

CLARE COUNTY ROAD COMMISSION
FINANCIAL REPORT
SEPTEMBER 30, 2025

CLARE COUNTY

BOARD OF COUNTY ROAD COMMISSIONERS

Karen Hulliberger – Commissioner

William Simpson - Commissioner

Max Schunk – Commissioner

Dave Coker - Commissioner

Merle Harmon – Commissioner

Dewayne Rogers – Manager

Kayla Randle – Finance Director

Donna Henke – Administrative Assistant

**CLARE COUNTY ROAD COMMISSION
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Tyler J. Watters, P.C.

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

February 20, 2026

Board of County Road Commissioners
Clare County Road Commission
Harrison, MI 48625

Report on the Audit of the Financial Statements

Opinions

I have audited the accompanying financial statements of the governmental activities and major fund of the Clare County Road Commission, as of and for the year ended September 30, 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 my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Clare County Road Commission, as of September 30, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Clare County Road Commission and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my 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.

I am 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 I 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, the Budgetary Comparison Schedules and the Schedule of Changes in Pension and OPEB Liability and Related Ratios on pages 5-11 and 38-43 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clare County Road Commission's basic financial statements. The accompanying supplementary and related information is 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 was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying supplementary and related information 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*, I have also issued my report dated February 20, 2026, on my consideration of the Clare County Road Commission's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of my 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 Clare County 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 Clare County Road Commission internal control over financial reporting and compliance.

Handwritten signature of Tyler J. Watters, CPA.

TYLER J. WATTERS, P.C.
CERTIFIED PUBLIC ACCOUNTANT

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025**

Our discussion and analysis of Clare County Road Commission’s financial performance provides an overview of the Road Commission’s financial activities for the fiscal year ended September 30, 2025. This 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 longer-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 a government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: management’s discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two types of statements that present different views of the Road Commission:

The first statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission’s overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government’s assets, deferred outflows, liabilities and deferred inflows. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission’s net position and how they have changed. “Net Position” is the difference between the assets and liabilities. This is one way to measure the Road Commission’s financial health or position.

The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

REPORTING THE ROAD COMMISSION AS A WHOLE

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year’s activities. The Statement of Net Position includes all of the Road Commission’s assets, deferred outflows, liabilities and deferred inflows, using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

The two statements, mentioned above, report the Road Commission's net position and how they have changed. The reader can think of the Road Commission's net position (the difference between assets, deferred outflows, liabilities and deferred inflows) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution.

Fund Financial Statements

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission's activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on this page. The fund financial statements begin on page 14 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Road Commission's net position increased 5.6% from \$40,439,218 to \$42,594,009 as of September 30, 2025. The net position is summarized below.

Net Position

Restricted net position are the portions of net position that have constraints placed on them by either: a) by creditors, grantors, contributors, or laws or regulations of other governments; b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used for only the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

The investment in capital assets, net of related debt, is \$42,347,420 as of September 30, 2025. The change in net position is primarily the result of capitalizing infrastructure and equipment purchases of \$7,615,767 offset by the current year depreciation. The restricted net position increased by \$62,722 during the current year.

Net position as of year ended September 30, 2025, and September 30, 2024.

	<u>9/30/2025</u>	<u>9/30/2024</u>	<u>Increase/ Decrease</u>
Assets			
Current and Other Assets	\$ 5,094,836	\$ 5,400,592	\$ (305,756)
Capital Assets (Net)	<u>45,939,566</u>	<u>40,650,517</u>	<u>5,289,049</u>
Total Assets	<u>51,034,402</u>	<u>46,051,109</u>	<u>4,983,293</u>
Deferred Outflows	<u>1,786,395</u>	<u>2,194,578</u>	<u>(408,183)</u>
Liabilities			
Long-Term Debt Outstanding	8,758,713	6,018,744	2,739,969
Other Liabilities	<u>1,039,239</u>	<u>1,172,481</u>	<u>(133,242)</u>
Total Liabilities	<u>9,797,952</u>	<u>7,191,225</u>	<u>2,606,727</u>
Deferred Inflows	<u>428,836</u>	<u>705,244</u>	<u>(276,408)</u>
Net Position			
Invested in Capital Assets	42,347,420	40,165,351	2,182,069
Restricted	<u>246,589</u>	<u>183,867</u>	<u>62,722</u>
Total Net Position	<u>\$ 42,594,009</u>	<u>\$ 40,349,218</u>	<u>\$ 2,244,791</u>

Changes in Net Position

A summary of changes in net position follows:

	<u>9/30/2025</u>	<u>9/30/2024</u>	<u>Increase/ Decrease</u>
Program Revenues			
Charges for Services	\$ 1,614,107	\$ 1,653,703	\$ (39,596)
Operating Grants and Contributions	10,624,539	9,422,450	1,202,089
Capital Grants and Contributions	894,076	173,054	721,022
General Revenues			
Gain (Loss) on Disposals	50,434	10,447	39,987
Interest Earnings	93,537	141,932	(48,395)
Other	<u>109,810</u>	<u>618,693</u>	<u>(508,883)</u>
Total Revenues	<u>13,386,503</u>	<u>12,020,279</u>	<u>1,366,224</u>
Program Expenses			
Public Works	10,883,114	7,862,887	3,020,227
Interest Expense	<u>258,598</u>	<u>9,614</u>	<u>248,984</u>
Total Program Expenses	<u>11,141,712</u>	<u>7,872,501</u>	<u>3,269,211</u>
Changes in Net Position	2,244,791	4,147,778	(1,902,987)
Net Position - Beginning of Year	<u>40,349,218</u>	<u>36,201,440</u>	<u>4,147,778</u>
Net Position - End of Year	<u>\$ 42,594,009</u>	<u>\$ 40,349,218</u>	<u>\$ 2,244,791</u>

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

The Road Commission’s Fund

The Road Commission’s general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

A summary of changes in the Operating Fund is as follows:

	<u>9/30/2025</u>	<u>9/30/2024</u>	<u>Increase/ Decrease</u>
Revenues			
Licenses and Permits	\$ 42,925	\$ 47,250	\$ (4,325)
Federal	894,076	173,054	721,022
State	8,309,446	7,944,531	364,915
Local	2,315,093	1,477,919	837,174
Charges for Services	1,571,182	1,606,453	(35,271)
Interest and Rents	93,537	141,932	(48,395)
Other	160,244	657,811	(497,567)
Total Revenues	<u>13,386,503</u>	<u>12,048,950</u>	<u>1,337,553</u>
Expenditures			
Public Works	13,493,559	11,304,821	2,188,738
Net Capital Outlay	(193,140)	1,001,093	(1,194,233)
Debt Service	365,761	114,506	251,255
Total Expenditures	<u>13,666,180</u>	<u>12,420,420</u>	<u>1,245,760</u>
Excess of Revenues Over (Under) Expenditures	(279,677)	(371,470)	91,793
Fund Balance - October 1	<u>4,335,274</u>	<u>4,706,744</u>	<u>(371,470)</u>
Fund Balance - September 30	<u>\$ 4,055,597</u>	<u>\$ 4,335,274</u>	<u>\$ (371,470)</u>

BUDGETARY HIGHLIGHTS

Prior to the beginning of any year, the Road Commission’s budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2025 was \$620,369 more than the original budget.

