

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORT
GOGEBIC COUNTY ROAD COMMISSION
BESSEMER, MICHIGAN
September 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
Gogebic County Road Commission
Bessemer, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and the major fund and the aggregate remaining fund information of Gogebic County Road Commission, a component unit of Gogebic County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Gogebic County Road 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 Gogebic County Road Commission as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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 Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Gogebic County Road 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Gogebic County Road 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gogebic County Road 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 financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gogebic County Road 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 Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information on pages 7 through 14 and 53 through 57, respectively, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplemental 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.

Other Financial Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Gogebic County Road Commission's basic financial statements. The accompanying Other Financial Information listed in the table of contents as Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements of Gogebic County Road Commission. The Other Financial 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Other Financial 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 March 18, 2024, on our consideration of Gogebic County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Gogebic County Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Gogebic County Road Commission's internal control over financial reporting and compliance.

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
March 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

Management's Discussion and Analysis

This section of the Gogebic County Road Commission's (Commission) annual financial report presents our discussion and analysis of the Commission's financial performance during the year ended September 30, 2023. It is to be read in conjunction with the Commission's financial statements, which immediately follow and is intended to provide the financial results for the year ended September 30, 2023.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net position and the statement of activities. They report information about the Commission as a whole. The statements are prepared using the accrual basis of accounting which is the accounting method used by most private sector businesses. The statement of net position includes all of the Commission's assets, deferred outflows/inflows, liabilities and net position. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental activities of the Commission that include all services performed by the Commission. These activities are funded by Michigan Transportation Fund monies, local charges for services and federal and state grants.

The statement of net position shows the Commission's assets, deferred outflows/inflows and liabilities. The corresponding balance between the amounts equals the net position or deficit of the Commission. A deficit occurs when there are more liabilities and deferred inflows than there are assets and deferred outflows to pay those liabilities and deferred inflows. This statement measures the financial strength of the Commission; the greater the net position figure, the healthier the financial position of the Commission generally is. It helps management determine if the Commission will be able to fund current obligations and whether the Commission will have resources available for future use.

The statement of activities shows the current year change in net position on a revenue less expense basis. It generally shows the operating results for a given year of the Commission. Any excess of revenues over expenses results in a surplus for the year that in turn increases the net position (or reduces a deficit) available to fund future needs of the Commission. Any deficiency of revenues over expenses results in a deficit for the year that in turn reduces the net position of the Commission.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Commission's fund financial statements show detail of funds that are determined to be significant, called major funds. The Commission has only one fund. That fund is a special revenue fund, which is the major governmental fund. The Commission has no nonmajor funds.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting and help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Commission's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Position

The following is a September 30, 2023 and 2022, condensed statement of net position with a detailed analysis of the statement below.

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
ASSETS		
Current Assets:		
Cash	\$ 383,658	\$ 470,729
Investments	1,009,316	1,005,577
Accounts receivable	1,367,553	1,258,632
Inventories	1,349,439	1,278,104
Other current assets	<u>89,212</u>	<u>70,421</u>
Total Current Assets	\$ 4,199,178	\$ 4,083,463
Noncurrent Assets -		
Capital assets, net of allowances for depreciation	<u>33,514,319</u>	<u>32,871,714</u>
Total Assets	<u>\$ 37,713,497</u>	<u>\$ 36,955,177</u>
Deferred outflow of resources - related to pensions and other postemployment benefits	<u>\$ 3,267,526</u>	<u>\$ 1,506,445</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information (Continued)

Statement of Net Position (Continued)

	<u>Governmental Activities</u>	
	<u>September 30,</u>	
	<u>2023</u>	<u>2022</u>
LIABILITIES		
Accounts payable	\$ 305,702	\$ 172,038
Other current liabilities	<u>596,415</u>	<u>499,555</u>
Total Current Liabilities	\$ 902,117	\$ 671,593
Long-term liabilities, less current portion	<u>8,099,070</u>	<u>6,227,195</u>
Total Liabilities	<u>\$ 9,001,187</u>	<u>\$ 6,898,788</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue	\$ 445,174	\$ 516,377
Related to pensions	583,895	788,994
Related to other postemployment benefits	<u>234,492</u>	<u>234,492</u>
Total Deferred Inflows of Resources	<u>\$ 1,263,561</u>	<u>\$ 1,539,863</u>
NET POSITION		
Investment in capital assets, net of related debt	\$ 32,010,841	\$ 31,776,647
Unrestricted	<u>(1,294,566)</u>	<u>(1,753,676)</u>
Total Net Position	<u>\$ 30,716,275</u>	<u>\$ 30,022,971</u>

The Commission's net position totals \$30,716,275 at September 30, 2023. Capital assets, net of related debt are \$32,010,841. This figure is derived by taking the original costs of the Commission's assets, subtracting allowances for depreciation to date, less any outstanding debt related to the acquisition of capital assets.

The unrestricted net position is a deficit of \$1,294,566 and \$1,735,676 as of September 30, 2023 and 2022, respectively. This is the net accumulated results of past years' operations. The deficit results from the recording of the net pension and net other postemployment benefits liabilities.

Statement of Activities

The results of operations for the Commission as a whole are reported in the statement of activities. This statement reports the changes in net position for the years ended September 30, 2023 and 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

	<u>Governmental Activities</u>	
	For the year ended	
	September 30,	
	<u>2023</u>	<u>2022</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 1,823,133	\$ 1,770,961
Operating grants and contributions	7,007,017	5,921,197
Capital grants and contributions	<u>2,491,356</u>	<u>2,644,227</u>
	\$ 11,321,506	\$ 10,336,385
General Revenues - interest and other	\$ 48,534	\$ 11,165
Net loss on asset disposals	<u>(41,774)</u>	<u>(20,658)</u>
	\$ 6,760	\$ (9,493)
Total Revenues	\$ 11,328,266	\$ 10,326,892
Functions/Program Expenses -		
Public works	<u>10,634,962</u>	<u>9,438,941</u>
Change in Net Position	<u>\$ 693,304</u>	<u>\$ 887,951</u>

The Commission had an overall increase in net position of \$693,304 for the year ended September 30, 2023.

Charges for services revenues totaled \$1,823,133 and \$1,770,961 for the years ended September 30, 2023 and 2022, respectively, and are from the State trunk-line maintenance agreement with the Michigan Department of Transportation.

The Commission's program revenues totaled \$11,321,506 and \$10,336,385 for the years ended September 30, 2023 and 2022, respectively. Of this amount, \$2,136,513 or 19% and \$723,861 or 7% was from federal grants for the years ended September 30, 2023 and 2022, respectively. The federal revenues are included in the operating grants and contributions and capital grants and contributions revenue categories depending on spending restrictions.

State grants totaled \$4,595,553 or 41% and \$5,047,712 or 49% of total program revenues for the years ended September 30, 2023 and 2022, respectively. The major source of state grants are monies from the Michigan Transportation Fund. These are gas tax revenues that are returned to counties for road maintenance. Other state grants received are included in the detail of the financial statements. These revenues are split between operating grants and capital grants depending on what the monies are earmarked for.

The other major portion of revenues is rental income. The Commission charges rents based on approved State of Michigan Department of Transportation rates to all of the projects they incur expenses on during the year. The rents are spread across all of the projects and the funding sources for the projects charged for those costs. Rent revenues totaled \$2,057,318 or 18% and \$2,377,037 or 23% of total program revenues for the years ended September 30, 2023 and 2022, respectively. The revenues are categorized as operating grants.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Statement of Activities (Continued)

The Commission's total cost to fund all governmental activities was \$10,634,962 and \$9,438,941 for the years ended September 30, 2023 and 2022, respectively. All of these costs were for repairs and maintenance on the road system in Gogebic County and for administrative expenses. Costs for road construction and reconstruction are capitalized and reported as infrastructure additions in the statement of net position. This amount fluctuates from year to year based on project funding levels and the scope of work performed on various projects.

Fund Financial Statements

The governmental fund financial statements report the Commission's finances on the modified accrual basis of accounting. The Commission reports a fund equity of \$3,213,712 and \$3,162,413 at September 30, 2023 and 2022, respectively. There was an increase of \$51,299 during the year ended September 30, 2023. Total expenditures reported were \$10,080,417 for the year ended September 30, 2023 and \$8,977,180 for the year ended September 30, 2022. Salaries and wages paid to employees totaled \$2,331,965 or 23% of total expenditures and related fringes were \$1,785,711 or 18% of total expenditures for the year ended September 30, 2023. This is compared to amounts of \$2,165,041 or 24% and \$1,591,060 or 18% for the year ended September 30, 2022. Capital outlay purchases (excluding infrastructure additions) totaled \$805,092 for the year ended September 30, 2023 and \$1,626,507 for the year ended September 30, 2022.

Budgetary Comparison Schedules - Variance Analysis

The significant budget changes of the Commission for year ended September 30, 2023, included the following:

<u>Original Budget to Final Budget</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Budget Change</u>
REVENUES			
Federal Aid	\$ 2,484,154	\$ 2,054,699	\$ (429,455)
Charges for services	1,240,000	1,776,823	536,823
EXPENDITURES			
Service provided - state trunkline	1,240,000	1,776,823	536,823
Equipment expense - net	(541,348)	281,000	822,348
Distributive expenses	1,374,000		(1,374,000)
Debt service	90,200	381,600	291,400

Federal aid revenue decreased due to a change in construction projects during the year.

Charges for services revenue increased as a result of increased maintenance, including snowplowing, on the State of Michigan trunkline. The services provided – state trunkline expenditures were increased by the same amount.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Budgetary Comparison Schedules - Variance Analysis (Continued)

Equipment expense increased due to increased equipment use from an increase in plowing during the winter of 2022-2023.

Distributive expenses decreased as the Commission amended the budget prior to the end of September 30, 2023 and estimated the allocation of the distributive expenses to the expenditure categories.

Debt service expenditures increased from principal and interest paid on equipment leases payable.

