

**EATON COUNTY ROAD COMMISSION
CHARLOTTE, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required and other
supplementary information)**

YEAR ENDED SEPTEMBER 30, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Road Commissioners of the
Eaton County Road Commission
Charlotte, Michigan

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Eaton County Road Commission (the Commission), a component unit of Eaton County, Michigan, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the 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, the major fund, and the aggregate remaining fund information of the Eaton 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and other post-employment benefit (OPEB) schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Maney Costeiran PC

Lansing, Michigan
January 30, 2026

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Eaton County Road Commission (Commission), we offer the readers of the Commission's financial statements this narrative and analysis of the financial activities of the Commission for the fiscal year ended September 30, 2025.

Financial Highlights

Net position, over time, enables governmental agencies to determine their overall fiscal position. As shown on the Commission's net position chart, the Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$152,612,660 at the end of the fiscal year. There was an increase of \$5,119,537 in net position during 2025.

The general operating fund had a decrease in fund balance for the year of \$2,140,872. Total fund balance is \$11,762,160.

Overview of the Financial Statements

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

To simplify financial reporting and improve readability, the government-wide financial statements and the fund statements have been combined to report the statement of net position and governmental fund balance sheet on a single page and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance on a single page. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Statements

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

The statement of activities presents information showing how the Commission's net position changed during the most recent fiscal period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements include only the Commission itself (known as the primary government). The Commission has no legally separate component units for which the Commission is financially accountable. In this report, financial information for the Commission is reported separately from the financial information presented for Eaton County, which reports the Commission as a component unit.

Fund Financial Statements

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

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Funds

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

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

The Commission maintains one governmental fund (general fund). Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balance for the Commission. The general fund is a major fund for financial reporting purposes as defined by GASB Statement No. 34.

The Commission adopts an annual appropriated budget for its fund. Budgetary comparison statements have been provided herein to demonstrate compliance with those budgets.

The Commission does not maintain any proprietary funds.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Commission's own programs. The Commission has one fiduciary fund - the Employee Health Care Benefit Trust fund.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Commission's financial statements. The notes to the financial statements are considered to be part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, including this management's discussion and analysis and trend information for the Retired Employees' Healthcare Plan.

**EATON COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Condensed Statement of Net Position

	Governmental Activities		
	2024	Change	2025
ASSETS			
Current and other assets	\$ 30,514,354	\$ (4,879,643) -16%	\$ 25,634,711
Capital assets	130,009,856	6,616,305 5%	136,626,161
TOTAL ASSETS	160,524,210	1,736,662 1%	162,260,872
DEFERRED OUTFLOWS OF RESOURCES	118,486	28,567 24%	147,053
LIABILITIES			
Current liabilities	11,867,108	(3,088,032) -26%	8,779,076
Noncurrent liabilities	108,887	11,940 11%	120,827
TOTAL LIABILITIES	11,975,995	(3,076,092) -26%	8,899,903
DEFERRED INFLOWS OF RESOURCES	1,173,578	(278,216) -24%	895,362
NET POSITION			
Investment in capital assets	130,009,856	6,616,305 5%	136,626,161
Restricted	4,920,280	385,554 8%	5,305,834
Unrestricted	12,562,987	(1,882,322) -15%	10,680,665
TOTAL NET POSITION	\$ 147,493,123	\$ 5,119,537 3%	\$ 152,612,660

Condensed Statement of Activities

	Governmental Activities		
	Year Ended Sept. 30, 2024	Change	Year Ended Sept. 30, 2025
PROGRAM REVENUES			
Charges for services	\$ 164,928	\$ (30,094) -18%	\$ 134,834
Operating grants and contributions	1,977,921	20,875,117 1055%	22,853,038
Capital grants and contributions	17,332,328	(15,446,789) -89%	1,885,539
General revenues			
Property taxes	5,227,107	591,793 11%	5,818,900
Interest	1,353,616	(451,566) -33%	902,050
Other	407,449	(129,626) -32%	277,823
Gain on sale of capital assets	4,019	31,145 775%	35,164
TOTAL PROGRAM REVENUES	26,467,368	5,439,980 21%	31,907,348
EXPENSES			
Current			
Public Works	17,682,665	9,105,146 51%	26,787,811
CHANGE IN NET POSITION	\$ 8,784,703	\$ (3,665,166) -42%	\$ 5,119,537

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

Governmental activities increased the Commission's net position by \$5,119,537 during fiscal year 2025. This increase in net position is primarily due to staffing issues requiring projects to be pushed into future years.

Fund Level Financial Statements

Total fund balance at September 30, 2025, was \$11,762,160, compared to \$13,903,032 at September 30, 2024, and was comprised of two components. One component is nonspendable to indicate that it was not available for spending because it has already been committed to inventory purchases which are included as fund assets. The nonspendable fund balance was \$1,227,462 as of September 30, 2025. The remaining balance of the Commission's fund balance is considered unassigned. The unassigned fund balance at September 30, 2025, was \$10,534,698. Overall, there was a decrease in the total fund balance of \$2,140,872 for 2025 due to operating revenues exceeding revenues.

General Operating Fund Budget Highlights

Amendments to the original budget (non-GAAP basis) were made during the year as more information on funding sources and related projects became known. The Commission amended its 2025 fiscal year budget to reflect an decrease in budgeted revenue of approximately \$13,681,307 due to an decrease in Federal and State revenue sources and a decrease to budgeted expenditures of approximately \$11,138,568 as it was necessary to push certain budgeted projects into future fiscal years.

The actual revenue (non-GAAP basis) was approximately \$1,147,053 more than the final budgeted revenues (non-GAAP basis) largely as a result of obtaining additional Michigan Transportation funding. Final budgeted expenditures (non-GAAP basis) exceeded the actual expenditures by approximately \$2,992,121 due to a decrease in primary and local road preservation and structural improvements.

Capital Assets and Debt Administration

Capital Assets

Capital assets in total, net of accumulated depreciation, increased from \$130,009,856 to \$136,626,161 due primarily to investments in infrastructure made possible by the county-wide property tax millage and MEDC Grant. Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets (including infrastructure) is allocated over their estimated useful lives and reported as depreciation expense. More detailed information regarding capital assets can be found in the notes to the financial statements.

Long-term Obligations

Long-term obligations at September 30, 2025, was made up solely of compensated absences of \$333,186, which consists of accumulated vacation, sick leave (at 50%), and comp time which is earned but not yet paid. More detailed information of long-term debt can be found in the notes to the financial statements.

