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# Washtenaw County Road Commission

(a component unit of Washtenaw County, Michigan)

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**Financial Report**  
**with Supplemental Information**  
**December 31, 2021**

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## Independent Auditor's Report

To the Board of County Road Commissioners  
Washtenaw County Road Commission

### **Opinion**

We have audited the financial statements of the governmental activities, each major fund, and the fiduciary activities 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, 2021 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 fiduciary activities of the Washtenaw County Road Commission as of December 31, 2021 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 Opinion**

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 Supplemental Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplemental 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 supplemental 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.

***Supplemental 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.



March 7, 2022

## Washtenaw County Road Commission

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# Management's Discussion and Analysis

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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, 2021. 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 \$310,423,881 at the end of the fiscal year.

Net position has increased by \$12,313,135 compared to the beginning of year net position.

## Washtenaw County Road Commission

# Management's Discussion and Analysis (Continued)

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

### Condensed Statement of Net Position

	December 31	
	2021	2020
<b>Assets</b>		
Current and other assets	\$ 34,085,584	\$ 33,327,336
Capital assets	<u>332,911,421</u>	<u>324,312,082</u>
Total assets	366,997,005	357,639,418
<b>Deferred Outflows of Resources</b>	8,088,952	5,707,971
<b>Liabilities</b>		
Other liabilities	13,685,402	12,195,166
Long-term liabilities outstanding	<u>46,493,049</u>	<u>50,985,541</u>
Total liabilities	60,178,451	63,180,707
<b>Deferred Inflows of Resources</b>	<u>4,483,625</u>	<u>2,055,936</u>
<b>Net Position</b>		
Net investment in capital assets	326,747,714	315,647,182
Restricted	1,128,514	1,973,336
Unrestricted	<u>(17,452,347)</u>	<u>(19,509,772)</u>
Total net position	<u>\$ 310,423,881</u>	<u>\$ 298,110,746</u>

### Condensed Statement of Activities

	Year Ended December 31	
	2021	2020
<b>Revenue</b>	\$ 65,226,130	\$ 59,748,230
<b>Expenses</b>	<u>52,912,995</u>	<u>47,867,905</u>
<b>Change in Net Position</b>	<u>\$ 12,313,135</u>	<u>\$ 11,880,325</u>

### WCRC Highlights

Michiganders have underfunded infrastructure, including roads, for many decades. Throughout these difficult financial times, 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 and still reflecting the priorities of Washtenaw County residents.

The Washtenaw County Road Commission was established by Washtenaw County voters on April 7, 1919. For more than 100 years, WCRC has served the people of Washtenaw County through difficult financial

## Washtenaw County Road Commission

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# Management's Discussion and Analysis (Continued)

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times, dramatic population growth, national and local crises to provide a safe and efficient system of roadways for the traveling public.

Today, WCRC is responsible for maintaining 1,652 miles of roads, 122 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 near Ann Arbor and Ypsilanti, to two-lane, gravel country roads in rural areas in the western part of the county. Portions of eastern Washtenaw County also remain undeveloped but there is increasing traffic being generated by their neighbors in fast-growing Canton, Plymouth, and Northville Townships as well as the South Lyon area and that traffic is traveling through and on Washtenaw County roads.

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. Michigan's roads are continually rated some of the worst in the nation and Washtenaw County was no different through the early 2000s. At the time, WCRC started exploring 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 Washtenaw County'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 2021 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 2021 MTF revenues were approximately \$1.0 million higher than the amended budget. Overall actual revenues were \$1.0 million lower than the amended budget due to carryovers and less federal aid revenue than budgeted. Actual 2021 expenditures were approximately \$6.6 million lower than the amended budget due to: (1) project work and capital outlay purchases that will be carried over into 2022 (2) all departmental wages that were lower than budgeted, and (3) road project costs that were below estimates.

### **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 state and federal grants and has been highly successful in receiving funds for specific local bridge, safety, congestion mitigation/air quality and economic development projects. In 2021, WCRC received more than \$14 million in federal and state grant money for specific projects.

## **Washtenaw County Road Commission**

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# **Management's Discussion and Analysis (Continued)**

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### **County Millage**

County voters have also recognized that state funds are not keeping up with the degradation of the road system. In November of 2020, voters in Washtenaw County overwhelmingly approved a 0.5-mill, four-year road and non-motorized millage. In the first year of this millage, WCRC was able to improve nearly 68 miles of county roads.

### **Partnership with Townships**

Every year, WCRC meets 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 road mileage and population. In addition, the WCRC Board designates approximately \$200,000 each year to the drainage matching program which can be used by townships to help fund roadside ditching and berm removal projects.

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. Some townships elect to use the matching funds for dust control on local unpaved roads, others have utilized the local road match program to help fund much larger improvements to their local road system. The local roads matching program leveraged more than \$4 million investments from townships into roads in 2021.

In addition, many townships have elected to invest heavily in local road improvements, beyond what the matching program amount covers. Some townships do this with general funds, others have local township road millages. Some townships elect to bond for local road investments or create Special Assessment Districts (SAD) to pay for specific road improvements. These improvements vary from traditional neighborhood paving projects to more extensive road rehabilitation or reconstruction projects in business districts or on local collector roads.

Unfortunately, another area of concern for townships and WCRC is drainage, including short-span bridges and culverts. For the past few years, WCRC has been forced to close at least one local road each year due to a failed culvert. To help townships with this difficult situation, WCRC has pledged to fund up to 50 percent of the replacement cost for short-span local road bridges or failed culverts over a regulated waterway over and above its traditional local road program with townships. WCRC is also responsible for funding 100 percent of costs for any failed culvert on primary roads.

Regardless of the funding mechanism, WCRC staff have assisted each township in developing and building projects that are important to that community. WCRC employees often conduct the work funded by townships, maximizing efficiency, giving townships a very competitive labor and equipment rate and taking advantage of countywide economies of scale.

### **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 59.3 percent in 2020. WCRC remains committed to funding the OPEB as much as resources will allow.

## Washtenaw County Road Commission

# Management's Discussion and Analysis (Continued)

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.

In 2009, WCRC implemented a cost-share for health insurance for all employees based on illustrative rates exceeding bargaining unit contracts rates. This change also applies to non-union employees that retired after December 31, 2009. WCRC continues to apply for federal reimbursement for Medicare Part D applicable costs.

