

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE G--EMPLOYEES' RETIREMENT SYSTEM

General Information about the 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 by accessing the MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

Pensions. 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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' 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.

Benefits Provided--Defined Benefit. The Road Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, established and amends the benefit provisions of the participants in MERS. Benefit terms, within the guidelines established by MERS, are established and amended by the Road Commission Board, usually after negotiation of terms with applicable unions. Any changes to the plan, including cost of living adjustments, would have to be approved by the Road Commission Board in this manner also.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided:

	2024 Valuation	2024 Valuation
	01 - General Other: <u>Closed to new hires</u>	10 - Gnrl Rd Com: <u>Closed to new hires</u>
Benefit Multiplier:	2.25% Multiplier (80% max)	2.25% Multiplier (80% max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Unreduced):	55/25	55/25
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	0%	3% under \$4,200; 5% over \$4,200
DC Plan for New Hires:	11/1/2013, SLIF (75 days)	-
Act 88:	No	No

Employees covered by benefit terms: At the December 31, 2024, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	45
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>11</u>
 Total employees covered by MERS Plan	 <u>61</u>

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 employer may establish contribution rates to be paid by its covered employees.

For the year ended December 31, 2025, the Road Commission's contribution rate was \$73,544 monthly for general employees and \$274 monthly for general road commission employees.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Net Pension Liability

The employer's net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation performed as of that date.

Actuarial assumptions: The total pension liability in the December 31, 2024, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	3% in the long-term
Investment Rate of Return	6.93%, net of investment expense and administrative expense including inflation

Mortality rates used were a version of Pub-2010 and fully generational MP-2021, based upon the experience study dated February 3, 2025.

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2024, for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Gross Return</u>	<u>Long-Term Expected Gross Return Contribution</u>	<u>Inflation Assumption</u>	<u>Long-Term Real Rate of Return</u>
Global Equity	60%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20%	4.66%	0.93%	2.50%	0.43%
Private Investments	20%	9.00%	1.80%	2.50%	1.30%
Total	<u>100%</u>		<u>6.93%</u>		<u>4.43%</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Discount rate: The discount rate used to measure the total pension liability is 7.18% for the valuation on December 31, 2024. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. 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.

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Net Position</u>	<u>Net Pension Liability</u>
Balances at December 31, 2023	\$11,850,615	\$8,092,319	\$3,758,296
Changes for the Year:			
Service Cost	79,956	-	79,956
Interest	824,279	-	824,279
Difference between expected and actual experience	197,364	-	197,364
Changes in assumptions	(25,390)	-	(25,390)
Contributions--Employer	-	821,218	(821,218)
Net investment income	-	600,754	(600,754)
Benefit payments, including refunds	(820,763)	(820,763)	-
Administrative expense	-	(17,936)	17,936
Net changes	<u>255,446</u>	<u>583,273</u>	<u>(327,827)</u>
Balances as of December 31, 2024	<u>\$12,106,061</u>	<u>\$8,675,592</u>	<u>\$3,430,469</u>

Sensitivity of the Net Pension Liability to changes in the discount rate: The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower or 1% higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net Pension Liability at December 31, 2024		\$ 3,430,469	
Change in Net Pension Liability (NPL)	\$ 4,621,267		\$ 2,406,990

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE G--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2025, the Road Commission recognized pension expense of \$562,350. At December 31, 2025, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Excess (Deficit) Investment Returns	\$ 345,136	\$ -
Contributions subsequent to the measurement date*	<u>885,242</u>	<u>-</u>
Total	<u>\$ 1,230,378</u>	<u>\$ -</u>

*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending December 31, 2026.

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

<u>Years Ending December 31</u>	<u>Amount</u>
2025	\$ 153,151
2026	216,577
2027	(32,566)
2028	7,974

NOTE H—DEFINED CONTRIBUTION PLAN

The Dickinson County Road Commission provides pension benefits to all full-time employees hired after October 2013 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by agreement, the County Road Commission contributes 5% of employees' gross earnings and employee contributions for each employee (plus interest allocated to the employee's account) are fully vested. The current year contribution resulted in employer contributions of \$74,381 and employee contributions of \$78,846.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE I--OTHER POSTEMPLOYMENT BENEFITS

Plan Description: In addition to the pension benefits described in Note G, the Road Commission provides post-employment healthcare insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement.

Benefits Provided: Healthcare benefits are provided upon retirement as follows: For salaried employees hired after May 2, 2012, and for Union employees, premiums are paid by the Road Commission for the participant for 8 years after retirement and premiums are paid by the Road Commission for the spouse for 3 years after. For salaried employees hired by May 2, 2012, the premiums are paid by the Road Commission for the participant for life and premiums are paid by the Road Commission for the spouse until age 70.

Employees covered by benefit terms. At the December 31, 2025, the following employees were covered by the benefit terms:

Active Plan Participants	18
Inactive Plan Participants	0
Retirees and Beneficiaries	<u>14</u>
Total Participants	<u>32</u>

Contributions. The Dickinson County Road Commission Retiree Health Plan was established and is being funded under the authority of the Road Commission and under agreements with unions representing various classes of employees. The plan's funding policy is that the Road Commission will make annual contributions of \$60,000 to the OPEB trust and to continue to pay benefits from general operating funds until assets are sufficient to pay benefits. There are no long-term contracts for contributions to the plan. During the year, the Road Commission contributed \$251,457 for the benefit.

