

**OCEANA COUNTY ROAD COMMISSION
HART, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other supplementary information)**

YEAR ENDED DECEMBER 31, 2023

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WITH *GOVERNMENT AUDITING STANDARDS*53-54



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912

☎ 517.323.7500

☎ 517.323.6346

INDEPENDENT AUDITOR'S REPORT

To the Board of the County Road Commissioners of
Oceana County
Hart, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission (the Commission), a component unit of Oceana County, Michigan, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission, as of December 31, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2024, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Commission's internal control over financial reporting and compliance.

Maney Costeiran PC

June 21, 2024

OCEANA COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Oceana County Road Commission's (the "Commission") financial performance provides an overview of the Commission's financial activities for the year ended December 31, 2023. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission and present a long-term view of the Commission's finances. Fund financial 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 Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

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

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

Reporting the Commission as a Whole

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information about the Commission, as a whole, and about its activities in a way that helps answer the question of whether the Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Commission's net position and how they have changed. The reader can think of the Commission's net position (the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as one way to measure the Commission's financial health or financial position. Over time, increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Financial Statements

The Commission currently has two funds, the General Operating Fund and the Retired Employees Healthcare Trust Fund. All of the Commission's activities are accounted for in the General Operating Fund. The General Operating Fund is a governmental fund type. The General Operating Fund's budget vs. actual schedules and notes are located in the RSI. The supplementary information provides additional detailed information about the General Operating Fund.

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

Financial Analysis of the Road Commission as a Whole

The Commission's net position increased from \$39,346,907 to \$42,750,974 during the year ended December 31, 2023. The net position and change in net position are summarized below.

Net Position

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

Net position increased \$3,404,067 during 2023 mainly due to increases in MTF, Federal Aid Projects, Township Contributions, Township road millages, and NOAA funding for culverts.

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Net Position (continued)

A comparison of net position as of the years ended December 31, 2023 and 2022, follows:

	2023	2022
ASSETS		
Current and other assets	\$ 5,159,933	\$ 5,283,833
Capital assets	39,301,550	36,237,791
TOTAL ASSETS	44,461,483	41,521,624
DEFERRED OUTFLOWS OF RESOURCES	46,511	102,560
LIABILITIES		
Current liabilities	1,257,742	1,177,098
Noncurrent liabilities	455,477	1,038,451
TOTAL LIABILITIES	1,713,219	2,215,549
DEFERRED INFLOWS OF RESOURCES	43,801	61,728
NET POSITION		
Net investment in capital assets	38,325,575	34,952,638
Restricted	106,916	-
Unrestricted	4,318,483	4,394,269
TOTAL NET POSITION	\$ 42,750,974	\$ 39,346,907

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Changes in Net Position

The following table presents comparison of changes in net position between 2023 and 2022.

	Governmental Activities	
	2023	2022
REVENUES		
Program revenues		
Charges for services	\$ 1,450,764	\$ 1,850,385
Operating grants and contributions	8,778,890	8,040,180
Capital grants and contributions	3,052,123	6,809,180
General revenues		
Interest	130,485	13,673
Gain on disposal of capital assets	26,500	-
Other	5,785	78,376
	13,444,547	16,791,794
EXPENSES		
Primary road	3,441,340	3,437,775
Local road	2,837,596	2,855,102
State trunkline	1,359,420	1,703,334
Administrative - net	362,246	407,872
Equipment - net	(603,744)	(874,011)
Drains at large	2,090	160
Infrastructure depreciation	2,583,124	2,415,208
Interest expense	58,408	62,785
	10,040,480	10,008,225
	INCREASE IN NET POSITION	INCREASE IN NET POSITION
	\$ 3,404,067	\$ 6,783,569

The Oceana County Road Commission's Fund Level Information

The Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for road and highway purposes. For the year ended December 31, 2023, the fund balance of the General Operating Fund decreased \$39,832 as compared to an increase of \$1,186,311 in fund balance for the year ended December 31, 2022. Total operating revenues and other financing sources were \$13,444,547 a decrease of \$3,347,247 as compared to the prior year. Total expenditures were \$13,484,379, a decrease of \$2,121,104 as compared to the prior year. This decrease was caused in large part by several townships that had large road bonds in 2022 and not in 2023. Also, a large Federal Aid paving project on 192nd and bridge rehab on 192nd and Arthur were delayed to 2024 due to MDOT's bid process.

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

A comparison of changes in the General Operating Fund for the year ended December 31, 2023 and 2022, follows:

	General Operating Fund	
	2023	2022
REVENUES		
Licenses and permits	\$ 64,610	\$ 57,405
Intergovernmental	11,831,013	14,849,360
Charges for services	1,386,154	1,792,980
Interest	130,485	13,673
Other	5,785	78,376
	<u>13,418,047</u>	<u>16,791,794</u>
TOTAL REVENUES	<u>13,418,047</u>	<u>16,791,794</u>
EXPENDITURES		
Current		
Primary road	5,619,974	8,562,113
Local road	5,346,596	5,541,825
State trunkline	1,359,420	1,703,334
Administrative - net	400,758	403,248
Equipment - net	128,236	(565,082)
Drain assessment	2,090	160
Capital outlay - net	426,207	(209,622)
Debt service	201,098	169,507
	<u>13,484,379</u>	<u>15,605,483</u>
TOTAL EXPENDITURES	<u>13,484,379</u>	<u>15,605,483</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(66,332)	1,186,311
OTHER FINANCING SOURCES		
Sale of capital assets	26,500	-
	<u>26,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(39,832)	1,186,311
Fund balance, beginning of year	4,542,822	3,356,511
	<u>4,542,822</u>	<u>3,356,511</u>
Fund balance, end of year	<u>\$ 4,502,990</u>	<u>\$ 4,542,822</u>

Budgetary Highlights

Prior to the beginning of any year, the Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Commission Board acts to amend its budget to reflect changes in these original assumptions, facts, and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the Board reviews and authorizes large expenditures when requested throughout the year.

