
Road Commission of Kalamazoo County

(a component unit of the County of Kalamazoo, Michigan)

**Financial Report
with Supplementary Information
December 31, 2025**

Road Commission of Kalamazoo County

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Independent Auditor's Report

To the Board of County Road Commissioners
Road Commission of Kalamazoo County

Opinions

We have audited the financial statements of the governmental activities and the Road Fund of the Road Commission of Kalamazoo County (the "Road Commission"), a component unit of the County of Kalamazoo, Michigan, as of and for the year ended December 31, 2025 and the related notes to the financial statements, which collectively comprise the Road Commission of Kalamazoo County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the Road Fund of the Road Commission of Kalamazoo County as of December 31, 2025 and the respective changes in its 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 (GAAS). 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 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 Road Commission's ability to continue as a going concern for 12 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 GAAS 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.

To the Board of County Road Commissioners
Road Commission of Kalamazoo County

In performing an audit in accordance with GAAS, 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 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 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, 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, which 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 Road Commission of Kalamazoo County's basic financial statements. The supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plantz & Moran, PLLC

May 20, 2026

Road Commission of Kalamazoo County

Management's Discussion and Analysis

As management of the Road Commission of Kalamazoo County (the "Road Commission"), we offer readers this narrative overview and analysis of the financial activities for the year ended December 31, 2025.

The Road Commission is a special purpose government engaged in a single government program of road, bridge, and right-of-way maintenance, preservation, and construction for the County of Kalamazoo, Michigan (the "County"). The Road Commission was established by a vote of the citizens of the County in 1909.

The following financial statements are presented in accordance with prescribed methods of accounting. The financial statements related to the governmental fund are prepared in modified accrual format, commonly referred to as governmental fund-level accounting. The full accrual method of accounting focuses on the entity as a whole (the Road Commission's net position) and is referred to as government-wide level accounting. The significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and the infrastructure (roads, bridges, and signals). Capital assets and infrastructure costs are expensed when incurred in the governmental fund statements. In the government-wide statements, these costs are capitalized and recognized over their estimated useful lives through depreciation expense.

With respect to the statements of net position and activities, the fund-level financial statements and the government-wide financial statements have been combined and are presented on the same page.

Using This Annual Report

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information.

The basic financial statements are the statement of net position/governmental fund balance sheet; statement of activities/governmental fund revenue, expenditures, and changes in fund balance; and the notes to the financial statements. The notes to the financial statements are an integral part of the document that explain some of the information in the financial statements and provide more detailed data.

Additional data and schedules that further explain and support the information in the financial statements are provided in both the required supplementary information and the supplementary information.

Government-wide Overall Financial Analysis

Net position over time may serve as a useful indicator of a government's financial position. In the case of the Road Commission, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$200,859,589 at the close of the most recent fiscal year.

To assess the overall health of the Road Commission, additional nonfinancial factors need to be considered, such as the condition of the roads in the Road Commission's jurisdiction and changes in the laws related to transportation funding and their distribution.

Road Commission of Kalamazoo County

Management's Discussion and Analysis (Continued)

The following tables provide condensed information about the Road Commission as of and for the years ended December 31, 2025 and 2024:

The Road Commission's Net Position

	2025	2024
Assets		
Current and other assets	\$ 20,044,338	\$ 16,471,623
Capital assets	239,674,851	238,737,141
Total assets	259,719,189	255,208,764
Deferred Outflows of Resources	636,770	650,991
Liabilities		
Current liabilities	2,098,789	1,691,604
Noncurrent liabilities	55,120,494	56,169,251
Total liabilities	57,219,283	57,860,855
Deferred Inflows of Resources	2,277,087	660,649
Net Position		
Net investment in capital assets	184,788,405	182,801,938
Restricted:		
Net pension asset	2,422,323	1,257,449
Net OPEB asset	1,102,143	916,846
Unrestricted	12,546,718	12,362,018
Total net position	<u>\$ 200,859,589</u>	<u>\$ 197,338,251</u>

The Road Commission's net position increased by 1.78 percent from a year ago - increasing from \$197,338,251 to \$200,859,589. This increase primarily relates to the increase in the net pension asset, as well as timing of payments of contractor invoices near year end and timing of the receipt of Michigan Transportation Funds from the State. Other contributing factors include the excess of total revenue over total expenditures.

The Road Commission's Changes in Net Position

	2025	2024
Revenue		
Intergovernmental - Operating grants	\$ 37,114,079	\$ 39,666,577
Other revenue:		
Other contributions and service charges	726,610	1,475,455
Other	196,276	1,898,290
Total revenue	38,036,965	43,040,322
Expenses		
Primary maintenance	5,893,963	6,523,799
Local maintenance	11,116,352	11,964,473
Administrative	2,423,460	2,462,318
Equipment rental and other charges	(2,110,556)	(1,195,824)
Work performed for other governmental units	690,839	567,957
Depreciation	14,237,757	13,516,686
Debt service - Interest and fiscal charges	2,263,812	2,312,562
Total expenses	34,515,627	36,151,971
Change in Net Position	3,521,338	6,888,351
Net Position - Beginning of year	197,338,251	190,449,900
Net Position - End of year	<u>\$ 200,859,589</u>	<u>\$ 197,338,251</u>

Road Commission of Kalamazoo County

Management's Discussion and Analysis (Continued)

The Road Commission's revenue for the year ended December 31, 2025 decreased by approximately 11.62 percent over a year ago - decreasing from \$43,040,322 to \$38,036,965. This decrease was primarily due to a decrease in interest income, as well as intergovernmental operating grants. Total expenses for the year decreased by approximately 4.53 percent primarily due to a reduction in primary and local maintenance.

Budgetary Highlights

Prior to the beginning of each year, the Road Commission's budget is prepared based upon certain assumptions and facts available at that time. During the year, the Road Commission amends its budget to reflect changes in the original assumptions, facts, and economic conditions that were unknown at the time the original budget was adopted.

The Road Commission amended its 2025 budget during the year. The final budget for revenue was approximately \$4,073,000 lower than the original budget, primarily due to a federally funded project delay and lower Michigan Transportation Funds. The Road Commission's actual revenue ended the year lower than budgeted by approximately \$1,296,000. The final budget for expenditures was approximately \$4,696,000 lower than the original budget largely due to decreased spending on capital outlay and preventive maintenance projects. Actual expenditures at the end of the year were approximately \$3,760,000 less than the final amended budget.

Capital Assets and Debt Administration

The Road Commission issued new debt related to the construction of a new complex during the year ended December 31, 2022 in the amount of approximately \$57,000,000 and began paying principal during the fiscal year ended December 31, 2024. The Road Commission paid \$990,000 in principal payments during 2025 and has paid \$1,935,000 of total principal.

The Road Commission ended the year with an increase in net capital assets amounting to \$937,710. Infrastructure continues to be the largest asset class and is funded by federal, state, and local government participation, as well as by road commission revenue. Depreciation of capital assets is provided for annually over estimated future lives.

	2025	2024
Land	\$ 982,897	\$ 975,313
Other nondepreciable assets	25,509,072	25,509,072
Buildings and improvements	59,185,441	59,045,742
Land improvements	2,035,590	1,921,782
Road equipment	14,290,633	14,804,868
Other equipment	3,223,197	3,198,085
Infrastructure and improvements	247,411,741	240,633,411
Gross capital assets	352,638,571	346,088,273
Accumulated depreciation	(112,963,720)	(107,351,132)
Total	<u>\$ 239,674,851</u>	<u>\$ 238,737,141</u>

Additional information regarding capital assets is located in Note 6 to the financial statements. Additional information regarding debt is located in Note 7 to the financial statements.

