Muskegon County Road Commission

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

September 30, 2023

Muskegon County Road Commission

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Muskegon County Road Commission
Muskegon, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Muskegon County Road Commission, a component unit of the County of Muskegon, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Muskegon 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 Muskegon 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. 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 Muskegon 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 Muskegon 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 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, 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 Muskegon 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 Muskegon 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, budgetary comparison information, and pension and other post-employment benefit information 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 Muskegon County Road Commission's basic financial statements. The accompanying other supplemental information is 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 accompanying other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Brickley DeLong, P.C.

Muskegon, Michigan
January 16, 2024

Our discussion and analysis of the Muskegon County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the year ended September 30, 2023. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplemental information that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements, government-wide financial statements and fund financial statements.

REPORTING THE ROAD COMMISSION AS A WHOLE

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

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

Fund Financial Statements
The Road Commission has only two funds, the General Operations Fund and Other Post-Employment Benefit Trust Fund. All of the Road Commission's activities are accounted for in the General Operations Fund other than the retiree healthcare trust which is accounted for in the Other Post-Employment Benefit Trust Fund. The General Operations Fund is a governmental fund type. The Other Post-Employment Benefit Trust Fund is a fiduciary fund.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Road Commission. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Road Commission's programs.

FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Road Commission's net position increased from $113,693,021 to $123,314,902 for the year ended September 30, 2023. The net position and change in net position are summarized below.

Net Position
Restricted net position is net position that has constraints: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, and charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all net position (except for net investment in capital assets) is considered restricted.

Total net position increased by $9,621,881 for the year ended September 30, 2023. The net investment in capital assets category of net position increased by $6,687,461 as current year capital additions exceeded depreciation. Restricted net position, which is restricted for County roads, increased by $2,934,420.

Net position as of September 30, 2023 and 2022 is as follows:

	2023	2022
Assets		
Current and other assets	$ 17,418,657	$ 16,049,700
Capital assets	106,077,634	99,390,173
Total assets	123,496,291	115,439,873
Deferred outflows of resources	5,156,163	3,609,028
Total assets and deferred outflows of resources	128,652,454	119,048,901
Liabilities		
Current liabilities	857,493	983,628
Noncurrent liabilities	3,494,528	977,700
Total liabilities	4,352,021	1,961,328
Deferred inflows of resources	985,531	3,394,552
Total liabilities and deferred inflows of resources	5,337,552	5,355,880
Net position		
Net investment in capital assets	106,077,634	99,390,173
Restricted	17,237,268	14,302,848
Total net position	**$ 123,314,902**	**$ 113,693,021**

Changes in Net Position

- **Federal Aid** – Federal Aid funding is awarded for special projects only and is not considered part of our routine operating funding. The availability of funding provided for in the Federal Transportation budget and the existence of projects that are eligible for such funding opportunities will fluctuate year to year in this classification. The Road Commission received a total of $3,189,692 in federal aid from the Surface Transportation Program (STP) or other federal sources for Primary Road projects. This represents a decrease of $106,123 from the funds received in 2022. The 2023/2024 Budget includes 3.2 million of Federal Aid.

- **State Aid –** The main source of state aid for routine maintenance operations that the Road Commission receives comes from the Michigan Transportation Fund (MTF) as stipulated in P.A. 51. The Road Commission's allotment in 2023 of $19,346,893 from MTF was an increase of 4.6% over the previous year.

- **Charges for Services –** The components of this category are the State Trunkline and work done for other entities. This category will fluctuate based on the State's budget to perform additional work on the trunkline system over and above routine maintenance that the Road Commission is contracted to do.

A summary of changes in net position for the years ended September 30, 2023 and 2022 is as follows:

	2023	2022
Revenues		
Program revenues		
Licenses and permits	$ 110,555	$ 117,340
Federal aid	3,189,691	3,295,814
State aid	19,982,072	18,524,406
Contributions from local units and private sources	2,109,150	1,438,697
Charges for services	3,979,950	4,186,130
Investment earnings	96,445	(13,992)
General revenues		
Gain on disposal of capital assets	97,508	25,800
Other	-	(4,580)
Total revenues	29,565,371	27,569,615
Expenses		
Primary road routine and preventative maintenance	8,462,963	7,593,763
Local road routine and preventative maintenance	6,783,977	6,104,993
State trunkline	3,557,116	3,572,232
Grant acquisition	-	95,557
Net administrative	756,575	582,885
Reimbursable services	382,859	408,241
Total expenses	19,943,490	18,357,671
Change in net position	9,621,881	9,211,944
Net position at beginning of year	113,693,021	104,481,077
Net position at end of year	**$ 123,314,902**	**$ 113,693,021**

The Road Commission's Fund
The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund (MTF) monies distributed to the county, which are earmarked by law for road and highway purposes. For the year ended September 30, 2023, the fund balance of the General Operations Fund increased by $1,373,364, as compared to an increase of $2,137,085 in the prior year.

Total revenues were $29,565,371, an increase of $1,995,756 as compared to last year. The net increase in operating revenues is primarily due to an increase in state aid and contributions from local units.

Total expenditures for fiscal year 2023 were $28,192,007, an increase of $2,759,477 as compared to last year. Expenditures in Public Works increased by $1,562,715 in 2023. Expenditures like revenues will fluctuate from year to year depending on the number of special funding projects that we add to the mix along with the core routine maintenance operations we perform.

In 2023, net capital outlay was $541,646 resulting from capital purchases exceeding allocated depreciation.

A summary of changes in the General Operations Fund for the years ended September 30, 2023 and 2022 is as follows:

	2023	2022
Revenues		
Licenses and permits	$ 110,555	$ 117,340
Federal aid	3,189,691	3,295,814
State aid	19,982,072	18,524,406
Contributions from local units	2,109,150	1,408,392
Charges for services	3,979,950	4,186,130
Investment earnings (loss)	96,445	(13,992)
Other revenue	97,508	51,525
Total revenues	29,565,371	27,569,615
Expenditures		
Public works	27,650,361	26,087,646
Capital outlay (net)	541,646	(655,116)
Total expenditures	28,192,007	25,432,530
Net change in fund balance	1,373,364	2,137,085
Fund balance at beginning of year	13,212,648	11,075,563
Fund balance at end of year	**$ 14,586,012**	**$ 13,212,648**

BUDGETARY HIGHLIGHTS

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

The Road Commission amended its annual budget to reflect status changes in preservation-structural improvements, State trunkline maintenance and capital outlay. The final revenue budget was $3,796,483 more than the original budget; the final expenditure budget was $3,301,132 more than the original budget due to an increase in preservation/structural improvement expenditure expectations. The actual revenues were $210,242 more than the amended budget or 0.72 percent over budget. The actual expenditures were $765,752 less than the amended budget or 2.64 percent under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	2023	2022
Capital assets, not being depreciated		
Land and improvements	$ 33,756,258	$ 32,010,820
Construction in progress	-	6,498
Total capital asset, not being depreciated	33,756,258	32,017,318
Capital assets being depreciated		
Land improvements	365,568	249,909
Buildings and improvements	7,512,937	7,505,443
Road equipment	18,404,687	17,387,921
Other equipment	3,349,840	3,092,447
Infrastructure and improvements	107,125,320	99,759,200
Total capital assets being depreciated	136,758,352	127,994,920
Less accumulated depreciation	(64,436,976)	(60,622,065)
Total capital assets, being depreciated, net	72,321,376	67,372,855
Total capital assets, net	**$ 106,077,634**	**$ 99,390,173**

Current year's major additions included the following:

Preservation and Bridge projects	$11,065,140
Trucks and Equipment Purchases	1,657,067

Additional information on capital assets can be found in note E of the notes to financial statements.

