Washtenaw County Road Commission

(a component unit of Washtenaw County, Michigan)

Financial Report
with Supplementary Information
December 31, 2025

Contents

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Independent Auditor's Report

To the Board of County Road Commissioners
Washtenaw County Road Commission

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washtenaw County Road Commission as of December 31, 2025 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Road Commission's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of County Road Commissioners
Washtenaw County Road Commission

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

Plante & Moran, PLLC

March 3, 2026

Management's Discussion and Analysis

Our discussion and analysis of the financial performance of the Washtenaw County Road Commission (WCRC or the "Road Commission") provides an overview of the Road Commission's financial activities for the fiscal year ended December 31, 2025. Please read it in conjunction with the Road Commission's financial statements.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position/governmental funds balance sheet presents all governmental activities of the Road Commission, presented first by fund on a modified accrual basis, and then in total on a full accrual basis. The modified accrual fund-based columns present a short-term view of the Road Commission; they tell us how much is available for future spending. The total full accrual column is intended to present a longer-term view and tells us whether taxpayers have funded the full cost of providing services to date.

The statement of activities/governmental fund revenue, expenditures, and changes in fund balances also presents all governmental activities of the Road Commission, presented first by fund on a modified accrual basis, and then in total on a full accrual basis. The modified accrual fund-based columns tell us how the Michigan Transportation Fund revenue was spent during the year, while the total full accrual column tells us the cost of providing services this year, as well as whether taxpayers paid the full cost of providing services this year.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the Road Commission's own programs. The Road Commission's Other Postemployment Benefits Fund is the only fiduciary activity.

Supplemental information is also provided for additional information purposes.

Financial Analysis

The net position of the Road Commission is summarized for the purpose of determining the overall fiscal position. As shown on the net position chart below, the Road Commission's assets and deferred outflows exceeded liabilities and deferred inflows by $362,499,890 at the end of the fiscal year.

Net position has increased by $8,239,496 compared to the beginning of year net position.

A comparative analysis of the Road Commission data is presented below:

Condensed Statement of Net Position

	December 31	
	2025	2024
Assets		
Current and other assets	$ 39,328,650	$ 40,463,852
Capital assets	370,253,894	364,879,975
Total assets	409,582,544	405,343,827
Deferred Outflows of Resources	8,224,769	8,359,818
Liabilities		
Other liabilities	11,575,942	13,998,339
Long-term liabilities outstanding	42,028,281	45,358,444
Total liabilities	53,604,223	59,356,783
Deferred Inflows of Resources	1,703,200	86,468
Net Position		
Net investment in capital assets	366,673,894	360,384,800
Unrestricted	(4,174,004)	(6,124,406)
Total net position	**$ 362,499,890**	**$ 354,260,394**

Condensed Statement of Activities

	Year Ended December 31	
	2025	2024
Revenue	$ 68,560,762	$ 75,756,682
Expenses	60,321,266	56,499,619
Change in Net Position	**$ 8,239,496**	**$ 19,257,063**

WCRC Highlights

Michigan has underfunded infrastructure, including roads, for many decades. Nevertheless, the Washtenaw County Board of County Road Commissioners (WCRC Board) has made solid, strategic decisions to invest in the Washtenaw County road system, staff, equipment and facilities in a manner that balances working within budget limitations, meeting statutory requirements.

WCRC was established by Washtenaw County voters on April 7, 1919. For more than 100 years, WCRC has served the people of Washtenaw County to provide a reasonably safe and convenient road system for the traveling public.

Today, WCRC is responsible for maintaining 1,652 miles of roads, 125 bridges, and more than 2,400 culverts. County roads in Washtenaw County vary from multi-lane, concrete boulevards with curb and gutter, enclosed storm sewer and sophisticated traffic signals in the urban areas surrounding the City of Ann Arbor and the City of Ypsilanti, to two-lane, gravel country roads in rural areas in the western part of the county.

In addition, WCRC maintains 598 lane miles of state trunkline roads on behalf of the Michigan Department of Transportation (MDOT).

Revenue

There has been much discussion recently about the lack of funding and underinvestment in Michigan's road infrastructure. WCRC uses as many different funding opportunities as possible. From expanding the local road program in partnership with townships, to seeking additional grant opportunities and pursuing a countywide road millage, WCRC staff has been creative and aggressive in finding as many different revenue sources as possible to invest in WCRC's roads and bridges.

Michigan Transportation Fund

WCRC's primary source of funding comes from fuel tax and vehicle registration fees which are allocated through the Michigan Transportation Fund (MTF). WCRC amended its 2025 Budget on three occasions during the year to reflect changes in the level of revenue from the MTF and status changes in budgeted projects. The actual 2025 MTF revenue received was $36.8 million, approximately $20,000 higher than budgeted. Overall actual revenues were $1.8 million higher than the amended budget due to higher MTF, higher interest earnings and more state trunkline revenue than budgeted.

Other State and Federal Funds

WCRC receives federal and state monies that are programmed through an extensive planning process. Traditional federal funds can only be used on the federal-aid eligible network of roads; in Washtenaw County that means mostly paved county primary roads. In addition, WCRC applies each year for various federal/state grants and has been highly successful in receiving funds for specific local bridge, safety, congestion mitigation/air quality, carbon reduction funding and economic development projects. In 2025, WCRC received approximately $5.9 million in federal and state grant money for specific projects.

County Millage

In November of 2024, voters in Washtenaw County approved the renewal and restoration of a 0.5-mill, four-year countywide road and non-motorized millage. In the first year of this millage, WCRC received approximately $3.7 million and was able to improve several miles of county roads.

Partnership with Townships

Every year, WCRC works with each of Washtenaw County's 20 townships to plan out the year's local road program. Ahead of these meetings, the WCRC Board designates an amount to be transferred from the MTF primary road fund to the local road matching program. The local road matching fund is divided up between townships based on local road mileage and population.

Each township can use the matching funds for whatever road project best reflects their community's needs, if the funds are matched by the township. The local roads matching program leveraged approximately $5.9 million of investments from townships into roads in 2025.

In addition, many townships have elected to invest in local road improvements, beyond what the matching program amount covers. Some townships do this with general funds, and others have local township road millages. The Road Commission worked on several culvert projects in partnership with the townships in 2025. The townships are the recipients of a storm water grant administered by the Washtenaw County Water Resources Commissioner's office. The Road Commission is performing the culvert replacements.

Employee Pension and Healthcare

WCRC continued to fund a post-employment trust that was established in 2006 to address the GASB 74 and 75 other post-employment benefits (OPEB) reporting conditions. The funding ratio has increased from 0 percent in 2006 to 92 percent in 2025. WCRC remains committed to funding the OPEB as much as resources will allow.

The services of Brown and Brown of Central Michigan continue to provide a value-add to WCRC. The company serves as an agent and advocate for both the organization and employees with a mutually beneficial goal of cost containment for all benefits while minimizing the impact on benefit levels. Brown and Brown has assisted WCRC with information and implementation regarding the Patient Protection and Affordable Care Act (PPACA). This will be an ongoing process as other measures of health care reform are implemented.

Per Brown and Brown's recommendation, WCRC began self-funding its health insurance in 2009 with stop-loss protections. Additionally, Brown and Brown conducted a solicitation for proposals for other current benefit plans to ensure that all benefit programs are the most cost-effective plans. All changes implemented have allowed WCRC to contain costs while minimizing the impact on employees.

