

CRAWFORD COUNTY ROAD COMMISSION

(A Component Unit of Crawford County, Michigan)

Financial Statements

For the Year Ended September 30, 2023



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

Crawford County Road Commission
(A Component Unit of Crawford County)

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-8
Basic Financial Statements	
Governmental Fund Balance Sheet and Statement of Net Position	9
Reconciliation of Fund Balances of the General Operating / Road Fund to Net Position of Governmental Activities	10
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance and Statement of Activities	11
Reconciliation of Net Change in Fund Balance of the General Operating / Road Fund to Change in Net Position of Governmental Activities	12
Statement of Fiduciary Net Position – Employee Healthcare Benefit Trust Fund	13
Statement of Changes in Fiduciary Net Position – Employee Healthcare Benefit Trust Fund	14
Notes to Financial Statements	15-31
Required Supplementary Information	
Budgetary Comparison Schedules	32-33
Defined Benefit Pension Plan (MERS)	
Schedule of Changes in Net Pension Liability and Related Ratios	34-35
Schedule of Employer's Net Pension Liability	36-37
Pension System Schedule of Employer Contributions	38-39
Other Postemployment Benefits (OPEB) Plan	
Schedule of Changes in Net OPEB Liability and Related Ratios	40
Schedule of Employer's Net OPEB Liability	41
Schedule of Employer Contributions	42
Schedule of Investment Returns	43
Notes to Required Supplementary Information	44-45
Other Supplementary Information	
Schedule of Revenues by Component	46
Schedule of Expenditures by Component	47
Schedule of Changes in Fund Balance	48

Internal Control and Compliance

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 <i>Government Auditing Standards</i>	49-50
Schedule of Findings and Responses	51-55



SMITH & KLACZKIEWICZ, PC
CERTIFIED PUBLIC ACCOUNTANTS

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A VETERAN OWNED BUSINESS

INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
County of Crawford, Michigan
Grayling, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the ***Crawford County Road Commission***, a component unit of Crawford County, Michigan, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the ***Crawford 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 the ***Crawford County Road Commission***, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the ***Crawford 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 the ***Crawford 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 judgment made by a reasonable user based on the financial statements.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 4-8), budgetary comparison information (pages 32-33) pension-related schedules (pages 34-39) and OPEB-related schedules (pages 40-43) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of

America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Crawford County Road Commission's*** basic financial statements. The accompanying other supplementary information schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are 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 13, 2024, on our consideration of the ***Crawford 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 the ***Crawford County Road Commission's*** internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the ***Crawford County Road Commission's*** internal control over financial reporting and compliance.

Smith + Klauminzig PC

Saginaw, Michigan

March 13, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Crawford County Road Commission

Management's Discussion and Analysis

As management of the Crawford County Road Commission, we offer readers of these financial statements this narrative, overview, and analysis of the financial activities of the Road Commission for the year ended September 30, 2023. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to provide a basis of understanding of the Crawford County Road Commission's basic statements. These basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. Supplementary financial information is also provided for additional information purposes.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Crawford County Road Commission's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the Crawford County Road Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., vested sick and vacation).

Governmental Fund Financial Statements

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Road Commission's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds financial statements with similar information presented for government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Crawford County Road Commission

Management's Discussion and Analysis

The Crawford County Road Commission adopts an annual appropriated budget for the General Operating / Road Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to financial statements can be found on pages 15-31 of this report.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

As noted above net position may serve over time as a useful indicator of the Road Commission's financial position. As shown on the table below, the Road Commission's assets and deferred outflows exceeded liabilities and deferred inflows by \$25,588,375 at the end of the year.

Net position is separated into two major components, net investment in capital assets of \$27,798,678 and unrestricted net position / (deficit) of \$(2,210,303). The investment in capital assets reflects the Road Commission's investment in capital assets (i.e., land, infrastructure, buildings, vehicles and equipment), less any related debt issued to acquire those assets that are still outstanding. The Road Commission uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Road Commission's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of unrestricted net position / (deficit) represents the remaining amount may be used to meet the Road Commission's ongoing obligations to citizens and creditors.

At the end of the year, the Road Commission reported a positive balance in net position invested in capital assets and a negative balance in unrestricted net position. The deficit situation mainly results from implementing GASB Statement numbers 68 and 75 in recent prior years, which required the recording of net pension and OPEB liabilities in excess of \$7 million on the Statement of Net Position.

