



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

**FINANCIAL STATEMENTS**  
**December 31, 2020**



**Gardner | Provenzano  
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

May 25, 2021

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, 2020, 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, 2020, 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 May 25, 2021 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, Proromyano, Thomas & Duplow, 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, 2020

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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, 2020. 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, 2020

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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, 2020

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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, 2020

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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	2020	2019
Current	\$ 7,860,830	\$ 12,025,286
Long-term	180,032,911	173,729,696
Total Assets	<u>187,893,741</u>	<u>185,754,982</u>
 Deferred Outflows of resources	 <u>1,151,242</u>	 <u>291,986</u>
 Liabilities and Deferred Inflows		
Current	1,154,183	1,689,644
Long-term liabilities	34,068,907	34,167,453
Total Liabilities	<u>35,223,090</u>	<u>35,857,097</u>
 Deferred Inflows of resources	 <u>1,041,584</u>	 <u>3,813,298</u>
 Net Position		
Restricted for County Roads	(26,828,011)	(26,376,081)
Net invested in capital assets	179,608,320	172,752,654
Total Net Position	<u>\$ 152,780,309</u>	<u>\$ 146,376,573</u>

**Condensed Statement of Activities**

Revenue	2020	2019
Federal and State Revenue	\$ 25,572,871	\$ 25,342,966
County	2,353,563	4,050,765
Other, including charges for services	875,781	736,217
Total Revenue	<u>28,802,215</u>	<u>30,129,948</u>
 Expenses		
Primary preventive/routine maintenance	5,991,673	6,349,651
Local preventive/routine maintenance	7,939,423	8,831,036
Depreciation	9,252,025	9,092,531
Administrative	1,414,883	1,391,967
Other	(2,199,525)	(1,506,419)
Total Expenses	<u>22,398,479</u>	<u>24,158,766</u>
Change In Net Position	<u>\$ 6,403,736</u>	<u>\$ 5,971,182</u>

SAGINAW COUNTY ROAD COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

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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 \$6,403,736 during the year ending December 31, 2020. Restricted for county roads decreased \$451,930, and net investment in capital assets increased \$6,855,666. The restricted for county roads for both fiscal years 2020 and 2019 is in a negative position due to pension and OPEB related expenses.

Revenue decreased by \$1,327,733 from 2019. Most of that decrease is in county revenue with the township contributions significantly lower in 2020.

Expenses decreased by \$1,760,287 from 2019. The most significant decrease was local preventative/routine maintenance.

**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, 2020, the general fund balance decreased by \$3,640,592 or 35% of the beginning general fund balance. We had planned for a decrease in fund balance in the amount of \$1,147,190. The variance of \$2,493,402 was mostly in preservation/structural improvements.

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, 2020

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**ORIGINAL BUDGET VERSUS AMENDED BUDGET**

The 2020 budget was adopted in December 2019. 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 was decreased by \$1,565,973. The original budget included \$1.2 million in an EDA grant that will not be received until 2021.
- Preservation/structural improvements and preventive/routine maintenance were both decreased based upon the best estimate for multi-year projects.
- Prevention/routine maintenance was increased to include several ditching projects and chip seal miles.

**AMENDED BUDGET VERSUS ACTUAL**

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

- Preservation/structural improvements and preventive/routine maintenance were both over the final budget. At the time we adopted our final budget, we were missing one month of expenditures in our final estimates.

**CAPITAL ASSETS**

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$179,947,941 which is an increase of \$6,376,755. This information, which includes infrastructure, is summarized below.

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 44,863,183	\$ 42,301,598
Buildings and improvements	4,375,704	4,308,594
Road equipment	20,817,697	19,690,421
Other equipment	1,052,695	1,031,788
Infrastructure assets	<u>339,472,148</u>	<u>326,644,836</u>
Total Capital Assets	410,581,427	393,977,237
Accumulated Depreciation	<u>(230,633,486)</u>	<u>(220,406,051)</u>
Net Capital Assets	<u>\$ 179,947,941</u>	<u>\$ 173,571,186</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, 2020

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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 \$728,979, an equipment lease in the amount of \$339,621, Net OPEB obligation of \$21,484,423 and Net Pension Liability of \$11,515,884. More details of SCRC long-term debt is presented in the notes to the financial statements.

**OTHER**

The 2021 estimated revenues are still a little short compared to pre-pandemic estimates. The shortage is not significant; however we did have to make a few slight modifications to some projects. There is some hope that the Michigan legislature will pass a supplemental budget package. Senate supplemental bill SB 36 (S-2) is still on the Senate floor awaiting a vote (counties – additional \$167.8 million); while the House supplemental HB 4419 (H-2) was approved by the House (counties – \$196 million). If a supplemental bill passes, it would be roughly \$1.5 million in additional funding.