As of September 30, 2025, the Commission had no outstanding bonds or loans.

EATON COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Road Fund Budgetary Highlights

The primary sources of revenue available to the road commission are distributions from the Michigan Transportation Fund (MTF), the road commission's share of the proceeds of the County Local Road Millage, and state and federal grants, together totaling over 70% of budgeted revenues in 2024-2025. All are currently stable.

Looking ahead, MTF distributions for fiscal year 2026 have been estimated based on the most recent information provided by the Michigan Department of Transportation and the County Road Association of Michigan and show an increase of approximately 2.5%.

Annual revenue generated by the Local Road Millage which runs through 2026 increased by 11% in 2025 and is expected to increase by 3% in 2026.

Many state and federal grants are competitively awarded and can vary each year. Although recent federal legislation and state budget appropriations have increased funding for grant programs, unusually large increases in construction costs will offset some of the additional funding.

The Road Commission was awarded an MEDC grant during fiscal year 2023 to improve public infrastructure for a new battery platform factory that will support operations of one of the area's largest employers and accelerate the transition to electric vehicle manufacturing in Michigan. This grant is expected to be fully expended over the next two years.

The Commission does not expect an appreciable increase in the number of road and bridge projects funded primarily by federal grants in 2026 nor in the near future. Further, timing of receipt of grant revenues will continue to present budgeting challenges and require increased expenditures for the required local matching funds and grant administration work.

While the Commission's maintenance expenditures are sensitive to weather conditions, 2026 maintenance expenditures are expected to be similar to 2025.

Request for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the component unit's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, Eaton County Road Commission, 1112 Reynolds Road, Charlotte, MI 48813.

BASIC FINANCIAL STATEMENTS

**EATON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

	General Operating Fund	Adjustment	Statement of Net Position
ASSETS			
Cash and cash equivalents	\$ 32,198	\$ -	\$ 32,198
Deposits with fiscal agent	17,316,152	-	17,316,152
Accounts receivable	25,105	-	25,105
Due from other governmental units			
Federal/State	1,399,416	-	1,399,416
Local	328,544	-	328,544
Inventory	1,227,462	-	1,227,462
Capital assets not being depreciated	-	24,407,115	24,407,115
Capital assets, net of accumulated depreciation	-	112,219,046	112,219,046
Net OPEB asset	-	5,305,834	5,305,834
	<u>20,328,877</u>	<u>141,931,995</u>	<u>162,260,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to OPEB	-	147,053	147,053
	<u>-</u>	<u>147,053</u>	<u>147,053</u>
	<u>\$ 20,328,877</u>	<u>142,079,048</u>	<u>162,407,925</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 6,523,126	-	6,523,126
Accrued liabilities	121,774	-	121,774
Due to other governmental units	92,006	-	92,006
Advances from other governmental units	10,838	-	10,838
Unearned revenue	1,818,973	-	1,818,973
Current portion of accrued compensated absences	-	212,359	212,359
Noncurrent portion of accrued compensated absences	-	120,827	120,827
	<u>8,566,717</u>	<u>333,186</u>	<u>8,899,903</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to OPEB	-	895,362	895,362
	<u>-</u>	<u>895,362</u>	<u>895,362</u>
FUND BALANCE			
Nonspendable - inventory	1,227,462	(1,227,462)	-
Unassigned	10,534,698	(10,534,698)	-
	<u>11,762,160</u>	<u>(11,762,160)</u>	<u>-</u>
	<u>\$ 20,328,877</u>	<u>(10,533,612)</u>	<u>9,795,265</u>
NET POSITION			
Investment in capital assets		136,626,161	136,626,161
Restricted for other post-employment benefits		5,305,834	5,305,834
Unrestricted		10,680,665	10,680,665
		<u>\$ 152,612,660</u>	<u>\$ 152,612,660</u>

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total fund balance - governmental fund \$ 11,762,160

Amounts reported for the governmental activities in the statement of net position are different because:

Certain assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

Capital assets not being depreciated	24,407,115
Capital assets being depreciated, net of accumulated depreciation	112,219,046

Some assets are not current financial resources and therefore are not reported as assets in the governmental funds. These amounts consist of:

Net OPEB asset	5,305,834
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Governmental funds report actual OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net OPEB asset as of the measurement date. OPEB contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to OPEB	147,053
Deferred inflows of resources related to OPEB	(895,362)

Long-term obligations are not due and payable in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term obligations at year-end consist of:

Compensated absences	(333,186)
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Net position of governmental activities	\$ 152,612,660
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**EATON COUNTY ROAD COMMISSION
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2025**

	General Operating Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Public works	\$ 32,163,691	\$ (5,375,880)	\$ 26,787,811
PROGRAM REVENUES			
Charges for services	134,834	-	134,834
Operating grants and contributions	22,853,038	-	22,853,038
Capital grants and contributions	-	1,885,539	1,885,539
TOTAL PROGRAM REVENUES	22,987,872	1,885,539	24,873,411
NET PROGRAM (EXPENDITURES/ EXPENSES) REVENUES	(9,175,819)	7,261,419	(1,914,400)
General revenues			
Property taxes	5,818,900	-	5,818,900
Interest	902,050	-	902,050
Other	277,823	-	277,823
Proceeds/gain on sale of capital assets	36,174	(1,010)	35,164
TOTAL GENERAL REVENUES	7,034,947	(1,010)	7,033,937
NET CHANGE IN FUND BALANCE/NET POSITION	(2,140,872)	7,260,409	5,119,537
Fund balance/Net position, beginning of the year	13,903,032	133,590,091	147,493,123
Fund balance/Net position, end of the year	\$ 11,762,160	\$ 140,850,500	\$ 152,612,660

See accompanying notes to financial statements.