The final amended expenditure budget for 2025 was \$3,109,317 more than the original budget. The actual expenditures incurred during 2025 were under the final amended budget by \$1,177,637 primarily due to over budgeting amounts for capital outlay due to changes in planning. There were eight unfavorable variances in expenditure line items.

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

Capital Assets

As of the respective year ends, the Road Commission had invested the following in net capital assets:

	<u>9/30/2025</u>	<u>9/30/2024</u>	Increase/ Decrease
Capital Assets Not Being Depreciated:			
Land and Improvements	\$ 187,883	\$ 187,883	\$ -
Construction in Progress	3,214,143	-	3,214,143
Subtotal	<u>3,402,026</u>	<u>187,883</u>	<u>3,214,143</u>
Capital Assets Being Depreciated:			
Buildings	1,890,997	1,707,828	183,169
Road Equipment	11,661,672	11,178,559	483,113
Shop Equipment	364,823	354,532	10,291
Office Equipment	174,897	170,953	3,944
Engineers Equipment	100,518	69,955	30,563
Yard & Storage Equipment	264,477	264,477	-
Infrastructure - Bridges	14,098,370	14,060,427	37,943
Infrastructure - Roads	84,649,321	80,996,720	3,652,601
Subtotal	<u>113,205,075</u>	<u>108,803,451</u>	<u>4,401,624</u>
Total Capital Assets	<u>116,607,101</u>	<u>108,991,334</u>	<u>7,615,767</u>
Total Accumulated Depreciation	<u>70,667,535</u>	<u>68,340,817</u>	<u>2,326,718</u>
Total Net Capital Assets	<u><u>\$ 45,939,566</u></u>	<u><u>\$ 40,650,517</u></u>	<u><u>\$ 5,289,049</u></u>
			<u><u>\$ 3,592,146</u></u>
			Debt Related to capital assets - bonds and lease purchase agreements

The Road Commission capitalized infrastructure and related assets during the current year in the amount of \$7,615,767, of which included construction in progress additions of \$3,214,143 related to the new facility. The infrastructure recorded during 2025 will be depreciated in the following years. The infrastructure is financed through Federal, State and local contributions.

Debt

At the year end, the Road Commission had \$378,003 in debt relating to three lease-purchase agreements for a 2022 motor grader, a 2021 motor grader, and a 2022 cab tractor and boom mower. The Road Commission also has a note payable to Clare County in the amount of \$3,214,143 for the costs related to the new facility. Other long-term debt includes compensated absences liability accrued in the amount of \$396,100.

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

Economic Factors and Next Year’s Budget

The Road Commission as a Whole

We had a productive year in 2025. We were able to accomplish more than the number of road and bridge projects we set out to do including a couple projects that were in partnership with local universities.

Federal and State Funded Road Projects

There were two Federal/State funded project in 2024-2025.

1. Colonville Road from Eberhart Road to Brand Avenue including a bridge superstructure replacement, \$680,094.00 STP, \$134,518.00 TEDF “D”, and \$749,023.00 Local Match.
2. Colonville Road from Brand Avenue to Tobacco Drive and Surrey Road from Harrison Avenue to Old State Road, \$895,000.00 STP, and \$391,058.00 Local Match.

There will be three Federal/State funded projects scheduled in fiscal year 2026. A full bridge replacement on Brand Avenue south of Mannsiding Road, 4 miles of Hot Mix Asphalt overlay on Beaverton Road from Gladwin County line to Brand Avenue, and 4 miles of Hot Mix Asphalt overlay on Tobacco Drive from Beaverton to Clarabella Road.

Township Work

In 2025, the townships participated in road construction projects. We plan to continue our \$40,000 match program for HMA and chip seals. Gravel projects continue to be 50/50 match for materials, labor, and equipment. This year the Road Commission partnered with Townships 50/50 for line striping throughout their Township.

Capital Assets

In 2025, the Road Commission purchased one Track Loader, a Vac/Jet truck, three tandem truck builds, the sign truck build, and other miscellaneous equipment.

Projected equipment purchases for 2026: one blade truck, a hydro seeder, tractor, night patrol truck, broom truck, radios for equipment, and a few miscellaneous pieces of equipment.

**CLARE COUNTY ROAD COMMISSION
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
SEPTEMBER 30, 2025**

Next Year’s Forecast

With the revenue coming in 2026 through MTF and Township contributions, it will allow us to have a great year in delivering road construction projects at a higher rate than 2025.

Closing

This financial report is intended to provide our citizens, taxpayers and the general public with a general overview of the Road Commission’s finances and how they are being spent.

Requests for information

This financial Report is designed to provide a general overview of the Road Commissions finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

**Clare County Road Commission
3900 E. Mannsiding Road
Harrison, MI 48625
Phone: (989)539-2151
Fax: (989)539-7751
Email: ccrc@clarecrc.com**

**CLARE COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Assets	
Cash and Equivalents	\$ 2,440,581
Investments	756,366
Accounts Receivable:	
Sundry	14,653
Interest	12,506
Due From Other Governmental Units	1,144,446
Inventories	726,284
Prepaid Expenses	-
Construction in Progress	3,214,143
Capital Assets (Net of Accumulated Depreciation)	<u>42,725,423</u>
Total Assets	<u>51,034,402</u>
Deferred Outflows of Resources	<u>1,786,395</u>
Liabilities	
Accounts Payable	502,004
Accrued Liabilities	123,128
Advances From Governmental Units	414,107
Long-Term Liabilities:	
Lease Purchase Liability:	
Due Within One Year	109,534
Due In More Than One Year	268,469
Notes Payable:	
Due Within One Year	185,000
Due In More Than One Year	3,029,143
Vested Employee Benefits Payable:	
Due Within One Year	148,430
Due In More Than One Year	247,670
Post Employment Benefit Liabilities	1,353,503
Net Pension Liability	<u>3,416,964</u>
Total Liabilities	<u>9,797,952</u>
Deferred Inflows of Resources	<u>428,836</u>
Net Position	
Net Investment in Capital Assets	42,347,420
Restricted for County Roads	<u>246,589</u>
Total Net Position	<u>\$ 42,594,009</u>

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

**CLARE COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Program Expenses

Primary Road Maintenance	\$ 1,731,014
Local Road Maintenance	5,438,532
State Trunkline Maintenance	1,574,267
Net Equipment Expense	395,082
Net Administrative Expense	664,120
Infrastructure Depreciation	1,422,498
Compensated Absences	45,495
Post Employment Benefits	(214,624)
Pension Expense	(173,270)
Interest Expense	258,598
Total Program Expenses	11,141,712

Program Revenue

Charges for Services:	
Licenses and Permits	42,925
Charges for Services	1,571,182
Operating Grants and Contributions:	
Michigan Transportation Funds	8,230,482
State Grants	78,964
Contributions from Local Units	2,315,093
Capital Grants and Contributions:	
Federal Grants	894,076
State Grants	-
Total Program Revenues	13,132,722

Net Program Revenues (Expenses)	1,991,010
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General Revenues

Gain (Loss) on Disposal of Assets	50,434
Interest Earnings	93,537
Other	109,810
Total General Revenues	253,781

Change in Net Position	2,244,791
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Net Position - Beginning Balance	40,349,218
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Net Position - Ending Balance	\$ 42,594,009
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The accompanying notes are an integral part of these financial statements.

