

Muskegon County Road Commission

**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)

September 30, 2024



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, 2024, 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, 2024, 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.

Board of Commissioners  
Muskegon County Road Commission  
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**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.



Muskegon, Michigan  
January 24, 2025

# MUSKEGON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

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, 2024. 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.

# MUSKEGON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

### FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Road Commission's net position increased from \$123,314,902 to \$132,233,839 for the year ended September 30, 2024. 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 \$8,918,937 for the year ended September 30, 2024. The net investment in capital assets category of net position increased by \$2,827,901 as current year capital additions exceeded depreciation. Restricted net position, which is restricted for County roads, increased by \$6,091,036.

Net position as of September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 21,882,601	\$ 17,418,657
Capital assets	108,905,535	106,077,634
Total assets	130,788,136	123,496,291
Deferred outflows of resources	4,247,001	5,156,163
Total assets and deferred outflows of resources	135,035,137	128,652,454
Liabilities		
Current liabilities	957,162	857,493
Noncurrent liabilities	1,081,486	3,494,528
Total liabilities	2,038,648	4,352,021
Deferred inflows of resources	762,650	985,531
Total liabilities and deferred inflows of resources	2,801,298	5,337,552
Net position		
Net investment in capital assets	108,905,535	106,077,634
Restricted	23,328,304	17,237,268
Total net position	<u>\$ 132,233,839</u>	<u>\$ 123,314,902</u>

#### 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 \$1,982,117 in federal aid from the Surface Transportation Program (STP) or other federal sources for Primary Road projects. This represents a decrease of \$1,207,574 from the funds received in 2023. The 2024/2025 Budget includes 1.6 million of STP Federal Aid.

# MUSKEGON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

- **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 2024 of \$19,967,456 from MTF was an increase of 3.2 percent 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, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Program revenues		
Licenses and permits	\$ 275,460	\$ 110,555
Federal aid	1,982,117	3,189,691
State aid	20,360,957	19,982,072
Contributions from local units and private sources	1,978,810	2,109,150
Charges for services	4,282,420	3,979,950
Investment earnings	350,757	96,445
General revenues		
Gain on disposal of capital assets	35,500	97,508
Other	53,031	-
Total revenues	<u>29,319,052</u>	<u>29,565,371</u>
Expenses		
Primary road routine and preventative maintenance	8,304,390	8,462,963
Local road routine and preventative maintenance	7,262,793	6,783,977
State trunkline	3,843,265	3,557,116
Net administrative	531,152	756,575
Reimbursable services	458,515	382,859
Total expenses	<u>20,400,115</u>	<u>19,943,490</u>
Change in net position	8,918,937	9,621,881
Net position at beginning of year	<u>123,314,902</u>	<u>113,693,021</u>
Net position at end of year	<u><b>\$ 132,233,839</b></u>	<u><b>\$ 123,314,902</b></u>

# MUSKEGON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

### 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, 2024, the fund balance of the General Operations Fund increased by \$4,592,282, as compared to an increase of \$1,373,364 in the prior year.

Total revenues were \$29,319,052, a decrease of \$246,319 as compared to last year.

Total expenditures for fiscal year 2024 were \$24,726,770, a decrease of \$3,465,237 as compared to last year. Expenditures in Public Works decreased by \$3,527,542 in 2024. 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 2024, net capital outlay was \$603,951 resulting from capital purchases exceeding allocated depreciation.

A summary of changes in the General Operations Fund for the years ended September 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Revenues		
Licenses and permits	\$ 275,460	\$ 110,555
Federal aid	1,982,117	3,189,691
State aid	20,360,957	19,982,072
Contributions from local units	1,978,810	2,109,150
Charges for services	4,282,420	3,979,950
Investment earnings (loss)	350,757	96,445
Other revenue	88,531	97,508
Total revenues	<u>29,319,052</u>	<u>29,565,371</u>
Expenditures		
Public works	24,122,819	27,650,361
Capital outlay (net)	603,951	541,646
Total expenditures	<u>24,726,770</u>	<u>28,192,007</u>
Net change in fund balance	4,592,282	1,373,364
Fund balance at beginning of year	<u>14,586,012</u>	<u>13,212,648</u>
Fund balance at end of year	<u><u>\$ 19,178,294</u></u>	<u><u>\$ 14,586,012</u></u>

### 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.

# MUSKEGON COUNTY ROAD COMMISSION

## Management's Discussion and Analysis

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 \$978,063 more than the original budget; the final expenditure budget was \$885,300 less than the original budget due to a decrease in primary road preservation/structural improvements expenditure expectations. The actual revenues were \$641,361 more than the amended budget or 2.2 percent over budget. The actual expenditures were \$4,053,954 less than the amended budget or 14.1 percent under budget.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

	<u>2024</u>	<u>2023</u>
Capital assets, not being depreciated		
Land and improvements	\$ 34,638,311	\$ 33,756,258
Construction in progress	87,805	-
Total capital asset, not being depreciated	<u>34,726,116</u>	<u>33,756,258</u>
Capital assets being depreciated		
Land improvements	365,568	365,568
Buildings and improvements	7,578,288	7,512,937
Road equipment	19,509,423	18,404,687
Other equipment	3,751,886	3,349,840
Infrastructure and improvements	112,916,706	107,125,320
Total capital assets being depreciated	<u>144,121,871</u>	<u>136,758,352</u>
Less accumulated depreciation	<u>(69,942,452)</u>	<u>(64,436,976)</u>
Total capital assets, being depreciated, net	<u>74,179,419</u>	<u>72,321,376</u>
Total capital assets, net	<u><u>\$ 108,905,535</u></u>	<u><u>\$ 106,077,634</u></u>

Current year's major additions included the following:

Infrastructure and Improvements projects	\$7,462,803
Trucks and Equipment Purchases	\$1,841,450

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

#### Debt

As of September 30, 2024, the Road Commission had \$430,104 in long-term debt outstanding. This is a decrease of \$68,058. 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.