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

Net change in fund balance - governmental fund \$ (2,140,872)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Purchases of capital assets	14,796,077
Capital contributions	1,885,539
Depreciation expense	(10,064,301)
Disposal of capital assets	(1,010)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental fund. These activities consist of:

Change in compensated absences	(48,233)
Change in deferred outflows of resources related to OPEB	28,567
Change in deferred inflows of resources related to OPEB	278,216
Change in net OPEB asset	385,554

Change in net position of governmental activities \$ 5,119,537

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

	<u>Employee Health Care Benefit Trust</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 195,630
Investments	<u>8,361,206</u>
TOTAL ASSETS	<u><u>8,556,836</u></u>
LIABILITIES	
Current liabilities	
Due to road commission	<u>199,997</u>
NET POSITION	
Restricted for retiree health care benefits	<u><u>\$ 8,356,839</u></u>

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Employee Health Care Benefit Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 275,191
Investment earnings	
Net change in fair value of investments	<u>790,516</u>
TOTAL ADDITIONS	<u>1,065,707</u>
DEDUCTIONS	
Benefit payments	275,191
Administrative expenses	73,739
Reimbursement of employer contributions/benefits paid	<u>267,169</u>
TOTAL DEDUCTIONS	<u>616,099</u>
CHANGE IN NET POSITION	449,608
Net position, beginning of year	<u>7,907,231</u>
Net position, end of year	<u><u>\$ 8,356,839</u></u>

See accompanying notes to financial statements.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Eaton County Road Commission (Commission) is a component unit of Eaton County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for road projects performed throughout the county.

The Road Commission was established pursuant to the county road law (MCL 224.1) and is governed by a five member Board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission provides services to 16 townships in Eaton County and maintains over 1,170 miles of local and primary roads.

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting policies are described below.

Reporting Entity

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations. This financial report has been prepared to meet this State requirement.

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Commission. The Commission is discretely presented in Eaton County's (the primary government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Charlotte, Michigan.

Fiduciary Component Units

The Employee Health Care Benefit Trust Fund was established to account for the assets set aside to fund the Eaton County Road Commission's Other Post-Employment Benefits Plan. The primary purpose of the Trust is to provide the necessary funding for the retiree health benefits provided to eligible Commission employees during retirement. The Trust was established through Brinker Capital Investments, LLC with the Commission's Board of Road Commissioners serving as the trustees. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Commission's creditors. The Board of Road Commissioners has the ability to exercise oversight responsibility, specifically in the area of designation of management.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. Governmental activities are supported by charges for services and intergovernmental revenues.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Basis of Presentation (continued)

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

As permitted by GASB Statement No. 34, the Commission uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the statement of net position and governmental fund balance sheet and the statement of activities and governmental fund revenues, expenditures, and changes in fund balance. The major individual governmental fund is reported as a separate column in the aforementioned financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

State and grant revenue, property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The fiduciary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for the recognition of certain liabilities to the beneficiaries of a fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the Commission to disburse fiduciary resources.

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

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The government reports the following *Major Governmental Fund*:

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

In addition, the Commission reports the Employee Health Care Benefit Trust Fund, a component unit fiduciary fund, to account for assets held in a trustee capacity and fund future medical insurance for eligible retirees and their beneficiaries.

Property Tax Revenue

Property taxes are levied on December 1 of each year (the lien date) and are due in full by March 1 of the year following the levy, at which time uncollected taxes become delinquent. Property taxes recorded for the fiscal year ended September 30, 2025, were levied and billed on December 1, 2024. All property taxes are billed and collected by cities, villages, and townships and remitted to Eaton County. Eaton County remits property taxes to the Commission. For the year ended September 30, 2025, Eaton County levied 1.4985 mills per \$1,000 of assessed valuation for road operations. The total taxable value for the 2025 levy for property within the County was \$4,821,905,506.

Tax Abatements

The Commission's tax revenues have been reduced by tax abatements throughout the County. Management has determined these amounts to be immaterial to the financial statements.

Budgetary Data

The General Operating Fund is under formal budgetary control. The budget shown in the required supplementary information was prepared in accordance with the Uniform Accounting Procedures Manual for Michigan County Road Commissions. The actual amounts in the budgetary comparison schedule (non-GAAP basis) are presented on the same basis of accounting used in preparing the adopted budget. A reconciliation to facilitate the comparison between the modified accrual basis of accounting and the budgetary presentation has been included in the notes to required supplementary information. The budget for the General Operating Fund is adopted at the total expenditure level and in accordance with the Uniform Budgeting and Accounting Act as prescribed by the State of Michigan.

Cash, Cash Equivalents, and Investments

Cash consists of the Commission's checking account and imprest cash. Investments consist of external investment pools. Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Cash, Cash Equivalents, and Investments (continued)

The Uniform Accounting Procedures Manual for Michigan County Road Commissions provides that the County Treasurer maintain the cash of the Commission. All the Commission's receipts are deposited with the Eaton County Treasurer's Office, and in order to make disbursements, the Commission requests the County Treasurer to transfer the required funds to an imprest vendor or payroll checking account. Also, in order to invest cash, a request is made of the County Treasurer. All funds of the Commission are held with the County Treasurer in separate accounts in the Commission's name.

Statutes authorize the Commission to invest funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers' acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

The Health Care Benefits Trust Fund is authorized by the Michigan Public Employees' Retirement System's Investment Act 314 of 1965, as amended, to invest in stocks, government and corporate securities, mortgages, real estate, and various other instruments, subject to certain limitations.

Inventory

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

Unearned Revenue

Unearned revenue is reported in connection with resources that have been received, but not yet earned.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Fund Balance

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

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

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (roads, bridges, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Land and construction in progress, if any, are not depreciated. Donated capital assets are recorded at estimated acquisition cost at the date received.

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

Depreciation is recorded over the estimated useful lives (ranging from 4 to 50 years) of the assets, using the sum-of-years digits methods for road equipment and the straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	50 years
Equipment	4-10 years
Infrastructure	
Roads	8-30 years
Bridges	25-50 years
Traffic signals	15 years

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)**

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Commission reports deferred amounts which correspond to the Commission's net OPEB asset and are related to differences between expected and actual experience, changes in assumptions, and differences between projected and actual plan investment earnings. These amounts are deferred in the government-wide financial statements and are recognized as an outflow or inflow of resources in the period to which they apply.

Compensated Absences

The Commission recognizes a liability compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements.

Paid time off is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee. The liability for compensated absences includes salary-related benefits, where applicable.

Upon termination, an employee receives payment for the balance of unused paid time off, which has been credited to an employee.

Postemployment Benefits Other Than Pension (OPEB)

For purposes of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Eaton County Road Commission Other Post-Employment Benefit and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Commission. 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.

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS

The deposits and investments referred to below have been reported on the financial statements based upon criteria disclosed in Note 1. The following summarizes the categories of these amounts as of September 30, 2025.

