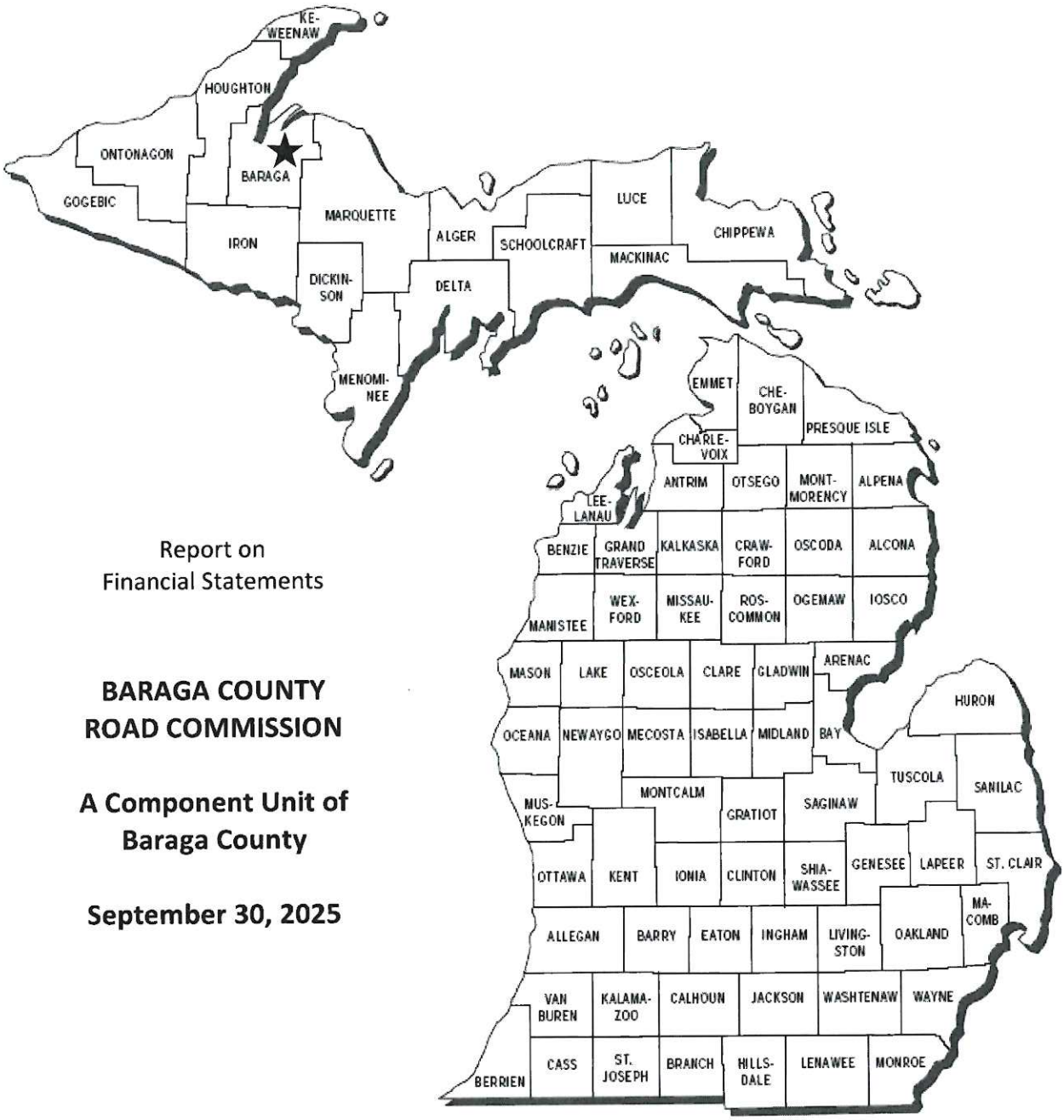
STATE OF MICHIGAN

Gretchen Whitmer, Governor

DEPARTMENT OF TREASURY

Rachael Eubanks, State Treasurer



Report on
Financial Statements

BARAGA COUNTY ROAD COMMISSION

A Component Unit of Baraga County

September 30, 2025

Local Audit and Finance Division
Bureau of Local Government and School Services

NOTE E--LONG-TERM OBLIGATIONS (Continued)

Vacation Benefits

The Road Commission's employment policies provide for vacation benefits to be earned in varying amounts depending on the number of years of service of the employee. All vacation time accrued through December 31 of the current year shall be utilized in accordance with provisions in the current collective bargaining agreement and the current "General Employee Policy" covering Non-bargaining Unit Employees.

