



SAGINAW COUNTY ROAD COMMISSION
Saginaw, Michigan

FINANCIAL STATEMENTS
December 31, 2025



**Gardner | Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 7, 2026

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Saginaw County Road Commission, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the Saginaw County Road Commission's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Saginaw County 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.

Change in accounting Principle

As discussed in Note 11 to the financial statement, Saginaw County Road Commission adopted GASB Statement No. 103, *Financial Reporting Model Improvements* in 2025. Our opinions are not modified with respect to the matter.

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 Saginaw County Road Commission's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, 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 Saginaw County 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 Saginaw County Road Commission's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension and OPEB schedules as listed in the table of contents, be presented to supplement the basic

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2026, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Saginaw County Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saginaw County Road Commission's internal control over financial reporting and compliance.

Gardner, Proronyomo, Thomas & Luplow, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

INTRODUCTION

The Saginaw County Road Commission (SCRC), a component unit of Saginaw County, is a special purpose government engaged in a single government program of road and bridge maintenance and construction in the County of Saginaw, Michigan. Our discussion and analysis of the Saginaw County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2025. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For SCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals) and long-term debt. Capital assets, infrastructure and long-term debt are not recognized as assets or liabilities at the governmental fund level.

As allowed for single purpose governments, the fund level financial statements and the government-wide financial statements have been combined.

The audited financial activities of SCRC are presented herein. These statements include the following:

- Statement of Net Position and Governmental Fund Balance Sheet,
- Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Position,
- Statement of Activities and Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance, and
- Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities

GOVERNMENT-WIDE STATEMENTS

The Statement of Net Position presents information on all of the Road Commission's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Road Commission is improving or deteriorating.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

The Statement of Activities presents information showing how the Road Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The SCRC's is principally supported by the Michigan Transportation fund. The governmental activities of the Road Commission include providing construction, repair, maintenance and snow removal of roads within Saginaw County.

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

The Road Commission maintains one governmental fund (the "General Operating/Road Fund"). Information is presented in the General Operating/Road Fund balance sheet and in the General Operating/Road Fund statement of revenues, expenditures and changes in fund balances for the Road Commission. The General Operating/Road Fund is a major fund for financial reporting purposes as defined by GASB.

The Road Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the Road Commission's financial statements.

CONDENSED FINANCIAL STATEMENTS

The following are condensed government-wide financial statements for SCRC.

Condensed Statement of Net Position

Assets and Deferred Outflows	2025	2024
Current	\$ 26,584,957	\$ 15,441,331
Capital assets	229,673,102	222,478,677
Total Assets	<u>256,258,059</u>	<u>237,920,008</u>
Deferred Outflows of resources	<u>62,676</u>	<u>1,507,288</u>
 Liabilities and Deferred Inflows		
Current	1,843,406	3,548,101
Long-term liabilities	30,784,382	34,792,490
Total Liabilities	<u>32,627,788</u>	<u>38,340,591</u>
Deferred Inflows of resources	<u>12,034,087</u>	<u>235,092</u>
 Net Position		
Restricted for County Roads	(8,788,000)	(11,606,482)
Net invested in capital assets	220,446,860	212,458,095
Total Net Position	<u>\$ 211,658,860</u>	<u>\$ 200,851,613</u>

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

Condensed Statement of Activities

Revenue	2025	2024
Taxes	\$ 10,287,978	\$ -
Federal and State Revenue	29,670,045	35,844,806
County	2,351,647	6,969,949
Other, including charges for services	1,203,895	1,297,889
Total Revenue	43,513,565	44,112,644
Expenses		
Primary preventive/routine maintenance	7,210,477	6,015,654
Local preventive/routine maintenance	13,273,050	11,447,670
Depreciation	10,338,794	9,798,799
Administrative	1,621,381	1,518,121
Other	262,616	1,212,678
Total Expenses	32,706,318	29,992,922
Change In Net Position	10,807,247	14,119,722
Beginning Net Position	200,851,613	186,731,891
Ending Net position	\$ 211,658,860	\$ 200,851,613

NET POSITION

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

The total net position increased by \$10,782,372 during the year ending December 31, 2025. Restricted for county roads increased \$2,818,482, and net investment in capital assets increased \$7,988,765. This increase is as a result of the decrease in debt and changes to capital assets. The restricted for county roads for both fiscal years 2025 and 2024 is in a negative position due to pension and OPEB related expenses.

Revenue decreased by \$599,079 from 2025. Federal and state revenue decreased funds vary from year to year depending on availability and need. In 2025, we had \$10,287,978 in tax revenue from the first year of a county wide millage.

Expenses increased by \$2,713,396 from 2024. Primary preventive/routine maintenance and local prevention/routine maintenance, which will vary from year to year depending on road conditions and funding, increased from 2024. Other expenses includes any adjustments related to pension and OPEB items and varies from year to year depending on actuary assumptions and market value changes in investment held for those liabilities. Both our pension and OPEB liability decreased in 2025.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

THE ROAD COMMISSION'S FUND

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

During the year ending December 31, 2025, the general fund balance increased by \$2,162,970 or 18% of the beginning general fund balance. We had planned for a increase in fund balance in the amount of \$919,040. Actual results were \$1,243,930 better than budget.

Notable changes from 2024 to 2025 – During 2024 we received bond funding in the amount of \$9,035,000 to finance the construction of two new salt barns. We did not receive any bond proceeds in 2025. However, a county wide road millage was passed in 2024 with those tax dollars collected in 2025. Of those tax dollars, over \$7,000,000 of the \$10,000,000 million received was spent on local roads, with carryover amounts to be spent in the coming years. During 2024, we also pulled forward 2025 federal revenue dollars to complete Dixie Highway. By doing this, we had less federal revenue recognized in 2025. Due to the passing of the road millage, we purchased more inventory in 2024 to accommodate projects with the Townships from their 5-year plans that included a large year for chipseal projects. We were able to prebuy stone at the end of the year under the current contract price instead of waiting until the next year and paying increased costs. We completed 200 miles of chip seal in 2025 that being the largest year yet. At the end of 2025, we did prebuy some stone but not in the quantity we did in 2024 as we are only anticipating 150 miles of chipseal for 2026, again prebuying at year end under our current contract prices saves us money.

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$229,656,918 which is an increase of \$7,202,531. This information, which includes infrastructure, is summarized below.

	<u>2025</u>	<u>2024</u>
Land and improvements	\$ 62,754,833	\$ 59,151,543
Construction in progress	-	10,924,398
Buildings and improvements	16,758,035	4,484,361
Road equipment	27,626,259	26,197,804
Other equipment	1,102,657	1,078,154
Infrastructure assets	408,716,949	395,483,347
Total Capital Assets	516,958,733	497,319,607
Accumulated Depreciation	<u>(287,301,815)</u>	<u>(274,865,220)</u>
Net Capital Assets	<u>\$ 229,656,918</u>	<u>\$ 222,454,387</u>

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2025

During the year ended December 31, 2025, we completed two salt barns. These had been recorded as construction in progress in the previous year. In addition, various pieces of road equipment for which we had budgeted were purchased.

Disposal of capital assets included five pieces of road equipment and office equipment.

LONG-TERM DEBT

At year-end, the Saginaw County Road Commission's long-term debt consisted of compensated absences (accumulated sick and vacation pay) in the amount of \$1,026,681 and bonds in the amount of \$8,350,000, Net OPEB obligation of \$8,415,504 and Net Pension Liability of \$12,132,139. More details of SCRC long-term debt is presented in the notes to the financial statements.

CURRENTLY KNOWN FACTS

In 2026, we received a \$1.2 million grant from the state of Michigan for improvements to our Saginaw Complex. A carport will be built to help protect equipment that currently sits outside with the focus on our road patcher trucks and trailers. We will also be adding one lean to the side of our existing Saginaw salt barn, which will allow us to store road graders and larger equipment under the lean. We will also be moving our brine tanks under the lean to. We anticipate this to be completed in 2026 but could carry over until 2027. This is a reimbursing grant received with the assistance of Representative Amos O'Neal.

The state budget passed a record-breaking road funding package in October of 2025 for fiscal year 2026. SCRC saw a 19% decrease in MTF revenue with the passing of this funding package right away which redirected \$600,000,000 income tax on October 1, 2025. We did not see an increase back in our MTF payments until April 2026. The loss of revenue will not be recouped until fall of 2026. Also, new road funding to be deposited into the Neighborhood Road Fund is expected in late 2026 or early 2027. The delay in revenue has to do with collection timing, processing timing and the off the tops funds that need to be filled first before the road fund, i.e., state general fund and MI Housing/community development. We anticipate seeing the full effect of this funding package hit in our fiscal year 2027.

