

ST. CLAIR COUNTY ROAD COMMISSION
A Component Unit of St. Clair County, Michigan

ANNUAL FINANCIAL REPORT
AND
SUPPLEMENTARY INFORMATION

For the year ended December 31, 2025

ST. CLAIR COUNTY ROAD COMMISSION

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners
of St. Clair County Road Commission
St. Clair, Michigan

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and General Fund of St. Clair County Road Commission as of December 31, 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Road Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

To the Board of County Road Commissioners
St. Clair County Road Commission

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 judgement 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*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Road Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events considered in the aggregate that raise substantial doubt about the Road Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

To the Board of County Road Commissioners
St. Clair County Road Commission

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other postemployment benefits schedules 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 statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Road Commission's basic financial statements. The accompanying schedule of revenues, expenditures, and changes in fund balance - by fund balance sub accounts is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of County Road Commissioners
St. Clair County Road Commission

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2026 on our consideration of the Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Road Commission's internal control over financial reporting and compliance.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are written in a cursive, slightly slanted style.

Port Huron, Michigan
April 15, 2026

ST. CLAIR COUNTY ROAD COMMISSION

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of the St. Clair County Road Commission (the “Road Commission”), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Road Commission for the year ended December 31, 2025. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Road Commission finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Road Commission assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

Unlike the government-wide financial statements, the General Fund statements focus on near-term inflows and outflows of spendable resources, as well as on the balances of spendable resources available at the end of the year. Such information may be useful in evaluating the Road Commission’s near-term financing requirements.

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

The St. Clair County Road Commission adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-35 of this report.

FINANCIAL HIGHLIGHTS

Government-Wide Financial Analysis

Statement of Net Position

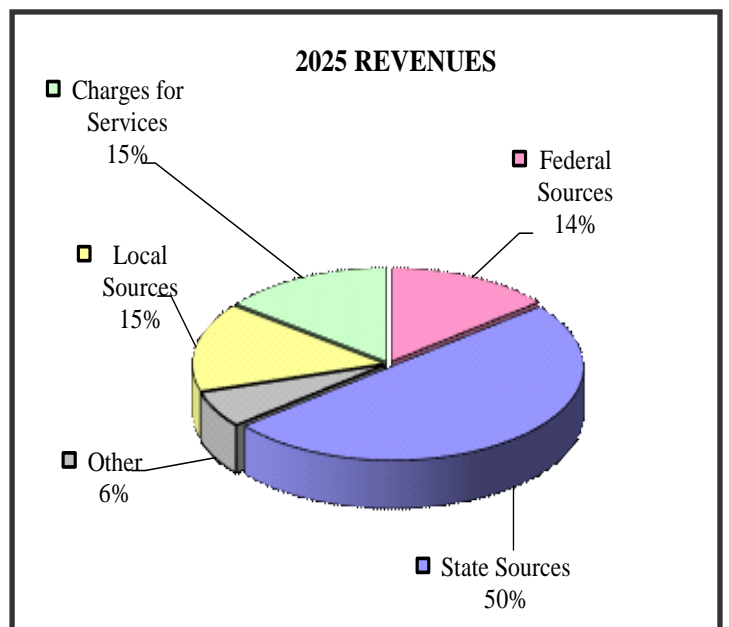
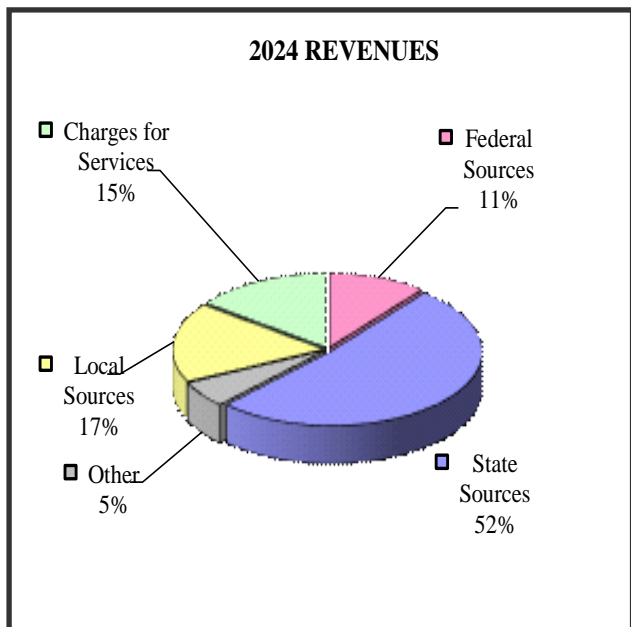
As noted earlier, net position may serve over time as a useful indicator of a government’s financial position. Net position is separated into two major components, net investment in capital assets and unrestricted net position, which may be used to meet the ongoing obligations to citizens and creditors. The Road Commission’s combined net position increased 4.3% from a year ago. The table below shows a comparison of the net position (in thousands of dollars) as of December 31, 2025 and 2024 in a condensed format.

	2024	2025
Current and other unrestricted assets	\$ 29,468.4	\$ 33,789.9
OPEB Asset	1,335.6	941.1
Capital assets	207,216.1	212,590.9
Total Assets	238,020.1	247,321.9
Deferred Outflows of Resources	6,596.7	6,085.7
Long-term liabilities	8,806.5	8,988.5
Other liabilities	2,820.9	2,603.9
Total Liabilities	11,627.4	11,592.4
Deferred Inflows of Resources	3,971.3	2,687.3
Net Position		
Invested in capital assets-net of debt	207,216.1	212,590.9
Restricted - net OPEB asset	1,335.6	941.1
Unrestricted	20,466.4	25,595.9
Total Net Position	\$ 229,018.1	\$ 239,127.9

