Muskegon County Road Commission

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

September 30, 2019

Muskegon County Road Commission

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Muskegon County Road Commission
Muskegon, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Muskegon County Road Commission, a component unit of the County of Muskegon, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Muskegon County Road Commission, as of September 30, 2019, 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.

Other Matters

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 OPEB information on pages 3 through 8 and 34 through 39 be presented to supplement the basic financial statements. Such information, 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.

Other 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 is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Brickley DeLong, P.C.

Muskegon, Michigan
February 13, 2020

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, 2019. 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 one fund, the General Operations Fund. All of the Road Commission's activities are accounted for in this fund. The General Operations Fund is a governmental fund type.

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.

FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Road Commission's net position increased from $83,997,973 to $91,624,380 for the year ended September 30, 2019. 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 $7,626,407 in 2019. The net investment in capital assets category of net position increased by $5,676,847 as current year capital additions exceeded depreciation. Restricted net position, which is restricted for County roads, increased by $1,949,560.

Net position is as follows:

	2019	2018
Assets		
Current and other assets	$ 18,427,113	$ 16,272,640
Capital assets	80,034,619	74,357,772
Total assets	98,461,732	90,630,412
Deferred outflows of resources	3,397,442	1,847,240
Total assets and deferred outflows of resources	101,859,174	92,477,652
Liabilities		
Current liabilities	1,908,917	971,040
Noncurrent liabilities	7,848,612	6,504,209
Total liabilities	9,757,529	7,475,249
Deferred inflows of resources	477,265	1,004,430
Total liabilities and deferred inflows of resources	10,234,794	8,479,679
Net position		
Net investment in capital assets	80,034,619	74,357,772
Restricted	11,589,761	9,640,201
Total net position	$ 91,624,380	$ 83,997,973

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 $1,500,065 in federal aid from the following funding sources in 2019:
    - $1,410,915 from STP or Surface Transportation Program for the Giles Road project
    - $89,133 from the Highway Bridge Replacement and Rehabilitation Program for work on five Primary and two Local bridges
    - This represents a decrease of $899,988 from the funds received in 2018. This decrease in not an indicator that the number of grants and/or the amount of grants are dwindling. It is more a matter of timing. The 2019/2020 Budget includes $4.6 million of Federal Aid on Primary Road projects and a bridge replacement.

- **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 State's Transportation Investment legislation that was passed in 2015 became effective January 1, 2017. The package is being phased in over a five-year period and is projected to provide a statewide annual increase to transportation funding of approximately $1.2 billion. The Road Commission's allotment in 2019 of $15,517,025 from MTF was an increase of 8.83% over the previous year.

  In addition, there are a variety of other State funding opportunities but as mentioned above in Federal Aid the availability of these funding sources fluctuate depending on the State's budget and project eligibility. In 2019, under the provisions of P.A. 207 of 2018, MCRC received a General Fund distribution of $1,807,625. Another component of this line item is the State Bridge Program funding totaling $452,201 for rehabilitating seven bridges.

- **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 is as follows:

	2019	2018
Revenues		
Program revenues		
Licenses and permits	$ 70,194	$ 61,963
Federal aid	1,500,065	2,400,053
State aid	17,776,851	15,417,387
Contributions from local units and private sources	1,542,326	2,214,882
Charges for services	3,304,627	3,543,239
Investment earnings	68,382	21,085
General revenues		
Gain on disposal of capital assets	30,578	3,321
Other	(30,061)	-
Total revenues	24,262,962	23,661,930
Expenses		
Primary road routine and preventative maintenance	6,778,214	6,012,309
Local road routine and preventative maintenance	6,009,940	6,217,062
State trunkline	2,867,218	2,725,725
Net administrative	552,395	613,559
Reimbursable services	428,788	1,037,223
Total expenses	16,636,555	16,605,878
Change in net position	7,626,407	7,056,052
Net position at beginning of year	83,997,973	76,941,921
Net position at end of year	**$ 91,624,380**	**$ 83,997,973**

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, 2019, the fund balance of the General Operations Fund increased by $1,171,048, as compared to an increase of $2,700,980 in the prior year.

Total revenues were $24,262,962, an increase of $601,032 as compared to last year. The net increase in operating revenues is primarily due to fluctuations in special funding opportunities as noted above.

Total expenditures for fiscal year 2019 were $23,091,914, an increase of $2,130,964 as compared to last year. Expenditures in Public Works increased by $2,304,504 in 2019. Expenses 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 2019, capital purchases were more than equipment retirements and depreciation combined by $59,789.

Total revenues were more than expenditures for 2019 resulting in an increase to the Road Commission's fund balance of $1,171,048.