# **MUSKEGON COUNTY ROAD COMMISSION**

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## **Management's Discussion and Analysis**

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The State is expecting MTF funds to increase approximately 2.4 percent for the 2024/2025 budget year.

Federal Aid projects will include several epoxy overlays on primary bridges as well as a resurfacing of primary roads including portions of Michillinda Road and Holton Duck Lake Road.

The Road Commission has decreased the budget for primary ditching operations in 2024/2025 and have redirected those budgetary dollars towards berm removal in 2024/2025. We also anticipate a timber bridge replacement project. The South East Regional Force Main project that connects sanitary sewer from Coopersville to the Muskegon County Resource Recovery Center has also created an opportunity for the Muskegon County Road Commission to partner with Muskegon County to provide additional funding to a handful of local and primary roads along that route.

Chip sealing continues to be an integral treatment function in our preservation plans but we expect our budget for both primary and local chip seal operations to remain near the same. However, we are anticipating an increase in culvert replacements for both local and primary systems.

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, 2024

**ASSETS**

Current assets	
Cash and investments	\$ 12,958,365
Accounts receivable	
State trunkline maintenance	354,925
State Department of Transportation	
Michigan Transportation Fund	3,303,149
Other	19,714
Due on county road agreements	1,444,720
Other	119,421
Inventories	
Road materials	1,712,081
Equipment materials and parts	719,415
Prepaid items	155,048
Total current assets	20,786,838
Noncurrent assets	
Capital assets, net	
Nondepreciable	34,726,116
Depreciable	74,179,419
Net pension asset	87,171
Net other postemployment benefits asset	1,008,592
Total noncurrent assets	110,001,298
Total assets	130,788,136

**DEFERRED OUTFLOWS OF RESOURCES**

Related to pension	3,687,446
Related to other postemployment benefits	559,555
Total deferred outflows of resources	4,247,001
Total assets and deferred outflows of resources	135,035,137

**LIABILITIES**

Current liabilities	
Accounts payable	441,482
Accrued liabilities	197,380
Due to other governmental units	10,300
Compensated absences - due within one year	308,000
Total current liabilities	957,162
Noncurrent liabilities	
Advances	
State trunkline	
Equipment purchase	418,226
Maintenance	272,587
Unearned revenues	
Forest roads	268,569
Compensated absences - less amounts due within one year	122,104
Total noncurrent liabilities	1,081,486
Total liabilities	2,038,648

**DEFERRED INFLOWS OF RESOURCES**

Related to other postemployment benefits	762,650
Total liabilities and deferred inflows of resources	2,801,298

**NET POSITION**

Net investment in capital assets	108,905,535
Restricted for county roads	23,328,304
Total net position	\$ 132,233,839

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2024

Program expenses	
Primary road routine and preventative maintenance	\$ 8,304,390
Local road routine and preventative maintenance	7,262,793
State trunkline	3,843,265
Net administrative	531,152
Reimbursable services	<u>458,515</u>
Total program expenses	20,400,115
Program revenues	
Charges for services	
Licenses and permits	275,460
Charges for services	4,282,420
Operating grants and contributions	
Michigan Transportation Funds	19,967,456
Investment earnings	350,757
Capital grants and contributions	
Federal grants	1,982,117
State grants	393,501
Local units	<u>1,978,810</u>
Total program revenues	<u>29,230,521</u>
Net program revenues	8,830,406
General revenues (expenses)	
Gain (loss) on disposal of capital assets	35,500
Other	<u>53,031</u>
Total general revenues	<u>88,531</u>
Change in net position	8,918,937
Net position at beginning of year	<u>123,314,902</u>
Net position at end of year	<u><b>\$ 132,233,839</b></u>

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission  
**BALANCE SHEET**  
 Governmental Fund  
 September 30, 2024

	<u>General Operations Fund</u>
<b>ASSETS</b>	
Cash and investments	\$ 12,958,365
Receivables	
State trunkline maintenance	354,925
State Department of Transportation	
Michigan Transportation Fund	3,303,149
Other	19,714
Due on county road agreements	1,444,720
Other	119,421
Inventories	
Road materials	1,712,081
Equipment materials and parts	719,415
Prepaid items	155,048
Total assets	<u><u>\$ 20,786,838</u></u>
<b>LIABILITIES</b>	
Accounts payable	\$ 441,482
Accrued liabilities	197,380
Due to other governmental units	10,300
Advances	
State trunkline	
Equipment purchase	418,226
Maintenance	272,587
Unearned revenues	
Forest roads	268,569
Total liabilities	<u>1,608,544</u>
<b>FUND BALANCE</b>	
Nonspendable	
Inventories	2,431,496
Prepaid items	155,048
Restricted for county roads	16,591,750
Total fund balance	<u>19,178,294</u>
Total liabilities and fund balance	<u><u>\$ 20,786,838</u></u>