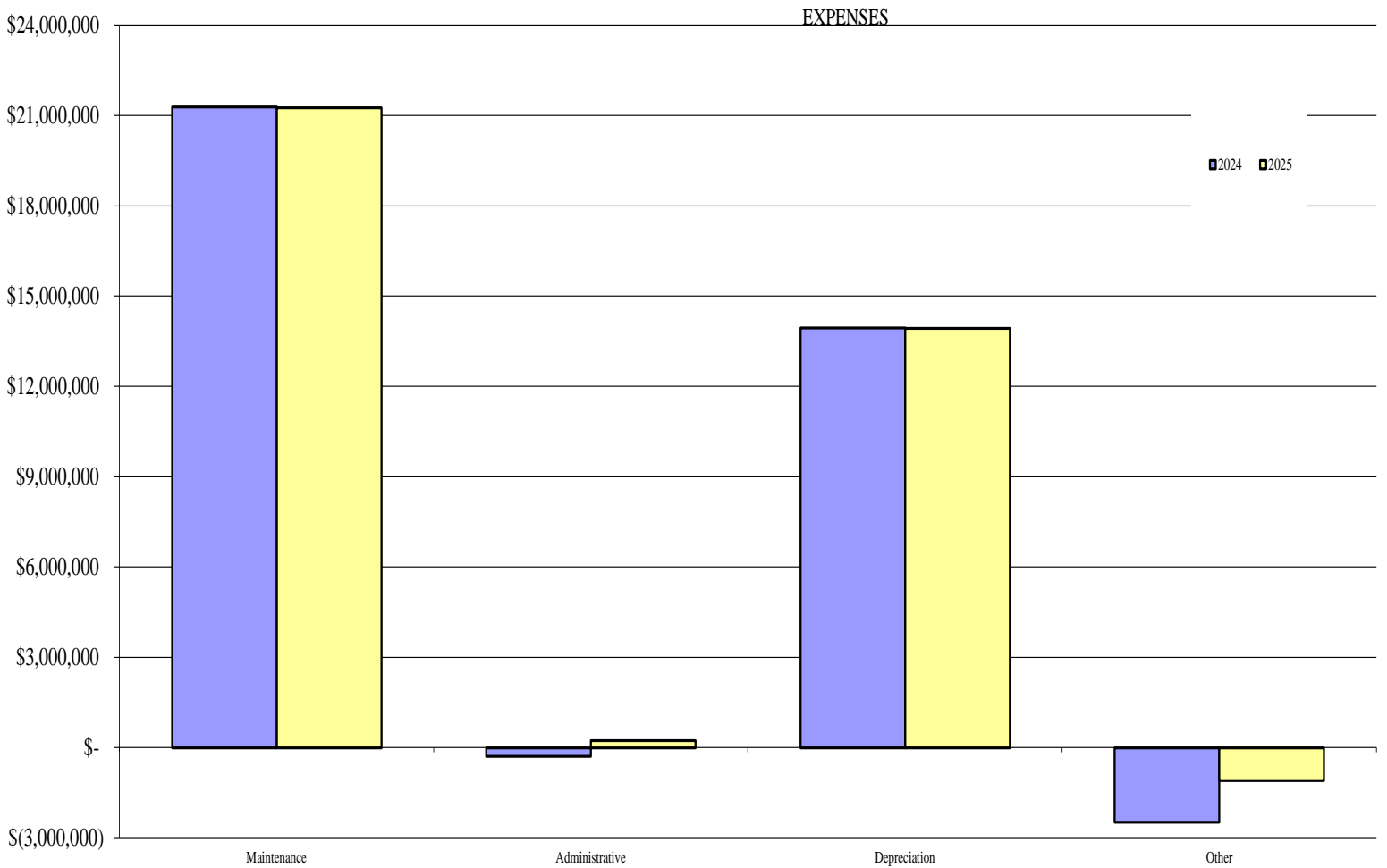
Statement of Activities

The following schedule compares the revenues and expenses (in thousands of dollars) for the current and previous fiscal years.

	2024	2025
Revenues		
Federal sources	\$ 4,799.1	\$ 6,249.5
State sources	23,288.1	22,216.4
Local sources	7,847.7	6,797.2
Charges for services	6,661.0	6,419.2
Other	2,589.1	2,775.8
Total Revenues	<u>45,185.0</u>	<u>44,458.1</u>
Expenses		
Maintenance	21,460.2	21,265.4
Administrative	(249.1)	236.0
Depreciation	13,950.7	13,936.8
Other	(2,366.6)	(1,089.9)
Total Expenses	<u>32,795.2</u>	<u>34,348.3</u>
Change in Net Position	12,389.8	10,109.8
Restatement	-	-
Net Position - Beginning of Year	<u>216,628.3</u>	<u>229,018.1</u>
Net Position - End of Year	<u><u>\$ 229,018.1</u></u>	<u><u>\$ 239,127.9</u></u>



As shown in the preceding table comparing 2024 and 2025 Statement of Activities amounts, total revenue decreased by \$728,799 or 1.6%.



Total expenses increased from 2025 to 2024 by \$1,553,159 or 4.7%.

General Fund Financial Analysis

As noted earlier, the focus of the fund (modified accrual) financial statements is to provide information on the near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Road Commission’s financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the year.

As of the end of the current year, the Road Commission reported an ending fund balance of \$29,487,086, an increase of \$4,617,724 from the prior year. Nonspendable fund balance is \$2,150,134, assigned fund balance is \$6,389,189 and unassigned fund balance is \$20,947,763 at the end of 2025.

BUDGETARY HIGHLIGHTS

The total difference between the original and the final amended appropriations was a decrease in of approximately \$3,036,596 or 6.7% of the original fund balance budget. Detail of the original budget, amended budget, and actual amounts may be seen on page 36. Some of the larger variances are described below:

- Arnold Road bridge replacement and the Shea Road/Starville Road roundabout projects were moved from 2025 to 2026.
- Actual state revenue and expense were higher due to additional winter funds.
- Local revenue and expense were higher than budgeted due to higher actual than projected Match Money Program projects.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – As of year end, the Road Commission had \$212,590,891 invested in capital assets (net of accumulated depreciation) as reflected in the following schedule, representing an increase of \$5,374,820.

	2024	2025
Land	\$ 65,629	\$ 65,629
Buildings & Improvements	2,146,083	2,028,423
Equipment	5,750,664	6,036,379
Depletable Assets	117,113	117,113
Infrastructure	199,136,582	204,343,347
 Total	 \$ 207,216,071	 \$ 212,590,891

Major capital asset events during the current fiscal year included the following:

- Various equipment purchases including four V-box spreaders, four tandems, two tractors, mower max, excavator, message boards and arrow boards.
- Long Island Drive Bridge replacement.
- State Road Bridge replacement.
- Krafft Road reconstruction.
- Emmett Road resurfacing.
- Marine City and Palms roundabout.
- Riley Center Road mill and fill.

Additional information on the Road Commission’s capital assets may be found in Note 8 to the financial statements

Long-Term Liabilities – At December 31, 2025, the Road Commission’s long-term liability consisted of accrued compensated absences in the amount of \$756,683 representing a \$105,683 increase from the prior year.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

In 2024, our county voters renewed a .25 mill road millage that we use to match federal and state aid on major projects. Some of our larger scheduled 2026 projects include the Palms Road Bridge replacement, the reconstruction of Krafft Road, the mill and fill on Rattle Run Road, and the replacement of the Frith Road Bridge.

In October of 2025, the Michigan Transportation Funding Package was signed. The plan creates a “Neighborhood Roads Fund” fueled by corporate income tax, new marijuana taxes, and increased fuel tax revenue. The St. Clair County Road Commission anticipates receiving new revenue in late 2026 or early 2027. Specific details and anticipated revenue totals are still being worked on at the state level.

