



SAGINAW COUNTY ROAD COMMISSION
Saginaw, Michigan

FINANCIAL STATEMENTS
December 31, 2021



**Gardner | Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Saginaw County Road Commission, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Saginaw County Road Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund, of the Saginaw County Road Commission, as of December 31, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Saginaw County Road Commission and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Saginaw County Road Commission's basic financial statements. The Analysis of Revenue, Expenditures and other Changes in Fund Balance and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Analysis of Revenue, Expenditures and other Changes in Fund Balance and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2022, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Saginaw County Road Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saginaw County Road Commission's internal control over financial reporting and compliance.

Gardner, Proroyano, Thomas & Lupton, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. The annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a long-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. The full accrual method of accounting focuses on the entity as a whole and is referred to as government-wide level accounting. For SCRC, the most significant differences between the governmental fund statements and the government-wide statements relate to capital assets (buildings and equipment) and infrastructure (roads, bridges, and signals) and long-term debt. Capital assets, infrastructure and long-term debt are not recognized as assets or liabilities at the governmental fund level.

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

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

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

GOVERNMENT-WIDE STATEMENTS

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

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

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

FUND FINANCIAL STATEMENTS

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

GOVERNMENTAL FUNDS

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

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

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

CONDENSED FINANCIAL STATEMENTS

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

Condensed Statement of Net Position

Assets and Deferred Outflows	2021	2020
Current	\$ 10,628,104	\$ 7,860,830
Long-term	187,775,089	180,032,911
Total Assets	<u>198,403,193</u>	<u>187,893,741</u>
Deferred Outflows of resources	<u>1,618,834</u>	<u>1,151,242</u>
Liabilities and Deferred Inflows		
Current	948,746	1,154,183
Long-term liabilities	29,616,812	34,068,907
Total Liabilities	<u>30,565,558</u>	<u>35,223,090</u>
Deferred Inflows of resources	<u>3,290,143</u>	<u>1,041,584</u>
Net Position		
Restricted for County Roads	(21,283,600)	(26,828,011)
Net invested in capital assets	187,449,926	179,608,320
Total Net Position	<u>\$ 166,166,326</u>	<u>\$ 152,780,309</u>

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

Condensed Statement of Activities

Revenue	2021	2020
Federal and State Revenue	\$ 31,843,604	\$ 25,572,871
County	3,725,867	2,353,563
Other, including charges for services	1,529,591	875,781
Total Revenue	<u>37,099,062</u>	<u>28,802,215</u>
Expenses		
Primary preventive/routine maintenance	4,661,744	5,991,673
Local preventive/routine maintenance	10,007,546	7,939,423
Depreciation	9,253,092	9,252,025
Administrative	1,470,964	1,414,883
Other	<u>(1,680,301)</u>	<u>(2,199,525)</u>
Total Expenses	<u>23,713,045</u>	<u>22,398,479</u>
Change In Net Position	<u>\$ 13,386,017</u>	<u>\$ 6,403,736</u>

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 \$13,386,017 during the year ending December 31, 2021. Restricted for county roads increased \$5,544,411, and net investment in capital assets increased \$7,841,606. The restricted for county roads for both fiscal years 2021 and 2020 is in a negative position due to pension and OPEB related expenses.

Revenue increased by \$8,296,847 from 2020. Most of that increase is in federal and state grants and is due to funding for the Dixie Highway project and hazard funding awarded in 2021 but spent in 2020.

Expenses increased by \$1,314,566 from 2020. The most significant increase 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.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

During the year ending December 31, 2021, the general fund balance increased by \$1,960,358 or 30% of the beginning general fund balance. We had planned for an increase in fund balance in the amount of \$1,694,142. The variance of \$266,216 was in many line items.

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.

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The 2021 budget was adopted in December 2020. 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 due to the original budget including funds for Fry Road bridge which was delayed until the following year. In addition, emergency relief funds were taken out of the budget due to the uncertainty of receiving them.
- Other revenue was increased due to a large refund from the insurance pool that was not anticipated when the original budget was adopted.
- Construction/capacity improvements was decreased due to the Dixie Highway project coming in less than expected.

