Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements (Statement of Net Position and the Statement of Activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund (General Operating / Road Fund) financial statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Road Commission considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences that are not expected to be paid in the current year and claims and judgments are recorded only when payment is due.

State and Federal revenue, licenses and interest associated with the current fiscal period are all considered susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Road Commission. The property tax is levied each year on December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 1.0000 mill levy for road maintenance and repair generated as of the taxable valuation of the preceding December 31st is recognized as revenue in these financial statements.

The Road Commission reports the following major *governmental* fund:

The *General Operating / Road Fund* is the Road Commission's primary operating fund. It accounts for all financial resources of the Road Commission, except those required to be accounted for in another fund.

In addition, the Road Commission reports the following *fiduciary* fund:

The *Employee Healthcare Benefit Trust Fund* accounts for the financial activity of assets held to fund postemployment health benefits.

Assets, Liabilities, Deferred Outflows / Inflows and Net Position / Equity

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits in demand and time deposit accounts.

Receivables and Payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory

Inventory consists of various operating parts, supplies and road material and is stated at cost, using the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as they are used. The balance in inventory at year-end was comprised of $500,122 in road materials and $187,940 equipment material and parts.

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

Capital Assets
Land, buildings, equipment and infrastructure assets (roads, bridges and other similar items) are reported as capital assets in the government-wide financial statements (Statement of Net Position). Capital assets are defined by the Road Commission as land, buildings, improvements and equipment (except road equipment), with an initial individual cost of $1,000 or more and an estimated useful life in excess of two (2) years. No minimum cost is used to record road equipment capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital outlay expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental fund (General Operating / Road Fund) column. Infrastructure is reported prospectively from 1980.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating / Road Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating / Road Fund.

Depreciation is recorded over the following estimated useful lives using the sum-of-years digits method for road equipment and the straight-line method for all other capital assets and infrastructure:

Buildings and improvements	8 to 50 years
Road equipment	5 to 8 years
Shop equipment	5 to 10 years
Office equipment	5 to 10 years
Engineering equipment	5 to 10 years
Infrastructure – bridges	12 to 50 years
Infrastructure – roads	5 to 30 years

Deferred Outflows of Resources
In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditure) until then. The Road Commission has two items that qualifies for reporting in this category, which are the deferred outflow of resources related to the defined benefit pension plan and the defined benefit OPEB plan. The deferred outflows of resources related to the defined benefit pension and OPEB plans are reported in the government-wide financial statements. The deferred outflows of resources result from differences between expected and actual earnings on plan investments, differences between expected and actual experience, changes in assumptions and contributions to the defined benefit pension plan subsequent to the measurement date.

Advances from the State of Michigan
The State of Michigan advances funds on a State maintenance agreement that it has with the Road Commission for specific maintenance performed by the Road Commission during the year. The advance is considered a current liability because it is subject to repayment annually, based upon results of audit procedures performed by the State of Michigan.

State Trunkline Adjustments
Adjustments to available operating funds resulting from audits of State Trunkline maintenance expenditures are recorded at the time cash settlement is made. The amount of the adjustments, if any, as a result of current year operations cannot be reasonably determined, and no provisions are made in these financial statements for any such adjustments.

Compensated Absences
In accordance with the union contract and policies adopted by the Board of County Road Commissioners, employees have a vested right upon termination of employment to receive compensation for accumulated unused sick leave and vacation time under formulas and conditions specified in the contract / policies.

A payable for vacation and sick leave payable reported in the General Operating / Road Fund only for matured amounts, for example, as a result of employee resignations and retirements. The remaining portion is recorded as an adjustment to the fund financial statements which results in the government-wide statements including both short and long-term portions of this liability. The Road Commission allows employees to accumulate vacation and sick leave in varying amounts, depending on time of service and other factors.

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

Deferred Inflows of Resources
In addition to liabilities, the Statement of Net Position will sometimes report deferred inflows of resources in a separate section. This separate financial statement element represents an acquisition of net position that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has two items that qualifies for reporting in this category, which are the deferred inflow of resources related to the defined benefit pension plan and the defined benefit OPEB plan. The deferred inflows of resources related to the defined benefit pension and OPEB plans are reported in the government-wide financial statements. The deferred inflows of resources result from differences between expected and actual experience and changes in assumptions.