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, 2024

Total fund balance—governmental funds		\$ 19,178,294
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	\$ 178,847,987	
Accumulated depreciation	<u>(69,942,452)</u>	108,905,535
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	(430,104)	
Net pension asset and related deferred outflows/inflows of resources	3,774,617	
Other postemployment benefits asset and related deferred outflows/inflows of resources	<u>805,497</u>	<u>4,150,010</u>
Net position of governmental activities		<u><b>\$ 132,233,839</b></u>

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, 2024

	<b>General Operations Fund</b>
<b>REVENUES</b>	
Licenses and permits	\$ 275,460
Federal aid	1,982,117
State aid	20,360,957
Contributions from local units	1,978,810
Charges for services	4,282,420
Investment earnings	350,757
Other revenue	88,531
	29,319,052
 <b>EXPENDITURES</b>	
Current	
Public works	24,122,819
Capital outlay (net)	603,951
	24,726,770
Net change in fund balance	4,592,282
Fund balance at beginning of year	14,586,012
Fund balance at end of year	<b>\$ 19,178,294</b>

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, 2024

Net change in fund balance—total governmental funds \$ 4,592,282

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	\$ (6,476,352)	
Capital outlay	<u>9,304,253</u>	2,827,901

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	68,058	
Change in net pension asset and related deferred outflows/inflows of resources	1,254,940	
Change in net other postemployment benefits asset and related deferred outflows/inflows of resources	<u>175,756</u>	<u>1,498,754</u>

Change in net position of governmental activities		<b><u><u>\$ 8,918,937</u></u></b>
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The accompanying notes are an integral part of this statement.

Muskegon County Road Commission  
**STATEMENT OF NET POSITION**  
 Fiduciary Fund  
 September 30, 2024

	<b>Other Post- Employment Benefit Trust Fund</b>
<b>ASSETS</b>	
Cash and investments	
Money market funds	\$ 56,465
Corporate bonds	196,700
US Government obligations	109,350
US Agency obligations	172,909
Common stock	804,526
Exchange traded and closed-end funds	711,859
Open-end funds	<u>1,191,182</u>
Total assets	3,242,991
 <b>LIABILITIES</b>	
	<u>-</u>
 <b>NET POSITION</b>	
Restricted for individuals, organizations, and other governments	 <u><u>\$ 3,242,991</u></u>

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, 2024

	<b>Other Post- Employment Benefit Trust Fund</b>
<b>ADDITIONS</b>	
Employer contributions	\$ 80,421
Investment earnings (losses)	<u>549,227</u>
Total additions	629,648
 <b>DEDUCTIONS</b>	
Benefit payments	80,421
Administrative expenses	<u>25,356</u>
Total deductions	<u>105,777</u>
Change in net position	523,871
Net position at beginning of year	<u>2,719,120</u>
Net position at end of year	<b><u><u>\$ 3,242,991</u></u></b>

The accompanying notes are an integral part of this statement.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
 September 30, 2024

**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:

<u>Capital Asset Classes</u>	<u>Years</u>
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 (asset) for the difference between the total pension liability (asset) 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 (asset) 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 (asset), 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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, 2024, actual expenditures exceeded appropriations as displayed below:

	<b>Final Budget</b>	<b>Actual</b>
Local road		
Routine and preventive maintenance	\$ 6,000,000	\$ 6,465,780
Reimbursable services	350,000	458,515
State trunkline		
Maintenance	2,825,000	3,068,391
Nonmaintenance	300,000	774,874
Equipment expenditures (net)		
Indirect	1,700,000	1,961,037

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE C—DEPOSITS AND INVESTMENTS**

As of September 30, 2024, the Road Commission had the following investments:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Months)</b>	<b>Moody's</b>	<b>Percent</b>
MILAF External Investment Pool - GovMIC	\$ 9,611,935	1	AAAm	73.4 %
US Agency obligations	242,980	17	AAA	1.9
OPEB Trust				
Money market funds	56,465	1	not rated	0.4
Corporate bonds	196,700	80	AA2 - BBB	1.5
US Government obligations	109,350	150	AAA	0.8
US Agency obligations	172,909	170	AAA	1.3
Common stock	804,526	N/A	N/A	6.1
Exchange traded and closed-end funds	711,859	N/A	N/A	5.4
Open-end funds	1,191,182	N/A	N/A	9.2
	<b><u>\$ 13,097,906</u></b>			<b><u>100 %</u></b>
Total fair value				
Portfolio weighted average maturity		<b><u>N/A</u></b>		

**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.

***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, 2024, \$3,132,639 of the Road Commission's bank balance of \$3,382,639 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Deposit and Investment Risks—Continued**

***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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, 2024.

*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, 2024:

	<b>Assets at Fair Value as of September 30, 2024</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
US Agency obligations	\$ 242,980	\$ -	\$ -	\$ 242,980
OPEB Trust				
Money market funds	-	56,465	-	56,465
Corporate bonds	196,700	-	-	196,700
US Government obligations	109,350	-	-	109,350
US Agency obligations	172,909	-	-	172,909
Common stock	804,526	-	-	804,526
Exchange traded and closed-end funds	711,859	-	-	711,859
Open-end funds	1,191,182	-	-	1,191,182
Total assets at fair value	<b>\$ 3,429,506</b>	<b>\$ 56,465</b>	<b>\$ -</b>	<b>\$ 3,485,971</b>