Capital Assets

The Road Commission had $370 million in capital assets at the end of the fiscal year. The reason for the approximately $5.4 million increase from the previous year is: (1) purchases of new equipment and various capital improvements, and (2) an increase in infrastructure costs. Investment in infrastructure continues to be the largest asset class.

Capital Assets at Year End (Net of Depreciation)

	December 31	
	2025	2024
Land	$ 33,224,864	$ 32,700,395
Buildings and storage bins	18,183,486	18,516,564
Road equipment	7,902,394	7,739,511
Other equipment	1,229,598	1,057,663
Infrastructure	309,713,552	304,865,842
Total	**$ 370,253,894**	**$ 364,879,975**

Debt Administration

At December 31, 2025, the Road Commission had $3,580,000 in total outstanding notes and bonds payable, a decrease of $915,175 from the previous year.

Economic Factors and the 2026 Budget

In October of 2025, the state legislature approved a historic change to the Michigan Transportation Funds (MTF), increasing collections for the fuel tax from 31 cents per gallon to 52.2 cents per gallon. They also created a new funding source, the Neighborhood Roads Fund (NRF). Staff is anticipating a significant increase in both the MTF and NRF but there are many moving parts in the distribution timing of these new funds. It is unknown at this time when the NRF will be available. Because of this, the initial budgeted revenues from the NRF are zero. It is anticipated that the NRF will be received closer to the end of the fiscal year, and these funds will be spent in the subsequent budget year. The actual 2026 revenues and expenditures will be monitored on a quarterly basis.

Overall, the 2026 budget includes higher expenditures than 2025 primarily due to an increase in the expected level of reimbursable projects as well as higher capital expenditures. Overall revenues are expected to be higher in 2026 primarily due to an increase in federal/state funding, increase to the MTF, as well as additional other contributions.

Contacting the Road Commission’s Management

This financial report is intended to provide a general overview of the Road Commission’s finances and to show accountability for the money it receives and expends. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Washtenaw County Road Commission, 555 N. Zeeb Road, Ann Arbor, MI 48103.

Statement of Net Position/Governmental Funds Balance Sheet

December 31, 2025

	Road Fund	Nonmajor Governmental Fund - Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets					
Cash and investments (Note 3)	$ 26,530,080	$ 80,433	$ 26,610,513	$ -	$ 26,610,513
Receivables:					
Special assessments receivable	-	21,821	21,821	-	21,821
Due from other governments	9,947,835	-	9,947,835	-	9,947,835
Inventory	2,702,622	-	2,702,622	-	2,702,622
Prepaid expenses and other assets	45,859	-	45,859	-	45,859
Capital assets: (Note 4)					
Assets not subject to depreciation	-	-	-	33,224,864	33,224,864
Assets subject to depreciation - Net	-	-	-	337,029,030	337,029,030
Total assets	39,226,396	102,254	39,328,650	370,253,894	409,582,544
Deferred Outflows of Resources					
Deferred pension costs (Note 10)	-	-	-	7,612,649	7,612,649
Deferred OPEB costs (Note 9)	-	-	-	612,120	612,120
Total deferred outflows of resources	-	-	-	8,224,769	8,224,769
Total assets and deferred outflows of resources	**$ 39,226,396**	**$ 102,254**	**$ 39,328,650**	378,478,663	417,807,313
Liabilities					
Accounts payable	$ 1,599,186	$ -	$ 1,599,186	-	1,599,186
Accrued liabilities and other	3,500,349	-	3,500,349	39,929	3,540,278
Unearned revenue	2,190,003	-	2,190,003	-	2,190,003
Advances and deposits	4,246,475	-	4,246,475	-	4,246,475
Noncurrent liabilities:					
Due within one year - Bonds and contracts payable (Note 7)	-	-	-	860,000	860,000
Due in more than one year:					
Compensated absences (Note 6)	-	-	-	1,004,854	1,004,854
Net pension liability (Note 10)	-	-	-	35,299,306	35,299,306
Net OPEB liability (Note 9)	-	-	-	2,144,121	2,144,121
Bonds and contracts payable - Net of current portion (Note 7)	-	-	-	2,720,000	2,720,000
Total liabilities	11,536,013	-	11,536,013	42,068,210	53,604,223
Deferred Inflows of Resources					
Unavailable revenue	254,690	21,821	276,511	(276,511)	-
Deferred pension cost reductions (Note 10)	-	-	-	218,447	218,447
Deferred OPEB cost reductions (Note 9)	-	-	-	1,484,753	1,484,753
Total deferred inflows of resources	254,690	21,821	276,511	1,426,689	1,703,200

See notes to financial statements.

Statement of Net Position/Governmental Funds Balance Sheet (Continued)

December 31, 2025

	Road Fund	Nonmajor Governmental Fund - Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Equity					
Fund balances:					
Nonspendable:					
Inventory	$ 2,702,622	$ -	$ 2,702,622	$ (2,702,622)	$ -
Prepaids	45,859	-	45,859	(45,859)	-
Committed - Construction	225,104	-	225,104	(225,104)	-
Assigned:					
Employee retirement	2,150,000	-	2,150,000	(2,150,000)	-
Other postemployment benefits	250,000	-	250,000	(250,000)	-
Special assessments	-	80,433	80,433	(80,433)	-
Capital improvements	12,922,347	-	12,922,347	(12,922,347)	-
Insurance retention	399,321	-	399,321	(399,321)	-
Subsequent year's budget shortfall	6,080,000	-	6,080,000	(6,080,000)	-
Employee health insurance	1,055,465	-	1,055,465	(1,055,465)	-
Unassigned	1,604,975	-	1,604,975	(1,604,975)	-
Total fund balances	27,435,693	80,433	27,516,126	(27,516,126)	-
Total liabilities, deferred inflows of resources, and fund balances	**$ 39,226,396**	**$ 102,254**	**$ 39,328,650**		
Net position:					
Net investment in capital assets				366,673,894	366,673,894
Unrestricted				(4,174,004)	(4,174,004)
Total net position				**$ 362,499,890**	**$ 362,499,890**

Statement of Revenue, Expenditures, and Changes in Fund Balances/Statement of Activities

Year Ended December 31, 2025

	Road Fund	Nonmajor Governmental Fund - Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Revenue					
Property taxes under county millage	$ 3,742,469	$ -	$ 3,742,469	$ -	$ 3,742,469
Special assessments	-	46,624	46,624	(46,624)	-
Intergovernmental:					
Federal and state sources	5,866,043	-	5,866,043	-	5,866,043
State-shared revenue and grants:					
State aid - Michigan Transportation Fund	36,770,067	-	36,770,067	-	36,770,067
State trunkline maintenance	5,418,825	-	5,418,825	-	5,418,825
Revenue from local governments	8,134,497	-	8,134,497	-	8,134,497
Other revenue:					
Contributions in kind	-	-	-	2,328,800	2,328,800
Interest, fees, and other revenue	5,884,554	2,429	5,886,983	174,257	6,061,240
Total revenue	65,816,455	49,053	65,865,508	2,456,433	68,321,941
Expenditures					
Operations	13,178,569	-	13,178,569	(8,498,814)	4,679,755
Engineering	4,204,034	-	4,204,034	(2,711,167)	1,492,867
Nondepartmental	10,390,875	-	10,390,875	(712,325)	9,678,550
Reimbursable road projects, capital improvements, and state trunkline	34,175,727	-	34,175,727	(26,620,807)	7,554,920
Administration	1,917,747	-	1,917,747	49,118	1,966,865
Depreciation	-	-	-	34,782,652	34,782,652
Debt service:					
Principal	914,175	1,000	915,175	(915,175)	-
Interest and other charges	173,073	216	173,289	(7,632)	165,657
Total expenditures	64,954,200	1,216	64,955,416	(4,634,150)	60,321,266
Excess of Revenue Over Expenditures	862,255	47,837	910,092	7,090,583	8,000,675
Other Financing Sources - Sale of capital assets	241,838	-	241,838	(3,017)	238,821
Net Change in Fund Balances/Net Position	1,104,093	47,837	1,151,930	7,087,566	8,239,496
Fund Balances/Net Position - Beginning of year	26,331,600	32,596	26,364,196	327,896,198	354,260,394
Fund Balances/Net Position - End of year	**$ 27,435,693**	**$ 80,433**	**$ 27,516,126**	**$ 334,983,764**	**$ 362,499,890**