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The final amended revenue budget for 2023 was \$86,075 higher than the original budget. The actual revenue recognized during 2023 was less than the final amended budget by \$4,466,599. This decrease was caused in large part by a large Federal Aid paving project on 192nd and bridge rehab on 192n and Arthur being postponed to 2024 due to delayed in MDOT's bid letting process. Also, a large paving project on Shelby Rd that was funded by a State TEDF Category A grant was moved to 2024, and a large Timber Bridge being built at Marshville Dam was postponed to 2024.

The final amended expenditures budget for 2023 was \$854,276 higher than the original budget. The actual expenditures recognized during 2023 were \$3,068,268 less than the final amended budget. The Commission amended the budget due to a decrease in revenue and road work. The Commission had a decrease in labor and material which corresponded to the decrease in work.

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2023, the Commission has invested \$39,301,550 in net capital assets. This amount represents a net increase (including additions and deletions) of \$3,063,759 as follows:

	2023	2022
Capital assets not being depreciated		
Land and land improvements	\$ 62,094	\$ 62,094
Construction in progress	277,474	254,846
	339,568	316,940
Capital assets being depreciated/depleted		
Buildings	2,871,324	2,871,324
Equipment -		
Road	9,815,008	8,671,785
Shop	166,404	166,404
Infrastructure -		
Roads	44,510,556	41,999,415
Bridges	12,680,823	11,878,529
	70,044,115	65,587,457
Subtotal	70,044,115	65,587,457
TOTAL CAPITAL ASSETS	70,383,683	65,904,397
TOTAL ACCUMULATED DEPRECIATION	(31,082,133)	(29,666,606)
TOTAL NET CAPITAL ASSETS	\$ 39,301,550	\$ 36,237,791

**OCEANA COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Construction in progress	\$	22,628
Equipment -		
Road		1,539,839
Infrastructure -		
Roads		4,441,989
Bridges		802,294
TOTAL	\$	6,806,750

More detailed information about the Commission's capital assets is presented in Note 3 to the Financial Statements.

Debt Administration

As of December 31, 2023, the Commission had less debt outstanding related to installment purchase agreements compared to the prior year.

	Balance Dec. 31, 2022	Net change in 2023	Balance Dec. 31, 2023
Installment purchase agreements	\$ 1,285,153	\$ (309,178)	\$ 975,975

Other obligations include compensated absences. As of December 31, 2023, the Commission had \$187,217 of outstanding obligations related to compensated absences. More detailed information about the Commission's long-term liabilities is presented in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the 2024 budget. One of the factors is the economy. The Commission derives approximately 50% of its revenues from the fuel tax and license and registration fees and is continuing its cost share for local road maintenance.

Amounts appropriated for expenditures in the 2024 budget are approximately \$23,347,000, after adjusting for equipment rentals and overhead, which is approximately \$2,497,000, more than the 2023 actual expenditures. A large part of the 2024 budget is a \$3,500,000 road bond which is paving approximately 25 miles of township roads, with at least one road segment being paved in each township.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Oceana County Road Commission's administrative offices at P.O. Box 112, Hart, MI 49420.

BASIC FINANCIAL STATEMENTS

**OCEANA COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Governmental Activities
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,690,699
Due from other governmental units	1,707,725
Inventory	654,593
Total current assets	5,053,017
Noncurrent assets	
Capital assets not being depreciated	339,568
Capital assets, net of accumulated depreciation	38,961,982
Net other post-employment benefits assets	106,916
Total noncurrent assets	39,408,466
TOTAL ASSETS	44,461,483
DEFERRED OUTFLOWS OF RESOURCES	
Related to OPEB	46,511
LIABILITIES	
Current liabilities	
Accounts payable	148,671
Accrued liabilities	93,702
Advances from other governmental units	307,654
Current portion of compensated absences	141,228
Current portion of long-term debt	566,487
Total current liabilities	1,257,742
Noncurrent liabilities	
Noncurrent portion of compensated absences	45,989
Noncurrent portion of long-term debt	409,488
Total noncurrent liabilities	455,477
TOTAL LIABILITIES	1,713,219
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	43,801
NET POSITION	
Net investment in capital assets	38,325,575
Restricted for other post-employment benefits	106,916
Unrestricted	4,318,483
TOTAL NET POSITION	\$ 42,750,974

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Primary road	\$ 3,441,340
Local road	2,837,596
State trunkline	1,359,420
Administrative - net	362,246
Equipment - net	(603,744)
Drains at large	2,090
Infrastructure depreciation	2,583,124
Interest expense	58,408
	<u>10,040,480</u>
PROGRAM REVENUES	
Charges for services	1,450,764
Operating grants and contributions	8,778,890
Capital grants and contributions	3,052,123
	<u>13,281,777</u>
NET PROGRAM REVENUES	<u>3,241,297</u>
GENERAL REVENUES	
Interest	130,485
Gain on disposal of capital asset	26,500
Other	5,785
	<u>162,770</u>
CHANGE IN NET POSITION	3,404,067
Net position, beginning of the year	<u>39,346,907</u>
Net position, end of the year	<u><u>\$ 42,750,974</u></u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2023**

