021, there were no claims which exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years. Settled claims for the Road Commission have not exceeded the amount of insurance coverage in any of the past 3 years.

NOTE L--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 ending September 30, 2021, Exhibit I, the amount of Federal Grants received and expended by the Road Commission was \$1,020,252 for contracted projects and \$71,491 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered 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.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission which are subject to single audit requirements, if the amount expended is \$750,000 or more. A single audit was not performed during the fiscal year ending September 30, 2021.

NOTE M--UPCOMING REPORTING CHANGE

In June 2017, the GASB issued Statement No. 87, Leases. The Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

NEWAYGO 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				
Weight Permits	\$ -	\$ 46,000	\$ 45,388	\$ (612)
Federal Grants				
Surface Transportation Program	-	-	-	-
Critical Bridge	2,485,000	1,020,400	1,020,252	(148)
United States Forest Funds	-	208,800	193,176	(15,624)
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	5,221,701	5,763,000	5,762,729	(271)
Local Road	3,625,141	4,012,000	4,011,194	(806)
Snow Removal	56,360	60,000	59,777	(223)
Critical Bridge	-	902,000	900,789	(1,211)
Economic Development Fund				
Forest Funds (E)	101,167	101,162	101,162	-
Other State Grants	-	282,000	281,222	(778)
Contributions--Local Units				
Cities	-	8,600	25,618	17,018
Townships	2,200,000	2,943,000	2,942,681	(319)
Other Road Commissions	-	667,000	649,850	(17,150)
Charges for Services				
State Trunkline Maintenance	980,000	1,146,000	1,145,777	(223)
State Trunkline Non-Maintenance	-	116,000	115,580	(420)
Salvage Sales	-	16,000	15,423	(577)
Other Charges for Services	8,000	9,600	9,550	(50)
Interest and Rents				
Interest Earned	-	5,663	4,741	(922)
Other Revenue				
Contributions From Private Sources	-	57,000	71,899	14,899
Total Revenue	<u>14,687,369</u>	<u>17,374,225</u>	<u>17,366,808</u>	<u>(7,417)</u>
Other Financing Sources				
Gain/(Loss) on Equipment Disposal	-	847,000	846,492	(508)
Capital Lease Proceeds	-	1,058,000	1,057,925	(75)
Total Other Financing Sources	<u>-</u>	<u>1,905,000</u>	<u>1,904,417</u>	<u>(583)</u>
Total Revenues and Other Financing Sources	<u>14,687,369</u>	<u>19,279,225</u>	<u>\$ 19,271,225</u>	<u>\$ (8,000)</u>
Fund Balance--Beginning	<u>5,039,516</u>	<u>5,039,516</u>		
Total Budget	<u>\$ 19,726,885</u>	<u>\$ 24,318,741</u>		

NEWAYGO 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	\$ -	\$ 2,294,000	\$ -	\$ 2,293,201	\$ 799
Routine and Preventive Maintenance	2,388,192	1,963,000	-	1,962,149	851
Local Road					
Preservation/Structural Improvements	2,500,000	2,955,000	-	2,954,146	854
Routine and Preventative Maintenance	3,200,000	4,211,000	-	4,210,024	976
Primary Road Structure					
Preservation/Structural Improvements	1,100,000	1,466,000	-	1,465,851	149
Local Road Structure					
Preservation/Structural Improvements	2,235,178	805,000	-	804,551	449
State Trunkline Maintenance	980,000	1,160,000	-	1,159,374	626
State Trunkline Non-Maintenance	-	116,000	-	115,580	420
Equipment Expense--Net	-	(41,000)		(42,458)	1,458
Distributive Expense	250,000	-	-	-	-
Administrative Expense--Net	850,000	810,898			
Administrative Expense			910,354		
Less: Handling Charges			(101)		
Overhead--State			(99,882)	810,371	527
Capital Outlay--Net	495,000	620,000			
Capital Outlay			1,712,320		
Less: Depreciation Credits			(1,092,529)	619,791	209
Non-Road Projects	101,167	69,000		68,654	346
Debt Service					
Principal	525,337	1,347,000		1,346,940	60
Interest	62,465	51,000		50,724	276
Total Expenditures	14,687,339	17,826,898		\$ 17,818,898	\$ 8,000
Fund Balance--Ending	5,039,546	6,491,843			
Total Budget	\$ 19,726,885	\$ 24,318,741			