Debt

As of September 30, 2023, the Road Commission had $498,162 in long-term debt outstanding. This is an increase of $88,317. The long-term debt outstanding is comprised entirely of compensated absences.

Additional information on long-term debt can be found in note F of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The State is expecting MTF funds to increase approximately 2.3% for the 2023/2024 budget year.

Federal Aid projects will include resurfacing of primary roads including portions of Whitehall Road, Michillinda Road and Holton Duck Lake Road as well as carryover projects for Shettler Road and Airline Road.

The Road Commission has decreased the budget for primary ditching operations in 2023/2024 and have redirected those budgetary dollars towards resurfacing in 2023/2024. We also anticipate a handful of culvert replacement projects as well as a timber bridge project.

Chip sealing continues to be an integral treatment function in our preservation plans. While the primary road budget for chip sealing is expected remain the same, the local budget for chip sealing, which includes township participation, should see an increase from last year.

In addition, as in past years, staff will be prepared to work with townships on any projects that might arise. We continue to work with several of the townships on multi-year plans and hope to engage others in that process as well.

CONTACTING THE ROAD COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at the Muskegon County Road Commission administrative offices at 7700 East Apple Avenue, Muskegon, Michigan 49442.

Muskegon County Road Commission
STATEMENT OF NET POSITION
September 30, 2023

ASSETS	
Current assets	
Cash and investments	$ 9,490,231
Accounts receivable	
State trunkline maintenance	23,502
State Department of Transportation	
Michigan Transportation Fund	3,133,571
Other	69,674
Due on county road agreements	1,089,251
Other governmental units	84,339
Other	68,962
Inventories	
Road materials	1,650,339
Equipment materials and parts	667,609
Prepaid items	145,547
Total current assets	16,423,025
Noncurrent assets	
Capital assets, net	
Nondepreciable	33,756,258
Depreciable	72,321,376
Net other postemployment benefits asset	995,632
Total noncurrent assets	107,073,266
Total assets	123,496,291
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	4,636,423
Related to other postemployment benefits	519,740
Total deferred outflows of resources	5,156,163
Total assets and deferred outflows of resources	128,652,454
LIABILITIES	
Current liabilities	
Accounts payable	358,398
Accrued liabilities	176,389
Due to other governmental units	7,706
Compensated absences - due within one year	315,000
Total current liabilities	857,493
Noncurrent liabilities	
Advances	
State trunkline	
Equipment purchase	489,764
Maintenance	265,306
Unearned revenues	
Forest roads	214,855
Grants	324,595
Compensated absences - less amounts due within one year	183,162
Net pension liability	2,016,846
Total noncurrent liabilities	3,494,528
Total liabilities	4,352,021
DEFERRED INFLOWS OF RESOURCES	
Related to pension	99,900
Related to other postemployment benefits	885,631
Total deferred inflows of resources	985,531
Total liabilities and deferred inflows of resources	5,337,552
NET POSITION	
Net investment in capital assets	106,077,634
Restricted for county roads	17,237,268
Total net position	**$ 123,314,902**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF ACTIVITIES
For the year ended September 30, 2023

Program expenses	
Primary road routine and preventative maintenance	$ 8,462,963
Local road routine and preventative maintenance	6,783,977
State trunkline	3,557,116
Net administrative	756,575
Reimbursable services	382,859
Total program expenses	19,943,490
Program revenues	
Charges for services	
Licenses and permits	110,555
Charges for services	3,979,950
Operating grants and contributions	
Michigan Transportation Funds	19,346,893
Investment earnings	96,445
Capital grants and contributions	
Federal grants	3,189,691
State grants	635,179
Local units	2,109,150
Total program revenues	29,467,863
Net program revenues	9,524,373
General revenues (expenses)	
Gain (loss) on disposal of capital assets	97,508
Change in net position	9,621,881
Net position at beginning of year	113,693,021
Net position at end of year	**$ 123,314,902**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
BALANCE SHEET
Governmental Fund
September 30, 2023

	General Operations Fund
ASSETS	
Cash and investments	$ 9,490,231
Receivables	
State trunkline maintenance	23,502
State Department of Transportation	
Michigan Transportation Fund	3,133,571
Other	69,674
Due on county road agreements	1,089,251
Other governmental units	84,339
Other	68,962
Inventories	
Road materials	1,650,339
Equipment materials and parts	667,609
Prepaid items	145,547
Total assets	**$ 16,423,025**
LIABILITIES	
Accounts payable	$ 358,398
Accrued liabilities	176,389
Due to other governmental units	7,706
Advances	
State trunkline	
Equipment purchase	489,764
Maintenance	265,306
Unearned revenues	
Forest roads	214,855
Grants	324,595
Total liabilities	1,837,013
FUND BALANCE	
Nonspendable	
Inventories	2,317,948
Prepaid items	145,547
Restricted for county roads	12,122,517
Total fund balance	14,586,012
Total liabilities and fund balance	**$ 16,423,025**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
September 30, 2023

Total fund balance—governmental funds		$ 14,586,012
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Cost of capital assets	$ 170,514,610	
Accumulated depreciation	(64,436,976)	106,077,634
Long-term liabilities in governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Compensated absences	(498,162)	
Net pension asset and related deferred outflows/inflows of resources	2,519,677	
Other postemployment benefits asset and related deferred outflows/inflows of resources	629,741	2,651,256
Net position of governmental activities		**$ 123,314,902**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Governmental Fund
For the year ended September 30, 2023

	General Operations Fund
REVENUES	
Licenses and permits	$ 110,555
Federal aid	3,189,691
State aid	19,982,072
Contributions from local units	2,109,150
Charges for services	3,979,950
Investment earnings	96,445
Other revenue	97,508
Total revenues	29,565,371
EXPENDITURES	
Current	
Public works	27,650,361
Capital outlay (net)	541,646
Total expenditures	28,192,007
Net change in fund balance	1,373,364
Fund balance at beginning of year	13,212,648
Fund balance at end of year	**$ 14,586,012**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

