

Clinton County
Road Commission
(a Component Unit
of Clinton County,
Michigan)



Year Ended
December 31, 2025

Financial
Statements and
Supplementary
Information

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CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

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INDEPENDENT AUDITORS' REPORT

April 20, 2026

Members of the Board of County
Road Commissioners
Clinton County Road Commission
St. Johns, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the major fund and the remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, 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'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, the major fund and the remaining fund information of the Road Commission as of December 31, 2025, and the respective changes in financial position thereof and the budgetary comparison for the General Operating Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Independent Auditors' Responsibilities for the Audit of the Basic 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 these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the basic 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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Independent Auditors' Responsibilities for the Audit of the basic 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic 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 basic 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 basic 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 the schedules for the pension and other postemployment benefit plans, as listed 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The general operating fund schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate 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 general operating fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2026, on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

As management of the Clinton County Road Commission (the "Road Commission"), we offer the readers of the Road Commission's financial statements this narrative overview and analysis of the financial activities of the Road Commission for the fiscal year ended December 31, 2025. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Financial Highlights

Net position may, over time, enable governmental agencies to determine their overall fiscal position. The Road Commission's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$101,047,476 at the end of the 2025 fiscal year. Net position, however, must be understood to include all assets of the governmental entity, and may include significant capital improvements that are not exchangeable. For the Road Commission, all public infrastructure in the right-of-way is included in this category, and includes pavement, gravel, bridges, pipes, guardrail, signs, etc.

Overview of the Financial Statements

This discussion and analysis is intended to provide a basis of understanding the Road Commission's basic financial statements. These statements comprise three components: (1) government-wide financial statements (2) fund financial statements, and (3) notes to the financial statements. Supplementary information is also provided for additional informational purposes.

Government-wide Statements

The *statement of net position* presents information on all the Road Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as an indicator of the Road Commission's overall fiscal position.

The *statement of activities* presents information showing how the Road Commission's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation/amortization expense associated with capital assets).

The government-wide financial presentation includes only the Road Commission itself (known as the primary government). The Road Commission's other postemployment benefit plan is considered a separate fiduciary component unit for which the Road Commission is financially accountable. The Road Commission is a discretely presented component unit of Clinton County, Michigan.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Road Commission, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Road Commission is accounted for in the governmental fund (general operating fund).

Governmental Funds

Governmental funds are used to account for essentially the same function reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal period. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Road Commission's near-term financing decisions. Both the general operating fund balance sheet and the general operating fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between the general operating fund and the government-wide statements.

The Road Commission maintains one governmental fund (the general operating fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and change in fund balance. The general operating fund is a major fund for financial reporting purposes.

The Road Commission adopts an annual appropriated budget for the general operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with the budget.

Fiduciary Component Unit

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Road Commission's own programs. The Other Postemployment Benefits Trust Fiduciary Component Unit is used for the accumulation of restricted funds for the payment of retiree healthcare benefits.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission's financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This consists of this management's discussion and analysis as well as information related to the Road Commission's defined benefit pension and other postemployment benefit plans.

Condensed Statements of Net Position

	2025	2024
Assets		
Current and other assets	\$ 19,914,532	\$ 20,114,922
Capital assets, net	105,682,252	100,865,078
Total assets	<u>125,596,784</u>	<u>120,980,000</u>
Deferred outflows of resources	<u>1,734,443</u>	<u>4,335,346</u>
Liabilities		
Current and other liabilities	7,326,768	9,142,573
Long-term liabilities	18,470,882	21,392,746
Total liabilities	<u>25,797,650</u>	<u>30,535,319</u>
Deferred inflows of resources	<u>486,101</u>	<u>246,987</u>
Net position		
Net investment in capital assets	87,951,494	81,663,183
Restricted	10,563,283	8,904,594
Unrestricted	2,532,699	3,965,263
Total net position	<u>\$ 101,047,476</u>	<u>\$ 94,533,040</u>

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

Condensed Statements of Activities

	2025	2024
Revenues		
Program revenues:		
Charges for services	\$ 1,934,381	\$ 2,710,913
Operating grants and contributions	19,553,096	14,845,886
Capital grants and contributions	4,545,237	4,822,853
Total revenues	<u>26,032,714</u>	<u>22,379,652</u>
Expenses		
Public works	18,916,358	19,009,086
Interest expense	601,920	598,653
Total expenses	<u>19,518,278</u>	<u>19,607,739</u>
Change in net position	6,514,436	2,771,913
Net position, beginning of year	<u>94,533,040</u>	<u>91,761,127</u>
Net position, end of year	<u>\$ 101,047,476</u>	<u>\$ 94,533,040</u>

Net position increased during the year by \$6,514,436, primarily due to revenues exceeding expenses on road projects, as well as additional funding from the State of Michigan. Current and other liabilities decreased by \$1,815,805 due to a reduction in deferred revenue resulting from completed road projects and a lower accounts payable balance at year-end.

Net OPEB asset increased during the year by \$549,243 primarily due to higher returns on plan assets. Deferred outflows of pension amounts decreased by \$2,438,088 primarily due to the amortization of prior year deferred amounts and changes in actuarial assumptions and investment experience. Net pension liability decreased by \$2,081,707 primarily due to positive investment returns, employer contributions exceeding pension expense, and updated actuarial assumptions.

Charges for services decreased by \$776,532 from the prior year primarily due to less work on Trunkline and less work done for other agencies. Operating grants and contributions increased by \$4,707,210 from the prior year primarily due completed work on the DeWitt Road State Earmark project and increased work for local townships. Capital grants and contributions decreased by \$277,616 from the prior year primarily due to less federal aid projects.

Public works expenses remained consistent with the prior year, as preservation, structural improvements, and maintenance activities continued on local and primary roads.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

Financial Analysis of the Road Commission's General Operating Fund

For the year ended December 31, 2025, the fund balance of the General Fund increased by \$1,060,255, as compared to a decrease of \$764,237 for the prior year. Total revenues and other financing sources came to \$26,084,120, an increase of \$2,896,872 as compared to the prior year. Total expenditures amounted to \$25,023,865, an increase of \$1,072,380 compared to the prior year.

The significant change in fund revenues was the result of the following:

- Federal Revenues increased by \$875,572, primarily as a result of the completion Webster Road project and pathway in Bath Township.
- State Revenues increased by \$4,523,771, primarily as a result of state earmark projects on DeWitt Road, Airport Road, and Chandler Road.
- Charges for services decreased by \$872,750, primarily due to a reduction in work performed for other agencies.
- Proceeds from issuance of other long-term liabilities decreased by \$723,221, primarily due to the absence of equipment leases in 2025.

The significant changes in fund expenditures were the result of the following:

- Expenditures related to primary road preservation and maintenance increased by \$4,541,910, primarily as a result of the commencement of the state earmark projects.
- Expenditures related to local road preservation and maintenance decreased by \$2,018,817, due to fewer projects undertaken by local townships.
- State trunkline expenditures decreased by \$194,388, mainly attributed to a smaller Transportation Work Authorization (TWA) from the State of Michigan compared to the prior year.
- Expenditures for non-road projects increased by \$305,586, primarily due to a pathway project in a local township.
- Expenditures for capital outlay (net) decreased by \$982,826 due to the absence of equipment leases in the current year.

General Operating Fund Budgetary Highlights

The original budget was established using historical facts, information on current funding sources, project information from the townships and forecast. Amendments were made during the year as more information on funding sources and related projects became known.

CLINTON COUNTY ROAD COMMISSION (A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

During the year, there was a decrease in estimated revenues between the original and final amended budget of \$7,545,700. This decrease in estimated revenues was the result of the following significant amendments:

- The budgeted intergovernmental federal sources revenue decreased by \$346,000, primarily due to less than anticipated federal aid projects.
- The budgeted intergovernmental state sources revenue decreased by \$6,650,000, largely due to the start of the state earmarked projects, but the majority of projects getting deferred to the following year.
- The budgeted local sources revenue decreased by \$595,000, mainly because of decreased work within townships in the current year than initially expected.

During the year, there was a decrease in estimated other financing sources between the original and final amended budget of \$125,000. This decrease was attributed to the absence of any equipment lease transactions.

During the year, there was a decrease in estimated expenditures of \$7,539,149. This decrease in estimated expenditures was the result of the following significant amendments: This reduction was primarily due to significant amendments related to the Airport Road and Chandler Road state earmark projects being deferred to the following year.

- The budgeted expenditures for primary roads decreased by \$6,140,000 during 2025. This reduction was primarily due to the deferral of state earmark projects originally scheduled for the current year into the following year.
- The budgeted expenditures for local roads increased by \$1,712,000 during 2025. The main reason for this was primarily due to higher-than-anticipated routine & preventative maintenance activity in local road projects.
- The budgeted expenditures for State trunkline increased by \$360,000 during 2025. This amendment was primarily due to approval of the TWA project by the State of Michigan, as well as necessary maintenance on the trunkline system.
- The budgeted net expenditures for equipment (net) increased by \$390,800 during 2025. This increase was primarily due to higher equipment maintenance & fuel costs in the current year.

The amendment to the distributive expenditures reduced those estimated costs to \$0 as these costs are eventually allocated out to the various projects which benefited from them. Thus some of the increases in the budgets for other categories is the allocation of these indirect costs.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

Actual revenues came in higher than the final amended budget by \$812,309 (3.32%). This was largely caused by a budget variance of \$601,521 due to increased work performed on the state trunkline, higher interest earnings, and gains on the disposal of equipment. In addition, charges for services were \$154,018 below budget as a result of less work performed for other agencies than originally anticipated.