CONTACTING THE SAGINAW COUNTY ROAD COMMISSION'S MANAGEMENT

This financial report is intended to provide our citizens and customers with a general overview of the Saginaw County Road Commission's finances and to show the Saginaw County Road Commission's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact the Director of Finance and Benefits at 3020 Sheridan Avenue, Saginaw, MI 48601.

BASIC FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS			
Cash	\$ 4,222,243	\$ -	\$ 4,222,243
Investments	4,672,205	-	4,672,205
Accounts Receivable			
Michigan Transportation Department	4,127,206	-	4,127,206
Due from other governments	671,842	-	671,842
Property tax receivable	9,866,057	-	9,866,057
Other receivables	275,871	-	275,871
Special assessments-current portion	9,719	-	9,719
Inventories			
Equipment materials and parts	50,041	-	50,041
Road materials	2,375,489	-	2,375,489
Prepays	314,284	-	314,284
Long-term assets			
Special assessments-due in more than one year	16,184	-	16,184
Capital asset, not depreciated	-	62,754,833	62,754,833
Capital assets, net of accumulated depreciation	-	166,902,085	166,902,085
Total Assets	<u>26,601,141</u>	<u>229,656,918</u>	<u>256,258,059</u>
Deferred outflows of resources-pension	-	62,676	62,676
Total Deferred Outflow of Resources	-	62,676	62,676
Total Assets and Deferred Outflows	<u>\$ 26,601,141</u>	<u>229,719,594</u>	<u>256,320,735</u>
LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 593,001	-	593,001
Accrued liabilities	227,053	-	227,053
Other liabilities	633,352	-	633,352
Unearned revenue	390,000	-	390,000
Long-term liabilities			
Compensated absences	-	1,026,681	1,026,681
Bonds payable, due within one year	-	760,000	760,000
Bonds payable, due in more than one year	-	7,590,000	7,590,000
Premium on long-term debt	-	860,058	860,058
Net pension liability	-	12,132,139	12,132,139
Net OPEB obligation	-	8,415,504	8,415,504
Total Liabilities	<u>1,843,406</u>	<u>30,784,382</u>	<u>32,627,788</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	25,903	(25,903)	-
Taxes, levied for a subsequent period	10,764,414	-	10,764,414
Deferred inflows of resources-pension	-	1,152,524	1,152,524
Deferred inflows of resources-OPEB	-	117,149	117,149
Total Deferred Inflow of Resources	<u>10,790,317</u>	<u>1,243,770</u>	<u>12,034,087</u>
Total Liabilities and Deferred Inflows of Resources	<u>12,633,723</u>	<u>32,028,152</u>	<u>44,661,875</u>
FUND BALANCE/NET POSITION			
Fund Balances:			
Nonspendable	2,739,814	(2,739,814)	-
Restricted for County Roads	11,227,604	(11,227,604)	-
Total Fund Balance	<u>13,967,418</u>	<u>(13,967,418)</u>	<u>-</u>
Total Liabilities, Deferred inflows of resources and Fund Balance	<u>\$ 26,601,141</u>		
Net Position:			
Invested in capital assets		220,446,860	220,446,860
Restricted for County Roads		(8,788,000)	(8,788,000)
Total Net Position		<u>\$ 211,658,860</u>	<u>\$ 211,658,860</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF GOVERNMENTAL FUND BALANCE TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2025

Total governmental fund balance	\$ 13,967,418
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	229,656,918
Long-term receivables are not deemed measurable and available and therefore not reported in the governmental fund.	25,903
Deferred outflows related to the net pension liability are not recognized at the fund level	62,676
Deferred inflows related to the net pension liability are not recognized at the fund level	(1,152,524)
Deferred inflows related to the net OPEB liability are not recognized at the fund level	(117,149)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Bonds payable	(8,350,000)
Premium on long-term debt	(860,058)
Compensated absences	(1,026,681)
Net pension liability	(12,132,139)
Net OPEB obligation	(8,415,504)
Net Position of Governmental Activities	\$ 211,658,860

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2025

	General Fund	Adjustments	Statement of Activities
Revenue			
Taxes	\$ 10,287,978	\$ -	\$ 10,287,978
Federal	4,326,246	(77,450)	4,248,796
State	25,421,249	-	25,421,249
County	2,351,647	-	2,351,647
Interest	189,815	-	189,815
Charge for services	155,908	-	155,908
Other revenue	867,891	(9,719)	858,172
Total Revenue	<u>43,600,734</u>	<u>(87,169)</u>	<u>43,513,565</u>
Expenditures/expense			
Primary construction/capacity improvements	231,372	(231,372)	-
Primary preservation/structural improvements	7,846,062	(7,846,049)	13
Primary preventive/routine maintenance	7,210,464	-	7,210,464
Local preservation/structural improvements	8,759,471	(8,759,471)	-
Local preventive/routine maintenance	13,273,050	-	13,273,050
Administrative	1,515,344	106,037	1,621,381
Net equipment expense	213,773	-	213,773
Net capital outlay			
Capital outlay	3,156,620	(3,156,620)	-
Depreciation credits	(2,452,187)	2,452,187	-
Debt service	1,119,625	(685,000)	434,625
Infrastructure Depreciation	-	10,338,794	10,338,794
Other Non-road	564,170	-	564,170
Amortization of premium on long-term debt	-	(101,234)	(101,234)
Pension related expense-deferred outflows	-	1,401,098	1,401,098
Pension related expense-deferred inflows	-	918,396	918,396
Pension NPO changes	-	(2,856,574)	(2,856,574)
OPEB related benefits-deferred outflows	-	43,514	43,514
OPEB related benefits-deferred inflows	-	116,185	116,185
Net OPEB change	-	(471,337)	(471,337)
Total Expenditures/expense	<u>41,437,764</u>	<u>(8,731,446)</u>	<u>32,706,318</u>
Revenues over (under) expenditures	2,162,970	(2,162,970)	-
Change in net position	-	10,807,247	10,807,247
Fund Balance - Beginning of Year	11,804,448	(11,804,448)	-
Net Position - Beginning of Year	-	200,851,613	200,851,613
Fund Balance/Net Position - End of Year	<u>\$ 13,967,418</u>	<u>\$ 197,691,442</u>	<u>\$ 211,658,860</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

Net Change in fund balance--total governmental fund \$ 2,162,970

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

Governmental funds report capital outlays as expenditures, however in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	19,993,512
Depreciation	(12,790,981)

Some revenues reported in the statement of activities are not considered to be current resources and therefore are not reported as revenue in the governmental funds.

Long-term special assessment-principal payments	(9,719)
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Revenue recorded in previous years but not collected	(26,961)
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Revenue previously unavailable paid in current year	(50,489)
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Some expenses reported in the statement of activities, such as other post-employment benefits and pension, do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds

Expenses related to the net pension liability	2,856,574
Expenses related to the change in deferred outflows-pension	(1,401,098)
Expenses related to the change in deferred inflows-pension	(918,396)
Expenses related to the change in deferred outflows-OPEB	(43,514)
Expenses related to the change in deferred inflows-OPEB	(116,185)
Expenses related to the net OPEB liability	471,337

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Amortization pf premium on long-term bonds	101,234
Principal payments on debt	685,000
Compensated absences	(106,037)
Change in net position of governmental activities	<u>\$ 10,807,247</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Saginaw County Road Commission's financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

A. Reporting Entity

The Commission, which is established pursuant to County Road Law (MCL 224.1), is governed by a five-member board of County Road Commissioners appointed by the Saginaw County Board of Commissioners. The Commission is a component unit of the Saginaw County and its financial statements are an integral part of the comprehensive annual financial report of the Saginaw County.

Based upon Government Accounting Standards, which establishes criteria for determining the reporting entity, these financial statements present the Saginaw County Road Commission, a discretely presented component unit of Saginaw County, and include the Commission's general operations fund.

The Commission's Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Changes in Net Position) report information on all of the activities of the Saginaw County Road Commission. There is only one fund reported in the government-wide financial statements.

This government-wide approach is focused more on the sustainability of the Commission as an entity and the change in the Commission's net position from the current year's activities.