**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, 2020

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Cash	\$ 284,242	\$ -	\$ 284,242
Investment	2,237,350	-	2,237,350
Accounts Receivable			
Michigan Transportation Department	3,460,697	-	3,460,697
Due from other governments	547,913	-	547,913
Other receivables	16,020	-	16,020
Special assessments-current portion	65,962	-	65,962
Inventories			
Equipment materials and parts	154,080	-	154,080
Road materials	739,726	-	739,726
Prepays	354,840	-	354,840
Long-term assets			
Special assessments-due in more than one year	84,970	-	84,970
Capital assets, net of accumulated depreciation	-	179,947,941	179,947,941
Total Assets	<u>7,945,800</u>	<u>179,947,941</u>	<u>187,893,741</u>
Deferred outflows of resources-pension	-	852,239	852,239
Deferred outflows of resources-OPEB	-	299,003	299,003
Total Deferred Outflows	-	<u>1,151,242</u>	<u>1,151,242</u>
Total Assets and Deferred Outflows	<u>\$ 7,945,800</u>	<u>181,099,183</u>	<u>189,044,983</u>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Accounts payable	\$ 460,061	-	460,061
Accrued liabilities	77,425	-	77,425
Other liabilities	616,697	-	616,697
Long-term liabilities			
Equipment leases	-	339,621	339,621
Compensated absences	-	728,979	728,979
Net pension liability	-	11,515,884	11,515,884
Net OPEB obligation	-	21,484,423	21,484,423
Total Liabilities	<u>1,154,183</u>	<u>34,068,907</u>	<u>35,223,090</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable special assessments	150,932	(150,932)	-
Deferred inflows of resources-pension		769,221	769,221
Deferred inflows of resources-OPEB	-	272,363	272,363
Total Deferred Inflow of Resources	<u>150,932</u>	<u>890,652</u>	<u>1,041,584</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,305,115</u>	<u>34,959,559</u>	<u>36,264,674</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund Balances:			
Nonspendable	1,248,647	(1,248,647)	-
Restricted for County Roads	5,392,038	(5,392,038)	-
Total Fund Balance	<u>6,640,685</u>	<u>(6,640,685)</u>	<u>-</u>
Total Liabilities, Deferred inflows of resources and Fund Balance	<u>\$ 7,945,800</u>		
Net Position:			
Invested in capital assets		179,608,320	179,608,320
Restricted for County Roads		(26,828,011)	(26,828,011)
Total Net Position		<u>\$ 152,780,309</u>	<u>\$ 152,780,309</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, 2020

Total governmental fund balance	\$ 6,640,685
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	179,947,941
Long-term receivables are not deemed measurable and available and therefore not reported in the governmental fund.	150,932
Deferred outflows related to the net pension liability are not recognized at the fund level	852,239
Deferred outflows related to the net OPEB liability are not recognized at the fund level	299,003
Deferred inflows related to the net pension liability are not recognized at the fund level	(769,221)
Deferred inflows related to the net OPEB liability are not recognized at the fund level	(272,363)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Equipment leases	(339,621)
Compensated absences	(728,979)
Net pension liability	(11,515,884)
Net OPEB obligation	(21,484,423)
Net Position of Governmental Activities	\$ 152,780,309

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, 2020

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 4,036,647	\$ -	\$ 4,036,647
State	21,536,224	-	21,536,224
County	2,353,563	-	2,353,563
Interest	11,863	-	11,863
Charge for services	90,001	-	90,001
Other revenue	835,860	(61,943)	773,917
Total Revenue	<u>28,864,158</u>	<u>(61,943)</u>	<u>28,802,215</u>
Expenditures/expense			
Primary construction/capacity improvements	1,673,952	(1,673,952)	-
Primary preservation/structural improvements	5,974,851	(5,974,851)	-
Primary preventive/routine maintenance	5,991,673	-	5,991,673
Local preservation/structural improvements	7,740,094	(7,740,094)	-
Local preventive/routine maintenance	7,939,423	-	7,939,423
Administrative	1,355,263	59,620	1,414,883
Net equipment expense	722,369	-	722,369
Net capital outlay			
Capital outlay	1,994,098	(1,994,098)	-
Depreciation credits	(1,754,215)	1,754,215	-
Debt service	500,058	(478,911)	21,147
Drain assessment	266,483		266,483
Infrastructure Depreciation	-	9,252,025	9,252,025
Other Non-road	100,701	-	100,701
Pension related expense-deferred outflows	-	(669,675)	(669,675)
Pension related expense-deferred inflows	-	769,221	769,221
Pension NPO changes	-	(206,461)	(206,461)
OPEB related benefits-deferred outflows	-	(189,581)	(189,581)
OPEB related benefits-deferred inflows	-	(3,540,935)	(3,540,935)
Net OPEB change	-	527,206	527,206
Total Expenditures/expense	<u>32,504,750</u>	<u>(10,106,271)</u>	<u>22,398,479</u>
Change in Fund Balance	(3,640,592)	3,640,592	-
Change in net position		6,403,736	6,403,736
Fund Balance - Beginning of Year	10,281,277	(10,281,277)	-
Net Position - Beginning of Year	-	146,376,573	146,376,573
Fund Balance/Net Position - End of Year	<u>\$ 6,640,685</u>	<u>\$ 146,139,624</u>	<u>\$ 152,780,309</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, 2020

Net Change in fund balance--total governmental fund \$ (3,640,592)

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	17,382,995
Depreciation	(11,006,240)

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	(61,943)
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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	206,461
Expenses related to the change in deferred outflows are not reported in the governmental funds-pension	669,675
Expenses related to the change in deferred inflows are not reported in the governmental funds-pension	(769,221)
Expenses related to the change in deferred outflows are not reported in the governmental funds-OPEB	189,581
Expenses related to the change in deferred inflows are not reported in the governmental funds-OPEB	3,540,935
Expenses related to the net OPEB liability are not reported in the governmental funds	(527,206)

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	478,911
Compensated absences	(59,620)
Change in net position of governmental activities	<u>\$ 6,403,736</u>

See accompanying notes to the basic financial statements.