For the year ended September 30, 2023

Net change in fund balance—total governmental funds		$ 1,373,364
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation expense	$ (6,034,596)	
Capital outlay	12,722,207	6,687,611
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the remaining undepreciated cost of the capital assets sold.		(150)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in compensated absences	(88,317)	
Change in net pension asset and related deferred outflows/inflows of resources	1,501,102	
Change in net other postemployment benefits asset and related deferred outflows/inflows of resources	148,271	1,561,056
Change in net position of governmental activities		**$ 9,621,881**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF NET POSITION
Fiduciary Fund
September 30, 2023

	Other Post-Employment Benefit Trust Fund
ASSETS	
Cash and investments	
Money market funds	$ 42,198
Corporate bonds	157,810
US Government obligations	67,533
US Agency obligations	189,754
Common stock	655,659
Exchange traded and closed-end funds	585,243
Open-end funds	1,020,923
Total assets	2,719,120
LIABILITIES	-
NET POSITION	
Restricted for individuals, organizations, and other governments	**$ 2,719,120**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF CHANGES IN NET POSITION
Fiduciary Fund
For the year ended September 30, 2023

	Other Post-Employment Benefit Trust Fund
ADDITIONS	
Employer contributions	$ 72,648
Investment earnings (losses)	218,056
Total additions	290,704
DEDUCTIONS	
Benefit payments	72,648
Administrative expenses	23,384
Total deductions	96,032
Change in net position	194,672
Net position at beginning of year	2,524,448
Net position at end of year	**$ 2,719,120**

The accompanying notes are an integral part of this statement.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Generally accepted accounting principles require that if an entity is considered to be financially accountable for other organizations, those organizations should be included as component units in the entity's financial statements. Based on the above criteria, these financial statements present the Muskegon County Road Commission, a discretely presented component unit of the County of Muskegon. No organizations meet this criterion for the Road Commission and therefore none are included in the financial statements.

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

Basis of Presentation—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 nonfiduciary activities of the activities of the Road Commission. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which are normally supported by intergovernmental revenues and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges for external customers for support. The Road Commission does not have any business-type activities.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds columns. Separate financial statements are provided for governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the Road Commission's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Since the Road Commission only has one governmental fund, no separate columns have been provided.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation—Government-wide and Fund Financial Statements—Continued
The Road Commission reports the following major governmental funds:

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

Additionally, the Road Commission reports the following fund types:

The Other-Post Employment Benefit Trust Fund is used to report resources that are administered through irrevocable trusts for the benefit of Road Commission employees and retirees.

Measurement Focus and Basis of Accounting
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements 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.

The governmental fund financial statements 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 and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the Road Commission.

The fiduciary fund is reported using the economic resources measurement focus and the accrual basis of accounting.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Investments
The Road Commission's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Investments for the Road Commission are reported at fair value (generally based on quoted market prices).

The Road Commission has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Road Commission to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The Other Post-Employment Benefit Trust Fund is held in trust by Morgan Stanley and is subject to the investment policies of Morgan Stanley and State of Michigan statutes allowing diverse investments in stocks, corporate and government bonds, mortgages, real estate, and other investments.

Inventories and Prepaid Items
All inventories are priced at cost as determined on the average unit cost method. The cost of such inventories is charged to road construction and maintenance, equipment repairs, and operations when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets
Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years. Road equipment, which are charged to projects based on the State-approved rental rate structure, have no minimum capitalization cost.

As the Road Commission constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Capital Assets—Continued
Land and construction in progress are not depreciated. Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other assets over the following estimated useful lives:

Capital Asset Classes	Years
Land improvements	10 - 20
Buildings and improvements	25 - 50
Road equipment	5 - 8
Other equipment	4 - 20
Infrastructure and improvements - roads	8 - 20
Infrastructure and improvements - bridges	20 - 50

Defined Benefit Plan
The Road Commission offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The Road Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the Plan's fiduciary net position. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by MERS. 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.

Other Postemployment Benefit Costs
The Road Commission offers a defined benefit retiree healthcare benefits to retirees. The Road Commission records a net other postemployment benefit (OPEB) liability for the difference between the total OPEB liability calculated by the actuary and the OPEB Plan's fiduciary net position. 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 OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows 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, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Net Position Flow Assumption
Sometime the Road Commission will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts of net position to report as restricted and unrestricted in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Road Commission's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions
Sometimes the Road Commission will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the Road Commission's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Flow Policies
Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Road Commission itself can establish limitation on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Road Commission's highest level of decision-making authority. The Board of County Road Commissioners is the highest level of decision-making authority for the Road Commission that can, by formal action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by formal action remains in place until a similar action is taken (another formal action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Road Commission for specific purposes but do not meet the criteria to be classified as committed. The Board of County Road Commissioners has by resolution authorized the managing director to assign fund balance. The Board of County Road Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Revenues and Expenditures/Expenses

Program Revenues
Amounts reported as programs 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 (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Revenues and Expenditures/Expenses—Continued

Compensated Absences
Road Commission employees are granted vacation and sick leave in varying amounts based on length of service and employee group. Unused vacation and sick leave days are paid to employees upon termination under limits that vary by employee group. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on historical trends. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information
Budgetary procedures are established pursuant to Act 621 PA 1978, as amended, (MCL 141.421) which requires the commissioners to approve a budget for the General Operations Fund. Pursuant to the Act, the Road Commission follows these procedures in establishing the budgetary information provided in the financial statements:

a. The director of financial services submits to the Board of Commissioners, a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

b. A public hearing is conducted at the Road Commission to obtain public comments.

c. Prior to September 30, the budget and annual appropriations are legally adopted by the Board of Commissioners.

d. Formal budget integration is employed as a management control device during the year for the General Operations Fund.

e. Budgets as presented are prepared on the modified accrual basis of accounting.

f. Budgetary control is exercised at the category level.

g. The budgetary information presented can be amended during the year by an official action of the Board of Commissioners.

h. All budget appropriations lapse at year-end.