Actual expenditures came in lower than the final amended budget by \$2,947,989 (10.60%). This was largely caused by a budget variance of \$1,076,688 for primary road expenditures (preservation and maintenance) attributed to the deferral of state earmark projects, including Chandler Road and Airport Road, into the following year, and a variance in local road expenditures of \$1,217,911, which were the result of lower-than-anticipated routine and preventative maintenance activities at the local level.

Capital Assets

As of December 31, 2025 the Road Commission had invested \$105,682,252 in capital assets, net of accumulated depreciation/amortization, as follows:

	Capital Assets (Net of Depreciation/Amortization)	
	2025	2024
Land	\$ 2,107,399	\$ 2,107,399
Rights of way	2,275,793	2,275,793
Infrastructure - nondepreciable	7,457,214	7,457,214
Buildings and improvements	15,954,240	16,443,495
Equipment	3,810,909	3,408,448
Lease equipment	641,793	873,093
Subscription assets	34,270	-
Infrastructure - depreciable	<u>73,400,634</u>	<u>68,299,636</u>
Capital assets, net	<u><u>\$ 105,682,252</u></u>	<u><u>\$ 100,865,078</u></u>

Capital asset additions of \$11,944,067 are mainly comprised of infrastructure improvements, including newly paved and gravel road projects completed during the current year, as well as new equipment purchases.

Additional information on the Road Commission’s capital assets can be found in notes to the financial statements.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Management's Discussion and Analysis

Long-term Debt

The net decrease in the Road Commission's total installment debt is the result of scheduled payments on the bonds offset by the additions related to subscription assets.

	Long-term Debt Governmental Activities	
	2025	2024
Bonds payable	\$ 15,955,000	\$ 16,665,000
Bond premium	1,028,341	1,088,832
Lease liability	711,923	892,278
Subscription liability	35,494	-
Compensated absences	622,865	547,670
Long-term Debt	\$ 18,353,623	\$ 19,193,780

Additional long-term debt information can be found in the notes to the financial statements.

Economic Factors and Road Fund Budgetary Highlights

- The Michigan Transportation Fund (MTF) is the road commission’s primary revenue source, tied to fuel/public transportation and economic activity.
- MTF decreased about 17% from the previous year due to the removal of sales tax from gasoline, while the replacement revenue from the increased gas tax has not yet been realized. Road commissions are expected to be made whole in 2026, sometime after first quarter.
- Road commission operating expenses continue to rise due to inflation and supply chain issues.
- The state earmark funding received in 2024 for the DeWitt Road from Kinely to M-21 was fully utilized and the project completed. Design work also began on the Chandler Road state earmark project with construction anticipated to start in summer 2026. Additionally, the first phase of construction on the Airport Road state earmark project was completed with the final phase scheduled to begin in spring 2026.
- In early spring 2025, following a period of torrential rainfall over a short timeframe, a primary culvert in Dallas Township failed and required emergency replacement. Due to the Road Commission’s responsible financial management and maintenance of reserve funds for situations such as this, the response was timely and effective. The culvert was replaced and the roadway was reopened within six weeks.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Management's Discussion and Analysis

- The Board of Clinton County Road Commissioners elected to discontinue additional contributions to the MERS surplus account and instead reallocate surplus funds held with MERS to the pension divisions, resulting in a reduced Annual Required Contribution (ARC) for fiscal year 2025. This action ultimately lowered the fringe rate by more than 60%. As of the 2024 annual actuarial valuation, the pension plan is 103% funded.
- In 2025, the Road Commission had two retirements, representing a combined total of over 35 years of service to the County. Over the next two years, it is anticipated that approximately 6% of current Road Commission employees may retire.
- In 2025, Michigan enacted a comprehensive transportation funding package establishing new long-term revenue streams and a Neighborhood Roads Fund (NRF) to increase dedicated support for county road commissions and townships. As of 12/31/25, allocations were approved, but full distribution timing and implementation details were still being finalized heading into 2026.
- As the Road Commission anticipates increased funding from the new road funding package(s), the Clinton County Road Commission remains focused on balanced road and bridge projects, equipment needs, & facility improvements while continuing to prioritize the needs of the public & Clinton County residents.

The Road Commission considered these factors in preparing its budget for the 2026 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Road Commission's finances for all those with an interest in the Road Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clinton County Road Commission's administrative offices, 3536 S. US Highway 27, St. Johns, MI 48879.

BASIC FINANCIAL STATEMENTS

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Net Position

December 31, 2025

Assets

Cash and investments	\$ 4,155,607
Restricted cash and investments	8,967,713
Receivables	2,549,489
Inventories	1,279,898
Capital assets not being depreciated/amortized	11,840,406
Capital assets being depreciated/amortized, net	93,841,846
Net other postemployment benefits (OPEB) asset	<u>2,961,825</u>

Total assets 125,596,784

Deferred outflows of resources

Deferred pension amounts	1,680,649
Deferred OPEB amounts	<u>53,794</u>

Total deferred outflows of resources 1,734,443

Liabilities

Accounts payable and accrued liabilities	598,214
Unearned revenue	6,265,748
Deposits	66,693
Advances from other governmental units	396,113
Bonds and other long-term liabilities:	
Due within one year	1,281,343
Due in more than one year	17,072,280
Net pension liability (due in more than one year)	<u>117,259</u>

Total liabilities 25,797,650

Deferred inflows of resources

Deferred pension amounts	172,856
Deferred OPEB amounts	<u>313,245</u>

Total deferred inflows of resources 486,101

Net position

Net investment in capital assets	87,951,494
Restricted for:	
Primary roads	7,022,262
Local roads	579,196
OPEB	2,961,825
Unrestricted	<u>2,532,699</u>

Total net position \$ 101,047,476

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Activities

For the Year Ended December 31, 2025

Functions / Programs	Expenses	Program Revenues			Net Expense (Revenue)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Public works	\$ 18,916,358	\$ 1,934,381	\$ 19,553,096	\$ 4,545,237	\$ 7,116,356
Interest expense	601,920	-	-	-	(601,920)
Total governmental activities	<u>\$ 19,518,278</u>	<u>\$ 1,934,381</u>	<u>\$ 19,553,096</u>	<u>\$ 4,545,237</u>	
Change in net position					6,514,436
Net position, beginning of year					<u>94,533,040</u>
Net position, end of year					<u>\$ 101,047,476</u>

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Balance Sheet

General Operating Fund
December 31, 2025

Assets

Cash and investments	\$ 4,155,607
Restricted cash and investments	8,967,713
Receivables:	
Accounts	65,146
Due from other governmental units:	
Federal/state	2,442,620
Local	41,723
Inventory	<u>1,279,898</u>

Total assets \$ 16,952,707

Liabilities

Accounts payable	\$ 377,368
Due to state	11,547
Accrued liabilities	110,266
Deposits	66,693
Unearned revenue	6,265,748
Advances from other governmental units	<u>396,113</u>

Total liabilities 7,227,735

Fund balance

Nonspendable:	
Inventory	1,279,898
Restricted for:	
Primary roads	6,371,303
Local roads	137,773
Unassigned	<u>1,935,998</u>

Total fund balance 9,724,972

Total liabilities and fund balance \$ 16,952,707

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Reconciliation

Fund Balance of the General Operating Fund
to Net Position of Governmental Activities
December 31, 2025

Fund balance - General Operating Fund	\$ 9,724,972
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>	
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements.</p>	
Capital assets not being depreciated/amortized	11,840,406
Capital assets being depreciated/amortized, net	93,841,846
<p>Long-term liabilities are not due and payable in the current period and are not reported in the funds.</p>	
Bonds and other long-term liabilities	(17,730,758)
Accrued interest on bonds and other long-term liabilities	(99,033)
Compensated absences payable	(622,865)
<p>Certain pension and OPEB-related amounts, such as the net pension liability and net OPEB asset and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.</p>	
Net pension liability	(117,259)
Deferred outflows of resources related to the net pension liability	1,680,649
Deferred inflows of resources related to the net pension liability	(172,856)
Net OPEB asset	2,961,825
Deferred outflows of resources related to the net OPEB asset	53,794
Deferred inflows of resources related to the net OPEB asset	(313,245)
Net position of governmental activities	<u><u>\$ 101,047,476</u></u>

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Revenues, Expenditures and Change in Fund Balance

General Operating Fund

For the Year Ended December 31, 2025

Revenues

Intergovernmental:	
Federal sources	\$ 1,620,176
State sources	18,359,284
Local sources	3,441,919
Charges for services	1,779,318
Licenses and permits	71,323
Interest and rentals	612,196
Other	64,758

Total revenues	<u>25,948,974</u>
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Expenditures

Current:	
Primary road	12,218,312
Local road	8,054,089
State trunkline	1,386,495
Administrative, net	540,485
Equipment, net	653,737
Drains at-large	59,786
Non-road projects	831,068
Capital outlay, net	(294,700)
Debt service:	
Principal	906,267
Interest charges	668,326

Total expenditures	<u>25,023,865</u>
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Revenues over expenditures	<u>925,109</u>
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Other financing sources

Proceeds from issuance of other long-term liabilities	51,406
Proceeds from sales of capital assets	83,740