# **NOTES TO FINANCIAL STATEMENTS**

**NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

**B. Government-Wide Statements and Fund Financial Statements**

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

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

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

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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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.

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.

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 are related to pension and OPEB items.

In addition to liabilities, the statement of financial position/balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Commission had two items that qualified for reporting in this category. 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 deferred inflows related to pension items and OPEB items.

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 May 25, 2021, 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.

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, 2020 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  
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*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	\$ -	\$ 920,969	\$ 1,170,969	\$ 283,860
Investment held by County	-	-	2,274,511	2,274,511	2,237,350
Cash on hand	-	-	382	-	382
Totals	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 3,195,862</u>	<u>\$ 3,445,480</u>	<u>\$ 2,521,592</u>

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

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 12/31/2019	Adjustments Additions	Adjustments Retirements	Balance 12/31/2020
<b>Capital Assets Not Being Depreciated</b>				
Land	\$ 558,635	\$ -	\$ -	\$ 558,635
Land and improvements, infrastructure	41,742,963	2,561,585	-	44,304,548
Total Land and Improvements	<u>42,301,598</u>	<u>2,561,585</u>	<u>-</u>	<u>44,863,183</u>
<b>Other Capital Assets</b>				
Land Improvements	411,945	8,410	-	420,355
Depletable Assets	35,013	-	-	35,013
Buildings	3,861,636	58,700	-	3,920,336
Road equipment	19,690,421	1,906,081	778,805	20,817,697
Shop equipment	256,325	10,203	-	266,528
Engineers equipment	141,607	-	-	141,607
Office equipment	633,856	10,704	-	644,560
Infrastructure and improvements	326,644,836	12,827,312	-	339,472,148
Total Other Capital Assets	<u>351,675,639</u>	<u>14,821,410</u>	<u>778,805</u>	<u>365,718,244</u>
Total Capital Assets	<u>393,977,237</u>	<u>17,382,995</u>	<u>778,805</u>	<u>410,581,427</u>
<b>Accumulated Depreciation</b>				
Land Improvements	385,027	6,939	-	391,966
Depletable Assets	13,846	1,751	-	15,597
Buildings	2,142,129	138,419	-	2,280,548
Road equipment	16,237,847	1,531,887	778,805	16,990,929
Shop equipment	138,091	17,781	-	155,872
Engineers equipment	111,241	5,367	-	116,608
Office equipment	366,357	52,071	-	418,428
Infrastructure and improvements	201,011,513	9,252,025	-	210,263,538
Total Accumulated Depreciation	<u>220,406,051</u>	<u>11,006,240</u>	<u>778,805</u>	<u>230,633,486</u>
Total Net Capital Assets	<u>\$ 173,571,186</u>	<u>\$ 6,376,755</u>	<u>\$ -</u>	<u>\$ 179,947,941</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, 2020 is \$419,496. 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, 2020 is \$309,483.

Michigan Transportation Note

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, 2017, 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, 2020:

	Balance 1/1/2020	Increase	Reduction	Balance 12/31/2020	Due Within One year
Compensated absences	\$ 669,359	\$ 112,891	\$ 53,271	\$ 728,979	\$ -
Equipment lease	418,532	-	78,911	339,621	81,239
Michigan Transportation Note	400,000	-	400,000	-	-
Total	<u>\$ 1,487,891</u>	<u>\$ 112,891</u>	<u>\$ 532,182</u>	<u>\$ 1,068,600</u>	<u>\$ 81,239</u>

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

	Principal	Interest	Total
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	728,979	-	728,979
	<u>\$ 1,068,600</u>	<u>\$ 25,411</u>	<u>\$ 1,094,011</u>

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

**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, 2019 measurement date the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	104
Inactive plan members entitled to but not yet receiving benefits	15
Active employees	<u>70</u>
Total employees covered by MERS	<u><u>189</u></u>

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, 2019 were as follows:

Division	<u>Employee Contribution</u>	<u>Employer Contribution</u>
01-Union: Closed to New Hires,	4.70%	\$55,093 per month
10-Managers: Closed to New Hires	4.70%	\$30,424 per month
11-Commissioners: Closed to New Hires	4.00%	\$100 per month
12-Non-Union: Closed to new hires	4.70%	\$13,033 per month
13-Non-Union New Hires after 01/01/12 Open	4.70%	4.49% of wages
14- Manager New Hires after 01/01/12 Open	4.70%	0% of wages
15-Union New Hires after 01/01/12 Open	4.70%	5.07% of wages

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

**Benefits Provided**

01-Union: Closed to New Hires,  
 linked to Division 15

	<u>2019 Valuation</u>
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)

10-Managers: Closed to New Hires,  
 linked to Division 14

	<u>2019 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
	20 and out
Early Retirement (Reduced):	-
Final Average Compensation:	3 Years
COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)

11-Commissioners:

Closed to New Hires

	<u>2019 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	6 Years
Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25
Final Average Compensation:	5 Years
Employee Contributions	4.00%
Act 88:	Yes (Adopted 12/22/1966)