AMENDED BUDGET VERSUS ACTUAL

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

- Federal revenue came in under budget due to a portion of the federal grant for Dixie Highway arriving too late after year end to record as revenue.
- State revenue was higher than budget due to Michigan transportation funds coming in better than anticipated. We do our best to estimate before year end however, the payments are two months behind.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

- Other revenue was better than budget due to the acceptance of several subdivisions that were not budgeted. Construction/capacity improvements expenditures were also over budget for the same reason.
- Preservation/ structural improvements came in over budget due to the under estimation of local paving projects and the distribution of fringes and overhead expenses.

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$187,708,308 which is an increase of \$7,760,367. This information, which includes infrastructure, is summarized below.

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 47,626,046	\$ 45,398,787
Buildings and improvements	4,375,704	4,375,704
Road equipment	22,284,116	20,817,697
Other equipment	1,066,632	1,052,695
Infrastructure assets	<u>353,818,836</u>	<u>338,936,544</u>
Total Capital Assets	429,171,334	410,581,427
Accumulated Depreciation	<u>(241,463,026)</u>	<u>(230,633,486)</u>
Net Capital Assets	<u>\$ 187,708,308</u>	<u>\$ 179,947,941</u>

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

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 \$759,916, an equipment lease in the amount of \$258,382, Net OPEB obligation of \$17,615,255 and Net Pension Liability of \$10,953,259. More details of SCRC long-term debt is presented in the notes to the financial statements.

OTHER

The 2022 estimated revenues are expected to decline due to record high fuel prices. A significant portion of our funding is tied to gallons of fuel sold, with higher prices drivers typically drive less. The Michigan Department of Treasury came out with a revenue forecast dated May 20, 2022, which reflected a decrease in funding of approximately \$50,000. We are expecting the decrease to be greater than the forecast, fuel prices have continued to rise since the forecast was updated.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2021

**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, 2021

	General Fund	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS			
Cash	\$ 121,826	\$ -	\$ 121,826
Investment	3,737,056	-	3,737,056
Accounts Receivable			
Michigan Transportation Department	4,174,965	-	4,174,965
Due from other governments	250,544	-	250,544
Other receivables	68,481	1,057,675	1,126,156
Special assessments-current portion	20,640	-	20,640
Inventories			
Equipment materials and parts	143,865	-	143,865
Road materials	763,946	-	763,946
Prepays	289,106	-	289,106
Long-term assets			
Special assessments-due in more than one year	66,781	-	66,781
Capital assets, net of accumulated depreciation	-	187,708,308	187,708,308
Total Assets	<u>9,637,210</u>	<u>188,765,983</u>	<u>198,403,193</u>
Deferred outflows of resources-pension	-	1,618,834	1,618,834
Total Assets and Deferred Outflows	<u>\$ 9,637,210</u>	<u>1,618,834</u>	<u>200,022,027</u>
LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 477,189	-	477,189
Accrued liabilities	121,184	-	121,184
Other liabilities	350,373	-	350,373
Long-term liabilities			
Equipment leases	-	258,382	258,382
Compensated absences	-	789,916	789,916
Net pension liability	-	10,953,259	10,953,259
Net OPEB obligation	-	17,615,255	17,615,255
Total Liabilities	<u>948,746</u>	<u>29,616,812</u>	<u>30,565,558</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable special assessments	87,421	(87,421)	-
Deferred inflows of resources-pension	-	2,198,323	2,198,323
Deferred inflows of resources-OPEB	-	1,091,820	1,091,820
Total Deferred Inflow of Resources	<u>87,421</u>	<u>3,202,722</u>	<u>3,290,143</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,036,167</u>	<u>32,819,534</u>	<u>33,855,701</u>
FUND BALANCE/NET POSITION			
Fund Balances:			
Nonspendable	1,196,917	(1,196,917)	-
Restricted for County Roads	7,404,126	(7,404,126)	-
Total Fund Balance	<u>8,601,043</u>	<u>(8,601,043)</u>	<u>-</u>
Total Liabilities, Deferred inflows of resources and Fund Balance	<u>\$ 9,637,210</u>		
Net Position:			
Invested in capital assets		187,449,926	187,449,926
Restricted for County Roads		(21,283,600)	(21,283,600)
Total Net Position		<u>\$ 166,166,326</u>	<u>\$ 166,166,326</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, 2021