NEWAYGO COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S
NET PENSION LIABILITY AND RELATED RATIOS*
For the Measurement Date December 31, 2020

EXHIBIT K

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service Cost	\$ 175,268	\$ 196,703	\$ 196,577	\$ 177,678	\$ 187,810	\$ 191,352	\$ 179,394
Interest	875,221	872,310	834,320	817,969	803,153	741,891	712,639
Change in Benefits	-	465	144	742	-	-	-
Difference Between Expected and Actual Experience	(85,754)	16,651	132,442	(154,086)	(218,863)	272,344	-
Changes in Assumptions	342,876	281,260	-	-	-	393,132	-
Benefit Payments Including Employee Refunds	(798,195)	(690,786)	(686,546)	(608,179)	(555,508)	(544,803)	(542,029)
Net Change in Total Pension Liability	509,416	676,603	476,937	234,124	216,592	1,053,916	350,004
Total Pension Liability Beginning	11,827,525	11,150,922	10,673,985	10,439,861	10,223,269	9,169,353	8,819,349
Total Pension Liability Ending	<u>\$ 12,336,941</u>	<u>\$ 11,827,525</u>	<u>\$ 11,150,922</u>	<u>\$ 10,673,985</u>	<u>\$ 10,439,861</u>	<u>\$ 10,223,269</u>	<u>\$ 9,169,353</u>
Plan Fiduciary Net Position							
Contributions-Employer	\$ 480,000	\$ 489,351	\$ 480,000	\$ 476,509	\$ 479,974	\$ 469,357	\$ 467,682
Contributions-Employee	68,153	65,075	58,663	49,626	44,467	42,410	33,093
Net Investment Income	1,192,903	1,145,023	(350,297)	1,058,717	825,804	(111,695)	442,051
Benefit Payments Including Employee Refunds	(798,195)	(690,786)	(686,546)	(608,179)	(555,508)	(544,803)	(542,029)
Administrative Expense	(18,883)	(19,725)	(17,346)	(16,752)	(16,290)	(16,223)	(16,276)
Net Change in Plan Fiduciary Net Position	923,978	988,938	(515,526)	959,921	778,447	(160,954)	384,521
Plan Fiduciary Net Position Beginning	9,432,290	8,443,352	8,958,878	7,998,957	7,220,510	7,381,464	6,996,943
Plan Fiduciary Net Position Ending	<u>\$ 10,356,268</u>	<u>\$ 9,432,290</u>	<u>\$ 8,443,352</u>	<u>\$ 8,958,878</u>	<u>\$ 7,998,957</u>	<u>\$ 7,220,510</u>	<u>\$ 7,381,464</u>
Employer Net Pension Liability	<u>\$ 1,980,673</u>	<u>\$ 2,395,235</u>	<u>\$ 2,707,570</u>	<u>\$ 1,715,107</u>	<u>\$ 2,440,904</u>	<u>\$ 3,002,759</u>	<u>\$ 1,787,889</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84%	80%	76%	84%	77%	71%	81%
Covered Employee Payroll	\$ 2,106,700	\$ 2,137,919	\$ 2,152,976	\$ 1,944,053	\$ 2,021,952	\$ 1,990,205	\$ 1,846,410
Employer's Net Pension Liability as a Percentage of Covered Employee Payroll	94%	112%	126%	88%	121%	151%	97%

Notes to Schedule:

There were no significant benefit changes affecting the 2020 valuation.

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.