The governor signed SB 7 (Public Act 152 of 2011), sponsored by Sen. Jansen (R-Kent), which creates the "Publicly Funded Health Insurance Contribution Act" and imposes certain limits on the portion of employees' medical benefit plan coverage paid for by public employers. This created "hard caps" that WCRC could not exceed for health insurance costs in 2021. WCRC has revised its base insurance plan to meet this requirement.

### **Community Engagement**

Over the past five years, WCRC has been working hard to improve its communications with the people of Washtenaw County, including elected officials, commuters, property owners, and any others interested in the work done by WCRC.

Community engagement falls into four categories at WCRC:

1. General education
2. Individual request resolution (aka customer service)
3. Construction project communications
4. Community involvement

WCRC uses multiple platforms to provide the best service possible in each of these categories.

### **Workforce Safety**

WCRC continues to focus on the safety and wellbeing of its workforce. The WCRC Safety Committee is comprised of management and employees and meets on a monthly basis. This committee has taken an active role in developing programs and educating all employees on practicing safe working habits.

### **Capital Assets**

The Road Commission had \$332,911,421 in capital assets at the end of the fiscal year. The reason for the approximately \$8.6 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.

## Washtenaw County Road Commission

# Management's Discussion and Analysis (Continued)

### Capital Assets at Year End (Net of Depreciation)

	December 31	
	2021	2020
Land	\$ 31,410,251	\$ 31,040,771
Buildings and storage bins	12,934,253	13,001,255
Road equipment	8,788,588	8,080,758
Other equipment	1,010,899	975,620
Infrastructure	278,767,430	271,213,678
Total	<u>\$ 332,911,421</u>	<u>\$ 324,312,082</u>

### Debt Administration

At December 31, 2021, the Road Commission had \$6,163,707 in total outstanding notes and bonds payable, a decrease of \$2,501,193 from the previous year.

### Economic Factors and the 2022 Budget

After nearly twenty years without an increase to state road funding, the Michigan State Legislature approved a \$1.2 billion long-term road funding package in 2015. The new funding started coming to county road commissions and municipalities in January 2017. It should be noted that the legislation passed does not provide the full extent of funding outlined until 2021; half of the \$1.2 billion package is based on assumed economic growth which remains to be seen. In the fifth year of this legislation, WCRC saw a 11 percent increase in Michigan Transportation Fund (MTF) revenues, when compared to 2020 receipts.

WCRC has received contradictory reports regarding the MTF funding available in 2022 and has chosen to use a modest increase in MTF. While this increase will help, this is still far short of what is needed. WCRC will need to continue to manage expectations from the public and communicate what can be done as well as how the new funding is still not enough. The lasting impacts of the Covid-19 pandemic will certainly influence MTF and staff will continue to review changes in projections. The actual 2022 revenues and expenditures will be monitored on a quarterly basis to obtain a balanced budget.

Overall, the 2022 budget includes lower expenditures than 2021 primarily due to a decrease in the expected level of reimbursable projects. Revenues are expected to be lower in 2022 primarily due to a decrease in federal/state funding.

### 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.

# Washtenaw County Road Commission

## Statement of Net Position/Governmental Fund Balance Sheet

December 31, 2021

	Road Fund	Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
<b>Assets</b>					
Cash and investments (Note 3)	\$ 22,908,737	\$ -	\$ 22,908,737	\$ -	\$ 22,908,737
Receivables:					
Special assessments receivable	1,781	559,944	561,725	-	561,725
Due from other governments	7,318,655	-	7,318,655	-	7,318,655
Due from other funds (Note 12)	31,430	-	31,430	-	31,430
Inventory	2,338,489	-	2,338,489	-	2,338,489
Prepaid expenses and other assets	326,548	-	326,548	-	326,548
Investments (Note 5)	600,000	-	600,000	-	600,000
Capital assets: (Note 4)					
Assets not subject to depreciation	-	-	-	31,410,251	31,410,251
Assets subject to depreciation - Net	-	-	-	301,501,170	301,501,170
<b>Total assets</b>	<b>33,525,640</b>	<b>559,944</b>	<b>34,085,584</b>	<b>332,911,421</b>	<b>366,997,005</b>
<b>Deferred Outflows of Resources</b>					
Deferred pension costs (Note 11)	-	-	-	6,942,453	6,942,453
Deferred OPEB costs (Note 10)	-	-	-	1,146,499	1,146,499
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,088,952</b>	<b>8,088,952</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 33,525,640</b>	<b>\$ 559,944</b>	<b>\$ 34,085,584</b>	<b>341,000,373</b>	<b>375,085,957</b>
<b>Liabilities</b>					
Accounts payable	\$ 2,220,996	\$ -	\$ 2,220,996	-	2,220,996
Due to other funds	-	31,430	31,430	-	31,430
Accrued liabilities and other	5,907,400	-	5,907,400	63,582	5,970,982
Advances and deposits	3,316,559	-	3,316,559	-	3,316,559
Noncurrent liabilities:					
Due within one year - Bonds and contracts payable (Note 8)	-	-	-	2,145,435	2,145,435
Due in more than one year:					
Compensated absences (Note 7)	-	-	-	769,611	769,611
Net pension liability (Note 11)	-	-	-	33,267,583	33,267,583
Net OPEB liability (Note 10)	-	-	-	8,437,583	8,437,583
Bonds and contracts payable, net of current portion (Note 8)	-	-	-	4,018,272	4,018,272
<b>Total liabilities</b>	<b>11,444,955</b>	<b>31,430</b>	<b>11,476,385</b>	<b>48,702,066</b>	<b>60,178,451</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	761,517	559,944	1,321,461	(1,321,461)	-
Deferred pension cost reductions (Note 11)	-	-	-	1,986,483	1,986,483
Deferred OPEB cost reductions (Note 10)	-	-	-	2,497,142	2,497,142
<b>Total deferred inflows of resources</b>	<b>761,517</b>	<b>559,944</b>	<b>1,321,461</b>	<b>3,162,164</b>	<b>4,483,625</b>