The Road Commission voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the Road Commission is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (GovMIC) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

	<b>Amortized Cost</b>
MILAF External Investment Pool - GovMIC	<b>\$ 9,611,935</b>

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE E—CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2024 was as follows:

	<b>Balance October 1, 2023</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance September 30, 2024</b>
<b>Capital assets, not being depreciated:</b>				
Land and improvements	\$ 33,756,258	\$ 882,053	\$ -	\$ 34,638,311
Construction in progress	-	87,805	-	87,805
Total capital assets, not being depreciated	33,756,258	969,858	-	34,726,116
<b>Capital assets, being depreciated:</b>				
Land improvements	365,568	-	-	365,568
Buildings and improvements	7,512,937	65,351	-	7,578,288
Road equipment	18,404,687	1,242,800	138,064	19,509,423
Other equipment	3,349,840	533,299	131,253	3,751,886
Infrastructure and improvements	107,125,320	6,492,945	701,559	112,916,706
Total capital assets, being depreciated	136,758,352	8,334,395	970,876	144,121,871
<b>Less accumulated depreciation:</b>				
Land improvements	117,438	16,028	-	133,466
Buildings and improvements	4,147,132	157,318	-	4,304,450
Road equipment	15,916,453	1,002,169	138,064	16,780,558
Other equipment	2,449,881	114,144	131,253	2,432,772
Infrastructure and improvements	41,806,072	5,186,693	701,559	46,291,206
Total accumulated depreciation	64,436,976	6,476,352	970,876	69,942,452
Total capital assets, being depreciated, net	72,321,376	1,858,043	-	74,179,419
Capital assets, net	<b>\$ 106,077,634</b>	<b>\$ 2,827,901</b>	<b>\$ -</b>	<b>\$ 108,905,535</b>

**Depreciation**

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

**Governmental activities:**

Primary road	\$ 4,353,199
Local road	1,871,268
State trunkline	207,717
Administrative	44,168
	<u><b>\$ 6,476,352</b></u>

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, 2024:

	<b>Balance October 1, 2023</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance September 30, 2024</b>	<b>Due Within One Year</b>
Compensated absences	\$ 498,162	\$ 587,726	\$ 655,784	\$ 430,104	\$ 308,000

**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](http://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:

	<b>Multiplier</b>	<b>Vesting Period</b>	<b>Normal Retirement Age</b>	<b>Early Retirement</b>	<b>Reduced Early Retirement</b>	<b>Final Average Compensation</b>
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

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued**

**Defined Benefit Pension Plan—Continued**

***Employees Covered by Benefit Terms***

At December 31, 2023 valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	109
Inactive employees entitled to but not yet receiving benefits	14
Active employees	55
Total employees covered by MERS	<b>178</b>

***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, 2024, the Road Commission had an annual flat dollar contribution to the Plan of \$1,148,885 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 (Asset)***

The Road Commission’s net pension liability (asset) was measured as of December 31, 2023, and the total pension liability used to calculate the net pension liability (asset) was determined by an annual actuarial valuation as of that date.

***Actuarial Assumptions***

The total pension liability in the December 31, 2023 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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Target Allocation Gross Rate of Return</b>	<b>Long-Term Expected Gross Rate of Return</b>	<b>Inflation Assumption</b>	<b>Long-Term Expected Real Rate of Return</b>
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	<u>20.0%</u>	9.50%	<u>1.90%</u>	2.50%	<u>1.40%</u>
Total	<u><b>100.0%</b></u>		<u><b>7.00%</b></u>		<u><b>4.50%</b></u>

***Discount Rate***

The discount rate used to measure the total pension liability was 7.25 percent for 2023. 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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE G—EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS—Continued**

**Defined Benefit Pension Plan—Continued**

*Changes in the Net Pension Liability (Asset)*

	<b>Increase (Decrease)</b>		<b>Net Pension</b>
	<b>Total Pension</b>	<b>Plan Fiduciary</b>	<b>Liability</b>
	<b>Liability (a)</b>	<b>Position (b)</b>	<b>(Asset)</b>
	<b>(a)-(b)</b>		<b>(a)-(b)</b>
Balance at January 1, 2023	\$ 28,355,248	\$ 26,338,402	\$ 2,016,846
Changes for the year			
Service cost	319,514	-	319,514
Interest	1,991,695	-	1,991,695
Difference between expected and actual experience	449,916	-	449,916
Changes in assumptions	194,975	-	194,975
Contributions - employer	-	2,109,698	(2,109,698)
Net investment income (loss)	-	3,012,831	(3,012,831)
Administrative expenses	-	(62,412)	62,412
Benefit payments including refund of employee contributions	(2,086,708)	(2,086,708)	-
Net changes	869,392	2,973,409	(2,104,017)
Balance at December 31, 2023	<b>\$ 29,224,640</b>	<b>\$ 29,311,811</b>	<b>\$ (87,171)</b>

***Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate***

The following presents the net pension liability (asset) of the Road Commission, calculated using the discount rate of 7.25 percent, as well as what the Road Commission's net pension liability (asset) 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Road Commission's net pension liability (asset)	\$ 2,966,036	\$ (87,171)	\$ (2,671,093)

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, 2024, the Road Commission recognized pension expense of \$1,053,427. At September 30, 2024, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences in experience	\$ 460,290	\$ -
Differences in assumptions	129,983	-
Net difference between projected and actual net investment income	1,250,729	-
Contributions subsequent to the measurement date*	1,846,444	-
Total	<b>\$ 3,687,446</b>	<b>\$ -</b>

\*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 (asset) for the year ending September 30, 2025.