12-Non-Union: Closed to new hires

	<u>2019 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 Years
Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)

13-Non-Union New Hires after 01/01/12

	<u>2019 Valuation</u>
Open Division, linked to Division 12	
Benefit Multiple:	1.50% (no max.)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 Years
Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)

14- Manager New Hires after 01/01/12

	<u>2019 Valuation</u>
Open Division, linked to Division 10	
Benefit Multiple:	1.50% (no max.)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	-
Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	55/15
Final Average Compensation:	5 Years
Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)

15-Union New Hires after 01/01/12

	<u>2019 Valuation</u>
Open Division, linked to Division 01	
Benefit Multiple:	1.50% (no max.)
Normal Retirement Age:	60
Vesting:	10 Years
Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25
	55/15
Final Average Compensation:	5 Years
Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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Net Pension Liability

The Net Pension Liability was measured as of December 31, 2019, 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.

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Actuarial Assumptions

The total pension liability in the December 31, 2019 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: 8.00%, net of investment expense, including inflation

The mortality table used to project the mortality experience of non-disabled plan members is 50% male, 50% female blend of the following tables:

- The RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105%
- The RP-2014 Employee Mortality Tables
- The RP-2014 Juvenile Mortality Tables

The mortality table used to project the mortality experience of disabled plan members is 50% male, 50% female blend of RP-2014 Disabled Retiree Mortality Tables.

The long-term expected rate of return on pension plan investments were determined using a model method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expense and inflation) are developed for each major asset class.

SAGINAW COUNTY ROAD COMMISSION  
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These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Target Gross Rate of Return	Long-term Expected Gross Rate of Return	Inflation Assumption	Long-term Expected Real Rate of Return
Global Equity	60.0%	8.65%	5.19%	2.50%	3.70%
Global fixed income	20.0%	3.76%	0.75%	2.50%	0.30%
Private investments	20.0%	9.06%	1.81%	2.50%	1.30%
Total	100.0%		7.75%		5.30%

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, 2019	\$ 34,975,754	\$ 23,253,409	\$ 11,722,345
Service cost	402,424	-	402,424
Interest	2,580,502	-	2,580,502
Employer contributions	-	1,262,398	(1,262,398)
Employee contributions	-	204,804	(204,804)
Net investment income	-	2,869,402	(2,869,402)
Benefit payments	(2,445,996)	(2,445,996)	-
Experience changes	(60,342)	-	(60,342)
Assumption changes	1,071,706	-	1,071,706
Administrative expense	-	(46,151)	46,151
Other changes	89,702	-	89,702
Net changes	1,637,996	1,844,457	(206,461)
Balance at December 31, 2020	\$ 36,613,750	\$ 25,097,866	\$ 11,515,884

SAGINAW COUNTY ROAD COMMISSION  
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Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Road Commission's net pension liability, calculated using the discount rate of 7.60%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.60%) or 1% higher (8.60%) than the current rate:

	<u>1% Decrease in Rate to (6.60%)</u>	<u>Current Discount Rate 7.60%</u>	<u>1% Increase in Rate to (8.60%)</u>
Net Pension Liability	\$ 15,326,739	\$ 11,515,884	\$ 8,274,308

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

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

During the year the Road Commission recognized pension expense of \$1,155,485. At year-end, the Road Commission reported deferred outflows and inflows of resources from the following sources:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 769,221
Difference in experience	48,459	-
Difference in assumptions	803,780	-
Total	<u>\$ 852,239</u>	<u>\$ 769,221</u>



SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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

Year Ending		<u>Net Amount</u>
December 31,		
2021	\$	100,970
2020		426,944
2022		(216,679)
2023		<u>(228,217)</u>
Total	\$	<u><u>83,018</u></u>

Payable to the Pension Plan

At December 31, 2020, there was no reported payable to the pension plan required for the year ended December 31, 2020.

**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.

Summary of Plan Participants

As of December 31, 2020, retirement plan membership consisted of the following:

Active members	31
Inactive members	-
Retirees and beneficiaries	<u>99</u>
Total participants	<u><u>130</u></u>

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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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 \$200,000 annually in subsequent years to the OPEB trust until meeting its goal of 40% funded status while continuing to pay plan benefits from general operating funds..

Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. 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	1.93% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	2010 Public General Employees and Healthy Retirees, Headcount weighted
Improvement scale	MP-2020

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

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
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, plus inflation is 5.83%.

SAGINAW COUNTY ROAD COMMISSION  
 NOTES TO FINANCIAL STATEMENTS

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 made an annual contribution of \$120,000 this year, and will make annual contributions of \$200,000 in subsequent year until the plan attains 40% funded status. In addition, it is assumed that the plan sponsor will continue to pay retiree benefits from general operating funds to maintain the plan's funded status until funds are sufficient to pay plan benefits. 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. The discount rate is used to determine the total OPEB liability. As of December 31, 2020, the discount rate used to value OPEB liabilities was 5.83%

Although the Corrective Action Plan adopted by the Road Commission is targeting less than 100% funding, GASB accounting permits, and some auditors have concurred, treating benefit payments from general operating funds as plan contributions as long as there exists plan assets. Because this is a closed plan, a strict interpretation of the GASB Standard on this matter would suggest that the plan will always retain assets and, thus, no cross-over point occurs. While this report reflects that interpretation in order to be consistent with other practitioners, Watkins Ross notes that other approaches might be considered more valued which would produce a lower discount rate and, consequently, a higher liability.