## Washtenaw County Road Commission

### Statement of Net Position/Governmental Fund Balance Sheet (Continued)

December 31, 2021

	Road Fund	Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
<b>Equity</b>					
Fund balances (deficit):					
Nonspendable:					
Inventory	\$ 2,338,489	\$ -	\$ 2,338,489	\$ (2,338,489)	\$ -
Prepays	326,548	-	326,548	(326,548)	-
Committed - Construction	114,196	-	114,196	(114,196)	-
Assigned:					
Employee retirement	2,150,000	-	2,150,000	(2,150,000)	-
Capital improvements	6,473,433	-	6,473,433	(6,473,433)	-
Insurance retention	327,833	-	327,833	(327,833)	-
Subsequent year's budget shortfall	4,896,000	-	4,896,000	(4,896,000)	-
Employee health insurance	820,401	-	820,401	(820,401)	-
Unassigned	3,872,268	(31,430)	3,840,838	(3,840,838)	-
Total fund balances (deficit)	21,319,168	(31,430)	21,287,738	(21,287,738)	-
Total liabilities, deferred inflows of resources, and fund balances (deficit)	<u>\$ 33,525,640</u>	<u>\$ 559,944</u>	<u>\$ 34,085,584</u>		
Net position:					
Net investment in capital assets				326,747,714	326,747,714
Restricted:					
Special assessment debt repayment				528,514	528,514
Debt service				600,000	600,000
Unrestricted				(17,452,347)	(17,452,347)
Total net position				<u>\$ 310,423,881</u>	<u>\$ 310,423,881</u>

## Washtenaw County Road Commission

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

Year Ended December 31, 2021

	Road Fund	Subdivision Improvement Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
<b>Revenue</b>					
Property taxes under county millage	\$ 4,126,954	\$ -	\$ 4,126,954	\$ -	\$ 4,126,954
Special assessments	-	247,307	247,307	(247,307)	-
Intergovernmental:					
Federal and state sources	14,675,199	-	14,675,199	-	14,675,199
State-shared revenue and grants:					
State aid - Michigan					
Transportation Fund	33,249,711	-	33,249,711	-	33,249,711
State trunkline maintenance	3,784,024	-	3,784,024	-	3,784,024
Revenue from local governments	7,773,703	-	7,773,703	(604,399)	7,169,304
Other revenue:					
Contributions in kind	-	-	-	1,060,000	1,060,000
Interest, fees, and other revenue	1,560,343	27,157	1,587,500	(512,492)	1,075,008
Total revenue	65,169,934	274,464	65,444,398	(304,198)	65,140,200
<b>Expenditures</b>					
Operations	9,382,143	-	9,382,143	(2,547,147)	6,834,996
Engineering	3,368,713	-	3,368,713	(1,038,177)	2,330,536
Nondepartmental	9,165,326	-	9,165,326	(2,190,621)	6,974,705
Reimbursable road projects, capital improvements, and state trunkline	39,364,844	-	39,364,844	(33,297,054)	6,067,790
Administration	1,369,912	-	1,369,912	(83,411)	1,286,501
Depreciation	-	-	-	29,235,523	29,235,523
Debt service:					
Principal	2,241,868	248,000	2,489,868	(2,489,868)	-
Interest and other charges	167,637	23,979	191,616	(8,672)	182,944
Total expenditures	65,060,443	271,979	65,332,422	(12,419,427)	52,912,995
<b>Excess of Revenue Over Expenditures</b>	109,491	2,485	111,976	12,115,229	12,227,205
<b>Other Financing Sources - Sale of capital assets</b>	193,446	-	193,446	(107,516)	85,930
<b>Net Change in Fund Balances/Net Position</b>	302,937	2,485	305,422	12,007,713	12,313,135
<b>Fund Balances (Deficit)/Net Position - Beginning of year</b>	21,016,231	(33,915)	20,982,316	277,128,430	298,110,746
<b>Fund Balances (Deficit)/Net Position - End of year</b>	<u>\$ 21,319,168</u>	<u>\$ (31,430)</u>	<u>\$ 21,287,738</u>	<u>\$ 289,136,143</u>	<u>\$ 310,423,881</u>

# Washtenaw County Road Commission

## Statement of Fiduciary Net Position

December 31, 2021

	Other Postemployment Benefits Fund
<b>Assets</b> - Interest in pooled investments	\$ 19,132,310
<b>Liabilities</b>	<u>-</u>
<b>Net Position</b> -	
Restricted - Postemployment benefits other than pension	<u>19,132,310</u>
Total net position	<u><u>\$ 19,132,310</u></u>

## Washtenaw County Road Commission

### Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

	<u>Other Postemployment Benefits Fund</u>
<b>Additions</b>	
Investment income (loss):	
Change in fair value of investments	\$ 2,501,141
Investment costs	<u>(34,732)</u>
Net investment income	2,466,409
Contributions - Employer	<u>2,280,230</u>
Total additions	4,746,639
<b>Deductions - Benefit payments</b>	<u>1,780,230</u>
<b>Net Increase in Fiduciary Net Position</b>	2,966,409
<b>Net Position - Beginning of year</b>	<u>16,165,901</u>
<b>Net Position - End of year</b>	<u><u>\$ 19,132,310</u></u>

December 31, 2021

### 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 the County of Washtenaw, Michigan (the "County") as a discretely presented component unit.

#### ***Fiduciary 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 the following funds as major governmental funds:

- 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.
- The Subdivision Improvement Fund is a governmental fund that is used to account for the construction and financing of public improvements provided in benefiting districts that are to be paid, at least in part, from an assessment against the benefited property.

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### Note 1 - Significant Accounting Policies (Continued)

#### **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 following:

- The Other Postemployment Benefits Fund 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.

#### **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.

Note 1 - Significant Accounting Policies (Continued)

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	12 to 50

**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 bonds 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 OPEB and pension, as detailed in Notes 10 and 11, 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 OPEB and pension, as detailed in Notes 10 and 11, 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.

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### Note 1 - Significant Accounting Policies (Continued)

#### **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).

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 (Vacation and Sick Leave)**

It is the Road Commission's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

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**Note 1 - Significant Accounting Policies (Continued)**

**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.

**Upcoming Accounting Pronouncement**

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Road Commission is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Road Commission's financial statements for the year ending December 31, 2022.