	<u>General Operating Fund</u>
ASSETS	
Cash and cash equivalents	\$ 2,690,699
Due from other governmental units	
State	1,513,999
Local	193,726
Inventory	<u>654,593</u>
TOTAL ASSETS	<u><u>\$ 5,053,017</u></u>
LIABILITIES	
Accounts payable	\$ 148,671
Accrued liabilities	93,702
Advances from other governmental units	<u>307,654</u>
TOTAL LIABILITIES	<u>550,027</u>
FUND BALANCE	
Nonspendable	
Inventory	654,593
Unassigned	<u>3,848,397</u>
TOTAL FUND BALANCE	<u>4,502,990</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 5,053,017</u></u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2023**

Total fund balance - governmental fund \$ 4,502,990

Amounts reported for the governmental activities in the statement of net position are different because:

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

The cost of capital assets is	\$ 70,383,683	
Accumulated depreciation is	<u>(31,082,133)</u>	
Capital assets, net		39,301,550

Some assets are not current financial resources and therefore are not reported in the Government Funds Balance Sheet. Noncurrent assets at year-end consist of:

Net other post-employment benefits asset	106,916
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net OPEB asset as of the measurement date. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	46,511	
Deferred inflows of resources related to OPEB	<u>(43,801)</u>	
		2,710

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term liabilities at year-end consist of:

Installment purchase agreements payable	975,975	
Compensated absences	<u>187,217</u>	
		<u>(1,163,192)</u>

Net position of governmental activities \$ 42,750,974

**OCEANA COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

	<u>General Operating Fund</u>
REVENUES	
Licenses and permits	\$ 64,610
Intergovernmental	11,831,013
Charges for services	1,386,154
Interest	130,485
Other	5,785
	<u>13,418,047</u>
TOTAL REVENUES	<u>13,418,047</u>
EXPENDITURES	
Current	
Primary road	5,619,974
Local road	5,346,596
State trunkline	1,359,420
Administrative - net	400,758
Equipment - net	128,236
Drain assessment	2,090
Capital outlay - net	426,207
Debt service	201,098
	<u>13,484,379</u>
TOTAL EXPENDITURES	<u>13,484,379</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(66,332)
OTHER FINANCING SOURCES	
Sale of capital assets	26,500
	<u>26,500</u>
NET CHANGE IN FUND BALANCE	(39,832)
Fund balance, beginning of year	<u>4,542,822</u>
Fund balance, end of year	<u><u>\$ 4,502,990</u></u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

Net change in fund balance - governmental fund \$ (39,832)

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

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

Purchase of capital assets	\$ 6,551,904	
Buildings/equipment depreciation expense	(905,021)	
Infrastructure depreciation expense	<u>(2,583,124)</u>	
Excess of capital outlay over depreciation expense		3,063,759

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources, respectively, in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Payments on installment purchase agreements		<u>309,178</u>
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenue or expenditures in the governmental fund. These activities consist of:

(Decrease) in deferred outflows of resources related to OPEB	(56,049)	
Decrease in deferred inflows of resources related to OPEB	17,927	
(Increase) in compensated absences	(35,595)	
Increase in net other post-employment benefits asset	<u>144,679</u>	
		<u>70,962</u>

Change in net position of governmental activities \$ 3,404,067

**OCEANA COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2023**

	Retired Employees Healthcare Trust
ASSETS	
Investments	<u>\$ 860,081</u>
LIABILITIES	<u>-</u>
NET POSITION	
Held in trust for employee benefits	<u><u>\$ 860,081</u></u>

See notes to financial statements.

**OCEANA COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2023**

	<u>Retired Employees Healthcare Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 160,738
Investment earnings	
Net increase in fair value of investments	<u>114,523</u>
TOTAL ADDITIONS	<u>275,261</u>
DEDUCTIONS	
Administration fees	3,762
Benefits	<u>60,738</u>
TOTAL DEDUCTIONS	<u>64,500</u>
CHANGE IN NET POSITION	210,761
NET POSITION HELD IN TRUST FOR RETIRED EMPLOYEES HEALTHCARE BENEFITS	
Beginning of year	<u>649,320</u>
End of year	<u><u>\$ 860,081</u></u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oceana County Road Commission (the "Commission") is a component unit of Oceana County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for work performed for road projects throughout the County.

The Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under an elected Board of five County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to 16 Townships in Oceana County and maintains over 1,160 miles of local and primary roads.

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

Reporting Entity

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

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

Fiduciary Component Unit

The Retired Employees Healthcare Trust Fund was established to account for the assets set aside to fund the Oceana County Road Commission's Other Post-Employment Benefits Plan. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through Burnham and Flowers - CLS Investments, LLC with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities (the government-wide financial statements) present information for the Commission as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary activities are not included in the government-wide financial statements).

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

GOVERNMENT-WIDE FINANCIAL STATEMENTS (continued)

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

FUND FINANCIAL STATEMENTS

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

The *Major Fund* of the Commission is:

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

Additionally, the Commission reports the following *Fiduciary Fund*:

The *Retired Employees Healthcare Trust Fund* is used to account for the assets held in a trustee capacity to fund future retiree health benefits.

Measurement Focus

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

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Accounting

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

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

Fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

Budgets and Budgetary Accounting

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

Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of the Commission’s checking and savings accounts, held individually or as part of the County pooled accounts, and imprest cash.

Investments consist of mutual fund indexes and money market funds held by the Retired Employees Healthcare Trust Fund.

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash, Cash Equivalents, and Investments (continued)

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or Federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States Banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Inventory

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

Capital Assets

Capital assets are reported under governmental activities in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated acquisition cost at the date of donation.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Capital Assets (continued)

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

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 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

Advances from Other Governmental Units

Advances from other governmental units consist of amounts received from other units of government based on agreements for specified projects for which work has not yet begun.

