



**SAGINAW COUNTY ROAD COMMISSION**  
**Saginaw, Michigan**

**FINANCIAL STATEMENTS**  
**December 31, 2019**



**Gardner | Provenzano  
Thomas & Luplow**

**CERTIFIED PUBLIC ACCOUNTANTS**

Saginaw County Road Commission  
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# Gardner | Provenzano Thomas & Luplow

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

June 26, 2020

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended December 31, 2019, 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.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

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 schedules and OPEB schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

**Other 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 other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Analysis of Revenues, Expenditures, and Changes in Fund Balance is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 other supplemental information 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 June 26, 2020 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 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 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, Provenzano, Thomas & Depina, P.C.*

Certified Public Accountants

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**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, 2019. 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 and are presented on the same page.

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

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**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.

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 financial statements are 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).

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**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.

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 Statement No. 34.

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.



SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**CONDENSED FINANCIAL STATEMENTS**

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

**Condensed Statement of Net Position**

Assets and Deferred Outflows	2019	2018
Current	\$ 12,025,286	\$ 15,149,430
Long-term	173,729,695	167,258,920
Total Assets	<u>185,754,981</u>	<u>182,408,350</u>
Deferred Outflows of resources	<u>291,986</u>	<u>3,596,048</u>
Liabilities and Deferred Inflows		
Current	1,689,644	1,696,727
Long-term liabilities	34,167,453	43,680,815
Total Liabilities	<u>35,857,097</u>	<u>45,377,542</u>
Deferred Inflows of resources	<u>3,813,298</u>	<u>221,465</u>
Net Position		
Restricted for County Roads	(26,376,081)	(25,294,584)
Net invested in capital assets	172,752,654	165,699,975
Total Net Position	<u>\$ 146,376,573</u>	<u>\$ 140,405,391</u>

**Condensed Statement of Activities**

Revenue	2019	2018
Federal and State Revenue	\$ 25,342,966	\$ 25,916,026
County	4,050,765	3,454,129
Other, including charges for services	736,217	904,944
Total Revenue	<u>30,129,948</u>	<u>30,275,099</u>
Expenses		
Primary preventive/routine maintenance	6,349,651	5,474,527
Local preventive/routine maintenance	8,831,036	7,447,017
Depreciation	9,092,531	9,060,678
Administrative	1,391,967	1,056,485
Other	(1,506,419)	4,156,812
Total Expenses	<u>24,158,766</u>	<u>27,195,519</u>
Change In Net Position	<u>\$ 5,971,182</u>	<u>\$ 3,079,580</u>

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**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 \$5,971,182 during the year ending December 31, 2019. Restricted for county roads decreased \$1,081,497, and net investment in capital assets increased \$7,052,679. The restricted for county roads for both fiscal years 2019 and 2018 is in a negative position due to pension and OPEB related expenses.

Revenue decreased by \$145,151 from 2018. Management does not believe this decrease to be significant.

Expenses decreased by \$3,036,753 from 2018. The most significant increase was in other and was most attributable to pension and OPEB related expenses.

**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, 2019, the general fund balance decreased by \$3,117,060 or 24% of the beginning general fund balance. We had planned for a decrease in fund balance in the amount of \$4,624,900. The variance of \$1,507,840 is mostly due to pass through revenue coming in much higher than budget.

Management believes that the general fund balance provides sufficient working capital to support future operations of the Saginaw County Road Commission.

**BUDGET**

The Saginaw County Road Commission 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.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**ORIGINAL BUDGET VERSUS AMENDED BUDGET**

The 2019 budget was adopted in December 2018. The budget is reviewed periodically and amended as information becomes available or management's plans change.

Significant variances between the original budget and amended budget are as follows:

- Federal revenue decreased by \$2,307,500 due to Davis and Seymour road projects postponed until 2020.
- Preventive/routine maintenance expenditures were increased by \$2,455,940, due to a significant number of chipseal miles and contractual ditching were added to the maintenance program.

**AMENDED BUDGET VERSUS ACTUAL**

The significant variances from amended to actual are noted as follows:

- Federal revenue actual results were \$1,253,401 higher than the final budget due to a correction in the final accounting for the Gasper road project and pass through revenue for the non-motorized path project in Thomas Township.

**CAPITAL ASSETS**

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$173,571,186 which is an increase of \$6,528,048. This information, which includes infrastructure, is summarized below.

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 42,301,598	\$ 40,223,566
Buildings and improvements	4,308,594	4,371,791
Road equipment	19,690,421	18,304,810
Other equipment	1,031,788	1,060,775
Infrastructure assets	<u>326,644,836</u>	<u>313,607,512</u>
Total Capital Assets	393,977,237	377,568,454
Accumulated Depreciation	<u>(220,406,051)</u>	<u>(210,525,316)</u>
Net Capital Assets	<u>\$ 173,571,186</u>	<u>\$ 167,043,138</u>

Additional information regarding capital assets is located in the notes to the financial statements.

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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**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 \$669,359, a Michigan Transportation note in the amount of \$400,000, an equipment lease in the amount of \$418,532, Net OPEB obligation of \$20,957,217 and Net Pension Liability of \$11,722,345. More details of SCRC long-term debt is presented in the notes to the financial statements.

**OTHER**

The latest MTF estimate from MDOT addressing the impact of COVID-19 is on par with our original 2020 budget. In February of 2020, MDOT came out with updated revenue predictions for the new marijuana tax, which increased our MTF about 1.2 million. The pandemic essentially erased that increase. We believe the pandemic will have little or no impact our original 2020 budget. We have prepared to cut several maintenance projects, if necessary.

Additionally in May of 2020, we had record flooding on the Tittabawassee River, due to heavy rains and a dam failure in Edenville. The flooding caused significant damage to four major bridges along the river. We expect the damages to be approximately \$300,000. We are working with FEMA and do expect to get reimbursed for the majority of the unplanned expenses.