CONTACTING THE ST. CLAIR COUNTY ROAD COMMISSION’S MANAGEMENT

This financial report is designed to provide a general overview of the Road Commission’s finances and to show accountability. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the St. Clair County Road Commission, 21 Airport Drive, St. Clair, Michigan 48079.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY ROAD COMMISSION
BALANCE SHEET/STATEMENT OF NET POSITION
December 31, 2025

	General Fund	Adjustments (Note 2)	Governmental Activities
ASSETS			
Cash	\$ 18,116,771	\$ -	\$ 18,116,771
Investments	6,147,598	-	6,147,598
Due from other governmental units	5,539,582	-	5,539,582
Receivables -			
Accounts	47,975	-	47,975
Property taxes	1,588,080	-	1,588,080
Leases	199,758	-	199,758
Prepaid items	383,320	-	383,320
Inventory	1,766,814	-	1,766,814
Net OPEB asset	-	941,146	941,146
Capital assets, net of accumulated depreciation -			
Assets not being depreciated	-	27,885,335	27,885,335
Assets being depreciated	-	184,705,556	184,705,556
Total assets	<u>\$ 33,789,898</u>	<u>213,532,037</u>	<u>247,321,935</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension plan		3,030,569	3,030,569
Related to OPEB plan		3,055,080	3,055,080
		<u>6,085,649</u>	<u>6,085,649</u>
LIABILITIES			
Accounts payable	\$ 331,056	-	331,056
Accrued liabilities	322,646	89,000	411,646
Advances and deposits	1,861,272	-	1,861,272
Noncurrent liabilities -			
Due within one year	-	503,214	503,214
Due in more than one year	-	8,485,247	8,485,247
Total liabilities	<u>2,514,974</u>	<u>9,077,461</u>	<u>11,592,435</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes levied for subsequent period	1,588,080	-	1,588,080
Leases	199,758	-	199,758
Related to OPEB plan	-	899,412	899,412
Total deferred inflows of resources	<u>1,787,838</u>	<u>899,412</u>	<u>2,687,250</u>
FUND BALANCE			
Nonspendable - prepaids and inventory	2,150,134	(2,150,134)	-
Assigned	6,389,189	(6,389,189)	-
Unassigned	20,947,763	(20,947,763)	-
Total fund balance	<u>29,487,086</u>	<u>(29,487,086)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 33,789,898</u>		
NET POSITION			
Net investment in capital assets		212,590,891	212,590,891
Restricted - net OPEB asset		941,146	941,146
Unrestricted		25,595,862	25,595,862
Total net position		<u>\$ 239,127,899</u>	<u>\$ 239,127,899</u>

ST. CLAIR COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES
For the year ended December 31, 2025

	General Fund	Adjustments (Note 2)	Governmental Activities
REVENUES			
Property taxes	\$ 1,512,536	\$ -	\$ 1,512,536
Permits	347,492	-	347,492
Intergovernmental -			
Federal sources	6,249,462	-	6,249,462
State sources	22,216,484	-	22,216,484
Local sources	6,797,166	-	6,797,166
Charges for services	6,419,224	-	6,419,224
Interest and rents	773,507	-	773,507
Other	142,285	-	142,285
	<u>44,458,156</u>	<u>-</u>	<u>44,458,156</u>
Total revenues			
EXPENDITURES/EXPENSES			
Current -			
Primary preservation - structural improvements	12,249,665	(12,249,665)	-
Local preservation - structural improvements	4,569,350	(4,569,350)	-
Primary maintenance	6,430,954	7,664	6,438,618
Local maintenance	9,004,144	(42,579)	8,961,565
State maintenance	5,865,254	-	5,865,254
Administrative	264,114	(28,090)	236,024
Equipment operations	5,610,600	(2,295,012)	3,315,588
Less - equipment rental charged to other activities	(5,315,131)	-	(5,315,131)
Other	993,427	(83,868)	909,559
Depreciation	-	13,936,831	13,936,831
Capital outlay	2,500,271	(2,500,271)	-
Less - depreciation credit and retirements	(2,332,216)	2,332,216	-
	<u>39,840,432</u>	<u>(5,492,124)</u>	<u>34,348,308</u>
Total expenditures/expenses			
Change in fund balance/net position	4,617,724	5,492,124	10,109,848
Fund balance/net position at beginning of year	<u>24,869,362</u>	<u>204,148,689</u>	<u>229,018,051</u>
Fund balance/net position at end of year	<u>\$ 29,487,086</u>	<u>\$ 209,640,813</u>	<u>\$ 239,127,899</u>

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Road Commission Operations

St. Clair County Road Commission (the "Road Commission"), is a component unit of the County of St. Clair, Michigan (the "County"), and is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, reimbursements from the Department of Transportation (MDOT) for work performed within the County on state trunklines, a special County-wide road millage, and contributions from other local units of government (townships) for work performed by the Road Commission. The General Fund is a governmental fund and the only fund of the Road Commission.

The Road Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under a Board appointed by St. Clair County Board of Commissioners. The Road Commission Board consists of three (3) County Road Commissioners who establish policies and review operations of the Road Commission. The Road Commission provides services to twenty-three (23) townships in St. Clair County and maintains over 2,000 miles of state, local, and primary roads.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting methods and procedures adopted by the St. Clair County Road Commission conform to accounting principles generally accepted in the United States of America as applicable to governmental entities, including the following accounting policies specific to road commissions: allocation of depreciation/depletion and equipment rental, the recording of handling and overhead credits, and the recording of equipment retirements with the related gain or loss on disposal of equipment. The more significant accounting policies are described as follows:

The government-wide financial statements (statement of net position and statement of activities) 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 revenues in the year they are intended to finance operations (the December levy finances the next year's operations). Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

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

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The General Fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized when 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 year. The major revenue sources that are susceptible to accrual are motor vehicle highway funds, property taxes, and township contributions. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, pension and other postemployment benefit (OPEB) expenses, and claims and judgements are recorded only when payment is due.

C. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Balance or Net Position

Cash - The Road Commission's cash is cash on hand, demand deposits, and savings deposits.

Inventories - Inventories of road materials and equipment parts are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are stated at average cost, which approximates market.

Prepaid Items - Certain payments to vendors (particularly for insurance coverage) reflect costs that are applicable to a future period and are recorded as prepaid items in the General Fund and governmental activities financial statements.

Property Taxes - A County Road property tax is levied each December 1 based on the taxable value of real and personal property located in the County as of the preceding December 31 for the various municipalities within the County. Property taxes are recognized as revenues in the year for which they were levied.

The County of St. Clair levied 0.25 mills for the year. The revenue generated is to be used to maintain and improve roads and as match funds for federal and state financed projects for roads within the County of St. Clair.

Leases - A lease receivable and a deferred inflow of resources is recognized by the Road Commission as a lessor on long-term leases (noncancelable leases greater than 12 months).

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure, are reported in the government-wide financial statements (statement of net position). Capital assets for land, buildings and improvements, and all equipment except road equipment are defined by the Road Commission as assets with a purchase price greater than \$1,000 and an estimated useful life in excess of one year. Road equipment is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets over the estimated useful life of the related asset.