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

<b>Year Ending September 30,</b>	<b>Amount</b>
2025	\$ 595,428
2026	674,062
2027	780,524
2028	(209,012)

***Payables to the Pension Plan***

At September 30, 2024, the Road Commission reported a payable of \$149,601 for the outstanding amount of contributions to the pension plan required for the year ended September 30, 2024.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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 5 percent to 3 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, 2024, Road Commission and employee contributions were \$78,492 and \$30,868, 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, 2024, forfeitures reduced the Road Commission's pension expense by \$360.

**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.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued**

**Retiree Healthcare Plan—Continued**

***Employees Covered by Benefit Terms***

At the September 30, 2024 valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees entitled to but not yet receiving benefits	-
Active employees	43
Total employees covered by OPEB Plan	93

***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, 2024, the Road Commission made payments for postemployment healthcare benefits for current retirees of \$80,421. The Road Commission did not make any payments into the OPEB Plan trust.

***Net OPEB Liability (Asset)***

The Road Commission’s net OPEB liability (asset) was measured as of September 30, 2024, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of September 30, 2024.

***Actuarial Assumptions***

The total OPEB liability was determined by an actuarial valuation as of September 30, 2024. The following actuarial assumptions were used in the measurement:

Inflation	Included in investment rate of return
Salary increases	3.00 percent
Investment rate of return	5.81 percent (including inflation), net of administrative and investment expenses
Healthcare cost trend rates:	Pre-Medicare: 7.25 percent, then graded down by .25 percent per year to an ultimate rate of 4.5 percent
	Post-Medicare: 5.5 percent, then graded down by .25 percent per year to an ultimate rate of 4.5 percent

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, IRS 2024 Adjusted Scale 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, 2024 are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Large cap growth	5.0%	8.50%
Large cap value	7.0%	8.20%
Large cap US	4.0%	8.35%
Mid cap US	5.0%	8.60%
Small cap US	3.0%	7.80%
International equities	17.0%	7.20%
Emerging market equities	6.0%	8.60%
Short-term fixed income	15.0%	3.40%
Core fixed income	30.0%	3.80%
Real estate investments		
trusts	5.0%	6.00%
Commodities	3.0%	4.20%

The sum of each target allocation times its long-term expected real rate, including inflation, is 5.81 percent.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 5.81 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 5.82 percent.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**NOTE H—OTHER POST-EMPLOYMENT BENEFITS—Continued**

**Retiree Healthcare Plan—Continued**

	<b>Increase (Decrease)</b>		
<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Position (b)</b>	<b>Net OPEB Liability (Asset) (a)-(b)</b>	
Balance at October 1, 2023	\$ 1,723,488	\$ 2,719,120	\$ (995,632)
Changes for the year			
Service cost	34,483	-	34,483
Interest	99,974	-	99,974
Difference between expected and actual experience	479,026	-	479,026
Changes of assumptions	(22,151)	-	(22,151)
Contributions - employer	-	80,421	(80,421)
Net investment income (loss)	-	549,227	(549,227)
Administrative expenses	-	(25,356)	25,356
Benefit payments including refund of employee contributions	(80,421)	(80,421)	-
Net changes	510,911	523,871	(12,960)
Balance at September 30, 2024	<b>\$ 2,234,399</b>	<b>\$ 3,242,991</b>	<b>\$ (1,008,592)</b>

***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate***

The following presents the net OPEB liability (asset) of the Road Commission, calculated using the discount rate of 5.81 percent, as well as what the Road Commission's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (4.81 percent) or 1-percentage-point higher (6.81 percent) than the current rate:

	<b>1% Decrease (4.81%)</b>	<b>Current Discount Rate (5.81%)</b>	<b>1% Increase (6.81%)</b>
Commission's net OPEB liability (asset)	\$ (728,944)	\$ (1,008,592)	\$ (1,239,655)

***Sensitivity of the Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate***

The following presents the net OPEB liability (asset) 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 (asset) 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:

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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)	\$ (1,249,857)	\$ (1,008,592)	\$ (705,632)

***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 (asset), 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, 2024, the Road Commission recognized OPEB expense (benefit) of (\$95,335). At September 30, 2024, 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	\$ 381,663	\$ 439,008
Differences in assumptions	177,892	174,505
Net difference between projected and actual net investment income	-	149,137
Total	<b>\$ 559,555</b>	<b>\$ 762,650</b>

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
2025	\$ (101,303)
2026	(6,564)
2027	(102,705)
2028	7,477

***Payables to the OPEB Plan***

At September 30, 2024, the Road Commission did not have a payable to the OPEB Plan.

Muskegon County Road Commission  
**NOTES TO FINANCIAL STATEMENTS**  
September 30, 2024

**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, 2024 of approximately \$1,418,000 and a contract open for the construction of a new building at the Twin Lake depot location of approximately \$159,800.