Statement of Fiduciary Net Position

December 31, 2025

	Other Postemployment Benefits Fund
Assets - Interest in pooled investments	$ 26,188,610
Liabilities	-
Net Position - Restricted - Postemployment benefits other than pension	**$ 26,188,610**

Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2025

	Other Postemployment Benefits Fund
Additions	
Investment income	$ 3,669,329
Contributions - Employer	1,976,737
Total additions	5,646,066
Deductions	
Benefit payments	1,619,831
Administrative expenses	53,073
Total deductions	1,672,904
Net Change in Fiduciary Net Position	3,973,162
Net Position - Beginning of year	22,215,448
Net Position - End of year	**$ 26,188,610**

See notes to financial statements.

Note 1 - Significant Accounting Policies

Reporting Entity

The Washtenaw County Road Commission (the "Road Commission") is a governmental agency responsible for the maintenance and construction of the road system in the County of Washtenaw, Michigan. The Road Commission's financial statements will be included in the basic financial statements of County of Washtenaw, Michigan (the "County") as a discretely presented component unit.

Fiduciary Component Unit

Although it is legally separate from the Road Commission, the other postemployment benefits plan is reported as a fiduciary component unit because it is governed by the Board of County Road Commissioners and imposes a financial burden on the Road Commission.

Accounting and Reporting Principles

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

Report Presentation

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

On the full accrual basis of accounting, revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund Accounting

The Road Commission accounts for its various activities in two different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. All activity of the Road Commission is accounted for under governmental fund types.

Governmental funds include all activities that provide general governmental services that are not business-type activities. The Road Commission reports one fund as a major governmental fund, the Road Fund. The Road Fund is a special revenue fund that is used to account for the proceeds of earmarked revenue or financing activities requiring separate accounting because of legal or regulatory provisions.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the Other Postemployment Benefits Fund, which is used to account for assets held by the Road Commission in a trustee capacity that will be used to fund future payment of medical benefits for eligible retirees and their spouses and dependents.

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

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

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

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand and demand deposits. Investments are stated at fair value based on quoted market prices.

Inventories and Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The related revenue is recorded as contributions in kind.

Capital assets are depreciated using the straight-line method over the following useful lives:

	Depreciable Life - Years
Roads	5 to 30
Buildings	40 to 60
Machinery and equipment	5 to 20
Other infrastructure	15 to 50

Note 1 - Significant Accounting Policies (Continued)

Long-term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government-wide statements report deferred outflows related to the OPEB and pension plans, as detailed in Notes 9 and 10, respectively.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources related to unavailable revenue are reported only in the governmental funds. The governmental funds report unavailable revenue from two sources: special assessments and amounts due from other governments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In addition to unavailable revenue, the Road Commission recognizes deferred inflows related to the OPEB and pension plans, as detailed in Notes 9 and 10, respectively.

Net Position Flow Assumption

The Road Commission will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Road Commission’s policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

The Road Commission will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Road Commission’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Road Commission itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 1 - Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Road Commission's highest level of decision-making authority. The Board of County Road Commissioners is the highest level of decision-making authority for the Road Commission that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the Road Commission for specific purposes but do not meet the criteria to be classified as committed. The Road Commission has, by resolution, authorized the finance director to assign fund balance. The Board of County Road Commissioners may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Pension

The Road Commission offers a defined benefit pension plan to its employees. The Road Commission records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefit Costs

The Road Commission offers retiree health care benefits to retirees. The Road Commission records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences (Annual Leave)

It is the Road Commission's policy to permit employees to accumulate earned but unused annual leave pay benefits. All annual leave pay is accrued when incurred in the government-wide financial statements. A leave liability is recognized due to the leave being attributable to services already rendered, leave that accumulates, and leave that is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Use of Estimates

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

Note 1 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

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

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

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

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities

Net position reported in the statement of net position column is different than the fund balances reported in the individual fund columns because of the different measurement focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Fund Balances Reported in Governmental Funds	$ 27,516,126
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	706,974,790
Accumulated depreciation	(336,720,896)
Net capital assets used in governmental activities	370,253,894
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	276,511
Bonds payable and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(3,580,000)
Accrued interest is not due and payable in the current period and is not reported in the funds	(39,929)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(1,004,854)
Pension benefits	(27,905,104)
OPEB	(3,016,754)
Net Position of Governmental Activities	$ 362,499,890

Note 2 - Reconciliation of Individual Fund Columns of the Statement of Net Position/Statement of Activities (Continued)

The change in net position reported in the statement of activities column is different than the change in fund balances reported in the individual fund columns because of the different measurements focus and basis of accounting, as discussed in Note 1. Below is a reconciliation of the differences:

Net Change in Fund Balances Reported in Governmental Funds	$ 1,151,930
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	40,159,588
Depreciation expense	(34,782,652)
Net book value of assets disposed of	(3,017)
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	127,633
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	915,175
Interest expense is recognized in the government-wide statements as it accrues	7,632
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	663,207
Change in Net Position of Governmental Activities	$ 8,239,496

Note 3 - Deposits and Investments

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

The Other Postemployment Benefits Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed $250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Road Commission's deposits may not be returned to it. The Road Commission does not have a deposit policy for custodial credit risk. At year end, the Road Commission had bank deposits of $228,992 (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Road Commission believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices. As of year end, the Road Commission's investments of $26,445,143 were held by Washtenaw County, Michigan. The Road Commission's funds are commingled with the County's funds for investment purposes. The County's pool of investments is not rated.

Fair Value Measurements

The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Road Commission’s assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Investments in Entities that Calculate Net Asset Value per Share

The Road Commission holds an interest in the MERS ISP Total Market Portfolio where the fair value of the investment is measured on a recurring basis using net asset value per share (or its equivalent) of the investment as a practical expedient.

At December 31, 2025, the fair value was $26,188,610. There were no unfunded commitments or redemption rules.

The MERS ISP Total Market Portfolio is a fully diversified portfolio combining traditional stocks and bonds with alternative asset classes, including real estate, private equity, and commodities. The objective is to provide current income and capital appreciation while minimizing the volatility of the capital markets. The Municipal Employees' Retirement System (MERS) manages the asset allocation and monitors the underlying investment managers of the MERS ISP Total Market Portfolio.