Changes in the Net OPEB Liability

Changes during the year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2019	\$ 21,317,376	\$ 360,159	\$ 20,957,217
Service cost	172,054	-	172,054
Interest	1,227,755	53,533	1,174,222
Experience (Gains)/Losses	(713,497)	-	(713,497)
Change in assumptions	874,008	-	874,008
Contributions to OPEB trust	-	120,000	(120,000)
Administrative expenses	-	(750)	750
Contributions/benefits paid			
from general operations	-	860,331	(860,331)
Benefit payments including refunds			
of employee contributions	(860,331)	(860,331)	-
Net changes	699,989	172,783	527,206
Balance at December 31, 2020	\$ 22,017,365	\$ 532,942	\$ 21,484,423

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	\$ 24,581,939	\$ 22,017,365	\$ 19,887,996
Less Plan Fiduciary Net Position	532,942	532,942	532,942
Net OPEB Liability	<u>\$ 24,048,997</u>	<u>\$ 21,484,423</u>	<u>\$ 19,355,054</u>

  

<u>Trend</u>	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 19,792,160	\$ 22,017,365	\$ 24,694,002
Less Plan Fiduciary Net Position	532,942	532,942	532,942
Net OPEB Liability	<u>\$ 19,259,218</u>	<u>\$ 21,484,423</u>	<u>\$ 24,161,060</u>

OPEB Expense

Below are the components of the total OPEB expense:

	<u>Fiscal Year Ending December 31, 2020</u>
Service cost	\$ 172,054
Interest on total OPEB liability	1,227,755
Experience (Gains)/Losses	(490,495)
Change in assumptions	(3,101,084)
Projected earnings on OPEB plan investments	(24,473)
Investment earning (gains)/losses	(7,486)
Administrative expenses	750
Total OPEB Expense/(Income)	<u>\$ (2,222,979)</u>

Deferred Inflows and Outflows of Resources Related to OPEB Plan

Deferred inflows and outflows are as follows:

Description	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Experience (Gains)/Losses	\$ -	\$ 244,091
Change in assumptions	299,003	-
Investment earning (gains)/losses	-	28,272
Total	<u>\$ 299,003</u>	<u>\$ 272,363</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
2021	\$ 47,426
2022	(7,486)
2023	(7,488)
2024	\$ (5,812)
Total	<u>\$ 26,640</u>

Reconciliation of Net OPEB Liability

	<u>Net OPEB Liability</u>
Net OPEB Liability December 31, 2019	\$ 20,957,217
Total OPEB expense	(2,222,979)
Contributions	(980,331)
Change in deferred outflows of resources	189,581
Change in deferred inflows of resources	3,540,935
Net OPEB Liability December 31, 2020	<u>\$ 21,484,423</u>

Total OPEB Liability by Participant Status

	<u>Total OPEB Liability</u>
Active participants	\$ 7,240,376
Inactive participants receiving benefits	14,776,989
	<u>\$ 22,017,365</u>

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, 2000 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

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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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 \$1,500 per year for single coverage or in excess of \$3,000 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.

**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, 2020, the Federal aid received and expended by the Road Commission was \$4,036,647 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.

**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.

SAGINAW COUNTY ROAD COMMISSION  
NOTES TO FINANCIAL STATEMENTS

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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.

## **REQUIRED SUPPLEMENTAL INFORMATION**



SAGINAW COUNTY ROAD COMMISSION  
 BUDGETARY COMPARISON SCHEDULE  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 4,934,400	\$ 3,368,427	\$ 4,036,647	\$ 668,220
State	21,755,300	21,374,815	21,536,224	161,409
County	4,000,000	3,180,376	2,353,563	(826,813)
Interest	20,000	20,475	11,863	(8,612)
Charge for services	100,000	110,098	90,001	(20,097)
Other revenue	109,000	515,453	835,860	320,407
Total Revenue	<u>30,918,700</u>	<u>28,569,644</u>	<u>28,864,158</u>	<u>294,514</u>
Expenditures				
Construction/capacity improvements	2,442,450	665,249	1,673,952	(1,008,703)
Preservation/structural improvements	13,139,800	11,641,246	13,714,945	(2,073,699)
Preventive/routine maintenance	13,229,160	14,484,991	13,931,096	553,895
Administration	1,304,300	1,346,697	1,355,263	(8,566)
Capital Outlay-net	596,268	494,098	239,883	254,215
Equipment-net	478,800	200,089	722,369	(522,280)
Other	440,490	384,404	367,184	17,220
Debt service	500,060	500,060	500,058	2
Total Expenditures	<u>32,131,328</u>	<u>29,716,834</u>	<u>32,504,750</u>	<u>(2,787,916)</u>
Change in fund balance before other financing sources	(1,212,628)	(1,147,190)	(3,640,592)	(2,493,402)
Fund Balance, Beginning of Year	10,281,277	10,281,277	10,281,277	-
Fund Balance, End of Period	<u>\$ 9,068,649</u>	<u>\$ 9,134,087</u>	<u>\$ 6,640,685</u>	<u>\$ (2,493,402)</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, 2020