Defined Benefit Pension Plan
The Road Commission offers a defined benefit pension plan to its employees. The Road Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Defined Benefit Other Postemployment Benefits Plan (OPEB)
The Road Commission offers healthcare benefits to retirees. The Road Commission records a net OPEB liability for the difference between the total OPEB liability and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to / deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Equity
In the financial statements, the General Operating / Road Fund reports the following components of fund balance:

Nonspendable
Amounts that are not in spendable form or are legally or contractually required to be maintained intact are reported as nonspendable fund balance.

Restricted
Amounts that are legally restricted by externally imposed constraints that are placed on the use of resources by grantors, contributors, or laws or regulations of other governments are reported as restricted fund balance.

Committed
Amounts that have been formally set aside by the Board of County Road Commissioners for use for specific purposes are reported as committed fund balance. Commitments are made and can only be rescinded by resolution of the Board of County Road Commissioners.

Assigned
Amounts that are constrained by the Road Commission's *intent* to be used for specific purposes but are neither restricted nor committed are reported as assigned fund balance. The Board of County Road Commissioners has authorized the Managing Director or her designee the authority to assign fund balance on behalf of the Road Commission.

Unassigned
Amounts that have not been restricted, committed, or assigned to specific purposes are reported as unassigned fund balance.

When the Road Commission incurs expenditures for purposes for which various fund balance classifications can be used, it is the Road Commission's policy to use restricted fund balance first, then committed fund balance, assigned fund balance and finally unassigned fund balance.

Equipment Rental
The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated (charged) to the various activities. The effect of this allocation is offset to equipment expenditures / expenses.

Handling and Overhead Credits
The Manual requires that the charging of handling and overhead based upon a calculation related to a specific project's cost (particularly projects on the State Trunkline) be reported as an expenditure to the project, with a credit to administrative expenditures. As a result, fund balance is not affected.

Estimates

In preparing financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE B - Stewardship, Compliance and Accountability

Auditing and Reporting

The audit was performed 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 as described in the Independent Auditors' Report and with the types of compliance requirements described in Public Act 51 of 1951, as amended. The financial statements were prepared in accordance with U.S. GAAP, as described in the Independent Auditor's Report and with applicable rules of the Michigan State Department of Transportation.

NOTE C - Detailed Notes on Select Financial Statement Captions / Transaction Classes

Deposits and Investments

At year-end, the carrying amounts of the Road Commission's deposits and investments were as follows:

	General Operating / Road Fund	Employee Healthcare Trust Fund
Cash on hand	$ 100	$ -
Deposits with financial institutions - time	272,117	-
Deposits with financial institutions - demand	2,270,123	703,804
Total	$ 2,542,340	$ 703,804

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain cash of the Road Commission. All Road Commission receipts are deposited with the Crawford County Treasurer's Office. The Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account to make disbursements. Investment activities of Road Commission are performed by the County Treasurer.

Deposit and Investment Risk

State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments.

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.

- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Interest Rate Risk
The Road Commission's investment policy does not have specific limits in excess of State law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. There is no stated maturity date for the Road Commission's investment in the MERS Established Market Portfolio. At year-end, the balance in the MERS Established Market Portfolio had a target asset breakdown comprised of the following:

Investment Type	% of Pool Total	Maturity in Years
U.S. stocks	30.0%	Not applicable
International stocks	21.0%	Not applicable
Emerging market stocks	9.0%	Not applicable
U.S. bonds	40.0%	Not available

Credit Risk
The Road Commission's investment policy does not have specific limits in excess of State law on investment credit risk.

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require, and the Road Commission does not have a policy for deposit custodial credit risk. At year-end, bank balance deposits in the amount of $2,499,345 were held by Crawford County and may have been partially covered by the FDIC. The amount of federal depository insurance is determined for the County as a whole and cannot be separately identified for the Road Commission.