Total other financing sources	<u>135,146</u>
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Net change in fund balance	1,060,255
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Fund balance, beginning of year	<u>8,664,717</u>
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Fund balance, end of year	<u><u>\$ 9,724,972</u></u>
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The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Reconciliation

Net Change in Fund Balance of the General Operating Fund to
Change in Net Position of Governmental Activities
For the Year Ended December 31, 2025

Net change in fund balance - General Operating Fund \$ 1,060,255

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, the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

Capital assets purchased or constructed	11,944,067
Depreciation/amortization expense	(7,126,893)
Gain on sale of capital assets	83,740
Proceeds from sale of capital assets	(83,740)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on bonds and other long-term liabilities	906,267
Issuance of long-term liabilities	(51,406)
Change in accrued interest payable	5,917
Amortization of bond premium	60,491

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Change in compensated absences	(75,195)
Change in net pension liability and related deferred amounts	(368,484)
Change in net OPEB asset and related deferred amounts	159,417

Change in net position of governmental activities \$ 6,514,436

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Operating Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Revenues				
Intergovernmental:				
Federal sources:				
Surface Transportation Program	\$ 1,090,000	\$ 1,103,000	\$ 1,103,318	\$ 318
High priority	120,000	48,000	48,822	822
Other	750,000	463,000	468,036	5,036
	<u>1,960,000</u>	<u>1,614,000</u>	<u>1,620,176</u>	<u>6,176</u>
State sources:				
Motor vehicle highway funds:				
Engineering	10,000	10,000	10,000	-
Urban road	1,350,793	1,350,793	1,327,778	(23,015)
Primary road	7,722,015	7,722,015	7,907,284	185,269
Local road	3,939,750	3,939,750	4,118,400	178,650
Other	11,500,000	4,850,000	4,995,822	145,822
	<u>24,522,558</u>	<u>17,872,558</u>	<u>18,359,284</u>	<u>486,726</u>
Local sources:				
Township contributions	3,928,300	3,333,300	3,441,919	108,619
	<u>3,928,300</u>	<u>3,333,300</u>	<u>3,441,919</u>	<u>108,619</u>
Total intergovernmental	<u>30,410,858</u>	<u>22,819,858</u>	<u>23,421,379</u>	<u>601,521</u>
Charges for services:				
State trunkline:				
Maintenance	1,000,000	985,000	1,118,823	133,823
Non-maintenance	100,000	235,000	238,698	3,698
Salvage sales	5,000	5,300	16,148	10,848
Other	503,000	400,000	405,649	5,649
Total charges for services	<u>1,608,000</u>	<u>1,625,300</u>	<u>1,779,318</u>	<u>154,018</u>
Licenses and permits	<u>50,000</u>	<u>70,000</u>	<u>71,323</u>	<u>1,323</u>
Interest and rentals:				
Interest	560,000	580,000	601,039	21,039
Rentals	10,507	10,507	11,157	650
Total interest and rentals	<u>570,507</u>	<u>590,507</u>	<u>612,196</u>	<u>21,689</u>
Other:				
Contributions from private sources	43,000	31,000	64,758	33,758
	<u>43,000</u>	<u>31,000</u>	<u>64,758</u>	<u>33,758</u>
Total revenues	<u>32,682,365</u>	<u>25,136,665</u>	<u>25,948,974</u>	<u>812,309</u>

continued...

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Operating Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Expenditures				
Current:				
Primary road:				
Preservation - structural improvements	\$ 15,300,000	\$ 8,840,000	\$ 8,712,466	\$ (127,534)
Routine and preventative maintenance	4,135,000	4,455,000	3,505,846	(949,154)
Total primary road	<u>19,435,000</u>	<u>13,295,000</u>	<u>12,218,312</u>	<u>(1,076,688)</u>
Local road:				
Preservation - structural improvements	1,575,000	1,610,000	1,499,452	(110,548)
Routine and preventative maintenance	6,005,000	7,682,000	6,554,637	(1,127,363)
Total local roads	<u>7,580,000</u>	<u>9,292,000</u>	<u>8,054,089</u>	<u>(1,237,911)</u>
State trunkline:				
Maintenance	1,000,000	1,220,000	1,147,797	(72,203)
Non-maintenance	100,000	240,000	238,698	(1,302)
Total state trunkline	<u>1,100,000</u>	<u>1,460,000</u>	<u>1,386,495</u>	<u>(73,505)</u>
Administrative, net:				
Administration	682,900	553,900	905,675	351,775
Less:				
Handling charges	-	-	(578)	(578)
Overhead - state	-	-	(122,434)	(122,434)
Purchase discount	-	-	(6,294)	(6,294)
Other	-	-	(235,884)	(235,884)
Total administrative, net	<u>682,900</u>	<u>553,900</u>	<u>540,485</u>	<u>(13,415)</u>
Equipment, net:				
Direct	1,900,000	2,275,000	2,587,341	312,341
Indirect	1,345,654	1,446,454	1,005,871	(440,583)
Operating	470,000	470,000	419,431	(50,569)
Less: equipment rental	(3,100,000)	(3,185,000)	(3,358,906)	(173,906)
Total equipment, net	<u>615,654</u>	<u>1,006,454</u>	<u>653,737</u>	<u>(352,717)</u>
Drains at-large:				
Drain assessment	58,000	60,000	59,786	(214)
Other:				
Non-road projects	1,430,000	891,000	831,068	(59,932)
Capital outlay, net:				
Capital outlay	1,721,000	1,771,500	1,732,159	(39,341)
Less:				
Equipment retirements	(1,500)	(1,500)	-	1,500
Depreciation/amortization and depletion	(1,500,000)	(1,923,000)	(2,026,859)	(103,859)
Total capital outlay, net	<u>219,500</u>	<u>(153,000)</u>	<u>(294,700)</u>	<u>(141,700)</u>

continued...

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Revenues, Expenditures and Change in Fund Balance

Budget and Actual - General Operating Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Actual Over (Under) Final Budget
Debt service:				
Principal	\$ 934,000	\$ 914,000	\$ 906,267	\$ (7,733)
Interest charges	660,500	672,500	668,326	(4,174)
Total debt service:	<u>1,594,500</u>	<u>1,586,500</u>	<u>1,574,593</u>	<u>(11,907)</u>
Distributive expenditures:				
Fringe benefits	1,859,975	-	-	-
Other	955,474	-	-	-
Total distributive expenditures:	<u>2,815,449</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>35,531,003</u>	<u>27,991,854</u>	<u>25,023,865</u>	<u>(2,967,989)</u>
Revenues over (under) expenditures	(2,848,638)	(2,855,189)	925,109	3,780,298
Other financing sources				
Proceeds from issuance of other long-term liabilities	215,000	50,000	51,406	1,406
Proceeds from sales of capital assets	25,000	65,000	83,740	18,740
Total other financing sources	<u>240,000</u>	<u>115,000</u>	<u>135,146</u>	<u>20,146</u>
Net change in fund balance	<u>(2,608,638)</u>	<u>(2,740,189)</u>	<u>1,060,255</u>	<u>3,800,444</u>
Fund balance, beginning of year	<u>8,664,717</u>	<u>8,664,717</u>	<u>8,664,717</u>	<u>-</u>
Fund balance, end of year	<u>\$ 6,056,079</u>	<u>\$ 5,924,528</u>	<u>\$ 9,724,972</u>	<u>\$ 3,800,444</u>

concluded

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Fiduciary Net Position

Other Postemployment Benefits Fiduciary Component Unit
December 31, 2025

Assets

Investments:

MERS total market portfolio \$ 7,027,724

Liabilities

Accounts payable 64,261

Net position restricted for

Other postemployment benefits \$ 6,963,463

The accompanying notes are an integral part of these financial statements.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Statement of Changes in Fiduciary Net Position

Other Postemployment Benefits Fiduciary Component Unit

For the Year Ended December 31, 2025

Additions

Investment earnings	<u>\$ 954,518</u>
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Deductions

Benefits payments	304,743
Administrative expense	<u>13,938</u>

Total deductions

318,681

Change in fiduciary net position

635,837

Net position, beginning of year

6,327,626

Net position, end of year

\$ 6,963,463

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clinton County Road Commission (the "Road Commission") conform to generally accepted accounting principles as applied to governmental units. The following is a summary of the significant policies.

Reporting Entity

The Road Commission was established pursuant to the County Road Law (MCL 224.1), and is governed by the three member Board of County Road Commissioners appointed by the Clinton County Board of Commissioners.

The Road Commission is a component unit of Clinton County, Michigan (the "County") because the County is a direct beneficiary of the services provided and is financially accountable for the Road Commission.

The Road Commission's general operating fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners has responsibility for the administration of the Road Commission's general operating fund.

The accounting policies of the Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting principles.

Fiduciary Component Unit

The OPEB Trust Fund was established to account for the assets set aside to fund the Clinton County Road Commission Retiree Health Care Trust Fund. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through MERS Retiree Health Funding Vehicle, with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

Basis of Presentation

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services, Michigan Transportation Funds (MTF), state and federal grants and contracts, and contributions from local units of governments.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (statement of net position and the statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences not expected to be paid in the current year and claims and judgments, are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as they are needed.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

The government reports the following major governmental fund:

The *general operating fund* is the government's primary operating fund. It accounts for all financial resources of the Road Commission.