Economic Factors and Next Year's Budget

The Road Commission considers many factors when preparing the fiscal year budget. Staff carefully analyze funding sources, planned expenditures and projects, the fund balance status, various five-year plans, and economic factors.

Road Commission of Kalamazoo County

Management's Discussion and Analysis (Continued)

In 2025, the Road Commission faced a range of economic challenges that impacted our ability to maintain and improve the County's transportation infrastructure. Recruiting and retaining qualified staff, particularly road maintenance operators with commercial driver's licenses (CDLs), remains difficult due to a nationwide shortage of skilled workers, increasing overtime costs, and reliance on temporary labor. At the same time, rising labor costs, including wages and benefits, place additional pressure on limited budgets. The costs of construction and maintenance materials, along with equipment costs, continue to rise, reducing the purchasing power of available funds and making it more expensive to address critical road and bridge needs. Pavement deteriorations are outpacing funding, on both federal-aid and local roads, creating a growing backlog of maintenance requirements. Although competitive federal grants help supplement revenue, uncertainty and reductions in traditional state and local funding sources have created short-term gaps that complicate planning. Aging equipment and fleets require replacement or major repairs, while expanding safety programs and federal compliance initiatives demand additional resources. Combined with broader economic volatility and supply chain disruptions, these factors challenge the Road Commission's ability to deliver essential services efficiently and sustainably.

County road commissions exist per statute to maintain safe and efficient roads and bridges for the people of Michigan (PA 283 of 1909). Michigan's roads carry millions of people daily to work, school, stores, and tourist destinations and are vital to maintaining a vibrant Michigan economy. County road agencies are responsible for 90,484 miles of roads, along with 5,868 local bridges. It is a monumental task, as a decades-long shortfall in appropriate funding has left most eligible roads and bridges in either fair or poor condition. Congestion, poor pavement condition, and crashes cost Michigan drivers and businesses in wasted fuel, lost time and productivity, vehicle maintenance costs, and more. As with many of the county road agencies in Michigan, the Road Commission uses an asset management system to prioritize resources when it comes to taking care of the infrastructure under our jurisdiction. According to the most recent Michigan Transportation Asset Management Council (TAMC) and statewide infrastructure assessments, Michigan's road conditions continue to face significant challenges in 2025. Data from the 2024 pavement evaluations show that on federal-aid-eligible roads, only about 28 percent are rated in good condition, 40 percent in fair condition, and 32 percent in poor condition, indicating that nearly one-third of the State's most heavily traveled roads require substantial rehabilitation. Non-federal-aid roads - primarily local and county routes - are generally in worse condition, with approximately 21 percent rated good, 36 percent fair, and 43 percent poor, highlighting ongoing deterioration outside the primary system. While these figures reflect some stability compared to previous years, forecasts suggest that without increased investment, pavement conditions are likely to worsen over the next decade, particularly as funding levels have not kept pace with deterioration and inflation. Michigan's overall road system is also ranked near the lower end nationally, reflecting the broader infrastructure maintenance challenges facing the State.

The County Road Association (CRA) of Michigan's 2025 County Road Investment Plan indicates that an additional \$2.4 billion annually is needed to restore the county and local roads under its statutory responsibility. The Road Commission's gap, as outlined in the 2023 Transportation Asset Management Plan, is an estimated \$15.5 million annually. Addressing this substantial gap will require a combination of federal, state, local, private, and user fee investments, as well as financing strategies to meet long-term needs. The Road Commission's asset management plans will be updated in 2026 for additional insight into the condition of assets and investment necessary.

The Michigan Transportation Fund (MTF), established by Public Act (PA) 51 of 1951, as amended, is the Road Commission's main source of revenue for operating expenses, repair, and maintenance of roads, bridges, and right of way. MTF funds are primarily based on fuel taxes and vehicle registrations fees. The Michigan road funding legislation adopted in 2025 included a major change to the way transportation funding is allocated. The most significant change was the repeal of a long-standing \$600 million earmark from the State's individual income tax that had been directed to the MTF. This earmark had been providing a stable source of funding for transportation since it was established as part of earlier road funding reforms. Beginning in fiscal year 2025-2026, that earmark was eliminated, which immediately reduced the amount of revenue flowing into the MTF. Because the MTF is distributed according to the formula established in Public Act 51 of 1951, this reduction affected funding for the Michigan Department of Transportation (MDOT), county road commissions, and city and village street programs across the state.

Road Commission of Kalamazoo County

Management's Discussion and Analysis (Continued)

The legislation was promoted as a broader transportation funding reform intended to eventually generate additional revenue for roads. To replace the eliminated income tax revenue, the package included a restructuring of fuel taxation that removed the 6 percent sales tax from motor fuel purchases and increased the state motor fuel excise tax so that taxes paid at the pump would be dedicated to transportation purposes rather than the State's General Fund or School Aid Fund. However, the new fuel tax structure did not take effect immediately and was scheduled to begin in 2026, creating a temporary gap in revenue during the transition period. As a result, local road agencies experienced reduced distributions during the early implementation of the legislation.

In addition, the funding package created a new revenue source known as the Neighborhood Roads Fund, which directs a portion of state corporate income tax revenue and marijuana wholesale tax revenue toward road improvements. These funds were designed to supplement transportation funding but are distributed through mechanisms that differ from the traditional MTF allocation formula. Because these new revenue sources phase in over time and are subject to revenue thresholds and market performance, they did not immediately offset the loss of the \$600 million income tax earmark.

As a result of these changes, transportation agencies across Michigan experienced a short-term reduction in available funding even though the overall policy goal of the legislation was to increase long-term investment in road infrastructure. The immediate elimination of the \$600 million income tax transfer to the MTF, combined with delayed implementation of replacement revenue sources, created a funding gap that temporarily reduced distributions to MDOT, county road commissions, and municipal street agencies under the Act 51 formula.

The Road Commission continues to take every possible step to increase our efficiency by overseeing expenditures. Steps taken include technology enhancements, facility and equipment investments, ongoing collaboration, and road innovations. The Road Commission, as well as agencies across the nation, cannot change the course of road deterioration through efficiencies and innovation alone.

The Road Commission pursues both federal and state funding opportunities to support local transportation infrastructure and safety projects. On November 15, 2021, President Biden signed the Infrastructure Investment and Jobs Act (IIJA) (Public Law 117-58, also known as the "Bipartisan Infrastructure Law") into law. The IIJA provides \$550 billion in new federal investment over fiscal years 2022 through 2026 for transportation, bridges, mass transit, water systems, resilience projects, and broadband expansion (source: U.S. Department of Transportation Federal Highway Administration (FHWA)). While much of this funding is distributed through formula-based apportionments, the law also establishes a wide range of competitive grant programs that local agencies can pursue. For decades, Michigan has faced a systemic underinvestment in infrastructure, a challenge highlighted by the American Society of Civil Engineers, which assigned the state a grade of C on its infrastructure report card. Programs like the IIJA provide critical opportunities for the Road Commission to supplement traditional funding sources and address local transportation priorities.