The Road Commission has determined that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution and assesses the level of risk associated with each financial institution. The County's policy is to conduct business only with financial institutions that have an acceptable estimated level of risk as a depository.

Custodial Credit Risk – Investments
For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The Road Commission's investment policy does not address custodial credit risk for investments. Custodial credit risk associated with the MERS Established Market Portfolio cannot be determined because the investments do not consist of specifically identifiable securities.

Concentration of Credit Risk
State law limits allowable investments but does not limit concentration of credit risk. The Road Commission's investment policy does not have specific limits in excess of State law on concentration of

credit risk. At year-end, the Road Commission's investments are comprised of a single investment account; the MERS Established Market Portfolio.

Receivables

The balance in receivables was comprised of the following:

Michigan Transportation Fund	$ 761,467
State trunkline maintenance	17,473
State trunkline non-maintenance	12,387
Township road agreements	-
Sundry accounts receivable	5,903
Total	$ 797,230

Long-term Debt

Long-term debt activity for the year was as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance	Due Within One Year
Installment purchase agreement: Loader maturing January 2023 bearing interest of 2.52637%.	$ 126,254	$ -	$ (126,254)	$ -	$ -
Installment purchase agreement: Loader maturing December 2022 bearing interest of 3.49%.	151,879	-	(151,879)	-	-
Installment purchase agreement: Motor grader maturing February 2027 bearing interest of 2.69%.	276,767	-	(36,261)	240,506	36,683
Installment purchase agreement: Motor grader maturing March 2027 bearing interest of 4.75%.	288,347	-	(29,699)	258,648	31,153
Installment purchase agreement: Loader maturing June 2028 bearing interest of 3.98%.	-	252,966	(11,085)	241,881	18,746
Installment purchase agreement: Loader maturing April 2028 bearing interest of 4.11%.	-	262,684	(32,353)	230,331	21,876
Compensated Absences	269,276	217,386	(227,816)	258,846	-
Total	$ 1,112,523	$ 733,036	$ (615,347)	$ 1,230,212	$ 108,458

The annual debt service requirements to maturity for installment purchase agreements are as follows:

Year Ending September 30	Principal	Interest
2024	$ 108,458	$ 36,041
2025	112,644	31,855
2026	117,001	27,498
2027	334,524	18,578
2028	298,739	7,497
Total	$ 971,366	$ 121,469

Accrued Compensated Absences

In accordance with Board policy and labor agreements, employees have a vested right upon termination of employment to receive compensation for accumulated sick leave and vacation under formulas and conditions specified in the policy and agreements. The estimated dollar amount of these vested rights has been accrued in the government-wide financial statements in the amount of $258,846.

Capital Assets

Capital asset activity for the year was as follows:

	Beginning Balance	Additions/ Transfers	Disposals/ Transfers	Ending Balance
Capital assets not being depreciated				
Land and improvements	$ 860,104	$ 17,067	$ -	$ 877,171
Construction in progress	1,740,279	1,867,150	(220,568)	3,386,861
Total capital assets not being depreciated	2,600,383	1,884,217	(220,568)	4,264,032
Capital assets being depreciated				
Buildings and improvements	1,965,207	-	-	1,965,207
Road equipment	7,651,031	1,057,150	(577,049)	8,131,132
Shop equipment	162,487	-	-	162,487
Office equipment	62,214	19,286	-	81,500
Engineer equipment	12,375	-	-	12,375
Infrastructure - roads	22,270,107	2,276,669	-	24,546,776
Infrastructure – bridges	4,756,796	93,238	-	4,850,034
Total capital assets being depreciated	36,880,217	3,446,343	(577,049)	39,749,511
Less accumulated depreciation				
Buildings and improvements	(1,135,249)	(48,565)	-	(1,183,814)
Road equipment	(5,857,722)	(855,502)	527,762	(6,185,462)
Shop equipment	(159,575)	(2,490)	-	(162,065)
Office equipment	(62,214))	(1,446)	-	(63,660)
Engineer equipment	(10,150)	(728)	-	(10,878)
Infrastructure – roads	(6,068,831)	(1,033,554)	-	(7,102,385)
Infrastructure – bridges	(426,115)	(109,120)	-	(535,235)
Total accumulated depreciation	(13,719,856)	(2,051,405)	527,762	(15,243,499)
Net capital assets being depreciated	23,160,361	1,394,938	(49,287)	24,506,012
Total net capital assets	$ 25,760,744	$ 3,279,155	$ (269,855)	$ 28,770,044

