

OTHER SUPPLEMENTARY INFORMATION

Crawford County Road Commission

General Operating / Road Fund

Schedule of Revenues by Component

For the Year Ended September 30, 2023

	<u>Primary Road Funds</u>	<u>Local Road Funds</u>	<u>County Road Commission Funds</u>	<u>Total</u>
Revenues				
Property taxes	\$ 694,301	\$ -	\$ -	\$ 694,301
Licenses and permits	-	-	32,053	32,053
Federal sources				
Surface transportation program (STP)	509,661	-	-	509,661
Bridge	813,498	-	-	813,498
Other	-	539,686	-	539,686
State sources				
Michigan transportation funds				
Engineering	5,938	4,062	-	10,000
Snow removal	-	118,376	-	118,376
Allocation	2,808,957	1,921,486	-	4,730,443
Economic development funds				
Rural primary (D)	185,741	-	-	185,741
Forest road (E)	89,055	-	-	89,055
Other				
Protecting MI pension grant	1,888,525	-	-	1,888,525
Contributions from local units				
Township contributions	-	17,875	-	17,875
Charges for services				
State trunkline maintenance	-	-	1,070,993	1,070,993
State trunkline non-maintenance	-	-	195,029	195,029
Salvage sales	-	-	22,087	22,087
Interest and rents				
Interest earned	77,785	731	13,552	92,068
Other				
Gain (loss) on equipment disposal	250,357	49,643	-	300,000
Other	-	-	7,595	7,595
Total revenues	<u>\$ 7,323,818</u>	<u>\$ 2,651,859</u>	<u>\$ 1,341,309</u>	<u>\$ 11,316,986</u>

Crawford County Road Commission

General Operating / Road Fund

Schedule of Expenditures by Component

For the Year Ended September 30, 2023

	Primary Road Funds	Local Road Funds	County Road Commission Funds	Total
Expenditures				
Preservation / Structural Improvements				
Roads	\$ 2,424,619	\$ 210	\$ -	\$ 2,424,829
Structures	1,210,971	-	-	1,210,971
Other	526,403	-	-	526,403
Maintenance				
Roads	382,745	368,263	-	751,008
Structures	902	11,146	-	12,048
Winter maintenance	549,481	655,886	-	1,205,367
Traffic control	36,696	767,587	-	804,283
Total construction and maintenance	5,131,817	1,803,092	-	6,934,909
State trunkline maintenance	-	-	1,070,993	1,070,993
State trunkline non-maintenance	-	-	195,029	195,029
Administrative expense (net)	368,449	129,457	-	497,906
Equipment expense (net)	372,150	461,484	350,579	1,184,213
Capital outlay (net)	63,914	-	-	63,914
Debt service				
Principal	387,531	-	-	387,531
Interest	32,884	-	-	32,884
Other (Protecting MI pension grant)	1,888,525	-	11,603	1,900,128
Total expenditures	\$ 8,245,270	\$ 2,394,033	\$ 1,628,204	\$ 12,267,507

Crawford County Road Commission

General Operating / Road Fund

Schedule of Changes in Fund Balance by Component

For the Year Ended September 30, 2023

	Primary Road Funds	Local Road Funds	County Road Commission Funds	Total
Total revenues	\$ 7,323,818	\$ 2,651,859	\$ 1,341,309	\$ 11,316,986
Total expenditures	<u>8,245,270</u>	<u>2,394,033</u>	<u>1,628,204</u>	<u>12,267,507</u>
Revenues over (under) expenditures	(921,452)	257,826	(286,895)	(950,521)
Other financing sources (uses)				
Proceeds from installment purchases	<u>515,650</u>	<u>-</u>	<u>-</u>	<u>515,650</u>
Revenues and other sources over (under) expenditures and other sources (uses)	(405,802)	257,826	(286,895)	(434,871)
Fund balance, beginning of year	<u>3,461,601</u>	<u>32,517</u>	<u>603,081</u>	<u>4,097,199</u>
Fund balance, end of year	<u><u>\$ 3,055,799</u></u>	<u><u>\$ 290,343</u></u>	<u><u>\$ 316,186</u></u>	<u><u>\$ 3,662,328</u></u>

INTERNAL CONTROL AND COMPLIANCE



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A VETERAN OWNED BUSINESS

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

To the Board of County Road Commissioners
Crawford County, Michigan
Grayling, 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, 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 and have issued our report thereon dated March 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Crawford 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 the **Crawford County Road Commission's** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Crawford 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-1 through 2023-3 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the *Crawford 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-4 and 2023-5.