Note 4 - Capital Assets

Capital asset activity of the Road Commission was as follows:

	Balance January 1, 2025	Additions	Disposals	Balance December 31, 2025
Capital assets not being depreciated - Land and land improvements	$ 32,700,395	$ 524,469	$ -	$ 33,224,864
Capital assets being depreciated:				
Buildings and storage bins	29,725,027	552,339	-	30,277,366
Road equipment	32,344,328	3,097,152	(1,030,990)	34,410,490
Other equipment	4,394,050	407,768	-	4,801,818
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	587,579,011	35,577,860	(19,033,005)	604,123,866
Subtotal	654,178,802	39,635,119	(20,063,995)	673,749,926
Accumulated depreciation:				
Buildings and storage bins	11,208,463	885,417	-	12,093,880
Road equipment	24,604,817	2,931,252	(1,027,973)	26,508,096
Other equipment	3,336,387	235,833	-	3,572,220
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	282,713,169	30,730,150	(19,033,005)	294,410,314
Subtotal	321,999,222	34,782,652	(20,060,978)	336,720,896
Net capital assets being depreciated	332,179,580	4,852,467	(3,017)	337,029,030
Net governmental activities capital assets	$ 364,879,975	$ 5,376,936	$ (3,017)	$ 370,253,894

Note 5 - Risk Management

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

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

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

As of December 31, 2025, the Road Commission has recorded a liability of $340,000 as an estimate of health care claims incurred but not reported as of the end of the year.

Note 6 - Other Long-term Liabilities

Compensated Absences

The compensated absences liability represents the estimated liability to be paid to employees under the Road Commission's leave policies. Under the Road Commission's policy, union and nonunion employees earn annual leave based on time of service with the Road Commission. The estimated compensated absence liability as of December 31, 2025 is $1,004,854, a net increase of $49,118 from December 31, 2024.

Note 7 - Long-term Debt

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable:					
Direct borrowings and direct placements:					
2020 Installment Purchase with interest of 2.39% Maturing in 2025	$ 54,175	$ -	$ (54,175)	$ -	$ -
2023 Installment Purchase with interest of 5.50% Maturing in 2033	2,790,000	-	(310,000)	2,480,000	310,000
Total direct borrowings and direct placements principal outstanding	2,844,175	-	(364,175)	2,480,000	310,000
Other debt:					
2015 Road Special Assessment Bonds with interest rates from 0.75%-3.25% Maturing in 2025	1,000	-	(1,000)	-	-
2017 Northeast Service Center with interest of 1.96% Maturing in 2027	1,650,000	-	(550,000)	1,100,000	550,000
Total other debt principal outstanding	1,651,000	-	(551,000)	1,100,000	550,000
Total governmental activities long-term debt	$ 4,495,175	$ -	$ (915,175)	$ 3,580,000	$ 860,000

Note 7 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		
Years Ending December 31	Principal	Interest	Principal	Interest	Total
2026	$ 310,000	$ 129,054	$ 550,000	$ 16,161	$ 1,005,215
2027	310,000	111,767	550,000	5,385	977,152
2028	310,000	94,763	-	-	404,763
2029	310,000	77,193	-	-	387,193
2030	310,000	59,906	-	-	369,906
2031-2033	930,000	76,379	-	-	1,006,379
Total	$ 2,480,000	$ 549,062	$ 1,100,000	$ 21,546	$ 4,150,608

Note 8 - Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the Road Commission incurred expenditures in the Road Fund, which were in excess of the amounts budgeted, as follows:

	Budget	Actual
Principal	$ 913,000	$ 914,175
Interest and other charges	173,000	173,073
Total	$ 1,086,000	$ 1,087,248

Budgetary Information

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

a. Budgets must be adopted for the special revenue funds. The Road Fund is a special revenue fund.
b. Budgeted expenditures cannot exceed budgeted revenue and fund balance.
c. The budgets must be amended when necessary.
d. Public hearings must be held before budget adoptions.
e. Expenditures cannot exceed budget appropriations.
f. Expenditures must be authorized by a budget before being incurred.

The budget has been adopted on a departmental basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the Road Fund budget, as adopted by the Board of County Road Commissioners, is included in the required supplementary information.

The Road Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In November, the managing director of the Road Commission submits to the Board of County Road Commissioners a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

Note 8 - Stewardship, Compliance, and Accountability (Continued)

2. A public hearing is conducted to obtain citizen comments.
3. During December, the budget is legally enacted by the passage of a resolution.
4. The managing director is authorized to transfer budgeted amounts between line items within a departmental category, exclusive of certain exceptions, which require the approval of the Board of County Road Commissioners. These accepted items and any revisions that alter the total expenditures of any budgeted activity must be approved by the board.

Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

Note 9 - Other Postemployment Benefits Plan

Plan Description

This is a single-employer defined benefit postemployment benefits plan administered by the Board of County Road Commissioners.

Benefits Provided

The plan provides health care benefits, dental benefits (only for employees who retired in October 2002 and after), and a death benefit to all full-time employees hired prior to January 1, 2012 upon retirement in accordance with labor contracts. Benefits are provided through the Road Commission's self-insurance program, and the full cost of benefits is covered by the plan.

Employees Covered by Benefit Terms

As of the December 31, 2024 valuation, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	134
Active plan members	33
Total plan members	167

Contributions

For the year ended December 31, 2025, the Road Commission contributed $1,976,737. Employees are not required to contribute to the plan.

Net OPEB Liability

The Road Commission has chosen to use the December 31 measurement date as its measurement date for the net OPEB liability. The December 31, 2025 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the December 31, 2025 measurement date. The December 31, 2025 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2024 that has used update procedures to roll the information forward to the measurement date.

Note 9 - Other Postemployment Benefits Plan (Continued)

Changes in the net OPEB liability during the measurement year were as follows:

	Increase (Decrease)		
Changes in Net OPEB Liability	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at December 31, 2024	$ 26,455,718	$ 22,215,448	$ 4,240,270
Changes for the year:			
Service cost	113,764	-	113,764
Interest	1,799,188	-	1,799,188
Differences between expected and actual experience	1,051,943	-	1,051,943
Changes in assumptions	531,949	-	531,949
Contributions - Employer	-	1,976,737	(1,976,737)
Net investment income	-	3,669,329	(3,669,329)
Benefit payments, including refunds	(1,619,831)	(1,619,831)	-
Administrative expenses	-	(53,073)	53,073
Net changes	1,877,013	3,973,162	(2,096,149)
Balance at December 31, 2025	$ 28,332,731	$ 26,188,610	$ 2,144,121

The plan's fiduciary net position represents 92.43 percent of the total OPEB liability.

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

For the year ended December 31, 2025, the Road Commission recognized OPEB expense of $1,182,240.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 407,908	$ -
Changes in assumptions	204,212	-
Net difference between projected and actual earnings on OPEB plan investments	-	1,484,753
Total	$ 612,120	$ 1,484,753

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

Years Ending December 31	Amount
2026	$ 671,866
2027	(647,033)
2028	(476,742)
2029	(420,724)
Total	$ (872,633)

Note 9 - Other Postemployment Benefits Plan (Continued)

Actuarial Assumptions

The total OPEB liability as of December 31, 2025 was determined using an inflation assumption of 2.5 percent; assumed salary increases (including inflation) of 3.0 to 9.7 percent; an investment rate of return (net of investment expenses) of 7.00 percent; a health care cost trend rate of 7.75 percent, decreasing 0.25 or 0.5 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries under age 65 and a rate of 6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries over age 65; and the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2023.