**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, 2019

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash	\$ 416,707	\$ -	\$ 416,707
Investment	4,771,471	-	4,771,471
Accounts Receivable			
Michigan Transportation Department	3,461,422	-	3,461,422
Due from other governments	1,921,921	-	1,921,921
Other receivables	120,878	-	120,878
Special assessments-current portion	54,366	-	54,366
Inventories			
Equipment materials and parts	124,444	-	124,444
Road materials	795,784	-	795,784
Prepays	358,294	-	358,294
Long-term assets			
Special assessments-due in more than one year	158,509	-	158,509
Capital assets, net of accumulated depreciation	-	173,571,186	173,571,186
Total Assets	<u>12,183,796</u>	<u>173,571,186</u>	<u>185,754,982</u>
Deferred outflows of resources-pension	-	182,564	182,564
Deferred outflows of resources-OPEB	-	109,422	109,422
Total Deferred Outflows	-	291,986	291,986
Total Assets and Deferred Outflows	<u>\$ 12,183,796</u>	<u>173,863,172</u>	<u>186,046,968</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Accounts payable	\$ 596,805	-	596,805
Accrued liabilities	211,692	-	211,692
Other liabilities	346,147	-	346,147
Unearned revenue	535,000	-	535,000
Long-term liabilities			
Equipment leases	-	418,532	418,532
Michigan transportation note	-	400,000	400,000
Compensated absences	-	669,359	669,359
Net pension liability	-	11,722,345	11,722,345
Net OPEB obligation	-	20,957,217	20,957,217
Total Liabilities	<u>1,689,644</u>	<u>34,167,453</u>	<u>35,857,097</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable special assessments	212,875	(212,875)	-
Deferred inflows of resources-OPEB	-	3,813,298	3,813,298
Total Deferred Inflow of Resources	<u>212,875</u>	<u>3,600,423</u>	<u>3,813,298</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,902,519</u>	<u>37,767,876</u>	<u>39,670,395</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balances:			
Nonspendable	1,278,522	(1,278,522)	-
Committed	1,212,628	(1,212,628)	-
Restricted for County Roads	7,790,127	(7,790,127)	-
Total Fund Balance	<u>10,281,277</u>	<u>(10,281,277)</u>	<u>-</u>
Total Liabilities, Deferred inflows of resources and Fund Balance	<u>\$ 12,183,796</u>		
Net Position:			
Invested in capital assets		172,752,654	172,752,654
Restricted for County Roads		(26,376,081)	(26,376,081)
Total Net Position		<u>\$ 146,376,573</u>	<u>\$ 146,376,573</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, 2019

Total governmental fund balance	\$ 10,281,277
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	173,571,186
Long-term receivables are not deemed measurable and available and therefore not reported in the governmental fund.	212,875
Deferred outflows related to the net pension liability are not recognized at the fund level	182,564
Deferred outflows related to the OPEB liability are not recognized at the fund level	109,422
Deferred inflows related to the net pension liability are not recognized at the fund level	(3,813,298)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	<u>(34,167,453)</u>
Net Position of Governmental Activities	<u><u>\$ 146,376,573</u></u>

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, 2019

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 1,775,901	\$ -	\$ 1,775,901
State	23,567,065	-	23,567,065
County	4,050,765	-	4,050,765
Interest	176,020	-	176,020
Charge for services	89,815	-	89,815
Other revenue	527,655	(57,273)	470,382
Total Revenue	<u>30,187,221</u>	<u>(57,273)</u>	<u>30,129,948</u>
Expenditures/expense			
Primary construction/capacity improvements	475,704	(475,704)	-
Primary preservation/structural improvements	7,302,721	(7,302,721)	-
Primary preventive/routine maintenance	6,349,651	-	6,349,651
Local preservation/structural improvements	7,336,931	(7,336,931)	-
Local preventive/routine maintenance	8,831,036	-	8,831,036
Administrative	1,369,489	22,478	1,391,967
Net equipment expense	343,584	-	343,584
Net capital outlay			
Capital outlay	2,120,850	(2,120,850)	-
Depreciation credits	(1,615,627)	1,615,627	-
Debt service	558,480	(524,631)	33,849
Infrastructure Depreciation	-	9,092,531	9,092,531
Other Non-road	231,462	-	231,462
Pension related expense-deferred outflows	-	1,480,377	1,480,377
Pension related expense-deferred inflows	-	(221,465)	(221,465)
Pension NPO changes	-	(559,518)	(559,518)
OPEB related benefits-deferred outflows	-	1,823,685	1,823,685
OPEB related benefits-deferred intflows	-	3,813,298	3,813,298
Net OPEB change	-	(8,451,691)	(8,451,691)
Total Expenditures/expense	<u>33,304,281</u>	<u>(9,145,515)</u>	<u>24,158,766</u>
Change in Fund Balance	(3,117,060)	3,117,060	-
Change in net position		5,971,182	5,971,182
Fund Balance- Beginning of Year	13,398,337	(13,398,337)	-
Net Position - Beginning of Year	-	140,405,391	140,405,391
Fund Balance/Net Position - End of Year	<u>\$ 10,281,277</u>	<u>\$ 136,095,296</u>	<u>\$ 146,376,573</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, 2019

Net Change in fund balance--total governmental fund \$ (3,117,060)

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. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirements are recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.

Capital outlay	17,236,206
Depreciation	(10,708,158)

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	(57,273)
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Some expenses reported in the statement of activities, such as other post-employment benefits, 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 are not reported in the governmental funds	559,518
Expenses related to the change in deferred outflows are not reported in the governmental funds-pension	(1,480,377)
Expenses related to the change in deferred inflows are not reported in the governmental funds-pension	221,465
Expenses related to the change in deferred outflows are not reported in the governmental funds-OPEB	(1,823,685)
Expenses related to the change in deferred inflows are not reported in the governmental funds-OPEB	(3,813,298)
Expenses related to the net OPEB liability are not reported in the governmental funds	8,451,691

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.

Principal payments on debt	524,631
Compensated absences	(22,478)
Change in net position of governmental activities	<u>\$ 5,971,182</u>

See accompanying notes to the basic financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**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

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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

1. 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.

2. 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.

3. 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.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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4. 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

GASB 34 requires the Commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc.

5. Liabilities

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 related payroll taxes.

Other Liabilities

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

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.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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6. 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. At December 31, 2019, \$1,212,628 was committed in the 2020 budget to spend down fund balance.

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.

7. 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 may be 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. The item unavailable special assessments are reported in the governmental funds balance sheet and the statement of net position. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. In addition, the SCRC may recognize a deferred inflows related to pension items and OPEB items.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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8. 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 and proprietary 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 – net position to have been depleted before unrestricted – net position is applied.

9. 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.

10. Subsequent Events

The financial statements and related disclosure include evaluation of events up through and including June 26, 2020, which is the date the financial statements were available to be issued.