A summary of changes in the General Operations Fund are as follows:

	2019	2018
Revenues		
Licenses and permits	$ 70,194	$ 61,963
Federal aid	1,500,065	2,400,053
State aid	17,776,851	15,417,387
Contributions from local units	1,542,326	2,203,387
Charges for services	3,304,627	3,543,239
Investment earnings	68,382	21,085
Other revenue	517	14,816
Total revenues	24,262,962	23,661,930
Expenditures		
Public works	23,032,125	20,727,621
Capital outlay (net)	59,789	233,329
Total expenditures	23,091,914	20,960,950
Net change in fund balance	1,171,048	2,700,980
Fund balance at beginning of year	13,789,404	11,088,424
Fund balance at end of year	**$ 14,960,452**	**$ 13,789,404**

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 $1,489,631 more than the original budget; the final expenditure budget was $2,071,719 more than the original budget for those same reasons. The actual revenues were $185,292 more than the amended budget or 1% over budget. The actual expenditures were $1,632,424 less than the amended budget or 6.6% under budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	2019	2018
Capital assets, not being depreciated		
Land and improvements	$ 28,760,041	$ 27,739,206
Construction in progress	268,489	-
Total capital asset, not being depreciated	29,028,530	27,739,206
Capital assets being depreciated		
Land improvements	234,498	172,315
Buildings and improvements	4,739,758	4,724,568
Road equipment	16,048,114	15,534,454
Other equipment	3,115,091	3,068,459
Infrastructure and improvements	82,094,470	77,060,181
Total capital assets being depreciated	106,231,931	100,559,977
Less accumulated depreciation	(55,225,842)	(53,941,411)
Total capital assets, being depreciated, net	51,006,089	46,618,566
Total capital assets, net	**$ 80,034,619**	**$ 74,357,772**

Current year's major additions included the following:

Preservation and Bridge projects	$ 9,333,207
Trucks and Equipment Purchases	834,416
Building Improvements	363,460

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

Debt

As of September 30, 2019, the Road Commission had $365,192 in long-term debt outstanding. This is a decrease of $29,563. The long-term debt outstanding is comprised entirely of compensated absences.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

As noted in last year's MD&A our budgets going forward are reflecting revenue increases in Act 51 funds based on legislative action to raise fuel and license fees. The 2019/2020 budget projects the continuation of the ambitious plan to invest a large portion of the revenue increase in preservation improvement projects on approximately 12 miles of the primary road system. The scope of these projects will include resurfacing, culvert replacements, and safety and intersection improvements. Although contractor availability continues to be problematic due to the increased focus on and funding of the State's road system, the Road Commission's proactive planning secured competitive bids to complete the projected improvements for the second year in a row.

The number of primary road projects utilizing federal aid and other funding sources were down from previous years because the allotted federal aid is being used on one large project, the Ellis, Hostad and Sternberg project which encompass 7.4 miles. The budgeted cost for the project is $4,027,188 with $2,568,989 of the cost coming from federal funding. The 2019/2020 budget also includes an additional $3,000,000 for various overlays.

Chip sealing continues to be an integral treatment function in our preservation plans. The local budget provides for 35 miles of chip sealing with township participation. In addition, as in past years, staff will be prepared to work with townships on any projects that might arise. We are working with several of the townships on multiyear 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, 2019

ASSETS	
Current assets	
Cash and investments	$ 9,082,139
Accounts receivable	
State trunkline maintenance	57,451
State Department of Transportation	
Michigan Transportation Fund	2,685,844
Other	327,065
Due on county road agreements	1,056,785
Site remediation	11,116
Other	59,253
Inventories	
Road materials	1,834,906
Equipment materials and parts	559,251
Prepaid items	2,223,253
Total current assets	17,897,063
Noncurrent assets	
Capital assets, net	
Nondepreciable	29,028,530
Depreciable	51,006,089
Net other postemployment benefits asset	530,050
Total noncurrent assets	80,564,669
Total assets	98,461,732
DEFERRED OUTFLOWS OF RESOURCES	
Related to pension	3,303,506
Related to other postemployment benefits	93,936
Total deferred outflows of resources	3,397,442
Total assets and deferred outflows of resources	101,859,174
LIABILITIES	
Current liabilities	
Accounts payable	1,278,236
Accrued liabilities	82,920
Due to other governmental units	319,761
Compensated absences - due within one year	228,000
Total current liabilities	1,908,917
Noncurrent liabilities	
Advances	
State trunkline	
Equipment purchase	453,601
Maintenance	211,162
Unearned revenues	
Forest roads	590,931
Compensated absences - less amounts due within one year	137,192
Net pension liability	6,455,726
Total noncurrent liabilities	7,848,612
Total liabilities	9,757,529
DEFERRED INFLOWS OF RESOURCES	
Related to pension	113,881
Related to other postemployment benefits	363,384
Total deferred inflows of resources	477,265
Total liabilities and deferred inflows of resources	10,234,794
NET POSITION	
Net investment in capital assets	80,034,619
Restricted for county roads	11,589,761
Total net position	**$ 91,624,380**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF ACTIVITIES
For the year ended September 30, 2019