NOTE D – Defined Benefit Pension Plan (MERS)

Plan Description

The Road Commission participates in an agent multiple employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan (MERS) that covers all full-time employees of the Road Commission. MERS was established as a State-wide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement Board. MERS issues a publicly available financial report which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmichigan.com or in writing at 1134 Municipal Way, Lansing, Michigan 48917.

Benefits Provided

The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. Closed divisions are comprised of employee groups that were hired prior to December 1, 2014; the open division is comprised of employee groups that were hired on or after December 1, 2014.

General Teamster Division (open)
Retirement benefits are calculated as 2.50% of the employee's final 5-year average salary times the employee's years of service (80% maximum). Normal retirement age is 60 years, with early retirement at age 50 with 25 years of service (reduced) or age 55 with 15 years of service (unreduced). The vesting period is 10 years.

Non-union Division (open)
Retirement benefits are calculated as 2.50% of the employee's final 5-year average salary times the employee's years of service (80% maximum). Normal retirement age is 60 years, with early retirement at age 50 with 25 years of service (reduced), age 55 with 15 years of service (reduced) or age 55 with 20 years of service (unreduced). The vesting period is 10 years.

General Division (closed)
Retirement benefits are calculated as 2.00% of the employee's final 5-year average salary times the employee's years of service (no maximum). Normal retirement age is 60 years, with early retirement at age 50 with 25 years of service (reduced) or age 55 with 15 years of service (reduced). The vesting period is 8 years.

Employees are eligible for non-duty disability benefits once vested and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. An employee who leaves service may withdraw his or her contributions, plus any accumulated interest.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the labor union.

Participants Covered by the Benefit Terms

At the December 31, 2022 measurement date, the following participants were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	35
Inactive plan members entitled to but not yet receiving benefits	5
Active employees	28
Total participants	68

Contribution Requirements

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

During the year, the Road Commission's actuarially determined contribution rate was 36.90% of covered payroll for the General Teamsters open division, 50.66% of covered payroll for the Non-Union open division; no contributions were required for the closed General division. Employees in all divisions were required to contribute to the plan at the following rates: General Teamsters open, 5.30% of their annual covered payroll; Non-union open, 3.93% of their annual covered payroll.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.00% (plus 0.00% to 11.00% for merit and longevity)
Investment rate of return	7.00%, net of investment expense and including inflation

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of a 50% Male and 50% Female blend for non-disabled plan members and 50% Male and 50% Female blend of the RP-2014 Disabled Retiree Mortality Tables for disabled plan members. The actuarial assumptions used in the December 31, 2022 valuation were based on the results of the most recent actuarial experience study dated in 2020 that covers the period from January 1, 2014 through December 31, 2018.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00%	5.25%
Global fixed income	20.00	1.25
Private investments	20.00	7.25

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers.

Projected Cash Flows - Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability
The net pension liability reported at year-end was determined using a measure of the total pension liability and the pension net position as of December 31, 2022. The December 31, 2022 total pension liability was determined by an actuarial valuation performed as of that date.

Changes in the net pension liability during the year were as follows:

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Beginning balance	$ 12,052,845	$ 6,178,502	$ 5,874,343
Service cost	202,700	-	202,700
Interest	855,792	-	855,792
Changes in benefits	-	-	-
Expected and actual experience	48,931	-	48,931
Changes in assumptions	-	-	-
Employer contributions	-	841,458	(841,458)
Employee contributions	-	81,305	(81,305)
Net investment income	-	(638,035)	638,035
Benefit payments	(700,335)	(700,335)	-
Administrative expenses	-	(11,603)	11,603
Other changes	-	-	-
Net changes	407,088	(427,210)	834,298
Ending balance	$ 12,459,933	$ 5,751,292	$ 6,708,641