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

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

C. Measurement Focus, Basis of Accounting, Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the SCRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period or soon thereafter. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

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

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

Cash, Cash Equivalents and Investments

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

Property Taxes Receivable

Property taxes are levied each December 1st on the taxable valuation of the property located in the County that is approved by the Board of County Commissioners the preceding October. There were 2 mills levied on the taxable value of property for road maintenance purposes during the year. The amount of revenue recovered is net of amounts paid to incorporated cities and villages (statutorily distributed based on SEV). Although the County's 2026 ad valorem taxes is levied and collectible on December 1, 2025, it is the Road Commission's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of the Road Commission's operations in the fund financial statements. The receivable is offset to deferred inflows of resources.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets and Depreciation

Capital assets purchased or acquired are reported at historic cost. Contributed assets are reported at fair market value when received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Capital assets are capitalized and depreciated according to State guidelines. Depreciation is computed on the sum-of-the-year's-digits methods for road equipment and straight-line method for all other capital assets over the following estimated useful lives:

	<u>Years</u>
Buildings	25 – 50
Road equipment	5 – 8
Other equipment	4 – 20
Infrastructure	5 – 50

Infrastructure assets include roads, bridges, traffic signals, etc.

Accounts Payable

Accounts payable consist of items from which the Commission benefited during the current fiscal year but have not yet paid.

Accrued Expenses

Accrued expenses consist mainly of employee salaries, wages, and payroll taxes.

Other Liabilities

Other liabilities consist of deposits, due to the State and various other amounts due at year end.

Long-Term Obligations

In the government-wide statements, long term debt is reported as liabilities. Bond premiums are amortized over the life of the bonds. Cost incurred to issue debt are expended as they occur.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Consists of amounts due to employees for sick and vacation time.

Due to State of Michigan

Consists of amounts due to the State for the Commission's portion of projects.

Unearned Revenue

Unearned revenue consist of advance payments for revenue not earned.

Fund Balance Classifications

The Road Commission classifies its fund balances as follows:

Nonspendable includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints. For the Road Commission, the nonspendable balance reflects the inventory on hand and prepaids.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority.

Restricted includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation. The remaining Road Commission funds are restricted as they can only be used in accordance with Public Act 51 of 1951.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position/balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In the financial statements, deferred outflows are related to pension and OPEB items.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission had two items that qualified for reporting in this category; unavailable revenue and differences and various balances related to its pension and OPEB plans. The unavailable revenue is from two sources, special assessments and property taxes that were levied for the subsequent year (voluntary non-exchange transactions).

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

At year-end, the entire balance of the property taxes receivable and special assessment receivable are deferred and will be recognized as inflows of resources in the subsequent year. Additional information regarding the balances related to deferred benefit pension and OPEB plans can be found in notes six and seven of these financial statements.

Net position flow assumption

Sometimes the government will 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions

Sometimes the government will 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 government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, 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.

Subsequent Events

The financial statements and related disclosure include evaluation of events up through and including May 7, 2026, which is the date the financial statements were available to be issued.

Pension

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 Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of Saginaw County Road Commission Other Post-Employment Benefits Plan and additions to/deductions from the Road Commission's fiduciary net position have been determined on the same basis as they are reported by the Saginaw County Road Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Long-term

E. Budgets and Budgetary Accounting

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

- A budget is adopted by the Board of County Road Commissioners of Saginaw County prior to the start of each year. The budget includes proposed expenditures and a means of financing them.
- The Saginaw County Road Commission approved budget is then submitted to the Saginaw County Board of Commissioners.
- The budget is prepared by the Road Commission on a basis consistent with U.S. generally accepted accounting principles and revised as deemed necessary during the year.
- Budgets are prepared using the modified accrual basis of accounting.
- The budgetary information presented has been amended throughout the year.
- The chief administrative officer is authorized to transfer up to 25% of a line item amount approved in the General Appropriations Act to another line item without prior approval, but subject to approval of the Board of County Road Commissioners at their next regular Board Meeting.

Law requires budget amendments as needed to prevent actual expenditures from exceeding those provided in the budget. Expenditures, which exceeded appropriations, are illustrated in required supplemental information.

NOTE 2-UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. The amount of expenditure for unemployment for the year ended December 31, 2025 was \$0.

NOTE 3-CASH AND INVESTMENTS

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

All special revenue fund investments are held in the name of the Saginaw County Treasurer; therefore, the insured amount of Road Commission investment is not determinable. Since the County has in excess of the \$250,000 limits, all Road Commission investments are presumed to be uninsured.

It is the policy of the SCRC to have investments made by the County Treasurer based on his/her judgment.

Interest Rate Risk

The Road Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to Fair Value losses arising from increasing interest rates.

Credit Risk

State laws limits investments in commercial paper, corporate bonds, and mutual bond funds 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.

Custodial Investment Credit Risk

Investment custodial credit risk is the risk that in the event of the failure of the counterparty, the Road Commission will not be able to recover the value of its investments or securities that are in the possession of an outside party. The Road Commission invests with the County of Saginaw and would receive a proportional share of holdings.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Custodial Deposit Credit Risk

Custodial deposit credit risk is the risk that in the event of a bank failure, the Road Commission deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. The bank balance is categorized as follows:

	Insured	Collateralized	Uninsured Uncollateralized	Bank Balance	Carrying Amount
Demand deposits	\$ 250,000	\$ -	\$ 456,277	\$ 706,277	\$ 1,332,662
Investment held by County	-	-	4,672,205	4,672,205	4,672,205
Cash held at county	-	-	4,064,428	4,064,428	2,889,199
Cash on hand	-	-	382	-	382
Totals	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 9,193,292</u>	<u>\$ 9,442,910</u>	<u>\$ 8,894,448</u>

NOTE 4-CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 1/1/2025	Adjustments Additions	Reclassifications Adjustments	Retirements	Balance 12/31/2025
Capital Assets Not Being Depreciated					
Land	\$ 751,242	\$ -	-	\$ -	\$ 751,242
Land and improvements, infrastructure	58,400,301	3,603,290	-	-	62,003,591
Construction in Progress	10,924,398	-	(10,924,398)	-	-
Total Land and Improvements	<u>70,075,941</u>	<u>3,603,290</u>	<u>(10,924,398)</u>	<u>-</u>	<u>62,754,833</u>
Other Capital Assets					
Land Improvements	445,830	-	3,948,140	-	4,393,970
Depletable Assets	35,013	-	-	-	35,013
Buildings	4,003,518	1,349,276	6,976,258	-	12,329,052
Road equipment	26,197,804	1,782,291	-	353,836	27,626,259
Shop equipment	293,849	25,053	-	-	318,902
Engineers equipment	139,745	-	-	-	139,745
Office equipment	644,560	-	-	550	644,010
Infrastructure and improvements	395,483,347	13,233,602	-	-	408,716,949
Total Other Capital Assets	<u>427,243,666</u>	<u>16,390,222</u>	<u>10,924,398</u>	<u>354,386</u>	<u>454,203,900</u>
Total Capital Assets	<u>497,319,607</u>	<u>19,993,512</u>	<u>-</u>	<u>354,386</u>	<u>516,958,733</u>
Accumulated Depreciation					
Land Improvements	410,346	184,900	(1,751)	-	593,495
Depletable Assets	22,599	-	1,751	-	24,350
Buildings	2,785,664	413,985	-	-	3,199,649
Road equipment	22,415,215	1,807,198	-	353,836	23,868,577
Shop equipment	229,626	22,112	-	-	251,738
Engineers equipment	138,014	714	-	-	138,728
Office equipment	567,227	23,278	-	550	589,955
Infrastructure and improvements	248,296,529	10,338,794	-	-	258,635,323
Total Accumulated Depreciation	<u>274,865,220</u>	<u>12,790,981</u>	<u>-</u>	<u>354,386</u>	<u>287,301,815</u>
Total Net Capital Assets	<u>\$ 222,454,387</u>	<u>\$ 7,202,531</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,656,918</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 5-LONG-TERM LIABILITIES

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at December 31, 2025 is \$538,990. Additionally, up to twenty days of vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at December 31, 2025 is \$487,691.

During 2024, the SCRC bonded through Saginaw County for the construction of two salt barns. Varying principal payments are due through 2034. Interest is set at 5%.