Discount Rate

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

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the December 31, 2025 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.16
Private investments	20.00	6.50

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

The following presents the net OPEB liability of the Road Commission, calculated using the discount rate of 7.00 percent, as well as what the Road Commission's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (6.00%)	Current Discount Rate (7.00%)	1 Percentage Point Increase (8.00%)
Net OPEB liability (asset) of the plan	$ 5,209,743	$ 2,144,121	$ (442,457)

Note 9 - Other Postemployment Benefits Plan (Continued)

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

The following presents the net OPEB liability of the Road Commission, calculated using the health care cost trend rate of 7.75 percent down to 3.5 percent for pre-65 beneficiaries and 6.50 percent down to 3.5 percent for post-65 beneficiaries, as well as what the Road Commission's net OPEB (asset) liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease	Current Health Care Cost Trend Rate	1 Percentage Point Increase
Net OPEB (asset) liability of the plan	$ (481,655)	$ 2,144,121	$ 5,244,726

OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is not available in a separately issued financial report. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the plan’s fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 15.51 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Assumption Changes

In the December 31, 2024 valuation the health care cost trend rate was reset to 7.75 percent, decreasing 0.25 or 0.5 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries under the age of 65 and a rate of 6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries over age 65.

Note 10 - Agent Defined Benefit Pension Plan Description

Plan Description

The Washtenaw County Road Commission participates in an agent multiple-employer defined benefit pension plan administered by the Municipal Employees' Retirement System of Michigan, which covers all employees of the Road Commission. MERS was established as a statewide public employee pension plan by the Michigan Legislature under PA 135 of 1945 and is administered by a nine-member retirement board. MERS issues a publicly available financial report, which includes the financial statements and required supplementary information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

Benefits Provided

The plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. PA 427 of 1984, as amended, established and amends the benefit provisions of the participants in MERS.

The MERS plan covers all full-time employees of the Road Commission.

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Retirement benefits changed for all employee groups hired after various dates in 2012. Retirement benefits for employees hired prior to 2012 are calculated as 2.25 percent of the employee’s final 3-year average salary times the employee’s years of service. Normal retirement age is 60 with early retirement at 55 with 25 years of service. The vesting period is 8 years. Retirement benefits for employees hired subsequent to 2012 are calculated as 1.5 percent of the employee’s final 3-year average salary times the employee’s years of service. Normal retirement age is 60. There is no provision for early retirement without a reduction of benefits. The vesting period is 8 years.

For employees hired prior to 2012, benefit terms provide for annual cost of living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are 2.5 percent, noncompounding.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of County Road Commissioners, generally after negotiations of these terms with the affected unions.

Employees Covered by Benefit Terms

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

Inactive plan members or beneficiaries currently receiving benefits	146
Inactive plan members entitled to but not yet receiving benefits	23
Active plan members	127
Total employees covered by MERS	296

Contributions

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

For the year ended December 31, 2025, the average active employee contribution rate was 3.0-5.0 percent of annual pay for employees; the Road Commission’s average contribution rate was 40.10 percent of annual payroll.

Net Pension Liability

The Road Commission has chosen to use December 31 as its measurement date for the net pension liability. The December 31, 2025 fiscal year end reported net pension liability was determined using a measure of the total pension liability and the pension net position as of the December 31, 2024 measurement date. The December 31, 2024 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Changes in the net pension liability during the measurement year were as follows:

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2023	$ 87,739,078	$ 52,071,815	$ 35,667,263
Changes for the year:			
Service cost	951,973	-	951,973
Interest	6,149,939	-	6,149,939
Changes in benefits	86,736	-	86,736
Differences between expected and actual experience	1,048,026	-	1,048,026
Changes in assumptions	(291,263)	-	(291,263)
Contributions - Employer	-	4,006,655	(4,006,655)
Contributions - Employee	-	552,928	(552,928)
Net investment income	-	3,868,798	(3,868,798)
Benefit payments, including refunds	(5,122,637)	(5,122,637)	-
Administrative expenses	-	(115,013)	115,013
Net changes	2,822,774	3,190,731	(367,957)
Balance at December 31, 2024	$ 90,561,852	$ 55,262,546	$ 35,299,306

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

For the year ended December 31, 2025, the Road Commission recognized pension expense of $4,709,223.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 917,650	$ -
Changes in assumptions	342,046	218,447
Net difference between projected and actual earnings on pension plan investments	1,726,268	-
Employer contributions to the plan subsequent to the measurement date	4,626,685	-
Total	$ 7,612,649	$ 218,447

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows. These amounts are exclusive of the employer contributions to the plan made subsequent to the measurement date ($4,626,685), which will impact the net pension liability in fiscal year 2026, rather than pension expense.

Years Ending December 31	Amount
2026	$ 1,335,384
2027	1,682,237
2028	(219,227)
2029	(30,877)
Total	$ 2,767,517

Actuarial Assumptions

The total pension liability in the December 31, 2024 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases (including inflation) of 3 to 9.7 percent, an investment rate of return (net of investment expenses) of 7.18 percent, and the Pub-2010 mortality tables. These assumptions were applied to all periods included in the measurement.

The actuarial assumptions used in the December 31, 2024 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from January 1, 2019 through December 31, 2023.

Discount Rate

The discount rate used to measure the total pension liability was 7.18 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the Road Commission's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Investment Rate of Return

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

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2024 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	60.00 %	4.50 %
Global fixed income	20.00	2.16
Real assets	20.00	6.50

Note 10 - Agent Defined Benefit Pension Plan Description (Continued)

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

The following presents the net pension liability of the Road Commission, calculated using the discount rate of 7.18 percent, as well as what the Road Commission's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.18 percent) or 1 percentage point higher (8.18 percent) than the current rate:

	1 Percentage Point Decrease (6.18%)	Current Discount Rate (7.18%)	1 Percentage Point Increase (8.18%)
Net pension liability of the Road Commission	$ 46,255,558	$ 35,299,306	$ 26,154,325

Pension Plan Fiduciary Net Position

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

Assumption Change

In the 2024 valuation, the mortality improvement scale was updated from MP-2019 to MP-2021.

Required Supplementary Information

Required Supplementary Information
Budgetary Comparison Schedule
Road Fund

Year Ended December 31, 2025

	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenue				
Intergovernmental:				
Federal and state sources	$ 14,564,000	$ 6,310,000	$ 5,866,043	$ (443,957)
State-shared revenue and grants:				
State aid - Michigan Transportation Fund	37,485,000	36,750,000	36,770,067	20,067
State trunkline maintenance	3,595,000	4,544,000	5,418,825	874,825
Revenue from local governments	10,698,000	7,792,078	8,134,497	342,419
Other revenue - Property taxes, interest, fees, and other revenue	9,520,000	8,840,000	9,868,861	1,028,861
Total revenue	75,862,000	64,236,078	66,058,293	1,822,215
Expenditures				
Operations	13,337,000	13,858,000	13,178,569	679,431
Engineering	4,389,000	4,476,000	4,204,034	271,966
Nondepartmental	10,837,000	11,576,000	10,390,875	1,185,125
Reimbursable road projects, capital improvements, and state trunkline	49,077,000	41,137,000	34,175,727	6,961,273
Administration	1,974,000	2,089,000	1,917,747	171,253
Debt service:				
Principal	1,144,000	913,000	914,175	(1,175)
Interest and other charges	190,000	173,000	173,073	(73)
Total expenditures	80,948,000	74,222,000	64,954,200	9,267,800
Net Change in Fund Balance	(5,086,000)	(9,985,922)	1,104,093	11,090,015
Fund Balance - Beginning of year	26,331,600	26,331,600	26,331,600	-
Fund Balance - End of year	**$ 21,245,600**	**$ 16,345,678**	**$ 27,435,693**	**$ 11,090,015**

See notes to required supplementary information.