Excess of Expenditures over Appropriations
During the year ended September 30, 2023, actual expenditures exceeded appropriations as displayed below:

	Final Budget	Actual
Local road		
Preservation/structural improvements	$ 3,992,500	$ 4,044,502
Routine and preventive maintenance	6,002,350	6,060,454
Reimbursable services	360,000	382,859
Administrative expenditures (net)	681,650	732,061

NOTE C—DEPOSITS AND INVESTMENTS

As of September 30, 2023, the Road Commission had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Months)	Moody's	Percent
US Treasury bills	$ 988,750	3	AAA	25.1
US Agency obligations	230,868	31	AAA	5.9
OPEB Trust				
Money market funds	42,198	1	not rated	1.1
Corporate bonds	157,810	80	AA2 - BBB	4.0
US Government obligations	67,533	150	AAA	1.7
US Agency obligations	189,754	170	AAA	4.8
Common stock	655,659	N/A	N/A	16.6
Exchange traded and closed-end funds	585,243	N/A	N/A	14.9
Open-end funds	1,020,923	N/A	N/A	25.9
Total fair value	**$ 3,938,738**			**100** %
Portfolio weighted average maturity		**N/A**		

Deposit and Investment Risks

Interest Rate Risk
The Road Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk
State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices.

Concentration of Credit Risk
The Road Commission does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Road Commission investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Road Commission has more than 5 percent of its investments in the following securities:

Security	Percent of Total Investments
Federal Home Loan Bank obligation	5.9%

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Deposit and Investment Risks—Continued

Custodial Credit Risk – Deposits
In the case of deposits, this is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. As of September 30, 2023, $8,211,049 of the Road Commission's bank balance of $8,461,049 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments
The Road Commission does not have a custodial credit risk policy for investments. This 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.

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

NOTE D—FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Road Commission has the ability to access.

Level 2 Inputs to the valuation methodology include the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE D—FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2023.

Money market funds: Valued at amortized cost, which approximates fair value.

Commercial paper, corporate bonds, US government obligations, US agency obligations, common stock, exchange traded and closed-end funds, and open-end funds: Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Road Commission believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Road Commission's assets at fair value on a recurring basis as of September 30, 2023:

	Assets at Fair Value as of September 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
US Treasury bills	$ 988,750	$ -	$ -	$ 988,750
US Agency obligations	230,868	-	-	230,868
OPEB Trust				
Money market funds	-	42,198	-	42,198
Corporate bonds	157,810	-	-	157,810
US Government obligations	67,533	-	-	67,533
US Agency obligations	189,754	-	-	189,754
Common stock	655,659	-	-	655,659
Exchange traded and closed-end funds	585,243	-	-	585,243
Open-end funds	1,020,923	-	-	1,020,923
Total assets at fair value	**$ 3,896,540**	**$ 42,198**	**$ -**	**$ 3,938,738**

NOTE E—CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Deductions	Balance September 30, 2023
Capital assets, not being depreciated:				
Land and improvements	$ 32,010,820	$ 1,745,438	$ -	$ 33,756,258
Construction in progress	6,498	-	6,498	-
Total capital assets, not being depreciated	32,017,318	1,745,438	6,498	33,756,258
Capital assets, being depreciated:				
Land improvements	249,909	115,659	-	365,568
Buildings and improvements	7,505,443	7,494	-	7,512,937
Road equipment	17,387,921	1,192,728	175,962	18,404,687
Other equipment	3,092,447	341,186	83,793	3,349,840
Infrastructure and improvements	99,759,200	9,326,200	1,960,080	107,125,320
Total capital assets, being depreciated	127,994,920	10,983,267	2,219,835	136,758,352
Less accumulated depreciation:				
Land improvements	102,306	15,132	-	117,438
Buildings and improvements	3,987,390	159,742	-	4,147,132
Road equipment	15,206,232	886,033	175,812	15,916,453
Other equipment	2,427,152	106,522	83,793	2,449,881
Infrastructure and improvements	38,898,985	4,867,167	1,960,080	41,806,072
Total accumulated depreciation	60,622,065	6,034,596	2,219,685	64,436,976
Total capital assets, being depreciated, net	67,372,855	4,948,671	150	72,321,376
Capital assets, net	**$ 99,390,173**	**$ 6,694,109**	**$ 6,648**	**$ 106,077,634**

Depreciation

Depreciation expense has been charged to programs of the Road Commission as follows:

Governmental activities:	
Primary road	$ 4,074,520
Local road	1,735,454
State trunkline	207,448
Administrative	17,174
	$ 6,034,596

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Road Commission for the year ended September 30, 2023:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Due Within One Year
Compensated absences	**$ 409,845**	**$ 681,125**	**$ 592,808**	**$ 498,162**	**$ 315,000**

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

The Road Commission's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided

The Plan covers all full-time employees hired prior to September 2017. Beginning in September 2017, the various employee divisions began to be closed. By June 2021, all employee divisions were closed.

Benefits provided are based on the following by employee division:

	Multiplier	Vesting Period	Normal Retirement Age	Early Retirement	Reduced Early Retirement	Final Average Compensation
General SEIU	2.00%	10 years	60	55/25	50/25 or 55/15	5 years
Teamsters 214	2.00%	10 years	60	55/25	50/25 or 55/15	5 years
Supervisors	2.00%	10 years	60	55/25	50/25 or 55/15	3 years
Department Heads	2.25%	10 years	60	55/25	50/25 or 55/15	3 years
Managers, Directors	2.50%	6 years	60	55/15	50/25	3 years
Commissioners	2.50%	6 years	60	55/15	50/25	3 years

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Employees Covered by Benefit Terms
At December 31, 2022 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	105
Inactive employees entitled to but not yet receiving benefits	17
Active employees	59
Total employees covered by MERS	**181**

Contributions
The Road Commission 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 cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Road Commission may establish contribution rates to be paid by its covered employees.

For the year ended September 30, 2023, the Road Commission had an annual flat dollar contribution to the Plan of $1,039,450 in lieu of a percentage of covered employee payroll, as the Plan is closed to new employees. No contribution is required from employees.

Net Pension Liability
The Road Commission's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

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

Inflation	2.5 percent
Salary increases	3.0 percent in the long-term
Investment rate of return	7.0 percent, net of investment and administrative expenses including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014 through 2018.

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions—Continued

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Allocation Gross Rate of Return	Long-Term Expected Gross Rate of Return	Inflation Assumption	Long-Term Expected Real Rate of Return
Global equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.0%	4.50%	0.90%	2.50%	0.40%
Private assets	20.0%	9.50%	1.90%	2.50%	1.40%
Total	**100.0%**		**7.00%**		**4.50%**

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent for 2022. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expense. The projection of cash flows used to determine the discount rate assumed that employer and employee contributions will be made at rates agreed upon for employees and the actuarially determined rate for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay 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.