Changes in assumptions: In 2016, amounts reported as changes of assumptions resulted primarily from adjustments to the mortality table to reflect longer lifetimes, decreases in the assumed rate of return, and changes in asset smoothing. In 2020, amounts reported as changes of assumptions resulted primarily from a decrease in the assumed rate of return from , 7.75% to 7.35% and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%. For 2020, a five year experience study analyzing historical experience from 2013 through 2018 was completed and changes in assumptions were made to update demographic assumptions. Adjustments were made to the following actuarial assumptions: mortality, retirement, disability, and termination rates.

NEWAYGO COUNTY ROAD COMMISSION
 SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS--PENSION
 For the Fiscal Year Ended September 30, 2021

EXHIBIT L

	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial Determined Contributions	\$ 310,304	\$ 276,888	\$ 287,653	\$ 287,371	\$ 256,518	\$ 264,535	\$ 258,203	\$ 252,346	\$ 248,447
Contributions in Relation to the Actuarially Determined Contribution	480,000	480,000	490,116	480,000	476,483	469,358	467,682	496,453	360,272
Contribution Deficiency (Excess)	\$ (169,696)	\$ (203,112)	\$ (202,463)	\$ (192,629)	\$ (219,965)	\$ (204,823)	\$ (209,479)	\$ (244,107)	\$ (111,825)
Covered Employee Payroll	\$ 2,106,700	\$ 2,137,919	\$ 2,152,976	\$ 1,944,053	\$ 2,021,952	\$ 1,990,205	\$ 1,846,410	\$ 1,738,653	\$ 1,606,726
Contributions as a Percentage of Covered Employee Payroll	23%	22%	23%	25%	24%	24%	25%	29%	22%

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 18 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-Normal
 Amortization Method Level percentage of payroll, open
 Remaining Amortization Period 18 years
 Asset Valuation Method Five-year smoothed market
 Inflation 2.5%
 Salary Increases 3% in the long-term
 Investment Rate of Return 7.4%
 Mortality A version of Pub-2010 and Fully generational MP-2019

NEWAYGO COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN THE ROAD COMMISSION'S
NET OPEB LIABILITY AND RELATED RATIOS*
For the Fiscal Year Ended September 30, 2021

EXHIBIT M

	2021	2020	2019	2018
Total OPEB Liability				
Service Cost	\$ 90,270	\$ 129,089	\$ 190,762	\$ 269,661
Interest	279,492	267,764	198,819	154,536
Difference Between Expected and Actual Experience	(846,763)	(73,057)	(323,776)	(76,478)
Changes in Assumptions	(92,993)	(491,374)	(385,022)	(687,717)
Benefit Payments Including Employee Refunds	(151,354)	(120,548)	(96,717)	(98,932)
Net Change in Total OPEB Liability	(721,348)	(288,126)	(415,934)	(438,930)
Total OPEB Liability Beginning	3,788,017	4,076,143	4,492,077	4,931,007
Total OPEB Liability Ending	<u>\$ 3,066,669</u>	<u>\$ 3,788,017</u>	<u>\$ 4,076,143</u>	<u>\$ 4,492,077</u>
Plan Fiduciary Net Position				
Contributions-Employer	\$ 451,354	\$ 420,548	\$ 396,717	\$ 258,932
Net Investment Income	222,902	56,376	15,745	4,836
Benefit Payments Including Employee Refunds	(151,354)	(120,548)	(96,717)	(98,932)
Administrative Expense	(2,180)	(1,303)	(757)	(310)
Net Change in Plan Fiduciary Net Position	520,722	355,073	314,988	164,526
Plan Fiduciary Net Position Beginning	907,955	552,882	237,894	73,368
Plan Fiduciary Net Position Ending	<u>\$ 1,428,677</u>	<u>\$ 907,955</u>	<u>\$ 552,882</u>	<u>\$ 237,894</u>
Employer Net OPEB Liability	<u>\$ 1,637,992</u>	<u>\$ 2,880,062</u>	<u>\$ 3,523,261</u>	<u>\$ 4,254,183</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47%	24%	14%	5%
Covered Employee Payroll	\$ 2,406,591	\$ 2,373,543	\$ 2,393,846	\$ 1,823,409
Employer's Net OPEB Liability as a Percentage of Covered Employee Payroll	68%	121%	147%	233%

Notes to Schedule:

*10-Year Schedule as Required by GASB Statement No. 75 will be built prospectively upon implementation of the standard.