Building on these opportunities, the Road Commission was awarded a \$25 million federal grant through the Safe Streets and Roads for All (SS4A) Implementation Program, funded by the U.S. Department of Transportation. This five-year, county-wide project, beginning in fall 2025 and expected to be completed by the end of 2029, aims to significantly reduce roadway fatalities and serious injuries on more than 130 miles of primary rural roads identified as high-risk based on crash data. Guided by the RCKC Transportation Safety Action Plan, the project will implement evidence-based safety improvements, including centerline and shoulder rumble strips, paved shoulder expansions on approximately 16 miles of roadway, upgraded pavement markings and signage, enhanced clear zones, and left-turn lanes at high-risk intersections. These measures are designed to create safer travel environments for motorists, bicyclists, and pedestrians while strategically addressing the most critical safety needs across Kalamazoo County.

Road Commission of Kalamazoo County

Management's Discussion and Analysis (Continued)

In addition to federal funding, the State of Michigan provides targeted support for local bridge infrastructure through Public Act 384 (PA 384), an amendment to PA 51 enacted in 2004. PA 384 created the Local Bridge Fund to assist local highway authorities with the preservation, improvement, and reconstruction of existing bridges, as well as the construction of replacement bridges in whole or in part. Revenue for the program comes from a half-cent earmark of the gasoline excise tax, generating approximately \$22 million annually, and an additional \$5 million earmark from Michigan Transportation Fund revenue. Administration of the Local Bridge Fund is handled by the Local Bridge Advisory Board in coordination with seven regional bridge councils, with funds allocated to regions through a competitive process guided by weighted ratios established in legislation. The Michigan Revenue Package that began in 2017 did not provide additional funding to the Local Bridge Fund, leaving the program reliant on its original earmarked revenue.

Further expanding state support, the 2025 Michigan transportation funding package established the Neighborhood Roads Fund Bridge Repair Account, a dedicated funding stream designed to address critical local bridge needs. The account provides \$100 million annually, targeted specifically to bridges that are closed, weight-restricted, or otherwise structurally deficient. Funding is distributed through the Neighborhood Roads Fund and prioritized by the Local Bridge Advisory Board, ensuring that the most urgent bridge repairs receive attention first. Unlike general Michigan Transportation Fund allocations, which support roads and bridges broadly, this account focuses exclusively on local bridge safety and rehabilitation, providing counties and municipalities with resources to reduce the backlog of structurally deficient bridges. Together, these federal and state programs provide the Road Commission with critical resources to improve road and bridge safety, enhance transportation infrastructure, and address long-standing infrastructure challenges in Kalamazoo County.

The financial commitment of local township boards and residents through the years has proven invaluable. Although not required, these partnerships help to provide better service to joint constituencies and a long-term collaborative effort. For the local road system, the Road Commission establishes road improvement priorities that are developed in conjunction with township governments. Each township works with a designated road commission team to develop five-year local road improvement plans supporting asset management for planning purposes and local road preservation. The Road Commission maintains a local road participation fund program that provides funds for each township that must be matched on a dollar-for-dollar basis for local road improvement projects. In 2025, the Road Commission applied \$2,330,000 toward this local match program. Local projects include local road preservation/structural improvement; preventive maintenance; and construction projects, such as chip seal, hot mix asphalt (HMA) overlays, and road reconstruction.

The board, management, and team of the Road Commission continue to work diligently to be efficient and keep expenses low, look for opportunities to partner with other agencies in the area and region, and access all available dollars to maintain the roads and infrastructure within Kalamazoo County. The results of this effort can be seen as you compare the condition of the County's roads and bridges to others across the state.

Summary

The board and the Road Commission continue to be committed to providing the safest and most convenient road system possible and to contribute to economic development and high quality of life throughout the County. In order to do so, during these unprecedented times as we complete and present the financial audit, the strong fund balance and past solid budgeting strategies will continue to be critical to manage the current economic impacts. Additional information for 2025 can be found in the Road Commission's 2025 annual report.

Requests for Further Information

This financial report is intended to provide a general overview of the Road Commission's finances and demonstrate the Road Commission's accountability for the money it receives. If you have questions about this report or need additional information, please contact us by mail at Road Commission of Kalamazoo County, 4400 S. 26th Street, Kalamazoo, MI 49048 or visit our website at www.kalamazooountyroads.com and view our full annual report.

Road Commission of Kalamazoo County

Governmental Funds Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2025

	Modified Accrual		Statement of Net Position
	Road Fund	Adjustments	
Assets			
Cash (Note 5)	\$ 9,530,721	\$ -	\$ 9,530,721
Receivables			
Special assessments receivable	90,440	-	90,440
Due from state transportation department	4,617,762	-	4,617,762
Due on county road agreements	391,879	-	391,879
Sundry accounts receivable	60,029	-	60,029
Inventory	1,565,576	-	1,565,576
Prepaid expenses	245,738	-	245,738
Advances	17,727	-	17,727
Net pension asset (Note 8)	-	2,422,323	2,422,323
Net OPEB asset (Note 9)	-	1,102,143	1,102,143
Capital assets: (Note 6)			
Assets not subject to depreciation	-	26,491,969	26,491,969
Assets subject to depreciation - Net	-	213,182,882	213,182,882
Total assets	16,519,872	243,199,317	259,719,189
Deferred Outflows of Resources			
Deferred pension costs (Note 8)	-	596,243	596,243
Deferred OPEB costs (Note 9)	-	40,527	40,527
Total deferred outflows of resources	-	636,770	636,770
Total assets and deferred outflows of resources	<u>\$ 16,519,872</u>	243,836,087	260,355,959
Liabilities			
Accounts payable	\$ 1,151,954	-	1,151,954
Accrued liabilities and other	109,242	384,345	493,587
Unearned revenue	27,459	-	27,459
Advances	425,789	-	425,789
Noncurrent liabilities:			
Due within one year:			
Compensated absences	-	234,048	234,048
Current portion of bonds and contracts payable	-	1,098,757	1,098,757
Due in more than one year - Bonds payable - Net of current portion	-	53,787,689	53,787,689
Total liabilities	1,714,444	55,504,839	57,219,283
Deferred Inflows of Resources			
Unavailable revenue	163,542	(163,542)	-
Deferred pension cost reductions (Note 8)	-	2,106,516	2,106,516
Deferred OPEB cost reductions (Note 9)	-	170,571	170,571
Total deferred inflows of resources	163,542	2,113,545	2,277,087
Total liabilities and deferred inflows of resources	1,877,986	57,618,384	59,496,370
Equity			
Fund balance:			
Nonspendable	1,811,314	(1,811,314)	-
Assigned - Debt service	3,300,000	(3,300,000)	-
Unassigned	9,530,572	(9,530,572)	-
Total fund balance	14,641,886	(14,641,886)	-
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 16,519,872</u>		
Net position:			
Net investment in capital assets		184,788,405	184,788,405
Restricted:			
Net pension asset		2,422,323	2,422,323
Net OPEB asset		1,102,143	1,102,143
Unrestricted		12,546,718	12,546,718
Total net position		<u>\$ 200,859,589</u>	<u>\$ 200,859,589</u>

Road Commission of Kalamazoo County

Governmental Funds Statement of Activities/Governmental Fund Revenue, Expenditures, and Changes in Fund Balance