11. 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

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12. 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.

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 expenditures for unemployment for the year ended December 31, 2019 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	\$ -	\$ 481,252	\$ 731,252	\$ 416,325
Investment held by County	-	-	4,854,028	4,854,028	4,771,471
Cash on hand	-	-	382	-	382
Totals	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 5,335,662</u>	<u>\$ 5,585,280</u>	<u>\$ 5,188,178</u>

**NOTE 4--CAPITAL ASSETS AND DEPRECIATION**

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 12/31/2018	Adjustments Additions	Adjustments Retirements	Balance 12/31/2019
Capital Assets Not Being Depreciated				
Land	\$ 558,635	\$ -	\$ -	\$ 558,635
Land and improvements, infrastructure	39,664,931	2,078,032	-	41,742,963
Total Land and Improvements	<u>40,223,566</u>	<u>2,078,032</u>	<u>-</u>	<u>42,301,598</u>
Other Capital Assets				
Land Improvements	486,388	-	74,443	411,945
Depletable Assets	35,013	-	-	35,013
Buildings	3,850,390	207,807	196,561	3,861,636
Road equipment	18,304,810	1,776,717	391,106	19,690,421
Shop equipment	285,034	4,522	33,231	256,325
Engineers equipment	141,607	-	-	141,607
Office equipment	634,134	131,804	132,082	633,856
Infrastructure and improvements	313,607,512	13,037,324	-	326,644,836
Total Other Capital Assets	<u>337,344,888</u>	<u>15,158,174</u>	<u>827,423</u>	<u>351,675,639</u>
Total Capital Assets	<u>377,568,454</u>	<u>17,236,206</u>	<u>827,423</u>	<u>393,977,237</u>
Accumulated Depreciation				
Land Improvements	451,046	8,424	74,443	385,027
Depletable Assets	3,914	9,932	-	13,846
Buildings	2,206,656	132,034	196,561	2,142,129
Road equipment	15,250,207	1,378,746	391,106	16,237,847
Shop equipment	152,837	18,485	33,231	138,091
Engineers equipment	106,255	4,986	-	111,241
Office equipment	435,419	63,020	132,082	366,357
Infrastructure and improvements	191,918,982	9,092,531	-	201,011,513
Total Accumulated Depreciation	<u>210,525,316</u>	<u>10,708,158</u>	<u>827,423</u>	<u>220,406,051</u>
Total Net Capital Assets	<u>\$ 167,043,138</u>	<u>\$ 6,528,048</u>	<u>\$ -</u>	<u>\$ 173,571,186</u>

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

**NOTE 5--LONG-TERM LIABILITIES**

Accrued Sick and Vacation

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at December 31, 2019 is \$391,098. 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, 2019 is \$278,261.

During the year ended December 31, 2015, the Road Commission issued Michigan Transportation notes in the amount of \$2,000,000. Interest payments ranging from \$4,400 to \$22,000 are due twice a year. Annual principal payments are due in the amount of \$400,000. Interest is set at 2.20%. The notes were issued to finance improvements to Miller Road, Wieneke Road and Shattuck Road in Saginaw County.

Equipment Leases

During the year ended December 31, 2014, the Road Commission entered into an equipment lease for an excavator. Five lease payments in the amount of \$75,004, including principal and interest, are due annually through 2019. Interest is set at 3%.

During the year ended December 31, 2015, the Road Commission entered into an equipment lease for a street sweeper. Five lease payments in the amount of \$49,524 including principal and interest are due annually through 2019. Interest is set at 3.17%.

During the year ended December 31, 2019, the Road Commission entered into an equipment lease for a motor grader and wheel loader. Seven lease payments in the amount of \$91,258 including principal and interest are due annually through 2024. Interest is set at 2.95%.

Following is a summary of long term liabilities for the year ended December 31, 2019:

	Balance 1/1/2019	Increase	Reduction	Adjustments	Balance 12/31/2019	Due Within One year
Compensated absences	\$ 646,881	\$ 71,310	\$ 48,832	\$ -	\$ 669,359	\$ -
Equipment lease	47,981	-	47,981	-	-	-
Equipment lease	495,182	-	76,650	-	418,532	78,911
Michigan Transportation Note	800,000	-	400,000	-	400,000	-
Total	<u>\$ 1,990,044</u>	<u>\$ 71,310</u>	<u>\$ 573,463</u>	<u>\$ -</u>	<u>\$ 1,487,891</u>	<u>\$ 78,911</u>

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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

	Principal	Interest	Total
2020	\$ 478,911	\$ 21,147	\$ 500,058
2021	81,239	10,019	91,258
2022	83,636	7,622	91,258
2023	86,103	5,155	91,258
2024	88,643	2,615	91,258
Compensated absences	669,359	-	669,359
	<u>\$ 1,487,891</u>	<u>\$ 46,558</u>	<u>\$ 1,534,449</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](http://www.mersofmich.com).

Employees Covered by the Benefit Term

At the December 31, 2018 measurement date the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	107
Inactive plan members entitled to but not yet receiving benefits	11
Active employees	<u>72</u>
Total employees covered by MERS	<u>190</u>