**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:

<b>Fund Balances Reported in Governmental Funds</b>	\$ 21,287,738
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	612,382,121
Accumulated depreciation	<u>(279,470,700)</u>
Net capital assets used in governmental activities	332,911,421
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	1,321,461
Bonds payable and installment purchase obligations are not due and payable in the current period and are not reported in the funds	(6,163,707)
Accrued interest is not due and payable in the current period and is not reported in the funds	(63,582)
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	(769,611)
Pension benefits	(28,311,613)
OPEB	<u>(9,788,226)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 310,423,881</u></b>

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**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:

<b>Net Change in Fund Balances Reported in Governmental Funds</b>	<b>\$ 305,422</b>
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	37,942,378
Depreciation expense	(29,235,523)
Net book value of assets disposed of	(107,516)
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	(1,364,198)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	2,501,193
Interest expense is recognized in the government-wide statements as it accrues	(2,653)
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	2,274,032
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 12,313,135</b>

**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.

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### 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 no bank deposits (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. As a result, the Road Commission evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

#### ***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 \$22,652,439 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, 2021, the fair value was \$19,132,310. 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.

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**Note 4 - Capital Assets**

Capital asset activity of the Road Commission was as follows:

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
Capital assets not being depreciated - Land and land improvements	\$ 31,040,771	\$ 369,480	\$ -	\$ 31,410,251
Capital assets being depreciated:				
Buildings and storage bins	22,041,186	440,287	-	22,481,473
Road equipment	26,786,584	3,975,673	(2,250,225)	28,512,032
Other equipment	3,524,043	210,800	(6,471)	3,728,372
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	500,119,740	32,946,138	(6,952,271)	526,113,607
Subtotal	552,607,939	37,572,898	(9,208,967)	580,971,870
Accumulated depreciation:				
Buildings and storage bins	9,039,931	507,289	-	9,547,220
Road equipment	18,705,826	3,161,829	(2,144,211)	19,723,444
Other equipment	2,548,423	174,019	(4,969)	2,717,473
Brine wells and gravel pits	136,386	-	-	136,386
Infrastructure	228,906,062	25,392,386	(6,952,271)	247,346,177
Subtotal	259,336,628	29,235,523	(9,101,451)	279,470,700
Net capital assets being depreciated	293,271,311	8,337,375	(107,516)	301,501,170
Net governmental activities capital assets	\$ 324,312,082	\$ 8,706,855	\$ (107,516)	\$ 332,911,421

**Note 5 - Long-term Receivable**

At December 31, 2021, the Road Commission has a long-term receivable due from Ypsilanti Township of \$600,000. The receivable relates to road construction projects in Ypsilanti Township that the Road Commission initially funded by issuing Michigan Transportation Fund notes. Ypsilanti Township has pledged to make annual payments to the Road Commission equal to the debt service due on the notes. Commencing in 2013, the Road Commission will receive \$600,000 annually for 10 years, plus 6 percent interest due semiannually.

The revenue associated with the long-term receivable is being recognized in the Road Fund as it becomes available. For the year ended December 31, 2021, revenue of \$600,000 was recognized in the fund-based statements. As of December 31, 2014, the entire \$6 million receivable from Ypsilanti Township had been earned and recognized as revenue in the government-wide statements.

**Note 6 - 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.

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**Note 6 - Risk Management (Continued)**

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, 2021, 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 7 - Other Long-term Liabilities**

**Compensated Absences**

The compensated absences liability represents the estimated liability to be paid 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, 2021 is \$769,611, a decrease of \$83,411 from December 31, 2020. This liability is expected to be paid out of the Road Fund.

**Note 8 - Long-term Debt**

Long-term debt activity for the year ended December 31, 2021 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:					
2015 Installment Purchases with interest from 2.05%-4.00% Maturing in 2021	\$ 44,747	\$ -	\$ (44,747)	\$ -	\$ -
2016 Installment Purchase with interest of 1.70% Maturing in 2022	182,307	-	(167,671)	14,636	14,636
2018 Installment Purchase with interest of 1.80% Maturing in 2022	306,503	-	(193,581)	112,922	112,922
2019 Installment Purchase with interest of 3.15% Maturing in 2023	280,488	-	(101,996)	178,492	101,996
2019 Installment Purchase with interest of 3.10% Maturing in 2023	492,712	-	(197,085)	295,627	197,085
2019 Installment Purchase with interest of 2.30% Maturing in 2024	711,206	-	(190,775)	520,431	190,775
2020 Installment Purchase with interest of 2.39% Maturing in 2025	891,002	-	(196,013)	694,989	196,021
Total direct borrowings and direct placements principal outstanding	2,908,965	-	(1,091,868)	1,817,097	813,435

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**Note 8 - Long-term Debt (Continued)**

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds and contracts payable (continued):					
Other debt:					
2012 Road Special Assessment Bonds with interest from 0.75%-3.25% Maturing in 2021	\$ 51,000	\$ -	\$ (51,000)	\$ -	\$ -
2012 Michigan Transportation Fund notes, Series 2012, with interest from 1.00%- 2.50% Maturing in 2022	1,200,000	-	(600,000)	600,000	600,000
2014 Road Special Assessment Bonds with interest from 1.25%-2.50% Maturing in 2024	331,000	-	(118,000)	213,000	112,000
2015 Road Special Assessment Bonds with interest rates from 0.75%- 3.25% Maturing in 2025	126,000	-	(29,000)	97,000	29,000
2016 Road Special Assessment Bonds with interest of 2.39% Maturing in 2026	180,000	-	(50,000)	130,000	41,000
2017 Northeast Service Center with interest of 1.96% Maturing in 2027	3,850,000	-	(550,000)	3,300,000	550,000
Total other debt principal outstanding	5,738,000	-	(1,398,000)	4,340,000	1,332,000
Premium on 2012 MTF notes	17,935	-	(11,325)	6,610	-
Total governmental activities long-term debt	<u>\$ 8,664,900</u>	<u>\$ -</u>	<u>\$ (2,501,193)</u>	<u>\$ 6,163,707</u>	<u>\$ 2,145,435</u>