Total governmental fund balance	\$ 8,601,043
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	187,708,308
Long-term receivables are not deemed measurable and available and therefore not reported in the governmental fund.	87,421
Deferred outflows related to the net pension liability are not recognized at the fund level	1,618,834
Deferred inflows related to the net pension liability are not recognized at the fund level	(2,198,323)
Deferred inflows related to the net OPEB liability are not recognized at the fund level	(1,091,820)
Revenue past the availability date is not recorded as an accounts receivable at the fund level	1,057,675
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Equipment leases	(258,382)
Compensated absences	(789,916)
Net pension liability	(10,953,259)
Net OPEB obligation	(17,615,255)
Net Position of Governmental Activities	\$ 166,166,326

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, 2021

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 6,410,604	\$ 1,057,675	\$ 7,468,279
State	24,375,325	-	24,375,325
County	3,725,867	-	3,725,867
Interest	106,601	-	106,601
Charge for services	201,583	-	201,583
Other revenue	1,284,918	(63,511)	1,221,407
Total Revenue	<u>36,104,898</u>	<u>994,164</u>	<u>37,099,062</u>
Expenditures/expense			
Primary construction/capacity improvements	4,544,624	(4,544,624)	-
Primary preservation/structural improvements	8,714,865	(8,714,865)	-
Primary preventive/routine maintenance	4,661,744	-	4,661,744
Local preservation/structural improvements	3,850,062	(3,850,062)	-
Local preventive/routine maintenance	10,007,546	-	10,007,546
Administrative	1,410,026	60,938	1,470,964
Net equipment expense	598,328	-	598,328
Net capital outlay			
Capital outlay	1,841,212	(1,841,212)	-
Depreciation credits	(1,937,304)	1,937,304	-
Debt service	91,257	(81,239)	10,018
Infrastructure Depreciation	-	9,253,092	9,253,092
Other Non-road	362,180	-	362,180
Pension related expense-deferred outflows	-	(766,595)	(766,595)
Pension related expense-deferred inflows	-	1,429,102	1,429,102
Pension NPO changes	-	(562,625)	(562,625)
OPEB related benefits-deferred outflows	-	299,003	299,003
OPEB related benefits-deferred inflows	-	819,457	819,457
Net OPEB change	-	(3,869,169)	(3,869,169)
Total Expenditures/expense	<u>34,144,540</u>	<u>(10,431,495)</u>	<u>23,713,045</u>
Change in Fund Balance	1,960,358	(1,960,358)	-
Change in net position	-	13,386,017	13,386,017
Fund Balance - Beginning of Year	6,640,685	(6,640,685)	-
Net Position - Beginning of Year	-	152,780,309	152,780,309
Fund Balance/Net Position - End of Year	<u>\$ 8,601,043</u>	<u>\$ 157,565,283</u>	<u>\$ 166,166,326</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, 2021

Net Change in fund balance--total governmental fund \$ 1,960,358

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	18,950,763
Depreciation	(11,190,396)

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	(63,511)
Revenue past the availability to be reorganized at the fund level	1,057,675

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	562,625
Expenses related to the change in deferred outflows are not reported in the governmental funds-pension	766,595
Expenses related to the change in deferred inflows are not reported in the governmental funds-pension	(1,429,102)
Expenses related to the change in deferred outflows are not reported in the governmental funds-OPEB	(299,003)
Expenses related to the change in deferred inflows are not reported in the governmental funds-OPEB	(819,457)
Expenses related to the net OPEB liability are not reported in the governmental funds	3,869,169

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	81,239
Compensated absences	(60,938)
Change in net position of governmental activities	<u>\$ 13,386,017</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

B. Government-Wide Statements and Fund Financial Statements

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

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

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

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

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

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 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 June 15, 2022, which is the date the financial statements were available to be issued.

11. Pension

For the purpose of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (MERS) of Michigan and additions to/deductions from MERS’ fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

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, 2021 was \$0.

NOTE 3--CASH AND INVESTMENTS

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

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

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

Interest Rate Risk

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

Credit Risk

State laws limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Road Commission has no investment policy that would further limit its investment choices.