# SAGINAW COUNTY ROAD COMMISSION NOTES TO FINANCIAL STATEMENTS

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## Benefits Provided

<p>01-Union: Closed to New Hires, linked to Division 15</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">2018 Valuation</th> </tr> </thead> <tbody> <tr> <td>Benefit Multiple:</td> <td>2.50% Multiplier (80% max)</td> </tr> <tr> <td>Normal Retirement Age:</td> <td>60</td> </tr> <tr> <td>Vesting:</td> <td>10 Years</td> </tr> <tr> <td>Early Retirement (Unreduced):</td> <td>55/25</td> </tr> <tr> <td>Early Retirement (Reduced):</td> <td>50/25 55/15</td> </tr> <tr> <td>Final Average Compensation:</td> <td>5 Years</td> </tr> <tr> <td>Employee Contributions</td> <td>4.70%</td> </tr> <tr> <td>Act 88:</td> <td>Yes (Adopted 12/22/1966)</td> </tr> </tbody> </table>		2018 Valuation	Benefit Multiple:	2.50% Multiplier (80% 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)	<p>10-Managers: Closed to New Hires, linked to Division 14</p> <table border="0" style="width: 100%;"> <thead> <tr> <th style="width: 80%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">2018 Valuation</th> </tr> </thead> <tbody> <tr> <td>Benefit Multiple:</td> <td>2.50% Multiplier (80% max)</td> </tr> <tr> <td>Normal Retirement Age:</td> <td>60</td> </tr> <tr> <td>Vesting:</td> <td>6 Years</td> </tr> <tr> <td>Early Retirement (Unreduced):</td> <td>55/15</td> </tr> <tr> <td>Early Retirement (Reduced):</td> <td>20 and out -</td> </tr> <tr> <td>Final Average Compensation:</td> <td>3 Years</td> </tr> <tr> <td>COLA for Future Retirees:</td> <td>2.50% (Non-Compound)</td> </tr> <tr> <td>Employee Contributions</td> <td>4.70%</td> </tr> <tr> <td>Act 88:</td> <td>Yes (Adopted 12/22/1966)</td> </tr> </tbody> </table>		2018 Valuation	Benefit Multiple:	2.50% Multiplier (80% max)	Normal Retirement Age:	60	Vesting:	6 Years	Early Retirement (Unreduced):	55/15	Early Retirement (Reduced):	20 and out -	Final Average Compensation:	3 Years	COLA for Future Retirees:	2.50% (Non-Compound)	Employee Contributions	4.70%	Act 88:	Yes (Adopted 12/22/1966)
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SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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Contribution Requirements

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the 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 contribution rates as a percentage of payroll for employee contributions and the flat rate for employer contributions for the year ended December 31, 2018 were as follows:

Division	Employee Contribution	Employer Contribution
01-Union: Closed to New Hires,	4.70%	\$46,724 per month
10-Managers: Closed to New Hires	4.70%	\$26,304 per month
11-Commissioners: Closed to New Hires	4.00%	\$100 per month
12-Non-Union: Closed to new hires	4.70%	\$10,639 per month
13-Non-Union New Hires after 01/01/12 Open	4.70%	3.41% of wages
14- Manager New Hires after 01/01/12 Open	4.70%	4.47% of wages
15-Union New Hires after 01/01/12 Open	4.70%	5.18% of wages

Net Pension Liability

The Net Pension Liability was measured as of December 31, 2018, 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.

Actuarial Assumptions

The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary Increase: 3.75% in the long-term

Investment rate of return: 7.75%, net of investment expense, including inflation

Mortality rates were based on the RP-2014 Group Annuity Mortality Table of 50% male and 50% female blend.

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumptions would be consistent with a price inflation of 3% - 4%.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2009-2013.

The long-term expected rate of return on pension plan investments was determined using a model method 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target	Target Allocation	Long-term Expected	Inflation	Target Allocation
	Allocation	Gross Rate of Return	Expected Gross Rate of Return		Real Rate of Return
Global Equity	55.5%	8.65%	4.80%	2.50%	3.41%
Global fixed income	18.5%	3.76%	0.70%	2.50%	0.24%
Private investments	26.0%	8.65%	2.25%	2.50%	1.60%
Total	100.0%		7.75%		5.25%

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. 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 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.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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, 2018	\$ 33,891,089	\$ 21,609,226	\$ 12,281,863
Service cost	419,674	-	419,674
Interest	2,634,219	-	2,634,219
Employer contributions	-	925,406	(925,406)
Employee contributions	-	229,247	(229,247)
Net investment income	-	2,885,592	(2,885,592)
Benefit payments	(2,346,366)	(2,346,366)	-
Experience changes	380,735	-	380,735
Benefit changes	41,347	-	41,347
Administrative expense	-	(49,696)	49,696
Other changes	(44,944)	-	(44,944)
Net changes	1,084,665	1,644,183	(559,518)
Balance at December 31, 2019	\$ 34,975,754	\$ 23,253,409	\$ 11,722,345

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 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (7.00%) or 1% higher (9.00%) than the current rate:

	1% Decrease in Rate to (7.00%)	Current Discount Rate 8.00%	1% Increase in Rate to (9.00%)
Net Pension Liability	\$ 15,327,645	\$ 11,722,345	\$ 8,648,144

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.



SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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

During the year the Road Commission recognized pension expense of \$1,583,453. At year-end, the Road Commission reported deferred outflows and inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Net difference between projected and actual earnings on pension plan investments	\$ 90,318	\$ -
Difference in assumptions	92,246	-
Total	<u>\$ 182,564</u>	<u>\$ -</u>

The amount reported as deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments will be recognized as pension expense as follows:

Year Ending December 31,	<u>Net Amount</u>
2019	\$ (54,802)
2020	76,347
2021	402,321
2022	<u>(241,302)</u>
Total	<u>\$ 182,564</u>

Payable to the Pension Plan

At December 31, 2019, there was no reported payable to the pension plan required for the year ended December 31, 2019.

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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**NOTE 7--POST-EMPLOYMENT BENEFITS OTHER THAN PENSION**

Plan Description

Saginaw County Road Commission Other Post-Employment Benefits Plan is a single employer plan established and administered by Saginaw County Road Commission and can be amended at its discretion.

Benefits Provided

Eligibility Requirements

Eligibility requirements vary depending on class of employee. Union members and managers hired on or after December 27, 2011 are no longer eligible for medical, dental or life insurance benefits in retirement. Commissioners hired on or after January 1, 2020 are no longer eligible for medical or dental in retirement.

Summary of Benefits

<u>Cover Life</u>	<u>Medical</u>	<u>HRA</u>	<u>Dental</u>	<u>Life Insurance</u>
Employee	Lifetime	Up to retiree age 65	Lifetime	Range varied depending on class of employee
Spouse	Lifetime	Up to retiree age 65	Lifetime	None
Dependent	Until age 26	Up to retiree age 65	Until age 26	None

Retiree Contribution

Dental premiums, life insurance premiums stipends for retirees opting out of medical coverage are fully paid by the Road Commission.

Union retirees hired on or after February 9, 2004 pay a percentage of their medical premiums based on their service at retirement.

If healthcare premiums exceed the hard caps as set by the State of Michigan under MCL 15.563, retirees must contribute the cost of the medical premiums in excess of the hard caps.