**Debt Service Requirements to Maturity**

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

Years Ending December 31	Governmental Activities				
	Direct Borrowings and Direct Placements		Other Debt		Total
	Principal	Interest	Principal	Interest	
2022	\$ 813,435	\$ 35,917	\$ 1,332,000	\$ 83,403	\$ 2,264,755
2023	579,655	16,844	700,000	53,547	1,350,046
2024	352,722	5,435	641,000	39,616	1,038,773
2025	71,285	217	567,000	27,295	665,797
2026	-	-	550,000	16,161	566,161
2027-2031	-	-	550,000	5,385	555,385
Total	<u>\$ 1,817,097</u>	<u>\$ 58,413</u>	<u>\$ 4,340,000</u>	<u>\$ 225,407</u>	<u>\$ 6,440,917</u>

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### Note 8 - Long-term Debt (Continued)

#### *Revenue Pledged in Connection with Debt*

The Road Commission has pledged substantially all revenue of the Road Commission's Subdivision Improvement Fund, net of operating expenses, to repay the above special assessment bonds. The bonds were issued to provide for the financing of public improvements that benefit special districts. The bonds are payable solely from the net revenue of the special assessments. Total principal and interest remaining on the debt are \$452,555. During the current year, net revenue of the fund was \$274,464 compared to the current year debt service requirement of \$261,798.

The Road Commission has pledged all future Michigan Transportation Fund (MTF) revenue to repay the above Michigan Transportation Fund notes. The total remaining principal and interest to be paid on the bonds total \$615,000. During the current year, the Road Fund recognized MTF revenue of \$33,249,711 compared to the current year debt service requirement of \$630,000. As disclosed in Note 5, Ypsilanti Township has pledged to make annual payments to the Road Commission equal to debt service on the notes.

### Note 9 - Stewardship, Compliance, and Accountability

#### *Excess of Expenditures Over Appropriations in Budgeted Funds*

The Road Commission did not have significant expenditure budget variances.

#### *Budgetary Information*

The Road Commission is legally subject to the budgetary control requirements of State of Michigan P.A. 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 P.A. 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 supplemental 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.
2. A public hearing is conducted to obtain citizen comments.
3. During December, the budget is legally enacted by the passage of a resolution.

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Note 9 - Stewardship, Compliance, and Accountability (Continued)

- 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 10 - 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, 2020 valuation, the following members were covered by the benefit terms:

Table with 2 columns: Description and Count. Rows include Inactive plan members or beneficiaries currently receiving benefits (134), Active plan members (51), and Total plan members (185).

Contributions

For the year ended December 31, 2021, the Road Commission contributed \$2,280,230. 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, 2021 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, 2021 measurement date. The December 31, 2021 total OPEB liability was determined by an actuarial valuation performed as of December 31, 2020.

December 31, 2021

**Note 10 - Other Postemployment Benefits Plan (Continued)**

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
<b>Balance at December 31, 2020</b>	\$ 26,419,340	\$ 16,165,901	\$ 10,253,439
Changes for the year:			
Service cost	148,175	-	148,175
Interest	1,856,240	-	1,856,240
Differences between expected and actual experience	(857,677)	-	(857,677)
Changes in assumptions	1,784,045	-	1,784,045
Contributions - Employer	-	2,280,230	(2,280,230)
Net investment income	-	2,501,141	(2,501,141)
Benefit payments, including refunds	(1,780,230)	(1,780,230)	-
Administrative expenses	-	(34,732)	34,732
Net changes	1,150,553	2,966,409	(1,815,856)
<b>Balance at December 31, 2021</b>	<u>\$ 27,569,893</u>	<u>\$ 19,132,310</u>	<u>\$ 8,437,583</u>

The plan's fiduciary net position represents 69.40 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, 2021, the Road Commission recognized OPEB expense of \$279,387.

At December 31, 2021, 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	\$ -	\$ 644,073
Changes in assumptions	1,146,499	135,966
Net difference between projected and actual earnings on OPEB plan investments	-	1,717,103
Total	<u>\$ 1,146,499</u>	<u>\$ 2,497,142</u>

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
2022	\$ (257,375)
2023	(371,072)
2024	(459,747)
2025	(262,449)
Total	<u>\$ (1,350,643)</u>

December 31, 2021

**Note 10 - Other Postemployment Benefits Plan (Continued)**

**Actuarial Assumptions**

The total OPEB liability in the December 31, 2021 actuarial valuation 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 7.25 percent; a health care cost trend rate of 7.5 percent, decreasing 0.25 or 0.5 percent per year to an ultimate rate of 3.5 percent after 11 years for beneficiaries under age 65, and a rate of 6.25 percent decreasing 0.25 percent per year to an ultimate rate of 3.5 percent after 11 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, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2018.

**Discount Rate**

The discount rate used to measure the total OPEB liability was 7.25 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, 2021 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 %	5.25 %
Global fixed income	20.00	1.25
Private Investments	20.00	7.25

**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 7.25 percent, as well as what the Road Commission's net OPEB liability 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 (6.25%)	Current Discount Rate (7.25%)	1 Percentage Point Increase (8.25%)
Net OPEB liability of the plan	\$ 11,683,174	\$ 8,437,583	\$ 5,733,534

December 31, 2021

**Note 10 - 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 7.5 percent down to 3.5 percent for pre-65 beneficiaries and 6.25 percent down to 3.5 percent for post-65 beneficiaries, as well as what the Road Commission's net OPEB 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 liability of the plan	\$ 5,681,748	\$ 8,437,583	\$ 11,738,604

***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.

***Assumption Changes***

For the December 31, 2020 actuarial valuation, there were assumption changes that resulted in a decrease in the calculated total OPEB liability. The health care cost trend rate was reduced to the assumptions described above, and the mortality tables were updated from RP-2014 to Pub-2010.

**Note 11 - 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 supplemental information of this defined benefit plan. This report can be obtained at [www.mersofmich.com](http://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.

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.

December 31, 2021

Note 11 - Agent Defined Benefit Pension Plan Description (Continued)

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, 2020 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	140
Inactive plan members entitled to but not yet receiving benefits	18
Active plan members	124
	<hr/>
Total employees covered by MERS	282
	<hr/> <hr/>

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, 2021, the average active employee contribution rate was 8.0 percent of annual pay for employees; the Road Commission's average contribution rate was 31.79 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, 2021 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, 2020 measurement date. The December 31, 2020 measurement date total pension liability was determined by an actuarial valuation performed as of that date.