	Primary Government	Fiduciary Fund	Total
Cash and cash equivalents	\$ 32,198	\$ 195,630	\$ 227,828
Deposits with fiscal agent	17,316,152	-	17,316,152
Investments	-	8,361,206	8,361,206
	\$ 17,348,350	\$ 8,556,836	\$ 25,905,186

As of September 30, 2025, the Commission had deposits and investments summarized by the following categorization:

Deposits	
Checking and other deposits	\$ 227,578
Held by County Treasurer	17,316,152
Cash on hand	250
Investments	8,361,206
	\$ 25,905,186

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. As of September 30, 2025, \$0 of the Commission's bank balance of \$33,562 was exposed to custodial credit risk because it was uninsured and uncollateralized. A portion of the deposits reported by the Commission are held by the County and under the control of the County Treasurer. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the County's deposits. Complete disclosures for the County as a whole are presented in the County's audited financial statements.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

In accordance with its investment policy, the Commission will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Commission's cash requirements.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Commercial paper	1,339,577	9.7585
U.S. Treasury notes	\$ 744,359	5.8105
U.S. Mortgage backed securities	135,140	0.1183
Michigan CLASS investment pool	17,315,952	0.1260
	\$ 19,535,028	
Portfolio weighted average maturity		1.0033

One day maturity equals 0.0027, one year equals 1.00.

Credit Risk

State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Standard & Poor's Rating
Michigan CLASS investment pool	\$ 17,315,952	AAAm
Commercial paper	190,392	AA-
Commercial paper	150,021	A+
Commercial paper	248,218	A
Commercial paper	212,549	A-
Commercial paper	218,119	BBB+
Commercial paper	320,278	BBB
U.S. Treasury notes	744,359	Unrated
U.S. Mortgage backed securities	135,140	Unrated
Total fair value	\$ 19,535,028	

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The Commission will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Commission's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk

The Commission is not authorized to invest in investments which have this type of risk.

Fair Value Measurement

The Commission is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk, and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Commission's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Balance at Sept. 30, 2025</u>
Investment by fair value level				
Commercial paper	\$ -	\$ 1,339,577	\$ -	\$ 1,339,577
U.S. Treasury notes	744,359	-	-	744,359
U.S. Mortgage backed securities	-	135,140	-	135,140
	<u>\$ 744,359</u>	<u>\$ 1,474,717</u>	<u>\$ -</u>	<u>2,219,076</u>
Investments at net asset value (NAV)				
Michigan CLASS investment pool				17,315,952
Mutual funds				<u>6,142,130</u>
				<u>23,458,082</u>
Total investments at net asset value (NAV)				<u>23,458,082</u>
Total investments				<u>\$ 25,677,158</u>

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value Per Share

The Commission holds shares or interests in an investment pool where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

The Michigan CLASS investment pool invest in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated "A1" or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

Mutual funds invest primarily in a diversified portfolio including commercial paper, U.S. treasury notes, and U.S. mortgage-backed securities. The mutual funds in which the Commission invests are carefully selected to align with the investment objectives and risk tolerance of Michigan public sector entities. The mutual funds in the program comply with Michigan state statutes regarding permissible investments for public sector entities. These mutual funds offer a range of investment strategies that meet the liquidity and safety requirements for public agencies.

At the year ended September 30, 2025, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS investment pool	\$ 17,315,952	\$ -	No restrictions	None
Mutual funds	<u>6,142,130</u>	<u>-</u>	No restrictions	None
	<u>\$ 23,458,082</u>	<u>\$ -</u>		

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2025, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated				
Land	\$ 243,002	\$ -	\$ -	\$ 243,002
Land improvements - right of ways	779,102	-	-	779,102
Land improvements - infrastructure	23,385,011	-	-	23,385,011
Total capital assets not being depreciated	24,407,115	-	-	24,407,115
Capital assets being depreciated/depleted				
Depletable assets	50,559	-	-	50,559
Buildings and improvements	7,117,501	-	-	7,117,501
Equipment				
Road	13,034,572	902,854	(349,296)	13,588,130
Shop	155,368	12,383	-	167,751
Office	246,596	31,146	-	277,742
Engineering	122,703	-	-	122,703
Yard and storage	599,568	-	-	599,568
Infrastructure - roads	133,705,435	15,721,863	(4,565,959)	144,861,339
Infrastructure - bridges	26,501,326	-	-	26,501,326
Infrastructure - traffic signals	1,337,915	13,370	-	1,351,285
Total capital assets being depreciated/depleted	182,871,543	16,681,616	(4,915,255)	194,637,904
Less accumulated depreciation/depletion				
Depletable assets	50,559	-	-	50,559
Buildings and improvements	3,294,991	133,310	-	3,428,301
Equipment				
Road	9,343,323	1,241,423	(348,286)	10,236,460
Shop	105,070	7,645	-	112,715
Office	245,041	5,344	-	250,385
Engineering	105,297	7,453	-	112,750
Yard and storage	582,029	2,908	-	584,937
Infrastructure - roads	49,765,963	8,069,847	(4,565,959)	53,269,851
Infrastructure - bridges	13,016,386	506,939	-	13,523,325
Infrastructure - traffic signals	760,143	89,432	-	849,575
Total accumulated depreciation/depletion	77,268,802	10,064,301	(4,914,245)	82,418,858
Total assets being depreciated, net	105,602,741	6,617,315	(1,010)	112,219,046
Capital assets, net	\$ 130,009,856	\$ 6,617,315	\$ (1,010)	\$ 136,626,161

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense was charged to the following activities:

Public works	
Net equipment expense	
Direct equipment	\$ 1,257,128
Indirect equipment	107,627
Net administrative expense	33,328
Infrastructure	<u>8,666,218</u>
	<u><u>\$ 10,064,301</u></u>

NOTE 4 - LONG-TERM OBLIGATIONS

Long-term obligations of the Commission as of September 30, 2025, and for the year then ended consists of the following:

	Beginning Balance	Net Change	Ending Balance	Amounts Due Within One Year
Compensated absences	\$ 284,953	\$ 48,233	\$ 333,186	\$ 212,359

Compensated Absences - Vacation and Sick Leave

The Commission recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, multiple types of leave qualify for recognition as a compensated absences liability. This liability, including salary related benefits, has been accrued on the government-wide financial statements.