HRA Contributions

The Road Commission reimburses pre-65 retirees for deductibles and copays in excess of \$2,000 per year for single coverage or in excess of \$4,000 per year for double coverage. The employer estimates that the average cost of reimbursements is equal to 13% of the premium for the selected coverage level.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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Summary of Plan Participants

As of December 31, 2019, retirement plan membership consisted of the following:

Active members	40
Inactive members	-
Retirees and beneficiaries	98
Total participants	<u>138</u>

Contributions

The Saginaw County Road Commission OPEB was established and is being funded under the authority of the Road Commission and under agreements with the unions representing various classes of employees. The plan's funding policy is that the Road Commission will contribute \$120,000 annually in addition to making benefit payments from general operating funds until the OPEB trust is sufficient to pay retiree healthcare. There are no long-term contracts for contributions to the plan.

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.50% (for purposes of allocating liability)
Investment rate of return	5.83% (including inflation)
20-year Aa Municipal bond rate	3.26% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement scale	MP-2019

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:

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
Total Market Portfolio	50	4.85%
Global fixed income	50	1.80%

The sum of each target allocation times its long-term expected real rate is 3.33%. The long-term expected rate of return after including inflation is 5.83%.

Discount Rate

The discount rate used to measure the total OPEB liability was 5.83%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make annual contributions of \$120,000 in addition to paying current benefits from general operating funds. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members, therefore, there is no cross-over point depletion date. Projected benefits were discounted at a discount rate equal to the long-term rate of return, plus inflation, as shown above. As of December 31, 2018, the discount rate used to value OPEB liabilities was 3.00%.

Changes in the Net OPEB Liability

<u>Changes during the year</u>	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at December 31, 2018	\$ 29,468,908	\$ 60,000	\$ 29,408,908
Service cost	403,299	-	403,299
Interest	883,166	20,424	862,742
Experience (Gains)/Losses	(94,598)	-	(94,598)
Change in assumptions	(8,470,250)	-	(8,470,250)
Contributions to OPEB trust	-	280,000	(280,000)
Administrative expenses	-	(265)	265
Contributions/benefits paid from general operations	-	873,149	(873,149)
Benefit payments;			
Including Refunds of Employee Contributions	(873,149)	(873,149)	-
Net changes	(8,151,532)	300,159	(8,451,691)
Balance at December 31, 2019	\$ 21,317,376	\$ 360,159	\$ 20,957,217

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

Net OPEB Liability – Discount and Trend Rate Sensitivities

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

<u>Discount</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 23,941,539	\$ 21,317,376	\$ 19,138,646
Plan Fiduciary Net Position	360,159	360,159	360,159
Net OPEB Liability	<u>\$ 23,581,380</u>	<u>\$ 20,957,217</u>	<u>\$ 18,778,487</u>

  

<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 18,938,138	\$ 21,317,376	\$ 24,193,327
Plan Fiduciary Net Position	360,159	360,159	360,159
Net OPEB Liability	<u>\$ 18,577,979</u>	<u>\$ 20,957,217</u>	<u>\$ 23,833,168</u>

OPEB Expense

Components of the Road Commission's OPEB expense for the fiscal year ending December 31, 2019 are as follows:

	<u>Fiscal Year Ending December 31, 2019</u>
Service cost	\$ 403,299
Interest on total OPEB liability	883,166
Experience (Gains)/Losses	296,680
Change in assumptions	(3,231,243)
Projected earnings on OPEB plan investments	(12,052)
Investment earning (gains)/losses	\$ (1,674.00)
Administrative expenses	265
Total OPEB Expense/(Income)	<u>\$ (1,661,559)</u>

Deferred Inflows and Outflows of Resources Related to OPEB Plan

Deferred inflows and outflows are as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ 20,955	\$ 42,044
Change in assumptions	88,467	3,764,556
Investment earning (gains)/losses	-	6,698
Total	<u>\$ 109,422</u>	<u>\$ 3,813,298</u>

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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
2020	\$ (3,698,852)
2021	(1,674)
2022	(1,674)
2023	\$ (1,676)
Total	<u>\$ (3,703,876)</u>

Reconciliation of Net OPEB Liability

	<u>Net OPEB Liability</u>
Net OPEB Liability December 31, 2018	\$ 29,408,908
Total OPEB expense	(1,661,559)
Contributions	(1,153,149)
Change in deferred outflows of resources	(1,823,685)
Change in deferred inflows of resources	(3,813,298)
Net OPEB Liability December 31, 2019	<u>\$ 20,957,217</u>

Total OPEB Liability by Participant Status

	<u>Total OPEB Liability</u>
Active participants	\$ 6,892,228
Inactive participants receiving benefits	14,425,148
	<u>\$ 21,317,376</u>

**NOTE 8--FEDERAL GRANTS**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2019, the Federal aid received and expended by the Road Commission was \$1,775,901 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Commission administers the grant and either performs the work or contracts it out. The Road Commission is subject to single audit requirements if they expended \$750,000 or more for negotiated projects.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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**NOTE 9--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 10--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.

**NOTE 11--Subsequent Event**

As a result of the global coronavirus pandemic (COVID-19), many organizations have found their financial picture take an unanticipated change. The duration and full effects of the outbreak are currently unknown as the global picture continues to change daily. While management is hopeful that the impact is temporary in nature, a description of known and anticipated circumstances expected to have a significant impact on the Road Commission as of the date of management's review is as follows:

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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- The latest MTF estimate from MDOT addressing the impact of COVID-19 is on par with our original 2020 budget. In February of 2020, MDOT came out with updated revenue predictions for the new marijuana tax, which increased our MTF about 1.2 million. The pandemic essentially erased that increase. We believe the pandemic will have little or no impact our original 2020 budget. We have prepared to cut several maintenance projects if necessary.
- Additionally in May of 2020, we had record flooding on the Tittabawasse River, due to heavy rains and a dam failure in Edenville. The flooding caused significant damage to 4 major bridges along the river. We expect the damages to be approximately \$300,000. We are working with FEMA and do expect to get reimbursed for the majority of the unplanned expenses.