There were various material budget violations reported in Note G to the financial statements. The budget violations were a result of reporting a new lease for loaders during the year ended September 30, 2023.

The initial budget for the year ended September 30, 2023 was adopted by the Commission on September 26, 2022. Final budget amendments were made on September 23, 2023.

Capital Assets

At September 30, 2023, the Commission had \$33,514,319 invested in capital assets. This amount increased during the year ended September 30, 2023 by \$642,605 consisting of additions totaling \$3,848,494, depreciation charges of \$3,140,962 and disposals with a remaining net book value of \$64,927. The additions included infrastructure additions of \$3,043,402 and building and equipment additions of \$373,501 and \$431,591 of leased equipment additions. The infrastructure capitalized includes various road construction and reconstruction completed during 2023 that meets the State of Michigan Department of Transportation guidelines and Commission policy for capitalization.

Debt (excluding net pension and other postemployment benefit liabilities)

The Commission had \$1,386,414 of long-term liabilities (excluding the pension and other postemployment benefit liabilities) at September 30, 2023. Accrued vacation and sick benefits payable to employees totals \$221,959 and increased \$45,169 during the year ended September 30, 2023. The State of Michigan Infrastructure Bank (SIB) program loan decreased \$86,193 for the year ended September 30, 2023. Leases payable increased \$155,6001 during the year ended September 30, 2023 consisting of a new lease totaling \$431,591 for three wheel loaders and lease payments of \$276,010 made on lease obligations.

Retirement and Postemployment Health Benefits Funding

The Commission continues to pay the actuarial determined contribution to the retirement plan along with additional contributions as current finances allow. The Commission received State of Michigan grant funds during year ended September 30, 2023 for an additional pension contribution. The Commission is funding the postemployment health benefits of current retirees on a pay-as-you-go basis and paying contributions to the postemployment health benefits plan as current finances allow.

Future Considerations

The Commission has adopted a budget for the fiscal year ending September 30, 2024 that will enable the Commission to meet current operating needs and fund the local match of all projects planned for the 2024 construction season. Changes in Michigan Transportation Funding and other funding sources is monitored along with actual and projected expenditures throughout the year and budget amendments are approved as required.

A collective bargaining agreement with Local 662 was signed on August 11, 2022. The three-year agreement started on January 1, 2023 and will end on December 31, 2025. The agreement will include the following changes; wage increases effective January 1, of 2023, 2024 and 2025 of 7%, 3.5% and 3.5%, respectively, for all job classifications.

The Commission plans to utilize State D Funds and Federal STP Funds to reconstruct a part of Kimberly Road in 2024. We plan to participate in the State Federal Fund Buy Back program. In exchange for our Federal STP funds the State will exchange State funds at 90% of the Federal dollar amount. The total project cost is estimated at \$989,278; with \$538,062 in State Buy Back funds, \$361,216 in State D and \$90,000 in local match.

The Commission plans to utilize Federal ERFO Funds to replace three culverts along Thayer Road in 2024. The total project cost is estimated at \$1,563,000 with 100% reimbursement from Federal ERFO Funds.

The Commission plans to utilize Federal MDOT ER Funds in 2024 to replace two culverts on Powderhorn Road, one culvert on Junet Road, one culvert on County Road 519 and thirteen culverts on Airport Road. The funds will also be used for HMA paving on Junet Road. The total project cost is estimated at \$5,211,300, with \$4,169,040 in Federal MDOT ER Funds and \$1,042,260 in local match.

The Commission plans to utilize Federal STP Funds to reconstruct Indianhead Road in 2025. The project is estimated at \$1,000,000, with \$700,000 in Federal STP Funds and \$300,000 in Federal BIA Funds.

The Commission plans to utilize State E and State F Funds to reconstruct a portion of Lake Road in 2025. The project cost is slated to cost \$670,660 with \$195,660 in State E Funds, \$375,000 in State F Funds and \$100,000 in local match.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Future Considerations (Continued)

The Commission plans to utilize Federal STP Funds to reconstruct a part of East Shore Road in 2026. The total project cost is estimated at \$1,045,000; with \$639,733 in Federal STP Funds, \$207,000 in State D Funds and \$198,267 in local match.

The Commission has resources budgeted to meet all of the matching requirements of the projects listed above for the next several years.

Contacting the Commission

If you have any questions about this report or need additional information, contact the Manager at the Gogebic County Road Commission, Courthouse Annex, Bessemer, MI 49911 or phone (906) 667-0233.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET POSITION
GOGEBIC COUNTY ROAD COMMISSION

September 30, 2023

ASSETS	
Cash	\$ 383,658
Investments	1,009,316
Accounts receivable:	
State of Michigan	956,247
Due from other governmental units	411,306
Inventories:	
Equipment parts and materials	637,233
Road materials	712,206
Prepaid insurance	89,212
Capital assets, net of accumulated depreciation	<u>33,514,319</u>
TOTAL ASSETS	\$ <u>37,713,497</u>
DEFERRED OUTFLOW OF RESOURCES	
Related to pensions	\$ 3,157,103
Related to other postemployment benefits	<u>110,423</u>
	\$ <u>3,267,526</u>
LIABILITIES	
Accounts payable:	
Construction	\$ 195,228
Trade	110,474
Due to State of Michigan	143,795
Salaries, wages and related benefits	90,795
Long term debt:	
Due in one year	361,825
Due in more than one year	1,024,589
Net pension liability	6,553,267
Net other postemployment benefit liability	<u>521,214</u>
TOTAL LIABILITIES	\$ <u>9,001,187</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue:	
Equipment and maintenance advances	\$ 438,070
Commercial Forest funds	7,104
Related to pensions	583,895
Related to other postemployment benefits	<u>234,492</u>
	\$ <u>1,263,561</u>
NET POSITION	
Investment in capital assets, net of related debt	\$ 32,010,841
Unrestricted	<u>(1,294,566)</u>
TOTAL NET POSITION	\$ <u>30,716,275</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF ACTIVITIES
GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

GOVERNMENTAL FUNCTIONS

Program expenses:

Public works:

Primary road maintenance	\$ 1,747,606
Local road maintenance	1,648,196
Services provided	1,821,946
Equipment expense	1,847,189
Net administrative expense	419,819
Other	59,493
Interest expense	18,539
Net compensated absences change	45,169
Net postemployment health benefit change	(83,462)
Net pension change	(30,495)

Depreciation expense	<u>3,140,962</u>
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TOTAL PROGRAM EXPENSES	\$ 10,634,962
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Program revenues:

Charges for services	\$ 1,823,133
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Operating grants and contributions:

Federal Aid	151,854
State Aid	4,797,845
Rents	2,057,318

Capital grants and contributions:

Federal Aid	1,984,659
State Aid	202,292
Contributions from other governmental units and others	<u>304,405</u>

TOTAL PROGRAM REVENUES	\$ <u>11,321,506</u>
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NET PROGRAM REVENUES	\$ 686,544
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General Revenues - interest, dividends and rent	48,534
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Loss on disposal of land	<u>(41,774)</u>
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CHANGE IN NET POSITION FOR THE YEAR	\$ 693,304
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Net position at October 1, 2022	<u>30,022,971</u>
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Net position at September 30, 2023	<u><u>\$ 30,716,275</u></u>
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The accompanying notes are an integral part of the financial statements.

BALANCE SHEET - GOVERNMENTAL FUND

GOGEBIC COUNTY ROAD COMMISSION

September 30, 2023

ASSETS

Cash	\$ 383,658
Investments	1,009,316
Accounts receivable:	
State of Michigan	956,247
Due from other governmental units	411,306
Inventories:	
Equipment parts and materials	637,233
Road materials	712,206
Prepaid insurance	<u>89,212</u>
	<u>\$ 4,199,178</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND EQUITY

Liabilities:

Accounts payable:	
Construction	\$ 195,228
Trade	110,474
Due to State of Michigan	143,795
Salaries, wages and related benefits	<u>90,795</u>

TOTAL LIABILITIES \$ 540,292

Deferred inflows of resources:

Unavailable revenue:	
Equipment and maintenance advances	\$ 438,070
Commercial Forest funds	<u>7,104</u>

TOTAL DEFERRED INFLOWS OF RESOURCES \$ 445,174

Fund equity:

Nonspendable for inventories and prepaid expenses	\$ 1,438,651
Assigned:	
For future budgeting purposes	162,748
For post-employment benefits and emergencies	221,162
For future capital improvements	788,154
Unassigned	<u>602,997</u>

\$ 3,213,712\$ 4,199,178

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
WITH THE STATEMENT OF NET POSITION
GOGEBIC COUNTY ROAD COMMISSION

September 30, 2023

Total fund equity of the governmental fund	\$ 3,213,712
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Amounts reported for the governmental activities in the statement of net position are different because:

Additions:

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

The cost of the capital assets is	\$ 62,152,370	
Allowance for depreciation is	<u>(28,638,051)</u>	33,514,319

Deferred outflow of resources - related to pensions	3,157,103
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Deferred outflow of resources - related to other postemployment benefits	110,423
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Reductions:

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in governmental funds	(1,386,414)
--	-------------

Deferred inflows of resources - related to pensions	(583,895)
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Deferred inflows of resources - related to other postemployment benefits	(234,492)
--	-----------

Net pension liability	(6,553,267)
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Net other postemployment benefit liability	<u>(521,214)</u>
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Total net position of governmental activities	<u>\$ 30,716,275</u>
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The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND
GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

Total revenues	\$ 9,676,972
Total expenditures	<u>10,080,417</u>
(Deficiency) of revenues over expenditures	\$ (403,445)
Other financing sources (uses):	
Lease proceeds	\$ 431,591
Proceeds from sale of land	23,153
Proceeds from guaranteed buy-back of leased assets	285,851
Payment to leasing company	<u>(285,851)</u>
	<u>\$ 454,744</u>
Excess of revenues and other financing sources over expenditures and other financing uses	\$ 51,299
Fund balance at October 1, 2022	<u>3,162,413</u>
FUND BALANCE AT SEPTEMBER 30, 2023	<u><u>\$ 3,213,712</u></u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF REVENUES - GOVERNMENTAL FUND - BUDGET AND ACTUAL

GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal Aid:			
Surface Transportation Program		\$ 681,441	
Federal Land Access Program		1,130,906	
Great American Outdoors Act		172,312	
Coronavirus Response and Relief Act		<u>151,854</u>	
	\$ 2,054,699	\$ 2,136,513	\$ 81,814
State Aid:			
Michigan Transportation Fund:			
Engineering		\$ 10,000	
Primary road		2,922,964	
Local road		1,269,901	
Primary urban road		64,860	
Local urban road		17,778	
Snow removal		512,342	
Economic Development Funds -			
Forest Road - Category E		202,292	
Protecting MI Pension Grant Program		<u>364,250</u>	
	5,160,068	\$ 5,364,387	204,319
County raised and other revenues:			
Contributions	\$ 286,144	\$ 304,405	\$ 18,261
Charges for services:			
State trunkline maintenance		\$ 1,508,429	
State trunkline nonmaintenance		313,517	
Other		<u>1,187</u>	
	1,776,823	\$ 1,823,133	46,310
Interest, dividends and rent	<u>48,450</u>	<u>48,534</u>	<u>84</u>
	<u>\$ 2,111,417</u>	<u>\$ 2,176,072</u>	<u>\$ 64,655</u>
TOTAL REVENUES	<u>\$ 9,326,184</u>	<u>\$ 9,676,972</u>	<u>\$ 350,788</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES - GOVERNMENTAL FUND - BUDGET AND ACTUAL

GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
Primary road:			
Preservation - structural improvements		\$ 2,471,068	
Maintenance		1,724,392	
Primary road structures -			
Maintenance		<u>23,214</u>	
	\$ 4,289,800	\$ 4,218,674	\$ 71,126
Local road:			
Preservation - structural improvements		\$ 572,334	
Maintenance		1,627,273	
Local road structures -			
Maintenance		<u>20,923</u>	
	2,191,000	\$ 2,220,530	(29,530)
Services provided:			
State trunkline maintenance		\$ 1,508,429	
State trunkline nonmaintenance		<u>313,517</u>	
	1,776,823	\$ 1,821,946	(45,123)
Equipment expense - net:			
Direct		\$ 1,243,664	
Indirect		652,756	
Operating		444,107	
Less equipment rental		<u>(2,057,318)</u>	
	281,000	\$ 283,209	(2,209)
Administrative expenses - net:			
Administrative expense		\$ 611,956	
Less:			
Overhead - state trunkline maintenance		(191,836)	
Other		<u>(301)</u>	
	425,790	\$ 419,819	5,971

STATEMENT OF EXPENDITURES - GOVERNMENTAL FUND -
BUDGET AND ACTUAL (CONTINUED)

	Budget	Actual	Variance Favorable (Unfavorable)
Other - non-road related	59,680	423,743	(364,063)
Debt service:			
Principal		\$ 362,203	
Interest		<u>18,539</u>	
	381,600	\$ 380,742	858
Capital outlay - net:			
Capital outlay		\$ 805,092	
Less depreciation		<u>(493,338)</u>	
	<u>210,000</u>	\$ <u>311,754</u>	<u>(101,754)</u>
TOTAL EXPENDITURES	<u>\$ 9,615,693</u>	<u>\$ 10,080,417</u>	<u>\$ (464,724)</u>

The accompanying notes are an integral part of the
financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE WITH THE STATEMENT OF ACTIVITIES
GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

Total net change in fund balance - governmental fund	\$	51,299
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in the governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the difference between capital outlays and depreciation expense in the period.

Depreciation expense	\$ (3,140,962)	
Capital outlays	<u>3,848,494</u>	707,532

Proceeds from the sale of assets is recorded as other financing sources in governmental funds. In the statement of activities, the difference between the sale proceeds and the asset net book value is recorded as a gain or loss.

Proceeds from sale of land	\$ 23,153	
Loss on disposal of assets	<u>41,774</u>	(64,927)

Proceeds from leasing activities is recorded as other financing sources in governmental funds. In the statement of net position, the amount of long-term debt incurred is recorded as long-term liabilities. (431,591)

Repayment of principal on loans and leases payable is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not effect the statement of activities. 362,203

In the statement of activities, operating expenses for compensated absences are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This is the difference between the amount paid and the amount earned. (45,169)

In the statement of activities, operating expenses for pension and other postemployment benefit related items are measured by amounts earned during the year while the governmental funds report expenditures as amounts are paid. This is the difference between the amount earned for pension and other postemployment benefit related items and the amount paid. 113,957

Change in net position of governmental activities	\$	<u><u>693,304</u></u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS
GOGEBIC COUNTY ROAD COMMISSION

September 30, 2023

NOTE A – REPORTING ENTITY

Gogebic County Road Commission (the Commission) was established pursuant to the County Road Law (MCL 224.1) and is governed by a five member Board of County Road Commissioners appointed by the Gogebic County Board of Commissioners. The Commission may not issue debt without the County's approval, and property tax levies, if any, are subject to County Board of Commissioners' approval.

The criteria established by professional accounting standards for determining the reporting entity includes oversight responsibility, fiscal dependency, whether a financial benefit or burden relationship is present and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present only Gogebic County Road Commission, a discretely presented component unit of Gogebic County, Michigan.

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Gogebic County Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (Statement of Net Position and Statement of Activities) report information on all of the activities of the Commission. The activities of the Commission are considered to be governmental activities.

The government-wide financial statements report all financial and capital assets, short and long-term liabilities, deferred inflows and outflows, revenues, expenses, gains and losses using the economic resource measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Commission's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. The Commission has one function, public works, and its program revenues are generated from charges for services, operating grants and contributions and capital grants.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, which are considered separate fiscal and accounting entities. The Commission has only one fund. That fund is a special revenue fund which is the major governmental fund.

Governmental funds are accounted for using the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenue is recognized when the revenue is subject to accrual, eligibility requirements are met and the revenues are available to finance expenditures of the fiscal period. Revenue is considered available when the revenue has been collected in the current period or soon enough after the end of the period to use to pay current fund liabilities. The Commission considers revenues to be available if collected within 60 days of the end of the period. Expenditure-based grants are recognized as revenue when revenue is available, the qualifying expenditures have been incurred and all other grant requirements have been met. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources.

Investments

Investments are stated for financial statement purposes at their fair market value and include certificates of deposit in commercial banks.

Accounts Receivable

The Commission grants credit to customers for various types of services performed. Included among its customers are federal, state and local units of government. The direct charge-off method is used for recognizing uncollectible accounts. All accounts deemed to be uncollectible as of the end of the year are charged off as an expenditure. The effects of using this method approximate those of the allowance method.

Inventories

Inventories are priced at cost as determined by the moving average method, except for stockpiled road materials, which are priced at the 2023 average unit production cost. Inventory items are charged to road construction, equipment maintenance, repairs and operations as they are used.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets include land, buildings, equipment and infrastructure and are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an acquisition cost of more than \$1,000 with an estimated useful life of at least four years. Assets costing less than \$1,000 are capitalized if they have an equipment rental rate as determined by the State of Michigan. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation.

Professional accounting standards require major networks of infrastructure assets acquired, constructed or substantially rehabilitated to be capitalized and depreciated. The Commission has capitalized the current year infrastructure as required by professional accounting standards and has reported the infrastructure in the Statement of Net Position. The Commission had the option to report infrastructure prospectively and chose to do so beginning with projects completed in 2003.

The costs of capital assets are charged to expense using an annual allocation of depreciation expense. The expense is recorded in the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function.

The capital assets are depreciated using the sum-of-the-years-digits method for road equipment and straight-line method for all other fixed assets over the useful lives as established by the Uniform Accounting Procedures Manual for Michigan County Road Commissions. It is the Commission's policy to take no depreciation in the year of construction for infrastructure assets. The lives are summarized as follows:

Land and improvements	Nondepreciable
Buildings	30 – 50 years
Road equipment	5 – 8 years
Shop equipment	10 years
Engineering equipment	4 – 10 years
Office equipment	4 – 10 years
Infrastructure – Roads	8 – 30 years
Infrastructure - Bridges	12 – 50 years

Impairment of Long-lived Assets

Management reviews long-lived assets held and used by the Commission for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

The Commission is a lessee for noncancelable leases of equipment. The Commission recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The Commission recognizes lease liabilities with an initial, individual value of \$20,000 or more.

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

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

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

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the Statement of Net Position.

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Gogebic County Employees Retirement System (GCERS) and additions to/deductions from the GCERS fiduciary net position have been determined on the same basis as they are reported by the GCERS. 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission recognizes deferred outflows of resources for pension and other postemployment benefits related items which are expensed in the plan years in which they apply.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Commission has two types of items that qualify for reporting in this category. The Commission reports unavailable revenue from equipment and maintenance advances and commercial forest revenues from the State of Michigan to be spent in future years and inflows related to pensions and other postemployment benefits.

Other Postemployment Benefits Liability

The liability recorded in the Statement of Net Position for other postemployment benefits liability is based on an actuarially determined amount.

Long-Term Debt

The Commission reports long-term debt and other long-term obligations in the Government-wide Statement of Net Position. Amounts are recorded at face value along with any accrued interest payable.

Investment in Capital Assets, Net of Related Debt

The portion of net position of the Commission that consists of capital assets, net of allowances for depreciation and reduced by any long-term liabilities attributable to the acquisition of those assets is reported as investment in capital assets, net of related debt.