Year Ended December 31, 2025

	Modified Accrual Basis		Statement of Activities
	Road Fund	Adjustments	
Revenue			
Intergovernmental:			
Federal grants	\$ 3,743,872	\$ (280,150)	\$ 3,463,722
State-shared revenue and grants:			
General state aid	779,665	-	779,665
Michigan Transportation Fund	27,066,735	-	27,066,735
Township and other governmental contributions	5,903,750	(99,793)	5,803,957
Investment earnings	596,336	-	596,336
Other revenue:			
Other contributions and service charges	130,274	-	130,274
Miscellaneous	287,983	(90,440)	197,543
Total revenue	38,508,615	(470,383)	38,038,232
Expenditures			
Preservation and structural improvements:			
Roads	9,413,935	(9,413,935)	-
Structures	4,995,435	(4,995,435)	-
Routine and preventive maintenance:			
Roads	5,893,963	-	5,893,963
Structures	11,116,352	-	11,116,352
Administrative	2,142,972	280,488	2,423,460
Equipment - Net	(2,110,556)	-	(2,110,556)
Capital outlay - Net	791,566	(791,566)	-
Depreciation expense	-	14,237,757	14,237,757
Work performed for other governmental units	690,839	-	690,839
Debt service - Interest and fiscal charges	3,320,819	(1,057,007)	2,263,812
Total expenditures	36,255,325	(1,739,698)	34,515,627
Other Financing Sources - Sale of capital assets	24,202	(25,469)	(1,267)
Net Change in Fund Balance/Net Position	2,277,492	1,243,846	3,521,338
Fund Balance/Net Position - Beginning of year	12,364,394	184,973,857	197,338,251
Fund Balance/Net Position - End of year	\$ 14,641,886	\$ 186,217,703	\$ 200,859,589

December 31, 2025

Note 1 - Nature of Business

The Road Commission of Kalamazoo County (the "Road Commission") is a special purpose governmental agency engaged in a single government program of road and bridge maintenance, preservation, and construction for the County of Kalamazoo, Michigan (the "County"). The Road Commission is the jurisdictional authority over all public roads lying outside the incorporated cities and villages within the County exclusive of any Michigan Department of Transportation (MDOT) state trunkline highways. The Road Commission is governed by a five-member Board of County Road Commissioners appointed by the Kalamazoo County Board of Commissioners. The Road Commission's financial statements will be included in the basic financial statements of the County as a discretely presented component unit for financial reporting purposes only.

Note 2 - Significant Accounting Policies

Accounting and Reporting Principles

The Road Commission follows accounting principles generally accepted in the United States of America (U.S. GAAP), as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the Road Commission:

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The individual Road Fund column presents the activity on the modified accrual basis of accounting, as discussed above, which demonstrates accountability for how the current resources have been spent. The government-wide column is presented on the economic resources measurement focus and the full accrual basis of accounting in order to measure the cost of providing government services and the extent to which constituents have paid the full cost of government services.

On the full accrual basis of accounting, revenue is 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.

Fund Accounting

The Road Commission accounts for its activities in one major governmental fund, the Road Fund. The Road Fund is used to account for all activities of the Road Commission.

Basis of Accounting

The Road Fund uses the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Road Commission has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree health care-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the Road Commission considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state gas and weight tax revenue and revenue related to construction projects and inspection work orders. Conversely, special assessments will be collected after the period of availability; receivables have been recorded for these, along with a deferred inflow.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

Due from State Transportation Department and Due on County Road Agreements

Due from state transportation department consists of amounts due from the Michigan Transportation Fund (MTF) for state-shared revenue. Due on county road agreements consists of receivables from townships, cities, and villages for their share of construction projects.

Inventories and Prepaid Items

Inventories are valued at cost on a weighted-average basis. Inventories consist principally of road material, salt, signs, and equipment maintenance materials. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation, with the related revenue recorded as other contributions.

Land is not subject to depreciation, road equipment is depreciated using the sum of the years' digits method, and all other capital asset classes are depreciated using the straight-line method over the following useful lives:

	<u>Depreciable Life - Years</u>
Infrastructure and improvements	5-50
Buildings and improvements	25-50
Road equipment	5-8
Other equipment	4-20
Land improvements	5-10

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as another financing source, as well as bond premiums and discounts.

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports deferred outflows of resources related to the defined benefit pension plan and the retiree health care plan, which are reported only in the government-wide financial statements.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Road Commission reports a deferred inflow of resources related to unavailable revenue from special assessments, which is reported only in the governmental fund balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The Road Commission also reports deferred inflows of resources related to the defined benefit pension plan and the retiree health care plan, which are only reported in the government-wide financial statements.

Net Position

Net position of the Road Commission is classified in three components. Net investment in capital assets - net of related debt consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted net position is further classified as expendable and nonexpendable. Expendable restricted net position has been limited for use by donors and is held in trust for various uses. Nonexpendable restricted net position has been restricted by donors to be maintained in perpetuity. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

The Road Commission will sometimes 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 to report as restricted net position and unrestricted net position 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

The Road Commission will sometimes 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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, 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 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 limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

December 31, 2025

Note 2 - Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government'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 adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) 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 Road Commission has, by resolution, authorized the finance 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 exist only 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.

The Road Commission has set a goal to maintain a minimum fund balance of 20 - 25 percent of MTF funds, while assigning \$3.3 million to the coming years' debt service principal and interest payments. This is deemed to be the prudent amount to maintain the Road Commission's ability to meet obligations as they come due throughout the year and for emergency issues that may arise.

Pension

The Road Commission offers a defined benefit pension plan to its employees administered through the Kalamazoo County Employees' Retirement System. The Road Commission records a net pension asset for its proportionate share of the aggregate net pension asset. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Road Commission's portion of the Kalamazoo County Employees' Retirement System and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension 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.

Other Postemployment Benefit Costs (OPEB)

The Road Commission offers retiree health care benefits to retirees. The Road Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB 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 are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Compensated Absences (Vacation and Sick Leave)

It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The compensated absence liabilities are reported in the government-wide financial statements. A leave liability is recognized due to the leave attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash. A liability for these amounts is reported in the Road Fund only for employee terminations as of year end.

Note 2 - Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Upcoming Accounting Pronouncements

In April 2024, the Governmental Accounting Standards Board issued Statement No. 103, *Financial Reporting Model Improvements*, which establishes new accounting and financial reporting requirements or modifies existing requirements related to the following: management's discussion and analysis; unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. The provisions of this statement are effective for the Road Commission's financial statements for the year ending December 31, 2026.

In September 2024, the Governmental Accounting Standards Board issued Statement No. 104, *Disclosure of Certain Capital Assets*, which requires certain types of capital assets, such as lease assets, intangible right-to-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. This statement also requires additional disclosures for capital assets held for sale. The provisions of this statement are effective for the Road Commission's financial statements for the year ending December 31, 2026.

In December 2025, the Governmental Accounting Standards Board issued Statement No. 105, *Subsequent Events*, which defines subsequent events as transactions that occur after the date of the financial statements but before the financial statements are available to be issued. This statement clarifies the subsequent events that constitute recognized and unrecognized events and establishes specific note disclosure requirements for nonrecognized events. The provisions for this statement are effective for the Road Commission's financial statements for the year ending December 31, 2027.