## **REQUIRED SUPPLEMENTAL INFORMATION**

SAGINAW COUNTY ROAD COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2019

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 2,830,000	\$ 522,500	\$ 1,775,901	\$ 1,253,401
State	23,331,250	23,864,000	23,567,065	(296,935)
County	2,935,000	3,160,000	4,050,765	890,765
Interest	25,000	25,000	176,020	151,020
Charge for services	120,000	100,000	89,815	(10,185)
Other revenue	155,900	792,400	527,655	(264,745)
Total Revenue	<u>29,397,150</u>	<u>28,463,900</u>	<u>30,187,221</u>	<u>1,723,321</u>
Expenditures				
Construction/capacity improvements	1,300,000	390,000	475,704	(85,704)
Preservation/structural improvements	15,243,531	14,677,600	14,639,652	37,948
Preventive/routine maintenance	12,662,400	15,118,340	15,180,687	(62,347)
Administration	1,031,000	1,078,600	1,369,489	(290,889)
Capital Outlay-net	810,805	779,100	505,223	273,877
Equipment-net	594,800	254,280	343,584	(89,304)
Other	163,800	231,680	231,462	218
Debt service	559,200	559,200	558,480	720
Total Expenditures	<u>32,365,536</u>	<u>33,088,800</u>	<u>33,304,281</u>	<u>(215,481)</u>
Change in fund balance before other financing sources	(2,968,386)	(4,624,900)	(3,117,060)	1,507,840
Fund Balance, Beginning of Year	13,398,337	13,398,337	13,398,337	-
Fund Balance, End of Period	<u>\$ 10,429,951</u>	<u>\$ 8,773,437</u>	<u>\$ 10,281,277</u>	<u>\$ 1,507,840</u>

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, 2019

	2019	2018	2017	2016	2015	2010* to 2015
Total pension liability						
Service cost	\$ 419,674	\$ 396,845	\$ 392,452	\$ 359,123	\$ 350,849	\$ -
Interest	2,634,219	2,606,124	2,535,884	2,448,649	2,327,034	-
Benefit payments	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Benefit changes	41,347	-	-	(186,232)	-	-
Experience changes	380,735	(386,610)	205,475	1,584,059	-	-
Other changes	(44,944)	44,410	(32,084)	(78,355)	16,893	-
Net change in total pension liability	<u>1,084,665</u>	<u>365,166</u>	<u>945,556</u>	<u>2,031,418</u>	<u>578,114</u>	<u>-</u>
Total pension liability-beginning	<u>33,891,089</u>	<u>33,525,923</u>	<u>32,580,367</u>	<u>30,548,949</u>	<u>29,970,835</u>	<u>-</u>
Total pension liability-ending	<u>\$ 34,975,754</u>	<u>\$ 33,891,089</u>	<u>\$ 33,525,923</u>	<u>\$ 32,580,367</u>	<u>\$ 30,548,949</u>	<u>\$ -</u>
Plan fiduciary net position						
Contributions-employer	\$ 925,406	\$ 898,360	\$ 719,886	\$ 698,887	\$ 562,134	\$ -
Contributions-employee	229,247	258,535	170,862	179,168	153,886	-
Net investment income (loss)	2,885,592	(894,542)	2,864,864	2,340,797	(328,425)	-
Benefits payments, including refunds	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Administrative expense	(49,696)	(45,152)	(45,461)	(46,263)	(48,855)	-
Net change in fiduciary net position	<u>1,644,183</u>	<u>(2,078,402)</u>	<u>1,553,980</u>	<u>1,076,763</u>	<u>(1,777,922)</u>	<u>-</u>
Fiduciary net position-beginning	<u>21,609,226</u>	<u>23,687,628</u>	<u>22,133,648</u>	<u>21,056,885</u>	<u>22,834,807</u>	<u>-</u>
Fiduciary net position-ending	<u>23,253,409</u>	<u>21,609,226</u>	<u>23,687,628</u>	<u>22,133,648</u>	<u>21,056,885</u>	<u>-</u>
Net pension liability-ending	<u>\$ 11,722,345</u>	<u>\$ 12,281,863</u>	<u>\$ 9,838,295</u>	<u>\$ 10,446,719</u>	<u>\$ 9,492,064</u>	<u>\$ -</u>
Fiduciary net position as a percentage of the total						
pension liability	66.48%	63.76%	70.65%	67.94%	68.93%	-
Covered-employee payroll	\$ 4,053,797	\$ 3,756,879	\$ 3,527,538	\$ 3,220,617	\$ 3,141,991	\$ -
Net pension liability as a						
percentage of covered-employee payroll	289%	327%	279%	324%	302%	-

2010 through 2015 is not available. Additional years will be presented on this schedule on a prospective basis.

Saginaw County Road Commission  
Schedules of Required Supplementary Information  
Schedule of Employer Contributions  
For the Year Ended December 31, 2019

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 858,360	\$ 719,887	\$ 623,888	\$ 562,134	\$ 531,975
Contribution in relation to the actuarially determined contribution	<u>898,360</u>	<u>719,887</u>	<u>698,888</u>	<u>562,134</u>	<u>531,975</u>
Contribution deficiency (excess)	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 4,053,797	 \$ 3,756,879	 \$ 3,527,334	 \$ 3,220,617	 \$ 3,141,991
 Contribution as a percentage of covered- employee payroll	 24%	 20%	 22%	 17%	 17%
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contributions	\$ 456,603	\$ 386,130	\$ 346,310	\$ 251,039	\$ 344,871
Contribution in relation to the actuarially determined contribution	<u>456,603</u>	<u>386,130</u>	<u>346,310</u>	<u>251,039</u>	<u>344,871</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,258,074	 \$ 3,336,606	 \$ 3,404,013	 \$ 3,418,831	 \$ 3,473,897
 Contribution as a percentage of covered- employee payroll	 14%	 12%	 10%	 7%	 10%

Notes to Required Supplementary Information

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	5 year smoothed market
Inflation	2.5%
Salary increases	3.75% in the long-term
Investment rate of return	7.75%, net of investment expenses, including inflation
Retirement age	Varies depending on plan adoption
Mortality	50% Female/50% Male R-P 2014 Group Mortality table

Saginaw County Road Commission  
Required Supplementary Information-OPEB  
For the Year Ended December 31, 2019  
Changes in Net OPEB Liability and Related Ratios