Unrestricted Net Position

The portion of net position not meeting the criteria above is considered unrestricted.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include nonspendable resources and amounts that are restricted, committed, or assigned, or any combination of those classifications. The General Fund may also include an unassigned amount. The Commission's fund balances will be maintained to provide adequate fund balances and reserves in order to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset significant economic downturns or revenue shortfalls and provide funds for unforeseen expenditures related to emergencies.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) amounts are available, it shall be the policy of the Commission to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Commission that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Nonspendable Fund Balances include amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Nonspendable amounts will be determined before all other classifications and consist of the following items as applicable in any given fiscal year:

- Any long-term outstanding balances due from others
- Balance of inventories and prepaid expenses
- The corpus (principal) of any permanent funds that are legally or contractually required to be maintained intact
- Balance of any land or other nonfinancial asset held for sale

Restricted fund balances are those amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers or through enabling legislation.

Committed fund balances include amounts that can be used only for specific purposes determined by a formal action of the government's highest level of decision-making authority. Fund Balance commitments will only be used for specific purposes pursuant to a formal action of the Commission. A majority vote is required to approve a commitment and a two-thirds majority vote is required to remove a commitment. Committed Fund Balance does not lapse at year end.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance Policies (Continued)

Assigned fund balances include amounts intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. The Commission delegates the Manager or his designee the authority to assign amounts to be used for specific purposes. Such assignments cannot exceed the available fund balance in any particular fund. Assigned Fund Balance does not lapse at year end.

Unassigned fund balance includes the residual classification for the government's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used to report a deficit balance from overspending for specific purposes for which an amount has been restricted, committed or assigned.

Upon adoption of this policy, the Commission authorized the Manager to establish any standards and procedures which may be necessary for its implementation. The Manager shall review this policy at least annually and make any recommendations for changes to the Commission. An annual reporting of fund balances as classified in accordance with generally accepted accounting principles shall be reported in the annual audited financial statements of the Commission.

Use of Estimates

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

Budgetary Procedures

Budgetary procedures are established pursuant to PA 621 of 1978, as amended, (MCL 141.421) which requires the Board of County Road Commissioners to approve a budget for the County Road Fund. Prior to October 1, the Commission's chief administrative officer prepares and submits a proposed operating budget to the Board of County Road Commissioners for their review and consideration. The Board of County Road Commissioners conducts a public budget hearing and subsequently adopts the operating budget. The budget is adopted on a functional level. The Board of County Road Commissioners has authorized the chief administrative officer to amend the operating budget, when necessary, by transferring up to 20% from one line item to another. The operating budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended, by the Board of County Road Commissioners. The budget lapses on September 30.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent events

Subsequent events have been evaluated through the date of the audit report, the date the financial statements were available to be issued.

NOTE C – CASH AND INVESTMENTS

Cash is deposited with the Gogebic County Treasurer, the depository agent for cash balances of the various funds of Gogebic County. The County Treasurer combines cash balances for investment purposes. A detailed accounting of cash balances allocable to the various funds is maintained.

Deposits and investments were made in accordance with State of Michigan statutes and under authorization of the County Board of Commissioners. State of Michigan statutes authorize investments in direct obligations of the United States or an agency of the United States; banks which are members of the Federal Deposit Insurance Corporation; commercial paper rated at the time of purchase within the three highest classifications established by no fewer than two standard rating services; United States government or agency obligation repurchase agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks.

The Commission uses an imprest system with zero balances for its accounts payable and payroll checking accounts. The portion of these two accounts covered by FDIC insurance cannot be determined because the accounts are among several Gogebic County accounts in the same local banks. The investment balance reflected on the balance sheet of the General Operating Fund is represented by deposits included in Gogebic County's common municipal investment mutual fund accounts with all transfers to the accounts payable and payroll accounts approved by the Gogebic County's Board of Commissioners. Required information related to the investments may be found in Gogebic County's separately issued Audited Financial Statements.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE D – CAPITAL ASSETS

Following is a summary of the changes in the capital assets and allowances for depreciation for the year ended September 30, 2023:

	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, <u>2023</u>
Land, buildings, equipment and infrastructure:				
Land and improvements (nondepreciable)	\$ 73,053		\$ 64,927	\$ 8,126
Buildings	1,119,327	\$ 26,500		1,145,827
Road equipment	6,879,469	345,158	48,596	7,176,031
Right to Use Road Equipment	1,167,390	431,591	226,535	1,372,446
Shop equipment	65,210	1,843		67,053
Yard and storage equipment	177,694			177,694
Office equipment	141,478			141,478
Depletable assets	68,757			68,757
Infrastructure	<u>48,951,556</u>	<u>3,043,402</u>		<u>51,994,958</u>
TOTAL LAND, BUILDINGS EQUIPMENT AND INFRASTRUCTURE	\$ 58,643,934	\$ 3,848,494	\$ 340,058	\$ 62,152,370
Allowances for depreciation:				
Buildings	\$ 755,254	\$ 19,452		\$ 774,706
Road equipment	5,808,952	445,617	\$ 48,596	6,205,973
Right to Use Road equipment	212,032	297,466	226,535	282,963
Shop equipment	56,118	3,764		59,882
Yard and storage equipment	94,056	8,372		102,428
Office equipment	99,835	16,133		115,968
Infrastructure	<u>18,745,973</u>	<u>2,350,158</u>		<u>21,096,131</u>
TOTAL ALLOWANCES FOR DEPRECIATION	\$ 25,772,220	\$ 3,140,962	\$ 275,131	\$ 28,638,051
NET CARRYING AMOUNT	\$ <u>32,871,714</u>	\$ <u>707,532</u>	\$ <u>64,927</u>	\$ <u>33,514,319</u>

Depreciation expense is charged to expense categories based on the usage of equipment for each of the categories. The Commission also records depreciation expense and a corresponding revenue of equal amount to facilitate in charging allocable amounts of depreciation to the proper categories.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities (excluding net pension and net postemployment benefit liabilities) follows:

	Balance at October 1, <u>2022</u>	<u>Additions</u>	<u>Deductions</u>	Balance at September 30, <u>2023</u>	<u>Current Portion</u>
Compensated absences:					
Vacation benefits	\$ 84,060	\$ 19,703		\$ 103,763	\$ 10,585
Sick leave benefits	<u>92,730</u>	<u>25,466</u>		<u>118,196</u>	<u>2,015</u>
	\$ 176,790	\$ 45,169	\$ 0	\$ 221,959	\$ 12,600
Direct borrowings:					
Loan payable	\$ 349,978		\$ 86,193	\$ 263,785	\$ 87,055
Leases payable	<u>745,089</u>	<u>\$ 431,591</u>	<u>276,010</u>	<u>900,670</u>	<u>262,170</u>
	<u>\$ 1,095,067</u>	<u>\$ 431,591</u>	<u>\$ 362,203</u>	<u>\$ 1,164,455</u>	<u>\$ 349,225</u>
TOTALS	<u>\$ 1,271,857</u>	<u>\$ 476,760</u>	<u>\$ 362,203</u>	<u>\$ 1,386,414</u>	<u>\$ 361,825</u>

The aggregate amounts of long-term debt principal and interest maturities (excluding compensated absences) for the five years ending September 30, 2028 are:

	Direct borrowings		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 349,225	\$ 31,517	\$ 380,742
2025	357,862	22,880	380,742
2026	366,795	13,947	380,742
2027	90,573	4,710	95,283
2028	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 1,164,455</u>	<u>\$ 73,054</u>	<u>\$ 1,237,509</u>

Vacation Benefits

The Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service and pay rates of the employee. Benefits earned by each employee in the current fiscal year are to be paid to the employee in subsequent fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Sick Leave Benefits

The Commission employment policies provide that each full-time employee shall earn one day of sick leave credit for each month of service. Sick leave credits may be accumulated to a maximum of 120 days. For employees hired after December 31, 2012, sick leave credits may be accumulated to a maximum of 120 days with a maximum of 60 days accumulated for benefits paid on separation of employment.

Payment of 50% of accumulated benefits will be made if a union employee dies while in service with the Commission or is permanently laid off; and payment of 25% will be made to a union employee who voluntarily separates from employment with the Commission. No payment will be made if a union employee is discharged from service for just cause. A union employee retiring from the Commission at normal retirement age will receive payment of 60% of accumulated benefits at normal retirement age; 75% of benefits with 20-25 years of service; and 100% of benefits with 25 or more years of service.

Employees not covered by the union collective bargaining agreement receive payment of 60% of accumulated benefits at normal retirement age; 75% of benefits with 20-25 years of service; and 100% of benefits with 25 or more years of service. Payment of 25% of benefits will be made upon voluntary separation and no benefits are paid if the employee is discharged.

Loan Payable

On August 24, 2016, the Commission approved a loan agreement with the State of Michigan Infrastructure Bank for emergency road repairs. Principal on the loan is payable annually with payments due of \$89,693, payable in full on August 30, 2026. Interest on the loan is payable at an annual interest rate of 1.00%. The outstanding balance on the loan at September 30, 2023 totals \$263,785, with \$87,055 maturing during the year ending September 30, 2024. Annual principal and interest maturities are included in the schedule above.

Leases Payable

On April 18, 2018, the Commission approved the leasing of three wheel loaders. The lease is for sixty months with annual rental payments of \$47,855 beginning in 2018. The lease expired April 2023.

On September 1, 2022, the Commission entered into a lease agreement for four graders. The lease term is for sixty months with annual rental payments of \$195,766 beginning in 2022 through 2026 with a balloon payment due of \$640,126 in 2027. The Commission secured financing from K S State Bank at 2.00% related to the lease agreement. The lease includes a guaranteed buy-back of the four graders for \$640,126 by the leasing company at the end of the lease term. The Commission intends to exercise the buy-back agreement at the end of the lease term. K S State Bank is the lien-holder of the 5 year lease option. The outstanding amount on the lease as of September 30, 2023 totals \$564,363 with \$184,374 maturing during the year ending September 30, 2024. Annual principal and interest maturities are included in the schedule above.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E – LONG-TERM LIABILITIES (CONTINUED)

Leases payable (continued)

On November 1, 2022, the Commission entered into a lease agreement for three wheel loaders. The lease term is for sixty months with annual rental payments of \$95,284 beginning in 2022 through 2026 with a balloon payment due of \$315,000 in 2027. The Commission secured financing from K State Bank at 5.08% related to the lease agreement. The lease includes a guaranteed buy-back of the three wheel loaders for \$315,000 by the leasing company at the end of the lease term. The Commission intends to exercise the buy-back agreement at the end of the lease term. K S State Bank is the lien-holder of the 5 year lease option. The outstanding amount on the lease as of September 30, 2023 totals \$336,307 with \$77,796 maturing during the year ending September 30, 2024. Annual principal and interest maturities are included in the schedule above.