Required Supplementary Information
Schedule of Changes in the Net OPEB Liability and Related Ratios

Last Eight Fiscal Years
(Schedule is Built Prospectively upon Implementation of GASB Statement No. 75)
Years Ended December 31

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	$ 113,764	$ 108,890	$ 106,086	$ 116,513	$ 148,175	$ 173,699	$ 211,913	$ 245,688
Interest	1,799,188	1,776,153	1,964,003	1,941,673	1,856,240	1,836,412	1,932,760	1,887,665
Differences between expected and actual experience	1,051,943	141,878	(3,012,617)	(95,678)	(857,677)	(19,890)	(713,889)	50,898
Changes in assumptions	531,949	-	918,237	-	1,784,045	-	(1,146,863)	-
Benefit payments, including refunds	(1,619,831)	(1,780,734)	(1,605,673)	(1,692,906)	(1,780,230)	(1,627,699)	(1,559,817)	(1,530,897)
Net Change in Total OPEB Liability	1,877,013	246,187	(1,629,964)	269,602	1,150,553	362,522	(1,275,896)	653,354
Total OPEB Liability - Beginning of year	26,455,718	26,209,531	27,839,495	27,569,893	26,419,340	26,056,818	27,332,714	26,679,360
Total OPEB Liability - End of year	**$ 28,332,731**	**$ 26,455,718**	**$ 26,209,531**	**$ 27,839,495**	**$ 27,569,893**	**$ 26,419,340**	**$ 26,056,818**	**$ 27,332,714**
Plan Fiduciary Net Position								
Contributions - Employer	$ 1,976,737	$ 2,280,734	$ 2,105,673	$ 2,192,906	$ 2,280,230	$ 2,127,699	$ 2,059,817	$ 2,030,897
Net investment income (loss)	3,669,329	1,700,325	2,134,568	(2,129,921)	2,501,141	1,996,628	1,717,075	(501,053)
Administrative expenses	(53,073)	(47,655)	(39,852)	(34,327)	(34,732)	(27,444)	(24,900)	(31,516)
Benefit payments, including refunds	(1,619,831)	(1,780,734)	(1,605,673)	(1,692,906)	(1,780,230)	(1,627,699)	(1,559,817)	(1,530,897)
Net Change in Plan Fiduciary Net Position	3,973,162	2,152,670	2,594,716	(1,664,248)	2,966,409	2,469,184	2,192,175	(32,569)
Plan Fiduciary Net Position - Beginning of year	22,215,448	20,062,778	17,468,062	19,132,310	16,165,901	13,696,717	11,504,542	11,537,111
Plan Fiduciary Net Position - End of year	**$ 26,188,610**	**$ 22,215,448**	**$ 20,062,778**	**$ 17,468,062**	**$ 19,132,310**	**$ 16,165,901**	**$ 13,696,717**	**$ 11,504,542**
Net OPEB Liability - Ending	**$ 2,144,121**	**$ 4,240,270**	**$ 6,146,753**	**$ 10,371,433**	**$ 8,437,583**	**$ 10,253,439**	**$ 12,360,101**	**$ 15,828,172**
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	92.43 %	83.97 %	76.55 %	62.75 %	69.40 %	61.19 %	52.56 %	42.09 %
Covered-employee Payroll	$ 3,409,110	$ 3,607,003	$ 3,670,370	$ 3,805,570	$ 3,979,640	$ 4,074,774	$ 4,440,852	$ 4,983,417
Net OPEB Liability as a Percentage of Covered-employee Payroll	62.89 %	117.56 %	167.47 %	272.53 %	212.02 %	251.63 %	278.33 %	317.62 %

Required Supplementary Information
Schedule of OPEB Contributions

Last Ten Fiscal Years

Years Ended December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 847,508	$ 1,041,881	$ 1,047,212	$ 1,269,631	$ 1,275,248	$ 1,554,805	$ 1,560,377	$ 1,771,698	$ 1,774,746	$ 2,116,696
Contributions in relation to the actuarially determined contribution	1,976,737	2,280,734	2,105,673	2,192,906	2,280,230	2,127,699	2,059,817	2,030,897	2,045,730	1,917,799
Contribution Excess (Deficiency)	**$ 1,129,229**	**$ 1,238,853**	**$ 1,058,461**	**$ 923,275**	**$ 1,004,982**	**$ 572,894**	**$ 499,440**	**$ 259,199**	**$ 270,984**	**$ (198,897)**
Covered-employee Payroll	$ 3,409,110	$ 3,607,003	$ 3,670,370	$ 3,805,570	$ 3,979,640	$ 4,074,774	$ 4,440,852	$ 4,983,417	$ 4,893,417	$ 4,933,750
Contributions as a Percentage of Covered-employee Payroll	57.98 %	63.23 %	57.37 %	57.62 %	57.30 %	52.22 %	46.38 %	40.75 %	41.81 %	38.87 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, one to two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	12 years - Closed
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 7.75 percent (pre-65) or 6.50 percent (post-65) gradually decreasing to an ultimate trend rate of 3.50 percent in year 15
Salary increase	3.00 to 9.70 percent
Investment rate of return	7.00 percent - Net investment expense, including inflation
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 mortality tables

See notes to required supplementary information.

Required Supplementary Information
Schedule of OPEB Investment Returns

Last Eight Fiscal Years
(Schedule is Built Prospectively upon Implementation of GASB Statement No. 75)
Years Ended December 31

	2025	2024	2023	2022	2021	2020	2019	2018
Annual money-weighted rate of return - Net of investment expense	15.51 %	7.92 %	11.16 %	(10.22)%	14.06 %	13.06 %	13.25 %	(3.86)%

See notes to required supplementary information.

Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years
Measurement Years Ended December 31