**CLARE COUNTY ROAD COMMISSION
BALANCE SHEET
SEPTEMBER 30, 2025**

	Governmental Fund Type
	General Operating
Assets	
Imprest cash	\$ 250
Cash demand and time deposits	2,440,331
Investments	756,366
Accounts receivable:	
Sundry	14,653
Interest	12,506
Due from other governmental units	1,144,446
Inventories	726,284
Prepaid items	-
Total Assets	\$ 5,094,836
Liabilities	
Accounts payable	\$ 502,004
Accrued liabilities	123,128
Advances from governmental units	414,107
Total Liabilities	1,039,239
Fund Balances	
Non-Spendable	726,284
Unassigned	3,329,313
Total Fund Balances	4,055,597
Total Liabilities and Fund Balances	\$ 5,094,836

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

**CLARE COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND BALANCE TO
THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Total governmental fund balance	\$	4,055,597
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Construction in progress		3,214,143
Capital assets (net of depreciation)		42,725,423

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.

Lease purchase liability		(378,003)
Notes payable		(3,214,143)

Vested employee benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as financial resources; therefore, they are not reported as fund liabilities.

(396,100)

Other postemployment benefit obligations do not present a claim on current financial resources and are not reported as fund liabilities.

(1,353,503)

Pensions Benefits are not due and payable in the current period and are not reported in the fund statements.

Net pension liability		(3,416,964)
Deferred outflows related to pension benefits		1,786,395
Deferred inflows related to pension benefits		(428,836)

Net Position of governmental activities	\$	<u>42,594,009</u>
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The accompanying notes are an integral part of these financial statements.

**CLARE COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Governmental Fund Type
	General Operating
Revenues	
Licenses and Permits	\$ 42,925
Federal Sources	894,076
State Sources	8,309,446
Contributions from Local Units	2,315,093
Charges for Services	1,571,182
Interest and Rents	93,537
Other	160,244
Total Revenues	13,386,503
Expenditures	
Public Works	13,493,559
Net Capital Outlay	(193,140)
Debt Service	365,761
Total Expenditures	13,666,180
Excess of Revenues Over (Under) Expenditures	(279,677)
Fund Balance - Beginning of Year	4,335,274
Fund Balance - End of Year	\$ 4,055,597

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

**CLARE COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net Change in fund balances - total governmental funds \$ (279,677)

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 expense.

Add - capital outlay	4,718,269
Deduct - depreciation expense and retirements	(2,643,363)

Lease proceeds provide current financial resources to governmental
funds, but entering into bond or lease agreements increases long-term
liabilities in the statement of net position. Repayment of notes/leases
payable is an expenditure in governmental funds, but reduces the
longterm liabilities in the statement of net position. 107,163

(Increase)/Decrease in accumulated employee sick and vacation pay
and other similar expenses reported in the Statement of Activities do not
require the use of current resources, and therefore, are not reported in
the fund financial statements until they come due for payment. (45,495)

Other postemployment benefit obligation expense is recognized in the
Statement of Activities, but not in the government funds. 214,624

Increase in pension liability reported in the Statement of Activities does
not require the use of resources, and therefore, is not reported in the
fund statements until it comes due for payment. 173,270

Change in Net Position of governmental activities \$ 2,244,791

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

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Clare County Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

REPORTING ENTITY AND FUND TYPE

The Clare County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Laws (MCL) 224.1, is governed by an elected five-member Board of County Road Commissioners. The Road Commission is a discretely presented component unit of Clare County, and its financial activity is considered a Governmental Special Revenue Fund Type in accordance with the established criteria in Statement No. 61, "The Financial Reporting Entity", issued by the Governmental Accounting Standards Board.

BASIS OF PRESENTATION - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (ie., the Statement of Net Position and the Statement of Activities) report information on all of the Clare County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Position presents the Road Commission's assets, deferred outflows, liabilities, and deferred inflows with the difference being reported as either invested in capital assets, net of related debt or restricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expense 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. Taxes and other items not properly included among program revenues are reported instead as general revenue.

BASIS OF PRESENTATION - FUND FINANCIAL STATEMENTS

Separate financial statements are provided for the operating fund (governmental fund). The operating fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS/BASIS OF ACCOUNTING - GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year of which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes

MEASUREMENT FOCUS/BASIS OF ACCOUNTING – FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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 and claims and judgments, are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

INVENTORY

Inventories consisting of equipment parts and supplies of \$338,761 and road materials of \$387,523, are stated at cost based on the first in - first out (FIFO) method. Inventory items are charged to equipment repairs and operations, and to road construction and maintenance as used.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

PRE-PAID EXPENSES

Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements. As of September 30, 2025, the Road Commission did not have any prepaid expenses.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Clare County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Clare County Road Commission has capitalized the current year’s infrastructure, as required by GASB 34, and has reported the infrastructure in the statement of net position.

DEPRECIATION

Depreciation is computed on the sum-of-the-years’-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Building	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure–Roads	8 - 30 years
Infrastructure–Bridges	12 - 50 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in operating fund statement of net position. The Road Commission may not issue debt without the approval of the County Board of Commissioners.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

USE OF ESTIMATES

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

BUDGETS AND BUDGETARY ACCOUNTING

The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its general appropriations act. Any violations are disclosed in audits of the County Road Commission financial statements as required by law.

PENSIONS

For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

DEFERRED OUTFLOWS AND INFLOWS 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 position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D.

In addition to liabilities, the statement of net position and governmental funds balance sheet 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category related to the net pension liability which is discussed in Note D.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (CONTINUED)

NET POSITION

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The Road Commission reports three categories of net position on the government-wide financial statements, as follows:

Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

Restricted net position - Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.

Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the Road Commission.

The Road Commission’s policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

NOTE B - CASH AND INVESTMENTS

Michigan compiled Laws 129.91, authorizes the Road Commission to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers’ acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission’s deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission’s deposits and investments were reported in the basic financial statements in the following categories:

Imprest Cash	\$	250
Cash demand and time deposits		2,440,331
Investments		756,366
Total	\$	3,196,947

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE B - CASH AND INVESTMENTS (CONTINUED)

Deposits - Cash and cash equivalents are considered to be cash on demand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. At year-end the carrying amount of the County Road Commissions deposits were \$1,336,917 and the bank balance was \$1,278,631. According to the Federal Deposit Insurance Corporation, approximately 44% of the total bank balance was covered by federal depository insurance.

As of September 30, 2025, the Road Commission had the following investments held by the County Treasurer:

Investments	Reported Amount (Fair Value)
Michigan Class	\$ 8,826
U.S. Government Securities	747,540
Total	\$ 756,366

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission’s investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government’s indirect investment in securities through the use of mutual funds or government investment pools.