December 31, 2025

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balance reported in the Road Fund column because of the different measurement focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Fund Balance Reported in Governmental Fund	\$ 14,641,886
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the fund	239,674,851
Special assessment and other intergovernmental receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	163,542
Bonds payable are not due and payable in the current period and are not reported in the funds	(54,886,446)
Accrued interest is not due and payable in the current period and is not reported in the funds	(384,345)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported in the fund:	
Employee compensated absences	(234,048)
Pension benefits	912,050
Retiree health care benefits	972,099
Net Position of Governmental Activities	<u>\$ 200,859,589</u>

Note 3 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balance reported in the Road Fund column because of the different measurements focus and basis of accounting, as discussed in Note 2. Below is a reconciliation of the differences:

Net Change in Fund Balance Reported in Governmental Fund	\$ 2,277,492
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	15,200,936
Depreciation expense	(14,237,757)
Net book value of assets disposed of	<u>(25,469)</u>
Total	937,710
Revenue previously recognized in the statement of activities that provides current financial resources is reported as revenue in the funds since it is now available	(470,383)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,048,757
Interest expense is recognized in the government-wide statements as it accrues	8,250
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported in the governmental fund	<u>(280,488)</u>
Change in Net Position of Governmental Activities	<u>\$ 3,521,338</u>

Note 4 - Stewardship, Compliance, and Accountability

Budgetary Information

The Road Commission is legally subject to the budgetary control requirements of State of Michigan Public Act (PA) 621 of 1978 (the "Uniform Budgeting Act"). The following is a summary of the requirements of this act according to the state treasurer's Bulletin for Audits of Local Units of Government in Michigan, dated April 1982, as amended by PA 493 of 2000:

- Budgeted expenditures cannot exceed budgeted revenue and fund balance.
- The budgets must be amended when necessary.
- Public hearings must be held before budget adoption.
- Expenditures cannot exceed budget appropriations.
- Expenditures must be authorized by a budget before being incurred.

Pursuant to this requirement, the Road Commission follows these procedures:

- The managing director submits a proposed operating budget for the fiscal year to the Board of County Road Commissioners before the beginning of the fiscal year. The budget includes proposed expenditures and the means of providing them.
- A public hearing is held to obtain comments.
- Prior to the beginning of the year, the budget and appropriations are legally adopted by the Board of County Road Commissioners.

Note 4 - Stewardship, Compliance, and Accountability (Continued)

- Comparison of budget-to-actual activity is used as a management control device throughout the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented may be amended throughout the year by an official action of the Board of County Road Commissioners.

Excess of Expenditures Over Appropriations in Budgeted Funds

The law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. During the year ended December 31, 2025, the Road Commission had expenditure budget overruns, as listed in the chart below. These overruns were due to minor timing differences.

	Budget	Actual
Routine maintenance	\$ 11,464,004	\$ 11,465,321
Work performed for other governmental units	670,000	690,839
Total	\$ 12,134,004	\$ 12,156,160

Note 5 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The law also allows investments outside the state of Michigan when fully insured. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Road Commission has designated two banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority, as listed above. The Road Commission's investments comply with all required laws and regulations.

The Road Commission's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had bank deposits (certificates of deposit and checking and savings accounts) of \$18,000 that were uninsured and uncollateralized. The Road Commission believes that, due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation (FDIC) insurance, it is impractical to insure all deposits.

At December 31, 2025, the Road Commission had bank deposits of approximately \$9,527,000 that were held by the County's treasurer on its behalf. Therefore, the specific insured amount for the Road Commission is unknown.

Road Commission of Kalamazoo County

Notes to Financial Statements

December 31, 2025

Note 6 - Capital Assets

Capital asset activity of the Road Commission's governmental activities was as follows:

	Balance January 1, 2025	Reclassifications	Additions and Depreciation	Disposals	Balance December 31, 2025
Capital assets not being depreciated:					
Land	\$ 975,313	\$ -	\$ 7,584	\$ -	\$ 982,897
Infrastructure land	25,509,072	-	-	-	25,509,072
Subtotal	26,484,385	-	7,584	-	26,491,969
Capital assets being depreciated:					
Buildings and improvements	59,045,742	-	139,699	-	59,185,441
Land improvements	1,921,782	-	113,808	-	2,035,590
Road equipment	14,804,868	-	471,853	(986,088)	14,290,633
Other equipment	3,198,085	-	58,622	(33,510)	3,223,197
Infrastructure and improvements	240,633,411	-	14,409,370	(7,631,040)	247,411,741
Subtotal	319,603,888	-	15,193,352	(8,650,638)	326,146,602
Accumulated depreciation:					
Buildings and improvements	1,564,189	-	1,604,781	-	3,168,970
Land improvements	108,869	-	139,378	-	248,247
Road equipment	11,695,721	-	1,168,884	(984,823)	11,879,782
Other equipment	745,671	-	253,397	(9,308)	989,760
Infrastructure and improvements	93,236,682	-	11,071,317	(7,631,038)	96,676,961
Subtotal	107,351,132	-	14,237,757	(8,625,169)	112,963,720
Net capital assets being depreciated	212,252,756	-	955,595	(25,469)	213,182,882
Net governmental activities capital assets	\$ 238,737,141	\$ -	\$ 963,179	\$ (25,469)	\$ 239,674,851

Note 7 - Long-term Debt

Long-term debt activity for the year ended December 31, 2025 can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:							
2023 County of Kalamazoo Limited Tax General Obligation Bonds	4.25%- 5.00%	2026-2052	\$54,290,000	\$ -	\$ (990,000)	\$ 53,300,000	\$ 1,040,000
Bond premium			1,645,203	-	(58,757)	1,586,446	58,757
Total governmental activities long-term debt			\$55,935,203	\$ -	\$ (1,048,757)	\$ 54,886,446	\$ 1,098,757

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Annual debt service requirements to maturity for the above bonds are as follows:

Years Ending December 31	Governmental Activities		
	Other Debt		Total
	Principal	Interest	
2026	\$ 1,040,000	\$ 2,280,069	\$ 3,320,069
2027	1,090,000	2,226,819	3,316,819
2028	1,145,000	2,170,944	3,315,944
2029	1,205,000	2,112,194	3,317,194
2030	1,265,000	2,050,444	3,315,444
2031-2035	7,325,000	9,213,969	16,538,969
2036-2040	9,170,000	7,374,444	16,544,444
2041-2045	11,155,000	5,348,344	16,503,344
2046-2050	13,615,000	2,824,359	16,439,359
2051-2052	6,290,000	270,087	6,560,087
Total	\$ 53,300,000	\$ 35,871,673	\$ 89,171,673

Revenue Pledged in Connection with Component Unit Debt

The Road Commission has pledged, as security for bonds issued by the County of Kalamazoo, Michigan, a portion of the Road Commission's Michigan Transportation Fund revenue. The bonds, issued by the County of Kalamazoo, Michigan in the amount of \$55,235,000 to provide funding for the construction of a new facility, are payable through 2052. The Road Commission has committed to appropriate each year, from the Michigan Transportation Fund revenue, amounts sufficient to cover the principal and interest requirements of the debt. The County of Kalamazoo, Michigan has pledged, as the sole security for the bonds, the annual appropriations from the Road Commission. Total principal and interest remaining on the debt are noted above.

Note 8 - Defined Benefit Pension Plan

Plan Description

The Road Commission participates in the Kalamazoo County Employees' Retirement System (the "System"). The System is a single-employer defined benefit pension plan that provides retirement and disability benefits to eligible plan members and beneficiaries. The System was established by the County of Kalamazoo County Board of Commissioners and is administered by the Office of Finance of the County of Kalamazoo, Michigan. The System was moved to a single-employer defined benefit pension plan by the County in 2015. Accordingly, it is included as a pension trust fund in the County's Annual Comprehensive Financial Report. The County, the Road Commission, and Kalamazoo Community Mental Health and Substance Abuse Services (the "Authority") are participating employers of the System.

The System issues a publicly available financial report that can be obtained by writing to the System at 201 W. Kalamazoo Avenue, Kalamazoo, MI 49007 or by calling (269) 384-8111.

Benefits Provided

The System provides retirement, disability, and death benefits to the members and their beneficiaries.