Custodial Investment Credit Risk

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

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Custodial Deposit Credit Risk

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

	Insured	Collateralized	Uninsured Uncollateralized	Bank Balance	Carrying Amount
Demand deposits	\$ 250,000	\$ -	\$ 320,169	\$ 570,169	\$ 121,444
Investment held by County	-	-	4,344,119	4,344,119	3,737,056
Cash on hand	-	-	382	-	382
Totals	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 4,664,670</u>	<u>\$ 4,914,288</u>	<u>\$ 3,858,882</u>

NOTE 4--CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 12/31/2020	Adjustments Additions	Adjustments Retirements	Balance 12/31/2021
Capital Assets Not Being Depreciated				
Land	\$ 558,635	\$ -	\$ -	\$ 558,635
Land and improvements, infrastructure	44,840,152	2,227,259	-	47,067,411
Total Land and Improvements	<u>45,398,787</u>	<u>2,227,259</u>	<u>-</u>	<u>47,626,046</u>
Other Capital Assets				
Land Improvements	420,355	-	-	420,355
Depletable Assets	35,013	-	-	35,013
Buildings	3,920,336	-	-	3,920,336
Road equipment	20,817,697	1,827,275	360,856	22,284,116
Shop equipment	266,528	13,937	-	280,465
Engineers equipment	141,607	-	-	141,607
Office equipment	644,560	-	-	644,560
Infrastructure and improvements	338,936,544	14,882,292	-	353,818,836
Total Other Capital Assets	<u>365,182,640</u>	<u>16,723,504</u>	<u>360,856</u>	<u>381,545,288</u>
Total Capital Assets	<u>410,581,427</u>	<u>18,950,763</u>	<u>360,856</u>	<u>429,171,334</u>
Accumulated Depreciation				
Land Improvements	391,966	5,877	-	397,843
Depletable Assets	15,597	1,750	-	17,347
Buildings	2,280,548	137,949	-	2,418,497
Road equipment	16,990,929	1,717,096	360,856	18,347,169
Shop equipment	155,872	20,112	-	175,984
Engineers equipment	116,608	5,018	-	121,626
Office equipment	418,428	49,502	-	467,930
Infrastructure and improvements	210,263,538	9,253,092	-	219,516,630
Total Accumulated Depreciation	<u>230,633,486</u>	<u>11,190,396</u>	<u>360,856</u>	<u>241,463,026</u>
Total Net Capital Assets	<u>\$ 179,947,941</u>	<u>\$ 7,760,367</u>	<u>\$ -</u>	<u>\$ 187,708,308</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, 2021 is \$437,499. 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, 2021 is \$352,417.

Equipment Lease

During 2017, the SCRC 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, 2021:

	Balance 1/1/2021	Increase	Reduction	Balance 12/31/2021	Due Within One year
Compensated absences	\$ 728,979	\$ 85,684	\$ 24,746	\$ 789,916	\$ -
Equipment lease	339,621	-	81,239	258,382	83,636
Total	<u>\$ 1,068,600</u>	<u>\$ 85,684</u>	<u>\$ 105,985</u>	<u>\$ 1,048,298</u>	<u>\$ 83,636</u>

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

	Principal	Interest	Total
2022	\$ 83,636	\$ 7,622	\$ 91,258
2023	86,103	5,155	91,258
2024	88,643	2,615	91,258
Compensated absences	789,916	-	789,916
	<u>\$ 1,048,298</u>	<u>\$ 15,392</u>	<u>\$ 1,063,690</u>

NOTE 6--DEFINED BENEFIT PENSION PLAN

Plan Description

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

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

supplementary information. This report can be obtained by accessing the MERS website at www.mersofmich.com.

Employees Covered by the Benefit Term

At the December 31, 2020 measurement date the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	110
Inactive plan members entitled to but not yet receiving benefits	14
Active employees	<u>68</u>
Total employees covered by MERS	<u><u>192</u></u>

Contribution Requirements

The SCRC is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by the employees during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish rates to be paid by its covered employees.