Net OPEB Liability. The Road Commission's OPEB liability was measured as of September 30, 2025.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation as of September 30, 2024, rolled forward to September 30, 2025. The following actuarial assumptions applied to all periods included in the measurement:

Salary scale	6.0%
Investment rate of return	6.93%
20-year Aa Municipal bond rate	4.43%
Mortality	2016 Public General Employees and Healthy Retirees, Headcount Weighted, IRS 2024 Adjusted Scale MP-2021

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE I--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual contribution of \$60,000 to the OPEB trust and continue to pay benefits from general operating funds until assets are sufficient to pay benefits. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. There is no cross-over point or depletion date, and, therefore, the discount rate equals the long-term expected return. This discount rate is used to determine the Total OPEB Liability. As of December 31, 2024, the discount rate used to value the OPEB liabilities was 6.93%.

<u>Changes in Net OPEB Liability</u>	<u>Increase (Decrease)</u>		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2024	\$ 2,483,585	\$ 1,214,525	\$ 1,269,060
Changes for the Year:			
Service Cost	79,742	-	79,742
Interest	171,004	-	171,004
Experience (Gains) / Losses	4,709	-	4,709
Change in Actuarial Assumptions	49,610	-	49,610
Contributions - Employer	-	251,457	(251,457)
Benefit Payments, Including Refunds	(191,457)	(191,457)	-
Investment Income	-	192,169	(192,169)
Administrative Expenses	-	(2,793)	2,793
Net Changes	<u>113,608</u>	<u>249,376</u>	<u>(135,768)</u>
Balance at December 31, 2025	<u>\$ 2,597,193</u>	<u>\$ 1,463,901</u>	<u>\$ 1,133,292</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE I--OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability of the Road Commission	\$ 2,768,519	\$ 2,597,193	\$ 2,444,955
Plan Fiduciary Net Position of the Road Commission	<u>(1,463,901)</u>	<u>(1,463,901)</u>	<u>(1,463,901)</u>
Net OPEB liability of the Road Commission	<u>\$ 1,304,618</u>	<u>\$ 1,133,292</u>	<u>\$ 981,054</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the Road Commission, as well as what the Road Commission's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Total OPEB liability of the Road Commission	\$ 2,381,847	\$ 2,597,193	\$ 2,844,593
Plan Fiduciary Net Position of the Road Commission	<u>(1,463,901)</u>	<u>(1,463,901)</u>	<u>(1,463,901)</u>
Net OPEB liability of the Road Commission	<u>\$ 917,946</u>	<u>\$ 1,133,292</u>	<u>\$ 1,380,692</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended December 31, 2025, the Road Commission recognized OPEB expense of (\$139,806). At December 31, 2025, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Source</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains) / Losses	\$ 255,662	\$ 320,750
Changes in Assumptions	121,343	251,761
Investment Earnings (Gains)/Losses	<u>-</u>	<u>85,113</u>
Total	<u>\$ 377,005</u>	<u>\$ 657,624</u>

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE I--OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

<u>Years Ending December 31</u>	<u>Amount</u>
2026	\$ (290,598)
2027	20,994
2028	10,189
2029	(21,204)
2030	-
Thereafter	-

NOTE J--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participates in the Michigan County Road Commission Self-Insurance Pool (Pool) for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings, and contents) and workers' compensation. The Road Commission's maximum deductible for property and liability coverage, and automobile coverage is \$1,000 per occurrence. The maximum liability for the property and liability coverage is \$12,000,000 per occurrence. The automobile coverage provides for limits of liability of \$250,000 per person, \$500,000 per accident and \$1,000,000 in total. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Pool pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection.

Membership is restricted to road commissions and related road commission activities with the State. The Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993. The Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

DICKINSON COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2025

NOTE K--GUST K. NEWBERG CHARITABLE TRUSTS

The Road Commission has been named as a 15% beneficiary in the \$5,000,000 "Gust K. Newberg Charitable Trust." The trust agreement provides for named trustees to hold, invest and reinvest the corpus of the trust and collect and receive the income, thereof, and distribute the net income, thereof, to the beneficiaries at least annually.

In 2025, the Road Commission received four quarterly distributions of trust income for the period October 1, 2024, to September 30, 2025. The Road Commission's policy is to record revenues from the trust on a cash basis which was \$83,458 during 2025.

NOTE L--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 December 31, 2025, the Road Commission received \$120,887 in federal grants for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administrated by the Road Commission. The Road Commission received \$100,000 in federal grants for negotiated projects for fiscal year 2025. A single audit was not required as the amount received for negotiated projects was less than the single audit threshold of \$1,000,000.

NOTE M--STATE TRUNKLINE MAINTENANCE REVENUE

The difference between the State trunkline maintenance revenues of \$1,510,778 and expenditures of \$1,374,858 is primarily due to a refund based on the MDOT audit performed during 2025.