The estimated useful lives are as follows:

Buildings and improvements	20-50 years
Equipment	4-20 years
Roads	8-20 years
Bridges	25-50 years
Traffic signals	15 years

Infrastructure is reported retrospectively from 1980, except for right-of-ways, bridges, and traffic signals, which are required to be reported despite the date of purchase. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

Depletion is calculated as the amount of prorated cost or other indicated value assigned to the extracted portion of a natural resource (gravel).

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides for recording depreciation and depletion in the General Fund financial statements as a charge to various expenditure accounts, and a credit to a depreciation/depletion credit account that is offset against capital outlay. Accordingly, the annual depreciation/depletion expenditures do not affect the available operating equity (fund balance) of the General Fund financial statements.

The Uniform Accounting Procedures Manual for Michigan County Road Commissions also provides for the net book value of road equipment that is retired to be reported as an equipment retirement in an equipment retirement credit account that is offset against capital outlay. The net of any proceeds received for the retirement (sale, abandonment, or trade-in) is reported as a gain or loss on disposal of equipment. As a result, fund balance of the General Fund is not affected.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advances from the State of Michigan - The State of Michigan (State) advances funds on a State maintenance agreement that it has with St. Clair County Road Commission for specified maintenance, which the Road Commission will perform during the year, and for equipment purchased and used in performance of the specified maintenance. These advances are considered current liabilities because they are subject to repayment annually upon audit by the State of Michigan.

Compensated Absences - The Road Commission recognizes a liability for compensated absence leave if it is attributed to services already performed and earned by the employee, the leave accumulates, and the leave is carried forward to future reporting periods where it will more likely than not be used for time off or otherwise be paid or settled. The Road Commission recognizes the leave in accordance with the Road Commission's negotiated employee group contracts in which individual employees have a vested right upon termination to receive payments for unused vacation and sick leave under formulas and conditions specified in the contracts. The Road Commission recognizes these amounts in the government-wide financial statements (statement of net position).

Deferred Outflows/Inflows of Resources - In addition to assets, the statement of net position and balance sheet 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 (expenses/expenditures) until then. The Road Commission reports deferred outflows of resources related to the pension and OPEB plans. Contributions made subsequent to the measurement date are recognized in the following plan year; the net difference between projected and actual plan investment earnings is amortized over five (5) years; and the remaining deferred outflows of resources are amortized over the expected remaining service lives of the participants.

In addition to liabilities, the statement of net position and 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) so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has the following items that qualify for reporting in this category: two reported on both the government-wide statement of net position (accrual basis of accounting) and the General Fund balance sheet (modified accrual basis of accounting) for taxes levied for a subsequent period and leases and items reported on the government-wide statement of net position related to the pension and OPEB plans. The tax amounts are recognized as an inflow of resources in the period for which the tax is levied and in the period the amounts become available and leases are recognized as an inflow of resources in the period paid. The pension and OPEB related deferred inflows of resources are amortized over the expected remaining service lives of the participants, with the exception of the net difference between projected and actual plan investment earnings, which is amortized over five (5) years.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equipment Rental - The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the cost of operating equipment, including depreciation, be charged (allocated) to the various activities. The credit of this allocation is an offset to equipment expenditures/expenses. As a result, the available fund balance and net position are not affected.

Handling and Overhead Credits - The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the charging of handling and overhead based on a calculation related to a specific project's cost, particularly the State Trunkline agreements, be reported as an expenditure/expense under the appropriate activity and a credit to a handling or overhead credit account that is offset against the administrative activity. As a result, the available fund balance and net position are not affected.

Fund Balance - In the financial statements, the General Fund reported a fund balance in one or more of the following classifications:

Nonspendable Fund Balance - the portion of fund balance that cannot be spent because of its form or because it must be maintained intact.

Restricted Fund Balance - the portion of fund balance that has limitations imposed on use by external sources.

Committed Fund Balance - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action via board resolution (e.g., to establish, modify or rescind), of the highest level of decision-making authority (Board of County Road Commissioners).

Assigned Fund Balance - the portion of fund balance that reflects the Road Commission's intended use of resources. Such intent currently must be determined by the Deputy Managing Director as provided via resolution of the Board of County Road Commissioners.

Unassigned Fund Balance - the portion of fund balance in the General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the Road Commission's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, then assigned and lastly unassigned.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates - In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of differences between the balance sheet and statement of net position (Page 11).

Fund balance - General Fund	\$ 29,487,086
Capital assets used in governmental activities are not financial resources, and therefore, not reported in the General Fund statements.	
Add - capital assets	354,191,193
Deduct - accumulated depreciation	(141,600,302)
Certain pension and OPEB contributions and changes in pension and OPEB plan liabilities are reported as deferred outflows (inflows) of resources in the statement of net position.	
Deferred outflows of resources	6,085,649
Deferred inflows of resources	(899,412)
Long-term assets (liabilities) that are not due in the current period, and therefore, are not reported in the General Fund statements.	
Insurance IBNR	(89,000)
Compensated absences	(756,683)
Net OPEB asset	941,146
Net pension liability	<u>(8,231,778)</u>
Net position - governmental activities	<u>\$ 239,127,899</u>

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of differences between the statement of revenues, expenditures, and changes in fund balance and the statement of activities (Page 12).

Change in fund balance - General Fund	\$ 4,617,724
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The General Fund reports capital outlay as expenditures; however, in the government-wide statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay and infrastructure	19,319,286
Deduct -	
Depreciation	(13,936,831)
Loss on disposal	(7,635)

Some expenses reported in the government-wide statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the General Fund.

Increase in IBNR	(31,000)
Increase in compensated absences	(105,683)
Increase in net pension liability	(76,231)
Decrease in net OPEB asset	(394,475)

Changes in deferred outflows/inflows of resources related to the pension and OPEB plans	<u>724,693</u>
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Change in net position - governmental activities	<u><u>\$ 10,109,848</u></u>
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NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

The Deputy Managing Director prepares from data submitted by the administrative staff a proposed operating budget for the calendar year commencing January 1. The operating budget includes proposed expenditures and resources to finance them.

The budget for the General Fund is adopted on the modified accrual basis, which is consistent with accounting principles generally accepted in the United States of America.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

Prior to May 1, the proposed budget is presented to the Board of County Road Commissioners. The Board holds a public hearing in October or November and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Road Commissioner’s resolution. The budget is approved at the activity level by the Board of County Road Commissioners.

Expenditures may not exceed appropriations at the activity level. The Managing Director has been granted the authority by the Board of County Road Commissioners to amend the budget up to 10% of the activity amount. Budgetary control is exercised at the activity level. Individual amendments were material in relation to the original appropriation.