NOTE 5 - FEDERAL FUNDING

The Commission is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures are included in the single audit for the State of Michigan. Because the Commission expended less than \$1,000,000 in directly administered federal awards, a single audit was not required for the year ended September 30, 2025.

NOTE 6 - ECONOMIC DEPENDENCY

The Commission receives a substantial amount of its revenues from federal and state grants. A significant reduction in the level of this support, if this were to occur, could have an effect on the Eaton County Road Commission's ability to continue its activities.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - DEFINED CONTRIBUTION PENSION PLAN

The Road Commission provides pension benefits for substantially all of its full-time employees through a defined contribution plan, called the Eaton County Road Commission Money Purchase Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after reaching the age of 18 and completing one year of service. Vesting is 100% on entry. The plan requires the Road Commission to contribute, on behalf of each covered employee, 12% of the employees' covered compensation. There is no contribution requirement of the plan members. Plan provisions and contribution requirements are established and may be amended by the Board of County Road Commissioners.

The Road Commission's contributions to the plan were \$281,847 for the year ended September 30, 2025.

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Commission administers the Eaton County Road Commission Other Post-Employment Benefit, a single-employer defined benefit healthcare plan. In addition to the retirement benefits described in Note 7, the Plan provides health insurance benefits to certain retirees and their beneficiaries, which are advance-funded on a discretionary basis. In accordance with the Commission's policy, eligible retirees and their spouses are eligible to receive healthcare benefits at the age of normal retirement of 59½ years with 10 years of service.

Management of the Plan is vested in the Board of County Road Commissioners, which consists of five members appointed by the Eaton County Board of Commissioners.

Plan Membership

As of the most recent actuarial valuation on September 30, 2025, the Plan membership consisted of the following:

Retirees and beneficiaries	29
Active plan members	<u>36</u>
Total	<u><u>65</u></u>

Benefits Provided

The Plan provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the cost of benefits is dependent upon the employee's retirement date. The benefit terms are established in the Collective Bargaining Agreement.

Retirees who retired before March 9, 2004, are subject to no maximum benefit limitations; retirees who retired between March 9, 2004, and October 1, 2015, receive 4% of the health insurance premium up to a maximum employer contribution of \$500 per month for one person coverage and \$1,000 per month for two person coverage; and retirees who retire after October 1, 2015, receive a maximum employer contribution of \$550 per month for one person coverage, and \$1,100 per month for two person coverage reduced by 4% for each year of service at retirement that is less than 25 years. The Commission may prefund benefits as determined annually by the Board of County Road Commissioners.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Contributions

The Plan was established and is being funded under the authority of the Commission and under agreements with unions representing various classes of employees. The Plan's funding policy is that the employer will not make contributions to the OPEB Trust for the foreseeable future, and thus, the recommended contribution for the year is \$0. Currently, benefit payments are made from general operating funds - pay-as-you-go, but due to the plan's funding status in excess of 100%, payments may be made from the OPEB Trust. There are no long-term contracts for contributions to the plan.

The Commission may prefund benefits as determined annually by the Board of County Road Commissioners. For the year ended September 30, 2025, the Commission's only contributions were its portion of premium payments.

Investments

The Commission's investment policy in regard to the allocation of the Plan's invested assets is established and may be amended by the Board of County Road Commissioners. It is the policy of the Board of County Road Commissioners to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target allocation as of September 30, 2025, along with the Plan's target asset allocation as of September 30, 2025, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global equity	64.0%	7.10%
Global fixed income	26.0%	4.20%
Real assets	5.0%	8.00%
Diversifying strategies	5.0%	4.90%
Cash	0.0%	3.10%
	100.00%	

The sum of each target allocation times its long-term expected rate, included inflation, is 6.28%.

For the year ended September 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 8.60%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Net OPEB Asset

The Commission's net OPEB asset was measured as of September 30, 2025, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of September 30, 2025.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2025. The total OPEB liability was calculated based on the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	Included in investment rate of return
Salary increases:	4.00%
Investment rate of return:	6.28% including inflation
20-year Aa Municipal bond rate:	4.50%
Mortality:	2016 Public general employee and healthy retiree, headcount weighted with IRS 2024 Adjusted Scale MP-2021 improvement scale
Discount Rate:	The discount rate used to measure the total OPEB liability was 6.28%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will use assets to pay benefits. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments for current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the "depletion date", not applicable for this plan), projected benefits were discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the Total OPEB Liability.

Changes in Benefits

The benefit terms were changed during the plan year as follows:

- Effective with union contract 10-22-2024 through 10-01-2027 - Employees who meet eligibility requirements will have the Employer contribution reduced by 5% for each year of service at retirement less than 20.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Changes in Assumptions

The actuarial assumptions were changed during the plan year as follows:

- Mortality table change from the Public General 2010 employee and healthy retiree mortality, headcount weighted to the Public General 2016 employee and healthy retiree mortality, headcount weighted.
- Martial assumption changed from 80% of future retirees will have a covered spouse to actual spouse data used for the retirees.
- Medical trend increased by 0.25% instead of decreasing by .25% as anticipated.
- Salary scale changed from 3.25% to 4.0%.
- Discount rate changed from 6.90% to 6.28%.

Changes in the Net OPEB (Asset)

	Increase (Decrease)		Net OPEB (Asset) (a)-(b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balances as of September 30, 2024	\$ 2,986,951	\$ 7,907,231	\$ (4,920,280)
Changes for the Year			
Service cost (beginning of year)	22,112	-	22,112
Interest	198,132	-	198,132
Change in benefit terms	51,494	-	51,494
Experience (gains)/losses	(24,381)	-	(24,381)
Changes in actuarial assumptions	91,888	-	91,888
Contributions/benefits paid from general operating funds	-	275,191	(275,191)
Net investment income	-	790,516	(790,516)
Benefit payments, including refunds of employee contributions	(275,191)	(275,191)	-
Administrative expense	-	(73,739)	73,739
Reimbursement of employer contributions/benefits paid	-	(267,169)	267,169
Total changes	64,054	449,608	(385,554)
Balances as of September 30, 2025	\$ 3,051,005	\$ 8,356,839	\$ (5,305,834)

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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

The following presents the net OPEB asset of the Commission, calculated using a discount rate of 6.28%, as well as what the Commission's net OPEB asset would be if it were calculated using a discount rate that is 1% lower and 1% higher than the current discount rate:

	1% Decrease	Current Rate	1% Increase
Net OPEB (Asset)	\$ (5,050,426)	\$ (5,305,834)	\$ (5,527,286)

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

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB asset would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB (Asset)	\$ (5,318,033)	\$ (5,305,834)	\$ (5,293,697)

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

For the year ended September 30, 2025, the Commission recognized OPEB benefit of \$409,315. As of September 30, 2025, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 214,280
Changes in assumptions	147,053	139,952
Net difference between projected and actual investment earnings on OPEB plan investments	-	541,130
Total	\$ 147,053	\$ 895,362

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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

<u>Year Ending September 30,</u>	<u>OPEB Expense (Benefit)</u>
2026	\$ (130,633)
2027	(331,527)
2028	(257,213)
2029	(37,123)
2030	8,187
	<u>\$ (748,309)</u>

NOTE 9 - CONTINGENT LIABILITIES

Under the terms of various federal and state grants, periodic audits are required, and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such grants could lead to reimbursement to the grantor agencies. However, the Commission's management does not believe such disallowances, if any, will be material to the financial position of the Commission.

NOTE 10 - RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 1982, the Michigan County Road Commission Self-Insurance Pool (MCRCSIP) was established by the road commissions in the State of Michigan as a public entity risk pool to operate a common risk management and insurance program for road commissions. Eaton County Road Commission pays annual premiums to MCRCSIP for its general insurance coverage, including coverage and services for general liability, auto liability, property, stop loss protection, claims administration, and risk management and loss control. The agreement for formation of the MCRCSIP provides the MCRCSIP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$100,000 for each insured event. The Commission has not been informed of any special assessments being required.

Also, the Commission participates in the County Road Association Self-Insurance Fund (CRASIF), a public entity risk pool established for worker's compensation insurance to operate a common risk management and insurance program for road commissions. The Commission pays quarterly premiums to CRASIF for its workers' compensation insurance coverage. The agreement for formation of the CRASIF provides the CRASIF will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits. The Commission has not been informed of any special assessments being required.

The Commission continues to carry commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 11 - COMMITMENTS

The Commission has entered into various contracts totaling approximately \$3.1 million for a variety of road maintenance and improvement projects. Future revenues are expected to be sufficient to cover these commitments.

NOTE 12 - CHANGES IN ACCOUNTING PRINCIPLES

For the year ended September 30, 2025, the Commission implemented the Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures*, requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact.

The implementation of GASB Statement No. 101, *Compensated Absences*, and GASB Statement No. 102, *Certain Risk Disclosures*, did not have a material effect on the Commissions financial statements.

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In April 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This Statement establishes new accounting and financial reporting requirements - or modifies existing requirements - related to the following:

- a. Management's discussion and analysis (MD&A);
 - i. Requires that the information presented in MD&A be limited to the related topics discussed in five specific sections:
 - 1) Overview of the Financial Statements,
 - 2) Financial Summary,
 - 3) Detailed Analyses,
 - 4) Significant Capital Asset and Long-Term Financing Activity,
 - 5) Currently Known Facts, Decisions, or Conditions;
 - ii. Stresses detailed analyses should explain why balances and results of operations changed rather than simply presenting the amounts or percentages by which they changed;
 - iii. Removes the requirement for discussion of significant variations between original and final budget amounts and between final budget amounts and actual results;

**EATON COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

- b. Unusual or infrequent items;
- c. Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position;
 - i. Requires that the proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses and clarifies the definition of operating and nonoperating revenues and expenses;
 - ii. Requires that a subtotal for *operating income (loss) and noncapital subsidies* be presented before reporting other nonoperating revenues and expenses and defines subsidies;
- d. Information about major component units in basic financial statements should be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements in which case combining statements of should be presented after the fund financial statements;
- e. Budgetary comparison information should include variances between original and final budget amounts and variances between final budget and actual amounts with explanations of significant variances required to be presented in the notes to RSI.

The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025-2026 fiscal year.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2026-2027 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES (NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2025**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Taxes				
Property taxes	\$ 5,637,666	\$ 5,637,666	\$ 5,818,900	\$ 181,234
Licenses and permits				
Permits	100,000	100,000	129,330	29,330
Intergovernmental				
Federal sources				
Surface Transportation Program	10,333,400	1,309,814	1,286,562	(23,252)
Bridge	800,000	600,000	598,977	(1,023)
State sources				
Michigan Transportation Fund	16,304,247	16,148,205	16,691,821	543,616
Other				
Critical Bridge	-	-	67,675	67,675
Michigan Economic Development Fund	7,756,149	5,558,000	5,741,837	183,837
Local sources				
Township contributions	2,751,150	310,120	351,705	41,585
City/Village contributions	-	137,500	-	(137,500)
Total intergovernmental	37,944,946	24,063,639	24,738,577	674,938
Charges for services	-	-	5,504	5,504
Interest	660,000	860,000	902,050	42,050
Other				
Miscellaneous	100,000	100,000	277,823	177,823
Proceeds from sale of equipment	-	-	36,174	36,174
Total other	100,000	100,000	313,997	213,997
TOTAL REVENUES	\$ 44,442,612	\$ 30,761,305	\$ 31,908,358	\$ 1,147,053

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES (NON-GAAP BUDGETARY BASIS)
YEAR ENDED SEPTEMBER 30, 2025**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 15,303,430	\$ 3,587,530	\$ 2,897,056	\$ 690,474
Routine and preventative maintenance	4,720,000	8,048,000	7,856,469	191,531
Total primary road	20,023,430	11,635,530	10,753,525	882,005
Local road				
Construction - capacity improvements	-	5,408,000	5,675,765	(267,765)
Preservation - structural improvements	16,479,138	8,418,438	7,296,623	1,121,815
Routine and preventative maintenance	4,600,000	4,812,100	4,426,977	385,123
Total local road	21,079,138	18,638,538	17,399,365	1,239,173
Administrative - net	810,000	810,000	706,013	103,987
Equipment				
Direct	2,000,000	2,000,000	1,941,426	58,574
Indirect	1,600,000	1,600,000	1,547,801	52,199
Operating	500,000	500,000	457,659	42,341
Less equipment rental	(3,850,000)	(4,290,000)	(4,209,514)	(80,486)
Total equipment - net	250,000	(190,000)	(262,628)	72,628
Drain assessment	300,000	5,700,000	5,730,227	(30,227)
Other				
Non-road projects	3,469,000	-	6,516	(6,516)
Miscellaneous	100,000	130,000	126,355	3,645
Total other	3,569,000	130,000	132,871	(2,871)
Capital outlay	2,141,835	310,767	988,643	(677,876)
Less depreciation and depletion	-	-	(1,398,786)	1,398,786
Total capital outlay - net	2,141,835	310,767	(410,143)	720,910
TOTAL EXPENDITURES	\$ 48,173,403	\$ 37,034,835	\$ 34,049,230	\$ 2,985,605