Budgets and Budgetary Accounting

General Budgetary Policies - The manager is responsible for submitting the proposed operating budget for the following fiscal year to the Board of County Road Commissioners in December. During its review the Board holds public hearings to obtain public comments. The budget is legally enacted through passage of a resolution prior to December 31. The Clerk is charged with general supervision of the budget.

Budget Transfers and Amendments - The Board of County Road Commissioners authorizes all budgetary transfers. For purpose of meeting emergency needs of the Road Commission, transfers of appropriations may be made by authorization of the Clerk. Such transfers or appropriations must be approved by the Board at its next regularly scheduled meeting.

Budgetary Basis of Accounting - The budgets are adopted on a modified accrual basis consistent with generally accepted accounting principles (GAAP).

The budget for the general operating fund is adopted on a categorical basis, and in accordance with the Uniform Budgeting and Accounting Act as prescribed by the State of Michigan. These are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed in-item budgets.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Equity

Cash and Investments

Amounts reported as cash and investments consist of cash on hand, short-term investments and deposits in demand deposit accounts. Investments are stated at fair value.

Restricted Cash

Restricted cash and investments represents unspent advance grant funds for road projects.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year-end are considered by management to be immaterial.

Inventories

Inventories consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are stated at average cost determined on a first in, first out method, and are not in excess of fair value.

Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items.

Capital Assets

Capital assets, which include property, equipment and infrastructure assets (roads, bridges and similar items), are reported in the government-wide statements. The Road Commission defines capital assets as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition cost at the date donated.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of revenues, expenditures and changes in fund balance) and are subsequently capitalized on the government-wide statements through an adjustment shown on the reconciliation of net change in fund balance of the general operating fund to change in net position of governmental activities.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the general operating fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation/amortization expense does not affect the available operating fund balance of the general operating fund.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Notes to Financial Statements

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

	Useful Life in Years
Buildings and improvements	10-50
Equipment	4-10
Infrastructure	25-50

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission reports deferred outflows of resources related to the net pension liability and the other postemployment benefits (OPEB) asset.

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in government activities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Leases

Lessee. The Road Commission is a lessee for noncancellable leases of equipment. The Road Commission recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The Road Commission recognizes lease liabilities with an initial, individual value of \$5,000 or more.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

At the commencement of a lease, the Road Commission initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Road Commission determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Road Commission uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Road Commission generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price (if applicable) that the Road Commission is reasonably certain to exercise.

The Road Commission monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-Based Information Technology Arrangement (SBITA)

The Road Commission has a noncancellable subscription-based information technology arrangement. The County recognizes a subscription liability and an intangible right-to-use subscription asset in the financial statements with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the Road Commission initially measures the subscription liability at the present value of payments expected to be made during the SBITA term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to subscriptions include how the Road Commission determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) subscription term, and (3) subscription payments. The Road Commission uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the County generally uses its estimated incremental borrowing rate as the discount rate for SBITAs. The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price (if applicable) that the Road Commission is reasonably certain to exercise.

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

The Road Commission monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Pension and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension liability and the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to/deductions from the plans fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Compensated Absences

The Road Commission recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences - vacation and sick. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission reports deferred inflows of resources related to the related to the net pension liability and net OPEB asset. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

Fund Equity

Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Restricted fund balance is reported when externally imposed constraints are placed on the use of the resources by grantors, contributors, or laws or regulations of other governments. As applicable, committed fund balance is reported for amounts that can be used for specific purposes pursuant to constraints imposed by formal action if the government's highest level of decision making authority, the Board of Road Commissioners. Assigned fund balance is reported in instances where the Board of Road Commissioners has given authority for the making of such assignments to the Road Commission management; assigned fund balances are neither restricted nor committed. Unassigned fund balance is the residual classification for the general operating fund.

When the Road Commission incurs an expenditure for purposes for which various fund balance classification can be used, it is the Road Commission's policy to use restricted fund balance first, then committed, assigned, and finally unassigned fund balance.

Use of Estimates

The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Notes to Financial Statements

2. DEPOSITS AND INVESTMENTS

At December 31, 2025, the Road Commission’s cash and investments were comprised of the following:

Statement of Net Position

Cash and investments	\$ 4,155,607
Restricted cash and investments	8,967,713

Statement of Fiduciary Net Position

Investments	<u>7,027,724</u>
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Total	<u><u>\$ 20,151,044</u></u>
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Checking and savings accounts	\$ 3,163,067
Investments	16,987,877
Petty cash	<u>100</u>

Total	<u><u>\$ 20,151,044</u></u>
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Statutes authorize the Road Commission to invest funds in the following:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers acceptances of United States banks.

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- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Road Commission chooses to disclose its investments by specifically identifying each. As of December 31, 2025, the Road Commission had the following investments:

Investment	Maturity	Amortized Cost/ Fair Value	Rating
Michigan Cooperative Liquid Assets Securities System (MI CLASS)	Various	\$ 9,960,153	AAAm (S&P)
MERS RHFV total market portfolio	N/A	<u>7,027,724</u>	N/A
Total investments		<u><u>\$ 16,987,877</u></u>	

The Road Commission voluntarily invests certain excess funds in an external investment pool (Michigan Cooperative Liquid Assets Securities System). The pool is an external investment pool of "qualified" investments for Michigan municipalities. The pool is not regulated nor registered with the SEC. The fair value of the Road Commission's investments is the same as the value of the pool.

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The Road Commission's investment policy requires investments to be diversified by specific maturity dates and by individual financial institutions of a specific class of securities as a means of managing its exposure to fair value losses arising from increasing interest rates and in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. The maturity date for each investment is identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of December 31, 2025, \$2,976,128 of the Road Commission's bank balance of \$3,226,128 (book amount of \$3,163,067) was exposed to custodial credit risk because it was uninsured and uncollateralized.

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Custodial Credit Risk – Investments. Investments are exposed to custodial credit risk if the securities are uninsured, unregistered or held by a counterparty or its agency but not in the government’s name. In accordance with the Road Commission's investment policy, all investments are held in the name of the Road Commission and are evidenced by a safekeeping receipt confirmation, and thus not exposed to custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified under “statutory authority” above. The Road Commission's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

Fair Value Measurement

The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. As of December 31, 2025, the Road Commission's investments in the MERS RHFV Total Market Portfolio fund is classified as level 1.

The Road Commission holds shares in MI CLASS government investment pool whereby the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment pool as a practical expedient.

At year end, the net asset value of the Road Commission's investment in MI CLASS was \$9,960,153. The investment pool had no unfunded commitments, specific redemption frequency or redemption notice period required. The MI CLASS investment pool invests in U.S. treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better) collateralized bank deposits, repurchase agreements (collateralized at 102% by Treasuries and agencies), and approved money market funds. The program seeks to provide safety, liquidity, convenience, and competitive rates of return, and is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities and other public agencies.

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3. RECEIVABLES

At year end receivables consisted of the following:

Accounts	\$ 65,146
Due from other governmental units:	
Federal/State	2,442,620
Local	<u>41,723</u>
Total	<u>\$ 2,549,489</u>

4. CAPITAL ASSETS

Changes in the components of the capital assets are summarized as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital assets, not being depreciated/amortized:					
Land	\$ 2,107,399	\$ -	\$ -	\$ -	\$ 2,107,399
Rights of way	2,275,793	-	-	-	2,275,793
Infrastructure - land improvements	<u>7,457,214</u>	-	-	-	<u>7,457,214</u>
	<u>11,840,406</u>	-	-	-	<u>11,840,406</u>
Capital assets, being depreciated/amortized:					
Buildings and improvements	17,291,708	66,195	-	-	17,357,903
Road equipment	11,737,479	1,584,145	(760,103)	-	12,561,521
Shop equipment	591,233	30,404	-	-	621,637
Office equipment	375,318	-	-	-	375,318
Engineers' equipment	69,434	-	-	-	69,434
Yard and storage	591,568	-	-	-	591,568
Land improvements	386,542	-	-	-	386,542
Infrastructure - roads	84,975,370	9,963,135	(4,481,680)	-	90,456,825
Infrastructure - bridges	40,385,001	248,782	-	-	40,633,783
Infrastructure - traffic signals	1,379,254	-	-	-	1,379,254
Depletable assets	67,448	-	-	-	67,448
Lease equipment (Note 7)	1,193,808	-	-	-	1,193,808
Subscription assets (Note 8)	-	51,406	-	-	51,406
	<u>159,044,163</u>	<u>11,944,067</u>	<u>(5,241,783)</u>	-	<u>165,746,447</u>

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	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Less accumulated depreciation/amortization for:					
Buildings and improvements	\$ (1,186,165)	\$ (516,796)	\$ -	\$ -	\$ (1,702,961)
Road equipment	(9,492,388)	(1,062,190)	760,103	-	(9,794,475)
Shop equipment	(104,648)	(40,862)	-	-	(145,510)
Office equipment	(128,547)	(50,249)	-	-	(178,796)
Engineers' equipment	(24,676)	(6,646)	-	-	(31,322)
Yard and storage	(206,325)	(52,141)	-	-	(258,466)
Land improvements	(48,590)	(38,654)	-	-	(87,244)
Infrastructure - roads	(36,298,049)	(4,189,691)	4,481,680	-	(36,006,060)
Infrastructure - bridges	(21,007,394)	(884,558)	-	-	(21,891,952)
Infrastructure - traffic signals	(1,134,546)	(36,670)	-	-	(1,171,216)
Depletable assets	(67,448)	-	-	-	(67,448)
Lease equipment (Note 7)	(320,715)	(231,300)	-	-	(552,015)
Subscription assets (Note 8)	-	(17,136)	-	-	(17,136)
	<u>(70,019,491)</u>	<u>(7,126,893)</u>	<u>5,241,783</u>	<u>-</u>	<u>(71,904,601)</u>
Total capital assets being depreciated/amortized, net	<u>89,024,672</u>	<u>4,817,174</u>	<u>-</u>	<u>-</u>	<u>93,841,846</u>
Total capital assets, net	<u><u>\$ 100,865,078</u></u>	<u><u>\$ 4,817,174</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 105,682,252</u></u> concluded