**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, 2024, the federal aid received and expended by the Road Commission was \$1,976,334 for contracted projects. \$5,784 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, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits	\$ 75,000	\$ 270,000	\$ 275,460	\$ 5,460
Federal aid				
Surface Transportation Program	3,217,982	2,000,000	1,976,334	(23,666)
Other	-	-	5,783	5,783
State aid				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Urban road	2,997,371	2,960,000	3,029,034	69,034
Allocation	16,146,509	16,570,000	16,764,509	194,509
Snow removal	156,324	160,000	163,913	3,913
Other	-	-	8,743	8,743
Economic development				
Target industries	-	-	329,199	329,199
Rural primary	418,751	390,000	55,559	(334,441)
Contributions from local units				
Townships	1,597,691	1,922,691	1,978,810	56,119
Charges for services				
State trunkline				
Maintenance	2,500,000	2,825,000	3,081,668	256,668
Nonmaintenance	200,000	755,000	774,861	19,861
Salvage sales	10,000	10,000	9,571	(429)
Other	350,000	480,000	416,320	(63,680)
Investment earnings	5,000	325,000	350,757	25,757
Other revenue				
Gain on disposal of capital assets	15,000	-	35,500	35,500
Other	-	-	53,031	53,031
Total operating revenues	27,699,628	28,677,691	<b>\$29,319,052</b>	<b>\$ 641,361</b>
Fund balance at beginning of year	14,586,012	14,586,012		
Total budget	<b>\$42,285,640</b>	<b>\$43,263,703</b>		

Muskegon County Road Commission  
Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHEDULE OF EXPENDITURES**  
General Operations Fund  
For the year ended September 30, 2024

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Current				
Public works				
Primary road				
Preservation/structural improvements	\$ 10,463,674	\$ 6,963,674	\$ 5,596,352	\$ 1,367,322
Routine and preventive maintenance	5,195,000	5,400,000	4,913,241	486,759
Local road				
Preservation/structural improvements	2,216,000	4,000,000	1,866,450	2,133,550
Routine and preventive maintenance	5,862,350	6,000,000	6,465,780	(465,780)
Reimbursable services	350,000	350,000	458,515	(108,515)
State trunkline				
Maintenance	2,500,000	2,825,000	3,068,391	(243,391)
Nonmaintenance	200,000	300,000	774,874	(474,874)
Federal aid purchases	-	20,000	-	20,000
Equipment expenditures (net)				
Direct	2,850,000	2,850,000	2,767,749	82,251
Indirect	1,500,000	1,700,000	1,961,037	(261,037)
Operating	750,000	750,000	552,529	197,471
Less: Equipment rentals	(4,200,000)	(4,450,000)	(4,808,736)	358,736
Total equipment expenditures (net)	900,000	850,000	472,579	377,421
Administrative expenditures (net)				
Administrative expenditures	920,950	960,000	817,216	142,784
Less: Handling charges	(6,000)	(6,000)	(3,078)	(2,922)
Overhead - state	(240,000)	(265,000)	(301,083)	36,083
Other	(35,000)	(6,000)	(6,418)	418
Total administrative expenditures (net)	639,950	683,000	506,637	176,363
Capital outlay (net)				
Capital outlay	2,339,050	1,989,050	1,841,450	147,600
Less: Depreciation	(1,000,000)	(600,000)	(1,237,499)	637,499
Total capital outlay (net)	1,339,050	1,389,050	603,951	785,099
Total expenditures	29,666,024	28,780,724	<b>\$ 24,726,770</b>	<b>\$ 4,053,954</b>
Fund balance at end of year	19,178,294	19,178,294		
Total budget	<b>\$ 48,844,318</b>	<b>\$ 47,959,018</b>		

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>										
Service cost	\$ 319,514	\$ 318,869	\$ 317,148	\$ 334,824	\$ 335,680	\$ 328,859	\$ 311,742	\$ 306,830	\$ 282,511	\$ 285,875
Interest	1,991,695	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	449,916	481,040	(299,700)	213,673	(289,818)	201,628	(207,796)	(39,935)	41,865	-
Changes of assumptions	194,975	-	897,509	585,598	690,402	-	-	-	1,086,407	-
Benefit payments, including refunds of employee contributions	(2,086,708)	(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	869,392	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	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	21,461,763
Total pension liability at end of year (a)	<b>\$ 29,224,640</b>	<b>\$ 28,355,248</b>	<b>\$ 27,575,686</b>	<b>\$ 26,600,502</b>	<b>\$ 25,454,387</b>	<b>\$ 24,566,003</b>	<b>\$ 23,922,100</b>	<b>\$ 23,696,008</b>	<b>\$ 23,350,463</b>	<b>\$ 21,886,760</b>
<b>PLAN FIDUCIARY NET POSITION</b>										
Contributions-employer	\$ 2,109,698	\$ 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)	3,012,831	(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	(2,086,708)	(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	(62,412)	(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	2,973,409	(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	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	15,031,812
Plan fiduciary net position at end of year (b)	<b>\$ 29,311,811</b>	<b>\$ 26,338,402</b>	<b>\$ 27,996,789</b>	<b>\$ 24,247,030</b>	<b>\$ 21,035,361</b>	<b>\$ 18,110,277</b>	<b>\$ 18,734,408</b>	<b>\$ 16,339,910</b>	<b>\$ 14,574,869</b>	<b>\$ 15,344,075</b>
Road Commission's net pension liability (asset) at end of year (a)-(b)	<b>\$ (87,171)</b>	<b>\$ 2,016,846</b>	<b>\$ (421,103)</b>	<b>\$ 2,353,472</b>	<b>\$ 4,419,026</b>	<b>\$ 6,455,726</b>	<b>\$ 5,187,692</b>	<b>\$ 7,356,098</b>	<b>\$ 8,775,594</b>	<b>\$ 6,542,685</b>
Plan fiduciary net position as a percentage of the total pension liability	<b>100.30%</b>	<b>92.89%</b>	<b>101.53%</b>	<b>91.15%</b>	<b>82.64%</b>	<b>73.72%</b>	<b>78.31%</b>	<b>68.96%</b>	<b>62.42%</b>	<b>70.11%</b>
Covered employee payroll	\$ 3,403,230	\$ 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	<b>-2.56%</b>	<b>59.34%</b>	<b>-11.30%</b>	<b>61.45%</b>	<b>116.00%</b>	<b>175.96%</b>	<b>150.58%</b>	<b>216.45%</b>	<b>274.69%</b>	<b>203.30%</b>