Note 8 - Defined Benefit Pension Plan (Continued)

Retirement benefits for Road Commission employees are calculated as a percentage of the employee's final average salary (FAS) times the employee's years of service, 2.1 percent for nonunion and 2.2 percent for Teamsters State County and Municipal Workers Local 214 (2.1 percent if hired on or after February 6, 2019). The FAS is calculated using the highest 5 consecutive years out of the last 10 years, some lump sums included. Normal retirement age is 60 with 8 or more years of service or age 55 with 25 or more years of service. For members retiring after age 60 with at least 8 years of service, the amount will be calculated using the greater of (a) the benefit based on service, FAS, and multiplier or (b) the actuarial equivalent of the benefit accrued at age 60. The maximum employer-financed portion is 75 percent of FAS.

Early retirement age is 55 with 8 or more years of service. The amount is then computed as a regular retirement but reduced by 4/10 of 1 percent (0.004) for each month of age preceding age 60.

Employees are eligible for nonduty disability benefits after 10 or more years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but with a minimum benefit of 15 percent of FAS.

Employees are eligible for death benefits after 10 or more years of service or age 60 with 8 years of service. The amount is computed as a regular retirement but actuarially reduced in accordance with a 100 percent joint and survivor election.

Benefit terms are established and amended by authority of the Board of County Road Commissioners.

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The System hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Road Commission's required contribution is determined after consideration of the required contribution rate of employees. For the year ended December 31, 2025, no contribution was required in the current year. Plan members are currently not required to contribute to the System.

Net Pension Asset

At December 31, 2025, the Road Commission reported an asset of \$2,422,323 for its proportionate share of the net pension asset. The System's net pension asset was measured as of December 31, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2024, which used update procedures to roll forward the estimated liability to December 31, 2025. The Road Commission followed the allocation methodology directed by the County to the actuary, and, as such, the Road Commission's proportionate share of the System's net pension asset was determined based on the Road Commission's relative percentage of the present value of the future benefits for its participants in relation to the present value of the future benefits for the System as a whole. At December 31, 2025, the Road Commission's proportion was 6.011 percent, which was a decrease of 0.031 percent from its proportion measured as of December 31, 2024. Based on its separately issued actuarial funding valuation as of the same date, the Road Commission's overfunded accrued liability (excess assets at market value) is \$7,465,144 as of December 31, 2025 and \$5,759,824 as of December 31, 2024.

Pension Expense and Deferrals

For the year ended December 31, 2025, the Road Commission recognized pension expense of \$372,081.

Note 8 - Defined Benefit Pension Plan (Continued)

At December 31, 2025, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 400,039	\$ -
Changes in assumptions	196,204	-
Net difference between projected and actual earnings on pension plan investments	-	1,515,047
Changes in proportion and differences between employer contributions and share of contributions	-	591,469
Total	\$ 596,243	\$ 2,106,516

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

Years Ending December 31	Amount
2026	\$ (30,626)
2027	(658,443)
2028	(456,509)
2029	(364,695)
Total	\$ (1,510,273)

Actuarial Assumptions

The total pension liability in the December 31, 2025 actuarial valuation was determined using an inflation rate of 3.25 percent, assumed salary increases (including inflation) ranging from 3.25 to 8.25 percent, an investment rate of return (net of investment expenses) of 7.25 percent, and mortality rates based on the Pub-2010 amount-weighted tables with future mortality improvements using the fully generational MP-2021 projection scale with a base year of 2010.

The actuarial assumptions used in the December 31, 2025 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made at rates equal to the actuarially determined contribution rates.

Projected Cash Flows

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make 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 8 - Defined Benefit Pension Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on pension 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 pension 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. The target allocation and best estimates of arithmetic real rates of return as of December 31, 2025 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. small cap (Manager 1)	5.00 %	3.58 %
U.S. small cap (Manager 2)	2.50	3.58
International developed equity	12.50	4.68
U.S. large cap (Manager 1)	38.00	3.58
U.S. large cap (Manager 2)	5.00	3.58
Emerging markets	7.00	4.48
Domestic fixed income	25.00	2.48
Real estate (Manager 1)	2.50	4.08
Real estate (Manager 2)	2.50	4.08

Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the Road Commission, calculated using the discount rate of 7.25 percent, as well as what the Road Commission's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net pension asset	\$ 327,353	\$ 2,422,323	\$ 4,165,729

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Assumption Changes

Salary increases for the Road Commission ranged from 3.25 to 6.98 percent in 2024 to 3.25 to 8.25 percent in 2025.

Note 9 - Other Postemployment Benefit Plan

Plan Description

The Road Commission provides retiree medical benefits for all employees who meet eligibility requirements. The benefits are provided through the Kalamazoo County Retiree Medical Benefits Plan (the "Plan"), a single-employer plan established by the Kalamazoo County Board of Commissioners and administered by the Officer of Finance of the County. The County, the Road Commission, and Kalamazoo Community Mental Health and Substance Abuse Services are participating employers of the Plan. The Plan was moved to a single-employer defined benefit other postemployment benefit plan by the County in 2015. The Plan issues a publicly available financial report that can be obtained at 201 W. Kalamazoo Avenue, Kalamazoo, MI 49007 or by calling (269) 384-8111.

Benefits Provided

The Plan provides health care, dental, and vision benefits for retirees and their dependents. Benefits are provided to nonunion members hired on or before December 31, 2012 and union members (members of the Teamsters State County and Municipal Workers Local 214 union) hired on or before December 31, 2016 who have attained age 55 with 25 years of service or age 60 with 8 years of service. Nonunion members hired on or after January 1, 2013 and union members hired on or after January 1, 2017 are not eligible for retiree health care benefits.

Benefit terms provide for annual cost of living adjustments to each employee's OPEB benefits subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in OPEB benefits of 2 percent for general employees and 3 percent for public safety employees.

Benefits are established and can be amended by the Board of County Road Commissioners.

Contributions

The County of Kalamazoo, Michigan establishes contribution rates based on an actuarially determined rate per a funding valuation. The Plan hires an independent actuary for this purpose and annually contributes the amount determined. Retirees will contribute 20 percent of the premium cost annually. Retirees pay the full cost of vision and dental coverage. The Road Commission's contractually determined contributions for the year ended December 31, 2025 were \$0. Actual contributions to the Plan from the Road Commission were \$61,260 for the year ended December 31, 2025.

Net OPEB Asset

At December 31, 2025, the Road Commission reported an asset of \$1,102,143 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023, which used update procedures to roll forward the estimated liability to December 31, 2025. The Road Commission's proportion of the net OPEB liability was based on the Road Commission's relative percentage of the present value of the future benefits for its participants in relation to the present value of the future benefits for the Plan as a whole. At December 31, 2025, the Road Commission's proportion was 16.453 percent, which was a decrease of 59,947.314 percent from its proportion measured as of December 31, 2024.

OPEB Recovery and Deferrals

For the year ended December 31, 2025, the Road Commission recognized OPEB recovery of \$30,333.