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Road Commission's net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	1% Decrease in Rate to 6.25%	Assumed Discount Rate 7.25%	1% Increase in Rate to 8.25%
Net Pension Liability	$ 8,108,551	$ 6,708,641	$ 5,527,786

Pension Plan Fiduciary Net Position - Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. To measure the net pension liability, deferred outflows of resources and deferred inflows or resources related to pension and pension expense, information about the Plan's fiduciary net position and addition to / deduction from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions
During the year the Road Commission recognized a pension expense of $144,531. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions to the plan subsequent to the measurement date	$ 2,533,114	$ -
Net difference between projected and actual earnings on pension plan investments	520,849	-
Differences between expected and actual experience	90,619	42,062
Changes in assumptions	276,007	-
Total	$ 3,420,589	$ 42,062

The amount reported as deferred outflows and deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience and changes in assumptions and will be recognized as pension expense as follows:

Year Ending September 30,	Net Amount
2024	$ 227,504
2025	249,419
2026	149,767
2027	218,723
Total	$ 845,413

The amount reported as deferred outflows of resources related to employer contributions to the plan made subsequent to the measurement date of $2,533,114 will impact the net pension liability in the next fiscal year, as opposed to being amortized to pension expense over a period of years.

NOTE E – Postemployment Benefits Other than Pensions (OPEB)

Summary of Significant Accounting Policies
For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Crawford County Road Commission Retiree Benefits Plan (CCRCRBP) and additions to/deductions from CCRCRBP's fiduciary net position have been determined on the same basis as they are reported by CCRCRBP. For this purpose, CCRCRBP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value. The CCRCRBP does not issue a publicly available financial report.

Plan Description
The Road Commission administers a single employer defined benefit healthcare plan. The plan provides healthcare benefits for eligible employees and their spouses upon retirement, in accordance with labor contracts. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees.

Benefits Provided

Beginning at age 65 the Road Commission pays the lesser of 50% or $150 of the retiree's monthly premium for supplemental insurance. The retiree's spouse at the time of retirement shall be entitled to lesser of 50% or $100 of the monthly premium for supplemental insurance. The $100 amount is paid for the retiree's spouse when the spouse is age 65 or older. These benefits are provided for the retiree until death or age 80, whichever event occurs first. If the retiree dies, the surviving spouse continues to receive the benefit until the deceased retiree would have reached the age of 80.

Participants Covered by the Benefit Terms

At year-end, the following participants were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	28
Inactive plan members entitled to but not yet receiving benefits	-
Active employees	30
Total participants	58

Contributions

The Road Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). For the year ended September 30, 2023, the Road Commission's actuarially determined contribution was $149,858. The Road Commission paid retiree premiums of $54,493 during the year and made contributions to the Plan of $160,000 to pre-fund the liability.

Net OPEB Liability

The Road Commission's annual other postemployment benefit (OPEB) cost (expense) is calculated based the *actuarially determined contribution of the employer (ADC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ADC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period of 29 (twenty-nine) years.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions:

Discount Rate	7.00% (blended based on long-term expected and bond rate)
Municipal bond rate	4.87% (20 year Aa, as published by S&P Dow Jones Indices)
Salary increases	5.00%, average, including inflation
Inflation	2.50%
Investment rate of return	7.00%, net of OPEB plan investment expense
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount
Improvement scale	MP-2021

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions to the OPEB Trust as outlined in the Corrective Action Plan (CAP) and on a pay-as-you-go basis for current and future retiree benefit payments. Based on this assumption, the retirement 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. Because there is no Depletion Date (Cross-over Point) the effective discount rate is equal to the expected rate of return. This discount rate is used to determine the Total OPEB Liability.