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	**Plan Fiduciary Position (b)**	**Net Pension Liability (Asset) (a)-(b)**
Balance at January 1, 2022	$ 27,575,686	$ 27,996,789	$ (421,103)
Changes for the year			
Service cost	318,869	-	318,869
Interest	1,939,743	-	1,939,743
Difference between expected and actual experience	481,040	-	481,040
Contributions - employer	-	3,228,036	(3,228,036)
Net investment income (loss)	-	(2,873,848)	2,873,848
Administrative expenses	-	(52,485)	52,485
Benefit payments including refund of employee contributions	(1,960,090)	(1,960,090)	-
Net changes	779,562	(1,658,387)	2,437,949
Balance at December 31, 2022	**$ 28,355,248**	**$ 26,338,402**	**$ 2,016,846**

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

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Road Commission's net pension liability (asset)	$ 929,834	$ (2,016,846)	$ (4,512,409)

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions
For the year ended September 30, 2023, the Road Commission recognized pension expense of $1,638,348. At September 30, 2023, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ 320,693	$ -
Differences in assumptions	299,169	99,900
Net difference between projected and actual net investment income	2,309,120	-
Contributions subsequent to the measurement date*	1,707,441	-
Total	**$ 4,636,423**	**$ 99,900**

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending September 30, 2024.

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

Year Ending September 30,	Amount
2024	$ 581,959
2025	589,476
2026	668,111
2027	989,536

Payables to the Pension Plan
At September 30, 2023, the Road Commission reported a payable of $134,147 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2023.

NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Contribution Pension Plan

The Road Commission also maintains a defined contribution plan offered by MERS for its full-time employees hired after the defined benefit plan was closed to new participants.

Benefit terms, including contribution requirements, for the MERS defined contribution plan are established and may be amended by the Board of Commissioners as determined by negotiated labor contracts. The Road Commission is required to contribute 3 percent to 5 percent of a qualified employee's annual compensation, depending on employee group, and match up to an additional 3 percent of an employee's contribution each year. Qualified employees are not required to contribute but may make voluntary contributions of annual compensation. For the year ended September 30, 2023, Road Commission and employee contributions were $75,982 and $20,855, respectively.

Employees are immediately vested in their own contributions and earnings on those contributions and become vested in Road Commission contributions and earnings on Road Commission contributions by 33 percent for each full year of service, leaving employees fully vested after three years of service. Nonvested Road Commission contributions are forfeited upon termination of employment. Such forfeitures are used to offset employer contributions. For the year ended September 30, 2023, forfeitures reduced the Road Commission's pension expense by $111.

Deferred Compensation Plan

The Road Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Road Commission employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE H—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description

The Road Commission's defined benefit OPEB Plan, the Muskegon County Road Commission Retiree Health Plan (OPEB Plan), provides healthcare benefits to certain employees upon retirement. The Plan is a single-employer defined benefit plan administered by the Road Commission. The benefits are provided under collective bargaining agreements and at the discretion of the Road Commission. The OPEB Plan does not issue a publicly available report.

Benefits Provided

The OPEB Plan provides medical and drug coverage for eligible retirees and their spouses. For union employees, those hired prior to June 18, 2018 who are 55 with 25 years of service or are 60 with 10 years of service are eligible. For non-union employees, those who are 60 with 10 years of service are eligible.

NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Employees Covered by Benefit Terms
At the September 30, 2022 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	-
Active employees	45
Total employees covered by OPEB Plan	**97**

Contributions
The OPEB Plan's funding policy is that the Road Commission will contribute any required amounts as determined by an annual actuarial valuation as a reference but not as a definitive requirement. Currently, benefit payments are made from general operating funds. Because the funded status of the OPEB Plan exceeds 100 percent of the actuarial liability and has excess amounts sufficient to cover the service cost (additional liability being earned by current active employee) the OPEB Plan trust may be used to pay retiree healthcare benefits instead of relying on general operating funds. There are no long-term contracts for contributions to the OPEB Plan. The OPEB Plan has no legally required reserves. For the year ended September 30, 2023, the Road Commission made payments for postemployment healthcare benefits for current retirees of $72,648. The Road Commission did not make any payments into the OPEB Plan trust.

Net OPEB Liability
The Road Commission's net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2022 rolled forward to September 30, 2023.

Actuarial Assumptions
The total OPEB liability was determined by an actuarial valuation as of September 30, 2022. The following actuarial assumptions were used in the measurement:

Inflation	Included in investment rate of return
Salary increases	1.75 percent
Investment rate of return	5.82 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates:	Pre-Medicare: 7.25 percent for two years, then graded down by .25 percent per year to an ultimate rate of 4.5 percent
	Post-Medicare: 5.5 percent for two years, then graded down by .25 percent per year to an ultimate rate of 4.5 percent

NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Mortality
Mortality rates were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale.

Investment Rate of Return
The long-term expected rate of return on retirement plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB 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. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of September 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large cap growth	5.0%	8.20%
Large cap value	7.0%	8.30%
Large cap US	4.0%	8.25%
Mid cap US	5.0%	8.55%
Small cap US	3.0%	7.80%
International equities	17.0%	7.20%
Emerging market equities	6.0%	8.40%
Short-term fixed income	15.0%	3.50%
Core fixed income	30.0%	3.80%
Real estate investments trusts	5.0%	6.40%
Commodities	3.0%	4.30%

The sum of each target allocation times its long-term expected real rate, including inflation, is 5.82 percent.

Discount Rate
The discount rate used to measure the total OPEB liability was 5.82 percent. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make contributions consistent with the actuarially determined contribution. Based on this assumption, the OPEB Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The discount rate used to value the liability at the beginning of the year was 5.84 percent.

NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

	Increase (Decrease)		
	Total OPEB Liability (a)	**Plan Fiduciary Position (b)**	**Net OPEB Liability (Asset) (a)-(b)**
Balance at October 1, 2022	$ 1,659,982	$ 2,524,448	$ (864,466)
Changes for the year			
Service cost	35,730	-	35,730
Interest	96,909	-	96,909
Difference between expected and actual experience	(16,764)	-	(16,764)
Changes of assumptions	20,279	-	20,279
Contributions - employer	-	72,648	(72,648)
Net investment income (loss)	-	218,056	(218,056)
Administrative expenses	-	(23,384)	23,384
Benefit payments including refund of employee contributions	(72,648)	(72,648)	-
Net changes	63,506	194,672	(131,166)
Balance at September 30, 2023	**$ 1,723,488**	**$ 2,719,120**	**$ (995,632)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the Road Commission, calculated using the discount rate of 5.82 percent, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.82 percent) or 1-percentage-point higher (6.82 percent) than the current rate:

	1% Decrease (4.82%)	**Current Discount Rate (5.82%)**	**1% Increase (6.82%)**
Commission's net OPEB liability (asset)	$ (772,764)	$ (995,632)	$(1,178,983)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability of the Road Commission, calculated using the healthcare cost trend rate for pre-Medicare of 7.25 percent, decreasing to 4.5 percent and post-Medicare of 5.5 percent decreasing to 4.5 percent, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.25 percent decreasing to 3.5 percent or 4.5 percent decreasing to 3.5 percent) or 1-percentage-point higher (8.25 percent decreasing to 5.5 percent or 6.5 percent decreasing to 5.5 percent) than the current rate:

NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Commission's net OPEB liability (asset)	$ (1,194,335)	$ (995,632)	$ (744,200)

OPEB Plan Fiduciary Net Position
Detailed information about the OPEB Plan's fiduciary net position is not available in a separately issued financial report. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the OPEB Plan and additions to/deductions from the Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Road Commission. For these purposes, 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.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB
For the year ended September 30, 2023, the Road Commission recognized OPEB expense (benefit) of ($75,623). At September 30, 2023, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	$ -	$ 632,640
Differences in assumptions	304,756	252,991
Net difference between projected and actual net investment income	214,984	-
Total	**$ 519,740**	**$ 885,631**

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

Year Ending September 30,	Amount
2024	$ (112,152)
2025	(115,822)
2026	(21,083)
2027	(117,224)
2028	390

Payables to the OPEB Plan
At September 30, 2023, the Road Commission did not have a payable to the OPEB Plan.