Following is a summary of long-term liabilities for the year ended December 31, 2025:

	Balance 1/1/2025	Increase	Reduction	Balance 12/31/2025	Due Within One year
Compensated absences	\$ 920,644	\$ 164,973	\$ 58,936	\$ 1,026,681	\$ -
Contract with Saginaw County-Bonds	9,035,000	-	685,000	8,350,000	760,000
Bond premium	961,292	-	101,234	860,058	101,234
Total	<u>\$ 10,916,936</u>	<u>\$ 164,973</u>	<u>\$ 845,170</u>	<u>\$ 10,236,739</u>	<u>\$ 861,234</u>

Annual debt service requirements to maturity for the above obligations area as follows:

Year ended December 31,	Principal	Interest	Amortization	Total
2026	\$ 760,000	\$ 398,500	\$ 101,234	\$ 1,259,734
2027	795,000	359,625	101,234	1,255,859
2028	835,000	318,875	101,234	1,255,109
2029	875,000	276,125	101,234	1,252,359
2030	920,000	231,250	101,234	1,252,484
2031-2034	4,165,000	429,375	101,234	4,695,609
Compensated absences	1,026,681	-	252,654	1,279,335
	<u>\$ 9,376,681</u>	<u>\$ 2,013,750</u>	<u>\$ 860,058</u>	<u>\$ 12,250,489</u>

NOTE 6-DEFINED BENEFIT PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides certain retirement disability and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System (MERS) of Michigan, an agent multiple-employer plan, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1946 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report can be obtained by accessing the MERS website at www.mersofmich.com.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Employees Covered by the Benefit Term

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

Inactive plan members or beneficiaries currently receiving benefits	108
Inactive plan members entitled to but not yet receiving benefits	20
Active employees	<u>73</u>
Total employees covered by MERS	<u><u>201</u></u>

Net Pension Liability

The Net Pension Liability was measured as of December 31, 2024, the date of the actuary report, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Contribution Requirements

The SCRC 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 cost of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish rates to be paid by its covered employees.

The projected contribution rates as a percentage of payroll for employee contributions and the flat rate for employer contributions for the year ended December 31, 2025, were as follows:

Division	<u>Employee Contribution</u>	<u>Employer Contribution</u>
01-Union: Closed to New Hires,	4.70%	\$68,064 per month
10-Managers: Closed to New Hires	4.70%	36,383 per month
11-Commissioners: Closed to New Hires	4.00%	\$226 per month
12-Non-Union: Closed to new hires	4.70%	\$16,813 per month
13-Non-Union New Hires after 01/01/12 Open	4.70%	\$3,891 per month
14- Manager New Hires after 01/01/12 Open	4.70%	\$2,299 per month
15-Union New Hires after 01/01/12 Open	4.70%	\$9,305 per month

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Benefits Provided

01-Union: Closed to New Hires, linked to Division 15	<u>2024</u>	10-Managers: Closed to New Hires, linked to Division 14	<u>2024 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)	Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60	Normal Retirement Age:	60
Vesting:	10 Years	Vesting:	6 Years
Early Retirement (Unreduced):	55/25	Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	20 and out
	55/15	Early Retirement (Reduced):	-
Final Average Compensation:	5 Years	Final Average Compensation:	3 Years
Employee Contributions	4.70%	COLA for Future Retirees:	2.50% (Non-Compound)
Act 88:	Yes (Adopted 12/22/1966)	Employee Contributions	4.70%
		Act 88:	Yes (Adopted 12/22/1966)
11-Commissioners:		12-Non-Union: Closed to new hires linked to Division 13,	<u>2024 Valuation</u>
Open Division	<u>2024 Valuation</u>	Benefit Multiple:	2.50% Multiplier (80% max)
Benefit Multiple:	2.50% Multiplier (80% max)	Normal Retirement Age:	60
Normal Retirement Age:	60	Vesting:	10 Years
Vesting:	6 Years	Early Retirement (Unreduced):	55/25
Early Retirement (Unreduced):	55/15	Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	55/15
Final Average Compensation:	5 Years	Final Average Compensation:	5 Years
Employee Contributions	4.00%	Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)	Act 88:	Yes (Adopted 12/22/1966)
13-Non-Union New Hires after 01/01/12		14- Manager New Hires after 01/01/12	
Open Division, linked to Division 12	<u>2024 Valuation</u>	Open Division, linked to Division 10	<u>2024 Valuation</u>
Benefit Multiple:	1.50% (no max.)	Benefit Multiple:	1.50% (no max.)
Normal Retirement Age:	60	Normal Retirement Age:	60
Vesting:	10 Years	Vesting:	10 Years
Early Retirement (Unreduced):	55/25	Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	55/15
	55/15	Final Average Compensation:	5 Years
Final Average Compensation:	5 Years	Employee Contributions	4.70%
Employee Contributions	4.70%	Act 88:	Yes (Adopted 12/22/1966)
Act 88:	Yes (Adopted 12/22/1966)		
15-Union New Hires after 01/01/12			
Open Division, linked to Division 01	<u>2024 Valuation</u>		
Benefit Multiple:	1.50% (no max.)		
Normal Retirement Age:	60		
Vesting:	10 Years		
Early Retirement (Unreduced):	55/25		
Early Retirement (Reduced):	50/25		
	55/15		
Final Average Compensation:	5 Years		
Employee Contributions	4.70%		
Act 88:	Yes (Adopted 12/22/1966)		

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

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

Inflation: 2.5%

Salary Increase 3% plus merit and longevity: 3% in the long-term

Investment rate of return: 6.93%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2021.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2019-2023.

The long-term expected rate of return on pension plan investments were determined using a model method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative 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 for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20%	4.66%	0.93%	2.50%	0.43%
Private investments	20%	9.00%	1.80%	2.50%	1.30%
Total	100%		6.93%		4.43%

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability is 6.93%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

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

Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2024	\$ 40,980,583	\$ 25,991,870	\$ 14,988,713
Service cost	492,759	-	492,759
Interest	2,863,293	-	2,863,293
Employer contributions	-	1,736,280	(1,736,280)
Employee contributions	-	240,975	(240,975)
Net investment income	-	3,957,135	(3,957,135)
Benefit payments	(2,696,460)	(2,696,460)	-
Experience changes	88,783	-	88,783
Assumption changes	(135,277)	-	(135,277)
Administrative expense	-	(52,078)	52,078
Other changes	(283,820)	-	(283,820)
Net changes	329,278	3,185,852	(2,856,574)
Balance at December 31, 2025	\$ 41,309,861	\$ 29,177,722	\$ 12,132,139

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

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

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

	<u>1% Decrease in Rate to (6.18%)</u>	<u>Current Discount Rate 7.18%</u>	<u>1% Increase in Rate to (8.18%)</u>
Net Pension Liability	\$ 16,551,771	\$ 12,132,139	\$ 8,400,255

Note: The current discount rate shown for GASB 68 purposes is higher than MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

Pension Expense, Deferred Outflows/Inflow of Resources Related to Pensions

During the current year, the Road Commission recognized pension expense of \$1,199,200. At year-end, the Road Commission reported deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on investments	\$ -	\$ 1,152,524
Difference in experience	10,840	-
Difference in assumptions	51,836	-
	<u>\$ 62,676</u>	<u>\$ 1,152,524</u>

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

Year Ending December 31,	<u>Net Amount</u>
2026	\$ 274,101
2027	(497,513)
2028	(442,714)
2029	<u>(423,722)</u>
Total	<u>\$ (1,089,848)</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Payable to the Pension Plan

At December 31, 2025, \$146,596 was payable to the pension plan.

NOTE 7-POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description

SCRC Other Post-Employment Benefits Plan is a single employer plan established and administered by SCRC and can be amended at its discretion. The actuarial values shown are based upon December 31, 2024 results and rolled forward to December 31, 2025.

Summary of Plan Participants

As of December 31, 2024, retirement plan membership consisted of:

Active members	27
Inactive members	-
Retirees and beneficiaries	100
Total participants	<u>127</u>

Contributions

The Saginaw County Road Commission OPEB plan governed by the Road Commission authority and union agreements, employs a funding policy targeting a 40% funded ratio. This policy stipulates annual contributions of \$200,000 to the OPEB trust until the target is achieved. In the interim, benefits payments are financed through pay-as-you-go disbursement from general operating funds. It is noted that long-term contractual contribution commitments are absent, relying instead on the established funding policy and periodic actuarial valuations to determining future funding needs.

Assumptions and Methods

The SCRC's OPEB liability was measured as of December 31, 2025. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.00% (for purposes of allocating liability)
Investment rate of return	6.93% (including inflation)
20-year Aa Municipal bond rate	4.43%
Mortality	Public General 2016 Employees and Healthy Retirees, Headcount weighted
Improvement scale	IRS 2024 Adjusted Scale MP-2021

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

The long-term expected rate of return of retirement 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 retirement 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. Best estimates of arithmetic real rates of return for each major class included in the retirement plan's target asset allocation are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
Global Equity	60%	4.50%
Global fixed income	20%	2.16%
Private Investment	20%	6.50%

The sum of each target allocation times its long-term expected real rate, plus inflation is 6.93%.