The Road Commission does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level. The Michigan Department of Treasury requires the reporting of any significant overages at the legal level of budgetary control (any overages at the legal level of budgetary control greater than 10% of total expenditures and the overage itself is larger than 10%). For the year ended December 31, 2025, the Road Commission had overages that exceeded these thresholds as follows:

	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Primary preservation - Structural improvements	\$ 7,447,536	\$ 12,249,665	\$ (4,802,129)

NOTE 4 - DEPOSITS

As of December 31, 2025, the carrying amount of deposits is as follows:

Cash on hand	\$ 250
Deposits with financial institutions	<u>18,116,521</u>
	18,116,771
Reported as investments - certificates of deposit	<u>6,147,598</u>
	<u><u>\$ 24,264,369</u></u>

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 4 - DEPOSITS (Continued)

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Road Commission. All Road Commission receipts are deposited with the St. Clair County Treasurer's Office, and in order to make disbursements, the St. Clair County Road Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. The investing of surplus cash is performed by the County Treasurer.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned to it. Michigan Public Acts authorize road commissions to deposit into the accounts of federally insured banks, insured credit unions, and savings and loan associations with an office in Michigan. The Road Commission is in compliance with its investment policy in regards to custodial credit risk.

The Road Commission's deposits consist of demand and savings accounts/time deposits. At December 31, 2025, the bank balance of the Road Commission's deposits is \$25,793,522, of which \$6,633,787 is insured by depository insurance and \$19,159,735 is uninsured and uncollateralized.

NOTE 5 - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units as of December 31, 2025 consists of the following:

State -	
Motor vehicle highway funds	\$ 3,512,449
Trunkline maintenance	979,617
Transportation department - other	<u>129,134</u>
	<u>4,621,200</u>
Local -	
Township road agreements	495,859
Other services	<u>422,523</u>
	<u>918,382</u>
	<u><u>\$ 5,539,582</u></u>

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 6 - LEASES RECEIVABLE

The Road Commission has a significant lease agreement. The lease is from September 21, 2022 to September 20, 2027 with an option of one additional five-year term. Lease payments of \$9,583 are payable monthly at the beginning of the lease term, including interest at an implied interest rate of 4%. Lease payments increase 2% each year. During 2025, monthly payments were \$9,971-\$10,170.

The Road Commission collected \$120,444 from this lease for the year ended December 31, 2025, which included \$110,044 in lease (rent) revenues and \$10,400 in lease interest revenue.

A lease receivable and deferred inflow of resources have been recorded to reflect future expected payments. Future minimum payments are as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
2026	\$ 116,981
2027	<u>82,777</u>
	<u>\$ 199,758</u>

NOTE 7 - INVENTORY

The inventory balance of \$1,766,814 at December 31, 2025 consisted of \$1,419,130 of road materials and \$347,684 of equipment parts and materials.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the current year was as follows:

	Balance January 1, 2025	Additions	Deletions/ Removals	Balance December 31, 2025
Capital assets, not being depreciated -				
Land	\$ 65,629	\$ -	\$ -	\$ 65,629
Land improvements	24,590,395	-	-	24,590,395
Right of ways	3,229,311	-	-	3,229,311
Total capital assets, not being depreciated	27,885,335	-	-	27,885,335
Capital assets, being depreciated -				
Building and improvements	6,485,604	31,720	-	6,517,324
Road equipment	23,998,220	2,362,243	448,768	25,911,695
Shop equipment	795,596	84,722	11,971	868,347
Office equipment	191,173	-	19,440	171,733
Engineering equipment	378,265	21,586	38,627	361,224
Infrastructure:				
Roads	179,636,514	11,394,464	15,740,965	175,290,013
Bridges	111,136,703	5,077,873	-	116,214,576
Traffic signals	460,813	346,678	-	807,491
Depletable assets:				
Gravel pits	163,455	-	-	163,455
	323,246,343	19,319,286	16,259,771	326,305,858
Less - accumulated depreciation for -				
Building and improvements	4,339,521	149,380	-	4,488,901
Road equipment	18,484,859	2,125,909	443,400	20,167,368
Shop equipment	619,861	21,051	11,971	628,941
Office equipment	184,567	2,848	19,440	167,975
Engineering equipment	323,303	25,393	36,360	312,336
Infrastructure:				
Roads	80,996,879	8,873,166	15,740,965	74,129,080
Bridges	38,464,512	2,713,452	-	41,177,964
Traffic signals	455,763	25,632	-	481,395
Depletable assets:				
Gravel pits	46,342	-	-	46,342
	143,915,607	13,936,831	16,252,136	141,600,302
Total capital assets, being depreciated, net	179,330,736	5,382,455	7,635	184,705,556
Governmental activity capital assets, net	\$ 207,216,071	\$ 5,382,455	\$ 7,635	\$ 212,590,891

Total depreciation for the year ended December 31, 2025 was \$13,936,831.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 9 - FEDERAL AWARDS

It is required by the Michigan Department of Transportation (MDOT) that road commissions report total federal awards for Highway Research, Planning and Construction pertaining to their County. However, only the federal awards applicable to force account expenditures are 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 remaining balance is administered by MDOT.

During the year ended December 31, 2025, St. Clair County Road Commission had less than \$750,000 of force account and other contract expenditures applicable to federal awards. As a result, an audit for compliance under the Single Audit Act has not been performed.

NOTE 10 - ADVANCES AND DEPOSITS

Advances of \$1,861,272 at December 31, 2025 represent money advanced by the State of Michigan under the maintenance contract the Road Commission has with the State for cash flow and equipment purchases and advances from townships, contractors, and individuals for various projects. Both State advances are adjusted annually by the State and must be repaid if the maintenance contract is canceled. The following is a summary of the balance by source and use:

State -		
Trunkline maintenance	\$ 424,721	
Equipment	<u>1,318,281</u>	
	1,743,002	
Local - contractors and individuals	<u>118,270</u>	
	<u><u>\$ 1,861,272</u></u>	

NOTE 11 - LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities of the Road Commission for the year ended December 31, 2025:

	Balance January 1, 2025	Additions	Reductions	Balance December 31, 2025	Due Within One Year
Accrued compensated absences	<u>\$ 651,000</u>	<u>\$ 105,683</u>	<u>\$ -</u>	<u>\$ 756,683</u>	<u>\$ 503,214</u>

* The change of compensated absences is presented at net change.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 11 - LONG-TERM LIABILITIES (Continued)

Significant details regarding outstanding long-term liabilities are presented below:

Compensated Absences

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in their contracts. The dollar amount of these vested rights, which has been accrued, on the government-wide financial statements amounted to approximately \$498,411 for sick leave and \$258,272 for vacation at December 31, 2025.