Program expenses	
Primary road routine and preventative maintenance	$ 6,778,214
Local road routine and preventative maintenance	6,009,940
State trunkline	2,867,218
Net administrative	552,395
Reimbursable services	428,788
Total program expenses	16,636,555
Program revenues	
Charges for services	
Licenses and permits	70,194
Charges for services	3,304,627
Operating grants and contributions	
Michigan Transportation Funds	15,517,026
Investment earnings	68,382
Capital grants and contributions	
Federal grants	1,500,065
State grants	2,259,825
Local units	1,542,326
Total program revenues	24,262,445
Net program revenues	7,625,890
General revenues (expenses)	
Gain (loss) on disposal of capital assets	30,578
Other	(30,061)
Total general revenues	517
Change in net position	7,626,407
Net position at beginning of year	83,997,973
Net position at end of year	**$ 91,624,380**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
BALANCE SHEET
September 30, 2019

	General Operations Fund
ASSETS	
Cash and investments	$ 9,082,139
Receivables	
State trunkline maintenance	57,451
State Department of Transportation	
Michigan Transportation Fund	2,685,844
Other	327,065
Due on county road agreements	1,056,785
Site remediation	11,116
Other	59,253
Inventories	
Road materials	1,834,906
Equipment materials and parts	559,251
Prepaid items	2,223,253
Total assets	**$ 17,897,063**
LIABILITIES	
Accounts payable	$ 1,278,236
Accrued liabilities	82,920
Due to other governmental units	319,761
Advances	
State trunkline	
Equipment purchase	453,601
Maintenance	211,162
Unearned revenues	
Forest roads	590,931
Total liabilities	2,936,611
FUND BALANCE	
Nonspendable	
Inventories	2,394,157
Prepaid items	2,223,253
Restricted for county roads	10,343,042
Total fund balance	14,960,452
Total liabilities and fund balance	**$ 17,897,063**

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, 2019

Total fund balance—governmental funds		$ 14,960,452
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	$ 135,260,461	
Accumulated depreciation	(55,225,842)	80,034,619
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	(365,192)	
Net pension liability and related deferred outflows/inflows of resources	(3,266,101)	
Other postemployment benefits liability and related deferred outflows/inflows of resources	260,602	(3,370,691)
Net position of governmental activities		**$ 91,624,380**

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended September 30, 2019

	General Operations Fund
REVENUES	
Licenses and permits	$ 70,194
Federal aid	1,500,065
State aid	17,776,851
Contributions from local units	1,542,326
Charges for services	3,304,627
Investment earnings	68,382
Other revenue	517
Total revenues	24,262,962
EXPENDITURES	
Current	
Public works	23,032,125
Capital outlay (net)	59,789
Total expenditures	23,091,914
Net change in fund balance	1,171,048
Fund balance at beginning of year	13,789,404
Fund balance at end of year	**$ 14,960,452**

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, 2019

Net change in fund balance—total governmental funds		$ 1,171,048
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	$ (4,854,374)	
Capital outlay	10,531,221	5,676,847
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	29,563	
Change in net pension liabilty and related deferred outflows/inflows of resources	647,185	
Change in net other postemployment benefits liabilty and related deferred outflows/inflows of resources	101,764	778,512
Change in net position of governmental activities		**$ 7,626,407**

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. 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.

The fund financial statements provide information about the Road Commission's governmental funds. 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 fund, no separate columns have been provided.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

In the case of the initial capitalization of general infrastructure assets, the Road Commission chose to include all such items regardless of their acquisition date or amount. The Road Commission was able to obtain the historical cost of the initial reporting of these assets by recording the actual costs incurred by the Road Commission.

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 fair value at the date of donation.

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
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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

Defined Benefit Plan

The Commission offers a defined benefit pension plan to its employees through Municipal Employees Retirement System (MERS). The 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 Commission offers a defined benefit retiree healthcare benefits to retirees. The 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 position 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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

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.

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, 2019, actual expenditures exceeded appropriations for State trunkline – nonmaintenance by $49,825. These overexpenditures were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

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.