**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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 1,009,764	\$ 1,039,450	\$ 1,142,934	\$ 1,159,481	\$ 1,166,432	\$ 1,041,640	\$ 822,653	\$ 839,145	\$ 717,702	\$ 655,907
Contributions in relation to the actuarially determined contribution	2,248,701	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
Contribution deficiency (excess)	<b>\$(1,238,937)</b>	<b>\$(2,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(1,100,000)</b>	<b>\$(350,000)</b>
Covered employee payroll	\$ 3,411,234	\$ 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
Contributions as percentage of covered employee payroll	<b>65.9%</b>	<b>83.5%</b>	<b>60.2%</b>	<b>59.0%</b>	<b>59.5%</b>	<b>58.4%</b>	<b>55.8%</b>	<b>57.1%</b>	<b>56.9%</b>	<b>31.3%</b>

**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	15 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 (ASSET) AND RELATED RATIOS**  
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>TOTAL OPEB LIABILITY</b>							
Service cost	\$ 34,483	\$ 35,730	\$ 50,269	\$ 70,458	\$ 45,468	\$ 46,223	\$ 48,168
Interest	99,974	96,909	120,371	113,449	136,257	130,736	139,437
Differences between expected and actual experience	479,026	(16,764)	(556,192)	(27,176)	(276,305)	(14,387)	(410,320)
Changes of assumptions	(22,151)	20,279	(92,604)	(397,748)	773,190	9,221	(53,738)
Benefit payments, including refunds of employee contributions	(80,421)	(72,648)	(64,902)	(69,798)	(87,639)	(77,724)	(86,703)
Other changes	-	-	-	-	-	-	51,587
Net change in total OPEB liability	510,911	63,506	(543,058)	(310,815)	590,971	94,069	(311,569)
Total OPEB liability at beginning of year	1,723,488	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)	<b>\$ 2,234,399</b>	<b>\$ 1,723,488</b>	<b>\$ 1,659,982</b>	<b>\$ 2,203,040</b>	<b>\$ 2,513,855</b>	<b>\$ 1,922,884</b>	<b>\$ 1,828,815</b>
<b>PLAN FIDUCIARY NET POSITION</b>							
Contributions-employer	\$ 80,421	\$ 72,648	\$ 64,902	\$ 69,798	\$ 87,639	\$ 77,724	\$ 736,703
Net investment income (loss)	549,227	218,056	(560,486)	536,671	154,897	35,915	131,824
Benefit payments, including refunds or employee contributions	(80,421)	(72,648)	(64,902)	(69,798)	(87,639)	(77,724)	(86,703)
Administrative expense	(25,356)	(23,384)	(25,373)	(21,943)	(12,252)	(2,230)	(8,485)
Net change in plan fiduciary net position	523,871	194,672	(585,859)	514,728	142,645	33,685	773,339
Plan fiduciary net position at beginning of year	2,719,120	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)	<b>\$ 3,242,991</b>	<b>\$ 2,719,120</b>	<b>\$ 2,524,448</b>	<b>\$ 3,110,307</b>	<b>\$ 2,595,579</b>	<b>\$ 2,452,934</b>	<b>\$ 2,419,249</b>
Commission's net OPEB liability (asset) at end of year (a)-(b)	<b>\$ (1,008,592)</b>	<b>\$ (995,632)</b>	<b>\$ (864,466)</b>	<b>\$ (907,267)</b>	<b>\$ (81,724)</b>	<b>\$ (530,050)</b>	<b>\$ (590,434)</b>
Plan fiduciary net position as a percentage of the total OPEB liability	<b>145.14%</b>	<b>157.77%</b>	<b>152.08%</b>	<b>141.18%</b>	<b>103.25%</b>	<b>127.57%</b>	<b>132.29%</b>
Covered employee payroll	<b>\$ 2,914,418</b>	<b>\$ 3,337,256</b>	<b>\$ 3,325,824</b>	<b>\$3,267,977</b>	<b>\$ 4,220,705</b>	<b>\$ 4,267,411</b>	<b>Not Available</b>
Commission's net OPEB liability (asset) as a percentage of covered employee payroll	<b>-34.61%</b>	<b>-29.83%</b>	<b>-25.99%</b>	<b>-27.76%</b>	<b>-1.94%</b>	<b>-12.42%</b>	<b>Not Available</b>