Sick Leave Benefits

The sick leave benefits liability recorded as long-term debt in the Statement of Net Position reflects only those vested benefits which would be payable should an employee retire or resign in accordance with road commission requirements.

The Road Commission's employment policies provide that sick leave is accumulated at the rate of 1 day per month for all regular employees who have worked more than ½ of the normal working hours during the month. There is no limit on the accumulation of sick leave and accumulated benefits shall be paid at the employee's prevailing rate of pay in accordance with the following policy:

1. Retirement or Death--An employee shall receive pay in a lump sum for accumulated sick leave at the following rate: 100% of the first 120 days and 50% of the remainder.

2. Resignation--An employee shall receive pay in a lump sum for accumulated vested sick leave computed as follows:

0-5 years	No sick leave benefits
5-10 years	50% of accumulated benefits
10-15 years	75 % of the first 120 days, and 50% of the remainder
15 or more years	100% of the first 120 days, and 50% of the remainder

Employees not covered by the current collective bargaining agreement with an accrued total of sick leave in excess of 400 hours on January 1 of any calendar year, may request a cash payout of their sick leave benefit for said excess hours up to a maximum of 100 hours in one calendar year.

The road commission has estimated the current portion of vested employee benefits payable within one year based on historical trends and current policies regarding usage of these benefits.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS is a nonprofit organization that was granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by accessing the MERS Web site at www.mersofmich.com or by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

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 they are 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, as amended, 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 Board of County Road Commissioners, 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 Board in this manner also.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Benefits Provided by Division

	2024 Valuation		
	01 - General: Closed to new hires, linked to Division 12	10 - Eng/Mgr: Open Division	11 - Non-union: Closed to new hires, linked to Division 13
Benefit Multiplier:	Bridged Benefit: 2.25% Multiplier (80% max) Frozen FAC; 2.00% Multiplier (no max)	2.25% Multiplier (80% Max)	Bridged Benefit: 2.25% Multiplier (80% max) Frozen FAC; 2.00% Multiplier (no max)
Bridged Benefit Date	3/31/2014	-	10/31/2014
Normal Retirement Age:	60	60	60
Vesting:	6 years	6 years	6 years
Early Retirement (Unreduced):	-	55/25	-
Early Retirement (Reduced):	50/25	50/25	50/25
	55/15	55/15	55/15
Final Average Compensation:	3 years	3 years	3 years
COLA for Future Retirees:	2.50% (Non-Compound)	-	-
Employee Contributions:	3.50%	3%	2.75%
Act 88:	Yes (Adopted 11/23/1970)	Yes (Adopted 11/23/1970)	Yes (Adopted 11/23/1970)

	2024 Valuation	
	12 - General after 11/1/2013: Open, linked to Division 01	13 - Non-union: after 11/1/2014, Open, linked to Division 11
Benefit Multiplier:	1.70% Multiplier (no max)	1.70% Multiplier (no max)
Normal Retirement Age:	60	60
Vesting:	10 years	10 years
Early Retirement (Reduced):	50/25	50/25
	55/15	55/15
Final Average Compensation:	5 years	5 years
Employee Contributions:	4.50%	4.50%
Act 88:	Yes (Adopted 11/23/1970)	Yes (Adopted 11/23/1970)

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

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Inactive employees or beneficiaries currently receiving benefits	33
Inactive employees entitled to but not yet receiving benefits	1
Active employees	18
Total employees covered by MERS Plan	52

Contributions. Constitution 1963, article 9, § 24 requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer 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 costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The Road Commission has also established contribution rates to be paid by its covered employees.

For the year ended September 30, 2025, the Road Commission's contribution rate was $26,716 per month for general employees hired prior to 11/1/2013, 8.56% for the Engineer/Manager and $4,102 per month for non-union employees hired prior to 11/1/2014, 3.27% for general employees hired after 11/1/2013, and 7.70% for non-union employees hired after 11/1/2014, based on annual payroll.