NOTE C—DEPOSITS AND INVESTMENTS—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, 2019, $8,831,839 of the Road Commission's bank balance of $9,081,839 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—CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2019 was as follows:

	Balance October 1, 2018	Additions	Deductions	Balance September 30, 2019
Capital assets, not being depreciated:				
Land and improvements	$ 27,739,206	$ 1,020,835	$ -	$ 28,760,041
Construction in progress	-	268,489	-	268,489
Total capital assets, not being depreciated	27,739,206	1,289,324	-	29,028,530
Capital assets, being depreciated:				
Land improvements	172,315	62,183	-	234,498
Buildings and improvements	4,724,568	15,190	-	4,739,758
Road equipment	15,534,454	803,398	289,738	16,048,114
Other equipment	3,068,459	48,617	1,985	3,115,091
Infrastructure and improvements	77,060,181	8,312,509	3,278,220	82,094,470
Total capital assets, being depreciated	100,559,977	9,241,897	3,569,943	106,231,931
Less accumulated depreciation:				
Land improvements	65,456	8,276	-	73,732
Buildings and improvements	3,596,737	118,887	-	3,715,624
Road equipment	12,976,383	928,713	289,738	13,615,358
Other equipment	2,068,928	120,037	1,985	2,186,980
Infrastructure and improvements	35,233,907	3,678,461	3,278,220	35,634,148
Total accumulated depreciation	53,941,411	4,854,374	3,569,943	55,225,842
Total capital assets, being depreciated, net	46,618,566	4,387,523	-	51,006,089
Capital assets, net	**$ 74,357,772**	**$ 5,676,847**	**$ -**	**$ 80,034,619**

NOTE D—CAPITAL ASSETS—CONTINUED

Depreciation

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

Governmental activities:

Primary road	$ 3,243,691
Local road	1,330,420
State trunkline	221,026
Administrative	59,235
	$ 4,854,372

NOTE E—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, 2019:

	Balance October 1, 2018	Additions	Reductions	Balance September 30, 2019	Due Within One Year
Compensated absences	**$ 394,755**	**$ 497,220**	**$ 526,783**	**$ 365,192**	**$ 228,000**

NOTE F—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Defined Benefit Pension Plan

Plan Description

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 Road Commission's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. Public Act 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS. The Plan covers all full-time employees.

NOTE F—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Benefits Provided—Continued
Benefits provided are based on the following by employee division:

	Mulitplier	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

The Departments Heads Division and Managers, Directors Division are closed to new employees effective September 1, 2017 with employees that would have otherwise been in these divisions now being included in the Supervisors Division. The Commissioners Division is also closed to new hires.

Employees Covered by Benefit Terms
At December 31, 2018 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	95
Inactive employees entitled to but not yet receiving benefits	17
Active employees	72
Total employees covered by MERS	**184**

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, 2019, the Road Commission contributions ranged from 17.31 to 29.62 percent of annual covered payroll for open divisions. No contribution is required from employees.

Net Pension Liability
The Road Commission's net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

NOTE F—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued

Defined Benefit Pension Plan—Continued

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.75 percent in the long-term
Investment rate of return	7.75 percent, net of administrative and investment expenses

Although no specific price inflation assumptions are needed for the valuation, the 2.5 percent long-term wage inflation assumption would be consistent with a price inflation of 3-4 percent. Mortality rates used were based on the RP-2014 Group Annuity Mortality Table of a 50 percent Male and 50 percent Female blend.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009 through 2013.

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 arithmetic 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	55.5%	8.65%	4.80%	2.50%	3.42%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.23%
Real assets	13.5%	9.72%	1.31%	2.50%	0.97%
Diversifying strategies	12.5%	7.50%	0.94%	2.50%	0.63%
Total	**100.0%**		**7.75%**		**5.25%**

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent for 2018. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that Commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate. Based on those 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 F—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 (a)-(b)**
Balance at January 1, 2018	$ 23,922,100	$ 18,734,408	$ 5,187,692
Changes for the year			
Service cost	328,859	-	328,859
Interest	1,857,172	-	1,857,172
Difference between expected and actual experience	201,628	-	201,628
Contributions - employer	-	1,914,832	(1,914,832)
Net investment income	-	(758,599)	758,599
Administrative expenses	-	(36,608)	36,608
Benefit payments including refund of employee contributions	(1,743,756)	(1,743,756)	-
Net changes	643,903	(624,131)	1,268,034
Balance at December 31, 2018	**$ 24,566,003**	**$ 18,110,277**	**$ 6,455,726**

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 8.00 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 (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate:

	1% Decrease (7.00%)	**Current Discount Rate (8.00%)**	**1% Increase (9.00%)**
Road Commission's net pension liability	$ 8,832,764	$ 6,455,726	$ 4,410,028

Note: 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.

