NOTE J – OTHER POST EMPLOYMENT BENEFITS:

Plan Description

In addition to the pension benefits, the Chippewa County Road Commission agrees to provide 100% of BC/BS and prescription drug coverage benefits to eligible retirees and/or their spouses who retire after February 1, 1985, and who were hired prior to February 1, 2005, until retiree's death. If a retiree dies, the current spouse shall be provided the same coverage until attainment of Medicare eligibility. Upon attainment of Medicare eligibility, the retiree's spouse will be responsible for 100% of the cost of any medical coverage if they elect to stay in the group.

For eligible retirees who were hired after February 1, 2005, the Chippewa County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

Employees covered by benefit terms.

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

Active Employees	62
Vested Former Employees	-
Retirees	68
Total	130

Contributions

The Plan was established and is being funded under the authority of the Road Commission. The Plan's funding policy is that the Road Commission will contribute $750,000 per year while continuing to pay retiree benefits from general operating funds until 100% funded status is obtained. Currently, benefit payments are made form general operating funds. There are no long-term contracts for contributions to the plan.

Net OPEB Liability

The employer's Net OPEB Liability was measured as of December 31, 2023.

Actuarial assumptions

The total OPEB liability used to calculate the Net OPEB Liability was determined by an annual actuarial valuation as of December 31, 2023. The following actuarial assumptions were used in the measurement:

Inflation	Included in the investment return
Salary Increases	2.00%
Investment Rate of Return	6.46% (including inflation)
20-year Aa Municipal Bond Rate	4.00% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement Scale	MP-2021

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

The long-term expected rate of return on pension plan investments was determined using a building-block 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 weighing 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 plan's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Large Cap US	25.00%	8.25%
Mid Cap US	3.00%	8.55%
Small Cap US	4.50%	7.80%
International Equities	25.00%	7.20%
Emerging Mkt Equity	7.50%	8.40%
Short Term Fixed Inc.	14.00%	3.50%
US Fixed Inc.	12.00%	3.80%
International Fixed Inc.	1.00%	3.60%
Inflations – Linked	1.00%	4.60%
High Yield	3.00%	5.40%
Precious Metals (Commodities)	4.00%	4.30%
Total	100.00%	

The sum of each targe allocation times its long-term expected rate of return, plus inflation, is 6.46%.

Discount rate

The discount rate used to measure the total OPEB liability was 6.46%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual contributions of $750,000 until the plan is fully funded. 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. 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. As of December 31, 2023, the discount rate used to value OPEB liabilities was 6.70%.

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

Changes in Net OPEB Liability

Calculating the Net OPEB Liability

Changes in Net OPEB Liability	Increase (Decrease) Total OPEB Liability (a)	Plan Fiduciary Net OPEB (b)	Net OPEB Liability (a)-(b)
Balances as of 12/31/2022	$13,179,655	$3,506,327	$9,673,328
Changes for the Year:			
Service Costs	79,563	-	79,563
Interest on Total OPEB Liability	851,693	-	851,693
Changes in benefits	-	-	-
Difference between expected and actual experience	(703,102)	-	(703,102)
Changes in assumption	465,184	-	465,184
Contributions to OPEB trust	-	600,000	(600,000)
Employer Contributions	-	1,094,763	(1,094,763)
Employee Contributions	-	-	-
Net investment Income	-	555,288	(555,288)
Benefit payments, including. employee refunds	(1,094,763)	(1,094,763)	-
Administrative expense	-	(35,278)	35,278
Other changes	-	-	-
Net Changes	(401,425)	1,120,010	(1,521,435)
Balances as of 12/31/2023	$12,778,230	$4,626,337	$8,151,893

Sensitivity of the Net OPEB Liability to changes in the discount rate.

The following presents the Net OPEB Liability of the employer, calculated using the discount rate of 6.46%, as well as what the employer's Net OPEB Liability would be using a discount rate that is 1 percentage point lower (5.46%) or 1% higher (7.46%) than the current rate.

	1% Decrease (5.46%)	Current Discount Rate (6.46%)	1% Increase (7.46%)
Net OPEB Liability	$9,349,821	$8,151,893	$7,124,369

The following presents the Net OPEB Liability of the employer, calculated using the current healthcare cost trend rates as well as what the employer's Net OPEB Liability would be using a trend rate that is 1 percentage point lower or 1% higher than the current trend rate.

	1% Decrease	Current Trend Rate	1% Increase
Net OPEB Liability	$7,072,617	$8,151,893	$9,401,526

NOTE J – OTHER POST EMPLOYMENT BENEFITS (Continued):

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the employer recognized OPEB expense/(benefit) of ($2,212,235). The employer reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference in experience	$-	($1,543,801)
Difference in assumptions	-	(102,328)
Excess (deficit) investment returns	203,933	-
Total	$203,933	($1,646,129)

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

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future OPEB Expenses)

Plan Year Ended December 31,	Amount
2024	($1,176,316)
2025	(259,786)
2026	58,862
2027	(64,956)
2028	-
Thereafter	-
Total	($1,442,196)

Payable to OPEB Plan

At December 31, 2023, the Road Commission reported a payable of $0 for the outstanding amount of contributions to the OPEB plan required for the year ended December 31, 2023.

NOTE K – CONTINGENCIES:

Grants – The Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission.

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 was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining

NOTE K – CONTINGENCIES (Continued):

through member premiums and will reinsure through commercial companies for claims in excess of $1,000 ($2,000 for errors and omissions) for each insured event. The maximum limit of liability for each occurrence is $10,500,000.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

Environmental Remediation – The Road Commission has implemented environmental impact evaluation procedures at its Trout Lake, Strongs, and Paradise, Michigan locations. The cost estimated of any environmental remediation is not determinable at this time. Ongoing monitoring of any existing contamination has been implemented at the Michigan locations and the Road Commission continues to develop plans for remediation with the Department of Environment, Great Lakes and Energy. Future potential liabilities, if any, are undeterminable as of the opinion date. The Road Commission executed provisions of a Consent Agreement for payment of fines and penalties of approximately $100,000 over a period of ten years through 2028.

The Road Commission from time to time is named as a defendant in accident claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. Insurance coverage related to these claims and lawsuits, if any, is categorized under the general liability insurance program. It is the opinion of management and legal counsel that reasonable estimates of the Road Commission's current liability for these matters, if any, have been recorded.

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, 2023, the Federal aid received and expended by the Road Commission was $1,139,314 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT (they are included in MDOT's single audit). The Federal aid received and expended by the Road Commission was $0 for negotiated projects. 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. The Road Commissions single audit is completed and reported as part of the audit of Chippewa County, Michigan.

NOTE M – NEW GASB STANDARDS:

Management of the Road Commission has reviewed the following pronouncements released by the Governmental Accounting Standards Board (GASB) that are effective in the current fiscal year for applicability. Pronouncements deemed applicable to the Road Commission by management are described below in *Recently Issued and Adopted Accounting Pronouncements*; pronouncements not applicable are described in *Other Recently Issued Accounting Pronouncements*.

<u>Recently Issued and Adopted Accounting Pronouncements</u>
None