NOTE 12 - RETIREMENT PLANS

DEFINED BENEFIT PLAN

Plan Description

Full-time employees, hired prior to August 23, 2011, of St. Clair County Road Commission are covered under the St. Clair County Retirement System. The St. Clair County Retirement System is a single-employer defined benefit pension plan (the "Plan"), which was established by County ordinance in 1964 to provide retirement and pension benefits for eligible employees of St. Clair County, St. Clair County Road Commission, and St. Clair County Community Mental Health Authority. The Road Commission shares its experience risks and benefits with the County and as such, it is reported as a cost sharing multiple-employer plan. The system is administered, managed and operated by a Board composed of 9 Trustees, the chairperson of the Board of Commissioners or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system, and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The Plan may be amended by the County Board of Commissioners.

The County issues a publicly available annual financial statement that includes financial statements of the Plan. The report may be obtained from St. Clair County by writing to the Administrator/Controller's office at 200 Grand River Suite 203, Port Huron, Michigan, 48060, or by calling (810) 989-6900. The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenue when due and payable. Benefits and refunds are recognized when due and are payable in accordance with the Plan. Plan investments are reported at fair value or estimated fair value.

Benefits Provided

In general, all employees are eligible for regular retirement when age plus service equals 80 with 25 years of service, or age 60 with 8 years of service. Maximum benefits are 75% of final average compensation.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 12 - RETIREMENT PLANS (Continued)

In addition to the regular retirement provisions, the system allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability - no age or service requirements but must be in receipt of workers' compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,500 policy to retirees.
- Supplemental Payments to Retirees Aged 65 and Older - retirees with less than 20 years of service receive \$14 per month and those with 20 or more years of service at retirement receive \$16 per month.

Contributions

The Plan provides for periodic employer contributions at actuarially determined rates. The required employer contributions were \$888,275 for the year ended December 31, 2025. Employee contributions represent 52.35% of covered payroll. During the year ended December 31, 2025, contributions totaling \$1,024,032 (\$888,275 employer and \$135,757 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the Plan as of December 31, 2023. The contribution requirement of a Plan member and the Road Commission are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the Plan are paid with retirement assets.

Net Pension Liability

The net pension liability of the Road Commission has been measured as of December 31, 2024 and has been determined on the same basis as used by the Plan. The Road Commission's net pension liability is 15.87 percent of the Plan's liability, compared to 12.52 percent at December 31, 2023, and is composed of the following:

Total pension liability	\$ 47,408,246
Plan fiduciary net position	<u>39,176,468</u>
Net pension liability	<u>\$ 8,231,778</u>
Fiduciary net position as a percentage of the total pension liability	82.64%

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 12 - RETIREMENT PLANS (Continued)

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

For the year ended December 31, 2025, the Road Commission recognized a pension expense of \$2,634,211. At December 31, 2025, the Road Commission reported deferred outflows of resources related to pension from the following sources:

Changes in proportion and differences between actual contributions and proportionate share of contributions	\$ 230,542
Differences between expected and actual experience	262,269
Changes in assumptions	518,396
Net difference between projected and actual earnings on Plan investments	1,131,087
Contributions made subsequent to the measurement date	<u>888,275</u>
	<u><u>\$ 3,030,569</u></u>

The deferred outflows of resources related to pension, excluding contributions to the Plan subsequent to the measurement date, which will be recognized by the Plan in the next measurement period, will be recognized in pension expense as follows:

2026	\$ 1,750,199
2027	1,296,337
2028	(632,664)
2029	<u>(271,578)</u>
	<u><u>\$ 2,142,294</u></u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2023, which used updated procedures to roll forward the estimated liability to December 31, 2024. The valuation used the following actuarial assumptions based on the most recent study of Plan experience from 2018-2023 completed in August 2024:

Inflation - 2.42%

Salary Increases - 3.00% - 8.00%

Investment Rate of Return - 7.00%

Mortality Rate - Mortality rates were based on Pub-2010 Mortality Table for Public Safety Employees

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 12 - RETIREMENT PLANS (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Changes in assumptions from 2024 include inflation rate increasing to 2.42% from 2.25%, salary increases increasing to 3.00% - 8.00% from 2.25% - 7.00%, and a change in mortality tables from RP-2014 Blue Collar Mortality Tables to the Pub-2010 Mortality Table for Public Safety Employees.

Projected Cash Flows

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

The long-term expected rate of return on Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return as of December 31, 2024 for each major asset class included in the Plan's target asset allocation, as disclosed in the investment footnote of St. Clair County's Annual Comprehensive Financial Report, are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic large cap equity	20.00 %	9.32 %
Domestic mid cap equity	15.00	9.11
Domestic small cap equity	10.00	7.73
International equity	10.00	4.63
Emerging Equity	5.00	6.42
Private real assets	5.00	5.83
Real estate	15.00	4.37
Fixed income	20.00	0.53
	100.00 %	

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 12 - RETIREMENT PLANS (Continued)

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

The following presents the net pension liability, calculated using the discount rate of 7.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net pension liability	<u>\$ 12,882,002</u>	<u>\$ 8,231,778</u>	<u>\$ 4,270,156</u>

DEFINED CONTRIBUTION PLAN

The Road Commission provides pension benefits through a defined contribution plan to employees not participating in the defined benefit Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus any investment earnings. The Road Commission matches employee contributions up to 10% of total wages and is subject to forfeiture by the employee based on a 5-year vesting schedule. The maximum contribution rate increased from 8% to 10% on March 1, 2024. Plan provisions may be changed by agreement of the Board of County Road Commissioners and the unions. Employee contributions are 100% vested at the time of contribution. For the year ended December 31, 2025, the Road Commission contributed \$402,943 to the Plan.

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description and Benefits Provided

In addition to the retirement benefits described above, St. Clair County Road Commission provides postemployment benefits for those employees that are part of the defined benefit St. Clair County Retirement System as described in Note 12. Postemployment benefits consist of health, dental, and prescription drug coverage. The plan is closed to all new participants. (The plan was closed to participants as of August 23, 2011 for clerical and TPOAM and as of September 14, 2011 for production and operating engineer divisions.)

The County issues publicly available annual financial statements that include financial statements for the plan. That report may be obtained from St. Clair County by writing to Administrator/Controller 200 Grand River, Port Huron, Michigan, 48060, or by calling (810) 989-6900.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contribution and Funding Policy

The funding policy provides for periodic employer contributions at actuarially determined rates. The plan requires no member contributions for Road Commission employees. During the year ended December 31, 2025, employer contributions of \$1,425,000 were made by the Road Commission. The actuarial valuation dated December 31, 2024 determined a required contribution for calendar year 2025 of \$67,389.

The contributions of the OPEB Plan members and the Road Commission are established and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the OPEB Plan are paid with OPEB Plan assets.