Discount Rate

The discount rate used to measure the OPEB liability was 6.93%. The projection of cash flows used to determine the discount rate assumed that the Road Commission made an annual contribution to the trust of \$200,000 until the plan is at least 40% funded and pay retirement benefits from general operating funds, pay-as-you-go basis. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. There is no cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. Because there is no instance when benefit payments were not projected to be covered by the projected assets, there is no "depletion date", resulting in a single equivalent discount rate being equal to the long-term expected rate of return. This discount rate is used to determine the total OPEB liability. As of December 31, 2024, the discount rate used to value OPEB liabilities was 6.93%.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Changes in the Net OPEB Liability

Changes during the year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2024	\$ 10,814,834	\$1,927,993	\$ 8,886,841
Service cost	68,479	-	68,479
Interest	732,852	-	732,852
Experience (Gains)/Losses	(200,209)	-	(200,209)
Change in assumptions	100,752	-	100,752
Contributions to OPEB trust	-	248,788	(248,788)
Administrative expenses	-	(4,545)	4,545
Net investment income	-	312,460	(312,460)
Contributions/benefits paid from general operations	-	616,508	(616,508)
Benefit payments including refunds of employee contributions	(616,508)	(616,508)	-
Net changes	85,366	556,703	(471,337)
Balance at December 31, 2025	\$ 10,900,200	\$ 2,484,696	\$ 8,415,504

Net OPEB Liability – Discount and Trend Rate Sensitivities

The following presents the net OPEB liability (NOL) of the SCRC, calculated using trend and discount rates 1% higher and lower than base assumptions:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 11,909,638	\$ 10,900,200	\$ 10,042,427
Less Plan Fiduciary Net Position	2,484,696	2,484,696	2,484,696
Net OPEB Liability	\$ 9,424,942	\$ 8,415,504	\$ 7,557,731
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 10,223,311	\$ 10,900,200	\$ 11,699,641
Less Plan Fiduciary Net Position	2,484,696	2,484,696	2,484,696
Net OPEB Liability	\$ 7,738,615	\$ 8,415,504	\$ 9,214,945

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

OPEB Expense

Below are the components of the total OPEB expense:

	Fiscal Year Ending December 31, 2025
Service cost	\$ 68,479
Interest on total OPEB liability	732,852
Experience (Gains)/Losses	(201,173)
Change in assumptions	101,661
Projected earnings on OPEB plan investments	(142,074)
Investment earning (gains)/losses	(10,632)
Administrative expenses	4,545
Total OPEB Expense/(Income)	<u>\$ 553,658</u>

Deferred Inflows and Outflows of Resources Related to OPEB Plan

Deferred inflows and outflows are as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains)/Losses	\$ -	\$ -
Change in assumptions	-	-
Investment earning (gains)/losses	-	117,149
Total	<u>\$ -</u>	<u>\$ 117,149</u>

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

Year Ending December 31,	Amount Recognized
2026	\$ (3,918)
2027	(44,748)
2028	(34,405)
2029	(34,078)
Total	<u>\$ (117,149)</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Reconciliation of Net OPEB Liability

	<u>Net OPEB Liability</u>
Net OPEB Liability December 31, 2024	\$8,886,841
Total OPEB expense	553,658
Contributions	(865,296)
Change in deferred outflows of resources	(43,514)
Change in deferred inflows of resources	(116,185)
Net OPEB Liability December 31, 2025	<u><u>\$8,415,504</u></u>

Total OPEB Liability by Participant Status

	<u>Total OPEB Liability</u>
Active participants	\$3,577,388
Retirees and beneficiaries	7,322,812
	<u><u>\$10,900,200</u></u>

NOTE 8-RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Road Commission participates in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to MCRCSIP for its general insurance coverage. The MCRCSIP is self-sustaining through member premiums. The Road Commission participates in the County Road Association Self Insurance Fund (CRASIF) for its workers' compensation benefits. The CRASIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

The Road Commission is self-insured for short-term disability.

The Road Commission continues to carry commercial insurance for other risks of loss, including the Road Commission's bonds and accident insurance.

NOTE 9-LITIGATION

The Road Commission is a party to various legal proceedings, which normally occur in governmental operations for which the Road Commission carries commercial insurance.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 10-FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all federal revenue pertaining to their county. During the year ended December 31, 2025, the total federal revenue recognized by the Road Commission was \$4,326,246. The make-up of that total is as follows: \$4,147,833 for contracted projects (pass through), \$127,864 in negotiated projects that were expenditures in previous years but did not meet the revenue recognition requirements in those previous years and \$50,549 for negotiated projects. Contracted projects are projects performed by private contractors paid for and administered by MDOT. Negotiated projects are projects where the SCRC administers the grant and either performs the work or contracts it out. The contracted projects (pass through) projects and the federal revenue for projects expensed in previous years are not subject to the Uniform Guidance and therefore an audit in accordance with the Uniform Guidance was not conducted. The following are the details for the federal projects for the 2025 fiscal year:

<u>Program</u>	<u>Project Number</u>	
Michigan Department of Transportation		
Pass Through Revenue		
	205718	\$ 43,797
	217903	437,808
	217907	1,452,039
	217899	2,386
	216271	35,070
	216285	4,880
	215492	163,068
	219891	750,000
	220523	1,060,184
	220446	201,567
Final accounting	205714	34
Final accounting	212249	(1,519)
Final accounting	218157	(1,533)
Final accounting	213322	32
Final accounting	216267	20
Total pass through		<u>4,147,833</u>
Negotiated Federal revenue spent in previous years		
Michigan Department of Transportation		
Final accounting	212045 CON	60
<u>Michigan State Police</u>		
FEMA		50,489
Total Negotiated Federal revenue spent in previous years		<u>50,549</u>
Negotiated federal revenue spent in current year		
Michigan Department of Transportation		
	220131	53,703
<u>Michigan Strategic Fund</u>		
CDBG DR-223013-INF		74,161
Total negotiated federal revenue spent in current year		<u>127,864</u>
Total federal revenue		<u>\$ 4,326,246</u>

NOTE 11-CHANGE IN ACCOUNTING PRINCIPLE

For the fiscal year ended December 31, 2025 the Saginaw County Road Commission early implemented *GASB Statement No. 103, Financial Reporting Model Improvements*. The primary objective is to enhance the effectiveness of the financial reporting model for state and local governments. It aims to improve the decision-usefulness of financial information, strengthen accountability for public resources, and increase the consistency and comparability of financial reports. This statement requires improvements to the Management Discussion & Analysis (MD&A), changes to the budget comparison schedule and moved the discussion of budget changes and variances to notes to the budgetary comparison schedule.

REQUIRED SUPPLEMENTAL INFORMATION

REQUIRED SUPPLEMENTAL INFORMATION
SAGINAW COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Budgeted Amounts		Variance with	Actual	Variance with
	Original Budget	Final Budget	Original budget over (under) Final Budget		Final Budget over (under) Actual Amounts
Revenue					
Taxes	\$ 9,600,000	\$ 10,287,978	\$ 687,978	\$ 10,287,978	\$ -
Federal	7,209,257	5,060,463	(2,148,794)	4,326,246	(734,217)
State	25,919,607	25,070,482	(849,125)	25,421,249	350,767
County	875,000	1,915,007	1,040,007	2,351,647	436,640
Interest	15,000	15,534	534	189,815	174,281
Charge for services	95,000	134,554	39,554	155,908	21,354
Other revenue	154,697	558,394	403,697	867,891	309,497
Total Revenue	<u>43,868,561</u>	<u>43,042,412</u>	<u>(826,149)</u>	<u>43,600,734</u>	<u>558,322</u>
Expenditures					
Construction/capacity improvements	-	-	-	231,372	231,372
Preservation/structural improvements	13,770,573	16,714,126	2,943,553	16,605,533	(108,593)
Preventive/routine maintenance	24,635,262	20,235,335	(4,399,927)	20,483,514	248,179
Administration	1,785,281	1,718,699	(66,582)	1,515,344	(203,355)
Capital Outlay-net	386,363	1,082,645	696,282	704,433	(378,212)
Equipment-net	1,863,992	712,807	(1,151,185)	213,773	(499,034)
Other	39,561	540,135	500,574	564,170	24,035
Debt service	1,119,625	1,119,625	-	1,119,625	-
Total Expenditures	<u>43,600,657</u>	<u>42,123,372</u>	<u>(1,477,285)</u>	<u>41,437,764</u>	<u>(685,608)</u>
Revenues over (under) expenditures	267,904	919,040	651,136	2,162,970	1,243,930
Fund Balance, Beginning of Year	11,804,448	11,804,448	-	11,804,448	-
Fund Balance, End of Period	<u>\$12,072,352</u>	<u>\$ 12,723,488</u>	<u>\$ 651,136</u>	<u>\$ 13,967,418</u>	<u>\$ 1,243,930</u>

REQUIRED SUPPLEMENTAL INFORMATION
SAGINAW COUNTY ROAD COMMISSION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The SCRC's budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the general fund.