Changes in the Net OPEB Liability

Changes in the net OPEB liability during the year were as follows:

	Increase (Decrease)		
Changes in OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Beginning balance	$ 1,130,470	$ 486,808	$ 643,662
Service cost	13,851	-	13,851
Interest	78,196	-	78,196
Experience (gains) / losses	(75,993)	-	(75,993)
Changes in assumptions	-	-	-
Benefit payments	(54,493)	(54,493)	-
Employer contributions – retiree benefits paid	-	54,493	(54,493)
Employer contributions – plan contributions	-	160,000	(160,000)
Net investment income	-	58,146	(58,146)
Administrative expenses	-	(1,150)	1,150
Other	-	-	-
Net changes	(38,439)	216,996	(255,435)
Ending balance	$ 1,092,031	$ 703,804	$ 388,227

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

The following presents the change in the net OPEB liability, calculated using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate:

	1% Decrease in Rate to 6.00%	Assumed Discount Rate 7.00%	1% Increase in Rate to 8.00%
Net OPEB Liability	$ 455,057	$ 388,227	$ 328,414

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

Due to the fixed-rate structure of the benefits provided by the Plan, the net OPEB liability is not impacted by changes in the healthcare cost trend rate.

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

The Road Commission recognized net OPEB expenses of $26,500 during the year. At year-end, the Road Commission reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,925	$ 50,065
Net difference between projected and actual earnings on OPEB plan investments	32,185	-
Changes in assumptions	-	914
Total	$ 44,110	$ 50,979

The amount reported as deferred outflows and deferred inflows of resources related to the net difference between projected and actual earnings on pension plan investments, differences between expected and actual experience and changes in assumptions and will be recognized as OPEB expense as follows:

Year Ending September 30,	Net Amount
2024	$ (9,909)
2025	(11,146)
2026	17,887
2027	(3,701)
Total	$ (6,869)

NOTE F – Other Matters

Net Equipment Expenditures Balance

The Road Commission, in compliance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions charges rental on Road Commission equipment used for various construction and maintenance projects performed by the Road Commission. The cost for this rental, which is based on a rental rate per hour established by the Michigan Department of Transportation multiplied by rental hours, is reported as an expenditure in the various maintenance activities. An expenditure credit is reported as an offset against the equipment expenditure activities. Accordingly, the equipment rental does not affect total expenditures or the available operating equity of the Road Commission's General Operating Fund. The net balance in equipment expenditures for the year is comprised of the following:

Equipment –	
Direct	$ 1,603,928
Indirect	482,938
Operating	426,930
Less equipment rental credits	(1,329,583)
Total	$ 1,184,213

Capital Outlay Expenditure Balance

On the governmental financial statements, the Road Commission reports a depreciation credit to offset capital outlay as a result of charging depreciation to various expenditure accounts. The net book value of capital asset retirements is also reported as a credit against capital outlay. The balance in capital outlay expenditures for the year is comprised of the following:

Capital outlay	$ 960,538
Less equipment retirements	-
Less depreciation / depletion	(896,624)
Total	$ 63,914

Risk Management

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation), as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for healthcare claims. The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool). The Michigan County Road Commission Self-insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess commercial insurance coverage and to pay member claims in excess of deductible amounts. The pool provides loss coverage includes, but is not limited to, general liability, auto, property insurance, stop loss protection, errors and omissions, trunkline liability and an umbrella policy. The amount the Road Commission pays annually is determined by the Administrator of the Pool and is based on miles of roads, population and prior claim history of the Road Commission. The Road Commission's exposure is limited to $500 per claim; all other risk is transferred to the Pool. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three (3) fiscal years.

The Road Commission is a member of the County Road Association Self-Insurance Fund for workers' compensation claims. As a member of the fund, the Road Commission is fully insured for workers' compensation claims incurred.

Contingencies

At times, the Road Commission is named as a defendant in various litigation involving lawsuits pending and notices of intent to file suit. Management and legal counsel of the Road Commission expect no material losses in excess of insurances should an unfavorable outcome prevail. No provision for any loss has been made in the accompanying financial statements.

Under the terms of various Federal and State grants periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

Federal Award Expenditures / Single Audit

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all Federal and State grants pertaining to their County. During the year, the Federal aid received and expended on behalf of the Road Commission was $1,862,845 for contracted projects and $0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Road Commission administers the grant and either performs the work or contracts it out. Because the Road Commission expended less than $750,000 in negotiated projects, a single audit was not required.

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