The following compares the net position at September 30, 2023 and 2022 in a condensed format:

	<u>2023</u>	<u>2022</u>
Assets –		
Current and other unrestricted assets	\$ 4,160,915	\$ 4,951,589
Capital and other long-term assets	<u>28,770,044</u>	<u>25,760,744</u>
Total assets	<u>32,930,959</u>	<u>30,712,333</u>
Deferred outflows of resources	<u>3,464,699</u>	<u>1,400,951</u>
Liabilities –		
Current liabilities	498,587	854,390
Long-term liabilities	<u>10,215,655</u>	<u>7,630,528</u>
Total liabilities	<u>10,714,242</u>	<u>8,484,918</u>

Crawford County Road Commission

Management's Discussion and Analysis

	2023	2022
Deferred inflows of resources	\$ 93,041	\$ 564,328
Net position –		
Net investment in capital assets	27,798,678	24,917,497
Unrestricted (deficit)	<u>(2,210,303)</u>	<u>(1,853,459)</u>
Total net position	<u>\$ 25,588,375</u>	<u>\$ 23,064,038</u>

The following presents a comparison of revenues, expenses and changes in net position for the year ended September 30, 2023 and 2022 in a condensed format:

	2023	2022
Revenues –		
Charges for services	\$ 1,338,037	\$ 2,201,414
Operating grants and contributions	3,245,090	4,870,986
Capital grants and contributions	3,751,370	3,824,050
General revenue	<u>1,093,964</u>	<u>1,182,494</u>
Total	<u>9,428,461</u>	<u>12,078,944</u>
Expenses –		
Public works	6,871,240	6,651,817
Debt service	<u>32,884</u>	<u>19,724</u>
Total	<u>6,904,124</u>	<u>6,671,541</u>
Change in net position	<u>\$ 2,524,337</u>	<u>\$ 5,407,403</u>

Financial Analysis of Governmental Fund Financial Statements

As noted earlier, the focus of the governmental fund financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information can be useful in assessing the Road Commission's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Road Commission's net resources available to finance routine and emergency spending in succeeding years.

For the year ended September 30, 2023, the fund balance of the Road Commission decreased by \$434,871 to \$3,662,328. Of this amount, \$821,345 is not spendable (prepaid items and inventory) and \$2,840,983 is restricted because it may only be used to finance future maintenance projects on the road and bridge system.

Total revenues were \$11,316,986, a decrease of \$761,958 as compared to the prior year. This was primarily the result of decreased non-recurring pass-through capital grants revenue. Decreases in charges for services on the State trunklines, combined with decreased revenue from State and Local sources also contributed to the overall net decrease in total revenue. Total expenditures of \$12,267,507 decreased \$650,385 over the prior year due to decreased construction, preservation and maintenance activity that was funded with pass-through proceeds and net capital outlay expenditures.

Crawford County Road Commission

Management's Discussion and Analysis

BUDGETARY HIGHLIGHTS

The Road Commission did not amend its annual budget during the year to reflect status changes in maintenance and preservation-structural improvements, capital outlay and distributive benefits. The actual revenues were \$639,825 more than the amended budget; actual expenditures were \$1,719,677 more than the amended budget. These differences result from the recording of revenues and expenditures for the Protecting MI pension grant and budgeted road and maintenance projects that did not occur, net capital outlay and distributive costs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The Road Commission had \$28,770,044 in net capital assets at the end of the year, a net increase of \$3,009,300. The reason for the increase from the previous year is the result of capital outlay and the capitalization of road and bridge projects funded by Federal, State and local sources. A summary of capital assets net of accumulated depreciation at year-end in comparison to the previous year is as follows:

	<u>2023</u>	<u>2022</u>
Nondepreciable capital assets	\$ 4,264,032	\$ 2,600,383
Buildings and improvements, net	781,393	829,958
Equipment, net	1,965,429	1,798,446
Infrastructure, net	<u>21,759,190</u>	<u>20,531,957</u>
Total	<u>\$ 28,770,044</u>	<u>\$ 25,760,744</u>

Additional information about the Road Commission's capital assets activity may be found in Note C of the financial statements.

Long-term Liabilities – At the beginning of the year the Road Commission had four installment purchase agreements outstanding that amounted to \$843,247. The Road Commission paid the scheduled principal and interest payments on the installment debt during the year and entered into two more installment purchase agreements. This activity resulted in an overall increase in the outstanding balance in long-term liabilities for installment purchase agreements of \$128,119 to \$971,366. Additional information on the Road Commission's long-term liabilities may be found in Note C of the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of County Road Commissioners considered many factors when setting the fiscal year 2023/24 budget. A key factor that was used in the development of the budget was the number of projects to be completed and Township contributions to be received toward the projects under the cost-share program with Townships and others. Another key factor is the economy. During 2022/23, the Road Commission derived approximately 42% of its revenue from fuel taxes collected. The Road Commission adopted a balanced budget for 2023/24. The Board realizes, and the reader should understand, that there are not sufficient funds available to repair and/or rebuild every road and bridge in Crawford County's transportation system. Therefore, the Board

Crawford County Road Commission

Management's Discussion and Analysis

attempts to spend the public's money wisely and equitably, and in the best interest of the motoring public and the citizens of Crawford County.