Note 9 - Other Postemployment Benefit Plan (Continued)

At December 31, 2025, 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
Difference between expected and actual experience	\$ 40,527	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	170,571
Total	\$ 40,527	\$ 170,571

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

Years Ending December 31	Amount
2026	\$ 56,411
2027	(87,965)
2028	(56,480)
2029	(42,010)
Total	\$ (130,044)

Actuarial Assumptions

The total OPEB liability in the December 31, 2023 actuarial valuation was determined using an inflation assumption of 3.50 percent; assumed salary increases (including inflation) ranging from 3.25 to 6.98 percent; an investment rate of return (net of investment expenses) of 7.25 percent; a health care cost trend rate of 7.25 percent decreasing to 3.50 percent; and the Pub-2010 mortality tables, amount weighted. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2023 valuation (measurement date of December 31, 2025) were based on the results of an actuarial experience study for the five-year period ended December 31, 2023.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that road commission contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Note 9 - Other Postemployment Benefit Plan (Continued)

Investment Rate of Return

The long-term expected rate of return on OPEB 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 adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2025 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment note, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
U.S. small cap (Manager 1)	5.00 %	3.58 %
U.S. small cap (Manager 2)	2.50	3.58
International developed equity	12.50	4.68
U.S. large cap (Manager 1)	38.00	3.58
U.S. large cap (Manager 2)	5.00	3.58
Emerging markets	7.00	4.48
Domestic fixed income	25.00	2.48
Real estate (Manager 1)	2.50	4.08
Real estate (Manager 2)	2.50	4.08

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Road Commission, calculated using the discount rate of 7.25 percent, as well as what the Road Commission's net OPEB asset would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB asset of the Road Commission	\$ 924,930	\$ 1,102,143	\$ 1,255,025

Sensitivity of the Net OPEB Asset to Changes in the Health Care Cost Trend Rate

The following presents the net OPEB asset of the Road Commission, calculated using the health care cost trend rate of 7.25 percent decreasing to 3.50 percent, as well as what the Road Commission's net OPEB asset would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB asset of the Road Commission	\$ 1,291,467	\$ 1,102,143	\$ 882,625

Note 9 - Other Postemployment Benefit Plan (Continued)

OPEB Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued financial report. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. The Plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - Risk Management

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Road Commission participates in the Michigan County Road Commission Self-insurance Pool (MCRCSIP) for claims relating to property loss, torts, errors, and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

MCRCSIP operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Road Commission is a member of the County Road Association Self-insurance Fund (CRASIF) for workers' compensation claims. Member premiums are used to purchase workers' compensation insurance. As a member of CRASIF, the Road Commission is fully insured for workers' compensation claims incurred.

The Road Commission continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

The Road Commission offers a high-deductible health insurance plan with a Health Reimbursement Account (HRA). The HRA reimburses a certain level of medical expenses not covered by the high-deductible plan. The Road Commission is responsible for expenses up to the specified HRA plan limits.

Required Supplementary Information

Road Commission of Kalamazoo County

Required Supplementary Information Budgetary Comparison Schedule Road Fund

Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Amended Budget
Revenue				
Michigan Transportation Funds	\$ 28,165,145	\$ 27,143,373	\$ 27,066,735	\$ (76,638)
Federal and state	6,960,155	4,295,769	4,292,595	(3,174)
PA 49 Federal Buyout Program	165,620	230,942	230,942	-
Township projects	8,018,889	6,265,115	5,323,737	(941,378)
Township special assessments	92,000	90,440	90,440	-
Cities and other governmental	35,000	625,000	580,013	(44,987)
Interest - Investment earnings	240,000	595,340	596,336	996
Other - Other contributions and services charges	200,000	558,254	327,817	(230,437)
Total revenue	43,876,809	39,804,233	38,508,615	(1,295,618)
Expenditures				
Preservation and structural improvements	26,405,481	16,083,861	14,409,370	1,674,491
Preventive maintenance	741,914	6,879,341	5,544,994	1,334,347
Routine maintenance	9,044,952	11,464,004	11,465,321	(1,317)
Administrative	2,500,824	2,416,993	2,142,972	274,021
Less equipment rental and other charges to other expenditures	(1,179,342)	(1,940,002)	(2,110,556)	170,554
Capital outlay - Net	1,363,000	1,120,533	791,566	328,967
Work performed for other governmental units	2,513,650	670,000	690,839	(20,839)
Debt service - Principal and interest	3,320,819	3,320,819	3,320,819	-
Total expenditures	44,711,298	40,015,549	36,255,325	3,760,224
Other Financing Sources - Sale of capital assets	-	-	24,202	24,202
Net Change in Fund Balance	(834,489)	(211,316)	2,277,492	2,488,808
Fund Balance - Beginning of year	11,479,643	12,364,394	12,364,394	-
Fund Balance - End of year	<u>\$ 10,645,154</u>	<u>\$ 12,153,078</u>	<u>\$ 14,641,886</u>	<u>\$ 2,488,808</u>

Road Commission of Kalamazoo County

Required Supplementary Information Schedule of the Road Commission's Proportionate Share of the Net Pension Asset Kalamazoo County Employees' Retirement System

**Last Ten Fiscal Years
Years Ended December 31**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Road Commission's proportion of the net pension asset	6.01100 %	6.04200 %	6.40200 %	6.31400 %	6.23500 %	6.33100 %	6.39300 %	7.14700 %	6.91000 %	7.06200 %
Road Commission's proportionate share of the net pension asset	\$ 2,422,323	\$ 1,257,449	\$ 1,550,252	\$ 646,647	\$ 3,957,924	\$ 2,252,588	\$ 2,184,684	\$ 951,766	\$ 3,583,731	\$ 2,542,616
Road Commission's covered payroll	\$ 5,219,701	\$ 5,276,416	\$ 4,468,746	\$ 4,315,179	\$ 3,904,965	\$ 3,534,841	\$ 3,299,694	\$ 2,897,844	\$ 2,700,098	\$ 2,459,213
Road Commission's proportionate share of the net pension asset as a percentage of its covered payroll	46.41 %	23.83 %	34.69 %	14.99 %	101.36 %	63.73 %	66.21 %	32.84 %	132.73 %	103.39 %
Plan fiduciary net position as a percentage of total pension liability	114.69 %	108.20 %	110.47 %	104.67 %	129.88 %	117.25 %	117.33 %	106.99 %	129.41 %	121.00 %

Road Commission of Kalamazoo County

**Required Supplementary Information
Schedule of Pension Contributions
Kalamazoo County Employees' Retirement System**

**Last Ten Fiscal Years
Years Ended December 31**

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution Excess	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Road Commission's Covered Payroll	\$ 5,219,701	\$ 5,276,416	\$ 4,468,746	\$ 4,315,179	\$ 3,904,965	\$ 3,534,841	\$ 3,299,694	\$ 2,897,844	\$ 2,700,098	\$ 2,459,213
Contributions as a Percentage of Covered Payroll	- %	- %	- %	- %	- %	- %	- %	- %	- %	- %

*Historically, contributions have not been required due to the Road Commission's portion of the plan being overfunded.