December 31, 2021

**Note 11 - Agent Defined Benefit Pension Plan Description (Continued)**

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
<b>Balance at December 31, 2019</b>	\$ 73,025,416	\$ 39,336,360	\$ 33,689,056
Changes for the year:			
Service cost	892,874	-	892,874
Interest	5,415,471	-	5,415,471
Differences between expected and actual experience	(36,974)	-	(36,974)
Changes in assumptions	2,245,432	-	2,245,432
Contributions - Employer	-	2,909,049	(2,909,049)
Contributions - Employee	-	661,416	(661,416)
Net investment income	-	5,446,125	(5,446,125)
Benefit payments, including refunds	(4,431,381)	(4,431,381)	-
Administrative expenses	-	(78,314)	78,314
Net changes	4,085,422	4,506,895	(421,473)
<b>Balance at December 31, 2020</b>	<u>\$ 77,110,838</u>	<u>\$ 43,843,255</u>	<u>\$ 33,267,583</u>

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

For the year ended December 31, 2021, the Road Commission recognized pension expense of \$3,169,376.

At December 31, 2021, 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	\$ 480,829	\$ 236,873
Changes in assumptions	3,102,468	-
Net difference between projected and actual earnings on pension plan investments	-	1,749,610
Employer contributions to the plan subsequent to the measurement date	3,359,156	-
Total	<u>\$ 6,942,453</u>	<u>\$ 1,986,483</u>

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 (\$3,359,156), which will impact the net pension liability in fiscal year 2022, rather than pension expense.

Years Ending December 31	Amount
2022	\$ 797,171
2023	1,214,511
2024	83,583
2025	(498,451)

December 31, 2021

**Note 11 - Agent Defined Benefit Pension Plan Description (Continued)**

**Actuarial Assumptions**

The total pension liability in the December 31, 2020 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 7.60 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, 2020 actuarial valuation date valuation were based on the results of an actuarial experience study for the period from January 1, 2014 through December 31, 2018.

**Discount Rate**

The discount rate used to measure the total pension liability was 7.60 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, 2020 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 %	5.25 %
Global fixed income	20.00	1.25
Real assets	20.00	7.25

**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 7.60 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the Road Commission	\$ 42,700,539	\$ 33,267,583	\$ 25,404,206

**December 31, 2021**

**Note 11 - Agent Defined Benefit Pension Plan Description (Continued)**

***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](http://www.mersofmich.com). For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 2020 valuation, the upper range of assumed salary increases was decreased from 14.00 percent to 9.70 percent, and the mortality tables used were updated from the RP-2014 tables to the Pub-2010 mortality tables.

**Note 12 - Interfund Receivables, Payables, and Transfers**

The balance owed from the Subdivision Improvement Fund to the Road Fund of \$31,430 resulted from borrowing for cash flow purposes.

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## Required Supplemental Information

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## Washtenaw County Road Commission

### Required Supplemental Information Budgetary Comparison Schedule Road Fund

Year Ended December 31, 2021

	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenue</b>				
Intergovernmental:				
Federal and state sources	\$ 20,137,000	\$ 17,227,000	\$ 14,675,199	\$ (2,551,801)
State-shared revenue and grants:				
State aid - Michigan Transportation Fund	32,000,000	32,250,000	33,249,711	999,711
State trunkline maintenance	2,370,000	3,255,000	3,784,024	529,024
Revenue from local governments	7,790,000	7,940,000	7,773,703	(166,297)
Other revenue - Property taxes, interest, fees, and other revenue	5,971,000	5,719,000	5,880,743	161,743
Total revenue	68,268,000	66,391,000	65,363,380	(1,027,620)
<b>Expenditures</b>				
Operations	10,406,000	10,164,000	9,382,143	781,857
Engineering	3,545,000	3,620,000	3,368,713	251,287
Nondepartmental	9,621,000	9,395,000	9,165,326	229,674
Reimbursable road projects, capital improvements, and state trunkline	44,169,000	44,581,000	39,364,844	5,216,156
Administration	1,447,000	1,529,000	1,369,912	159,088
Debt service:				
Principal	2,243,000	2,243,000	2,241,868	1,132
Interest and other charges	166,100	172,000	167,637	4,363
Total expenditures	71,597,100	71,704,000	65,060,443	6,643,557
<b>Net Change in Fund Balance</b>	(3,329,100)	(5,313,000)	302,937	5,615,937
<b>Fund Balance - Beginning of year</b>	21,016,231	21,016,231	21,016,231	-
<b>Fund Balance - End of year</b>	<u>\$ 17,687,131</u>	<u>\$ 15,703,231</u>	<u>\$ 21,319,168</u>	<u>\$ 5,615,937</u>

## Washtenaw County Road Commission

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

**Last Four Fiscal Years**  
(Schedule is built prospectively upon implementation of GASB Statement No. 75)  
Years Ended December 31

	2021	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 148,175	\$ 173,699	\$ 211,913	\$ 245,688
Interest	1,856,240	1,836,412	1,932,760	1,887,665
Differences between expected and actual experience	(857,677)	(19,890)	(713,889)	50,898
Changes in assumptions	1,784,045	-	(1,146,863)	-
Benefit payments, including refunds	(1,780,230)	(1,627,699)	(1,559,817)	(1,530,897)
<b>Net Change in Total OPEB Liability</b>	1,150,553	362,522	(1,275,896)	653,354
<b>Total OPEB Liability - Beginning of year</b>	26,419,340	26,056,818	27,332,714	26,679,360
<b>Total OPEB Liability - End of year</b>	<b>\$ 27,569,893</b>	<b>\$ 26,419,340</b>	<b>\$ 26,056,818</b>	<b>\$ 27,332,714</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	\$ 2,280,230	\$ 2,127,699	\$ 2,059,817	\$ 2,030,897
Net investment income (loss)	2,501,141	1,996,628	1,717,075	(501,053)
Administrative expenses	(34,732)	(27,444)	(24,900)	(31,516)
Benefit payments, including refunds	(1,780,230)	(1,627,699)	(1,559,817)	(1,530,897)
<b>Net Change in Plan Fiduciary Net Position</b>	2,966,409	2,469,184	2,192,175	(32,569)
<b>Plan Fiduciary Net Position - Beginning of year</b>	16,165,901	13,696,717	11,504,542	11,537,111
<b>Plan Fiduciary Net Position - End of year</b>	<b>\$ 19,132,310</b>	<b>\$ 16,165,901</b>	<b>\$ 13,696,717</b>	<b>\$ 11,504,542</b>
<b>Net OPEB Liability - Ending</b>	<b>\$ 8,437,583</b>	<b>\$ 10,253,439</b>	<b>\$ 12,360,101</b>	<b>\$ 15,828,172</b>
<b>Plan Fiduciary Net Position as a Percentage of Total OPEB Liability</b>	69.40 %	61.19 %	52.56 %	42.09 %
<b>Covered-employee Payroll</b>	\$ 3,979,640	\$ 4,074,774	\$ 4,440,852	\$ 4,983,417
<b>Net OPEB Liability as a Percentage of Covered-employee Payroll</b>	212.02 %	251.63 %	278.33 %	317.62 %