NOTE F—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, 2019, the Road Commission recognized pension expense of $1,494,456. At September 30, 2019, 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	$ 151,221	$ 113,881
Net difference between projected and actual net investment income	1,360,304	-
Contributions subsequent to the measurement date*	1,791,981	-
Total	**$ 3,303,506**	**$ 113,881**

*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, 2020.

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
2020	$ 446,165
2021	170,062
2022	328,871
2023	452,546

Payables to the Pension Plan
At September 30, 2019, the Road Commission reported a payable of $136,997 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2019.

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 G—OTHER POST-EMPLOYMENT BENEFITS

Retiree Healthcare Plan

Plan Description
The 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 Commission. The benefits are provided under collective bargaining agreements and at the discretion of the 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.

Employees Covered by Benefit Terms
At the September 30, 2018 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	-
Active employees	73
Total employees covered by OPEB Plan	**117**

Contributions
The OPEB Plan's funding policy is that the Road Commission will make contributions using the actuarially determined contribution as a guide. The OPEB Plan has no legally required reserves. For the year ended September 30, 2019, the Road Commission made payments for postemployment healthcare benefits for current retirees of $77,724. The Road Commission did not make any payments into the OPEB Plan trust.

Net OPEB Liability
The Commission's net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as September 30, 2018, which was rolled forward to September 30, 2019.

Actuarial Assumptions
The total OPEB liability in the September 30, 2018 actuarial valuation rolled forward to September 30, 2019 was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	Included in investment rate of return
Salary increases	1.5 percent
Investment rate of return	7.08 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates	Pre-65: 8 percent graded down to 5 percent by .5 percent per year Post-65: 5 percent in all years

NOTE G—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

Actuarial Assumptions—Continued

Mortality
Mortality rates were as set forth in the RP-2014 headcount weighted adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017.

Investment Rate of Return
The long-term 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 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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	65.0%	8.00%
Global fixed income	30.3%	5.50%
Real assets	2.5%	6.20%
Diversifying strategies	2.2%	2.75%

The sum of each target allocation times its long-term expected rate is 7.12 percent.

Discount Rate
The discount rate used to measure the total OPEB liability was 7.08 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 calculate the liability at the beginning of the year was 7.12 percent.

NOTE G—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, 2018	$ 1,828,815	$ 2,419,249	$ (590,434)
Changes for the year			
Service cost	46,223	-	46,223
Interest	130,736	-	130,736
Difference between expected and actual experience	(14,387)	-	(14,387)
Changes of assumptions	9,221	-	9,221
Contributions - employer	-	77,724	(77,724)
Net investment income	-	35,915	(35,915)
Administrative expenses	-	(2,230)	2,230
Benefit payments including refund of employee contributions	(77,724)	(77,724)	-
Net changes	94,069	33,685	60,384
Balance at September 30, 2019	**$ 1,922,884**	**$ 2,452,934**	**$ (530,050)**

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
The following presents the net OPEB liability of the Commission, calculated using the discount rate of 7.08 percent, as well as what the Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.08 percent) or 1-percentage-point higher (8.08 percent) than the current rate:

	1% Decrease (6.08%)	**Current Discount Rate (7.08%)**	**1% Increase (8.08%)**
Commission's net OPEB liability (asset)	$ (273,629)	$ (530,050)	$ (740,346)

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate
The following presents the net OPEB liability of the Commission, calculated using the healthcare cost trend rate of 8 percent, decreasing to 5 percent, as well as what the Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7 percent decreasing to 4 percent) or 1-percentage-point higher (9 percent decreasing to 6 percent) than the current rate:

NOTE G—OTHER POST-EMPLOYMENT BENEFITS—Continued

Retiree Healthcare Plan—Continued

	1% Decrease (7% Decreasing to 4%)	Current Healthcare Cost Trend Rates (8% Decreasing to 5%)	1% Increase (9% Decreasing to 6%)
Commission's net OPEB liability (asset)	$ (766,748)	$ (530,050)	$ (231,915)

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 Commission's fiduciary net position have been determined on the same basis as they are reported by the 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, 2019, the Commission recognized OPEB expense of ($24,040). At September 30, 2019, the 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	$ -	$ 329,737
Differences in assumptions	-	33,647
Net difference between projected and actual net investment income	93,936	-
Total	**$ 93,936**	**$ 363,384**

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
2019	$ (31,057)
2020	(31,057)
2021	(31,058)
2022	(26,032)
2023	(53,285)
Thereafter	(96,959)

Payables to the OPEB Plan
At September 30, 2019, the Commission did not have a payable to the OPEB Plan.