	2020	2019	2018	2017	2016	2015	*2011 to 2014
<b>Total pension liability</b>							
Service cost	\$ 402,424	\$ 419,674	\$ 396,845	\$ 392,452	\$ 359,123	\$ 350,849	\$ -
Interest	2,580,502	2,634,219	2,606,124	2,535,884	2,448,649	2,327,034	-
Benefit payments	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Benefit changes	-	41,347	-	-	(186,232)	-	-
Experience changes	(60,342)	380,735	(386,610)	205,475	1,584,059	-	-
Assumption changes	1,071,706	-	-	-	-	-	-
Other changes	89,702	(44,944)	44,410	(32,084)	(78,355)	16,893	-
Net change in total pension liability	1,637,996	1,084,665	365,166	945,556	2,031,418	578,114	-
Total pension liability-beginning	34,975,754	33,891,089	33,525,923	32,580,367	30,548,949	29,970,835	-
Total pension liability-ending	<u>\$ 36,613,750</u>	<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>
<b>Plan fiduciary net position</b>							
Contributions-employer	\$ 1,262,398	\$ 925,406	\$ 898,360	\$ 719,886	\$ 698,887	\$ 562,134	\$ -
Contributions-employee	204,804	229,247	258,535	170,862	179,168	153,886	-
Net investment income (loss)	2,869,402	2,885,592	(894,542)	2,864,864	2,340,797	(328,425)	-
Benefits payments, including refunds	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Administrative expense	(46,151)	(49,696)	(45,152)	(45,461)	(46,263)	(48,855)	-
Net change in fiduciary net position	1,844,457	1,644,183	(2,078,402)	1,553,980	1,076,763	(1,777,922)	-
Fiduciary net position-beginning	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885	22,834,807	-
Fiduciary net position-ending	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885	-
Net pension liability-ending	<u>\$ 11,515,884</u>	<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>
<b>Fiduciary net position as a</b>							
percentage of the total pension liability	68.55%	66.48%	63.76%	70.65%	67.94%	68.93%	-
Covered-employee payroll	\$ 3,923,276	\$ 4,053,797	\$ 3,756,879	\$ 3,527,334	\$ 3,220,617	\$ 3,141,991	\$ -
<b>Net pension liability</b>							
as a % of covered payroll	294%	289%	327%	279%	324%	302%	

\*2011 through 2014 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, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contributions	\$ 905,407	\$ 858,360	\$ 719,887	\$ 623,888	\$ 562,134
Contribution in relation to the actuarially determined contribution	<u>915,407</u>	<u>898,360</u>	<u>719,887</u>	<u>698,888</u>	<u>562,134</u>
Contribution deficiency (excess)	<u>\$ (10,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,053,797	\$ 3,756,879	\$ 3,756,879	\$ 3,527,334	\$ 3,220,617
Contribution as a percentage of covered- employee payroll	24%	24%	20%	22%	17%
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contributions	\$ 531,975	\$ 456,603	\$ 386,130	\$ 346,310	\$ 251,039
Contribution in relation to the actuarially determined contribution	<u>531,975</u>	<u>456,603</u>	<u>386,130</u>	<u>346,310</u>	<u>251,039</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,141,991	\$ 3,258,074	\$ 3,336,606	\$ 3,404,013	\$ 3,418,831
Contribution as a percentage of covered- employee payroll	17%	14%	12%	10%	7%

Notes to Required Supplementary Information

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage
Remaining amortization period	19 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, 2020  
Changes in Net OPEB Liability and Related Ratios

	2020	2019	2018
Service cost	\$ 172,054	\$ 403,299	\$ 344,702
Interest	1,227,755	883,166	761,217
Difference in expected and actual experience	(713,497)	(94,598)	719,423
Change in assumptions	874,008	(8,470,250)	3,037,369
Benefits payments and refunds	(860,331)	(873,149)	(845,994)
Net change in total OPEB liability	699,989	(8,151,532)	4,016,717
Total OPEB- beginning	21,317,376	29,468,908	25,452,191
Total OPEB- ending	\$ 22,017,365	\$ 21,317,376	\$ 29,468,908
Plan Fiduciary Net Position			
Contributions to OPEB trust	\$ 120,000	\$ 280,000	\$ 60,000
Contributions from general operations	860,331	873,149	845,994
Net investment income	53,533	20,424	-
Administrative expenses	(750)	(265)	-
Benefits payments and refunds	(860,331)	(873,149)	(845,994)
Net change in total fiduciary net position	172,783	300,159	60,000
Total fiduciary net position-beginning	360,159	60,000	-
Total fiduciary net position-ending	\$ 532,942	\$ 360,159	\$ 60,000
Net OPEB Liability	\$ 21,484,423	\$ 20,957,217	\$ 29,408,908
Plan fiduciary net position as a % of total OPEB liability	2.42%	1.69%	0.20%
Covered employees	\$ 4,220,852	\$ 3,990,795	\$ 4,414,057
Net OPEB Liability as a % of payroll	509.01%	525.14%	666.30%
Actuarially Determined Contributions	\$ 3,913,603	\$ 5,135,715	\$ 3,980,871
Employer contributions/benefit payments	(980,331)	(873,149)	(905,994)
Contribution deficiency/(excess)	\$ 2,933,272	\$ 4,262,566	\$ 3,074,877
ADC as a percentage of covered payroll	92.7%	128.7%	90.2%
Employer contribution as a % of covered payroll	23.2%	21.9%	20.5%