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

At year end accounts payable and accrued liabilities were as follows:

Accounts payable	\$ 377,368
Due to state	11,547
Accrued liabilities	110,266
Accrued interest payable	<u>99,033</u>
Total	<u><u>\$ 598,214</u></u>

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Notes to Financial Statements

6. BONDS AND OTHER LONG-TERM LIABILITIES

Bonds and other long-term liabilities of the Road Commission consists of the following:

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
Governmental Activities:					
Direct borrowings and direct placements:					
Limited Tax Bonds:					
Series 2022	\$ 16,665,000	\$ -	\$ (710,000)	\$ 15,955,000	\$ 735,000
Bond premium	1,088,832	-	(60,491)	1,028,341	60,491
Lease payable (Note 7)	892,278	-	(180,355)	711,923	191,231
SBITA payable (Note 8)	-	51,406	(15,912)	35,494	17,106
Compensated absences	547,670	75,195	-	622,865	277,515
Total governmental activities	\$ 19,193,780	\$ 126,601	\$ (966,758)	\$ 18,353,623	\$ 1,281,343

The change in compensated absences above is a net change for the year.

Bonds payable at December 31, 2025, are as follows:

General Obligation Limited Tax Bonds, Series 2022 issued through Clinton County, dated April 14, 2022, due in annual installments ranging from \$645,000 to \$1,175,000 through May 1, 2042, with interest ranging from 1.37 percent to 3.22 percent, payable semi-annually.

\$ 15,955,000

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

Year Ended December 31,	Principal	Interest
2026	\$ 735,000	\$ 575,825
2027	755,000	538,575
2028	780,000	500,200
2029	800,000	460,700
2030	825,000	420,075
2031-2035	4,510,000	1,537,325
2036-2040	5,230,000	764,050
2041-2042	2,320,000	72,969
	\$ 15,955,000	\$ 4,869,719

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7. LEASES

Lessee - The Road Commission is involved in several agreements as a lessee that qualify as long-term lease agreements. The agreements qualify as an intangible, right-to-use assets and not financed purchases, as the Road Commission will not own the assets at the end of the contract term and the noncancelable term of the agreements surpasses one year. The present values are discounted using the Road Commission's incremental borrowing rate for the leases.

Asset Type	Remaining Term of Agreements
Equipment	1 to 5 years

The right-to-use asset and the related activity are included in Note 4, Capital Assets. The lease payable and related activity are presented in Note 6, Bonds and Other Long-term Liabilities.

The net present value of future minimum payments as of December 31, 2025, were as follows:

Year Ended December 31,	Principal	Interest
2026	\$ 191,231	\$ 41,820
2027	202,610	30,445
2028	128,068	18,391
2029	92,235	10,794
2030	97,779	5,546
Totals	<u>\$ 711,923</u>	<u>\$ 106,996</u>

8. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA)

The Road Commission is involved in an arrangement that qualify as long-term SBITA arrangement. Below is a summary of the nature of this arrangement. This arrangement qualify as intangible, right-to-use assets and not financed purchases, as the Road Commission will not own the asset at the end of the contract term and the noncancelable term of the arrangement surpasses one year.

Asset Type	Remaining Term of Arrangement
Subscription assets	2 years

The right-to-use asset and the related activity are included in Note 4, Capital Assets. The SBITA payable and related activity are presented in Note 6, Bonds and Other Long-term Liabilities.

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The net present value of future minimum payments as of December 31, 2025, were as follows:

Year Ended December 31,	Principal	Interest
2026	\$ 17,106	\$ 2,662
2027	18,388	1,379
Totals	<u>\$ 35,494</u>	<u>\$ 4,041</u>

9. DEFINED BENEFIT PENSION PLAN

General Information About the Plan

Plan Description. The Road Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan, a defined benefit pension plan providing certain retirement, disability and death benefits to plan members and beneficiaries. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine member Retirement Board. Public Act 427 of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at www.mersofmich.com.

Benefits Provided. Pension benefits are calculated as final average compensation (based on a 3-5 year period) and multipliers that vary from 1.5% to 2.5% for the closed divisions to 1.5% for the open divisions. Participants are considered to be fully vested in the plan after 6-10 years. Normal retirement age is 60 with early retirement at age 50 with 25 years of service.

Employees Covered by Benefit Terms. At December 31, 2024 plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	61
Inactive employees entitled to but not yet receiving benefits	10
Active employees	<u>41</u>
Total membership	<u><u>112</u></u>

Contributions. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. In addition, the employer may establish contribution rates to be paid by its covered employees.

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Total employer contributions were \$2,366,335 during the year ended December 31, 2024, including the required contributions of \$1,166,335, while employees contributed \$33,615 to the plan.

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

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

Inflation	2.50%
Salary increases	3.00% in the long-term
Investment rate of return	6.93%, net of investment and administrative expense including inflation

The base mortality tables used are constructed as described below and are based on are amount weighted sex distinct rates:

- Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120
- Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120
- Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of the most recent actuarial experience study of 2019-2023.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.00%	0.40%
Private investments	20.0%	7.00%	1.40%
	<u>100.0%</u>		
Inflation			2.50%
Dedicated gains adjustment			-0.07%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.18%</u></u>

In February 2022, the MERS Retirement Board adopted a Dedicated Gains Policy. The purpose of the Policy is to automatically reduce the assumed rate of investment return for annual actuarial valuation purposes if the plan year’s market value of investment income exceeds the expected investment income. In the first year of implementation, all excess investment income was used for this purpose, which resulted in current year excess gains for use in lowering the assumed rate of investment return, as reflected above.

Discount Rate. The discount rate used to measure the total pension liability as of December 31, 2024 was 7.18%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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Changes in Net Pension Liability

The components of the change in the net pension liability are summarized as follows:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at December 31, 2023	\$ 26,683,282	\$ 24,484,316	\$ 2,198,966
Changes for the year:			
Service cost	212,265	-	212,265
Interest	1,858,403	-	1,858,403
Differences between expected and actual experience	124,162	-	124,162
Changes in assumptions	(87,584)	-	(87,584)
Employer contributions	-	2,366,335	(2,366,335)
Employee contributions	-	33,615	(33,615)
Net investment income	-	1,844,111	(1,844,111)
employee contributions	(1,812,736)	(1,812,736)	-
Administrative expense	-	(55,108)	55,108
Net changes	<u>294,510</u>	<u>2,376,217</u>	<u>(2,081,707)</u>
Balances at December 31, 2024	<u><u>\$ 26,977,792</u></u>	<u><u>\$ 26,860,533</u></u>	<u><u>\$ 117,259</u></u>

Changes in assumptions. A 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

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Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of the Road Commission, calculated using the discount rate of 7.18%, as well as what the Road Commission's net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate:

	1% Decrease (6.18%)	Current Discount Rate (7.18%)	1% Increase (8.18%)
Net pension liability (asset)	\$ 3,092,366	\$ 117,259	\$ (2,392,987)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued Plan financial statements.

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

For the year ended December 31, 2025, the Road Commission recognized pension expense of \$876,469. The Road Commission reported deferred outflows/inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience	\$ 196,680	\$ 107,168	\$ 89,512
Changes in assumptions	95,101	65,688	29,413
Net difference between projected and actual earnings on pension plan investments	880,883	-	880,883
	<u>1,172,664</u>	<u>172,856</u>	<u>999,808</u>
Contributions subsequent to the measurement date	507,985	-	507,985
	<u>507,985</u>	<u>-</u>	<u>507,985</u>
Total	<u>\$ 1,680,649</u>	<u>\$ 172,856</u>	<u>\$ 1,507,793</u>

The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2026.

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Amounts reported as pension-related deferred outflows/inflows of resources will be recognized in pension expense as follows:

Year Ended December 31,	Amount
2026	\$ 531,298
2027	671,600
2028	(189,684)
2029	<u>(13,406)</u>
Total	<u>\$ 999,808</u>

Payable to the Pension Plan. At December 31, 2025, the Road Commission had \$45,529 payable for contributions to the pension plan.

For the governmental activities, the net pension liability is generally liquidated by the general operating fund.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information About the Plan

Plan Administration. The Road Commission administers a single-employer defined benefit healthcare plan (OPEB Plan) that is used to provide postemployment benefits other than pensions (OPEB) to all applicable employees, in accordance with union agreements and/or personnel policies. The Road Commission has adopted the Michigan Municipal Employees' Retirement System (MERS) Retiree Health Funding Vehicle to fund the obligation. Stand-alone financial statements are not issued for the OPEB Plan.