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Commission reports deferred amounts which correspond to the Commission's net OPEB asset and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual OPEB plan investment earnings. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply.

Long-Term Obligations

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Commission, employees have a vested right upon termination to receive compensation for accumulated sick and vacation leave under formulas and conditions specified in the contracts. In the event of termination, an employee is paid for certain portions of unused accumulated sick and vacation time. This amount, along with related payroll taxes, is recorded in the government-wide financial statements.

Post-Employment Benefits Other Than Pension (OPEB)

The Commission offers retiree healthcare benefits to its employees. The Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. 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.

Equipment Rentals

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

Fund Balance Classifications

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

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

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

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

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance Classifications (continued)

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

Fund Balance Classification Policies and Procedures

For committed fund balance, the Commission's highest level of decision-making authority is the Board of County Road Commissioners. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is Board resolution.

For assigned fund balance, the Board has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board.

The Commission has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2023, the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of December 31, 2023, the carrying amount of the Commission's deposits was \$2,690,499 and the bank balance was \$3,185,052.

As of December 31, 2023, the Commission's cash and cash equivalents noted above were on deposit with the Oceana County Treasurer as a part of cash accounts held in the County's name. As a result, the insured and uninsured amounts related to these amounts cannot be determined. The cash and cash equivalents captions on the basic financial statements include \$200 in imprest cash.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

Foreign Currency Risk

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

Investments in Entities that Calculate Net Asset Value Per Share

The Retired Employees Healthcare Trust holds shares or interests in an investment pool 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.

The CLS Investments, LLC investment pool invests in mutual fund indexes and money market funds for the benefit of the Trust.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value Per Share (continued)

At the year ended December 31, 2023, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
CLS Investments	<u>\$ 860,081</u>	<u>\$ -</u>	No restrictions	None

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

The following summarizes the categorization of these amounts as of December 31, 2023:

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	\$ 2,690,699	\$ -	\$ 2,690,699
Investments	-	860,081	860,081
	<u>\$ 2,690,699</u>	<u>\$ 860,081</u>	<u>\$ 3,550,780</u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, was as follows:

	Balance Jan. 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2023
Capital assets not being depreciated				
Land and land improvements	\$ 62,094	\$ -	\$ -	\$ 62,094
Construction in progress	254,846	277,474	(254,846)	277,474
 Total capital assets not being depreciated	 316,940	 277,474	 (254,846)	 339,568
Capital assets being depreciated/depleted				
Buildings	2,871,324	-	-	2,871,324
Equipment -				
Road	8,671,785	1,284,993	(141,770)	9,815,008
Shop	166,404	-	-	166,404
Infrastructure -				
Roads	41,999,415	4,441,989	(1,930,848)	44,510,556
Bridges	11,878,529	802,294	-	12,680,823
 Subtotal	 65,587,457	 6,529,276	 (2,072,618)	 70,044,115
Less accumulated depreciation/depletion				
Buildings	(1,318,574)	(104,831)	-	(1,423,405)
Equipment -				
Road	(7,130,228)	(789,097)	130,677	(7,788,648)
Shop	(166,404)	-	-	(166,404)
Infrastructure -				
Roads	(15,869,456)	(2,322,070)	1,930,848	(16,260,678)
Bridges	(5,181,944)	(261,054)	-	(5,442,998)
 Subtotal	 (29,666,606)	 (3,477,052)	 2,061,525	 (31,082,133)
 Net capital assets being depreciated/depleted	 35,920,851	 3,052,224	 (11,093)	 38,961,982
 Capital assets, net	 <u>\$ 36,237,791</u>	 <u>\$ 3,329,698</u>	 <u>\$ (265,939)</u>	 <u>\$ 39,301,550</u>

The current year depreciation expense of \$3,477,052 has been adjusted by \$11,093 for the loss on disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial gains may be handled as an adjustment to the current period's depreciation expense.

Depreciation expense was charged to the following activities:

Net equipment expense	
Direct equipment	\$ 858,133
Indirect equipment	46,888
Infrastructure	<u>2,583,124</u>
	<u>\$ 3,488,145</u>

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations (including current portions) of the Commission for the year ended December 31, 2023:

	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023	Amounts Due Within One Year
Notes from direct borrowings and direct payments					
Installment purchase agreements	\$ 1,285,153	\$ -	\$ (309,178)	\$ 975,975	\$ 566,487
Compensated absences	151,622	149,972	(114,377)	187,217	141,228
	<u>\$ 1,436,775</u>	<u>\$ 149,972</u>	<u>\$ (423,555)</u>	<u>\$ 1,163,192</u>	<u>\$ 707,715</u>

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

Long-term obligations at December 31, 2023, is as follows:

\$373,689 2021 Installment purchase agreement due in annual payments ranging from \$21,773 to \$97,001 through November 15, 2026, including interest of 2.88%. This agreement was for the purchase of two wheel loaders. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

\$ 261,256

\$182,179 2021 Installment purchase agreement due in annual payments ranging from \$19,956 to \$101,998 through May 13, 2026, including interest of 1.13%. This agreement was for the purchase of an excavator. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

131,561

\$116,830 2021 Installment purchase agreement due in annual payments ranging from \$14,153 to \$58,001 through September 8, 2026, including interest of 2.89%. This agreement was for the purchase of an excavator. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

80,180

\$276,000 2019 Installment purchase agreement due in an annual payment of \$194,760 on January 10, 2024, including interest of 6.96%. This agreement was for the purchase of two motor graders. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

179,734

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

\$76,525 2019 Installment purchase agreement due in an annual payment of \$41,500 on January 30, 2024, including interest of 4.84%. This agreement was for the purchase of a skid steer. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

\$ 39,584

\$161,495 2019 Installment purchase agreement due in an annual payment of \$148,000 on April 23, 2024, including interest of 4.35%. This agreement was for the purchase of a wheel loader. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

141,831

\$168,495 2019 Installment purchase agreement due in an annual payment of \$148,000 on April 23, 2024, including interest of 4.35%. This agreement was for the purchase of a wheel loader. The agreement contains provisions that in an event of default the lender has various options including obtaining judgment for not less than the entire unpaid balance at time of default or redelivery of any and all equipment and collateral.