	2019	2018
Service cost	\$ 403,299	\$ 344,702
Interest	883,166	761,217
Difference in expected and actual experience	(94,598)	719,423
Change in assumptions	(8,470,250)	3,037,369
Benefits payments and refunds	(873,149)	(845,994)
Net change in total OPEB liability	(8,151,532)	4,016,717
Total OPEB- beginning	29,468,908	25,452,191
Total OPEB- ending	\$ 21,317,376	\$ 29,468,908
Plan Fiduciary Net Position		
Contributions to OPEB trust	280,000	60,000
Contributions from general operations	873,149	845,994
Net investment income	20,424	-
Administrative expenses	(265)	-
Benefits payments and refunds	(873,149)	(845,994)
Net change in total fiduciary net position	300,159	60,000
Total fiduciary net position-beginning	60,000	-
Total fiduciary net position-ending	\$ 360,159	\$ 60,000
Net OPEB Liability	\$ 20,957,217	\$ 29,408,908
Plan fiduciary net position as a % of total OPEB liab	1.69%	0.20%
Covered employees	\$ 3,990,795	\$ 4,414,057
Net OPEB Liability as a % of payroll	525.14%	666.30%
Actuarially Determined Contributions	\$ 5,135,715	\$ 3,980,871
Employer contributions/benefit payments	(1,153,149)	(905,994)
Contribution deficiency/(excess)	3,982,566	3,074,877
ADC as a percentage of covered payroll	128.7%	90.2%
Employer contribution as a % of covered payroll	28.9%	20.5%

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Actuarially Determined Contributions (ADC)  
 Fiscal Year Ending December 31, 2019

	Fiscal Year Ending 2020	Fiscal Year Endir 2019
Discount rate	5.83%	3%
Amortization period	6 years	7 years
Amortization method	Level \$	Level \$
Normal cost	\$ 172,054	\$ 403,299
Amortization of Net OPEB Liability	4,005,648	4,582,832
Interest to end of the year	243,560	149,584
Total ADC	\$ 4,421,262	\$ 5,135,715

Saginaw County Road Commission  
Required Supplementary Information - OPEB  
For the Year Ended December 31, 2019  
State of Michigan Public Act 530 and 202 Information

Financial information	2019
Assets (Fiduciary net position)	\$ 360,159
Liabilities (Total OPEB Liability)	\$ 21,317,376
Funded ratio for the Plan Year	1.69%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	\$ 5,135,715
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2019
Active members	40
Retirees and Beneficiaries	98
Premiums paid on behalf of the retirees	\$ 873,149
Actuarial Assumptions	2019
Actuarially assumed rate of investment return	5.83%
Discount rate	5.83%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	7
Is each division closed to new employees	Yes
Healthcare inflation assumption	8.25%
Healthcare inflation assumption-long term	4.50%
Uniform Assumptions	2019
Actuarial value of assets using uniform assumptions	\$ 360,159
Actuarial accrued liability using uniform assumptions	\$ 20,315,448
Funded ratio using uniform assumptions	1.77%
Annual Required contribution (ARC) using uniform assumptions	\$ 5,135,715
Information for Summary Report (minimum required contribution)*	2019
Retiree insurance premiums for the year (1)	\$ 873,149
Normal cost as a percent of covered payroll (2)	10.41%
Covered payroll for employees hired after June 30, 2018 (3)	-
Normal cost for employees hired after June 30, 2018 (4) = (2) x (3)	-
Minimum required contribution under PA 202 (1) + (4)	\$ 873,149

\*Senate Bill 686 requires that a local unit must contribute at least both of the following - Normal cost for employees first hired after June 30, 2018 and retiree premiums due to retirees in the retirement system; In order to obtain 40% funding, higher contributions may be needed.

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Assumptions and methods used in Calculation of Actuarially Determined Contribution  
 Fiscal Year Ending December 31, 2019

Valuation date                      December 31, 2018

Measurement Date                  December 31, 2019

Actuarial Methods

Cost method                      Entry Age Normal (level percentage of compensation)

Asset valuation method          Market value

Actuarial Assumptions

Discount rate – 3.0% for December 31, 2019 contribution: 5.83% for 2019 liability and 2020 contribution. Rationale – Average effective rate consisting of long term on assets and 20-year Aa Municipal Bond.

20-year Aa Municipal Bond Rate. - 3.26% Rationale -S&P Municipal Bond 20- Year High Grade Rate Index.

Salary scale – 2.00% Rationale -Pre employer experience and expectations.

Return on plan assets – 5.83%. Rationale - Consistent with plan investment experience

Mortality rates – 2010 Public General and Public Safety Employees and Healthy Retirees, Headcount weighted, with 2019 mortality improvement. Rationale - Most current mortality rates available for municipalities.

Utilization - 100% of covered employees at the valuation date will elect coverage at retirement; actual coverage used for non-active. Rationale - historical

Termination Rates – See sample rates below. Rationale – Based on rates of termination assumed by MERS in the valuation of the pension plan

Years of 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

Marital assumption – Current marital status assumed at retirement age. Rationale - Consistent with current 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, 2019

Retirement – Rates as shown below. Rationale - Rates based on the retirement assumption applicable to participants with MERS pension benefit multiplier of 2.5 % or less.

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		

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, including covered spouses and dependents.

Age	Employee		Spouse	
	Males	Females	Males	Females
30-34	2,287.47	5,121.33	3,202.44	7,169.80
35-39	2,772.70	5,321.13	3,881.74	7,449.52
40-44	3,388.40	5,728.88	4,743.71	8,020.36
45-49	4,350.69	6,287.50	6,090.91	8,802.42
50-54	5,765.58	7,103.00	8,071.74	9,944.10
55-59	8,256.93	8,742.15	11,559.59	12,238.90
60-64	11,449.61	10,670.81	16,029.30	14,938.99
65+	4,667.64	4,667.64	4,667.64	4,667.64

Covered dependents up to age 26 are assumed to generate claims at the following annual rate of \$1,019.85 for males and \$2,311.02 for females.

Required Supplementary Information-OPEB  
Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)  
Fiscal Year Ending December 31, 2019

HRA Contribution

The Road commission indicated that, on average, HRA contributions toward copays and deductibles beyond a \$1,500 single / \$3,000 double or family limit are equal to 13% of the premium for the level of coverage elected. Annual costs were equal to 13% to the annual medical premiums, assumed to increase with pre-65 medical trend rates.

Life Insurance

Face amount of life insurance coverage valued according to the chart shown in the summary of plan provisions fro each employment group.

Dental

The premiums for dental coverage are assumed to cover the full true cost of this benefit and were valued as the annual expected claim cost.

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

\* Mortality tables changed from RP-2014 adjusted to 2006, Total Data Set, Headcount-weighted, MP-2018 no pre-retirement mortality.

\* Discount rate changed from 3.00%.

Implicit subsidy

Equal to the expected annual claims less annual per person premium.