Plan Membership. At December 31, 2025, the date of the latest actuarial valuation, Plan membership consisted of the following:

Beneficiaries currently receiving benefit payments	42
Active plan members	<u>14</u>
Total membership	<u><u>56</u></u>

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Benefits Provided. The Board of Road Commissioners has the authority to establish or amend benefit terms, to determine the types of benefits provided through the Plan, and to determine the classes of plan members covered. For administrative employees that retired prior to January 1, 2016 and union employees that retired prior to August 20, 2015, the Road Commission permits retiring employees to continue theirs and their spouse on the employer-paid health insurance program until death with a Medicare Supplemental plan. For all other employees, the coverage extends to the retiree only.

Contributions. The Clinton County Road Commission Retiree Healthcare Plan was established and is being funded under the authority of the Road Commission. The plan's funding policy is that the employer will make contributions to a trust as necessary to maintain a funded percentage at or near 100%. There are no long-term contracts for contributions to the plan. The plan has no legally required reserves.

Rate of Return. For the year ended December 31, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 15.36% percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Policy. The Road Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Road Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The plan fund investments are in accordance with statutory authority. It is the policy of the Road Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

Actuarial Assumptions. The total OPEB liability was determined by an actuarial valuation performed as of December 31, 2025, using the following actuarial assumptions (which were determined by management utilizing the best information available), applied to all periods included in the measurement, unless otherwise specified:

Inflation rate —2.5% Included in investment rate of return

Salary increases —3.0%

Investment rate of return —6.93%, including inflation

Healthcare cost trend rate —Pre-65: 7.5% in 2025 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 5.75% in 2025 graded down 0.25% per year to an ultimate rate of 4.5%; and Dental and Vision 3.0%.

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Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 55 to 70 depending on the bargaining unit.

Marital status—Spouses of future retirees are not eligible for OPEB benefits; actual spouse data used for retirees.

Mortality—Public General 2010 Employee and Healthy Retiree, Headcount weighted, IRS 2024 Adjusted Scale MP-2021.

Health insurance premiums—2025 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Probability of accepting benefits—Based on the historical participation rate, a probability rate of accepting benefits of 100% was utilized.

Long-term Expected 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 by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the retirement plan’s target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	Expected Money-Weighted Rate of Return
Global equity	60.0%	4.50%	2.70%
Global fixed income	20.0%	2.16%	0.43%
Private investments	20.0%	6.50%	1.30%
	<u>100.0%</u>		
Inflation			<u>2.50%</u>
Investment rate of return			<u><u>6.93%</u></u>

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Discount Rate. The discount rate used to measure the total OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that Employer contributions will be made at rates equal to the most recent recommended contribution expressed as a percentage of covered payroll. Based on those assumptions, the Plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current Plan members. There is no cross-over point.

Changes in the Net OPEB Asset

The components of the change in the net OPEB asset are summarized as following:

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Asset (a) - (b)
Balances at December 31, 2024	\$ 3,915,044	\$ 6,327,626	\$ (2,412,582)
Changes for the year:			
Service cost	19,647	-	19,647
Interest	262,116	-	262,116
Differences between expected and actual experience	63,953	-	63,953
Change in assumptions	45,621	-	45,621
Net investment income	-	954,518	(954,518)
Benefit payments, including refunds	(304,743)	(304,743)	-
Administrative expenses	-	(13,938)	13,938
Net changes	86,594	635,837	(549,243)
Balances at December 31, 2025	\$ 4,001,638	\$ 6,963,463	\$ (2,961,825)

Changes in Assumptions. In 2025, mortality updated from Public General 2010 Employee and Healthy Retiree, Headcount weighted to General 2016 Employee and Healthy Retiree, Headcount weighted. Trend rates updated such that initial years are 0.25% higher instead of 0.25% lower than last year.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

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 6.93%, as well as what the Road Commission’s net OPEB asset would be if it were calculated using a discount rate that is 1% lower (5.93%) or 1% higher (7.93%) than the current rate:

	1% Decrease (5.93%)	Current Discount Rate (6.93%)	1% Increase (7.93%)
Net OPEB asset	\$ (2,570,874)	\$ (2,961,825)	\$ (3,294,215)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates. The following presents the net OPEB asset of the Road Commission, calculated using the long-term healthcare cost trend rate of 7.50% trending down to an eventual rate of 4.5%, as well as what the Road Commission’s net OPEB asset would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Net OPEB asset	\$ (3,228,865)	\$ (2,961,825)	\$ (2,645,076)

OPEB Expense and Deferred Outflows/Inflows of Resources Related to Other Postemployment Benefits

For the year ended December 31, 2025, the Road Commission recognized OPEB benefit of \$159,417. 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	Net Deferred Outflows (Inflows) of Resources
Difference between expected and actual experience actual experience	\$ 30,879	\$ -	\$ 30,879
Changes in assumptions	22,915	-	22,915
Net difference between projected and actual earnings on OPEB plan investments	-	313,245	(313,245)
Total	\$ 53,794	\$ 313,245	\$ (259,451)

**CLINTON COUNTY ROAD COMMISSION
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Notes to Financial Statements

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

Year Ended December 31,	Amount
2026	\$ 130,235
2027	(168,920)
2028	(115,381)
2029	<u>(105,385)</u>
Total	<u>\$ (259,451)</u>

Payable to the OPEB Plan. At December 31, 2025, the Road Commission did not have any contributions payable to the OPEB plan.

11. RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the Road Commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for Road Commissions. The Clinton County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage. The agreement for formation of the MCRCSIP provides that MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event.

The Road Commission participates in the County Road Association Self-Insurance Fund (CRASIF) for workers' compensation insurance and has full statutory coverage for workers' disability compensation and employers' liability as granted by the State of Michigan under Chapter 6, Section 418.611 of the Workers' Disability Compensation Act. The Commission has no liability for additional assessments based on the claims filed against the fund nor do they have rights to dividends.

12. FEDERAL FUNDING

The Road Commission is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Because the Road Commission expended less than \$1,000,000 in directly administered federal awards, no single audit was required for the year ended December 31, 2025.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Financial Statements

13. CONTINGENCIES

The Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Road Commission for the costs incurred. These cost reimbursement contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures that may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Road Commission. Road Commission management does not believe such disallowances, if any, will be material to the financial position of the Road Commission.

14. NET INVESTMENT IN CAPITAL ASSETS

The composition of net investment in capital assets as of December 31, 2025, was as follows:

Capital assets:	
Capital assets not being depreciated/amortized	\$ 11,840,406
Capital assets being depreciated/amortized, net	<u>93,841,846</u>
	<u>105,682,252</u>
Related debt:	
Limited Tax Bonds, Series 2022	15,955,000
Bond premium	1,028,341
Leases payable	711,923
Subscription payable	<u>35,494</u>
	<u>17,730,758</u>
Net investment in capital assets	<u><u>\$ 87,951,494</u></u>



REQUIRED SUPPLEMENTARY INFORMATION

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Changes in the Net Pension Liability and Related Ratios

	Plan Year Ended December 31,				
	2024	2023	2022	2021	2020
Total pension liability					
Service cost	\$ 212,265	\$ 207,992	\$ 212,342	\$ 221,163	\$ 237,627
Interest	1,858,403	1,840,837	1,810,948	1,786,618	1,772,947
Changes in benefit terms	-	-	-	-	-
Differences between expected and actual experience	124,162	(214,338)	414,233	215,640	(875,893)
Changes of assumptions	(87,584)	190,201	-	899,394	507,137
Benefit payments, including refunds of employee contributions	(1,812,736)	(1,787,505)	(1,763,594)	(1,532,293)	(1,375,124)
Other Changes	-	17,947	-	-	-
Net change in total pension liability	294,510	255,134	673,929	1,590,522	266,694
Total pension liability, beginning of year	26,683,282	26,428,148	25,754,219	24,163,697	23,897,003
Total pension liability, end of year	26,977,792	26,683,282	26,428,148	25,754,219	24,163,697
Plan fiduciary net position					
Employer contributions	2,366,335	2,269,245	2,278,165	2,286,927	2,117,969
Employee contributions	33,615	33,649	39,243	57,818	66,464
Net investment income (loss)	1,844,111	2,489,663	(2,605,194)	2,774,390	2,545,898
Benefit payments, including refunds of employee contributions	(1,812,736)	(1,787,505)	(1,763,594)	(1,532,293)	(1,375,124)
Administrative expense	(55,108)	(51,489)	(44,007)	(32,744)	(34,498)
Net change in plan fiduciary net position	2,376,217	2,953,563	(2,095,387)	3,554,098	3,320,709
Plan fiduciary net position, beginning of year	24,484,316	21,530,753	23,626,140	20,072,042	16,751,333
Plan fiduciary net position, end of year	26,860,533	24,484,316	21,530,753	23,626,140	20,072,042
Road Commission's net pension liability	\$ 117,259	\$ 2,198,966	\$ 4,897,395	\$ 2,128,079	\$ 4,091,655
Plan fiduciary net position as a percentage of total pension liability	99.6%	91.8%	81.5%	91.7%	83.1%
Covered payroll	\$ 2,411,152	\$ 2,519,238	\$ 2,475,746	\$ 2,678,629	\$ 2,518,091
Commission's net pension liability as a percentage of covered payroll	4.9%	87.3%	197.8%	79.4%	162.5%

See notes to required supplementary information.