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Actuarially Determined Contributions (ADC)  
 Fiscal Year Ending December 31, 2020

	<u>Fiscal Year Ending 2021</u>	<u>Fiscal Year Ending 2020</u>
Discount rate	5.83%	5.83%
Amortization period	6 years	7 years
Amortization method	Level \$	Level \$
Normal cost	\$ 174,282	\$ 172,054
Amortization of Net OPEB Liability	4,106,416	3,525,955
Interest to end of the year	249,565	215,594
Total ADC	<u>\$ 4,530,263</u>	<u>\$ 3,913,603</u>

Saginaw County Road Commission  
Required Supplementary Information - OPEB  
For the Year Ended December 31, 2020  
State of Michigan Public Act 530 and 202 Information

Financial information	2020
Assets (Fiduciary net position)	\$ 532,942
Liabilities (Total OPEB Liability)	\$ 22,017,365
Funded ratio for the Plan Year	2.42%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	\$ 3,913,603
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2020
Active members	31
Inactive members	-
Retirees and Beneficiaries	99
Premiums paid on behalf of the retirees	\$ 860,331
Actuarial Assumptions	2020
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	2020
Actuarial value of assets using uniform assumptions	\$ 532,942
Actuarial accrued liability using uniform assumptions	\$ 22,004,048
Funded ratio using uniform assumptions	2.42%
Annual Required contribution (ARC) using uniform assumptions	\$ 3,754,218

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Assumptions and methods used in Calculation of Actuarially Determined Contribution  
 Fiscal Year Ending December 31, 2020

Valuation date                      December 31, 2020

Measurement Date                December 31, 2020

Actuarial Methods

Cost method                      Entry Age Normal (level percentage of compensation)

Asset valuation method        Market value

Actuarial Assumptions

Discount Rate – 5.83% for 2020 contribution, 2020 liability and 2021 contribution

Rationale – Blended rate based on long term expected return and the 20-year Aa Municipal Bond rate

20-year Aa Municipal Bond Rate – 1.93%

Rationale – 20-year Bond rate (based on information published by Bartel Associates, LLC as of December 31, 2020)

Salary Scale – 2.0%

Rationale – Per employer experience and expectations

Return on Plan Assets – 5.83%

Rationale – Per investment manager

Mortality Rates – 2010 Public General and Employees and Healthy Retirees, Headcount weighted, MP-2020

Rationale – Most current mortality rates available for municipalities

Utilization – 95% of covered employees at the valuation date will elect the same coverage at retirement; actual coverage used for non-active

Rationale – historical

Termination Rates – See sample rates below:

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

Rationale – Based on rates of termination assumed by MERS in the valuation of the pension

Marital Assumption – 70% of the active with a covered spouse will have a covered spouse at retirement with females 3 years younger than males; actual spouse data used for retirees

Rationale – Consistent with experience

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)  
 Fiscal Year Ending December 31, 2020

Retirement Rates:

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

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

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	\$ 3,396	\$ 8,467	\$ 4,850	\$ 10,983
35-39	4,264	8,721	6,090	11,314
40-44	5,312	8,926	7,587	11,579
45-49	6,707	9,805	9,580	12,719
50-54	8,834	11,534	12,617	14,962
55-59	11,485	13,334	16,403	17,297
60-64	14,738	15,867	21,049	20,582

Medicare Premium - \$3,872.76 for both member and spouse

Covered dependents up to age 26 are assumed to generate claims at an annual rate of \$1,842.56 for males and \$2,472.86 for females



Saginaw County Road Commission  
Required Supplementary Information-OPEB  
Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)  
Fiscal Year Ending December 31, 2020

HRA Contribution

The road commission indicated that, on average, HRA contributions towards 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% of 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 for 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

Implicit subsidy – Equal to the expected annual claims less the annual per person premium

Rationale – Based on age-weighting of actives and pre-65 retirees and the premium rates in effect

Medical Trend – Medical premiums: Pre-Medicare 8.25% graded down to 4.5% by 0.25% per year; Post-Medicare, 6.5% graded down to 4.5% by 0.25% per year

Rationale – Based on State of Michigan trend survey

Data Collection

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

Assumption changes since prior valuation

- Mortality improvement scale changed from MP-2018 to MP-2020
- Timing of claims changed from middle of year to beginning of year
- Trend rates updated from rates prescribed by Public Act 202 for 2019 to 2020

Assumptions used for PA 202 Reporting

Salary Scale - 3.50%

Mortality improvement scale – MP-2018

All other assumptions are the same as used for GASB

Saginaw County Road Commission  
 Required Supplementary Information-OPEB  
 Schedule of Deferred Outflows (Inflows) Experience, Assumptions and Earnings  
 Fiscal Year Ending December 31, 2020

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,				
			2020	2021	2022	2023	2024
2018	\$ 719,423	2.06	\$ 20,955	\$ -	\$ -	\$ -	\$ -
2019	\$ (94,598)	1.80	(42,044)	-	-	-	-
2020	\$ (73,497)	1.52	(469,406)	(244,091)	-	-	-
Net recognized in OPEB expense			<u>\$ (490,495)</u>	<u>\$ (244,091)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Schedule of Changes in Assumptions