141,829

\$ 975,975

Compensated Absences

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

Accumulated sick and vacation represents a liability to the Commission, which is presented as a current liability in the current year because management estimates that usage in any given year will be the same percentage as the usage of the outstanding balance from the previous year.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

The annual requirements to pay long-term debt principal and interest outstanding for the following debts at December 31, 2023, are as follows:

Year Ending December 31,	Installment Purchase Agreements		
	Principal	Interest	Total
2024	\$ 566,487	\$ 43,600	\$ 610,087
2025	65,589	12,238	77,827
2026	343,899	10,276	354,175
Total	<u>\$ 975,975</u>	<u>\$ 66,114</u>	<u>\$ 1,042,089</u>

NOTE 5 - FEDERAL FINANCIAL ASSISTANCE

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2023, the Federal aid received and expended by the Commission was \$0 for contracted projects and \$207,923 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT’s single audit). Negotiated projects are projects where the road commission administers the grant and either performs the work or contracts it out. The Commission would be subject to single audit requirements if it expended \$750,000 or more for negotiated projects.

NOTE 6 - EMPLOYEE RETIREMENT SYSTEM

The Oceana County Road Commission Money Purchase Plan is a defined contribution pension plan sponsored by the Commission and covering substantially all full-time employees. This defined contribution plan is a 401 plan with EMPOWER that is administered through Morgan Stanley. Plan provisions and contribution requirements are established and may be amended by agreement between the Commission and the Local Union. Plan provisions are detailed in the plan documents which may be obtained at the Commission’s administrative offices.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant’s account, the returns earned on the investments of those contributions, and forfeitures of other participants’ benefits that may be allocated to such participant’s account. The Plan requires the employer to contribute the equivalent of nine percent (9%) of the participating employee’s straight time compensation. Employees are not required to contribute to the plan. The Commission’s contributions for the year ended December 31, 2023, were \$151,747. Commission’s contribution equaled the required contribution in accordance with the funding policy above.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Oceana County Road Commission OPEB Plan (the “Plan”) is a single-employer defined benefit healthcare plan administered by the Oceana County Road Commission. The Plan was established and is being funded under the authority of the Commission and under agreements with the unions representing employees. The Plan can be amended at the discretion of the Commission. The Plan does not issue separate stand-alone financial statements.

Benefits Provided

For all employees who were last hired before January 1, 2022, and who retire after January 1, 2002, the Commission will provide from age sixty-two (62) to age sixty-five (65), at no cost to them, provided they have attained the age of fifty nine and one-half (59 ½) with fifteen (15) years of previous service, health insurance coverage. Retirees and their spouses age 59 ½ with 15 years of service, or at age 62, are eligible to receive medical, dental, and vision coverage from age 62 to age 65. The Commission covers the cost of coverage for these benefits less the balance of premiums required to be contributed by retirees in accordance with Plan provisions. No post-employment insurance benefits (OPEB) will be provided to any employee hired full-time after December 31, 2021.

The Commission pays term life insurance premiums for all full-time employees hired prior to January 1, 2011. Upon retirement, the insurance continues at a lower rate of coverage according to the following:

Active employees	\$ 10,000
Retired while under age 70	3,000
Retired while under age 70-74	2,500
Retired while under age 75-79	1,500
Retired at age 80 and above	1,000

The Commission has no obligation to make contributions in advance of when the premiums are due for payment (i.e., may be financed on a “pay-as-you-go” basis). The current contributions being made are based on the actual cost of benefit payments and contributions made directly to the trust. Benefit payments are being made from general operating funds. Administrative costs of the Plan are paid for by the Commission.

Summary of Plan Participants

Membership in the plan at December 31, 2023, the date of the latest plan valuation, is as follows:

Retirees and beneficiaries	32
Active plan members	<u>37</u>
	<u><u>69</u></u>

Contributions

For the year ended December 31, 2023, the Commission contributed \$100,000 in addition to its portion of premium payments.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Liability (Asset)

The net OPEB liability (asset) of the Commission was measured as of December 31, 2023, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of December 31, 2023.

Investment Policy

The Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Commission's plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, with the following actuarial assumptions:

Discount rate	7.45% for 2023 contribution; 6.90% for 2023 liability and 2024 contribution
20-year Aa municipal bond rate	4.00%
Salary scale	3.00%
Return on plan assets	6.90%, including inflation
Mortality rates	2010 Public General and Healthy Retirees, Headcount weighted with IRS 2024 Adjusted Scale MP-2021 Mortality Improvement Scale

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 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 rates of return by the target asset allocation percentage and by adding expected inflation.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Assumptions (continued)

Best estimates of arithmetic rates of return for each major asset class included in the Plan's target asset allocation as of December 31, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return (including inflation)
Global equity	64.00%	7.80%
Global fixed income	26.00%	4.80%
Private Assets	5.00%	6.90%
Diversifying strategies	5.00%	6.30%

The sum of each target allocation times its long-term expected real rate, plus inflation, is 6.90%.