CONTACTING THE ROAD COMMISSION'S MANAGEMENT

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Road Commission for Crawford County administrative office at 500 Huron, Grayling, MI 49738.



BASIC FINANCIAL STATEMENTS

Crawford County Road Commission

General Operating / Road Fund Balance Sheet and Statement of Net Position

September 30, 2023

	General Operating / Road Fund	Adjustments	Statement of Net Position
Assets			
Cash and cash equivalents	\$ 2,542,340	\$ -	\$ 2,542,340
Receivables	797,230	-	797,230
Inventories	688,062	-	688,062
Prepaid items	133,283	-	133,283
Capital assets, net			
Assets not being depreciated	-	4,264,032	4,264,032
Assets being depreciated	-	24,506,012	24,506,012
Total assets	4,160,915	28,770,044	32,930,959
Deferred outflows of resources	-	3,464,699	3,464,699
Total assets and deferred outflows	\$ 4,160,915	32,234,743	36,395,658
Liabilities			
Accounts payable	\$ 174,318	-	174,318
Accrued liabilities	41,311	-	41,311
Advances			
State trunkline capital equipment	282,958	-	282,958
State trunkline maintenance	-	-	-
Unearned revenue	-	1,888,525	1,888,525
Long-term liabilities			
Net pension liability	-	6,708,641	6,708,641
Net OPEB liability	-	388,277	388,277
Installment purchase agreements			
Due within one year	-	108,458	108,458
Due in more than one year	-	862,908	862,908
Accrued compensated absences			
Due in more than one year	-	258,846	258,846
Total liabilities	498,587	10,215,655	10,714,242
Deferred inflows of resources	-	93,041	93,041
Fund Balance / Net Position			
Fund balance			
Nonspendable			
Inventory	688,062	(688,062)	-
Prepaid items	133,283	(133,283)	-
Restricted for road system	2,840,983	(2,840,983)	-
Total fund balance	3,662,328	(3,662,328)	-
Total liabilities, deferred inflows and fund balance	\$ 4,160,915		
Net Position:			
Net investment in capital assets		27,798,678	27,798,678
Unrestricted (deficit)		(2,210,303)	(2,210,303)
Total net position		\$ 25,588,375	\$ 25,588,375

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

Crawford County Road Commission

Reconciliation of Fund Balances of the General Operating / Road Fund to Net Position of Governmental Activities

September 30, 2023

Fund balances - General Operating / Road Fund	\$	3,662,328
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Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the General Operating / Road Fund.

Add - land and improvements		877,171
Add - construction in progress		3,386,861
Add - buildings and equipment		10,352,701
Add - infrastructure		29,396,810
Deduct - accumulated depreciation		(15,243,499)

Certain pension and OPEB-related amounts such as the net pension and OPEB liabilities and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the fund financial statements

Net pension liability		(6,708,641)
Deferred outflows related to the net pension liability		3,420,589
Deferred inflows related to the net pension liability		(42,062)
Net OPEB liability		(388,277)
Deferred outflows related to the net OPEB liability		44,110
Deferred inflows related to the net OPEB liability		(50,979)

Proceeds from the State pension grant are reported as revenue in the fund financial statements but will not impact the net pension liability until the next measurement date and are therefore reported as unearned revenue in the Statement of Net Position

(1,888,525)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the General Operating / Road Fund.

Deduct - installment purchase agreements		(971,366)
Deduct - accrued compensated absences		(258,846)

Net position of governmental activities	\$	25,588,375
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The accompanying notes are an integral part of these financial statements.

Crawford County Road Commission

General Operating / Road Fund Statement of Revenues, Expenditures and Changes in Fund Balance and Statement of Activities

For the Year Ended September 30, 2023

	General Operating / Road Fund	Adjustments	Statement of Activities
Expenditures/expenses			
Public works	\$ 6,724,351	\$ 146,889	\$ 6,871,240
Capital outlay	5,122,741	(5,122,741)	-
Debt service	420,415	(387,531)	32,884
Total expenditures/expenses	12,267,507	(5,363,383)	6,904,124
Program revenue			
Charges for services	1,338,037	-	1,338,037
Operating grants and contributions			
State transportation and other funds	5,133,615	(1,888,525)	3,245,090
Capital grants and contributions			
Federal sources	1,862,845	-	1,862,845
State sources	1,888,525	-	1,888,525
Total program revenue	10,223,022	(1,888,525)	8,334,497
Net program revenue			1,430,373
General revenue			
Sales of capital assets and yard materials	307,595	-	307,595
Property taxes	694,301	-	694,301
Interest and rents	92,068	-	92,068
Total general revenue	1,093,964	-	1,093,964
Total revenue	11,316,986		
Revenue over (under) expenditures	(950,521)	950,521	-
Other financing sources			
Proceeds from installment purchases	515,650	(515,650)	-
Changes in fund balance / net position	(434,871)	2,959,208	2,524,337
Fund balance / net position:			
Beginning of the year	4,097,199	18,966,839	23,064,038
End of the year	\$ 3,662,328	\$ 21,926,047	\$ 25,588,375