Year Ended December 31,	Changes in Assumptions	Recognition Period (Years)	Amount Recognized in Year Ended 12/31,				
			2020	2021	2022	2023	2024
2018	\$ 3,037,369	2.06	\$ 88,467	\$ -	\$ -	\$ -	\$ -
2019	\$ (8,470,250)	1.80	(3,764,556)	-	-	-	-
2020	\$ 874,008	1.52	575,005	299,003	-	-	-
Net recognized in OPEB expense			<u>\$ (3,101,084)</u>	<u>\$ 299,003</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Year Ended December 31,	Difference between expected and actual earnings	Recognition period (years)	Amount Recognized in Year Ended 12/31,				
			2020	2021	2022	2023	2024
2019	\$ (8,372)	5.00	\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ (1,674)	\$ -
2020	\$ (29,060)	5.00	(5,812)	(5,812)	(5,812)	(5,812)	(5,812)
Net recognized in OPEB expense			<u>\$ (7,486)</u>	<u>\$ (7,486)</u>	<u>\$ (7,486)</u>	<u>\$ (7,486)</u>	<u>\$ (5,812)</u>

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended 12/31,				
	2021	2022	2023	2024	
Total Deferred Outflow/(Inflow) of Resources	\$ 47,426	\$ (7,486)	\$ (7,488)	\$ (5,812)	

## **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, 2020

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Revenues				
Federal				
Surface transportation program	\$ 3,212,282	\$ 16,686	\$ -	\$ 3,228,968
Bridge	362,499	-	-	362,499
Other	-	445,180	-	445,180
Total Federal	<u>3,574,781</u>	<u>461,866</u>	<u>-</u>	<u>4,036,647</u>
State				
Engineering	6,537	3,463	-	10,000
Urban road	1,730,758	847,377	-	2,578,135
Allocation	11,875,797	6,291,505	-	18,167,302
Local bridge	110,115	-	-	110,115
Other	570,672	100,000	-	670,672
Total State	<u>14,293,879</u>	<u>7,242,345</u>	<u>-</u>	<u>21,536,224</u>
County				
City and Villages	-	-	661,133	661,133
Township	-	1,660,198	-	1,660,198
Other government	-	-	32,232	32,232
Total County	<u>-</u>	<u>1,660,198</u>	<u>693,365</u>	<u>2,353,563</u>
Charge for service				
Salvage sales	2,934	2,934	-	5,868
Other	9,963	64,864	9,306	84,133
Total Charges for service	<u>12,897</u>	<u>67,798</u>	<u>9,306</u>	<u>90,001</u>
Interest	<u>23</u>	<u>2,911</u>	<u>8,929</u>	<u>11,863</u>
Other				
Special assessments	-	63,812	-	63,812
Gain (loss) equipment disposals	34,148	43,135	102,444	179,727
Sundry refunds	73,493	73,492	166	147,151
Contributions from private sources	-	410,900	-	410,900
Other	17,135	17,135	-	34,270
Total Other	<u>124,776</u>	<u>608,474</u>	<u>102,610</u>	<u>835,860</u>
Total Revenues	<u>\$ 18,006,356</u>	<u>\$ 10,043,592</u>	<u>\$ 814,210</u>	<u>\$ 28,864,158</u>

SAGINAW COUNTY ROAD COMMISSION  
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN  
FUND BALANCE--SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2020

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ 1,220,288	\$ 453,664	\$ -	\$ 1,673,952
Preservation/structural improvements	5,974,851	7,740,094	-	13,714,945
Preventive/routine maintenance	5,991,673	7,939,423	-	13,931,096
Other				
Administration	609,536	745,727	-	1,355,263
Equipment	1,964,476	3,179,406	18,178	5,162,060
Less: equipment rental	(1,689,571)	(2,734,486)	(15,634)	(4,439,691)
Capital outlay	797,639	797,639	398,820	1,994,098
Less: depreciation credits and retirements	(333,301)	(421,011)	(999,903)	(1,754,215)
Drain assessment	43,551	222,932	-	266,483
Debt principal	431,020	47,891	-	478,911
Interest	19,033	2,114	-	21,147
Other	-	-	100,701	100,701
Total Other	<u>1,842,383</u>	<u>1,840,212</u>	<u>(497,838)</u>	<u>3,184,757</u>
Total Expenditures	<u>15,029,195</u>	<u>17,973,393</u>	<u>(497,838)</u>	<u>32,504,750</u>
Excess of revenue over (under) expenditures	2,977,161	(7,929,801)	1,312,048	(3,640,592)
Optional transfer	(2,900,000)	5,500,000	(2,600,000)	-
Net Change in fund balance	77,161	(2,429,801)	(1,287,952)	(3,640,592)
Fund Balance, Beginning	<u>19,715</u>	<u>2,523,166</u>	<u>7,738,396</u>	<u>10,281,277</u>
Fund Balance, Ending	<u>\$ 96,876</u>	<u>\$ 93,365</u>	<u>\$ 6,450,444</u>	<u>\$ 6,640,685</u>



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

May 25, 2021

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, 2020, and the related notes to the financial statements, which collectively comprise Saginaw County Road Commission's basic financial statements and have issued our report thereon dated May 25, 2021.

**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  
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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, Proroyame, Thomas & Luplow, P.C.*

Certified Public Accountants

SAGINAW COUNTY ROAD COMMISSION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2020

**Financial Statement Audit Findings-None**