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment policy of the Road Commission contains no limitations on the amounts that can be invested in any one issuer beyond that stipulated by Michigan law.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE C - CAPITAL ASSETS

The following is a summary of changes in the Capital Assets Account Group.

	Balance 10/1/2024	Additions	Deletions	Balance 9/30/2025
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 187,883	\$ -	\$ -	\$ 187,883
Construction in Progress - Facility	-	3,214,143	-	3,214,143
Total	<u>187,883</u>	<u>3,214,143</u>	<u>-</u>	<u>3,402,026</u>
Capital Assets Being Depreciated:				
Buildings	1,707,828	183,169	-	1,890,997
Road Equipment	11,178,559	799,758	316,645	11,661,672
Shop Equipment	354,532	10,291	-	364,823
Office Equipment	170,953	3,944	-	174,897
Engineers Equipment	69,955	30,563	-	100,518
Yard & Storage Equipment	264,477	-	-	264,477
Infrastructure - Bridges	14,060,427	37,943	-	14,098,370
Infrastructure - Roads	<u>80,996,720</u>	<u>3,652,601</u>	<u>-</u>	<u>84,649,321</u>
Total	<u>108,803,451</u>	<u>4,718,269</u>	<u>316,645</u>	<u>113,205,075</u>
Less Accumulated Depreciation:				
Buildings	1,362,331	40,550	-	1,402,881
Road Equipment	8,101,586	1,154,328	316,645	8,939,269
Shop Equipment	300,073	12,667	-	312,740
Office Equipment	147,749	4,371	-	152,120
Engineers Equipment	62,012	3,139	-	65,151
Yard & Storage Equipment	248,409	5,810	-	254,219
Infrastructure - Bridges	5,457,202	191,531	-	5,648,733
Infrastructure - Roads	<u>52,661,455</u>	<u>1,230,967</u>	<u>-</u>	<u>53,892,422</u>
Total	<u>68,340,817</u>	<u>2,643,363</u>	<u>316,645</u>	<u>70,667,535</u>
Net Capital Assets Being Depreciated	<u>40,462,634</u>	<u>2,074,906</u>	<u>-</u>	<u>42,537,540</u>
Total Net Capital Assets	<u>\$ 40,650,517</u>	<u>\$ 5,289,049</u>	<u>\$ -</u>	<u>\$ 45,939,566</u>

Depreciation expense was \$2,643,363 for the year ended September 30, 2025.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description:

The employer's defined benefit pension plan provides certain retirement, disability and death benefits to plan members and beneficiaries. The employer participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS Web site at www.mersofmich.com.

Benefits Provided:

	General Closed to New Hires	Non Union Closed to New Hires	Non Union Hired After 3/1/2013 Closed to New Hires	General Hired After 9/1/2014 Closed to New Hires
Benefit Multiplier:	2.50% (80% max)	2.50% (80% max)	2.00% (no max)	1.50% (no max)
Normal Retirement Age:	60	60	60	60
Vesting:	10 years	10 years	10 years	10 years
Early Retirement (Unreduced):	55/30	55/30	-	-
Early Retirement (Reduced):	50/25 55/15	50/25 55/15	50/25 55/15	50/25 55/15
Final Average Compensation:	5 years	5 years	5 years	5 years
Employee Contributions:	5%	0%	5%	5%
Act 88:	Yes	Yes	Yes	Yes

Employees covered by benefit terms:

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

Inactive employees or beneficiaries currently receiving benefits	50
Inactive employees or beneficiaries entitled but not yet receiving benefits	9
Active employees	<u>28</u>
Total Employees covered by MERS Plan	<u><u>87</u></u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Contributions:

Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during the year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

For the year ending September 30, 2025, the active employee contribution was 5% of annual pay and the Road Commission's contribution rate of annual payroll was an average of 60%.

Net Pension Liability:

The net pension liability reported as of September 30, 2025, was determined using a measure of the total pension liability and the pension net position as of December 31, 2024. The December 31, 2024, total pension liability was determined by an actuarial valuation performed as of that date.

Actuarial Assumptions:

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

- Inflation: 2.5%
- Salary Increases: 3.00% in the long-term
- Investment rate of return: 6.93%, net of investment and administrative expense including inflation
- Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3%-4%.
- Mortality rates used were based on the RP-2019 Group Annuity Mortality Table of a 50% Male and 50% Female blend.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study adopted by MERS on February 12, 2025.

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

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Actuarial Assumptions (Continued):

Asset Class	Target Allocation	Long-Term Expected Nominal Rate of Return	Expected Nominal Return Asset Class	Inflation Assumption	Expected Real Return Asset Class
Global Equity	60.0%	7.00%	4.20%	2.50%	2.70%
Global Fixed Income	20.0%	4.66%	0.93%	2.50%	0.40%
Private Investments	20.0%	9.00%	1.80%	2.50%	1.40%
Total	100.0%		6.93%		4.43%

Discount rate:

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
<u>Changes in Net Pension Liability</u>	(a)	(b)	(a)-(b)
Balance at 12/31/2023	\$ 15,374,780	\$ 11,652,771	\$ 3,722,009
Changes for the Year:			
Service Cost	147,664	-	147,664
Interest	1,071,725	-	1,071,725
Changes in benefits	-	-	-
Differences between expected and actual experience	285,496	-	285,496
Change in assumptions	(14,134)	-	(14,134)
Contributions: employer	-	874,980	(874,980)
Contributions: employees	-	72,424	(72,424)
Net investment income	-	874,425	(874,425)
Benefit payments, including refunds	(1,044,167)	(1,044,167)	-
Administrative expense	-	(26,033)	26,033
Other changes	-	-	-
Net Changes	446,584	751,629	(305,045)
Balance at 12/31/2024	<u>\$ 15,821,364</u>	<u>\$ 12,404,400</u>	<u>\$ 3,416,964</u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE D - MICHIGAN EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the Net Pension liability of the employer, calculated using the discount rate of 7.18%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1% lower (6.18%) or 1% higher (8.18%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Total Pension Liability	\$ 17,542,810	\$ 15,821,364	\$ 14,375,169
Fiduciary Net Position	12,404,400	12,404,400	12,404,400
Net Pension Liability	<u>\$ 5,138,410</u>	<u>\$ 3,416,964</u>	<u>\$ 1,970,769</u>

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

For the year ending September 30, 2025, the Road Commission recognized pension expense of \$(173,270). At September 30, 2025, the Road Commission reported deferred outflow of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in experience	\$ 262,481	\$ -
Differences in assumptions	36,287	9,423
Excess (deficit) investment returns	831,392	419,413
Contributions subsequent to the measurement date *	656,235	-
Total	<u>\$ 1,786,395</u>	<u>\$ 428,836</u>

* The amount reported as deferred outflow of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the Net Pension Liability for the fiscal year ending September 30, 2026.

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

<u>Years Ending September 30,</u>	<u>Amount</u>
2026	\$ 386,766
2027	414,571
2028	(91,581)
2029	(8,432)
Total	<u>\$ 701,324</u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE E - STATE EQUIPMENT PURCHASE ADVANCE

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract.