NOTE F – DEFERRED COMPENSATION PLAN

Road Commission employees are eligible to participate in a deferred compensation plan in addition to the normal retirement plan discussed in Note F above. The Plan was created in accordance with Internal Revenue Code Section 457. The Plan is available to substantially all full-time employees and permits employees to defer a portion of their salary until future years. Participation in the Plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All amounts of compensation deferred under the Plan and all income attributable to those amounts, are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of Plan participants and their beneficiaries.

Investments are managed by the Plan's trustees under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

It has been determined that the Commission does not have any fiduciary responsibility regarding this Plan and, accordingly, has not included any of its assets or activities in its financial statements.

NOTE G – MICHIGAN PUBLIC ACT 621 OF 1978 DISCLOSURE

Michigan Public Act 621 of 1978 (MCL 141.421) (Act), as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended September 30, 2023, the Commission was in material compliance with the Act except for the following:

	<u>Final Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Expenditures:			
Other - non-road projects	\$ 59,680	\$ 423,743	\$ (364,063)
Capital outlay	210,000	311,754	(101,754)
Other financing use -			
Payment to leasing company		285,851	(285,851)

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM

Plan Description

The Commission participates in the Gogebic County Employee Retirement System (Plan), a multi-employer defined benefit pension plan administered by Gogebic County. The Plan provides certain retirement, disability and death benefits to Plan members and beneficiaries and covers substantially all of its employees and its assets may be used only for the payment of benefits to the members of that Plan, in accordance with the terms of the Plan. The Plan issues a financial report that includes financial statements and required supplemental information. This report may be obtained by contacting the Gogebic County Retirement Board. The Plan has five divisions of which the Commission has its own division. The information below includes only the Commission unless otherwise specified.

The latest valuation date available for the Plan is September 30, 2022. The net pension liability, deferred inflows and deferred outflows related to pension and required supplementary information related to the net pension liability and contributions are reported as of the September 30, 2022 valuation date.

Benefits Provided

	<u>2022 Valuation</u>
Benefit Multiplier	2 % Multiplier
Normal Retirement Age	55
Vesting	8 years
Early Retirement (Unreduced)	55/30
Early Retirement (Reduced)	60/8
Final Average compensation:	
Less than 30 year of service	Highest 5 consecutive years of last 10 years
30 or more years of service	Highest 3 consecutive years out of last 5 years
Employee Contributions	3% under \$4,200; 5% over \$4,200 for employees with less than 8 years of service

Employees covered by benefit terms

At the September 30, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>34</u>
	<u>87</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM (CONTINUED)

Contributions

The employer is required to contribute amounts at least equal to the actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees. Employer contributions to the Plan for the year ended September 30, 2022, totaled \$626,634 with \$574,634 based on annual payroll, which is equal to the actuarial determined contribution rates to the Plan and an additional \$50,000 as approved by the Commission. Employer contributions to the Plan for the year ended September 30, 2023, totaled \$1,059,648 and are recorded as deferred outflows of resources related to pensions at September 30, 2023. Included in the employer contributions for the year ended September 30, 2023 is \$364,250 that was funded by the State of Michigan Protecting MI Pension Grant.

Net Pension Liability

The employer's Net Pension Liability was measured as of September 30, 2022, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the September 30, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 3.0% wage inflation; 2.5% price inflation

Salary Increases: 3.5% to 8.5% including inflation

Investment rate of return: 6.5%, net of administrative and investment expenses

Mortality rates used were based on the RP-2014 Mortality tables, projected on a fully generational basis using projection scale MP-2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plans target asset allocation as of September 30, 2022, these best estimates are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Large Cap Equity	33.00	%	4.05	%
Domestic Small Cap Equity	2.00		4.65	
International Equity	23.00		5.27	
Emerging Markets Equity	7.00		7.50	
Fixed Income	12.00		(0.35)	
Domestic Government Fixed Income	13.00		(0.69)	
Real Estate	2.50		3.76	
Hedge Funds	5.00		2.13	
Other Alternatives	<u>2.50</u>		3.55	
 Total	 <u>100.00</u>	 %		
Total Real Rate of Return			<u>(18.20)</u>	%

Discount Rate

A single discount rate of 6.5% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.5%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Sensitivity of the net pension liability to changes in the single discount rate of one percent lower and one percent higher is included later in this note.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM (CONTINUED)

Calculating Net Pension Liability

Changes in Net Pension Liability	Total Pension Liability (a)	<u>Increase (Decrease)</u> Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at October 1, 2022	\$ 12,619,460	\$ 7,918,416	\$ 4,701,044
Changes for the Year:			
Service Cost	\$ 293,937		\$ 293,937
Interest on Total Pension Liability	799,670		799,670
Changes in Benefits	0		0
Difference between expected and actual experience	12,433		12,433
Changes in assumptions	0		0
Employer Contributions		\$ 624,634	(624,634)
Employee Contributions		60,355	(60,355)
Net Investment Income (loss)		(1,419,247)	1,419,247
Benefit payments, including employee refunds	(927,639)	(927,639)	0
Administrative expense		(11,925)	11,925
	<u>\$ 178,401</u>	<u>\$ (1,673,822)</u>	<u>\$ 1,852,223</u>
Balances as of September 30, 2023	<u>\$ 12,797,861</u>	<u>\$ 6,244,594</u>	<u>\$ 6,553,267</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents Net Pension Liability of the employer, calculated using the discount rate of 6.5%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (5.5%) or 1% higher (7.5%) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total Pension Liability (a)	\$ 14,084,109	\$ 12,797,861	\$ 11,696,141
Fiduciary Net Position (b)	<u>6,244,594</u>	<u>6,244,594</u>	<u>6,244,594</u>
Net Pension Liability (a) - (b)	<u>\$ 7,839,515</u>	<u>\$ 6,553,267</u>	<u>\$ 5,451,547</u>

Pension Expense and Deferred Outflows of Resources Related to Pensions

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net Deferred (Inflows) Outflows of Resources</u>
Differences in experience	\$ 107,242	\$ 32,538	\$ 74,704
Differences in assumptions	382,887		382,887
Net difference between projected and actual earnings on pension plan investments	1,607,326	551,357	1,055,969
Reporting unit's contributions subsequent to measurement date	<u>1,059,648</u>	<u></u>	<u>1,059,648</u>
Total	<u>\$ 3,157,103</u>	<u>\$ 583,895</u>	<u>\$ 2,573,208</u>

\$1,059,648 reported as deferred outflows of resources related to pensions resulting from Commission employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending September 30, 2023.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H – RETIREMENT SYSTEM (CONTINUED)

Pension Expense and Deferred Outflows of Resources Related to Pensions (Continued)

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

<u>Year ending September 30,</u>	
2023	\$ 460,467
2024	381,043
2025	285,703
2026	<u>386,347</u>
Net deferred outflows of resources	<u>\$ 1,513,560</u>

NOTE I – RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission manages its risk by being a member of the Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a public entity risk pool providing general liability, auto, property and crime insurance coverage to its participating members and the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Commission is sharing risks with other members of the pools and pays an annual premium to each pool for the following coverage:

<u>Type of Coverage</u>	<u>Coverage</u>	<u>Deductible</u>
General liability	\$10,500,000	\$1,000
Physical damage:		
Building Ordinance Coverage	1,000,000	500
Property in Transit	50,000	500
At Unnamed Locations	10,000	500
Crime	25,000	1,000
Workers' compensation	Statutory limits	0
Employment Practices and Public		
Officials Errors and Omissions	10,000,000	0

The pools provide this coverage to members by internally assuming risks and reinsuring risks through commercial companies. The MCRCSIP has reinsurance up to \$10,500,000 for each member per occurrence and the CRASIF has reinsurance up to \$10,000,000 and each has the authority to make additional assessments to the members.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE I – RISK MANAGEMENT (CONTINUED)

The Commission's liabilities for its share of losses are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities can include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. The Commission does not know the incurred but not reported claims, but estimates that the potential unpaid and unreported claims do not exceed the amount of assets in either risk pool available to pay claims.

The Commission carries commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE J – FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires the Commission to report all federal and state revenues pertaining to the Commission. During the year ended September 30, 2023, the Commission incurred federal expenditures totaling \$1,812,347 for contracted projects, \$172,312 for negotiated projects and federal funds of \$151,854 for loss of revenue as a result of the coronavirus pandemic. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted federal projects are not subject to the audit requirements of the *Uniform Guidance* (Single Audit), as they are included in MDOT's Single Audit. Negotiated projects are projects performed by the Commission's employees or private contractors, paid for and administered by the Commission and are subject to Single Audit if the federal expenditures exceed \$750,000.

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS

Plan Description

Plan Administration

The Commission established and administers the Gogebic County Road Commission OPEB Plan (Plan), a single employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for all permanent full-time employees of the Commission hired prior to January 1, 2010. The Commission can amend the Plan at its discretion.

Those hired by the Commission after January 1, 2010 are not eligible for the Plan.

The latest valuation date available for the Plan is September 30, 2022. The net other postemployment benefit liability and required supplementary information related to the net other postemployment benefit liability are reported as of the September 30, 2022 valuation date.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

Plan Description (continued)

Benefits Provided

In addition to the pension benefits described in Note H, the Commission provides postemployment health care benefits through the Plan. Employees hired prior to January 1, 2010, who retire on or after attaining age 55 with 30 years of service or age 60 with 8 years of service shall be eligible for medical coverage for the retiree, spouse and dependents until the retiree attains age 65. Payment in lieu of benefit is \$300 for single, \$350 for employee and spouse and \$400 for a family per month. The Plan includes a surviving spouse benefit where the premiums paid are amounts in excess of the P.A. 152 allowed contributions. In the event of duty death, the surviving spouse is entitled to deferred coverage from age 55 to Medicare eligibility if employee accrued 8 years of service. For non-duty death, the surviving spouse is entitled to deferred coverage from age 55 to Medicare eligibility if employee was eligible for normal retirement. Benefits are provided through a third-party insurer.