# Washtenaw County Road Commission

## Required Supplemental Information Schedule of OPEB Contributions

### Last Ten Fiscal Years Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 1,275,248	\$ 1,554,805	\$ 1,560,377	\$ 1,771,698	\$ 1,774,746	\$ 2,116,696	\$ 2,116,696	\$ 2,725,538	\$ 2,725,538	\$ 1,991,377
Contributions in relation to the actuarially determined contribution	2,280,230	2,127,699	2,059,817	2,030,897	2,045,730	1,917,799	2,027,794	2,120,621	2,057,631	1,797,457
<b>Contribution Excess (Deficiency)</b>	<b>\$ 1,004,982</b>	<b>\$ 572,894</b>	<b>\$ 499,440</b>	<b>\$ 259,199</b>	<b>\$ 270,984</b>	<b>\$ (198,897)</b>	<b>\$ (88,902)</b>	<b>\$ (604,917)</b>	<b>\$ (667,907)</b>	<b>\$ (193,920)</b>
<b>Covered-employee Payroll</b>	<b>\$ 3,979,640</b>	<b>\$ 4,074,774</b>	<b>\$ 4,440,852</b>	<b>\$ 4,983,417</b>	<b>\$ 4,893,417</b>	<b>\$ 4,933,750</b>	<b>\$ 4,933,750</b>	<b>\$ 5,775,392</b>	<b>\$ 5,775,392</b>	<b>\$ 6,057,949</b>
<b>Contributions as a Percentage of Covered-employee Payroll</b>	<b>57.30 %</b>	<b>52.22 %</b>	<b>46.38 %</b>	<b>40.75 %</b>	<b>41.81 %</b>	<b>38.87 %</b>	<b>41.10 %</b>	<b>36.72 %</b>	<b>35.63 %</b>	<b>29.67 %</b>

#### 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	16 years - Closed
Asset valuation method	Market value of assets
Inflation	2.50 percent
Health care cost trend rates	Initial trend of 7.50 percent (pre-65) or 6.25 percent (post-65) gradually decreasing to an ultimate trend rate of 3.50 percent in year 12
Salary increase	3.00 to 9.70 percent
Investment rate of return	7.25 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

## Washtenaw County Road Commission

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### Required Supplemental Information Schedule of OPEB Investment Returns

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**Last Four Fiscal Years**  
**(Schedule is built prospectively upon implementation of GASB Statement No. 75)**  
**Years Ended December 31**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return - Net of investment expense	14.06 %	13.06 %	13.25 %	(3.86)%

# Washtenaw County Road Commission

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

**Last Seven Fiscal Years  
(Schedule is built prospectively upon implementation of GASB Statement No. 68)  
Measurement Years Ended December 31**

	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service cost	\$ 892,874	\$ 906,680	\$ 872,113	\$ 926,909	\$ 917,803	\$ 896,737	\$ 924,552
Interest	5,415,471	5,374,917	5,119,184	4,978,011	4,884,415	4,744,716	4,577,778
Changes in benefit terms	-	-	43,214	-	-	-	-
Differences between expected and actual experience	(36,974)	(244,568)	1,202,072	(312,006)	(936,120)	(1,453,980)	-
Changes in assumptions	2,245,432	2,363,990	-	-	-	2,984,784	-
Benefit payments, including refunds	(4,431,381)	(4,217,458)	(3,896,959)	(3,704,748)	(3,696,668)	(3,581,934)	(3,347,922)
<b>Net Change in Total Pension Liability</b>	4,085,422	4,183,561	3,339,624	1,888,166	1,169,430	3,590,323	2,154,408
<b>Total Pension Liability - Beginning of year</b>	73,025,416	68,841,855	65,502,231	63,614,065	62,444,635	58,854,312	56,699,904
<b>Total Pension Liability - End of year</b>	<u>\$ 77,110,838</u>	<u>\$ 73,025,416</u>	<u>\$ 68,841,855</u>	<u>\$ 65,502,231</u>	<u>\$ 63,614,065</u>	<u>\$ 62,444,635</u>	<u>\$ 58,854,312</u>
<b>Plan Fiduciary Net Position</b>							
Contributions - Employer	\$ 2,909,049	\$ 2,635,181	\$ 2,488,295	\$ 2,341,505	\$ 2,103,276	\$ 1,584,072	\$ 1,689,120
Contributions - Member	661,416	653,782	675,787	658,389	638,816	583,963	601,645
Net investment income (loss)	5,446,125	4,775,151	(1,457,953)	4,474,596	3,547,805	(490,226)	2,043,409
Administrative expenses	(78,314)	(82,209)	(72,772)	(70,867)	(70,056)	(72,361)	(74,876)
Benefit payments, including refunds	(4,431,381)	(4,217,458)	(3,896,959)	(3,704,748)	(3,696,668)	(3,581,934)	(3,347,922)
<b>Net Change in Plan Fiduciary Net Position</b>	4,506,895	3,764,447	(2,263,602)	3,698,875	2,523,173	(1,976,486)	911,376
<b>Plan Fiduciary Net Position - Beginning of year</b>	39,336,360	35,571,913	37,835,515	34,136,640	31,613,467	33,589,953	32,678,577
<b>Plan Fiduciary Net Position - End of year</b>	<u>\$ 43,843,255</u>	<u>\$ 39,336,360</u>	<u>\$ 35,571,913</u>	<u>\$ 37,835,515</u>	<u>\$ 34,136,640</u>	<u>\$ 31,613,467</u>	<u>\$ 33,589,953</u>
<b>Road Commission's Net Pension Liability - Ending</b>	<u>\$ 33,267,583</u>	<u>\$ 33,689,056</u>	<u>\$ 33,269,942</u>	<u>\$ 27,666,716</u>	<u>\$ 29,477,425</u>	<u>\$ 30,831,168</u>	<u>\$ 25,264,359</u>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	56.86 %	53.87 %	51.67 %	57.76 %	53.66 %	50.63 %	57.07 %
<b>Covered Payroll</b>	\$ 7,927,489	\$ 7,884,924	\$ 7,283,859	\$ 7,467,876	\$ 7,327,466	\$ 7,107,016	\$ 7,052,491
<b>Road Commission's Net Pension Liability as a Percentage of Covered Payroll</b>	419.65 %	427.26 %	456.76 %	370.48 %	402.29 %	433.81 %	358.23 %