Road Commission of Kalamazoo County

Required Supplementary Information
 Schedule of the Road Commission's Proportionate Share of the
 Net OPEB (Asset) Liability
 Kalamazoo County Retiree Medical Benefits Plan

**Last Nine Fiscal Years
 Years Ended December 31**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Road Commission's proportion of the net OPEB (asset) liability	(16.45300)%	(59,963.76700)%	(11.14429)%	(3.01857)%	0.15767 %	1.50057 %	2.43100 %	2.90300 %	3.05700 %
Road Commission's proportionate share of the net OPEB (asset) liability	\$ (1,102,143) \$	(916,846) \$	(662,260) \$	(323,561) \$	38,769 \$	460,822 \$	856,145 \$	1,207,669 \$	1,406,706
Road Commission's covered payroll	\$ 1,094,430 \$	1,450,751 \$	1,508,759 \$	1,516,499 \$	1,431,613 \$	1,415,348 \$	1,577,971 \$	1,663,500 \$	1,921,362
Road Commission's proportionate share of the net OPEB (asset) liability as a percentage of its covered payroll	(100.70)%	(63.20)%	(43.89)%	(21.34)%	2.71 %	32.56 %	54.26 %	72.60 %	73.21 %
Plan fiduciary net position as a percentage of total OPEB liability	155.07 %	145.35 %	130.50 %	114.85 %	58.31 %	47.07 %	39.69 %	31.39 %	58.68 %

*Note: GASB 75 was implemented in 2017. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

Road Commission of Kalamazoo County

Required Supplementary Information Schedule of OPEB Contributions

Last Ten Fiscal Years
Years Ended December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ 81,548	\$ 83,556	\$ 123,181	\$ 125,066	\$ 179,423	\$ 181,088
Contributions in relation to the actuarially determined contribution	61,260	68,649	93,887	70,709	139,465	115,341	199,525	211,297	297,957	241,142
Contribution Excess	\$ 61,260	\$ 68,649	\$ 93,887	\$ 70,709	\$ 57,917	\$ 31,785	\$ 76,344	\$ 86,231	\$ 118,534	\$ 60,054
Covered Payroll	\$ 1,094,430	\$ 1,450,751	\$ 1,508,759	\$ 1,516,499	\$ 1,431,613	\$ 1,415,348	\$ 1,577,971	\$ 1,663,500	\$ 1,921,362	\$ 1,883,924
Contributions as a Percentage of Covered Payroll	5.60 %	4.73 %	6.22 %	4.66 %	9.74 %	8.15 %	12.64 %	12.70 %	15.51 %	12.80 %

Road Commission of Kalamazoo County

Notes to Required Supplementary Information

December 31, 2025

Budgetary Information

During the year, the Road Commission of Kalamazoo County incurred expenditures that were in excess of the amounts budgeted, as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Routine maintenance	\$ 11,464,004	\$ 11,465,321	\$ (1,317)
Work performed for other governmental units	670,000	690,839	(20,839)
Total	<u>\$ 12,134,004</u>	<u>\$ 12,156,160</u>	<u>\$ (22,156)</u>

Pension Information

Changes in Assumptions

The 2025 assumption changes include the following: Salary increases for the Road Commission ranged from 3.25 to 6.98 percent in 2024 to 3.25 to 8.25 percent in 2025.

The 2024 assumption changes include the following: mortality rates for 2024 were based on the Pub-2010 amount-weighted tables with future mortality improvements using scale MP-2021 projected from a base year of 2010, whereas mortality rates in for 2023 were based on Pub-2010 amount-weighted tables with future mortality improvements projected to 2025 using scale MP-2019.

The 2019 assumption changes included the following: wage inflation decreased from 3.50 percent in 2018 to 3.25 percent in 2019. Mortality rates for 2019 were based on the Pub-2010 amount-weighted tables, with future mortality improvements projected to 2025 using scale MP-2019, whereas mortality rates for 2018 were based on the RP-2000 mortality combined healthy tables, projected 20 years with U.S. projection scale BB.

The 2018 assumption changes included the following: the investment rate of return decreased from 7.50 to 7.25 percent for the December 31, 2018 actuarial valuation.

The 2015 assumption changes included the following: mortality rates for 2015 were based on the RP-2000 mortality combined healthy tables, whereas mortality rates for 2014 were based on the 1994 group annuity mortality table. Salary increases for the Road Commission ranged from 3.50 to 8.20 percent in 2014 to 3.50 to 7.20 percent in 2015.

OPEB Information

Changes in Assumptions and Changes in Benefits

The 2024 assumption changes included the following: health care cost trend rates starting at 7.25 percent gradually decreasing to 3.50 percent for pre-Medicare. Health care cost trend rates starting at 6.50 percent gradually decreasing to 3.50 percent for Medicare.

The 2020 assumption changes included the following: the health care cost trend rate was adjusted to 8.25 percent decreasing to 3.50 percent (down from 8.5 percent decreasing to 3.5 percent for the year ended December 31, 2019).

The 2019 assumption changes included the following: in 2018, aging factors were based on an internal GRS study using several pricing manuals from national health care consultant groups and incorporating analysis and data from a SOA survey regarding aging practices used in health care valuations. In 2019, aging factors were based on the 2013 SOA study, "Health Care Costs - From Birth to Death."

The 2018 assumption changes included the following: the investment rate of return decreased from 7.50 to 7.25 percent for the December 31, 2018 actuarial valuation.

The 2017 benefit changes included the following: the Road Commission's eligibility requirements in 2016 included members hired on or before December 31, 2012. In 2017, eligibility included nonunion members hired on or before December 31, 2012 and union members hired on or before December 31, 2016.

Supplementary Information

Road Commission of Kalamazoo County

Supplementary Information Analysis of Changes in Road Fund Balances

Year Ended December 31, 2025

	Primary Road	Local Road	County Road Commission	Total Road Fund
Revenue				
Michigan Transportation Fund:				
Engineering	\$ 7,522	\$ 2,478	\$ -	\$ 10,000
Snow removal	4,919	1,596	-	6,515
Urban road	3,217,409	1,008,751	-	4,226,160
Allocation	17,168,023	5,656,037	-	22,824,060
Other governmental funding:				
Federal sources	3,319,363	301,714	353,736	3,974,813
Other state sources - Other state aid	548,723	-	-	548,723
Township and other governmental contributions	86,664	5,237,074	614,534	5,938,272
Charges for services - Other contributions and charges for services - Construction code fees				
	10,219	-	95,749	105,968
Licenses and permits - Other licenses and permits				
	10,366	22,116	230,395	262,877
Other:				
Other	-	90,440	125,220	215,660
Interest earned	536,706	-	59,634	596,340
Total revenue	24,909,914	12,320,206	1,479,268	38,709,388
Expenditures				
Construction/Capacity improvements:				
Primary road system	9,413,935	-	-	9,413,935
Local road system	-	4,995,435	-	4,995,435
Preservation and structural improvements:				
Primary road system	6,156,839	-	-	6,156,839
Local road system	-	11,116,352	-	11,116,352
Administrative	1,058,386	1,084,586	-	2,142,972
Equipment - Net	314,290	627,910	(3,052,756)	(2,110,556)
Capital outlay - Net	-	-	791,566	791,566
Other	7,786	-	683,053	690,839
Debt service - Interest and fiscal charges	-	-	3,320,819	3,320,819
Total expenditures	16,951,236	17,824,283	1,742,682	36,518,201
Excess of Revenue Over (Under)				
Expenditures	7,958,678	(5,504,077)	(263,414)	2,191,187
Other Financing Sources - Sale of capital assets				
	-	-	86,305	86,305
Optional Transfers	(5,504,077)	5,504,077	-	-
Net Change in Fund Balances	2,454,601	-	(177,109)	2,277,492
Fund Balances - Beginning of year	11,175,240	-	1,189,154	12,364,394
Fund Balances - End of year	\$ 13,629,841	\$ -	\$ 1,012,045	\$ 14,641,886

Road Commission of Kalamazoo County

Note to Supplementary Information

December 31, 2025

A reconciliation of the analysis of changes in Road Fund balances to the statement of governmental fund revenue, expenditures, and changes in fund balance is as follows:

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Amounts per operating statement	\$ 38,532,817	\$ 36,255,325
Specific revenue accounts applied against expenditures	<u>262,876</u>	<u>262,876</u>
Amounts per analysis of changes in Road Fund balances	<u>\$ 38,795,693</u>	<u>\$ 36,518,201</u>