Assumption changes: Mortality improvement scale updated to the MP-2021 scale, trend rates and salary scale updated to those prescribed by PA 202 for year 2021.

NEWAYGO COUNTY ROAD COMMISSION
 SCHEDULE OF ROAD COMMISSION'S CONTRIBUTIONS--OPEB
 For the Fiscal Year Ended September 30, 2021

EXHIBIT N

	2021	2020	2019	2018
Actuarial Determined Contributions	\$ 660,364	\$ 719,640	\$ 736,810	\$ 778,204
Contributions in Relation to the Actuarially Determined Contribution	451,354	420,548	396,717	258,932
Contribution Deficiency (Excess)	\$ 209,010	\$ 299,092	\$ 340,093	\$ 519,272
Covered Employee Payroll	\$ 2,406,591	\$ 2,373,543	\$ 2,393,846	\$ 1,823,409
Contributions as a Percentage of Covered Employee Payroll	19%	18%	17%	14%

Notes to Schedule

10 Year Requirement for Disclosure The ten year requirement of information will be built prospectively.

Actuarial Valuation Information Relative to the Determination of Contributions:

Valuation Date September 30, 2021
 Measurement Date September 30, 2021

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal (level of percentage of compensation)
 Asset Valuation Method Market Value
 Discount Rate 7.35% for 2021 contribution, 2021 liability, and 2022 contribution
 20-year Aa Municipal Bond Rate 2.43% (S&P Municipal Bond 20-Year High Grade Rate Index)
 Salary Scale 3% (for purpose of allocating liability)
 Return on Plan Assets 7.35%
 Mortality 2010 Public General Employee and Healthy Retirees, Headcount weighted, MP-2021
 Utilization 100% of covered employees at the valuation date will elect the same coverage at retirement; actual coverage used for non active; 50% of current retirees under age 65 will continue coverage after attaining age 65.

Assumption Changes Since Prior Evaluation

1. Mortality improvement scale updated from MP-2020 to MP-2021
2. Salary scale updated from 3.5% to 3%
3. Trend rates updated to those prescribed by Public Act 202 for year 2021

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

EXHIBIT O

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 8,044,387	\$ 7,964,895	\$ 1,357,526	\$ 17,366,808
Total Expenditures	<u>6,050,107</u>	<u>8,428,274</u>	<u>3,340,517</u>	<u>17,818,898</u>
Excess of Revenues Over (Under) Expenditures	<u>1,994,280</u>	<u>(463,379)</u>	<u>(1,982,991)</u>	<u>(452,090)</u>
Other Financing Sources (Uses)				
Gain/(Loss) on Equipment Disposal	-	-	846,492	846,492
Capital Lease Proceeds	-	-	1,057,925	1,057,925
Optional Transfers	<u>(800,000)</u>	<u>800,000</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(800,000)</u>	<u>800,000</u>	<u>1,904,417</u>	<u>1,904,417</u>
Net Change in Fund Balance	1,194,280	336,621	(78,574)	1,452,327
Fund Balance--Beginning	<u>2,833,763</u>	<u>2,003,311</u>	<u>202,442</u>	<u>5,039,516</u>
Fund Balance--Ending	<u><u>\$ 4,028,043</u></u>	<u><u>\$ 2,339,932</u></u>	<u><u>\$ 123,868</u></u>	<u><u>\$ 6,491,843</u></u>