# Washtenaw County Road Commission

## Required Supplemental Information Schedule of Pension Contributions

### Last Ten Fiscal Years Years Ended December 31

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 2,937,183	\$ 2,645,712	\$ 2,177,469	\$ 2,087,901	\$ 2,007,861	\$ 1,776,276	\$ 1,584,072	\$ 1,524,120	\$ 1,312,738	\$ 1,196,793
Contributions in relation to the actuarially determined contribution	3,359,156	2,909,049	2,635,181	2,488,295	2,341,506	2,103,276	1,584,072	1,689,120	1,451,000	1,294,878
<b>Contribution Excess</b>	<b>\$ 421,973</b>	<b>\$ 263,337</b>	<b>\$ 457,712</b>	<b>\$ 400,394</b>	<b>\$ 333,645</b>	<b>\$ 327,000</b>	<b>\$ -</b>	<b>\$ 165,000</b>	<b>\$ 138,262</b>	<b>\$ 98,085</b>
<b>Covered Payroll</b>	<b>\$ 8,006,764</b>	<b>\$ 7,927,489</b>	<b>\$ 7,884,924</b>	<b>\$ 7,283,859</b>	<b>\$ 7,467,876</b>	<b>\$ 7,327,466</b>	<b>\$ 7,107,016</b>	<b>\$ 7,052,491</b>	<b>\$ 5,775,392</b>	<b>\$ 6,057,949</b>
<b>Contributions as a Percentage of Covered Payroll</b>	<b>41.95 %</b>	<b>36.89 %</b>	<b>36.18 %</b>	<b>33.32 %</b>	<b>31.96 %</b>	<b>29.59 %</b>	<b>22.46 %</b>	<b>26.83 %</b>	<b>25.12 %</b>	<b>21.37 %</b>

#### 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	18 years
Asset valuation method	5-year smoothed market
Inflation	2.5 percent
Salary increase	3.00 percent, including inflation
Investment rate of return	7.00 percent
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
Other information	None

**December 31, 2021**

**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):

	<u>Total Revenue</u>
Amounts per statement of revenue, expenditures, and changes in fund balances	\$ 65,169,934
Other financing sources	193,446
	<u>65,363,380</u>
Amounts per budget statement	<u>\$ 65,363,380</u>

**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.

**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, 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.

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## Other Supplemental Information

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## Washtenaw County Road Commission

### Other Supplemental Information Analysis of Changes in Road Fund Balances

Year Ended December 31, 2021

	Primary Road	Local Road	County Road Commission	Total Road Fund
<b>Revenue</b>				
Property taxes under county millage	\$ 4,126,954	\$ -	\$ -	\$ 4,126,954
Intergovernmental:				
Federal and state sources	9,128,653	-	5,546,546	14,675,199
State-shared revenue and grants:				
State aid - Michigan Transportation Fund	24,711,894	8,537,817	-	33,249,711
State trunkline maintenance	-	-	3,784,024	3,784,024
Revenue from local governments	3,530,159	4,107,264	136,280	7,773,703
Fines and forfeitures	-	-	780,481	780,481
Other revenue - Interest, fees, and other revenue	1,381,944	19,206	632,158	2,033,308
Total revenue	42,879,604	12,664,287	10,879,489	66,423,380
<b>Expenditures</b>				
Primary construction/heavy maintenance	28,370,162	-	-	28,370,162
Local construction/heavy maintenance	-	4,928,229	-	4,928,229
Local routine maintenance	6,484,452	8,211,062	-	14,695,514
State maintenance	-	-	9,148,946	9,148,946
Administrative	2,368,390	892,822	-	3,261,212
Equipment and capital outlay	621,272	908,066	1,135,829	2,665,167
Other services	-	-	641,708	641,708
Debt service:				
Principal	600,000	-	1,641,868	2,241,868
Interest and other charges	31,350	-	136,287	167,637
Total expenditures	38,475,626	14,940,179	12,704,638	66,120,443
<b>Excess of Revenue Over (Under) Expenditures</b>	4,403,978	(2,275,892)	(1,825,149)	302,937
<b>Other Financing (Uses) Sources - Transfers (out) in</b>	(4,101,041)	2,275,892	1,825,149	-
<b>Net Change in Fund Balances</b>	302,937	-	-	302,937
<b>Fund Balances - Beginning of year</b>	21,016,231	-	-	21,016,231
<b>Fund Balances - End of year</b>	<b>\$ 21,319,168</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,319,168</b>

# Washtenaw County Road Commission

## Note to Other Supplemental Information

December 31, 2021

### *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):

	<u>Total Revenue</u>	<u>Total Expenditures</u>
Amounts per statement of revenue, expenditures, and changes in fund balances	\$ 65,169,934	\$ 65,060,443
Sale of assets	193,446	-
Contributions in kind	1,060,000	1,060,000
Amounts per analysis of changes in Road Fund balances	<u><b>\$ 66,423,380</b></u>	<u><b>\$ 66,120,443</b></u>