Plan Year Ended December 31,				
2019	2018	2017	2016	2015
\$ 244,971	\$ 247,551	\$ 241,667	\$ 230,086	\$ 228,933
1,768,955	1,756,766	1,685,641	1,617,574	1,551,089
-	-	-	(11,207)	-
(164,889)	(437,446)	350,651	338,844	(123,747)
764,081	-	-	-	984,607
(1,411,125)	(1,415,332)	(1,368,359)	(1,292,102)	(1,153,611)
-	-	-	-	-
1,201,993	151,539	909,600	883,195	1,487,271
22,695,010	22,543,471	21,633,871	20,750,676	19,263,405
23,897,003	22,695,010	22,543,471	21,633,871	20,750,676
2,063,265	1,423,552	1,384,213	1,228,855	708,544
73,125	74,346	80,104	71,885	59,105
1,961,870	(580,769)	1,710,080	1,319,203	(177,715)
(1,411,125)	(1,415,332)	(1,368,359)	(1,292,102)	(1,153,611)
(33,829)	(28,517)	(27,020)	(26,025)	(26,202)
2,653,306	(526,720)	1,779,018	1,301,816	(589,879)
14,098,027	14,624,747	12,845,729	11,543,913	12,133,792
16,751,333	14,098,027	14,624,747	12,845,729	11,543,913
\$ 7,145,670	\$ 8,596,983	\$ 7,918,724	\$ 8,788,142	\$ 9,206,763
70.1%	62.1%	64.9%	59.4%	55.6%
\$ 2,447,098	\$ 2,461,222	\$ 2,353,336	\$ 2,273,963	\$ 2,169,911
292.0%	349.3%	336.5%	386.5%	424.3%

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions

Fiscal Year Ending December 31,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as Percentage of Covered Payroll
2025	\$ 507,985	\$ 507,985	\$ -	\$ 2,808,942	18.1%
2024	1,166,335	2,366,335	(1,200,000)	2,411,152	98.1%
2023	1,069,245	2,269,245	(1,200,000)	2,519,238	90.1%
2022	1,078,165	2,278,165	(1,200,000)	2,475,746	92.0%
2021	1,085,911	2,286,927	(1,201,016)	2,678,629	85.4%
2020	914,082	2,117,969	(1,203,887)	2,518,091	84.1%
2019	863,265	2,063,265	(1,200,000)	2,447,098	84.3%
2018	823,388	1,423,552	(600,164)	2,461,222	57.8%
2017	695,686	1,384,213	(688,527)	2,353,336	58.8%
2016	560,950	1,228,855	(667,905)	2,273,963	54.0%

See notes to required supplementary information.

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CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Required Supplementary Information

Retired Employees' Healthcare Plan

Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios

	Year Ended December 31,					
	2025	2024	2023	2022	2021	2020
Total OPEB liability						
Service cost	\$ 19,647	\$ 19,757	\$ 20,588	\$ 19,382	\$ 33,564	\$ 20,044
Interest	262,116	265,423	304,869	312,879	334,284	284,060
Differences between expected and actual experience	63,953	1,024	(593,498)	(31,397)	(236,742)	562,951
Changes in assumptions	45,621	15,245	27,244	135,440	(68,154)	(32,884)
Benefit payments	(304,743)	(316,808)	(326,952)	(351,258)	(328,736)	(318,288)
Net change in total OPEB liability	86,594	(15,359)	(567,749)	85,046	(265,784)	515,883
Total OPEB liability, beginning of year	3,915,044	3,930,403	4,498,152	4,413,106	4,678,890	4,163,007
Total OPEB liability, end of year	4,001,638	3,915,044	3,930,403	4,498,152	4,413,106	4,678,890
Plan fiduciary net position						
Employer contributions:						
OPEB Trust fund	-	-	-	-	-	-
Pay-as-you-go	-	-	-	-	-	318,288
Net investment income (loss)	954,518	471,454	665,999	(729,217)	899,914	750,004
Benefit payments	(304,743)	(316,808)	(326,952)	(351,258)	(328,736)	(318,288)
Administrative expenses	(13,938)	(13,468)	(11,990)	(11,219)	(12,472)	(10,141)
Net change in plan fiduciary net position	635,837	141,178	327,057	(1,091,694)	558,706	739,863
Plan fiduciary net position, beginning of year	6,327,626	6,186,448	5,859,391	6,951,085	6,392,379	5,652,516
Plan fiduciary net position, end of year	6,963,463	6,327,626	6,186,448	5,859,391	6,951,085	6,392,379
Net OPEB (asset) liability	\$ (2,961,825)	\$ (2,412,582)	\$ (2,256,045)	\$ (1,361,239)	\$ (2,537,979)	\$ (1,713,489)
Plan fiduciary net position as a percentage of total OPEB liability	174.0%	161.6%	157.4%	130.3%	157.5%	136.6%
Covered-employee payroll	\$ 1,054,453	\$ 1,194,975	\$ 1,164,496	\$ 2,950,421	\$ 3,029,053	\$ 2,819,634
Road Commission's net OPEB (asset) liability as a percentage of covered-employee payroll	-280.9%	-201.9%	-193.7%	-46.1%	-83.8%	-60.8%

See notes to required supplementary information.



Year Ended December 31,

2019 2018 2017

\$ 41,071	\$ 41,856	\$ 38,845
371,303	374,600	373,280
(1,041,662)	(44,358)	(151,195)
228,426	(35,384)	154,004
<u>(372,147)</u>	<u>(384,788)</u>	<u>(417,015)</u>
(773,009)	(48,074)	(2,081)
<u>4,936,016</u>	<u>4,984,090</u>	<u>4,986,171</u>
<u>4,163,007</u>	<u>4,936,016</u>	<u>4,984,090</u>

-	600,000	900,000
372,147	384,788	417,015
673,757	(191,169)	463,930
(372,147)	(384,788)	(417,015)
<u>(9,600)</u>	<u>(11,872)</u>	<u>(8,930)</u>
664,157	396,959	1,355,000
<u>4,988,359</u>	<u>4,591,400</u>	<u>3,236,400</u>
<u>5,652,516</u>	<u>4,988,359</u>	<u>4,591,400</u>
<u>\$ (1,489,509)</u>	<u>\$ (52,343)</u>	<u>\$ 392,690</u>

135.8%	101.1%	92.1%
\$ 2,834,156	\$ 2,675,500	Not available
-52.6%	-2.0%	Not available

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Required Supplementary Information

Retired Employees' Healthcare Plan
Schedule of Contributions

Year Ended December 31,	Actuarial Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contributions Deficiency (Excess)	Covered- employee Payroll	Contributions as Percentage of Covered- employee Payroll
2025	\$ -	\$ -	\$ -	\$ 1,054,453	0.0%
2024	-	-	-	1,194,975	0.0%
2023	-	-	-	1,164,496	0.0%
2022	-	-	-	2,950,421	0.0%
2021	-	-	-	3,029,053	0.0%
2020	-	318,288	(318,288)	2,819,634	11.3%
2019	44,254	372,147	(327,893)	2,834,156	13.1%
2018	190,040	984,788	(794,748)	2,675,500	36.8%
2017	147,788	1,317,015	(1,169,227)	Not available	Not available

See notes to required supplementary information.

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Required Supplementary Information

Retired Employees' Healthcare Plan
 Schedule of Investment Returns

Year Ended December 31,	Money- weighted Rate or Return *
2025	15.36%
2024	7.76%
2023	11.61%
2022	-10.67%
2021	14.09%
2020	13.28%
2019	-12.66%
2018	-3.99%
2017	7.75%

* The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

**CLINTON COUNTY ROAD COMMISSION
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Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Schedule of Changes in Net Pension Liability and Related Ratios

The amounts presented for each fiscal year were determined as of December 31 of the preceding year.

Changes in Assumptions

In 2015, there was an adjustment to the mortality table to reflect longer lifetimes, the assumed annual rate of return, net of all expenses, was lowered from 8.0% to 7.75%, and the asset smoothing was changed from 10 to 5 years.

In 2019, there was a decrease in the assumed rate of return from 7.75% to 7.35%, and a decrease in the assumed rate of wage inflation from 3.75% to 3.00%.

In 2020, a 5-year experience study analyzing experience from 2013 through 2018 was completed. Changes to the demographic assumptions resulting from the experience study have been approved by the MERS Retirement Board and are effective beginning with the December 31, 2020 actuarial valuation.

In 2021, amounts reported as changes of assumptions resulted from a decrease in the assumed rate of return from 7.35% to 7.00%.

In 2023, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return from 7.00% to 6.93%.

In 2024, a 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustment to the following actuarial assumptions: mortality, retirement, and termination rates.

Notes to Schedule of Contributions

Valuation Date Actuarially determined contribution rates are calculated as of the December 31 that is 24 months prior to the beginning of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates (2025, based on the 12/31/2022 actuarial valuation):

Actuarial cost method	Entry-age normal
Amortization method	Level percent of payroll, open
Remaining amortization period	10 - 16 years, depending on division
Asset valuation method	5-year fair smooth market
Inflation	2.50%

continued...