NOTE F – LONG-TERM DEBT

The following is a summary of pertinent information concerning the County Road Commission's long-term debt.

	<u>Changes in Long-Term Debt</u>			Balance 9/30/2025	Due Within One Year
	Balance 10/1/2024	Additions	Deletions		
Lease Purchase - 2022 Cab Tractor and Boom Mower	\$ 70,190	\$ -	\$ 34,266	\$ 35,924	\$ 35,924
Lease Purchase - 2021 Motor Grader	196,881	-	35,349	161,532	36,062
Lease Purchase - 2022 Motor Grader	218,095	-	37,548	180,547	37,548
Note Payable - Clare County	-	3,214,143	-	3,214,143	185,000
Compensated Absences	350,605	45,495 (1)	-	396,100	148,430
Totals	<u>\$ 835,771</u>	<u>\$ 3,259,638</u>	<u>\$ 107,163</u>	<u>\$ 3,988,246</u>	<u>\$ 442,964</u>

(1) The change in compensated absences is shown as a net reduction

Lease Purchase - 2022 Cab Tractor and Boom Mower

The Road Commission entered into a lease purchase agreement with Deere Credit, Inc. for the purchase of a 2022 6145M Cab Tractor and 2022 Boom Mower in the amount of \$171,721. The lease terms include interest of 4.70% and annual payments of \$37,636.70 through May 19, 2026.

Annual Debt Service Requirements:

<u>Year</u>	<u>Amount</u>
2025-2026	\$ 37,637
Total Payments	37,637
Less - Interest and fees	(1,713)
Net Balance Due	<u>\$ 35,924</u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE F – LONG-TERM DEBT (CONTINUED)

During the fiscal year, Clare County issued bonds to finance the construction of a new Road Commission facility. The bonds were issued by the County because the Road Commission does not have statutory authority to issue debt directly. Under a financing agreement between Clare County and the Road Commission, the Road Commission has agreed to repay the County for the debt service associated with the bonds in accordance with the bond amortization schedule.

Under the terms of the agreement, the Road Commission is responsible for repaying the full principal and interest of Clare County’s bond issue, which totals approximately \$21,016,060 over the life of the bonds based on the current amortization schedule. The total amount consists of \$11,790,000 of principal payments and \$9,226,060 of interest payments.

As construction expenditures are incurred, Clare County advances proceeds from the bond issue to the Road Commission. These advances are recorded by the Road Commission as a liability due to the County. As of September 30, 2025, the Road Commission had received advances totaling \$3,214,143, which is reported as Notes Payable in the accompanying financial statements.

Because the Road Commission had only received \$3,214,143 of bond proceeds as of year-end, only that amount is reported as a liability in the financial statements. Future advances received from Clare County will be recorded as additional debt as construction expenditures are incurred.

As of September 30, 2025, no principal payments to Clare County were required. However, the Road Commission incurred and paid \$251,254 in interest expense related to the debt owed to the County.

Annual Debt Service Requirements:

Year	Principal	Interest
2025-2026	\$ 185,000	\$ 506,400
2026-2027	195,000	496,900
2027-2028	205,000	486,900
2028-2029	215,000	476,400
2029-2038	2,414,143	3,585,250
Balance Due	\$ 3,214,143	\$ 5,551,850

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE F – LONG-TERM DEBT (CONTINUED)

Lease Purchase – 2021 Motor Grader

The Road Commission entered into a lease purchase agreement with Deere Credit, Inc. for the purchase of a 2021 672G Motor Grader in the amount of \$349,785. The lease terms include interest of 2.0% and annual payments of \$39,322.57 through January 27, 2026, and a final payment of \$128,000 on January 27, 2027.

Annual Debt Service Requirements:

<u>Year</u>	<u>Amount</u>
2025-2026	\$ 39,323
2026-2027	128,000
Total Payments	167,323
Less - Interest and fees	(5,791)
Net Balance Due	<u>\$ 161,532</u>

Lease Purchase – 2022 Motor Grader

The Road Commission entered into a lease purchase agreement with the Bank of the West for the purchase of a 2022 150JOY-BR Motor Grader in the amount of \$398,739. The lease terms do not state an annual interest rate and no interest rate was imputed. The lease states annual payments of \$37,547.79 through September 2026, and a final payment of \$143,000 in September 2027.

Annual Debt Service Requirements:

<u>Year</u>	<u>Amount</u>
2025-2026	\$ 37,547
2026-2027	143,000
Total Payments	180,547
Less - Interest and fees	-
Net Balance Due	<u>\$ 180,547</u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE G - VESTED EMPLOYEE BENEFITS

County Road employees, after six months of service, are credited with 8 hours vacation leave per month, and an additional two to seven days based on years of service exceeding four years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited. Vacation leave for 2025 amounted to \$134,177.

County Road post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn 8 hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2025 amounted to \$261,923.

NOTE H – EQUIPMENT LEASES

The Road Commission has entered into cancelable operating equipment leases as follows:

<u>Equipment Item</u>	<u>Lease Date</u>	<u>Lease Maturity Date</u>	<u>Annual Lease Payment</u>	<u>Guaranteed Purchase Amount</u>
CAT 150-15 AWD Motor Grader	2/2/2022	2/2/2027	\$ 37,548	\$ 120,000

Lease expense for fiscal year 2025 was \$37,548.

Subsequent maturities are as follows for lease commitments:

2025	<u>\$ 37,548</u>
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NOTE I - FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. However, only the federal financial assistance applicable to negotiated account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation.

The federal aid revenue of \$894,076 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors paid for and administered by the Michigan Department of Transportation.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE J - EXCESS EXPENDITURES OVER APPROPRIATIONS

Public Act 621 of 1978, section 18 (1), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the twelve months ended September 30, 2025, the County Road Commission incurred expenditures in certain areas which were in excess of the amounts appropriated as follows:

	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
Primary Road			
Preservation/Structural Improvements	\$ 2,905,000	\$ 3,847,390	\$ (942,390)
Maintenance	\$ 800,000	\$ 964,966	\$ (164,966)
Local Road			
Preservation/Structural Improvements	\$ 2,426,000	\$ 3,015,985	\$ (589,985)
Maintenance	\$ 2,350,000	\$ 3,031,749	\$ (681,749)
State Trunkline Maintenance/ Non-Maintenance	\$ 1,300,000	\$ 1,574,267	\$ (274,267)
Equipment Expense - Net	\$ (1,100,000)	\$ 395,082	\$ (1,495,082)
Long-Term Debt Payments	\$ -	\$ 107,163	\$ (107,163)
Interest Expense	\$ 251,254	\$ 258,598	\$ (7,344)

The Road Commission does not use encumbrances for budgetary purposes. During the twelve months ended September 30, 2025, the Road Commissioners made one amendment to the General Operating Fund Budget.

NOTE K - RISK MANAGEMENT

Clare County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE K - RISK MANAGEMENT (CONTINUED)

The Clare Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund.