The 2025 original budget was adopted in December of 2024 with the final amendment adopted in December of 2025.

Revenue

The final budget for revenue decreased by \$826,149. Significant changes are as follows:

Federal Revenue – We decreased federal revenue due to bridge projects that were budgeted for in 2025 were delayed and did not start in 2025 as planned.

County Revenue – When the budget is first adopted, we do not always know what our Township projects will be. We adjusted the budget up, once better information was known. We anticipate Township contributions based off prior discussions and 5 year plans, but projects are always added/deleted. In addition, culverts can fail at any time, causing an additional project revenue.

Expenditures

The final budget for expenditures was decreased by \$1,477,285. Significant changes are as follows:

Preservation & Preventative - with the passing of the local road millage, there were more paving projects than anticipated from Townships over preventative maintenance. Townships focused on the poor roads needing immediate work, first. Then they focused on fair or good rated roads for preventative maintenance like chip seal. The Townships did not spend all of the road millage money that we originally anticipated either, there was a carryover of cash.

Equipment - net - Equipment rental rates were higher than anticipated. We base our rates off from the State of Michigan's Schedule C each year. For 2025, the rates increased and we also had a large construction season with the passing of the local road millage, and many of the local road projects besides asphalt paving were completed by SCRC maintenance workers and equipment.

REQUIRED SUPPLEMENTAL INFORMATION
SAGINAW COUNTY ROAD COMMISSION
NOTES TO THE BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2025

FINAL BUDGET VERSUS ACTUAL

Revenue differences are due to state/federal project delays and not being completed in 2025. We also had other projects completed ahead of schedule and were able to bill them causing an increase in other, county and charges for services over what was calculated in our final budget. Lastly there was more interest earned on the local road millage funds than anticipated.

Expenditure differences are due to projects coming in under what was budgeted and anticipated at the time of our final budget amendment for the year. A trailer we ordered was originally to be delivered in 2025, there was delays in getting that piece of equipment and it did not come until 2026. Lastly, we do not know the full amount of the construction/capacity improvements. At the time of the final budget, these items are figured at the very end of the year by our engineering department for subdivision roads that are accepted up until the very last board meeting of the year.

Saginaw County Road Commission

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

Last 10 Fiscal Years Ended December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service cost	\$ 492,759	\$ 473,836	\$ 464,180	\$ 414,721	\$ 420,971	\$ 402,424	\$ 419,674	\$ 396,845	\$ 392,452	\$ 359,123
Interest	2,863,293	2,791,068	2,831,369	2,713,685	2,698,686	2,580,502	2,634,219	2,606,124	2,535,884	2,448,649
Benefit payments	(2,696,460)	(2,670,862)	(2,632,011)	(2,582,046)	(2,630,425)	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)
Benefit changes	-	-	-	-	-	-	41,347	-	-	(186,232)
Experience changes	88,783	285,678	(764,747)	(264,053)	809,327	(60,342)	380,735	(386,610)	205,475	1,584,059
Assumption changes	(135,277)	284,040	-	1,364,721	717,626	1,071,706	-	-	-	-
Other changes	(283,820)	(154,504)	(64,691)	(23,602)	(116,134)	89,702	(44,944)	44,410	(32,084)	(78,355)
Net change in total pension liability	329,278	1,009,256	(165,900)	1,623,426	1,900,051	1,637,996	1,084,665	365,166	945,556	2,031,418
Total pension liability- beginning	40,980,583	39,971,327	40,137,227	38,513,801	36,613,750	34,975,754	33,891,089	33,525,923	32,580,367	30,548,949
Total pension liability- ending	\$ 41,309,861	\$ 40,980,583	\$ 39,971,327	\$ 40,137,227	\$ 38,513,801	\$ 36,613,750	\$ 34,975,754	\$ 33,891,089	\$ 33,525,923	\$ 32,580,367
Plan fiduciary net position										
Contributions- employer	\$ 1,736,280	\$ 1,415,336	\$ 1,359,591	\$ 1,426,890	\$ 1,458,527	\$ 1,262,398	\$ 925,406	\$ 898,360	\$ 719,886	\$ 698,887
Contributions- employee	240,975	229,348	223,885	218,812	191,489	204,804	229,247	258,535	170,862	179,168
Net investment income (loss)	3,957,135	1,866,021	2,588,517	(2,851,632)	3,483,044	2,869,402	2,885,592	(894,542)	2,864,864	2,340,797
Benefits payments, including refunds	(2,696,460)	(2,670,862)	(2,632,011)	(2,582,046)	(2,630,425)	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)
Administrative expense	(52,078)	(55,252)	(54,990)	(50,279)	(39,959)	(46,151)	(49,696)	(45,152)	(45,461)	(46,263)
Net change in fiduciary net position	3,185,852	784,591	1,484,992	(3,838,255)	2,462,676	1,844,457	1,644,183	(2,078,402)	1,553,980	1,076,763
Fiduciary net position- beginning	25,991,870	25,207,279	23,722,287	27,560,542	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885
Fiduciary net position- ending	29,177,722	25,991,870	25,207,279	23,722,287	27,560,542	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648
Net pension liability- ending	\$ 12,132,139	\$ 14,988,713	\$ 14,764,048	\$ 16,414,940	\$ 10,953,259	\$ 11,515,884	\$ 11,722,345	\$ 12,281,863	\$ 9,838,295	\$ 10,446,719
Fiduciary net position as a percentage										
of the total pension liability	70.63%	63.42%	63.06%	59.10%	71.56%	68.55%	66.48%	63.76%	70.65%	67.94%
Covered-employee payroll	\$ 4,845,291	\$ 4,697,049	\$ 4,435,825	\$ 4,227,711	\$ 4,096,260	\$ 3,923,276	\$ 4,053,797	\$ 3,756,879	\$ 3,527,538	\$ 3,527,334
Net pension liability as a % of covered payroll	250%	319%	333%	388%	267%	294%	289%	327%	279%	296%

Saginaw County Road Commission
Schedules of Required Supplementary Information
Schedule of Employer Contributions

For the Year Ended December 31, 2025

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Actuarially determined contributions	\$ 1,415,336	\$ 1,359,590	\$ 1,426,891	\$ 1,283,527	\$ 1,069,398
Contribution in relation to the actuarially determined contribution	<u>1,415,336</u>	<u>1,359,590</u>	<u>1,426,891</u>	<u>1,458,527</u>	<u>1,262,398</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ (193,000)</u>
 Covered-employee payroll	 \$ 4,845,291	 \$ 4,687,049	 \$ 4,435,825	 \$ 4,227,711	 \$ 4,096,260
Contribution as a percentage of covered-employee payroll	29%	29%	32%	34%	31%
	 <u>2019</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>	 <u>2015</u>
Actuarially determined contributions	\$ 915,407	\$ 858,360	\$ 719,887	\$ 623,888	\$ 562,134
Contribution in relation to the actuarially determined contribution	<u>925,407</u>	<u>898,360</u>	<u>719,887</u>	<u>698,888</u>	<u>562,134</u>
Contribution deficiency (excess)	<u>\$ (10,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,923,276	 \$ 4,053,797	 \$ 3,756,879	 \$ 3,527,538	 \$ 3,527,334
Contribution as a percentage of covered-employee payroll	24%	22%	19%	20%	16%

Notes to Schedule

Actuarial cost method	Entry Age normal
Amortization method	Level percentage of payroll for open
Remaining amortization period	15 years
Asset valuation method	5 year smoothed
Inflation	2.5% long-term price inflation
Salary Increases	3.0%
Investment rate of return	7.00% net of investment and administrative expenses
Normal retirement age	60
Mortality	Pub-2010 and fully generational MP-2019

Saginaw County Road Commission
Required Supplementary Information-OPEB
For the Year Ended December 31, 2025
Changes in Net OPEB Liability and Related Ratios