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Schedule of Deferred Outflows (Inflows) Experience, Assumptions and Earnings  
 Fiscal Year Ending December 31, 2019

Schedule of Difference between Actual and Expected Experience

Year Ended December 31,	Difference Between Expected and Actual Experience	Recognition Period (Years)	Amount Recognized in Year Ended 12/31,				Deferred Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022		
2018	\$ 719,423	2.06	\$ 349,234	\$ 20,955	\$ 20,954	\$ -	\$ 20,955	\$ -
2019	\$ (94,598)	1.80	(52,554)	(42,044)				(42,044)
Net recognized in OPEB expense			\$ 296,680	\$ (21,089)	\$ 20,954	\$ -	\$ 20,955	\$ (42,044)

Schedule of Changes in Assumptions

Year Ended December 31,	Changes in Assumptions	Amount Recognized in Year Ended 12/31,				Deferred Outflow of Resources	Deferred Inflow of Resources
		2019	2020	2021	2022		
2018	\$ 3,037,369	2.06	\$ 1,474,451	\$ 88,467	\$ -	\$ 88,467	\$ -
2019	\$ (8,470,250)	1.80	(4,705,694)	(3,764,556)			(3,764,556)
Net recognized in OPEB expense			\$ (3,231,243)	\$ (3,676,089)	\$ -	\$ 88,467	\$ (3,764,556)

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 Outflow of Resources	Deferred Inflow of Resources
			2019	2020	2021	2022		
2019	\$ (8,372)	5.00	\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ -	(6,698)
Net recognized in OPEB expense			\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ -	(6,698)

Total Deferred Outflow/(Inflow) of Resources

Amount Recognized in Year Ended 12/31,	2020	2021	2022	2023
Total Deferred Outflow/(Inflow) of Resources	\$ (3,698,852)	\$ (1,674)	\$ (1,674)	\$ (1,676)

## **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, 2019

	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
<b>Revenues</b>				
<b>Federal</b>				
Surface transportation program	\$ 486,248	\$ 446,804	\$ -	\$ 933,052
Bridge	352,349	-	-	352,349
Other	490,500	-	-	490,500
Total Federal	<u>1,329,097</u>	<u>446,804</u>	<u>-</u>	<u>1,775,901</u>
<b>State</b>				
Engineering	6,531	3,469	-	10,000
Urban road	1,720,743	841,845	-	2,562,588
Allocation	11,787,925	6,262,235	-	18,050,160
Local bridge	60	1,629,257	-	1,629,317
Other	1,315,000	-	-	1,315,000
Total State	<u>14,830,259</u>	<u>8,736,806</u>	<u>-</u>	<u>23,567,065</u>
<b>County</b>				
City and Villages	-	-	180,515	180,515
Township	-	3,674,872	-	3,674,872
Other government	-	-	195,378	195,378
Total County	<u>-</u>	<u>3,674,872</u>	<u>375,893</u>	<u>4,050,765</u>
<b>Charge for service</b>				
Salvage sales	2,589	2,589	-	5,178
Other	8,500	65,000	11,137	84,637
Total Charges for service	<u>11,089</u>	<u>67,589</u>	<u>11,137</u>	<u>89,815</u>
<b>Interest</b>				
	<u>29,428</u>	<u>54,729</u>	<u>91,863</u>	<u>176,020</u>
<b>Other</b>				
Special assessments	-	55,008	-	55,008
Gain (loss) equipment disposals	6,962	8,702	19,144	34,808
Sundry refunds	172,899	172,898	-	345,797
Contributions from private sources	-	75,618	-	75,618
Other	-	-	16,424	16,424
Total Other	<u>179,861</u>	<u>312,226</u>	<u>35,568</u>	<u>527,655</u>
Total Revenues	<u>\$ 16,379,734</u>	<u>\$ 13,293,026</u>	<u>\$ 514,461</u>	<u>\$ 30,187,221</u>

SAGINAW COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCE--SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ 386,144	\$ 89,560	\$ -	\$ 475,704
Preservation/structural improvements	7,302,721	7,336,931	-	14,639,652
Preventive/routine maintenance	6,349,651	8,831,036	-	15,180,687
Other				
Administration	634,591	734,898	-	1,369,489
Equipment	1,879,440	3,369,809	22,311	5,271,560
Less: equipment rental	(1,756,944)	(3,150,175)	(20,857)	(4,927,976)
Capital outlay	848,340	848,340	424,170	2,120,850
Less: depreciation credits and retirements	(323,125)	(403,907)	(888,595)	(1,615,627)
Debt principal	262,315	262,315	-	524,630
Interest	16,925	16,925	-	33,850
Other	-	-	231,462	231,462
Total Other	<u>1,561,542</u>	<u>1,678,205</u>	<u>(231,509)</u>	<u>3,008,238</u>
Total Expenditures	<u>15,600,058</u>	<u>17,935,732</u>	<u>(231,509)</u>	<u>33,304,281</u>
Excess of revenue over (under) expenditures	779,676	(4,642,706)	745,970	(3,117,060)
Adjustment	(28)	28	-	-
Optional transfer	(3,000,000)	3,000,000	-	-
Net Change in fund balance	(2,220,352)	(1,642,678)	745,970	(3,117,060)
Fund Balance, Beginning	<u>2,240,067</u>	<u>4,165,844</u>	<u>6,992,426</u>	<u>13,398,337</u>
Fund Balance, Ending	<u>\$ 19,715</u>	<u>\$ 2,523,166</u>	<u>\$ 7,738,396</u>	<u>\$ 10,281,277</u>



Frederick C. Gardner  
Giacamo Provenzano  
Heather Thomas-Verhaeghe  
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

June 26, 2020

Members of the Board  
of County Road Commissioners  
of Saginaw County  
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, 2019, 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 June 26, 2020.

**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) to determine the 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.

Members of the Board  
of County Road Commissioners  
of Saginaw County  
Page Two

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 may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Saginaw County Road Commission's financial statements are free of 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 determination of financial statement amounts. 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 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 Saginaw County Road Commission's internal control or on compliance. This report is an integral part of an audit performed with *Government Auditing Standards* in considering the Saginaw County Road Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Gardner, Provenzano, Thomas & Sleslaw, P.C.*

Certified Public Accountants



SAGINAW COUNTY ROAD COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Financial Statement Audit Findings-None**