NOTE H—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 Commission has a contract agreement for heating and cooling improvements as of September 30, 2019 of approximately $109,000.

NOTE I—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, 2019, the federal aid received and expended by the Road Commission was $1,500,064 for contracted projects. No funding 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.

NOTE J—UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84—*Fiduciary Activities* was issued by the GASB in January 2017 and will be effective for the Commission's 2020 fiscal year. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Statement 87—*Leases* was issued by the GASB in June 2017 and will be effective for the Commission's 2021 fiscal year. The objective of this Statement is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

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, 2019

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Licenses and permits	$ 80,000	$ 90,000	$ 70,194	$ (19,806)
Federal aid				
Surface Transportation Program	1,500,000	1,500,000	1,410,915	(89,085)
Bridge	100,000	100,000	89,133	(10,867)
Other	-	-	17	17
State aid				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,001	1
Urban road	2,350,000	2,350,000	2,395,258	45,258
Allocation	12,718,000	12,838,000	12,993,934	155,934
Snow removal	91,000	117,833	117,833	-
Other	2,307,863	2,300,472	2,259,825	(40,647)
Contributions from local units				
Townships	1,103,176	1,250,000	1,348,066	98,066
Other private sources	-	180,450	194,260	13,810
Charges for services				
State trunkline				
Maintenance	1,900,000	2,480,000	2,519,307	39,307
Nonmaintenance	-	255,915	266,825	10,910
Salvage sales	10,000	15,000	14,627	(373)
Other	400,000	490,000	503,868	13,868
Investment earnings	13,000	68,000	68,382	382
Other revenue				
Gain on disposal of capital assets	5,000	32,000	30,578	(1,422)
Other	-	-	(30,061)	(30,061)
Total operating revenues	22,588,039	24,077,670	**$ 24,262,962**	**$ 185,292**
Fund balance at beginning of year	13,789,404	13,789,404		
Total budget	**$ 36,377,443**	**$ 37,867,074**		

Muskegon County Road Commission
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF EXPENDITURES
General Operations Fund
For the year ended September 30, 2019

	Budgeted Amounts			Variance with Final Budget- Positive
	Original	**Final**	**Actual**	**(Negative)**
Current				
Public works				
Primary road				
Preservation/Structural Improvements	$ 6,253,688	$ 8,938,900	$ 8,083,592	$ 855,308
Routine and Preventive Maintenance	5,774,563	4,410,000	4,234,077	175,923
Local road				
Construction	-	100	137	(37)
Preservation/Structural Improvements	255,176	1,314,550	1,249,615	64,935
Routine and Preventive Maintenance	6,549,192	5,580,050	5,304,183	275,867
Reimbursable services	430,000	430,000	428,788	1,212
State trunkline				
Maintenance	1,900,000	2,600,000	2,600,393	(393)
Nonmaintenance	-	217,000	266,825	(49,825)
Equipment expenditures (net)				
Direct	2,400,000	2,700,000	2,692,539	7,461
Indirect	1,190,000	1,440,000	1,452,071	(12,071)
Operating	600,000	610,000	555,409	54,591
Less: Equipment rentals	(3,500,000)	(4,330,000)	(4,370,121)	40,121
Total equipment expenditures (net)	690,000	420,000	329,898	90,102
Administrative expenditures (net)				
Administrative expenditures	824,200	837,200	768,417	68,783
Less: Handling charges	(5,000)	(5,000)	(5,579)	579
Overhead - state	(203,000)	(216,000)	(224,621)	8,621
Other	(3,000)	(3,000)	(3,600)	600
Total administrative expenditures (net)	613,200	613,200	534,617	78,583
Capital outlay (net)				
Capital outlay	1,276,800	1,250,538	1,197,876	52,662
Less: Depreciation	(1,090,000)	(1,050,000)	(1,138,087)	88,087
Total capital outlay (net)	186,800	200,538	59,789	140,749
Total expenditures	22,652,619	24,724,338	**$ 23,091,914**	**$ 1,632,424**
Fund balance at end of year	14,960,452	14,960,452		
Total budget	**$ 37,613,071**	**$ 39,684,790**		

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)