	2025	2024	2023	2022	2021	2020	2019	2018
Service cost	\$ 68,479	\$ 67,984	\$ 74,778	\$ 109,208	\$ 174,282	\$ 172,054	\$ 403,299	\$ 344,702
Interest	732,852	727,476	721,213	1,353,868	1,270,349	1,227,755	883,166	761,217
Difference in expected and actual experience	(200,209)	(97,392)	(135,585)	(8,138,279)	(495,980)	(713,497)	(94,598)	719,423
Change in assumptions	100,752	91,839	57,440	(682,289)	(3,448,683)	874,008	(8,470,250)	3,037,369
Benefits payments and refunds	(616,508)	(599,199)	(643,994)	(805,988)	(803,579)	(860,331)	(873,149)	(845,994)
Net change in total OPEB liability	85,366	190,708	73,852	(8,163,480)	(3,303,611)	699,989	(8,151,532)	4,016,717
Total OPEB- beginning	10,814,834	10,624,126	10,550,274	18,713,754	22,017,365	21,317,376	29,468,908	25,452,191
Total OPEB- ending	<u>\$ 10,900,200</u>	<u>\$ 10,814,834</u>	<u>\$ 10,624,126</u>	<u>\$ 10,550,274</u>	<u>\$ 18,713,754</u>	<u>\$ 22,017,365</u>	<u>\$ 21,317,376</u>	<u>\$ 29,468,908</u>
Plan Fiduciary Net Position								
Contributions to OPEB trust	\$ 248,788	\$ 320,000	\$ 199,649	\$ 174,000	\$ 488,100	\$ 120,000	\$ 280,000	\$ 60,000
Contributions from general operations	616,508	599,199	643,994	805,988	803,579	860,331	873,149	845,994
Net investment income	312,460	117,320	143,734	(117,104)	78,830	53,533	20,424	-
Administrative expenses	(4,545)	(3,588)	(2,581)	(1,936)	(1,372)	(750)	(265)	-
Benefits payments and refunds	(616,508)	(599,199)	(643,994)	(805,988)	(803,579)	(860,331)	(873,149)	(845,994)
Net change in total fiduciary net position	556,703	433,732	340,802	54,960	565,558	172,783	300,159	60,000
Total fiduciary net position-beginning	\$1,927,993	\$1,494,261	\$1,153,459	\$1,098,499	\$532,941	\$360,158	\$59,999	(1)
Total fiduciary net position-ending	<u>\$2,484,696</u>	<u>\$1,927,993</u>	<u>\$1,494,261</u>	<u>\$1,153,459</u>	<u>\$1,098,499</u>	<u>\$532,941</u>	<u>\$360,158</u>	<u>\$59,999</u>
Net OPEB Liability	\$ 8,415,504	\$ 8,886,841	\$ 9,129,865	\$ 9,396,815	\$ 17,615,255	\$ 21,484,424	\$ 20,957,218	\$ 29,408,909
Plan fiduciary net position as a % of total OPEB liability	22.79%	17.83%	14.06%	10.93%	5.87%	2.42%	1.69%	0.20%
Covered employee payroll	\$1,877,826	\$1,994,264	\$5,156,314	\$4,965,326	\$4,597,020	\$4,220,852	\$3,990,795	\$4,414,057
Net OPEB Liability as a % of payroll	448.2%	445.6%	177.1%	189.2%	383.2%	509.0%	525.1%	666.3%
Actuarially Determined Contributions	\$ 2,236,583	\$ 2,299,432	\$ 2,051,424	\$ 4,453,770	\$ 4,530,263	\$ 3,913,603	\$ 5,135,715	\$ 3,980,871
Employer contributions/benefit payments	(865,296)	(919,199)	(843,643)	(979,988)	(1,291,679)	(980,331)	(1,153,149)	(905,994)
Contribution deficiency/(excess)	<u>\$ 1,371,287</u>	<u>\$ 1,380,233</u>	<u>\$ 1,207,781</u>	<u>\$ 3,473,782</u>	<u>\$ 3,238,584</u>	<u>\$ 2,933,272</u>	<u>\$ 3,982,566</u>	<u>\$ 3,074,877</u>
ADC as a percentage of covered payroll	119.1%	115.3%	39.8%	89.7%	98.5%	92.7%	128.7%	90.2%
Employer contribution as a % of covered payroll	46.1%	46.1%	16.4%	19.7%	28.1%	23.2%	28.9%	20.5%

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Actuarially Determined Contributions (ADC)
 Fiscal Year Ending December 31, 2025

	Fiscal Year Ending 2026	Fiscal Year Ending 2025
Discount rate	6.93%	6.93%
Amortization period	4 years	5 years
Amortization method	Level \$	Level \$
Normal cost	\$ 60,434	\$ 68,479
Amortization of Net OPEB Liability	2,319,806	2,023,153
Interest to end of the year	164,951	144,951
Total ADC	\$ 2,545,191	\$ 2,236,583

Saginaw County Road Commission
Required Supplementary Information - OPEB
For the Year Ended December 31, 2025
State of Michigan Public Act 530 and 202 Information

Financial information	2025
Assets (Fiduciary net position)	\$ 2,484,696
Liabilities (Total OPEB Liability)	\$ 10,900,200
Funded ratio for the Plan Year	22.79%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	\$ 2,236,583
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2024
Active members	27
Inactive members	-
Retirees and Beneficiaries	100
Premiums paid on behalf of the retirees	\$ 616,508
Actuarial Assumptions	2025
Actuarially assumed rate of investment return	6.93%
Discount rate	6.93%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	5
Is each division closed to new employees	Yes
Healthcare inflation assumption	7.50%
Healthcare inflation assumption-long term	4.50%
Uniform Assumptions	2025
Actuarial value of assets using uniform assumptions	\$ 2,484,696
Actuarial accrued liability using uniform assumptions	\$ 10,895,257
Funded ratio using uniform assumptions	22.81%
Annual Required contribution (ARC) using uniform assumptions	\$ 2,239,799

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Assumptions and methods used in Calculation of Actuarially Determined Contribution
 Fiscal Year Ending December 31, 2025

Valuation date December 31, 2024
 Measurement Date December 31, 2025
 Reporting Date December 31, 2025

Actuarial Methods

Cost method Entry Age Normal (level percentage of compensation)
 Asset valuation method Market value

Actuarial Assumptions

Discount Rate – 6.93% for 2025 contribution; 6.93% for 2025 liability and 2026 contribution

Rationale – Blended rate based on long term expected return

20-year Aa Municipal Bond Rate –4.43%

Rationale – S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2025

Salary Scale – 3.00% (for purpose of allocating liability)

Rationale – Per employer experience and expectations

Return on Plan Assets –6.93% (including inflation)

Rationale – Per investment manager

Mortality Rates – Public General 2010 Employees and Healthy Retirees, Headcount weighted, IRS 2024

Adjusted Scale MP-2021

Utilization – 95% of future retirees will elect coverage at retirement; of these 95%, 80% of future retirees

are assumed to elect the PPO plan and 20% are assumed to elect the HMO plan upon retirement

actual coverage used for non-active

Rationale – based on experience and future expectations

Termination Rates – See sample rates below:

Service	Rate
0	0.200
5	0.065
10	0.050
15	0.037
20	0.030
25	0.027
30	0.026
35+	0.000

Rationale – Based on past employer experience

Disability Rates-None

Rationale – Small Group

Marital Assumption – 70% of the active with a covered spouse will have a covered spouse at retirement with

females 3 years younger than males; actual spouse data used for retirees

Rationale – Consistent with experience

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)
 Fiscal Year Ending December 31, 2025

Retirement Rates:

Age	Rate	Age	Rate
50	0.20	61	0.22
51	0.20	62	0.22
52	0.20	63	0.22
53	0.20	64	0.25
54	0.20	65	0.25
55	0.20	66	0.25
56	0.20	67	0.26
57	0.21	68	0.28
58	0.21	69	0.30
59	0.21	70+	1.00
60	0.21		

Rationale – Rates based on the retirement assumption applicable to participants with a MERS pension benefit multiplier of 2.5% or less

Monthly Medical Premiums

Coverage Level	Medical (Pre-65) PPO	Medical (Pre-65) HMO	Medical (Post-65)	Dental (Pre-65)	Dental (Post 65)	Opt-Out Stipend
Single	\$593.87	\$495.11	\$184.04	\$38.69	\$50.80	\$ 100
Double	\$1,425.29	\$1,188.26	\$360.08	\$74.04	\$92.72	\$ 200
Family	\$1,781.60	\$1,485.33	N/A	\$136.23	\$147.66	\$ 200

Annual per-capita cost valued

Medical-The below rates were developed based on the premium rates charged to the employer and the current population of covered actives and pre-65 retirees