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

Crawford County Road Commission

Reconciliation of Net Change in Fund Balance of the General Operating / Road Fund to Change in Net Position of Governmental Activities

For the Year Ended September 30, 2023

Change in fund balance - General Operating / Road Fund	\$ (434,871)
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Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	960,538
Add - infrastructure purchases	4,149,454
Deduct - depreciation expense	(2,051,405)
Deduct - loss on disposal of capital assets	(49,287)

Proceeds from installment purchase agreements and payment of the principal on long-term debt provides and consumes current financial resources. These transactions however, do not affect net position. The following activity related to long-term debt are reconciling items between the government-wide and the fund financial statements.

Proceeds from issuance of long-term debt	(515,650)
Principal paid on long term debt	387,531

The changes in the net pension and OPEB liabilities and related deferred inflows / outflows of resources does not impact current financial resources and therefore is not reported in the fund financial statements

Net pension liability	(834,298)
Deferred outflows related to the net pension liability	2,112,655
Deferred inflows related to the net pension liability	465,637
Net OPEB liability	255,385
Deferred outflows related to the net OPEB liability	(48,907)
Deferred inflows related to the net OPEB liability	5,650

The change in unearned revenue from the State pension grant will not impact the net pension liability until the next measurement date and is therefore not included as revenue in the Statement of Activities.	(1,888,525)
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The change in the accrued compensated absences is reported as an expense in the Statement of Activities but does not require the use of current financial resources and therefore is not reported as an expenditure in the General Operating / Road Fund.	10,430
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Change in net position of governmental activities	\$ 2,524,337
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The accompanying notes are an integral part of these financial statements.

Crawford County Road Commission

**Statement of Fiduciary Net Position
Employee Healthcare Benefit Trust Fund**

September 30, 2023

Assets	
Investments	\$ 703,804
Receivables	-
Total assets	<u>\$ 703,804</u>
Net position - held in trust for postemployment health benefits	<u>\$ 703,804</u>

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

Crawford County Road Commission

Statement of Changes in Fiduciary Net Position Employee Healthcare Benefit Trust Fund

For the Year Ended September 30, 2023

Additions

Employer contributions	\$ 160,000
Employer contributions - benefits paid from general operating funds	54,493
Investment results, net	56,996
Total additions	<u>271,489</u>

Deductions - participant benefits paid from general operating funds	<u>54,493</u>
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Change in net position	216,996
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Net position

Beginning of the year	<u>486,808</u>
End of the year	<u><u>\$ 703,804</u></u>

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

Crawford County Road Commission

Notes to Financial Statements

NOTE A – Summary of Significant Accounting Policies

The accounting policies adopted by the *Crawford County Road Commission* (the “Road Commission”) conform to accounting principles generally accepted in the United States of America (U.S. GAAP) as applied to governmental entities, including the following accounting policies specific to road commissions: allocation of depreciation / depletion and equipment rental; the recording of handling and overhead credits; and the recording of equipment retirements with the related gain or loss on disposal of equipment. The following is a summary of the significant policies.

Reporting Entity

The *Crawford County Road Commission* is a discrete component unit of the County of Crawford, Michigan. The Road Commission is considered to be a component unit of the County because it is an entity for which the County is considered to be financially accountable. The Road Commission, as a component unit of the County, is required by Public Act 51 of the State of Michigan to have a separate audit performed of its operations. These audited financial statements have been prepared to meet this State requirement.

The Road Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, reimbursements from the Michigan Department of Transportation for work done by the County on State trunklines, Federal Transportation funds and contributions from other local units of government for work performed by the Road Commission.

The Road Commission is established pursuant to the County Road Law (MCL224.1) and operates under a 3-member elected Board of County Road Commissioners. The Board of County Road Commissioners establishes policies and reviews operations of the Road Commission. The Road Commission may not issue debt without the County's approval and property tax levies are subject to the County Board of Commissioner's approval. The Road Commission has levied 1.0000 mills county-wide for road repair and maintenance. The Road Commission provides services to 6 Townships in Crawford County and maintains approximately 959 miles of State, primary and local roads.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Road Commission. *Governmental activities* are supported by charges for services and intergovernmental grants and contributions.

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

A combined financial statement is provided for the General Operating / Road Fund Balance Sheet, Statement of Net Position, Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities. The General Operating / Road Fund is considered to be a major fund for financial reporting purposes.