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability										
Service cost	$ 951,973	$ 948,133	$ 961,387	$ 893,425	$ 892,874	$ 906,680	$ 872,113	$ 926,909	$ 917,803	$ 896,737
Interest	6,149,939	6,009,861	5,834,920	5,718,494	5,415,471	5,374,917	5,119,184	4,978,011	4,884,415	4,744,716
Changes in benefit terms	86,736	79,466	151,991	-	-	-	43,214	-	-	-
Differences between expected and actual experience	1,048,026	71,653	383,216	174,147	(36,974)	(244,568)	1,202,072	(312,006)	(936,120)	(1,453,980)
Changes in assumptions	(291,263)	684,092	-	3,169,724	2,245,432	2,363,990	-	-	-	2,984,784
Benefit payments, including refunds	(5,122,637)	(4,949,358)	(4,874,512)	(4,628,399)	(4,431,381)	(4,217,458)	(3,896,959)	(3,704,748)	(3,696,668)	(3,581,934)
Net Change in Total Pension Liability	2,822,774	2,843,847	2,457,002	5,327,391	4,085,422	4,183,561	3,339,624	1,888,166	1,169,430	3,590,323
Total Pension Liability - Beginning of year	87,739,078	84,895,231	82,438,229	77,110,838	73,025,416	68,841,855	65,502,231	63,614,065	62,444,635	58,854,312
Total Pension Liability - End of year	**$ 90,561,852**	**$ 87,739,078**	**$ 84,895,231**	**$ 82,438,229**	**$ 77,110,838**	**$ 73,025,416**	**$ 68,841,855**	**$ 65,502,231**	**$ 63,614,065**	**$ 62,444,635**
Plan Fiduciary Net Position										
Contributions - Employer	$ 4,006,655	$ 3,857,483	$ 3,680,815	$ 3,359,156	$ 2,909,049	$ 2,635,181	$ 2,488,295	$ 2,341,505	$ 2,103,276	$ 1,584,072
Contributions - Member	552,928	583,341	666,192	700,198	661,416	653,782	675,787	658,389	638,816	583,963
Net investment income (loss)	3,868,798	5,149,436	(5,052,385)	5,521,104	5,446,125	4,775,151	(1,457,953)	4,474,596	3,547,805	(490,226)
Administrative expenses	(115,013)	(104,410)	(89,498)	(69,493)	(78,314)	(82,209)	(72,772)	(70,867)	(70,056)	(72,361)
Benefit payments, including refunds	(5,122,637)	(4,949,358)	(4,874,512)	(4,628,399)	(4,431,381)	(4,217,458)	(3,896,959)	(3,704,748)	(3,696,668)	(3,581,934)
Contribution from nonemployer contributing entity	-	4,478,890	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	3,190,731	9,015,382	(5,669,388)	4,882,566	4,506,895	3,764,447	(2,263,602)	3,698,875	2,523,173	(1,976,486)
Plan Fiduciary Net Position - Beginning of year	52,071,815	43,056,433	48,725,821	43,843,255	39,336,360	35,571,913	37,835,515	34,136,640	31,613,467	33,589,953
Plan Fiduciary Net Position - End of year	**$ 55,262,546**	**$ 52,071,815**	**$ 43,056,433**	**$ 48,725,821**	**$ 43,843,255**	**$ 39,336,360**	**$ 35,571,913**	**$ 37,835,515**	**$ 34,136,640**	**$ 31,613,467**
Road Commission's Net Pension Liability - Ending	**$ 35,299,306**	**$ 35,667,263**	**$ 41,838,798**	**$ 33,712,408**	**$ 33,267,583**	**$ 33,689,056**	**$ 33,269,942**	**$ 27,666,716**	**$ 29,477,425**	**$ 30,831,168**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	61.02 %	59.35 %	50.72 %	59.11 %	56.86 %	53.87 %	51.67 %	57.76 %	53.66 %	50.63 %
Covered Payroll	$ 9,400,809	$ 9,160,304	$ 8,684,978	$ 8,505,000	$ 7,927,489	$ 7,884,924	$ 7,283,859	$ 7,467,876	$ 7,327,466	$ 7,107,016
Road Commission's Net Pension Liability as a Percentage of Covered Payroll	375.49 %	389.37 %	481.74 %	396.38 %	419.65 %	427.26 %	456.76 %	370.48 %	402.29 %	433.81 %

See notes to required supplementary information.

Required Supplementary Information
Schedule of Pension Contributions

Last Ten Fiscal Years

Years Ended December 31

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 3,876,685	$ 3,506,655	$ 3,357,483	$ 3,180,815	$ 2,937,183	$ 2,645,712	$ 2,177,469	$ 2,087,901	$ 2,007,861	$ 1,776,276
Contributions in relation to the actuarially determined contribution	4,626,685	4,006,655	3,857,483	3,680,815	3,359,156	2,909,049	2,635,181	2,488,295	2,341,506	2,103,276
Contribution Excess	**$ 750,000**	**$ 500,000**	**$ 500,000**	**$ 500,000**	**$ 421,973**	**$ 263,337**	**$ 457,712**	**$ 400,394**	**$ 333,645**	**$ 327,000**
Covered Payroll	$ 10,600,614	$ 9,400,809	$ 9,160,304	$ 8,684,978	$ 8,505,000	$ 7,927,489	$ 7,884,924	$ 7,283,859	$ 7,467,876	$ 7,327,466
Contributions as a Percentage of Covered Payroll	43.65 %	42.62 %	42.19 %	42.68 %	41.95 %	36.89 %	36.18 %	33.32 %	31.96 %	29.59 %

Notes to Schedule of Pension Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date	Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll for divisions open to new hires; level dollar amount for divisions closed to new hires
Remaining amortization period	13 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent, including inflation
Investment rate of return	7.18 percent, net of expenses
Retirement age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	A version of the Pub-2010 Fully Generational MP-2019 mortality tables

See notes to required supplementary information.

Reconciliation of Budgeted Amounts to Basic Financial Statements

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Road Fund, except that operating transfers, proceeds from sale of capital assets, and debt proceeds have been included in the revenue category, rather than as other financing sources. The following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenue, expenditures, and changes in fund balances):

	Total Revenue
Amounts per statement of revenue, expenditures, and changes in fund balances	$ 65,816,455
Other financing sources	241,838
Amounts per budget statement	$ 66,058,293

OPEB Information - Changes in Assumptions

Beginning with the amounts reported in 2019, the ultimate health care cost trend rate was reduced from 4.0 percent to 3.5 percent, and the mortality tables were updated from RP-2000 to RP-2014.

Beginning with the amounts reported in 2021, the upper end of the range of assumed salary increases was decreased from 14.00 percent to 9.70 percent, the mortality tables were updated from RP-2014 to Pub-2010, and the health care cost trend rate was reduced to be 7.50 percent (pre-65) or 6.25 percent (post-65) decreasing to an ultimate rate of 3.50 percent in year 12.

Beginning with the amounts reported in 2023, the discount rate and investment long-term rate were reduced from 7.25 percent down to 7.00 percent.

Beginning with the amounts reported in 2025, the health care cost trend rate was reset to 7.75 percent, decreasing 0.25 or 0.5 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries under the age of 65 and a rate of 6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 3.5 percent after 14 years, for beneficiaries over age 65.

Pension Information - Changes in Assumptions

Amounts reported in 2015 reflect a change in inflation rates from 3.0 to 4.0 percent in 2014 to 3.25 percent in 2015. In addition, the assumed salary increases also changed from 4.5 to 3.75 percent in 2014 and 2015, respectively. The investment rate of return went from 8.25 percent in 2014 to 8.00 percent in 2015. Lastly, the 2014 mortality rates were based on the 1994 Group Annuity Mortality table of a 50 percent male and 50 percent female blend. For disabled retirees, the regular mortality table was used with a 10-year set-forward in ages to reflect the higher expected mortality rates of disabled members. In 2015, the mortality rates were updated based on mortality experience of nondisabled plan members with a 50 percent male and 50 percent female blend of the following tables:

1. The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent
2. The RP-2014 Employee Mortality Tables
3. The RP-2014 Juvenile Mortality Tables

In the 2019 valuation, assumed salary increases were decreased from 3.75 percent to 3.00 percent, and the assumed rate of return was decreased from 8.00 percent to 7.60 percent.

In the 2020 valuation, the upper range of assumed salary increases was decreased from 14.00 percent to 9.70 percent, and the mortality tables were updated from the RP-2014 tables to the Pub-2010 mortality tables.

In the 2021 valuation, the assumed rate of return was decreased from 7.60 percent to 7.25 percent.

In the 2023 valuation, the assumed rate of return was decreased from 7.25 percent to 7.18 percent.