	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY					
Service cost	$ 328,859	$ 311,742	$ 306,830	$ 282,511	$ 285,875
Interest	1,857,172	1,839,458	1,811,016	1,747,413	1,717,288
Differences between expected and actual experience	201,628	(207,796)	(39,935)	41,865	-
Changes of assumptions	-	-	-	1,086,407	-
Benefit payments, including refunds of employee contributions	(1,743,756)	(1,717,312)	(1,732,366)	(1,694,493)	(1,578,166)
Net change in total pension liability	643,903	226,092	345,545	1,463,703	424,997
Total pension liability at beginning of year	23,922,100	23,696,008	23,350,463	21,886,760	21,461,763
Total pension liability at end of year (a)	**$ 24,566,003**	**$ 23,922,100**	**$ 23,696,008**	**$ 23,350,463**	**$ 21,886,760**
PLAN FIDUCIARY NET POSITION					
Contributions-employer	$ 1,914,832	$ 1,960,364	$ 1,828,172	$ 1,146,432	$ 949,108
Contributions-employee	-	-	-	38,217	38,241
Net investment income	(758,599)	2,185,949	1,702,779	(226,152)	937,415
Benefit payments, including refunds of employee contributions	(1,743,756)	(1,717,312)	(1,732,366)	(1,694,493)	(1,578,166)
Administrative expense	(36,608)	(34,503)	(33,544)	(33,210)	(34,335)
Net change in plan fiduciary net position	(624,131)	2,394,498	1,765,041	(769,206)	312,263
Plan fiduciary net position at beginning of year	18,734,408	16,339,910	14,574,869	15,344,075	15,031,812
Plan fiduciary net position at end of year (b)	**$ 18,110,277**	**$ 18,734,408**	**$ 16,339,910**	**$ 14,574,869**	**$ 15,344,075**
Road Commission's net pension liability at end of year (a)-(b)	**$ 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	**73.72%**	**78.31%**	**68.96%**	**62.42%**	**70.11%**
Covered employee payroll	**$ 3,668,859**	**$ 3,445,109**	**$ 3,398,543**	**$ 3,194,684**	**$ 3,218,250**
Road Commission's net pension liability as a percentage of covered employee payroll	**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.

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ 1,041,640	$ 822,653	$ 839,145	$ 717,702	$ 655,907	$ 644,639	$ 596,226	$ 561,530	$ 548,707	$ 525,721
Contributions in relation to the actuarially determined contribution	2,141,640	1,922,653	1,939,145	1,817,702	1,005,907	944,639	796,226	561,530	698,707	675,721
Contribution deficiency (excess)	**$ (1,100,000)**	**$ (1,100,000)**	**$ (1,100,000)**	**$ (1,100,000)**	**$ (350,000)**	**$ (300,000)**	**$ (200,000)**	**$ -**	**$ (150,000)**	**$ (150,000)**
Covered employee payroll	$ 3,668,859	$ 3,445,109	$ 3,398,543	$ 3,194,684	$3,218,250	$3,384,949	$3,352,658	$3,239,362	$3,442,664	$3,613,966
Contributions as percentage of covered employee payroll	**58.4%**	**55.8%**	**57.1%**	**56.9%**	**31.3%**	**27.9%**	**23.7%**	**17.3%**	**20.3%**	**18.7%**

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
Amortization method	Level percentage of payroll, Closed
Remaining amortization period	20 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increases	3.75 percent
Investment rate of return	7.75 percent, net of investment and administrative expenses
Retirement age	Varies depending on plan adoption
Mortality	50 percent Female/50 percent Male RP-2014 Group Annuity Mortality Table

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)

	2019	2018
TOTAL OPEB LIABILITY		
Service cost	$ 46,223	$ 48,168
Interest	130,736	139,437
Differences between expected and actual experience	(14,387)	(410,320)
Changes of assumptions	9,221	(53,738)
Benefit payments, including refunds of employee contributions	(77,724)	(86,703)
Other changes	-	51,587
Net change in total OPEB liability	94,069	(311,569)
Total OPEB liability at beginning of year	1,828,815	2,140,384
Total OPEB liability at end of year (a)	**$ 1,922,884**	**$ 1,828,815**
PLAN FIDUCIARY NET POSITION		
Contributions-employer	$ 77,724	$ 736,703
Net investment income	35,915	131,824
Benefit payments, including refunds or employee contributions	(77,724)	(86,703)
Administrative expense	(2,230)	(8,485)
Net change in plan fiduciary net position	33,685	773,339
Plan fiduciary net position at beginning of year	2,419,249	1,645,910
Plan fiduciary net position at end of year (b)	**$ 2,452,934**	**$ 2,419,249**
Commission's net OPEB liability (asset) at end of year (a)-(b)	**$ (530,050)**	**$ (590,434)**
Plan fiduciary net position as a percentage of the total OPEB liability	**127.57%**	**132.29%**
Covered employee payroll	**$ 4,267,411**	**Not Available**
Commission's net OPEB liability (asset) as a percentage of covered employee payroll	**-12.42%**	**Not Available**