**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.

**Muskegon County Road Commission**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**RETIREE HEALTHCARE SYSTEM SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY (ASSET) AND RELATED RATIOS—Continued**  
Last Ten Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

**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.

2024 Valuation

Mortality improvement scale updateed from MP-2021.  
Medical trend updated.  
Salary scale updated from 1.75 percent to 3 percent.  
Discount rate changed from 5.82 percent to 5.81 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)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ 65,306	\$ -	\$ -	\$ 149,947	\$ 155,447	\$ 155,574	\$ 208,166
Contributions in relation to the actuarially determined contribution	80,421	72,648	64,902	69,798	87,639	77,724	736,703	155,447	166,277	98,160
Contribution deficiency (excess)	<b>\$ (80,421)</b>	<b>\$ (72,648)</b>	<b>\$ (64,902)</b>	<b>\$ (4,492)</b>	<b>\$ (87,639)</b>	<b>\$ (77,724)</b>	<b>\$ (586,756)</b>	<b>\$ -</b>	<b>\$ (10,703)</b>	<b>\$ 110,006</b>
Covered employee payroll	\$ 2,914,418	\$ 3,337,256	\$ 3,325,824	\$ 3,267,977	\$ 4,220,705	\$ 4,267,411	Not Available	Not Available	Not Available	Not Available
Contributions as percentage of covered employee payroll	<b>2.8%</b>	<b>2.2%</b>	<b>2.0%</b>	<b>2.1%</b>	<b>2.1%</b>	<b>1.8%</b>	Not Available	Not Available	Not Available	Not Available

**Notes to Schedule**

Valuation Date:

Actuarially determined contribution rates are calculated as of September 30, 2024.

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	3.00 percent
Investment rate of return	5.81 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, IRS 2024 Adjusted Scale 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)

	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expense	20.29%	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, 2024

	<u>Total</u>	<u>Primary Road</u>	<u>Local Road</u>	<u>County Road Commission</u>
Total operating revenues	\$ 29,319,052	\$ 17,486,257	\$ 7,154,026	\$ 4,678,769
Total expenditures	24,726,770	11,425,014	8,767,924	4,533,832
Excess of revenues over (under) expenditures	4,592,282	6,061,243	(1,613,898)	144,937
Other financing sources (uses)				
Interfund transfers in (out)	-	(1,613,898)	1,613,898	-
Net change in fund balance	4,592,282	4,447,345	-	144,937
Fund balance at beginning of year	14,586,012	11,755,954	-	2,830,058
Fund balance at end of year	<b><u>\$ 19,178,294</u></b>	<b><u>\$ 16,203,299</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,974,995</u></b>

Muskegon County Road Commission  
**ANALYSIS OF REVENUES**  
 General Operations Fund  
 For the year ended September 30, 2024

	<u>Total</u>	<u>Primary Road</u>	<u>Local Road</u>	<u>County Road Commission</u>
Licenses and permits	\$ 275,460	\$ -	\$ -	\$ 275,460
Federal aid				
Surface Transportation Program	1,976,334	1,976,334	-	-
Other	5,783	5,783	-	-
State aid				
Michigan Transportation Fund				
Engineering	10,000	7,431	2,569	-
Urban road	3,029,034	2,216,558	812,476	-
Allocation	16,764,509	12,457,345	4,307,164	-
Snow removal	163,913	121,519	42,394	-
Other	8,743	-	8,743	-
Economic development				
Target industries	329,199	329,199	-	-
Rural primary	55,559	55,559	-	-
Contributions from local units				
Townships	1,978,810	-	1,978,810	-
Charges for services				
State trunkline				
Maintenance	3,081,668	-	-	3,081,668
Nonmaintenance	774,861	-	-	774,861
Salvage sales	9,571	-	-	9,571
Other	416,320	5,535	1,870	408,915
Investment earnings	350,757	282,701	-	68,056
Other revenue				
Gain on disposal of capital assets	35,500	28,293	-	7,207
Other	53,031	-	-	53,031
Total operating revenues	<b>\$ 29,319,052</b>	<b>\$ 17,486,257</b>	<b>\$ 7,154,026</b>	<b>\$ 4,678,769</b>

Muskegon County Road Commission  
**ANALYSIS OF EXPENDITURES**  
 General Operations Fund  
 For the year ended September 30, 2024

	<u>Total</u>	<u>Primary Road</u>	<u>Local Road</u>	<u>County Road Commission</u>
Current				
Public works				
Primary road				
Preservation/structural improvements	\$ 5,596,352	\$ 5,596,352	\$ -	\$ -
Routine and preventive maintenance	4,913,241	4,913,241	-	-
Local road				
Preservation/structural improvements	1,866,450	-	1,866,450	-
Routine and preventive maintenance	6,465,780	-	6,465,780	-
Reimbursable services	458,515	-	-	458,515
State trunkline				
Maintenance	3,068,391	-	-	3,068,391
Nonmaintenance	774,874	-	-	774,874
Equipment expenditures (net)	472,579	151,280	211,649	109,650
Administrative expenditures (net)	506,637	282,592	224,045	-
Capital outlay (net)	603,951	481,549	-	122,402
Total expenditures	<b><u>\$ 24,726,770</u></b>	<b><u>\$ 11,425,014</u></b>	<b><u>\$ 8,767,924</u></b>	<b><u>\$ 4,533,832</u></b>