Changes in Benefits

There were no changes in benefit terms during the plan year 2023.

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Mortality improvement updated to IRS 2024 Adjusted Scale MP-2021
- Trend rates update to those required for uniforms assumptions under PA 202 for 2023
- Change in discount rate from 7.45% to 6.90%.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that the Commission will make annual contributions of \$100,000 to an OPEB trust in addition to making benefit payments from general operating funds on a pay-as-you-go basis. 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 - there is no cross-over point. Because there is no cross-over point ("depletion date"), projected benefits were discounted at a discount rate reflecting the long-term rate of return on assets. This discount rate is used to determine the total OPEB liability.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB Asset

The change in the net OPEB asset for the year ended December 31, 2023, is as follows:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability/(Asset) (a)-(b)
Balances at December 31, 2022	\$ 687,083	\$ 649,320	\$ 37,763
Changes for the year			
Service cost	39,322	-	39,322
Interest on total OPEB liability	51,855	-	51,855
Difference between expected and actual experience	2,585	-	2,585
Changes in assumptions	33,058	-	33,058
Contributions to trust	-	100,000	(100,000)
Contributions/benefits paid from general operating funds	-	60,738	(60,738)
Net investment income (loss)	-	114,523	(114,523)
Benefit payments, including employee refunds	(60,738)	(60,738)	-
Administrative expense	-	(3,762)	3,762
Net changes	66,082	210,761	(144,679)
Balances as of December 31, 2023	\$ 753,165	\$ 860,081	\$ (106,916)

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB (asset)	\$ (55,492)	\$ (106,916)	\$ (152,695)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1% lower or 1% higher than the current healthcare cost trend rate:

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB (asset)	\$ (145,900)	\$ (106,916)	\$ (62,894)

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Commission recognized OPEB expense of \$54,181. At December 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 13,184	\$ -
Changes in assumptions	33,327	36,041
Net difference between projected and actual earnings on OPEB plan investments	-	7,760
Total	\$ 46,511	\$ 43,801

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

Year Ending December 31,	OPEB Expense
2024	\$ (1,429)
2025	4,444
2026	14,872
2027	(15,177)
	\$ 2,710

NOTE 8 - CONTINGENT LIABILITIES

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - RISK MANAGEMENT

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

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

The Commission carries commercial insurance for the risk of loss of storage tank systems. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 10 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2023, the Commission implemented GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. The Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Commission's financial statements after the adoption of GASB Statement No. 96.

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

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

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

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

**OCEANA COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

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

NOTE 12 - SUBSEQUENT EVENT

On March 6, 2024, the Commission issued Michigan Transportation Fund Note, Series 2024, in the amount of \$3,500,000 to fund various infrastructure projects. The interest rate on the note is 4.20% with a final maturity date of April 1, 2034.

REQUIRED SUPPLEMENTARY INFORMATION

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits				
Permits	\$ 20,700	\$ 64,610	\$ 64,610	\$ -
Intergovernmental				
Federal sources				
Surface Transportation Program	2,632,000	2,302,695	-	(2,302,695)
D Funds	-	-	207,923	207,923
State sources				
Motor vehicle highway funds				
Engineering	10,000	10,000	10,000	-
Snow removal	300,000	300,000	241,027	(58,973)
Urban road	-	-	9,909	9,909
Primary road	4,700,000	4,700,000	4,638,501	(61,499)
Local road	3,700,000	3,700,000	3,103,325	(596,675)
Other	200,000	210,000	48,395	(161,605)
Economic development funds				
Rural Primary	500,000	631,293	176,735	(454,558)
Forest road	50,000	50,000	-	(50,000)
Local sources				
Township contributions	3,000,000	3,000,000	2,652,480	(347,520)
Village contributions	37,000	37,000	14,985	(22,015)
Other	1,150,000	1,150,000	727,733	(422,267)
Total intergovernmental	<u>16,279,000</u>	<u>16,090,988</u>	<u>11,831,013</u>	<u>(4,259,975)</u>
Charges for services				
State trunkline	1,410,371	1,529,277	1,373,544	(155,733)
Salvage sales	35,000	35,000	12,610	(22,390)
Total charges for services	<u>1,445,371</u>	<u>1,564,277</u>	<u>1,386,154</u>	<u>(178,123)</u>
Interest	25,000	130,486	130,485	(1)
Other				
Contributions	-	5,785	5,785	-
TOTAL REVENUES	17,770,071	17,856,146	13,418,047	(4,438,099)
OTHER FINANCING SOURCES				
Sale of capital assets	55,000	55,000	26,500	(28,500)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 17,825,071</u>	<u>\$ 17,911,146</u>	<u>\$ 13,444,547</u>	<u>\$ (4,466,599)</u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 4,000,000	\$ 4,000,000	\$ 2,495,375	\$ 1,504,625
Routine and preventative maintenance	3,439,000	3,439,000	3,124,599	314,401
Total primary road	<u>7,439,000</u>	<u>7,439,000</u>	<u>5,619,974</u>	<u>1,819,026</u>
Local road				
Preservation - structural improvements	3,000,000	3,000,000	2,794,336	205,664
Routine and preventative maintenance	3,250,000	3,250,000	2,552,260	697,740
Total local road	<u>6,250,000</u>	<u>6,250,000</u>	<u>5,346,596</u>	<u>903,404</u>
State trunkline				
Maintenance	1,402,246	1,520,468	1,351,589	168,879
Non-maintenance	8,125	8,809	7,831	978
Total state trunkline	<u>1,410,371</u>	<u>1,529,277</u>	<u>1,359,420</u>	<u>169,857</u>
Administrative				
Administration	450,000	1,110,267	585,080	525,187
Less:				
Handling charges	(35,000)	(77,831)	(77,831)	-
Overhead - state	-	-	(106,491)	106,491
Total administrative - net	<u>415,000</u>	<u>1,032,436</u>	<u>400,758</u>	<u>631,678</u>
Equipment				
Direct	500,000	1,400,000	1,278,927	121,073
Indirect	500,000	500,000	440,585	59,415
Operating	500,000	500,000	453,024	46,976
Less equipment rental	(3,000,000)	(3,000,000)	(2,044,300)	(955,700)
Total equipment - net	<u>(1,500,000)</u>	<u>(600,000)</u>	<u>128,236</u>	<u>(728,236)</u>
Drains at large				
Drain assessment	10,000	10,000	2,090	7,910
Capital outlay				
Capital outlay	1,537,000	1,537,000	1,262,191	274,809
Less depreciation and depletion	-	(848,499)	(835,984)	(12,515)
Total capital outlay - net	<u>1,537,000</u>	<u>688,501</u>	<u>426,207</u>	<u>262,294</u>
Debt service				
Principal	77,700	144,075	142,690	1,385
Interest and other fees	59,300	59,358	58,408	950
Total debt service	<u>137,000</u>	<u>203,433</u>	<u>201,098</u>	<u>2,335</u>
TOTAL EXPENDITURES	<u>\$ 15,698,371</u>	<u>\$ 16,552,647</u>	<u>\$ 13,484,379</u>	<u>\$ 3,068,268</u>