Notes to Schedule

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

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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Actuarially determined contribution	$ (16,363)	$ 149,947	$ 155,447	$ 155,574	$ 208,166	$ 208,069	$ 207,983	$ 272,384	$ 269,812	$ 268,300
Contributions in relation to the actuarially determined contribution	77,724	736,703	155,447	166,277	98,160	208,069	207,983	272,384	269,812	268,300
Contribution deficiency (excess)	**$ (94,087)**	**$ (586,756)**	**$ -**	**$ (10,703)**	**$ 110,006**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Covered employee payroll	$4,267,411	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	**1.8%**	Not Available	Not Available	Not Available	Not Available	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, 2019.

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	13 years
Asset valuation method	Equal to market value of assets
Inflation	Included in investment rate of return
Salary increases	1.5 percent
Investment rate of return	7.08 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 RP-2014 headcount weighted adjusted to 2006 base mortality rates (separate annuitant and non-annuitant tables), projected from the valuation date with improvement scale MP-2017.

OTHER SUPPLEMENTAL INFORMATION

Muskegon County Road Commission
ANALYSIS OF CHANGES IN FUND BALANCE
General Operations Fund
For the year ended September 30, 2019

	Total	Primary Road	Local Road	County Road Commission
Total operating revenues	$ 24,262,962	$ 15,345,439	$ 5,547,729	$ 3,369,794
Total expenditures	23,091,914	12,808,011	6,888,067	3,395,836
Excess of revenues over (under) expenditures	1,171,048	2,537,428	(1,340,338)	(26,042)
Other financing sources (uses)				
Optional transfers in (out)	-	(1,340,338)	1,340,338	-
Net change in fund balance	1,171,048	1,197,090	-	(26,042)
Fund balance at beginning of year	13,789,404	7,651,862	-	6,137,542
Adjustment	-	1,052,456	-	(1,052,456)
Fund balance at end of year	**$ 14,960,452**	**$ 9,901,408**	**$ -**	**$ 5,059,044**

Muskegon County Road Commission
ANALYSIS OF REVENUES
General Operations Fund
For the year ended September 30, 2019

	Total	Primary Road	Local Road	County Road Commission
Licenses and permits	$ 70,194	$ -	$ -	$ 70,194
Federal aid				
Surface Transportation Program	1,410,915	1,410,915	-	-
Bridge	89,133	-	89,133	-
Other	17	-	-	17
State aid				
Michigan Transportation Fund				
Engineering	10,001	7,371	2,630	-
Urban road	2,395,258	1,752,914	642,344	-
Allocation	12,993,934	9,577,639	3,416,295	-
Snow removal	117,833	86,855	30,978	-
Other				
Local bridge	452,200	435,488	16,712	-
Other	1,807,625	1,807,625	-	-
Contributions from local units				
Townships	1,348,066	-	1,348,066	-
Other private sources	194,260	157,854	268	36,138
Charges for services				
State trunkline				
Maintenance	2,519,307	-	-	2,519,307
Nonmaintenance	266,825	-	-	266,825
Salvage sales	14,627	-	-	14,627
Other	503,868	54,669	1,303	447,896
Investment earnings	68,382	37,945	-	30,437
Other revenue				
Gain on disposal of capital assets	30,578	16,164	-	14,414
Other	(30,061)	-	-	(30,061)
Total operating revenues	**$ 24,262,962**	**$ 15,345,439**	**$ 5,547,729**	**$ 3,369,794**

Muskegon County Road Commission
ANALYSIS OF EXPENDITURES
General Operations Fund
For the year ended September 30, 2019

	Total	Primary Road	Local Road	County Road Commission
Current				
Public works				
Primary road				
Preservation/Structural Improvements	$ 8,083,592	$ 8,083,592	$ -	$ -
Routine and Preventive Maintenance	4,234,077	4,234,077	-	-
Local road				
Construction	137	-	137	-
Preservation/Structural Improvements	1,249,615	-	1,249,615	-
Routine and Preventive Maintenance	5,304,183	-	5,304,160	23
Reimbursable services	428,788	-	-	428,788
State trunkline				
Maintenance	2,600,393	-	-	2,600,393
Nonmaintenance	266,825	-	-	266,825
Equipment expenditures (net)	329,898	109,787	148,488	71,623
Administrative expenditures (net)	534,617	348,950	185,667	-
Capital outlay (net)	59,789	31,605	-	28,184
Total expenditures	**$ 23,091,914**	**$ 12,808,011**	**$ 6,888,067**	**$ 3,395,836**