During the twelve months ended September 30, 2025, and the previous two years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

Clare County Road Commission administers a single employer defined benefit healthcare plan. The plan provides healthcare benefits for eligible employees and their spouses upon retirement, in accordance with labor contracts. The benefits are provided under the collective bargaining agreement for union employees and by resolution of the Board of County Road Commissioners for nonunion employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided

Clare County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the Road Commission's group health insurance plan, which covers both active and retired members as follows:

- Non-Union employees hired prior to February 6, 2013, and union employees hired prior to September 1, 2014, and who retire between the ages of 60 and 65 will receive health insurance comparable to that provided to the current employees for themselves and their spouse until age 65 years. Single employees and married employees must contribute \$100 and \$200 per month, respectively, towards the premiums.

Employees Covered by the Benefit Terms

At year end, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees or beneficiaries entitled to but not yet receiving benefits	0
Active employees	<u>10</u>
Total	<u><u>16</u></u>

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONTINUED)

The plan is closed to new non-union employees and new union employees hired after February 6, 2013, and September 1, 2014, respectively.

Contributions

The Road Commission has no obligation to make contributions in advance of when the insurance premiums or claims are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). For the year ended September 30, 2025, the Road Commission’s actuarially determined contribution was \$59,681. The Road Commission paid retiree premiums of \$73,030 during the year and made no contributions to pre-fund the liability. Employees are required to contribute to the premium costs in accordance with the benefit provisions described previously.

Net OPEB Liability

The Road Commission’s net OPEB liability was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined using the alternative measurement method as permitted GASB Statement 75 for employers in plans fewer than 100 (one hundred) total plan members.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectation and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Assumptions

The total OPEB liability in the September 30, 2025, valuation was determined using the following actuarial assumptions:

Salary increases	3.65%, average, including inflation
Discount rate	3.93%, net of OPEB plan investment expense
Healthcare cost trend rates	Initial rate of 7.50% decreasing .25% per year to a 4.5% long-term rate.
Mortality	Pub-2010 mortality tables with future mortality improvement projected generationally using Scale MP-2021

The discount rate was based on the Uniform Assumptions determined by the State Treasurer.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE L - POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)(CONTINUED)

Changes in the Total OPEB Liability

Changes in the Total OPEB liability during the year were as follows:

<u>Changes in OPEB Liability</u>	<u>Total OPEB Liability</u>
Beginning Balance	\$ 1,568,127
Service Cost	59,681
Interest	63,596
Other Changes	(264,871)
Benefit Payments	(73,030)
Net Changes	(214,624)
Ending Balance	<u>\$ 1,353,503</u>

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

The following presents the change in the net OPEB liability of the Road Commission, calculated using the discount rate of 3.93%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.93%) or 1% higher (4.93%) then the current rate:

	1.0% Decrease in rate to 2.93%	Assumed Rates Discount Rate 3.93%	1.0% Increase in rate to 4.93%
Net OPEB Liability	<u>\$ 1,390,845</u>	<u>\$ 1,353,503</u>	<u>\$ 1,317,827</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the total OPEB liability of the Road Commission, as well as what the Road Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current healthcare cost trend rates:

	1.0% Decrease 6.50%	Healthcare Cost Trend Rates 7.50%	1.0% Increase 8.50%
Net OPEB Liability	<u>\$ 1,271,450</u>	<u>\$ 1,353,503</u>	<u>\$ 1,442,341</u>

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

For the year ended September 30, 2025, the Road Commission recognized an OPEB expense of \$(141,594). At September 30, 2025, the Road Commission did not report deferred outflows of resources and deferred inflows of resources related to OPEB from the following source as they use the alternative measurement method to determine the OPEB liability.

**CLARE COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2025**

NOTE M - FUND BALANCE CLASSIFICATIONS

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which Clare County Road Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. The governing body, the budget or finance committee or a delegated municipality official, determines this.

Unassigned - all other resources; the remaining fund balance after non-spendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative Fund Balances are always reported as Unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, Clare County Road Commission's highest level of decision-making authority is the County Road Board. The formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is by vote and approval by the County Road Board.

For assigned fund balance, the Road Commission Manager is authorized to assign amounts to a specific purpose. Such assignments cannot exceed the available fund balance in any particular fund.

For the classification of fund balances, the Clare County Road Commission considers restricted amounts to have been spent when expenditures are incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Road Commission considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

REQUIRED SUPPLEMENTAL INFORMATION

CLARE COUNTY ROAD COMMISSION
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES -
BUDGETARY COMPARISON SCHEDULE
TWELVE MONTHS ENDED SEPTEMBER 30, 2025

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Licenses and Permits	\$ -	\$ -	\$ 42,925	\$ 42,925
Federal Sources				
Surface Transportation Program	680,094	680,094	380,700	(299,394)
D Funds - Federal	-	-	40,608	40,608
Bridge	-	-	472,768	472,768
State Sources				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Allocation	7,906,685	7,348,742	7,995,775	647,033
Urban	140,000	130,000	149,270	19,270
Snow Removal	4,500	5,045	5,045	-
Economic Development Fund				
Rural Primary (D)	134,518	134,518	-	(134,518)
Forest Road (E)	70,389	70,389	70,392	3
Other State Sources	80,000	80,000	78,964	(1,036)
Contributions from Local Units				
Townships	1,555,751	2,359,157	2,315,093	(44,064)
Charges for Services				
State Trunkline Maintenance/ Non-Maintenance	1,300,000	1,660,711	1,571,182	(89,529)
Salvage Sales	10,000	10,000	12,793	2,793
Interest and Rents	155,000	130,000	93,537	(36,463)
Other Revenue				
Gain (loss) Sale of Equipment	50,000	50,000	50,434	434
Other	145,000	193,650	97,017	(96,633)
Total Revenue	<u>\$ 12,241,937</u>	<u>\$ 12,862,306</u>	<u>\$ 13,386,503</u>	<u>\$ 524,197</u>

**CLARE COUNTY ROAD COMMISSION
STATEMENT OF EXPENDITURES –
BUDGETARY COMPARISON SCHEDULE
TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation - Structural Improvements	\$ 2,525,000	\$ 2,905,000	\$ 3,847,390	\$ (942,390)
Maintenance	1,000,000	800,000	964,966	(164,966)
Local Road				
Preservation - Structural Improvements	2,375,000	2,426,000	3,015,985	(589,985)
Maintenance	2,500,000	2,350,000	3,031,749	(681,749)
State Trunkline Maintenance/ Non-Maintenance	1,300,000	1,300,000	1,574,267	(274,267)
Administrative Expense - Net	2,399,500	2,299,500	664,120	1,635,380
Equipment Expense - Net	(1,425,000)	(1,100,000)	395,082	(1,495,082)
Capital Outlay - Net	1,060,000	3,612,063	(193,140)	3,805,203
Long-Term Debt Payments	-	-	107,163	(107,163)
Interest Expense	-	251,254	258,598	(7,344)
 Total Expenditures	 <u>\$ 11,734,500</u>	 <u>\$ 14,843,817</u>	 <u>\$ 13,666,180</u>	 <u>\$ 1,177,637</u>

SCHEDULE 1

CLARE COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN ROAD COMMISSION'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
YEAR ENDED SEPTEMBER 30, 2025