Plan Membership

At September 30, 2022, the year of the most recent valuation containing census data, the Plan membership consisted of the following:

Inactive plan members or beneficiaries	
currently receiving benefit payments	2
Active plan members	<u>14</u>
	<u>16</u>

Contributions

For the year ended September 30, 2023, the Commission contributed \$83,462 to the plan.

Net OPEB Liability of the Commission

The Commission's Net OPEB Liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions

The Commissions total OPEB liability was determined as of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

Actuarial Assumptions (Continued)

Inflation	2.55%
Salary increases	3.5%
Investment rate of return	9.54%
Municipal bond rate	20 year Aa Municipal bond rate - 4.77%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021
Healthcare cost trend rates	7.25% for 2023, decreasing 0.25% per year to an ultimate rate of 4.5%

Utilization rates of the Plan are based on historical trends where 100% of covered employees at the valuation date will elect coverage at retirement, employees electing a stipend in-lieu of coverage will elect “in-lieu” at retirement and actual coverage is used for non-active employees.

The P.A. 152 allowed contributions used are \$7,305 for single coverage and \$15,276 for a married couple and is based on the actual maximum published by the Michigan Department of Treasury for 2022. Inflation on P.A. 152 allowed contributions is 2.9%.

Retirement rates are 20% for employees aged 55-59, 50% for those aged 60-61 and 100% for those 62 and over.

Marital assumption is based on historical trends where 50% of future retirees will have a covered spouse at retirement, with females three years younger than males and no future retirees will have a covered dependent child at retirement.

The claims costs assumption is based on industry acceptable methods for age-weighting actual premiums paid.

Investments

Investment Policy

The investment policy in place with respect to assets set aside for the Plan referenced above is determined based on goals and objectives of the Plan and the risk tolerance of the Commission. As new information regarding the economic environment becomes available the investment policy may need to be revised. Asset allocations fluctuate due to market performance however, the targeted OPEB asset allocation is as described below.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

Investments (continued)

Investment Policy (continued)

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

<u>Portfolio Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	31.00%	8.80%
Global Fixed Income	24.00%	8.20%
Private Assets	9.00%	9.90%
Diversifying Strategies	<u>36.00%</u>	3.90%
	<u>100.00%</u>	

Rate of Return

For the year ended September 30, 2022, the annual money-weighted rate of return on investments was 9.54%. The money-weighted rate of return expresses investment performance adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total OPEB liability was 9.54%. The projection of cash flows used to determine the discount rate assumed that Commission will make annual contributions of \$44,000 to an OPEB Trust until the year 2029 in addition to paying benefits for retirees from general operating funds. Based on this assumption, the OPEB plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. As of September 30, 2022, the discount rate used to value OPEB liabilities was 9.54%.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

Calculating Net OPEB Liability

Changes in Net OPEB Liability	Total OPEB Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net OPEB (Asset) Liability (a) - (b)
Balances at October 1, 2021	\$ 747,210	\$ 94,949	\$ 652,261
Changes for the year:			
Service Cost	\$ 18,057		\$ 18,057
Interest on Total OPEB Liability	67,496		67,496
Changes in plan terms	0		0
Difference between expected and actual experience	(138,902)		(138,902)
Changes in assumptions	(9,307)		(9,307)
Employer Contributions to OPEB trust		\$ 44,000	(44,000)
Employer Contributions from operating funds		48,732	(48,732)
Employee Contributions		0	0
Net Investment Income		(24,341)	24,341
Benefit payments, including employee refunds	(48,732)	(48,732)	
Administrative expense		0	0
Other changes	<u>0</u>	<u>0</u>	<u>0</u>
Net changes	<u>\$ (111,388)</u>	<u>\$ 19,659</u>	<u>\$ (131,047)</u>
Balances at September 30, 2022	<u>\$ 635,822</u>	<u>\$ 114,608</u>	<u>\$ 521,214</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

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

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

	1% Decrease (<u>8.54%</u>)	Discount Rate (<u>9.54%</u>)	1% Increase (<u>10.54%</u>)
Total OPEB liability	\$ 657,858	\$ 635,822	\$ 614,574
Plan fiduciary net position	<u>114,608</u>	<u>114,608</u>	<u>114,608</u>
Net OPEB liability	<u>\$ 543,250</u>	<u>\$ 521,214</u>	<u>\$ 499,966</u>

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

The following presents the net OPEB liability of the Commission, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are a one percentage point lower or a one percentage point higher than the current healthcare cost trend rates:

	1% Decrease (6.25% decreasing to <u>3.5%</u>)	Healthcare Cost Trend Rates (7.25% decreasing to <u>4.5%</u>)	1% Increase (8.25% decreasing to <u>5.5%</u>)
Total OPEB liability	\$ 607,416	\$ 635,822	\$ 666,555
Plan fiduciary net position	<u>114,608</u>	<u>114,608</u>	<u>114,608</u>
Net OPEB liability	<u>\$ 492,808</u>	<u>\$ 521,214</u>	<u>\$ 551,947</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K – POSTEMPLOYMENT HEALTH BENEFITS (CONTINUED)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2023 the Commission recognized an OPEB credit of \$83,462. The Commission reported deferred outflows and inflows of resources related to OPEB from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences in experience	\$ 0	\$ 121,502
Differences in assumptions	0	112,990
Excess Investment Returns	26,961	0
Reporting unit's contributions subsequent to the measurement date	<u>83,462</u>	<u>0</u>
	<u>\$ 110,423</u>	<u>\$ 234,492</u>

\$83,462 reported as deferred outflows of resources related to postemployment health benefits resulting from Commission employer contributions subsequent to the measurement date, will be recognized as a reduction of the net postemployment health benefits liability in the year ending September 30, 2024.

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

Year ending September 30,

2023	\$ (73,022)
2024	(73,023)
2025	(52,900)
2026	<u>(8,586)</u>
	<u>\$ (207,531)</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE L – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended September 30, 2023, the Commission implemented the following new pronouncement: Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* (Statement No. 96). GASB Statement No. 96 was issued in May 2020. This 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) required note disclosure regarding a SBITA. To the extent relevant, the standards 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 M - 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 periods, (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 2024-2025 fiscal year.

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 2024-2025 fiscal year.

REQUIRED
SUPPLEMENTARY
INFORMATION

BUDGETARY COMPARISON SCHEDULE

GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Original Budget	Final Budget	Actual
REVENUES			
Federal aid	\$ 2,484,154	\$ 2,054,699	\$ 2,136,513
State funds	4,970,871	5,160,068	5,364,387
Contributions	414,000	286,144	304,405
Charges for services	1,240,000	1,776,823	1,823,133
Interest, dividends and rent	5,000	48,450	48,534
Other	<u>3,870</u>		
TOTAL REVENUES	\$ 9,117,895	\$ 9,326,184	\$ 9,676,972
EXPENDITURES			
Primary roads	\$ 4,191,240	\$ 4,289,800	\$ 4,218,674
Local roads	2,429,600	2,191,000	2,220,530
Services provided - state trunkline	1,240,000	1,776,823	1,821,946
Equipment expense - net	(541,348)	281,000	283,209
Administrative expense - net	327,600	425,790	419,819
Distributive expenses	1,374,000		
Other - non road projects	25,000	59,680	423,743
Debt service	90,200	381,600	380,742
Capital outlay - net	<u>6,500</u>	<u>210,000</u>	<u>311,754</u>
TOTAL EXPENDITURES	\$ 9,142,792	\$ 9,615,693	\$ 10,080,417
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (24,897)	\$ (289,509)	\$ (403,445)
OTHER FINANCING SOURCES (USES)			
Lease proceeds			\$ 431,591
Proceeds from sale of land		\$ 21,060	23,153
Proceeds from guaranteed buy-back of leased assets		285,851	285,851
Payment to leasing company			<u>(285,851)</u>
		\$ 306,911	\$ 454,744
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (24,897)	\$ 17,402	\$ 51,299
Fund balance at October 1, 2022	<u>3,162,413</u>	<u>3,162,413</u>	<u>3,162,413</u>
FUND BALANCE AT SEPTEMBER 30, 2023	\$ <u>3,137,516</u>	\$ <u>3,179,815</u>	\$ <u>3,213,712</u>

The accompanying notes are an integral part of the financial statements.

SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY,
RELATED RATIOS AND NOTES
GOGEBIC COUNTY ROAD COMMISSION

	Year ended								
	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	December 31, 2015
Total Pension Liability									
Service Cost	\$ 293,937	\$ 262,537	\$ 254,292	\$ 222,442	\$ 201,766	\$ 201,766	\$ 222,607	\$ 127,802	\$ 203,945
Interest	799,670	804,558	773,285	760,320	750,839	750,839	732,471	552,724	745,149
Changes of Benefit Terms	0	0	0	0	0	0	0	0	0
Difference between expected and actual experience	12,433	(55,978)	265,182	(11,982)	(40,598)	(40,598)	(168,758)	78,198	(301,378)
Changes of assumptions	0	689,701	0	0	0	0	258,761	484,709	(100,503)
Benefit payments including employee refunds	(927,639)	(887,538)	(812,721)	(790,249)	(783,562)	(783,562)	(760,957)	(545,393)	(691,105)
Net Change in Total Pension Liability	\$ 178,401	\$ 813,280	\$ 480,038	\$ 180,531	\$ 128,445	\$ 128,445	\$ 284,124	\$ 698,040	\$ (143,892)
Total Pension Liability, beginning	<u>12,619,460</u>	<u>11,806,180</u>	<u>11,326,142</u>	<u>11,145,611</u>	<u>11,017,166</u>	<u>11,017,166</u>	<u>10,733,042</u>	<u>10,035,002</u>	<u>10,178,894</u>
Total Pension Liability, ending	\$ 12,797,861	\$ 12,619,460	\$ 11,806,180	\$ 11,326,142	\$ 11,145,611	\$ 11,145,611	\$ 11,017,166	\$ 10,733,042	\$ 10,035,002
Plan Fiduciary Net Position:									
Contributions-employer	\$ 624,634	\$ 635,371	\$ 611,035	\$ 511,892	\$ 388,198	\$ 388,198	\$ 314,091	\$ 326,968	\$ 453,909
Contributions-employee	60,355	54,186	52,308	46,782	31,802	31,802	30,387	17,150	18,833
Net Investment income (loss)	(1,419,247)	1,329,319	531,910	116,683	289,564	289,564	619,071	309,530	(257,025)
Benefit payments including employee refunds	(927,639)	(887,538)	(812,721)	(790,249)	(783,562)	(783,562)	(760,957)	(545,393)	(691,105)
Administrative expense	(11,925)	(13,875)	(13,014)	(13,932)	(12,201)	(12,201)	(12,567)	(11,522)	(14,958)
Net Change in Plan Fiduciary Net Position	\$ (1,673,822)	\$ 1,117,463	\$ 369,518	\$ (128,824)	\$ (86,199)	\$ (86,199)	\$ 190,025	\$ 96,733	\$ (490,346)
Plan Fiduciary Net Position, beginning	<u>7,918,416</u>	<u>6,800,953</u>	<u>6,431,435</u>	<u>6,560,259</u>	<u>6,646,458</u>	<u>6,646,458</u>	<u>6,456,433</u>	<u>6,359,700</u>	<u>6,850,046</u>
Plan Fiduciary Net Position, ending	\$ <u>6,244,594</u>	\$ <u>7,918,416</u>	\$ <u>6,800,953</u>	\$ <u>6,431,435</u>	\$ <u>6,560,259</u>	\$ <u>6,560,259</u>	\$ <u>6,646,458</u>	\$ <u>6,456,433</u>	\$ <u>6,359,700</u>
Employer Net Pension Liability	<u>\$ 6,553,267</u>	<u>\$ 4,701,044</u>	<u>\$ 5,005,227</u>	<u>\$ 4,894,707</u>	<u>\$ 4,585,352</u>	<u>\$ 4,585,352</u>	<u>\$ 4,370,708</u>	<u>\$ 4,276,609</u>	<u>\$ 3,675,302</u>
Plan Fiduciary Net Position as a percentage of the									
Total Pension Liability	<u>48.8%</u>	<u>62.7%</u>	<u>57.6%</u>	<u>56.8%</u>	<u>58.9%</u>	<u>58.9%</u>	<u>60.3%</u>	<u>60.2%</u>	<u>63.4%</u>
Covered Employee Payroll	<u>\$ 1,849,507</u>	<u>\$ 1,869,514</u>	<u>\$ 1,789,574</u>	<u>\$ 1,746,648</u>	<u>\$ 1,526,410</u>	<u>\$ 1,526,410</u>	<u>\$ 1,383,197</u>	<u>\$ 1,590,893</u>	<u>\$ 1,335,178</u>
Employer's Net Pension Liability as a percentage									
of covered employee payroll	<u>354.3%</u>	<u>251.5%</u>	<u>279.7%</u>	<u>280.2%</u>	<u>300.4%</u>	<u>300.4%</u>	<u>316.0%</u>	<u>268.8%</u>	<u>275.3%</u>

Notes to schedule:

This schedule is presented to illustrate the Commission's pension liability in the Gogebic County Employees Retirement System for the last 10 fiscal years. However, until a full 10 year trend is compiled, the Commission presents information for those years for which information is available.

Annual valuations occurred on December 31 prior to 2016.

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions :

The investment return rate was lowered from 7.00% to 6.50%.

The wage inflation rate was lowered from 3.50% to 3.00%.

The mortality assumption was updated from the RP-2014 series of tables with mortality projection scaled MP-2017 to the Pub-2010 General and Safety series of tables with mortality projection scale MP-2021.

SCHEDULE OF EMPLOYER'S PENSION CONTRIBUTIONS AND RELATED NOTES

GOGEBIC COUNTY ROAD COMMISSION

	Year ended								
	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016	December 31, 2015
Actuarial Determined Contributions	\$ 574,634	\$ 585,371	\$ 561,035	\$ 511,892	\$ 451,614	\$ 451,614	\$ 383,743	\$ 326,968	\$ 453,909
Contributions in relation to the actuarially determined contribution	<u>624,634</u>	<u>635,371</u>	<u>611,035</u>	<u>511,892</u>	<u>388,198</u>	<u>388,198</u>	<u>314,091</u>	<u>326,968</u>	<u>453,909</u>
Contribution deficiency (excess)	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ (50,000)</u>	<u>\$ 0</u>	<u>\$ 63,416</u>	<u>\$ 63,416</u>	<u>\$ 69,652</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	<u>\$ 1,849,507</u>	<u>\$ 1,869,514</u>	<u>\$ 1,789,574</u>	<u>\$ 1,746,648</u>	<u>\$ 1,526,410</u>	<u>\$ 1,526,410</u>	<u>\$ 1,383,197</u>	<u>\$ 1,590,893</u>	<u>\$ 1,335,178</u>
Contributions as a percentage of covered employee payroll	<u>33.8%</u>	<u>34.0%</u>	<u>34.1%</u>	<u>29.3%</u>	<u>25.4%</u>	<u>25.4%</u>	<u>22.7%</u>	<u>20.6%</u>	<u>34.0%</u>

Notes to Schedule:

This schedule is presented to illustrate the Commission's contributions to the Gogebic County Employees Retirement System for the last 10 fiscal years. However, until a full 10 year trend is compiled, the Commission presents information for those years for which information is available.

Annual valuations occurred on December 31 prior to 2016.

Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	21 years
Asset valuation method	5-year smoothed market; 20% corridor
Inflation	3.0% wage inflation; 2.50% price inflation
Salary increases	3.5% - 8.5% including inflation
Investment rate of return	6.5%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 Mortality Tables projected on a fully generational basis using projection scale MP-2017.

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions :

The investment return rate was lowered from 7.00% to 6.50%.
The wage inflation rate was lowered from 3.50% to 3.00%.
The mortality assumption was updated from the RP-2014 series of tables with mortality projection scaled MP-2017 to the Pub-2010 General and Safety series of tables with mortality projection scale MP-2021.

SCHEDULE OF CHANGES IN EMPLOYER'S NET OTHER POSTEMPLOYMENT BENEFITS
LIABILITY, RELATED RATIOS AND NOTES
GOGEBIC COUNTY ROAD COMMISSION

	Year ended September 30,					
	2023	2022	2021 *	2020	2019	2018
Total OPEB Liability						
Service Cost	\$ 18,057	\$ 18,057	\$ 27,866	\$ 50,067	\$ 50,067	\$ 50,067
Interest	67,496	67,496	52,571	28,516	20,802	20,802
Changes in plan terms	0	0	0	0	0	0
Difference between expected and actual experience	(138,902)	(138,902)	(13,922)	(12,580)	0	0
Changes of assumptions	(9,307)	(9,307)	(92,171)	(118,486)	0	0
Benefit payments including refunds	<u>(48,732)</u>	<u>(48,732)</u>	<u>(54,351)</u>	<u>(41,498)</u>	<u>(56,447)</u>	<u>(56,447)</u>
Net Change in OPEB Liability	\$ (111,388)	\$ (111,388)	\$ (80,007)	\$ (93,981)	\$ 14,422	\$ 14,422
Total OPEB Liability, beginning	<u>747,210</u>	<u>747,210</u>	<u>827,217</u>	<u>921,198</u>	<u>906,776</u>	<u>906,776</u>
Total OPEB Liability, ending	\$ 635,822	\$ 635,822	\$ 747,210	\$ 827,217	\$ 921,198	\$ 921,198
Plan Fiduciary Net Position:						
Contributions-employer	\$ 92,732	\$ 92,732	\$ 98,351	\$ 85,498	\$ 56,447	\$ 56,447
Contributions-employee	0	0	0	0	0	0
Net Investment income (loss)	(24,341)	(24,341)	5,514	1,435	0	0
Benefit payments including refunds	(48,732)	(48,732)	(54,351)	(41,498)	(56,447)	(56,447)
Administrative expense	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Plan Fiduciary Net Position	\$ 19,659	\$ 19,659	\$ 49,514	\$ 45,435	\$ 0	\$ 0
Plan Fiduciary Net Position, beginning	<u>94,949</u>	<u>94,949</u>	<u>45,435</u>	<u>0</u>	<u>0</u>	<u>0</u>
Plan Fiduciary Net Position, ending	<u>\$ 114,608</u>	<u>\$ 114,608</u>	<u>\$ 94,949</u>	<u>\$ 45,435</u>	<u>\$ 0</u>	<u>\$ 0</u>
Employer Net OPEB Liability	<u>\$ 521,214</u>	<u>\$ 521,214</u>	<u>\$ 652,261</u>	<u>\$ 781,782</u>	<u>\$ 921,198</u>	<u>\$ 921,198</u>
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	<u>18.03%</u>	<u>18.03%</u>	<u>12.71%</u>	<u>5.49%</u>	<u>0.00%</u>	<u>0.00%</u>
Covered Employee Payroll	<u>\$ 499,590</u>	<u>\$ 499,590</u>	<u>\$ 623,851</u>	<u>\$ 648,769</u>	<u>\$ 650,257</u>	<u>\$ 650,257</u>
Employer's Net OPEB Liability as a percentage of covered employee payroll	<u>104.3%</u>	<u>104.3%</u>	<u>104.6%</u>	<u>120.5%</u>	<u>141.7%</u>	<u>141.7%</u>

Notes to schedule:

This schedule is presented to illustrate the Commission's OPEB liability in the Gogebic County Road Commission OPEB plan for the last 10 fiscal years. However, until a full 10 year trend is compiled, the Commission presents information for those years for which information is available.