The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

Net OPEB Asset

The net OPEB asset of the Road Commission has been measured as of December 31, 2024 and has been determined on the same basis as used by the OPEB Plan. The Road Commission's net OPEB asset is 109.54 percent of the OPEB Plan's asset, compared to 118.00 percent at December 31, 2023, and is composed of the following:

Total OPEB liability	\$ 9,867,301
Plan fiduciary net position	<u>10,808,447</u>
Net OPEB asset	<u>\$ (941,146)</u>
Fiduciary net position as a percentage of the total OPEB liability	109.54%

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended December 31, 2025, the Road Commission recognized an OPEB credit of \$574,923. At December 31, 2025, the Road Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between actual contributions and proportional share of contributions	\$ 166,530	\$ -
Differences between expected and actual experience	36,067	294,102
Changes in assumptions	1,427,483	411,833
Net difference between projected and actual earnings on OPEB Plan investments	-	193,477
Contributions made subsequent to the measurement date	<u>1,425,000</u>	<u>-</u>
	<u>\$ 3,055,080</u>	<u>\$ 899,412</u>

The amounts of deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions to the OPEB Plan subsequent to the measurement date, which will be recognized by the OPEB Plan in the next measurement period, will be recognized as OPEB expense (credit) as follows:

2026	\$ 164,407
2027	886,960
2028	(220,393)
2029	<u>(100,306)</u>
	<u>\$ 730,668</u>

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2023, which used updated procedures to roll forward the estimated liability to December 31, 2024. The valuation used the following actuarial assumptions based on the most recent study of OPEB Plan experience completed in August 2024:

Inflation - 3.00%

Salary Increases - 3.00% - 8.00%

Investment Rate of Return - 6.00%

Healthcare Cost Trend Rate - Non-Medicare - 8.00%, decreasing to 4.50% by increments of 0.50%

Healthcare Cost Trend Rate - Medicare - 5.50%, decreasing to 4.50% by increments of 0.25%

Mortality Rate - Mortality rates were based on Pub-2010 mortality table with generational improvements projected generationally using Scale MP-2021.

Discount Rate - The discount rate used to measure the total OPEB liability was 6.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Changes in assumptions from 2024 include salary increases from 3.50% to 3.00% - 8.00%, investment rate of return from 6.40% to 6.00%, healthcare cost trend rate from 7.50/6.50% to 8.00/5.50%, and a change in mortality tables from RP-2014 Blue Collar Mortality Tables to the Pub-2010 Mortality Table.

Projected Cash Flows

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

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 13 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Best estimates of arithmetic real rates of return as of December 31, 2024 for each major asset class included in the OPEB Plan's target asset allocation, as disclosed in the investment footnote of St. Clair County's Annual Comprehensive Financial Report, are summarized in the following table.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Fixed income	38.00 %	4.50 %
Domestic equity	48.00	7.00
International equity	9.00	7.50
Real estate	3.00	6.00
Cash	2.00	3.00
	100.00 %	

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

The following presents the net OPEB asset, calculated using the discount rate of 6.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.00 percent) or 1-percentage-point higher (7.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB asset	\$ (371,500)	\$ (941,146)	\$ (1,420,771)

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

The following presents the net OPEB asset, calculated using assumed trend rates, as well as what the net OPEB asset would be using a trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Net OPEB asset	\$ (1,491,716)	\$ (941,146)	\$ (283,483)

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 14 - ASSIGNED FUND BALANCE

The Road Commission fund balance at December 31, 2025 has been assigned as follows:

Contractor's retention	\$ 29,754
Township match money/berm programs	313,793
Local road funding assistance	359,584
Adair site	534,113
Deanville pit	307,275
2026 operations	3,069,054
Office renovations	<u>1,775,616</u>
	<u>\$ 6,389,189</u>

NOTE 15 - SUMMARY OF DISCLOSURE OF SIGNIFICANT CONTINGENCIES

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

The Road Commission participates in a number of federal and state-assisted grant programs, which are subject to compliance audits. The periodic program compliance monitoring of many of the federal and state programs have not yet been conducted or completed. Accordingly, the Road Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Road Commission expects such amounts, if any, to be immaterial.

Also, as part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

ST. CLAIR COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS
December 31, 2025

NOTE 16 - RISK MANAGEMENT

The Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (the "Pool") established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts. The Michigan County Road Commission Self-Insurance Pool was established for the purpose of making a self-insurance pooling program available for Michigan County Road Commissions, 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.

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage, and personal injury liability. The agreement for the formation 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 a member of the County Road Association Self Insurance Fund for workers' compensation insurance. The Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

The Road Commission continues to carry commercial insurance for accident insurance. The amount of settlements (claims) for the past three years has not exceeded insurance coverage.

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed on a contractual basis by a third party. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision (up to \$30,000 per contract per contract year), which are adjusted quarterly. Based on past history and current available data, the Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR) of \$89,000 at December 31, 2025.

Changes in the balance of claims liability are as follows:

	<u>2025</u>	<u>2024</u>
Unpaid claims, beginning of year	\$ 58,000	\$ 20,000
Incurred claims (including IBNR's)	1,421,086	1,462,247
Claims paid	<u>(1,390,086)</u>	<u>(1,424,247)</u>
Unpaid claims, end of year	89,000	58,000
Less - current portion	<u>(89,000)</u>	<u>(58,000)</u>
Long-term liabilities	<u>\$ -</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL
For the year ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,300,000	\$ 1,400,000	\$ 1,512,536	\$ 112,536
Permits	150,000	310,000	347,492	37,492
Intergovernmental -				
Federal sources	9,666,524	6,474,280	6,249,462	(224,818)
State sources	22,043,321	22,043,321	22,216,484	173,163
Local sources	4,634,112	4,575,991	6,797,166	2,221,175
Charges for services	4,500,000	6,061,624	6,419,224	357,600
Interest and rents	300,000	525,000	773,507	248,507
Other	200,000	250,000	142,285	(107,715)
Total revenues	42,793,957	41,640,216	44,458,156	2,817,940
EXPENDITURES				
Current -				
Primary preservation - structural improvements	9,111,532	7,447,536	12,249,665	(4,802,129)
Local preservation - structural improvements	5,442,066	2,811,503	4,569,350	(1,757,847)
Primary maintenance	13,589,000	13,419,291	6,430,954	6,988,337
Local maintenance	9,596,140	9,590,104	9,004,144	585,960
State maintenance	4,500,000	5,516,343	5,865,254	(348,911)
Administrative	628,000	628,000	264,114	363,886
Equipment operations, net	1,617,000	1,664,000	295,469	1,368,531
Other	600,000	780,000	993,427	(213,427)
Capital outlay, net	211,145	401,510	168,055	233,455
Total expenditures	45,294,883	42,258,287	39,840,432	2,417,855
Net change in fund balances	(2,500,926)	(618,071)	4,617,724	5,235,795
Fund balance at beginning of year	24,869,362	24,869,362	24,869,362	-
Fund balance at end of year	\$ 22,368,436	\$ 24,251,291	\$ 29,487,086	\$ 5,235,795

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last ten years
(Plan year end)

	Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
2024	15.87%	\$ 8,231,778	\$ 2,634,211	312.50%	82.64%
2023	12.52%	8,155,547	1,921,257	424.49%	82.31%
2022	12.52%	8,526,299	2,496,211	341.57%	81.04%
2021	-0.40%	(59,729)	2,363,904	-2.53%	100.13%
2020	8.13%	2,798,757	2,977,119	94.01%	93.71%
2019	11.87%	4,696,412	3,168,817	148.21%	89.45%
2018	16.39%	7,347,811	3,198,320	229.74%	82.69%
2017	18.13%	3,386,198	3,479,593	97.32%	91.94%
2016	19.28%	6,486,984	3,536,730	183.42%	84.68%
2015	22.86%	7,393,819	3,842,251	192.43%	82.46%

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION PENSION CONTRIBUTIONS
Last ten years

For the year ended December 31,	Actuarially Determined Contributions (ADC)	Contributions	Contribution Excess	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 888,275	\$ 888,275	\$ -	\$ 1,696,959	52.35%
2024	785,962	785,962	-	1,833,521	42.87%
2023	536,825	581,240	(44,415)	1,859,372	31.26%
2022	702,161	738,956	(36,795)	2,363,904	31.26%
2021	748,677	856,048	(107,371)	2,739,480	31.25%
2020	686,516	1,011,042	(324,526)	3,234,296	31.26%
2019	647,111	1,067,495	(420,384)	3,414,891	31.26%
2018	725,154	1,075,163	(350,009)	3,439,420	31.26%
2017	910,369	1,088,454	(178,085)	3,481,943	31.26%
2016	964,059	1,137,998	(173,939)	3,640,430	31.26%

VALUATION DATE December 31 two years prior to the end of the fiscal year

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal cost method
Amortization method	Level dollar, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothing
Salary increases	2.25% - 7.00%, including inflation of 2.25%
Investment rate of return	7.00%
Retirement age	Replacement Index up to age 65, then 100%
Mortality	2025: RP-2010 General mortality table, blended 50% female and 50% male, projected to the valuation date for the year using the SOA MP improvement scale
	2021: RP-2014 Blue Collar mortality table with generational improvements from 2006 based on the SOA Scale MP-2021
	2018: RP-2014 Mortality Table with generational improvements from 2006 based on Social Security mortality improvement assumptions from the 2016 Trustees' Report
	2017: RP-2014 Mortality Table with generational improvements from 2006 based on Social Security mortality improvement assumptions from the
	2016 and prior: RP 2000 Combined Healthy generational mortality with Scale AA

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Last ten years
 (Plan year end)

	Proportion of Net OPEB Liability (Asset)	Proportionate Share of Net OPEB Liability (Asset)	Covered Payroll	Proportionate Share of Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total OPEB Liability
2024	126.39%	\$ (941,146)	\$ 1,923,145	-48.94%	109.54%
2023	-13.69%	(1,335,621)	1,900,355	-70.28%	118.00%
2022	22.63%	2,628,938	2,629,999	99.96%	71.68%
2021	32.20%	4,188,778	2,933,873	142.77%	60.93%
2020	19.07%	12,088,240	3,204,467	377.23%	30.02%
2019	23.99%	10,199,214	3,277,260	311.21%	27.98%
2018	27.08%	14,390,104	3,392,127	424.22%	14.66%
2017	21.52%	31,645,491	3,596,775	879.83%	5.35%

GASB Statement No. 75 was implemented for fiscal year ended December 31, 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF ROAD COMMISSION OPEB CONTRIBUTIONS
Last ten years

For the Year Ended December 31,	Actuarially Determined Contributions (ADC)	Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	\$ 67,389	\$ 1,425,000	\$ (1,357,611)	\$ 1,696,959	83.97%
2024	54,737	1,450,000	(1,395,263)	1,833,521	79.08%
2023	454,592	1,425,000	(970,408)	2,295,942	62.07%
2022	817,924	1,437,065	(619,141)	2,629,999	54.64%
2021	898,761	1,400,403	(501,642)	2,933,873	47.73%
2020	1,219,087	1,450,839	(231,752)	3,204,467	45.28%
2019	1,470,258	1,385,614	84,644	3,277,260	42.28%
2018	1,516,284	1,491,527	24,757	3,439,420	43.37%

VALUATION DATE December 31 of the year prior

METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal cost method
Amortization method	Level percent of salary, closed
Remaining amortization period	5 years
Asset valuation method	5-year smoothing
Salary increases	2025: 3.00-8.00% including 3.00% inflation prior: 2.25 - 7.00%, including inflation of 2.25%
Investment rate of return	2025: 6.00% 2023: 6.40%; prior: 5.25%
Retirement age	Replacement Index up to age 64, then 100%
Mortality	RPH-2006 Blue Collar Mortality Table fully generational using scale MP-2021

GASB Statement No. 75 was implemented for fiscal year ended December 31, 2018. This schedule is being built prospectively. Ultimately, ten years of data will be presented.

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY ROAD COMMISSION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BY FUND BALANCE SUB-ACCOUNTS
GENERAL FUND
For the year ended December 31, 2025

	<u>Primary</u>	<u>Local</u>	<u>County</u>	<u>Total</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,512,536	\$ 1,512,536
Licenses and permits	-	-	347,492	347,492
Intergovernmental -				
Federal sources	4,679,756	1,569,706	-	6,249,462
State sources	15,447,290	6,769,194	-	22,216,484
Local sources	-	4,408,433	2,388,733	6,797,166
Charges for services	-	-	6,419,224	6,419,224
Interest and rents	16,261	1,306	755,940	773,507
Other	-	-	142,285	142,285
	<u>20,143,307</u>	<u>12,748,639</u>	<u>11,566,210</u>	<u>44,458,156</u>
EXPENDITURES				
Preservation -				
Structural improvements	12,249,665	4,569,350	-	16,819,015
Maintenance	6,430,954	9,004,144	-	15,435,098
Other -				
Trunkline maintenance	-	-	5,379,673	5,379,673
Trunkline nonmaintenance	-	-	485,581	485,581
Administrative, net	152,967	111,147	-	264,114
Equipment, net	89,922	117,612	87,935	295,469
Other	-	-	993,427	993,427
Capital outlay, net	-	-	168,055	168,055
	<u>18,923,508</u>	<u>13,802,253</u>	<u>7,114,671</u>	<u>39,840,432</u>
Revenues over (under) expenditures before optional transfer	1,219,799	(1,053,614)	4,451,539	4,617,724
Optional transfer	<u>(1,053,614)</u>	<u>1,053,614</u>	<u>-</u>	<u>-</u>
Net change in fund balance sub accounts	166,185	-	4,451,539	4,617,724
Fund balance at beginning of year	618,878	50,000	24,200,484	24,869,362
Interfund adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ 785,063</u>	<u>\$ 50,000</u>	<u>\$ 28,652,023</u>	<u>\$ 29,487,086</u>