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Service cost	\$ 147,664	\$ 181,478	\$ 180,095	\$ 167,211	\$ 161,600	\$ 169,923	\$ 178,026	\$ 185,938	\$ 173,635	\$ 149,193
Interest on total pension liability	1,071,725	1,044,929	1,013,063	994,971	961,477	965,785	945,471	915,328	848,114	814,957
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected & actual experience	285,496	216,448	223,150	165,968	(79,312)	13,236	33,329	125,379	618,059	63,113
Changes in assumptions	(14,134)	108,859	-	503,428	354,834	377,515	-	-	-	462,006
Benefit payments including employee refunds	(1,044,167)	(998,027)	(956,889)	(956,042)	(965,352)	(921,848)	(875,839)	(815,968)	(795,611)	(761,051)
Net change in total pension liability	446,584	553,687	459,419	875,536	433,247	604,611	280,987	410,677	844,197	728,218
Total pension liability - beginning	15,374,780	14,821,093	14,361,674	13,486,138	13,052,891	12,448,280	12,167,293	11,756,616	10,912,419	10,184,201
Total pension liability - ending	\$15,821,364	\$15,374,780	\$14,821,093	\$14,361,674	\$13,486,138	\$13,052,891	\$12,448,280	\$12,167,293	\$11,756,616	\$10,912,419
Plan fiduciary net position										
Contributions - employer	\$ 874,980	\$ 899,178	\$ 850,897	\$ 874,980	\$ 854,150	\$ 750,000	\$ 750,000	\$ 750,000	\$ 744,703	\$ 474,931
Contributions - employee	72,424	76,696	77,713	76,771	76,330	76,753	77,698	75,618	67,684	59,041
Net investment income	874,425	1,176,941	(1,224,937)	1,467,152	1,198,566	1,116,305	(341,159)	1,014,540	783,303	(106,641)
Benefit payments, including employee refunds	(1,044,167)	(998,027)	(956,889)	(956,042)	(965,352)	(921,848)	(875,839)	(815,968)	(795,611)	(761,051)
Administrative expenses	(26,033)	(24,949)	(21,921)	(16,835)	(18,670)	(19,233)	(16,772)	(16,036)	(15,461)	(15,616)
Net change in plan fiduciary net position	751,629	1,129,839	(1,275,137)	1,446,026	1,145,024	1,001,977	(406,072)	1,008,154	784,618	(349,336)
Total plan fiduciary net position - beginning	11,652,771	10,522,932	11,798,069	10,352,043	9,207,019	8,205,042	8,611,114	7,602,960	6,818,342	7,167,678
Total plan fiduciary net position - ending	\$12,404,400	\$11,652,771	\$10,522,932	\$11,798,069	\$10,352,043	\$ 9,207,019	\$ 8,205,042	\$ 8,611,114	\$ 7,602,960	\$ 6,818,342
Road Commission's net pension liability	\$ 3,416,964	\$ 3,722,009	\$ 4,298,161	\$ 2,563,605	\$ 3,134,095	\$ 3,845,872	\$ 4,243,238	\$ 3,556,179	\$ 4,153,656	\$ 4,094,077
Plan fiduciary net position as a percentage of the total pension liability	78.40%	75.79%	71.00%	82.15%	76.76%	70.54%	65.91%	70.77%	64.67%	62.48%
Covered employee payroll	\$ 1,465,409	\$ 1,753,403	\$ 1,749,913	\$ 1,732,410	\$ 1,682,142	\$ 1,740,993	\$ 1,767,643	\$ 1,816,097	\$ 1,650,120	\$ 1,403,341
Employer's Net Pension Liability as a percentage of covered payroll	233.17%	212.27%	245.62%	147.98%	186.32%	220.90%	240.05%	195.81%	251.72%	291.74%

Notes to schedule:
the schedule is based on a calendar year measurement date.

**CLARE COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION PENSION CONTRIBUTIONS
YEAR ENDED SEPTEMBER 30, 2025**

	Calendar Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 627,456	\$ 590,304	\$ 576,822	\$ 531,612	\$ 464,599	\$ 419,541	\$ 353,977	\$ 293,861	\$ 277,078	\$ 251,647
Contributions in relation to the actuarially determined contribution	874,980	899,178	850,897	874,980	854,149	750,000	750,000	750,000	744,703	474,932
Contribution excess (deficiency)	<u>\$ 247,524</u>	<u>\$ 308,874</u>	<u>\$ 274,075</u>	<u>\$ 343,368</u>	<u>\$ 389,550</u>	<u>\$ 330,459</u>	<u>\$ 396,023</u>	<u>\$ 456,139</u>	<u>\$ 467,625</u>	<u>\$ 223,285</u>
Covered-employee payroll	\$1,465,409	\$1,753,403	\$1,749,913	\$1,732,410	\$1,682,142	\$1,740,993	\$1,767,643	\$1,816,097	\$1,650,120	\$1,403,341
Actuarially determined contributions as a percentage of covered-employee payroll	42.82%	33.67%	32.96%	30.69%	27.62%	24.10%	20.03%	16.18%	16.79%	17.93%

Notes to Schedule

Valuation date: Actuarially determined contribution rates are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	14 years
Asset valuation method	5-year smoothed marked
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	6.93%, net of pension plan investment expense including inflation

CLARE COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN ROAD COMMISSION'S TOTAL OPEB LIABILITY AND RELATED RATIOS
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability								
Service cost	\$ 59,681	\$ 62,217	\$ 69,985	\$ 91,625	\$ 99,610	\$ 115,485	\$ 95,617	\$ 99,538
Interest	63,596	59,065	46,510	33,862	34,412	53,902	50,584	43,628
Changes in benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-
Other changes	(264,871)	(130,348)	230,436	(260,952)	(71,128)	(47,907)	(46,456)	(52,016)
Benefit payments	<u>(73,030)</u>	<u>(41,017)</u>	<u>(42,553)</u>	<u>(35,136)</u>	<u>(48,277)</u>	<u>(75,192)</u>	<u>(56,638)</u>	<u>(53,420)</u>
Net change in total OPEB Liability	(214,624)	(50,083)	304,378	(170,601)	14,617	46,288	43,107	37,730
Total OPEB Liability - Beginning	<u>1,568,127</u>	<u>1,618,210</u>	<u>1,313,832</u>	<u>1,484,433</u>	<u>1,469,816</u>	<u>1,423,528</u>	<u>1,380,421</u>	<u>1,342,691</u>
Total OPEB Liability - Ending	<u>\$ 1,353,503</u>	<u>\$ 1,568,127</u>	<u>\$ 1,618,210</u>	<u>\$ 1,313,832</u>	<u>\$ 1,484,433</u>	<u>\$ 1,469,816</u>	<u>\$ 1,423,528</u>	<u>\$ 1,380,421</u>
Covered Employee Payroll	<u>\$ 862,766</u>	<u>\$ 894,437</u>	<u>\$ 883,488</u>	<u>\$ 928,423</u>	<u>\$ 872,186</u>	<u>\$ 987,331</u>	<u>\$ 1,097,747</u>	<u>\$ 1,213,369</u>
Total OPEB Liability as a percentage of covered-employee payroll	<u>156.88%</u>	<u>175.32%</u>	<u>183.16%</u>	<u>141.51%</u>	<u>170.20%</u>	<u>148.87%</u>	<u>129.68%</u>	<u>113.77%</u>

GASB Statement No. 75 was implemented as of September 30, 2018. Information from prior years are not available. Additional years will be presented on this schedule on a prospective basis.