Age	Employee		Spouse	
	Males	Females	Males	Females
30-34	\$ 2,183	\$ 4,942	\$ 3,056	\$ 6,919
35-39	\$ 2,740	\$ 5,091	\$ 3,836	\$ 7,127
40-44	\$ 3,414	\$ 5,210	\$ 4,780	\$ 7,295
45-49	\$ 4,311	\$ 5,723	\$ 6,035	\$ 8,013
50-54	\$ 5,677	\$ 6,733	\$ 7,948	\$ 9,426
55-59	\$ 7,381	\$ 7,783	\$ 10,334	\$ 10,897
60-64	\$ 9,472	\$ 9,262	\$ 13,260	\$ 12,966

Medical premium - \$2,208.60 for both member and spouse
 Covered dependents up to age 26 are assumed to generate claims at an annual rate of \$4,134

Saginaw County Road Commission
Required Supplementary Information-OPEB
Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)
Fiscal Year Ending December 31, 2025

HRA Contribution

The road commission indicated that, on average, HRA contributions towards copays and deductibles beyond a \$1,000 single / \$2,000 double or family limit are equal to 11% of the premium for the level of coverage elected. Annual costs were equal to 11% of the annual medical premiums, assumed to increase with pre-65 medical trend rates

Trend rates – Medical premiums: Pre-Medicare 7.25% graded down to 4.5% by .25% per year; post-Medicare, 5.5% graded down to 4.5% by .25% per year; dental 3% per year; PA 152 cap 2.85% per year.

Rationale – Based on State of Michigan trend survey

Data Collection

Date and form of data - All personnel and asset data was prepared by the plan sponsor or a representative and was generally relied upon as being correct and complete without audit by Watkins Ross

Assumption changes since prior valuation

- Trend rates updated to those prescribed by PA 202 for year 2023
- Discount rate updated to 6.93%
- Future utilization assumptions
 - Old-95% of future retirees are assumed to elect coverage at retirement
 - New-95% of future retirees are assumed to elect coverage at retirement with 80% electing the PPO plan and 20% HMO plan

Assumptions used for PA 202 Reporting

Discount rate -6.90%

Salary Scale- 3.75%

All other assumptions are the same as used for GASB

Saginaw County Road Commission
Required Supplementary Information-OPEB
Schedule of Deferred Outflows (Inflows) Experience, Assumptions and Earnings
Fiscal Year Ending December 31, 2025

Schedule of Difference between Actual and Expected Experience

Year Ended December 31,	Difference Between Expected and Actual Experience	Amount Recognized in Year Ended 12/31, Recognition Period (Years)	Amount Recognized in Year Ended 12/31,					Deferred Outflows or resources	Deferred inflows or resources
			2025	2026	2027	2028	2029		
2024	\$ (964)	1.01	\$ (964)	\$ -	\$ -	\$ -	\$ -	\$ -	
2025	\$ (200,209)	1.00	(200,209)	-	-	-	-	-	
Net recognized in OPEB expense			<u>\$ (201,173)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Year Ended December 31,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended 12/31,					Deferred Outflows or resources	Deferred inflows or resources
			2025	2026	2027	2028	2029		
2024	\$ 91,839	1.01	\$ 909	\$ -	\$ -	\$ -	\$ -	\$ -	
2025	\$ 100,752	1.00	100,752	-	-	-	-	-	
Net recognized in OPEB expense			<u>\$ 101,661</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Differences between Projected and Actual Earnings on OPEB Plan Investments

Year Ended December 31,	Difference between expected and actual earnings	Recognition period (years)	Amount Recognized in Year Ended 12/31,					Deferred Outflows or resources	Deferred inflows or resources
			2025	2026	2027	2028	2029		
2021	\$ (33,572)	5.00	\$ (6,716)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 204,168	5.00	40,834	40,832	-	-	-	40,832	-
2023	\$ (51,713)	5.00	(10,343)	(10,343)	(10,341)	-	-	-	(20,684)
2024	\$ (1,648)	5.00	(330)	(330)	(330)	(328)	-	-	(988)
2025	\$ (170,386)	5.00	(34,077)	(34,077)	(34,077)	(34,078)	(34,078)	-	(136,309)
Net recognized in OPEB expense			<u>\$ (10,632)</u>	<u>\$ (3,918)</u>	<u>\$ (44,748)</u>	<u>\$ (34,406)</u>	<u>\$ (34,078)</u>	<u>\$ 40,832</u>	<u>\$ (157,981)</u>

Total Deferred Outflow/(Inflow) of Resources

Total Deferred Outflow/(Inflow) of Resources	Amount Recognized in Year Ended 12/31,			
	2026	2027	2028	2029
	\$ (3,918)	\$ (44,748)	\$ (34,406)	\$ (34,078)

OTHER SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Revenues				
Taxes				
County millage	-	10,287,978	-	10,287,978
Federal				
Surface transportation program	2,571,482	-	-	2,571,482
Bridge	1,258,699	-	-	1,258,699
Other	371,354	124,711	-	496,065
Total Federal	4,201,535	124,711	-	4,326,246
State				
Engineering	6,534	3,466	-	10,000
Urban road	2,211,811	1,062,202	-	3,274,013
Allocation	14,132,099	7,496,094	-	21,628,193
Local bridge	132,239	24,908	-	157,147
Other	351,896	-	-	351,896
Total State	16,834,579	8,586,670	-	25,421,249
County				
City and Villages	-	-	507,579	507,579
Township	-	1,832,811	-	1,832,811
Other government	-	-	11,257	11,257
Total County	-	1,832,811	518,836	2,351,647
Charge for service				
Salvage sales	1,629	10,588	4,073	16,290
Other	13,962	90,752	34,904	139,618
Total Charges for service	15,591	101,340	38,977	155,908
Interest	297	138,804	50,714	189,815
Other				
Special assessments	-	10,727	-	10,727
Gain (loss) equipment disposals	19,480	19,481	38,961	77,922
Sundry refunds	264,161	264,160	-	528,321
Contributions from private sources	-	220,683	-	220,683
Other	15,119	15,119	-	30,238
Total Other	298,760	530,170	38,961	867,891
Total Revenues	<u>\$ 21,350,762</u>	<u>\$21,602,484</u>	<u>\$ 647,488</u>	<u>\$ 43,600,734</u>

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2025

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ -	\$ 231,372	\$ -	\$ 231,372
Preservation/structural improvements	7,846,062	8,759,471	-	16,605,533
Preventive/routine maintenance	7,210,464	13,273,050	-	20,483,514
Other				
Administration	611,349	903,995	-	1,515,344
Equipment	2,211,102	5,196,266	45,449	7,452,817
Less: equipment rental	(2,147,680)	(5,047,218)	(44,146)	(7,239,044)
Capital outlay	1,262,648	1,262,648	631,324	3,156,620
Less: depreciation credits and retirements	(613,047)	(613,047)	(1,226,093)	(2,452,187)
Debt principal	342,500	342,500	-	685,000
Interest	217,313	217,312	-	434,625
Other	-	-	564,170	564,170
Total Other	<u>1,884,185</u>	<u>2,262,456</u>	<u>(29,296)</u>	<u>4,117,345</u>
Total Expenditures	<u>16,940,711</u>	<u>24,526,349</u>	<u>(29,296)</u>	<u>41,437,764</u>
Excess of revenue over (under) expenditures	4,410,051	(2,923,865)	676,784	2,162,970
Optional transfer	(4,410,000)	4,410,000	-	-
Net Change in fund balance	51	1,486,135	676,784	2,162,970
Fund Balance, Beginning	49,613	3,293,401	8,461,434	11,804,448
Fund Balance, Ending	<u>\$ 49,664</u>	<u>\$ 4,779,536</u>	<u>\$ 9,138,218</u>	<u>\$ 13,967,418</u>



Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
Brett A. Luplow

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

May 7, 2026

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Saginaw County Road Commission, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated May 7, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Saginaw County Road Commission's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Saginaw County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of Saginaw County Road Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan
Page Two

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Saginaw County Road Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gardner, Proronyano, Thomas & Luplow, P.C.

Saginaw, Michigan



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE

May 7, 2026

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Saginaw County Road Commission. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 28, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Saginaw County Road Commission are described in Note 1 to the financial statements. During 2025 the Road Commission implemented GASB Statement No. 103, *Financial Reporting Model Improvements*. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of depreciation is based on the estimated useful life of the associated capital asset. We evaluated the key factors and assumptions used to develop the depreciation and accumulated depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 7, 2026.

Management Consultations with Other Independent Accountants

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

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan
Page Three

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Pension and OPEB schedules, and the Budgetary Comparison, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Members of the Board of the Saginaw County Road Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Gardner, Prorogano, Thomas & Luplow, P.C.

Saginaw, Michigan