In the 2024 valuation, the mortality improvement scale was updated from MP-2019 to MP-2021.

Supplementary Information

Supplementary Information
Analysis of Changes in Road Fund Balances

Year Ended December 31, 2025

	Primary Road	Local Road	County Road Commission	Total Road Fund
Revenue				
Property taxes under county millage	$ 1,314,650	$ 2,427,819	$ -	$ 3,742,469
Intergovernmental:				
Federal and state sources	5,728,239	7,991	129,813	5,866,043
State-shared revenue and grants:				
State aid - Michigan Transportation Fund	27,301,970	9,468,097	-	36,770,067
State trunkline maintenance	-	-	5,418,825	5,418,825
Revenue from local governments	1,131,122	7,002,246	1,129	8,134,497
Licenses and permits	-	-	577,208	577,208
Other revenue - Interest, fees, and other revenue	1,912,293	2,038,291	3,927,400	7,877,984
Total revenue	37,388,274	20,944,444	10,054,375	68,387,093
Expenditures				
Primary construction/heavy maintenance	18,929,499	-	-	18,929,499
Local construction/heavy maintenance	-	17,131,427	-	17,131,427
Local routine maintenance	8,608,108	10,080,944	4,782,476	23,471,528
Administrative	2,047,590	2,023,412	-	4,071,002
Equipment and capital outlay	569,049	812,335	645,339	2,026,723
Other services	-	-	565,573	565,573
Debt service:				
Principal	-	-	914,175	914,175
Interest and other charges	-	-	173,073	173,073
Total expenditures	30,154,246	30,048,118	7,080,636	67,283,000
Excess of Revenue Over (Under) Expenditures	7,234,028	(9,103,674)	2,973,739	1,104,093
Other Financing (Uses) Sources - Transfers (out) in	(9,103,674)	9,103,674	-	-
Net Change in Fund Balances	(1,869,646)	-	2,973,739	1,104,093
Fund Balances - Beginning of year	25,620,786	-	710,814	26,331,600
Fund Balances - End of year	**$ 23,751,140**	**$ -**	**$ 3,684,553**	**$ 27,435,693**

See note to supplementary information.

Reconciliation of Analysis of Changes in Road Fund Balances to Fund-based Financial Statements

The following is a reconciliation of the analysis of changes in the Road Fund balances schedule to the governmental funds (statement of revenue, expenditures, and changes in fund balances):

	Total Revenue	Total Expenditures
Amounts per statement of revenue, expenditures, and changes in fund balances	$ 65,816,455	$ 64,954,200
Sale of assets	241,838	-
Contributions in kind	2,328,800	2,328,800
Amounts per analysis of changes in Road Fund balances	**$ 68,387,093**	**$ 67,283,000**

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March 3, 2026

To the Board of County Road Commissioners
and Management
Washtenaw County Road Commission

We have audited the financial statements of the Washtenaw County Road Commission (the "Road Commission") as of and for the year ended December 31, 2025 and have issued our report thereon dated March 3, 2026. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Required Communications with Those Charged with Governance

Section II - Legislative and Informational Items

Section I includes information that we are required to communicate to those individuals charged with governance of the Road Commission. Specifically, Section I communicates significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process.

Section II presents informational items that we believe will be of interest to the Road Commission.

We would like to take this opportunity to thank the Road Commission's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the Board of County Road Commissioners and management of the Road Commission and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss these or any other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC

Keith Szymanski

Keith Szymanski, CPA
Partner

Philip Femminineo

Philip Femminineo, CPA
Manager

Section I - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated January 26, 2026, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the Road Commission. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated January 28, 2026.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Road Commission are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

The net other postemployment benefit (OPEB) liability and net pension liability are based on actuarial calculations. The actuaries' calculations are based on significant estimates, including future rate of return on investments, future health care costs, employee eligibility rates, life expectancies, and projected salary increases.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements take as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not detect any misstatements as a result of audit procedures.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Road Commission, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the Road Commission's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 3, 2026.

Management Consultations with Other Independent Accountants

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

Section II - Legislative and Informational Items

Cybersecurity and Information Technology Controls

Cyberattacks are on the rise across the globe, and the cost of these attacks is ever increasing. Because of these attacks, municipalities stand to lose their reputation, the ability to operate efficiently, and proprietary information or assets. Communities potentially can also be subject to financial and legal liabilities. Managing this issue is especially challenging because even a municipality with a highly mature cybersecurity risk management program still has a residual risk that a material cybersecurity breach could occur and not be detected in a timely manner. We understand that the technology department continues to monitor and evaluate this risk, which are critical best practices. Additionally, periodic assessment of the system in order to verify that the control environment is working as intended is a key part of measuring associated business risk. We encourage administration and those charged with governance to work with the technology team on this very important topic. If we can be of assistance in the process, we would be happy to do so.

Upcoming Accounting Standards Requiring Preparation

We actively monitor new Governmental Accounting Standards Board (GASB) standards and due process documents and provide periodic updates to help you understand how the latest financial reporting developments will impact the Road Commission. In addition to the summaries below and to stay up to date, Plante & Moran, PLLC issues a biannual GASB accounting standard update. The most recent update and a link to previous fall and spring updates are available here.

GASB Statement No. 103 - Financial Reporting Model Improvements

This new accounting pronouncement will be effective for the Road Commission's fiscal year ending September 30, 2026. This statement establishes new accounting and financial reporting requirements, or modifies existing requirements, related to the following: management's discussion and analysis (MD&A); unusual or infrequent items; presentation of the proprietary fund statement of revenue, expenses, and changes in fund net position; information about major component units in basic financial statements; budgetary comparison information; and financial trends information in the statistical section. This statement requires that the MD&A be limited to the five topics noted in the standard and provides further guidance on how the MD&A should be written. For proprietary fund financial reporting, the statement defines nonoperating revenue and expense and introduces the concept of subsidies. It also requires new subtotals to present total noncapital subsidies and income or loss, including both operating activities and noncapital subsidies. The statement prescribes that the required budgetary comparison schedules be reported only in the required supplementary information section of the statements and dictates what variance information should be included. Next, the statement removes the option to present discretely presented component unit information as condensed information in the notes rather than in the statements. Lastly, the statement outlines how unusual or infrequent items should be presented separately on the financial statements.

GASB Statement No. 104 - Disclosure of Certain Capital Assets

This new accounting pronouncement - also effective beginning next year, requires certain types of capital assets, such as lease assets, intangible right-of-use assets, subscription assets, and other intangible assets, to be disclosed separately by major class of underlying asset in the capital assets note. The statement also requires additional disclosures for capital assets held for sale.

GASB Statement No. 105 - Subsequent Events

This new accounting pronouncement will be effective for the Road Commission's fiscal year ending September 30, 2027. This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. This statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

Significant GASB Proposal Worth Watching

The Revenue and Expense Recognition project aims to develop a comprehensive accounting and financial reporting model for transactions that result in revenue and expenses. The GASB has issued a preliminary views document that proposes a new categorization framework that replaces the exchange/nonexchange transaction notion with a four-step categorization process for classifying a transaction. In addition to this new framework, the proposal also addresses recognition and measurement of revenue and expense transactions. The exposure draft for this project is expected in two phases - one in early 2027 and another in 2028.

Plante & Moran, PLLC has spent significant time digesting this new proposed standard and recently testified to the GASB about our feedback. We strongly encourage the Road Commission to monitor developments with this standard, as the potential impact is quite broad.