Net Pension Liability

The net pension liability reported as of September 30, 2025, was determined using a measure of the total pension liability and the pension net position as of December 31, 2024. The December 31, 2024, total pension liability was determined by an 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	3.00% 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.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Gross Return	Long-Term Expected Gross Return Contribution	Inflation Assumption	Long-Term Real Rate of Return
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	100%		6.93%		4.43%

Discount rate. The discount rate used to measure the total pension liability is 7.18% for 2024. 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 expenses. 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.

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Beginning Balance	$8,036,499	$6,196,471	$1,840,028
Changes for the Year:			
Service Cost	84,078	-	84,078
Interest	559,639	-	559,639
Difference between expected and actual experience	260,970	-	260,970
Changes in assumptions	(20,980)	-	(20,980)
Contributions--Employer	-	646,793	(646,793)
Contributions--Employees	-	35,557	(35,557)
Net investment income	-	463,091	(463,091)
Benefit payments, including refunds	(568,225)	(568,225)	-
Administrative expense	-	(13,908)	13,908
Net changes	315,482	563,308	(247,826)
Ending Balance	$8,351,981	$6,759,779	$1,592,202

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.

	1% Decrease	Current Discount Rate	1% Increase
Net Pension Liability of the Road Commission	$ 2,413,874	$ 1,592,202	$ 887,090

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

For the year ended September 30, 2025, the Road Commission recognized pension expense of ($398,031). At September 30, 2025, the Road Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

NOTE F--EMPLOYEES' RETIREMENT SYSTEM (Continued)

Source	Deferred Outflows of Resources	Deferred Inflows of Resources
Excess (Deficit) Investment Returns	$ 197,336	$ -
Differences in experience	173,980	30,474
Differences in Assumptions	17,296	13,987
Contributions subsequent to the measurement date*	526,148	-
Total	$ 914,760	$ 44,461

*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 September 30, 2026.

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

Years Ending September 30	Amount
2025	$ 157,990
2026	234,526
2027	(45,447)
2028	(2,918)

NOTE G--OTHER POSTEMPLOYMENT BENEFITS

Plan Description. The Baraga County Road Commission Retiree Health Insurance coverage is provided pursuant to a single-employer Plan administered by the Road Commission and can be amended at its discretion.

Benefits Provided. For employees covered under the AFSCME Collective Bargaining Agreement Provisions, the health insurance coverage benefits are provided as follows: For retiree or spouse under age 65, coverage at the single or two-person hard cap limits allowed by PA 152 for the lesser of five years or employee's qualification for Medicare, or death. A retiree who elects to waive coverage will receive monthly cash payment in lieu of such coverage. The retiree will receive a monthly payment of fifty percent of monthly premium amount for coverage plan the retiree qualifies for (single or two person) had the employee elected to take Road Commission health insurance benefits. The payment shall not exceed fifty percent of the hard cap premium

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (Continued)

rate per PA 152 in effect at retirement. Payment will be frozen at PA 152 cap in effect as of the date of retirement. Employees must meet the following eligibility requirements: Hired prior to 01/01/2013 and 20 years of service.

For Retirees not covered under a Collective Bargaining Agreement, the road commission pays premiums for the retiree, spouse and dependents until the retiree's attainment of age 65 or until the retiree qualifies for Medicare, if sooner. Employees must meet the following eligibility requirements: Hired prior to 01/01/2016 and Age 60.

Retirees are responsible for the balance of the premium not paid by the road commission.

Employees covered by benefit terms. As of September 30, 2025, the following employees were covered by the benefit terms:

Active Plan Participants	8
Retirees and beneficiaries	1
Total Participants	9

Contributions. The contribution requirements of the plan are established by the Road Commission and management through negotiations with the Road Commission's Collective Bargaining Agreement or personnel policy and are on a "pay-as-you-go basis. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan.

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:

Inflation	N/A; plan is not pre-funded
Salary increases	3.0% (for purpose of allocating liability)
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	4.50%
Mortality	Public General 2016 Employee and Healthy Retiree, Headcount weighted
Improvement Scale	IRS 2024 Adjusted Scale MP-2021

As the plan is not pre-funded, no long-term expected rate of return on plan investments was determined.

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount Rate. The discount rate used to measure the total OPEB liability was 4.50%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make future benefit payments for current plan members. For projected benefits that are covered by projected assets (not applicable for this plan), 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"), 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. As of September 30, 2024, the discount rate used to value OPEB liabilities was 4.06%.