NOTE I—OTHER INFORMATION

Risk Management

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Road Commission manages its liability and property risk by participating in Michigan County Road Commission Self-Insurance Pool (MCRCSIP), a trust fund established by the road commissions in the State of Michigan. The MCRCSIP is a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to MCRCSIP for its general liability coverage. The MCRCSIP is self-sustaining through member premiums and provides reinsurance through commercial companies for claims in excess of certain limits. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Road Commission manages its workers' compensation risk by participating in the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Road Commission pays an annual premium to CRASIF for its workers' compensation coverage. The CRASIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and carrying reinsurance through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Road Commission carries commercial insurance for employee health and accident insurance and for fuel storage tank systems. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

Commitments

The Road Commission has contracts for open road projects as of September 30, 2023 of approximately $347,000.

NOTE J—FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county. During the year ended September 30, 2023, the federal aid received and expended by the Road Commission was $2,684,344 for contracted projects. $505,347 was received for negotiated projects during the year. 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. The Road Commission would be subject to Single Audit requirements if they expended $750,000 or more for negotiated projects.

REQUIRED SUPPLEMENTARY INFORMATION

Muskegon County Road Commission
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF REVENUES
General Operations Fund
For the year ended September 30, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Licenses and permits	$ 75,000	$ 110,000	$ 110,555	$ 555
Federal aid				
Surface Transportation Program	3,055,748	1,555,748	1,470,329	(85,419)
D Funds - Federal	85,000	85,000	89,070	4,070
Bridge	1,079,100	1,079,100	1,124,945	45,845
Other	-	500,000	505,347	5,347
State aid				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Urban road	3,000,000	2,930,000	2,936,435	6,435
Allocation	14,500,000	16,100,000	16,244,134	144,134
Snow removal	140,000	155,000	156,324	1,324
Local bridge	-	-	170,291	170,291
Other	-	167,473	207,457	39,984
Economic development				
Target industries	-	-	16,812	16,812
Rural primary	401,798	271,798	240,619	(31,179)
Contributions from local units				
Townships	235,000	2,071,000	2,109,150	38,150
Charges for services				
State trunkline				
Maintenance	2,500,000	3,207,000	3,206,903	(97)
Nonmaintenance	100,000	380,000	350,213	(29,787)
Salvage sales	10,000	6,255	6,254	(1)
Other	350,000	635,000	416,580	(218,420)
Investment earnings	2,000	75,000	96,445	21,445
Other revenue				
Gain on disposal of capital assets	15,000	16,755	97,508	80,753
Total operating revenues	25,558,646	29,355,129	**$29,565,371**	**$ 210,242**
Fund balance at beginning of year	13,212,648	13,212,648		
Total budget	**$38,771,294**	**$42,567,777**		

Muskegon County Road Commission
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
General Operations Fund
For the year ended September 30, 2023

	Budgeted Amounts			Variance with
	Original	**Final**	**Actual**	**Final Budget**
Current				
Public works				
Primary road				
Preservation/structural improvements	$ 8,153,327	$ 7,153,327	$ 7,020,638	$ 132,689
Routine and preventive maintenance	5,045,000	5,453,000	5,319,900	133,100
Local road				
Construction/capacity improvements	506,000	-	-	-
Preservation/structural improvements	992,500	3,992,500	4,044,502	(52,002)
Routine and preventive maintenance	5,412,350	6,002,350	6,060,454	(58,104)
Reimbursable services	360,000	360,000	382,859	(22,859)
State trunkline				
Maintenance	2,500,000	3,208,000	3,206,903	1,097
Nonmaintenance	100,000	385,000	350,213	34,787
Federal aid purchases	-	18,332	-	18,332
Equipment expenditures (net)				
Direct	2,850,000	2,850,000	2,804,058	45,942
Indirect	1,350,000	1,700,000	1,724,590	(24,590)
Operating	500,000	700,000	706,370	(6,370)
Less: Equipment rentals	(4,400,000)	(4,600,000)	(4,702,187)	102,187
Total equipment expenditures (net)	300,000	650,000	532,831	117,169
Administrative expenditures (net)				
Administrative expenditures	920,850	976,850	1,023,277	(46,427)
Less: Handling charges	(6,000)	(6,200)	(6,158)	(42)
Overhead - state	(246,000)	(284,000)	(278,664)	(5,336)
Other	(35,000)	(5,000)	(6,394)	1,394
Total administrative expenditures (net)	633,850	681,650	732,061	(50,411)
Capital outlay (net)				
Capital outlay	2,653,600	1,653,600	1,657,068	(3,468)
Less: Depreciation	(1,000,000)	(600,000)	(1,115,272)	515,272
Equipment retirements	-	-	(150)	150
Total capital outlay (net)	1,653,600	1,053,600	541,646	511,954
Total expenditures	25,656,627	28,957,759	**$ 28,192,007**	**$ 765,752**
Fund balance at end of year	14,586,012	14,586,012		
Total budget	**$ 40,242,639**	**$ 43,543,771**		