SUPPLEMENTAL SCHEDULES

**CLARE COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES OF FUND BALANCES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Total Revenues	\$ 5,862,299	\$ 5,656,782	\$ 1,867,422	\$ 13,386,503
Total Expenditures	<u>5,167,648</u>	<u>6,829,978</u>	<u>1,668,554</u>	<u>13,666,180</u>
Excess of Revenues Over (Under) Expenditures	694,651	(1,173,196)	198,868	(279,677)
Optional Transfers and Adjustments	(1,217,442)	1,217,442	-	-
Fund Balance - October 1, 2024	<u>1,310,936</u>	<u>43,703</u>	<u>2,980,635</u>	<u>4,335,274</u>
Fund Balance - September 30, 2025	<u>\$ 788,145</u>	<u>\$ 87,949</u>	<u>\$ 3,179,503</u>	<u>\$ 4,055,597</u>

**CLARE COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Licenses and Permits	\$ -	\$ -	\$ 42,925	\$ 42,925
Federal Sources				
Surface Transportation Program	380,700	-	-	380,700
D Funds - Federal	40,608	-	-	40,608
Bridge	472,768	-	-	472,768
State Sources				
Michigan Transportation Fund				
Engineering	5,957	4,043	-	10,000
Allocation	4,763,419	3,232,356	-	7,995,775
Urban	95,349	53,921	-	149,270
Snow Removal	5,045	-	-	5,045
Economic Development Fund				
Rural Primary (D)	-	-	-	-
Forest Road (E)	70,392	-	-	70,392
Other State Sources	-	-	78,964	78,964
Contributions from Local Units				
Townships	-	2,315,093	-	2,315,093
Charges for Services				
State Trunkline Maintenance/ Non-Maintenance				
Non-Maintenance	-	-	1,571,182	1,571,182
Salvage Sales	-	-	12,793	12,793
Interest and Rents	28,061	935	64,541	93,537
Other Revenue				
Gain (Loss) on sale of equipment	-	50,434	-	50,434
Other	-	-	97,017	97,017
	<u>-</u>	<u>-</u>	<u>97,017</u>	<u>97,017</u>
Total Revenue	<u>\$ 5,862,299</u>	<u>\$ 5,656,782</u>	<u>\$ 1,867,422</u>	<u>\$ 13,386,503</u>

**CLARE COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Fund</u>	<u>Totals</u>
Primary Road				
Preservation - Structural Improvements	\$ 3,847,390	\$ -	\$ -	\$ 3,847,390
Maintenance	964,966	-	-	964,966
Local Road				
Preservation - Structural Improvements	-	3,015,985	-	3,015,985
Maintenance	-	3,031,749	-	3,031,749
State Trunkline Maintenance/ Non-Maintenance	-	-	1,574,267	1,574,267
Administrative Expense - Net	294,287	369,833	-	664,120
Equipment Expense - Net	61,005	239,790	94,287	395,082
Capital Outlay - Net	-	(193,140)	-	(193,140)
Long-Term Debt Payments	-	107,163	-	107,163
Interest Expense	-	258,598	-	258,598
 Total Expenditures	 <u>\$ 5,167,648</u>	 <u>\$ 6,829,978</u>	 <u>\$ 1,668,554</u>	 <u>\$ 13,666,180</u>



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INDEPENDENT AUDITOR'S 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*

February 20, 2026

Board of County Road Commissioners
Clare County Road Commission
Harrison, MI 48625

I 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, and major fund of the Clare County Road Commission, a Special Revenue Fund of the County of Clare, Michigan, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the Clare County Road Commission's basic financial statements and have issued my report thereon dated February 20, 2026.

Report on Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Clare County Road Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Clare County Road Commission's internal control. Accordingly, I do not express an opinion on the effectiveness of the Clare County 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.

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I 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 Clare County Road Commission's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.



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**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE AT THE
CONCLUSION OF THE AUDIT**

February 20, 2026

Board of County Road Commissioners
Clare County Road Commission
Harrison, MI 48625

I have audited the financial statements of the governmental activities, major fund and the aggregate remaining fund information of the Clare County Road Commission for the year ended September 30, 2025. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated December 12, 2025. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Clare County Road Commission are described in Note A to the financial statements. The Road Commission changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 101, *Compensated Absences*. I noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Road Commission's financial statements were:

- Management's estimate of the accumulated depreciation and depreciation expense is based on historical cost and estimated useful life. I evaluated the key factors and assumptions used to develop the accumulated depreciation and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for the pension benefits and the estimate of the current portion of vested employee benefits.

- Management’s estimate of the liability for other post-employment benefits and the estimate of the current portion of vested employee benefits.

The financial statement disclosures are neutral, consistent, and clear

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit’s financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor’s report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated February 20, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the Clare County Road Commission’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Road Commission’s auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention

During the course of my audit of the basic financial statements of the Clare County Road Commission for the year ended September 30, 2025, I noted the following items which I believe should be brought to your attention:

Budgets

The Road Commission follows the procedures in establishing the budgetary data reflected in the financial statements in accordance with the Uniform Budgeting and Accounting Act (Act No. 621, Public Act of 1978) as prescribed by the State of Michigan.

Public Act 621 of 1978, section 18 (1), as amended, provides that County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended September 30, 2025, the County Road Commission incurred expenditures, which were in excess of the amount appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Primary Road			
Preservation/Structural Improvements	\$ 2,905,000	\$ 3,847,390	\$ (942,390)
Maintenance	<u>\$ 800,000</u>	<u>\$ 964,966</u>	<u>\$ (164,966)</u>
Local Road			
Preservation/Structural Improvements	\$ 2,426,000	\$ 3,015,985	\$ (589,985)
Maintenance	<u>\$ 2,350,000</u>	<u>\$ 3,031,749</u>	<u>\$ (681,749)</u>
State Trunkline Maintenance/ Non-Maintenance	<u>\$ 1,300,000</u>	<u>\$ 1,574,267</u>	<u>\$ (274,267)</u>
Equipment Expense - Net	<u>\$ (1,100,000)</u>	<u>\$ 395,082</u>	<u>\$ (1,495,082)</u>
Long-Term Debt Payments	<u>\$ -</u>	<u>\$ 107,163</u>	<u>\$ (107,163)</u>
Interest Expense	<u>\$ 251,254</u>	<u>\$ 258,598</u>	<u>\$ (7,344)</u>

Other Matters

I applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules and the Schedule of Changes in Pension and OPEB Liability and Related Ratios, which are a required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statement. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on the supplementary, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Board of County Road Commissioners, and management of the Clare County Road Commission and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Tyler J. Watters, P.C.
Certified Public Accountant