Changes in Net OPEB Liability

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance	$ 776,403	$ -	$ 776,403
Changes for the Year:			
Service Cost	16,195	-	16,195
Interest	32,023	-	32,023
Experience (Gains)/Losses	(73,297)	-	(73,297)
Changes in actuarial assumptions	3,144	-	3,144
Employer Contributions	-	7,737	(7,737)
Benefit Payments	(7,737)	(7,737)	-
Net Changes	(29,672)	-	(29,672)
Ending Balance	$ 746,731	$ -	$ 746,731

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-percent lower or 1-percent higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 766,842	$ 746,731	$ 727,042

NOTE G--OTHER POSTEMPLOYMENT BENEFITS (Continued)

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-percent lower or 1-percent than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB Liability	$ 716,514	$ 746,731	$ 778,489

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2025, the Road Commission recognized OPEB expense of $30,285. On September 30, 2025, the Road Commission reported the following deferred outflows of resources related to the OPEB plan:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains)/Losses	$ 78,025	$ 32,627
Changes of Assumptions	4,242	27,671
Total	$ 82,267	$ 60,298

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

Year Ended September 30	Amount Recognized
2026	$ 4,044
2027	17,925

Healthcare Savings Program

The Road Commission provides post-employment health benefits solely through a MERS Healthcare Savings Plan (HCSP). Each individual account shall be managed by MERS, in accordance with the applicable plan documents.

All employees hired on or after January 1, 2013, who participate in the Road Commission's MERS retirement plan, shall be enrolled in the MERS Health Care Savings Program. Participating employees shall make before-tax contributions to the HCSP Sub-Trust monthly of $15 per pay period, with the Road Commission making a matching contribution.

MERS®
Municipal Employees' Retirement System

Municipal Employees' Retirement System of Michigan

Annual Actuarial Valuation Report
December 31, 2025 - Baraga CRC (0701)

GRS

Table 6: Actuarial Accrued Liabilities and Valuation Assets as of December 31, 2025

Division	Actuarial Accrued Liability					Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
	Active Employees	Vested Former Employees	Retirees and Beneficiaries	Pending Refunds	Total			
01 - General	$ 698,620	$ 0	$ 4,803,062	$ 0	$ 5,501,682	$ 1,667,218	30.3%	$ 3,834,464
10 - Eng/Mgr	908,669	0	0	0	908,669	910,043	100.2%	(1,374)
11 - Non-Union	1,109,862	0	1,028,994	0	2,138,856	1,646,642	77.0%	492,214
12 - General after 11/01/2013	174,152	3,025	0	15,073	192,250	163,260	84.9%	28,990
13 - Non-Union after 11/01/2014	77,845	0	0	0	77,845	48,517	62.3%	29,328
S1 - Surplus Assoc Div 01	0	0	0	0	0	2,713,366		(2,713,366)
S2 - Surplus Assoc Div 10	0	0	0	0	0	152,989		(152,989)
S3 - Surplus Assoc Div 11	0	0	0	0	0	487,033		(487,033)
S4 - Surplus Assoc Div 13	0	0	0	0	0	28,030		(28,030)
S5 - Surplus Assoc Div 12	0	0	0	0	0	130,216		(130,216)
Total	**$ 2,969,148**	**$ 3,025**	**$ 5,832,056**	**$ 15,073**	**$ 8,819,302**	**$ 7,947,314**	**90.1%**	**$ 871,988**

The following results show the combined accrued liabilities and assets for each set of linked divisions. These results are already shown in the table on the prior page(s).

Table 6 (continued)

Division	Actuarial Accrued Liability					Valuation Assets	Percent Funded	Unfunded (Overfunded) Accrued Liabilities
	Active Employees	Vested Former Employees	Retirees and Beneficiaries	Pending Refunds	Total			
Linked Divisions 12, 01	$ 872,772	$ 3,025	$ 4,803,062	$ 15,073	$ 5,693,932	$ 1,830,478	32.1%	$ 3,863,454
Linked Divisions 13, 11	1,187,707	0	1,028,994	0	2,216,701	1,695,159	76.5%	521,542

Please see the Comments on Asset Smoothing in the Executive Summary of this report.

The December 31, 2025 valuation assets (actuarial value of assets) are equal to 1.000532 times the reported market value of assets. Refer to the Appendix for a description of the valuation asset derivation and a detailed calculation of valuation assets.