**OCEANA COUNTY ROAD COMMISSION
RETIREMENT EMPLOYEES HEALTHCARE PLAN
SCHEDULES OF CHANGES IN COMMISSION'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST SEVEN MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 39,322	\$ 58,811	\$ 45,115	\$ 50,482	\$ 27,908	\$ 55,096	\$ 53,382
Interest	51,855	41,247	44,843	44,116	62,905	37,468	37,023
Difference between expected and actual experience	2,585	22,156	10,484	(6,377)	(251,215)	(60,284)	-
Changes of assumptions	33,058	(84,745)	51,141	(223)	(37,963)	(194,477)	-
Benefit payments, including employee refunds	(60,738)	(72,212)	(57,876)	(91,987)	(80,498)	(77,979)	(78,483)
Net change in total OPEB liability	66,082	(34,743)	93,707	(3,989)	(278,863)	(240,176)	11,922
Total OPEB liability, beginning	687,083	721,826	628,119	632,108	910,971	1,151,147	1,139,225
Total OPEB liability, ending	<u>\$ 753,165</u>	<u>\$ 687,083</u>	<u>\$ 721,826</u>	<u>\$ 628,119</u>	<u>\$ 632,108</u>	<u>\$ 910,971</u>	<u>\$ 1,151,147</u>
Plan fiduciary net position							
Contributions to OPEB trust - employer	\$ 100,000	\$ 100,000	\$ 125,000	\$ 75,000	\$ 100,000	\$ 75,000	\$ -
Contributions/benefit payments made from general operating funds	60,738	72,212	57,876	91,987	80,498	77,979	78,482
Net investment income (loss)	114,523	(77,406)	56,962	61,892	41,996	(12,081)	15,271
Benefit payments, including employee refunds	(60,738)	(72,212)	(57,876)	(91,987)	(80,498)	(77,979)	(78,483)
Administrative expenses	(3,762)	(3,003)	(2,761)	(1,819)	(1,227)	(641)	(514)
Net change in plan fiduciary net position	210,761	19,591	179,201	135,073	140,769	62,278	14,756
Plan fiduciary net position, beginning	649,320	629,729	450,528	315,455	174,686	112,408	97,652
Plan fiduciary net position, ending	<u>\$ 860,081</u>	<u>\$ 649,320</u>	<u>\$ 629,729</u>	<u>\$ 450,528</u>	<u>\$ 315,455</u>	<u>\$ 174,686</u>	<u>\$ 112,408</u>
Commission's net OPEB liability (asset)	<u>\$ (106,916)</u>	<u>\$ 37,763</u>	<u>\$ 92,097</u>	<u>\$ 177,591</u>	<u>\$ 316,653</u>	<u>\$ 736,285</u>	<u>\$ 1,038,739</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	114%	95%	87%	72%	50%	19%	10%
Covered payroll	\$ 1,935,265	\$ 1,680,342	\$ 1,666,225	\$ 1,587,976	\$ 1,616,230	\$ 1,543,092	Not available
Commission's net OPEB liability (asset) as a percentage of covered payroll	-5.5%	2.2%	5.5%	11.0%	19.6%	47.7%	Not available

**OCEANA COUNTY ROAD COMMISSION
 RETIRED EMPLOYEES HEALTHCARE PLAN
 SCHEDULES OF COMMISSION'S OPEB CONTRIBUTIONS
 LAST SEVEN FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined employer contributions	\$ 48,686	\$ 75,279	\$ 78,140	\$ 101,289	\$ 129,485	\$ 418,449	\$ 319,392
Employer contributions	<u>160,738</u>	<u>172,212</u>	<u>182,876</u>	<u>166,987</u>	<u>180,498</u>	<u>152,979</u>	<u>78,483</u>
Contribution deficiency (excess)	<u>\$ (112,052)</u>	<u>\$ (96,933)</u>	<u>\$ (104,736)</u>	<u>\$ (65,698)</u>	<u>\$ (51,013)</u>	<u>\$ 265,470</u>	<u>\$ 240,909</u>
Covered payroll	\$ 1,935,265	\$ 1,680,342	\$ 1,666,225	\$ 1,587,976	\$ 1,616,230	\$ 1,543,092	Not available
Contributions as a percentage of covered payroll	8%	10%	11%	11%	11%	10%	Not available