Muskegon County Road Commission
Required Supplementary Information
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last Ten Fiscal Years (Amounts were determined as of December 31 of each fiscal year)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY									
Service cost	$ 318,869	$ 317,148	$ 334,824	$ 335,680	$ 328,859	$ 311,742	$ 306,830	$ 282,511	$ 285,875
Interest	1,939,743	1,961,444	1,876,410	1,908,454	1,857,172	1,839,458	1,811,016	1,747,413	1,717,288
Differences between expected and actual experience	481,040	(299,700)	213,673	(289,818)	201,628	(207,796)	(39,935)	41,865	-
Changes of assumptions	-	897,509	585,598	690,402	-	-	-	1,086,407	-
Benefit payments, including refunds of employee contributions	(1,960,090)	(1,901,217)	(1,864,390)	(1,756,334)	(1,743,756)	(1,717,312)	(1,732,366)	(1,694,493)	(1,578,166)
Net change in total pension liability	779,562	975,184	1,146,115	888,384	643,903	226,092	345,545	1,463,703	424,997
Total pension liability at beginning of year	27,575,686	26,600,502	25,454,387	24,566,003	23,922,100	23,696,008	23,350,463	21,886,760	21,461,763
Total pension liability at end of year (a)	**$ 28,355,248**	**$ 27,575,686**	**$ 26,600,502**	**$ 25,454,387**	**$ 24,566,003**	**$ 23,922,100**	**$ 23,696,008**	**$ 23,350,463**	**$ 21,886,760**
PLAN FIDUCIARY NET POSITION									
Contributions-employer	$ 3,228,036	$ 2,229,845	$ 2,310,214	$ 2,224,711	$ 1,914,832	$ 1,960,364	$ 1,828,172	$ 1,146,432	$ 949,108
Contributions-employee	-	-	-	-	-	-	-	38,217	38,241
Net investment income (loss)	(2,873,848)	3,460,868	2,808,910	2,499,752	(758,599)	2,185,949	1,702,779	(226,152)	937,415
Benefit payments, including refunds of employee contributions	(1,960,090)	(1,901,217)	(1,864,390)	(1,756,334)	(1,743,756)	(1,717,312)	(1,732,366)	(1,694,493)	(1,578,166)
Administrative expense	(52,485)	(39,737)	(43,065)	(43,045)	(36,608)	(34,503)	(33,544)	(33,210)	(34,335)
Net change in plan fiduciary net position	(1,658,387)	3,749,759	3,211,669	2,925,084	(624,131)	2,394,498	1,765,041	(769,206)	312,263
Plan fiduciary net position at beginning of year	27,996,789	24,247,030	21,035,361	18,110,277	18,734,408	16,339,910	14,574,869	15,344,075	15,031,812
Plan fiduciary net position at end of year (b)	**$ 26,338,402**	**$ 27,996,789**	**$ 24,247,030**	**$ 21,035,361**	**$ 18,110,277**	**$ 18,734,408**	**$ 16,339,910**	**$ 14,574,869**	**$ 15,344,075**
Road Commission's net pension liability (asset) at end of year (a)-(b)	**$ 2,016,846**	**$ (421,103)**	**$ 2,353,472**	**$ 4,419,026**	**$ 6,455,726**	**$ 5,187,692**	**$ 7,356,098**	**$ 8,775,594**	**$ 6,542,685**
Plan fiduciary net position as a percentage of the total pension liability	**92.89%**	**101.53%**	**91.15%**	**82.64%**	**73.72%**	**78.31%**	**68.96%**	**62.42%**	**70.11%**
Covered employee payroll	**$ 3,399,072**	**$ 3,726,023**	**$ 3,830,205**	**$ 3,809,505**	**$ 3,668,859**	**$ 3,445,109**	**$ 3,398,543**	**$ 3,194,684**	**$ 3,218,250**
Road Commission's net pension liability (asset) as a percentage of covered employee payroll	**59.34%**	**-11.30%**	**61.45%**	**116.00%**	**175.96%**	**150.58%**	**216.45%**	**274.69%**	**203.30%**

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

The following were significant changes to actuarial assumptions:

2015 Valuation - The investment rate of return assumption was reduced from 8.25 percent to 8.0 percent, the wage inflation assumption was reduced from 4.5 percent to 3.75 percent, inflation rates changed from 3.0 - 4.0 percent to 2.5 percent.

2019 Valuation - The investment rate of return assumption was reduced from 8.0 percent to 7.6 percent, the wage inflation assumption was reduced from 3.75 to 3.0 percent.

2020 Valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 Valuation - The investment rate of return assumption was reduced from 7.6 percent to 7.25 percent.

Muskegon County Road Commission
Required Supplementary Information
PENSION SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 1,039,450	$ 1,142,934	$ 1,159,481	$ 1,166,432	$ 1,041,640	$ 822,653	$ 839,145	$ 717,702	$ 655,907	$ 644,639
Contributions in relation to the actuarially determined contribution	3,139,450	2,242,934	2,259,481	2,266,432	2,141,640	1,922,653	1,939,145	1,817,702	1,005,907	944,639
Contribution deficiency (excess)	**$(2,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(1,100,000)**	**$(350,000)**	**$(300,000)**
Covered employee payroll	$ 3,762,016	$ 3,726,023	$ 3,830,205	$ 3,809,505	$ 3,668,859	$ 3,445,109	$ 3,398,543	$ 3,194,684	$ 3,218,250	$ 3,384,949
Contributions as percentage of covered employee payroll	**83.5%**	**60.2%**	**59.0%**	**59.5%**	**58.4%**	**55.8%**	**57.1%**	**56.9%**	**31.3%**	**27.9%**

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	16 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.0 percent in the long-term
Investment rate of return	7.00 percent, net of investment and administrative expenses
Retirement age	50-60 years of age depending on years of service
Mortality	Based on a version of Pub-2010 and fully generational MP-2019

Muskegon County Road Commission

REQUIRED SUPPLEMENTARY INFORMATION

RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018
TOTAL OPEB LIABILITY						
Service cost	$ 35,730	$ 50,269	$ 70,458	$ 45,468	$ 46,223	$ 48,168
Interest	96,909	120,371	113,449	136,257	130,736	139,437
Differences between expected and actual experience	(16,764)	(556,192)	(27,176)	(276,305)	(14,387)	(410,320)
Changes of assumptions	20,279	(92,604)	(397,748)	773,190	9,221	(53,738)
Benefit payments, including refunds of employee contributions	(72,648)	(64,902)	(69,798)	(87,639)	(77,724)	(86,703)
Other changes	-	-	-	-	-	51,587
Net change in total OPEB liability	63,506	(543,058)	(310,815)	590,971	94,069	(311,569)
Total OPEB liability at beginning of year	1,659,982	2,203,040	2,513,855	1,922,884	1,828,815	2,140,384
Total OPEB liability at end of year (a)	**$ 1,723,488**	**$ 1,659,982**	**$ 2,203,040**	**$ 2,513,855**	**$ 1,922,884**	**$ 1,828,815**
PLAN FIDUCIARY NET POSITION						
Contributions-employer	$ 72,648	$ 64,902	$ 69,798	$ 87,639	$ 77,724	$ 736,703
Net investment income (loss)	218,056	(560,486)	536,671	154,897	35,915	131,824
Benefit payments, including refunds or employee contributions	(72,648)	(64,902)	(69,798)	(87,639)	(77,724)	(86,703)
Administrative expense	(23,384)	(25,373)	(21,943)	(12,252)	(2,230)	(8,485)
Net change in plan fiduciary net position	194,672	(585,859)	514,728	142,645	33,685	773,339
Plan fiduciary net position at beginning of year	2,524,448	3,110,307	2,595,579	2,452,934	2,419,249	1,645,910
Plan fiduciary net position at end of year (b)	**$ 2,719,120**	**$ 2,524,448**	**$ 3,110,307**	**$ 2,595,579**	**$ 2,452,934**	**$ 2,419,249**
Commission's net OPEB liability (asset) at end of year (a)-(b)	**$ (995,632)**	**$ (864,466)**	**$ (907,267)**	**$ (81,724)**	**$ (530,050)**	**$ (590,434)**
Plan fiduciary net position as a percentage of the total OPEB liability	**157.77%**	**152.08%**	**141.18%**	**103.25%**	**127.57%**	**132.29%**
Covered employee payroll	**$ 3,337,256**	**$ 3,325,824**	**$ 3,267,977**	**$ 4,220,705**	**$ 4,267,411**	**Not Available**
Commission's net OPEB liability (asset) as a percentage of covered employee payroll	**-29.83%**	**-25.99%**	**-27.76%**	**-1.94%**	**-12.42%**	**Not Available**