**CLINTON COUNTY ROAD COMMISSION
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Notes to Required Supplementary Information

MERS Agent Multiple-Employer Defined Benefit Pension Plan

Salary increases	3.00% in the long-term
Investment rate of return	7.00%, net of investment and administrative expense including inflation
Normal retirement age	Age 60
Mortality	<ul style="list-style-type: none">• Pre-retirement mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 100% of PubG-2010 Employee Mortality Tables for Ages 18-80, and 100% of PubG-2010 Healthy Retiree Tables for ages 81-120• Non-disabled retired plan members and beneficiaries mortality based on 106% of Pub-2010 Juvenile Mortality Tables for ages 0-17, 106% of PubG-2010 Employee Mortality Tables for Ages 18-49, and 106% of PubG-2010 Healthy Retiree Tables for ages 50-120• Disabled retired plan members mortality based on 100% of Pub-2010 Juvenile Mortality Tables for ages 0-17, and 100% of PubNS-2010 Disabled Retiree Tables for ages 18-120

concluded

CLINTON COUNTY ROAD COMMISSION

(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Notes to Required Supplementary Information

Retired Employees' Healthcare Plan

Schedule of Changes in the Net OPEB (Asset) Liability and Related Ratios

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

Changes in Assumptions

In 2017, trend rates were updated from 7.50% to 5.00% over 5 years to 8.00% graded down 0.50% per year for 6 years to 5.0% for pre-65 and 5.00% in all years for post-65, mortality tables were updated, and the discount rate and return on assets changed from 6.00% to 7.75%.

In 2018, trend rates were updated from 8.00% graded down 0.50% over 6 years and mortality tables were updated from IRC 1.430(h) table to RPH 2014 table with MP-2018 improvement.

In 2019, there was an adjustment to the mortality table to reflect longer lifetimes, the salary scale changed from 4.5% to 3.5% and the discount rate was lowered from 7.75% to 7.35%.

In 2020, the mortality table projection was updated from MP-2018 to MP-2020.

In 2021, the Mortality Improvement Scale was updated from MP-2020 to MP-2021, trend rates were updated to the rates prescribed by Public Act 202 for 2021, and the salary scale was updated from 3.50% to 3.00%.

In 2022, amounts reported as changes in assumptions resulted from a decrease in the assumed rate of return and discount rate from 7.35% to 7.00%.

In 2023, amounts reported as changes in assumptions resulted from a decrease in the assumed healthcare cost trend rate decreasing from 7.50% to 7.25% for Pre-65 and decreasing from 5.75% to 5.25% for Post-65.

In 2024, amounts reported as changes in assumptions resulted from the discount rate changed from 7.00% to 6.93%, mortality improvement scale updated from MP-2021, and medical trend updated such that the initial trend does not decrease by anticipated 0.25% after the first year.

In 2025, a 5-year experience study analyzing historical experience from 2019 through 2023 was completed in February 2025. The experience study recommended updated demographic assumptions, including adjustments to the following actuarial assumptions: mortality, retirement, and termination rates.

**CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)**

Notes to Required Supplementary Information

Retired Employees' Healthcare Plan

Notes to Schedule of Contributions

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

Valuation Date	December 31, 2025
Methods and assumptions used to determine	
Actuarial cost method	Entry-age normal
Amortization method	Level dollar
Remaining amortization period	7 years
Asset valuation method	Smoothed fair value
Inflation	Implicit in expected payroll increases
Salary increases	3.00%, including inflation
Investment rate of return	6.93%, net of OPEB plan investment expense, including inflation
Retirement age	Age 55 with 25 years of service or 60 with 10 years of service
Health care trend rates	Pre-65: 7.25% in 2024 graded down 0.25% per year to an ultimate rate of 4.5%; Post-65: 5.50% in 2024 graded down 0.25% per year to an ultimate rate of 4.5%; and Dental and Vision 3.0%.
Expenses	Investment expenses are net of the investment returns; administrative expenses are included in the premium costs

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GENERAL OPERATING FUND SCHEDULES

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Schedule of Revenues

General Operating Fund

For the Year Ended December 31, 2025

	Primary Roads	Local Roads	County Road Commission	Totals
Revenues				
Intergovernmental:				
Federal:				
Motor Vehicle Highway Funds:				
Surface transportation program	\$ 1,103,318	\$ -	\$ -	\$ 1,103,318
High priority	48,822	-	-	48,822
Other	468,036	-	-	468,036
	<u>1,620,176</u>	<u>-</u>	<u>-</u>	<u>1,620,176</u>
State:				
Motor Vehicle Highway Funds:				
Engineering	6,575	3,425	-	10,000
Urban road	950,201	377,577	-	1,327,778
Primary road	7,907,284	-	-	7,907,284
Local road	-	4,118,400	-	4,118,400
Other	3,626,054	-	1,369,768	4,995,822
	<u>12,490,114</u>	<u>4,499,402</u>	<u>1,369,768</u>	<u>18,359,284</u>
Local:				
Township contributions	-	3,441,919	-	3,441,919
	<u>-</u>	<u>3,441,919</u>	<u>-</u>	<u>3,441,919</u>
Total intergovernmental	<u>14,110,290</u>	<u>7,941,321</u>	<u>1,369,768</u>	<u>23,421,379</u>
Charges for services:				
State trunkline:				
Maintenance	-	-	1,118,823	1,118,823
Non-maintenance	-	-	238,698	238,698
Salvage sales	-	-	16,148	16,148
Other	-	-	405,649	405,649
	<u>-</u>	<u>-</u>	<u>1,779,318</u>	<u>1,779,318</u>
Licenses and permits:				
Permits	-	-	71,323	71,323
	<u>-</u>	<u>-</u>	<u>71,323</u>	<u>71,323</u>
Interest and rentals:				
Interest	332,555	82,943	185,541	601,039
Rentals	-	-	11,157	11,157
	<u>332,555</u>	<u>82,943</u>	<u>196,698</u>	<u>612,196</u>
Other:				
Contributions from private sources	-	-	64,758	64,758
	<u>-</u>	<u>-</u>	<u>64,758</u>	<u>64,758</u>
Total revenues	<u>\$ 14,442,845</u>	<u>\$ 8,024,264</u>	<u>\$ 3,481,865</u>	<u>\$ 25,948,974</u>

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Schedule of Expenditures

General Operating Fund

For the Year Ended December 31, 2025

	Primary Roads	Local Roads	County Road Commission	Totals
Expenditures				
Primary road:				
Preservation - structural improvements	\$ 8,712,466	\$ -	\$ -	\$ 8,712,466
Routine and preventative maintenance	3,505,846	-	-	3,505,846
Total primary road	<u>12,218,312</u>	<u>-</u>	<u>-</u>	<u>12,218,312</u>
Local road:				
Preservation - structural improvements	-	1,499,452	-	1,499,452
Routine and preventative maintenance	-	6,554,637	-	6,554,637
Total local road	<u>-</u>	<u>8,054,089</u>	<u>-</u>	<u>8,054,089</u>
State trunkline:				
Maintenance	-	-	1,147,797	1,147,797
Non-maintenance	-	-	238,698	238,698
Total state trunkline	<u>-</u>	<u>-</u>	<u>1,386,495</u>	<u>1,386,495</u>
Administrative expense, net	<u>325,754</u>	<u>214,731</u>	<u>-</u>	<u>540,485</u>
Equipment expense, net	<u>183,123</u>	<u>361,646</u>	<u>108,968</u>	<u>653,737</u>
Drains at large:				
Drain assessment	<u>-</u>	<u>-</u>	<u>59,786</u>	<u>59,786</u>
Other:				
Principal	-	-	906,267	906,267
Interest charges	-	-	668,326	668,326
Non-road projects	-	-	831,068	831,068
Total other	<u>-</u>	<u>-</u>	<u>2,405,661</u>	<u>2,405,661</u>
Capital outlay, net	<u>-</u>	<u>-</u>	<u>(294,700)</u>	<u>(294,700)</u>
Total expenditures	<u><u>\$ 12,727,189</u></u>	<u><u>\$ 8,630,466</u></u>	<u><u>\$ 3,666,210</u></u>	<u><u>\$ 25,023,865</u></u>

CLINTON COUNTY ROAD COMMISSION
(A COMPONENT UNIT OF CLINTON COUNTY, MICHIGAN)

Schedule of Changes in Fund Balances

General Operating Fund

For the Year Ended December 31, 2025

	Primary Roads	Local Roads	County Road Commission	Totals
Total revenues	\$ 14,442,845	\$ 8,024,264	\$ 3,481,865	\$ 25,948,974
Total expenditures	<u>12,727,189</u>	<u>8,630,466</u>	<u>3,666,210</u>	<u>25,023,865</u>
Revenues over (under) expenditures	<u>1,715,656</u>	<u>(606,202)</u>	<u>(184,345)</u>	<u>925,109</u>
Other Financing Sources				
Proceeds from issuance of long-term liabilities	-	-	51,406	51,406
Proceeds from sales of capital assets	-	-	83,740	83,740
Total other financing sources	<u>-</u>	<u>-</u>	<u>135,146</u>	<u>135,146</u>
Net change in fund balances	1,715,656	(606,202)	(49,199)	1,060,255
Fund balances, beginning of year	<u>5,306,606</u>	<u>1,185,398</u>	<u>2,172,713</u>	<u>8,664,717</u>
Fund balances, end of year	<u>\$ 7,022,262</u>	<u>\$ 579,196</u>	<u>\$ 2,123,514</u>	<u>\$ 9,724,972</u>

INTERNAL CONTROL AND COMPLIANCE

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

April 20, 2026

Members of the Board of County
Road Commissioners
Clinton County Road Commission
St. Johns, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of the **Clinton County Road Commission** (the "Road Commission"), a discretely presented component unit of Clinton County, 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's basic financial statements, and have issued our report thereon dated April 20, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Road Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Road Commission's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Road Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Road Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rehmann Lobarr LLC