**OCEANA COUNTY ROAD COMMISSION
 RETIRED EMPLOYEES HEALTHCARE PLAN
 SCHEDULES OF INVESTMENT RETURNS
 LAST SEVEN FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expenses	15.98%	-12.65%	10.03%	17.00%	17.58%	-6.28%	5.42%

**OCEANA COUNTY ROAD COMMISSION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Actuarial valuation information relative to the determination of contributions:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Asset valuation method	Market value
Discount rate	7.45% for 2023 contribution; 6.90% for 2023 liability and 2024 contribution
Asset valuation method	Equal to market value of assets
20-year Aa Municipal Bond Rate	4.00%
Salary Scale	3.00%
Return on plan assets	6.90%, including inflation
Mortality rates	2010 Public General and Health Retirees, Headcount weighted with IRS 2024 Adjusted Scale MP-2021 Mortality Improvement Scale

Changes in Benefits: There were no changes in benefit terms during the plan year 2023.

Changes in Assumptions: Mortality improvement updated to IRS 2024 Adjust Scale MP-2021
Trend rates update to those required for uniforms assumption under PA 202 for 2023
Discount rate updated from 7.45% to 6.90%.

OTHER SUPPLEMENTARY INFORMATION

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

TOTAL REVENUES	\$ 13,418,047
TOTAL EXPENDITURES	<u>13,484,379</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(66,332)
OTHER FINANCING SOURCES	<u>26,500</u>
NET CHANGE IN FUND BALANCE	(39,832)
Fund balance, beginning of year	<u>4,542,822</u>
Fund balance, end of year	<u><u>\$ 4,502,990</u></u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2023**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
TOTAL REVENUES	\$ 5,950,518	\$ 5,952,460	\$ 1,515,069	\$ 13,418,047
TOTAL EXPENDITURES	6,099,939	5,777,562	1,606,878	13,484,379
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(149,421)	174,898	(91,809)	(66,332)
OTHER FINANCING SOURCES	15,658	10,842	-	26,500
NET CHANGE IN FUND BALANCES	(133,763)	185,740	(91,809)	(39,832)
Fund balances, beginning of year	2,120,189	906,955	1,515,678	4,542,822
Fund balances, end of year	<u>\$ 1,986,426</u>	<u>\$ 1,092,695</u>	<u>\$ 1,423,869</u>	<u>\$ 4,502,990</u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
REVENUES				
Licenses and permits				
Permits	\$ -	\$ -	\$ 64,610	\$ 64,610
Intergovernmental				
Federal sources	207,923	-	-	207,923
State sources	4,973,155	3,254,737	-	8,227,892
Local sources	708,541	2,671,672	14,985	3,395,198
Total intergovernmental	<u>5,889,619</u>	<u>5,926,409</u>	<u>14,985</u>	<u>11,831,013</u>
Charges for services				
State Trunkline				
Direct charges	-	-	1,373,544	1,373,544
Salvage sales	-	-	12,610	12,610
Total charges for services	<u>-</u>	<u>-</u>	<u>1,386,154</u>	<u>1,386,154</u>
Interest	<u>60,899</u>	<u>26,051</u>	<u>43,535</u>	<u>130,485</u>
Other				
Contributions	<u>-</u>	<u>-</u>	<u>5,785</u>	<u>5,785</u>
TOTAL REVENUES	5,950,518	5,952,460	1,515,069	13,418,047
OTHER FINANCING SOURCES				
Sale of capital assets	<u>15,658</u>	<u>10,842</u>	<u>-</u>	<u>26,500</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 5,966,176</u>	<u>\$ 5,963,302</u>	<u>\$ 1,515,069</u>	<u>\$ 13,444,547</u>

**OCEANA COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2023**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
EXPENDITURES				
Preservation - capacity improvements	\$ 2,495,375	\$ 2,794,336	\$ -	\$ 5,289,711
Routine and preventative maintenance	3,124,599	2,552,260	-	5,676,859
State trunkline	-	-	1,359,420	1,359,420
Administrative - net	204,561	196,197	-	400,758
Equipment - net	32,590	50,486	45,160	128,236
Drain assessment	1,275	815	-	2,090
Capital outlay - net	241,539	183,468	1,200	426,207
Debt service	-	-	201,098	201,098
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u><u>\$ 6,099,939</u></u>	<u><u>\$ 5,777,562</u></u>	<u><u>\$ 1,606,878</u></u>	<u><u>\$ 13,484,379</u></u>



2425 E. Grand River Ave.,
Suite 1, Lansing, MI 48912
☎ 517.323.7500
📠 517.323.6346

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

To the Board of County Road Commissioners of
Oceana County
Hart, Michigan

We have audited, 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Oceana County Road Commission (the Commission), a component unit of Oceana County, Michigan, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated June 21, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency described below to be a material weakness.

2023-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to correctly record fiduciary fund OPEB activity. These misstatements were not detected by the Commission's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the Commission's general ledger. A similar issue was noted and reported in the previous audit.

2023-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS (continued)

Criteria: Management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position and results of operations, including the recording of all appropriate journal entries so that the trial balance, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

Cause: These misstatements were not identified as part of the Commission's internal control procedures.

Effect: Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the Commission take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The Commission will continue to work toward having all material journal entries completed before auditing fieldwork commences in the future.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiman PC

June 21, 2024