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions:

Discount rate changed from 9.11% to 9.54%

Mortality Improvement Scale updated from MP-2020 to MP-2021

* The 2021 column was changed based on the latest information available.

SCHEDULE OF EMPLOYER'S OTHER POSTEMPLOYMENT BENEFITS
CONTRIBUTIONS AND RELATED NOTES
GOGEbic COUNTY ROAD COMMISSION

	Year ended September 30,					
	2023	2022	2021 *	2020	2019	2018
Actuarial Determined Contributions	\$ 165,581	\$ 165,581	\$ 171,426	\$ 182,799	\$ 159,060	\$ 159,060
Contributions in relation to the actuarially determined contribution	<u>83,462</u>	<u>92,732</u>	<u>98,351</u>	<u>85,498</u>	<u>56,447</u>	<u>56,447</u>
Contribution deficiency (excess)	<u>\$ 82,119</u>	<u>\$ 72,849</u>	<u>\$ 73,075</u>	<u>\$ 97,301</u>	<u>\$ 102,613</u>	<u>\$ 102,613</u>
Covered Employee Payroll	<u>\$ 499,590</u>	<u>\$ 499,590</u>	<u>\$ 623,851</u>	<u>\$ 648,769</u>	<u>\$ 650,257</u>	<u>\$ 650,257</u>
Employer contributions as a percentage of covered employee payroll	<u>16.7%</u>	<u>18.6%</u>	<u>15.8%</u>	<u>13.2%</u>	<u>8.7%</u>	<u>8.7%</u>

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal (level percentage of compensation)
Amortization method	Level dollar
Remaining amortization period	6 years
Asset valuation method	Market value
Inflation	2.90%
Salary increases	3.50%
Investment rate of return	9.54%
Municipal bond rate	20 year Aa Municipal bond rate - 4.77%
Health care cost trend rate	7.25% for 2022, graded down to 4.5%
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted with MP-2021 mortality improvement scale

Notes to Schedule:

This schedule is presented to illustrate the Commission's OPEB liability in the Gogebic County Road Commission OPEB plan for the last 10 fiscal years. However, until a full 10 year trend is compiled, the Commission presents information for those years for which information is available.

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions:

Discount rate changed from 9.11% to 9.54%

Mortality Improvement Scale updated from MP-2020 to MP-2021

* The 2021 column was changed based on the latest information available.

OTHER
FINANCIAL
INFORMATION

ANALYSIS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Total revenues	\$ 5,694,858	\$ 1,758,600	\$ 2,223,514	\$ 9,676,972
Total expenditures	<u>5,606,650</u>	<u>2,332,894</u>	<u>2,140,873</u>	<u>10,080,417</u>
Excess (deficiency) of revenues over expenditures	\$ 88,208	\$ (574,294)	\$ 82,641	\$ (403,445)
Other financing sources (uses):				
Lease proceeds			\$ 431,591	\$ 431,591
Proceeds from sale of land			23,153	23,153
Proceeds from guaranteed buy-back of leased assets			285,851	285,851
Payment to leasing company			(285,851)	(285,851)
Optional transfers	<u>\$ (607,294)</u>	<u>\$ 607,294</u>	<u></u>	<u></u>
	<u>\$ (607,294)</u>	<u>\$ 607,294</u>	<u>\$ 454,744</u>	<u>\$ 454,744</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (519,086)	\$ 33,000	\$ 537,385	\$ 51,299
Fund balance at October 1, 2022	<u>266,469</u>	<u>541,688</u>	<u>2,354,256</u>	<u>3,162,413</u>
FUND BALANCE AT SEPTEMBER 30, 2023	<u>\$ (252,617)</u>	<u>\$ 574,688</u>	<u>\$ 2,891,641</u>	<u>\$ 3,213,712</u>

The accompanying notes are an integral part of the financial statements.

ANALYSIS OF REVENUES
GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Federal Aid:				
Surface Transportation Program	\$ 681,441			\$ 681,441
Federal Land Access Program	1,130,906			1,130,906
Great American Outdoors Act	172,312			172,312
Coronavirus Response and Relief Act	<u>151,854</u>			<u>151,854</u>
	\$ 2,136,513			\$ 2,136,513
State Aid:				
Michigan Transportation Fund:				
Engineering	\$ 6,971	\$ 3,029		\$ 10,000
Primary road	2,922,964			2,922,964
Local road		1,269,901		1,269,901
Primary urban road	64,860			64,860
Local urban road		17,778		17,778
Snow removal	<u>357,168</u>	<u>155,174</u>		<u>512,342</u>
	\$ 3,351,963	\$ 1,445,882		\$ 4,797,845
Economic Development Funds - Forest Roads - Category E	202,292			202,292
Protecting MI Pension Grant Program	<u> </u>	<u> </u>	\$ 364,250	<u>364,250</u>
	\$ 3,554,255	\$ 1,445,882	\$ 364,250	\$ 5,364,387
County raised and other revenues:				
Contributions -				
Other governmental units		\$ 304,405		\$ 304,405
Charges for services:				
State trunkline maintenance			\$ 1,508,429	1,508,429
State trunkline nonmaintenance			313,517	313,517
Other			1,187	1,187
Interest, dividends and rent	<u>\$ 4,090</u>	<u>8,313</u>	<u>36,131</u>	<u>48,534</u>
	\$ 4,090	\$ 312,718	\$ 1,859,264	\$ 2,176,072
TOTAL REVENUES	<u>\$ 5,694,858</u>	<u>\$ 1,758,600</u>	<u>\$ 2,223,514</u>	<u>\$ 9,676,972</u>

The accompanying notes are an integral part of the financial statements.

ANALYSIS OF EXPENDITURES
GOGEBIC COUNTY ROAD COMMISSION

Year ended September 30, 2023

	Primary Road Fund	Local Road Fund	County Road Commission Fund	Total
Primary road:				
Preservation - structural improvements	\$ 2,471,068			\$ 2,471,068
Maintenance	1,724,392			1,724,392
Primary road structures -				
Maintenance	<u>23,214</u>			<u>23,214</u>
	\$ 4,218,674			\$ 4,218,674
Local road:				
Preservation - structural improvements		\$ 572,334		\$ 572,334
Maintenance		1,627,273		1,627,273
Local road structures -				
Maintenance		<u>20,923</u>		<u>20,923</u>
		\$ 2,220,530		\$ 2,220,530
Services provided:				
State trunkline maintenance			\$ 1,508,429	\$ 1,508,429
State trunkline nonmaintenance			<u>313,517</u>	<u>313,517</u>
			\$ 1,821,946	\$ 1,821,946
Equipment expense - net	75,373	92,483	115,353	283,209
Administrative expenses - net	276,604	143,215		419,819
Capital outlay - net	655,257	(123,334)	(220,169)	311,754
Debt service:				
Principal	\$ 362,203			\$ 362,203
Interest	<u>18,539</u>			<u>18,539</u>
	\$ 380,742			\$ 380,742
Other - non-road projects	<u> </u>	<u> </u>	<u>423,743</u>	<u>423,743</u>
TOTAL EXPENDITURES	<u>\$ 5,606,650</u>	<u>\$ 2,332,894</u>	<u>\$ 2,140,873</u>	<u>\$ 10,080,417</u>

The accompanying notes are an integral part of the financial statements.

SUPPLEMENTAL
REPORT

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027

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

Members of the Board of Commissioners
Gogebic County Road Commission
Bessemer, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund, and the aggregate remaining fund information of Gogebic County Road Commission, a component unit of Gogebic County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Gogebic County Road Commission's basic financial statements, and have issued our report thereon dated March 18, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Makela, Pollack & Ahonen, PLLC

Certified Public Accountants

Ironwood, Michigan
March 18, 2024

MAKELA, POLLACK & AHONEN, P.L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS
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March 18, 2024

Members of the Board of Commissioners
Gogebic County Road Commission
Bessemer, Michigan

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Gogebic County Road Commission, a component unit of Gogebic County, Michigan, for the year ended September 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 3, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Gogebic County Road Commission, are described in Note B to the financial statements. We noted no transactions entered into by Gogebic County Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the government-wide financial statements were recording historical cost of fixed assets, including infrastructure and accumulated depreciation of fixed assets, estimating the liability for compensated absences, the pension liability and related items and the postemployment health benefits liability and related items.

Management's estimate of the historical cost and related depreciation expense is based on historical cost and guidelines issued by the State of Michigan Department of Transportation. The liability for compensated absences is estimated by multiplying employee's current hourly rates by a percentage of accrued hours paid out according to current union and management agreements. Management's estimate for the pension liability and related items is based on information and actuarial calculations provided by the plan administrator. The estimate for the postemployment health benefits liability and related items is

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based on an actuarial study done by a qualified actuary. We evaluated the key factors and assumptions used to develop the accounting estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note H Retirement System and Note K Postemployment Health Benefits. As described in Note H and Note K, the disclosures are based on information received from actuarial studies of the retirement system and the postemployment benefits, respectively. The actuarial studies are based on numerous assumptions that include predicting what may happen in the future with employees, market conditions and various other matters.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 18, 2024.

Management Consultations with Other Independent Accountants

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

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Other Audit Findings or Issues

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

Other Matters

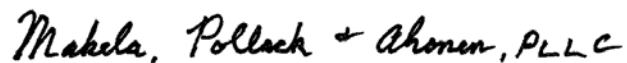
We applied certain limited procedures to management's discussion and analysis, budgetary comparison information, pension information and postemployment health benefits, which is required supplemental information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries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

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

Restriction on Use

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

Very truly yours,

A handwritten signature in black ink that reads "Makela, Pollack & Ahonen, PLLC". The signature is written in a cursive, flowing style.

Certified Public Accountants