Crawford County Road Commission's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the *Crawford County Road Commission's* responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The *Crawford County Road Commission's* responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

Smith + Klausharing PC

Saginaw, Michigan

March 13, 2024

Crawford County Road Commission
Schedule of Findings and Responses (*continued*)
For the Year Ended September 30, 2023

Finding 2023-1 – Preparation of Financial Statements in Accordance with U.S. GAAP (*repeated*)

Criteria: The Road Commission is required to prepare financial statements in accordance with accounting principles generally accepted in the United States (U.S. GAAP). This is a responsibility of the Road Commission’s management. The preparation of financial statements in accordance with U.S. GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition: As is the case with many smaller and medium-sized entities, the Road Commission has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Road Commission’s ability to prepare financial statements in accordance with U.S. GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government’s *internal* controls.

Cause: This condition was caused by the Road Commission’s decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the Road Commission lacks internal controls over the preparation of financial statements in accordance with U.S. GAAP, and instead relies, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The Road Commission has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with U.S. GAAP, and determined that it is in the best interests of the Road Commission to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Crawford County Road Commission

Schedule of Findings and Responses (*concluded*)

For the Year Ended September 30, 2023

Finding 2023-2 – Lack of Segregation of Duties (*repeated*)

- Criteria:** An important component of any internal control system is appropriate segregation of duties over key accounting functions. To provide a system of checks and balances, these functions are generally assigned to different employees to minimize the potential for unauthorized transactions. Ideally, no single individual should be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction. These includes having separate individuals that are authorized and capable of setting up vendors and processing accounts payable, setting up new employees and processing payroll information, making deposits, initiating ACH transactions and creating and posting manual journal entries. Proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and have the ability to conceal it.
- Condition:** As is the case with many organizations of similar size, the Road Commission lacks a sufficient number of accounting personnel in order to completely segregate incompatible duties within its accounting function.
- Cause:** Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the additional personnel that would be required to segregate all incompatible duties.
- Effect:** This condition creates opportunities for inaccurate or unauthorized disbursements or transfers of Road Commission assets and increases the potential for inaccurate reporting of financial activity.
- View of Responsible Officials:** The Road Commission is aware of the weakness in this area and has determined that the strong oversight and involvement of the Board of County Road Commissioners reduces the risk of unauthorized disbursements and inaccurate financial reporting to an acceptably low level.

Crawford County Road Commission

Schedule of Findings and Responses (*concluded*)

For the Year Ended September 30, 2023

Finding 2023-3 - Recording, Processing and Summarizing Certain Accounting Data (Audit Adjustments)

Criteria: The Road Commission is required to have internal controls in place over recording, processing, and summarizing accounting data (i.e., maintaining internal books and records).

Condition: As is the case with many smaller and medium-sized entities, the Road Commission has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the Road Commission has placed reliance on its *external* auditors, who cannot by definition be considered a part of the Road Commission's *internal* controls.

Cause: This condition was caused by the Road Commission's decision that it is more cost effective to have the external auditors recommend the necessary adjusting journal entries to its general ledger than to incur the time and expense of obtaining the necessary training and expertise required for the Road Commission to perform this task internally.

Effect: As a result of this condition, the Road Commission lacks internal controls over the recording, processing, and summarizing of certain accounting data, and instead relies, in part, on its external auditors for assistance with this task.

View of
Responsible
Officials:

The Road Commission has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, and summarizing of certain accounting data, and determined that it is in the best interests of the Road Commission to rely on its external auditors to recommend the necessary adjustments.

Crawford County Road Commission

Schedule of Findings and Responses (*concluded*)

For the Year Ended September 30, 2023

Finding 2023-4 – Administrative Expenditures as a Percentage of MTF Funding

Criteria: Section 12(21) of Public Act 51 of 1951 stipulates that not more than 10% of the Michigan Transportation Funds (MTF) received during the year may be expended for administrative costs.

Condition: The amount of MTF received during the year was \$4,858,819. Therefore, the maximum allowable amount for administrative expenditures was \$485,882. During the year, the Road Commission incurred net administrative expenditures of \$497,906, which is more than 10% of the MTF received.

Cause: Unspecified.

Effect: The Road Commission did not comply with the requirements of Section 12(21) of Public Act 51 of 1951.

View of
Responsible

Officials: Road Commission management will monitor administrative expenditures at periodic intervals during the upcoming year and will implement specific budgetary or other corrective measures to ensure compliance with this requirement.

Crawford County Road Commission

Schedule of Findings and Responses (*concluded*)

For the Year Ended September 30, 2023

Finding 2023-5 – Expenditures in Excess of Budgeted Appropriations

Criteria: Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a governmental unit shall not incur expenditures in excess of the amount appropriated at the legally adopted level.

Condition: The General Operating Fund had expenditures that exceeded budgeted appropriations at the activity level, which is the Road Commission's legal level of budgetary control.

Cause: The Road Commission did not amend budgeted amounts during the year to reflect actual financial performance.

Effect: The Road Commission did not comply with the requirements of Section 18(1) of Public Act 621 of 1978.

View of
Responsible

Officials: Road Commission management will monitor budgetary performance at periodic intervals during the upcoming year and will implement specific budgetary or other corrective measures to ensure compliance with this requirement.