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

EXHIBIT P

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Licenses and Permits				
Weight Permits	\$ -	\$ -	\$ 45,388	\$ 45,388
Federal Grants				
Critical Bridge	451,871	568,381	-	1,020,252
United States Forest Funds	193,176	-	-	193,176
State Grants				
Michigan Transportation Fund				
Engineering	5,896	4,104	-	10,000
Allocation	5,762,729	4,011,194	-	9,773,923
Snow Removal	59,777	-	-	59,777
Critical Bridge	723,519	177,270	-	900,789
Economic Development Fund				
Forest Funds (E)	101,162	-	-	101,162
Other State Grants	93,741	187,481	-	281,222
Contributions--Local Units				
Cities/County	-	-	25,618	25,618
Townships	-	2,942,681	-	2,942,681
Other Road Commissions	649,850	-	-	649,850
Charges for Services				
State Trunkline Maintenance	-	-	1,145,777	1,145,777
State Trunkline Non Maintenance	-	-	115,580	115,580
Salvage Sales	-	-	15,423	15,423
Other Charges for Services	-	-	9,550	9,550
Interest and Rents				
Interest Earned	2,666	1,885	190	4,741
Other Revenue				
Contributions From Private Sources	-	71,899	-	71,899
Total Revenue	8,044,387	7,964,895	1,357,526	17,366,808
Other Financing Sources				
Gain/(Loss) on Equipment Disposal	-	-	846,492	846,492
Capital Lease Proceeds	-	-	1,057,925	1,057,925
Total Other Financing Sources	-	-	1,904,417	1,904,417
Total Revenue and Other Financing Sources	\$ 8,044,387	\$ 7,964,895	\$ 3,261,943	\$ 19,271,225

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

EXHIBIT Q

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 2,293,201	\$ -	\$ -	\$ 2,293,201
Routine and Preventive Maintenance	1,962,149	-	-	1,962,149
Local Road				
Preservation/Structural Improvements	-	2,954,146	-	2,954,146
Routine and Preventive Maintenance	-	4,210,024	-	4,210,024
Primary Road Structures				
Preservation/Structural Improvements	1,465,851	-	-	1,465,851
Local Road Structures				
Preservation/Structural Improvements	-	804,551	-	804,551
State Trunkline Maintenance	-	-	1,159,374	1,159,374
State Trunkline Non-Maintenance	-	-	115,580	115,580
Equipment Expense--Net (Per Exhibit J)	(9,759)	(26,647)	(6,052)	(42,458)
Administrative Expense--Net (Per Exhibit J)	338,665	471,706	-	810,371
Capital Outlay--Net (Per Exhibit J)	-	-	619,791	619,791
Non-Road Projects	-	14,494	54,160	68,654
Debt Service				
Principal Payments	-	-	1,346,940	1,346,940
Interest Payments	-	-	50,724	50,724
Total Expenditures	<u>\$ 6,050,107</u>	<u>\$ 8,428,274</u>	<u>\$ 3,340,517</u>	<u>\$ 17,818,898</u>



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 2, 2022

Board of County Road Commissioners
Newaygo County Road Commission
935 One Mile Road
White Cloud, Michigan 49349

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, the major fund, and the aggregate remaining fund information of the Newaygo County Road Commission, Newaygo County, Michigan, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Newaygo County Road Commission's basic financial statements, and have issued our report thereon dated March 2, 2022.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Newaygo 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, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Newaygo County Road Commission's Responses to Findings

Newaygo County Road Commission's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Road Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements 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, not to provide an opinion on the effectiveness of the Newaygo County Road Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Newaygo County Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. 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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 2, 2022

Board of County Road Commissioners
Newaygo County Road Commission
935 One Mile Road
White Cloud, Michigan 49349

RE: Report to Those Charged With Governance

Dear Commissioners:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Newaygo County Road Commission, Newaygo County, Michigan, for the fiscal year ended September 30, 2021, and have issued our report thereon dated March 2, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you January 20, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Newaygo 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 Newaygo County Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

affecting the governmental activities in the government-wide statements relates to depreciation, the net pension liability, and the liability related to other post-employment benefits.

Management's estimate of the depreciation is based on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. 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. For retiree health care, estimates and assumptions are determined by an actuary, based on the Road Commission's negotiations with its bargaining units and resolutions of the Board of County Road Commissioners. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

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

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 2, 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 Newaygo 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, pension trend data, and other postemployment benefit trend data in Exhibits I through N, 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 O through Q, 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.

Restriction on Use

This information is intended solely for the use of the Board of County Road Commissioners and management of the Newaygo 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