EATON COUNTY ROAD COMMISSION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST NINE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH YEAR)

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability									
Service cost	\$ 22,112	\$ 25,067	\$ 20,540	\$ 33,664	\$ 43,953	\$ 26,799	\$ 21,513	\$ 42,239	\$ 40,396
Interest	198,132	199,438	240,859	214,327	212,081	261,934	254,120	213,452	214,454
Changes of benefit terms	51,494	-	-	-	-	-	-	-	-
Difference between expected and actual experience	(24,381)	(43,759)	(361,130)	(87,141)	(449,868)	(34,364)	232,452	(3,768)	-
Changes in assumptions	91,888	(73,498)	171,286	(521,720)	(416,111)	884,060	(91,979)	(843,460)	-
Benefit payments, including employee refunds	(275,191)	(270,885)	(266,857)	(256,590)	(297,191)	(289,569)	(297,776)	(287,798)	(269,549)
Net change in total OPEB liability	64,054	(163,637)	(195,302)	(617,460)	(907,136)	848,860	118,330	(879,335)	(14,699)
Total OPEB liability, beginning	2,986,951	3,150,588	3,345,890	3,963,350	4,870,486	4,021,626	3,903,296	4,782,631	4,797,330
Total OPEB liability, ending	<u>\$ 3,051,005</u>	<u>\$ 2,986,951</u>	<u>\$ 3,150,588</u>	<u>\$ 3,345,890</u>	<u>\$ 3,963,350</u>	<u>\$ 4,870,486</u>	<u>\$ 4,021,626</u>	<u>\$ 3,903,296</u>	<u>\$ 4,782,631</u>
Plan fiduciary net position									
Contributions to OPEB trust	\$ -	\$ -	\$ -	\$ 75,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Contributions/benefits paid from general operating fund	275,191	270,885	266,857	256,590	297,191	289,569	297,776	287,798	269,549
Net investment income (loss)	790,516	1,401,823	667,902	(1,166,517)	1,146,081	308,932	162,751	330,941	506,104
Benefit payments made from general operating funds	(275,191)	(270,885)	(266,857)	(256,590)	(297,191)	(289,569)	(297,776)	(287,798)	(269,549)
Administrative expenses	(73,739)	(207,828)	(48,627)	(65,511)	(61,343)	(50,741)	(36,805)	(43,389)	(38,049)
Reimbursement of employer contributions/benefits paid	(267,169)	(39,723)	-	-	-	-	-	-	-
Net change in plan fiduciary net position	449,608	1,154,272	619,275	(1,157,028)	1,384,738	558,191	425,946	587,552	468,055
Plan fiduciary net position, beginning	7,907,231	6,752,959	6,133,684	7,290,712	5,905,974	5,347,783	4,921,837	4,334,285	3,866,230
Plan fiduciary net position, ending	<u>\$ 8,356,839</u>	<u>\$ 7,907,231</u>	<u>\$ 6,752,959</u>	<u>\$ 6,133,684</u>	<u>\$ 7,290,712</u>	<u>\$ 5,905,974</u>	<u>\$ 5,347,783</u>	<u>\$ 4,921,837</u>	<u>\$ 4,334,285</u>
Net OPEB liability (asset)	<u>\$ (5,305,834)</u>	<u>\$ (4,920,280)</u>	<u>\$ (3,602,371)</u>	<u>\$ (2,787,794)</u>	<u>\$ (3,327,362)</u>	<u>\$ (1,035,488)</u>	<u>\$ (1,326,157)</u>	<u>\$ (1,018,541)</u>	<u>\$ 448,346</u>
Plan fiduciary net position as a percentage of total OPEB liability	273.90%	264.73%	214.34%	183.32%	183.95%	121.26%	132.98%	126.10%	90.63%
Covered payroll	\$ 2,550,106	\$ 1,993,100	\$ 1,863,675	\$ 2,142,875	\$ 2,131,338	\$ 2,021,141	\$ 2,085,514	\$ 2,017,244	\$ 1,981,402
Net OPEB liability (asset) as a percentage of covered payroll	-208.06%	-246.87%	-193.29%	-130.10%	-156.12%	-51.23%	-63.59%	-50.49%	22.63%

**EATON COUNTY ROAD COMMISSION
SCHEDULE OF CONTRIBUTIONS
LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 9/30 OF EACH FISCAL YEAR)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,085	\$ 121,673
Contributions in relation to the actuarially determined contribution	<u>275,191</u>	<u>270,885</u>	<u>266,857</u>	<u>331,590</u>	<u>597,191</u>	<u>589,569</u>	<u>597,776</u>	<u>587,798</u>	<u>269,549</u>
Contribution deficiency (excess)	<u>\$ (275,191)</u>	<u>\$ (270,885)</u>	<u>\$ (266,857)</u>	<u>\$ (331,590)</u>	<u>\$ (597,191)</u>	<u>\$ (589,569)</u>	<u>\$ (597,776)</u>	<u>\$ (570,713)</u>	<u>\$ (147,876)</u>
Covered payroll	\$ 2,550,106	\$ 1,993,100	\$ 1,863,675	\$ 2,142,875	\$ 2,131,338	\$ 2,021,141	\$ 2,085,514	\$ 2,017,244	\$ 1,981,402
Contributions as a percentage of covered payroll	10.79%	13.59%	14.32%	15.47%	28.02%	29.17%	28.66%	29.14%	13.60%

**EATON COUNTY ROAD COMMISSION
 SCHEDULE OF INVESTMENT RETURNS
 RETIRED EMPLOYEES' HEALTHCARE PLAN
 LAST NINE FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)
 YEAR ENDED SEPTEMBER 30, 2025**

	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	8.60%	20.03%	10.37%	-16.73%	17.37%	5.49%	3.17%	7.15%	8.54%

**EATON COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS

Methods and assumptions used to determine contribution rates:

The total OPEB liability was calculated based on the following actuarial assumptions, applied to all periods included in the measurement:

Valuation date:	September 30, 2025
Measurement date:	September 30, 2025
Actuarial cost method:	Entry age normal
Actuarial valuation method:	Market value
Amortization method:	Level percentage of compensation
Remaining amortization period:	9 years
Discount rate:	6.28%
Inflation:	Included in investment rate of return
Salary increases:	4.00%
Investment rate of return:	6.28% including inflation
20-year Aa Municipal bond rate:	4.50%
Healthcare cost trend rates:	Pre-Medicare - 7.50% graded down to 4.50% by 0.25% per year; Post-Medicare - 5.75% graded down to 4.50% by 0.25% per year Dental and Vision: 3.00%
Mortality:	2016 Public general employee and healthy retiree, headcount weighted with IRS 2024 Adjusted Scale MP-2021

Changes in assumptions:

Plan Year

2025	Mortality table change from the Public General 2010 employee and healthy retiree mortality, headcount weighted to the Public General 2016 employee and healthy retiree mortality, headcount weighted Marital assumption changed from 80% of future retirees will have a covered spouse to actual spouse data used for future retirees Medical Trend rates increased by .25% instead of decreasing by .25% as anticipated Salary Scale changed from 3.25% to 4.0% Discount rate changed from 6.90% to 6.28%
2024	Discount rate changed from 6.56% to 6.90% Medical trend updated such that the trend does not decrease by the anticipated 0.25% after the first year
2023	Discount rate updated from 7.45% to 6.56% Mortality Improvement Scale updated from MP-2021 (retirement Plans Experience Committee of the Society of Actuaries prescribed scale) to IRS 2024 Adjusted Scale MP-2021 Medical trend updated to reflect PA202 prescribed rates for year 2023 Salary Scale updated from 3.0% to 3.25%
2022	Discount rate updated from 5.54% to 7.45%
2021	Mortality improvement scale updated from MP-2018 to MP-2021 Trend rate updated to the rates prescribed by PA 202 for 2021 Salary Scale updated from 3.5% to 3.0% Discount rate updated from 4.45% to 5.54%

**EATON COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

NOTE 1 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in assumptions (continued):

Plan Year

2020	Discount rate lowered from 6.71% to 4.45% Post-65 medical trend rates updated
2019	Modified retirement assumption based on recent experience Updated trend to reflect Uniform Assumptions under PA 202 Incorporated Public employer mortality tables based on recent, national studies Adjusted the salary scale - used for allocation costs - to reflect Uniform Assumptions under
2018	Discount rate changed from 6.73% to 6.71% Discount rate changed from 4.56% to 6.73%

Changes in benefits:

Plan Year

2025	Effective with union contract 10-22-2024 through 10-01-2027 - Employees who meet eligibility requirements will have the Employer contribution reduced by 5% for each year of service at retirement less than 20
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NOTE 2 - BUDGET-TO-GAAP RECONCILIATION

The actual amounts in the budgetary comparison schedule (non-GAAP budgetary basis) are presented on the same basis of accounting used in preparing the adopted budget. The following schedule reconciles the amounts on those schedules to the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Fund. The adjustment represents capital construction expenditures paid by the Michigan Department of Transportation and related federal aid.

	Budgetary Comparison Schedules (non-GAAP Basis)	Adjustment to GAAP	Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
REVENUES			
Intergovernmental	\$ 24,738,577	\$ (1,885,539)	\$ 22,853,038
EXPENDITURES			
Current			
Public works	34,049,230	(1,885,539)	32,163,691

OTHER SUPPLEMENTARY INFORMATION

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
TOTAL REVENUES	\$ 14,668,047	\$ 16,762,406	\$ 477,905	\$ 31,908,358
TOTAL EXPENDITURES	<u>12,839,543</u>	<u>21,525,830</u>	<u>(316,143)</u>	<u>34,049,230</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,828,504	(4,763,424)	794,048	(2,140,872)
OTHER FINANCING SOURCES (USES)				
Optional transfers in (out)	<u>(4,222,083)</u>	<u>4,222,083</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	(2,393,579)	(541,341)	794,048	(2,140,872)
Fund balance, beginning of year	<u>13,076,579</u>	<u>541,341</u>	<u>285,112</u>	<u>13,903,032</u>
Fund balance, end of year	<u>\$ 10,683,000</u>	<u>\$ -</u>	<u>\$ 1,079,160</u>	<u>\$ 11,762,160</u>

**EATON COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
REVENUES				
Taxes				
Property taxes	\$ -	\$ 5,818,900	\$ -	\$ 5,818,900
Licenses and permits				
Permits	-	-	129,330	129,330
Intergovernmental				
Federal sources	1,885,539	-	-	1,885,539
State sources	11,808,510	10,692,823	-	22,501,333
Local sources	125,569	215,560	10,576	351,705
Total intergovernmental	<u>13,819,618</u>	<u>10,908,383</u>	<u>10,576</u>	<u>24,738,577</u>
Charges for services	-	-	5,504	5,504
Interest	<u>848,429</u>	<u>35,123</u>	<u>18,498</u>	<u>902,050</u>
Other				
Miscellaneous	-	-	277,823	277,823
Proceeds from sale of equipment	-	-	36,174	36,174
Total other	<u>-</u>	<u>-</u>	<u>313,997</u>	<u>313,997</u>
TOTAL REVENUES	<u>\$ 14,668,047</u>	<u>\$ 16,762,406</u>	<u>\$ 477,905</u>	<u>\$ 31,908,358</u>

**EATON COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
YEAR ENDED SEPTEMBER 30, 2025**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
EXPENDITURES				
Construction - capacity improvements	\$ -	\$ 5,675,765	\$ -	\$ 5,675,765
Preservation - structural improvements	2,897,056	7,296,623	-	10,193,679
Routine and preventative maintenance	7,856,469	4,426,977	-	12,283,446
Administrative expense - net	269,675	436,338	-	706,013
Equipment expense - net	(94,920)	(128,837)	(38,871)	(262,628)
Drain assessment	1,911,263	3,818,964	-	5,730,227
Other	-	-	132,871	132,871
Capital outlay - net	-	-	(410,143)	(410,143)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	<u>\$ 12,839,543</u>	<u>\$ 21,525,830</u>	<u>\$ (316,143)</u>	<u>\$ 34,049,230</u>