The contribution rates as a percentage of payroll for employee contributions and the flat rate for employer contributions for the year ended December 31, 2020 were as follows:

Division	<u>Employee Contribution</u>	<u>Employer Contribution</u>
01-Union: Closed to New Hires,	4.70%	\$51,076 per month
10-Managers: Closed to New Hires	4.70%	\$28,114 per month
11-Commissioners: Closed to New Hires	4.00%	\$162 per month
12-Non-Union: Closed to new hires	4.70%	\$12,163 per month
13-Non-Union New Hires after 01/01/12 Open	4.70%	4.36% 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%	5.00% of wages

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Benefits Provided

01-Union: Closed to New Hires, linked to Division 15	<u>2020 Valuation</u>	10-Managers: Closed to New Hires, linked to Division 14	<u>2020 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)	Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60	Normal Retirement Age:	60
Vesting:	10 Years	Vesting:	6 Years
Early Retirement (Unreduced):	55/25	Early Retirement (Unreduced):	55/15
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	20 and out
	55/15	Early Retirement (Reduced):	-
Final Average Compensation:	5 Years	Final Average Compensation:	3 Years
Employee Contributions	4.70%	COLA for Future Retirees:	2.50% (Non-Compound)
Act 88:	Yes (Adopted 12/22/1966)	Employee Contributions	4.70%
		Act 88:	Yes (Adopted 12/22/1966)
11-Commissioners: Closed to New Hires	<u>2020 Valuation</u>	12-Non-Union: Closed to new hires linked to Division 13,	<u>2020 Valuation</u>
Benefit Multiple:	2.50% Multiplier (80% max)	Benefit Multiple:	2.50% Multiplier (80% max)
Normal Retirement Age:	60	Normal Retirement Age:	60
Vesting:	6 Years	Vesting:	10 Years
Early Retirement (Unreduced):	55/15	Early Retirement (Unreduced):	55/25
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	50/25
Final Average Compensation:	5 Years	Early Retirement (Reduced):	55/15
Employee Contributions	4.00%	Final Average Compensation:	5 Years
Act 88:	Yes (Adopted 12/22/1966)	Employee Contributions	4.70%
		Act 88:	Yes (Adopted 12/22/1966)
13-Non-Union New Hires after 01/01/12 Open Division, linked to Division 12	<u>2020 Valuation</u>	14- Manager New Hires after 01/01/12 Open Division, linked to Division 10	<u>2020 Valuation</u>
Benefit Multiple:	1.50% (no max.)	Benefit Multiple:	1.50% (no max.)
Normal Retirement Age:	60	Normal Retirement Age:	60
Vesting:	10 Years	Vesting:	10 Years
Early Retirement (Unreduced):	55/25	Early Retirement (Reduced):	50/25
Early Retirement (Reduced):	50/25	Early Retirement (Reduced):	55/15
	55/15	Final Average Compensation:	5 Years
Final Average Compensation:	5 Years	Employee Contributions	4.70%
Employee Contributions	4.70%	Act 88:	Yes (Adopted 12/22/1966)
Act 88:	Yes (Adopted 12/22/1966)		
15-Union New Hires after 01/01/12 Open Division, linked to Division 01	<u>2020 Valuation</u>		
Benefit Multiple:	1.50% (no max.)		
Normal Retirement Age:	60		
Vesting:	10 Years		
Early Retirement (Unreduced):	55/25		
Early Retirement (Reduced):	50/25		
	55/15		
Final Average Compensation:	5 Years		
Employee Contributions	4.70%		
Act 88:	Yes (Adopted 12/22/1966)		

Net Pension Liability

The Net Pension Liability was measured as of December 31, 2020, 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.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

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

Investment rate of return: 7.35%, net of investment expense, including inflation

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

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in the valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

Asset Class	Target	Target	Long-term		Long-term
	Allocation	Gross Rate	Expected	Inflation	Expected
	Allocation	of Return	Gross Rate	Assumption	Real Rate
			of Return		of Return
Global Equity	60.0%	7.45%	4.47%	2.50%	2.97%
Global fixed income	20.0%	4.90%	0.98%	2.50%	0.48%
Private investments	20.0%	9.50%	1.90%	2.50%	1.40%
Total	<u>100.0%</u>		<u>7.35%</u>		<u>4.85%</u>

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability is 7.6%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

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

Changes in Net Pension Liability	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2020	\$ 36,613,750	\$ 25,097,866	\$ 11,515,884
Service cost	420,971	-	420,971
Interest	2,698,686	-	2,698,686
Employer contributions	-	1,458,527	(1,458,527)
Employee contributions	-	191,489	(191,489)
Net investment income	-	3,483,044	(3,483,044)
Benefit payments	(2,630,425)	(2,630,425)	-
Experience changes	809,327	-	809,327
Assumption changes	717,626	-	717,626
Administrative expense	-	(39,959)	39,959
Other changes	(116,134)	-	(116,134)
Net changes	1,900,051	2,462,676	(562,625)
Balance at December 31, 2021	\$ 38,513,801	\$ 27,560,542	\$ 10,953,259