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

See the following page for significant changes to actuarial assumptions.

Notes to Schedule—Continued

The following were significant changes to actuarial assumptions:

2021 Valuation

Discount rate changed from 4.45 percent to 5.42 percent.
Medical trend rates updated.
Mortality updated.

2022 Valuation

Discount rate changed from 5.42 percent to 5.84 percent.
Salary scale updated from 1.5 percent to 1.75 percent.

2023 Valuation

Medical trend rates updated.
Discount rate changed from 5.84 percent to 5.82 percent.

Muskegon County Road Commission
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF CONTRIBUTIONS
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ -	$ -	$ 65,306	$ -	$ -	$ 149,947	$ 155,447	$ 155,574	$ 208,166	$ 208,069
Contributions in relation to the actuarially determined contribution	72,648	64,902	69,798	87,639	77,724	736,703	155,447	166,277	98,160	208,069
Contribution deficiency (excess)	**$ (72,648)**	**$ (64,902)**	**$ (4,492)**	**$ (87,639)**	**$ (77,724)**	**$ (586,756)**	**$ -**	**$ (10,703)**	**$110,006**	**$ -**
Covered employee payroll	$ 3,337,256	$ 3,325,824	$ 3,267,977	$ 4,220,705	$ 4,267,411	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	**2.2%**	**2.0%**	**2.1%**	**2.1%**	**1.8%**	Not Available	Not Available	Not Available	Not Available	Not Available

Notes to Schedule

Valuation Date:

Actuarially determined contribution rates are calculated as of September 30, 2022 rolled forward to September 30, 2023.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal (level percentage of compensation)
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	10 years
Asset valuation method	Equal to market value of assets
Inflation	Included in investment rate of return
Salary increases	1.75 percent
Investment rate of return	5.82 percent (including inflation), net of administrative and investment expenses
Retirement age	55 - 60 years of age
Mortality	Mortality rates were as set forth in the Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale.

Muskegon County Road Commission
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTHCARE SYSTEM SCHEDULE OF INVESTMENT RETURNS
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	8.68%	-18.09%	20.76%	6.33%	1.49%	6.70%

Notes to Schedule

Additional actuarial data is not available and will be provided in subsequent years.

OTHER SUPPLEMENTAL INFORMATION

Muskegon County Road Commission
ANALYSIS OF CHANGES IN FUND BALANCE
General Operations Fund
For the year ended September 30, 2023

	Total	Primary Road	Local Road	County Road Commission
Total operating revenues	$ 29,565,371	$ 17,369,244	$ 7,885,616	$ 4,310,511
Total expenditures	28,192,007	13,351,238	10,677,898	4,162,871
Excess of revenues over (under) expenditures	1,373,364	4,018,006	(2,792,282)	147,640
Other financing sources (uses)				
Interfund transfers in (out)	-	(2,792,282)	2,792,282	-
Net change in fund balance	1,373,364	1,225,724	-	147,640
Fund balance at beginning of year	13,212,648	10,530,230	-	2,682,418
Fund balance at end of year	**$ 14,586,012**	**$ 11,755,954**	**$ -**	**$ 2,830,058**

Muskegon County Road Commission
ANALYSIS OF REVENUES
General Operations Fund
For the year ended September 30, 2023

	Total	Primary Road	Local Road	County Road Commission
Licenses and permits	$ 110,555	$ -	$ -	$ 110,555
Federal aid				
Surface Transportation Program	1,470,329	1,204,238	266,091	-
D Funds - Federal	89,070	89,070	-	-
Bridge	1,124,945	1,124,945	-	-
Other	505,347	-	505,347	-
State aid				
Michigan Transportation Fund				
Engineering	10,000	7,432	2,568	-
Urban road	2,936,435	2,148,919	787,516	-
Allocation	16,244,134	12,072,782	4,171,352	-
Snow removal	156,324	115,911	40,413	-
Local bridge	170,291	170,291	-	-
Other	207,457	-	1,731	205,726
Economic development				
Target industries	16,812	16,812	-	-
Rural primary	240,619	240,619	-	-
Contributions from local units				
Townships	2,109,150	-	2,109,150	-
Charges for services				
State trunkline				
Maintenance	3,206,903	-	-	3,206,903
Nonmaintenance	350,213	-	-	350,213
Salvage sales	6,254	-	-	6,254
Other	416,580	41,010	1,448	374,122
Investment earnings	96,445	76,865	-	19,580
Other revenue				
Gain on disposal of capital assets	97,508	60,350	-	37,158
Total operating revenues	**$ 29,565,371**	**$ 17,369,244**	**$ 7,885,616**	**$ 4,310,511**

Muskegon County Road Commission
ANALYSIS OF EXPENDITURES
General Operations Fund
For the year ended September 30, 2023

	Total	Primary Road	Local Road	County Road Commission
Current				
Public works				
Primary road				
Preservation/structural improvements	$ 7,020,638	$ 7,020,638	$ -	$ -
Routine and preventive maintenance	5,319,900	5,319,900	-	-
Local road				
Preservation/structural improvements	4,044,502	-	4,044,502	-
Routine and preventive maintenance	6,060,454	-	6,060,454	-
Reimbursable services	382,859	-	-	382,859
State trunkline				
Maintenance	3,206,903	-	-	3,206,903
Nonmaintenance	350,213	-	-	350,213
Equipment expenditures (net)	532,831	180,958	243,368	108,505
Administrative expenditures (net)	732,061	402,487	329,574	-
Capital outlay (net)	541,646	427,255	-	114,391
Total expenditures	**$ 28,192,007**	**$ 13,351,238**	**$ 10,677,898**	**$ 4,162,871**