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

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

The following presents the Road Commission's net pension liability, calculated using the discount rate of 7.60%, 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	\$ 15,096,043	\$ 10,953,259	\$ 7,455,491

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 \$1,198,407. At year-end, the Road Commission reported deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on investments	\$ -	\$ 2,198,323
Difference in experience	604,564	-
Difference in assumptions	1,014,270	-
	<u>\$ 1,618,834</u>	<u>\$ 2,198,323</u>

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

Year Ending December 31,	<u>Net Amount</u>
2022	\$ 541,053
2023	(102,570)
2024	(623,094)
2025	<u>(394,878)</u>
Total	<u>\$ (579,489)</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Payable to the Pension Plan

At December 31, 2021, there was no reported payable to the pension plan.

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. As allowed by GASB the 2021 actuary report is as of December 31, 2020 rolled forward to December 31, 2021.

Summary of Plan Participants

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

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

Contributions

The Saginaw County Road Commission OPEB plan 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 until the plan is at least 40% funded. Currently, benefit payments are made from general operating funds. There are no long-term contracts for contributions to the plan.

Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	2.00% (for purposes of allocating liability)
Investment rate of return	7.35% (including inflation)
20-year Aa Municipal bond rate	2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)
Mortality	Public General 2010 Employees and Healthy Retirees, Headcount weighted
Improvement scale	MP-2020

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

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

Asset Class	Target Allocation (%)	Long-Term Expected Real Rate of Return (%)
Global Equity	60%	4.95%
Global fixed income	20%	2.40%
Private Investment	20%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation is 7.35%.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.35%. The projection of cash flows used to determine the discount rate assumed that the Road Commission made an annual contribution of \$200,000 to the trust 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 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.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Changes in the Net OPEB Liability

Changes during the year	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2020	\$ 22,017,365	\$ 532,941	\$ 21,484,424
Service cost	174,282	-	174,282
Interest	1,270,349	78,830	1,191,519
Experience (Gains)/Losses	(495,980)	-	(495,980)
Change in assumptions	(3,448,683)	-	(3,448,683)
Contributions to OPEB trust	-	488,100	(488,100)
Administrative expenses	-	(1,372)	1,372
Contributions/benefits paid from general operations	-	803,579	(803,579)
Benefit payments including refunds of employee contributions	(803,579)	(803,579)	-
Net changes	<u>(3,303,611)</u>	<u>565,558</u>	<u>(3,869,169)</u>
Balance at December 31, 2021	<u>\$ 18,713,754</u>	<u>\$ 1,098,499</u>	<u>\$ 17,615,255</u>

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:

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 20,584,850	\$ 18,713,754	\$ 17,132,571
Less Plan Fiduciary Net Position	1,098,499	1,098,499	1,098,499
Net OPEB Liability	<u>\$ 19,486,351</u>	<u>\$ 17,615,255</u>	<u>\$ 16,034,072</u>
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 17,245,406	\$ 18,713,754	\$ 20,149,641
Less Plan Fiduciary Net Position	1,098,499	1,098,499	1,098,499
Net OPEB Liability	<u>\$ 16,146,907</u>	<u>\$ 17,615,255</u>	<u>\$ 19,051,142</u>

OPEB Expense

Below are the components of the total OPEB expense:

	Fiscal Year Ending December 31, 2021
Service cost	\$ 174,282
Interest on total OPEB liability	1,270,349
Experience (Gains)/Losses	(608,782)
Change in assumptions	(2,236,793)
Projected earnings on OPEB plan investments	(45,258)
Investment earning (gains)/losses	(14,200)
Administrative expenses	1,372
Total OPEB Expense/(Income)	<u>\$ (1,459,030)</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Deferred Inflows and Outflows of Resources Related to OPEB Plan

Deferred inflows and outflows are as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Experience (Gains)/Losses	\$ -	\$ 131,289
Change in assumptions	-	912,887
Investment earning (gains)/losses	-	47,644
Total	<u>\$ -</u>	<u>\$ 1,091,820</u>

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

Year Ending December 31,	Amount Recognized
2022	\$ (1,058,376)
2023	(14,202)
2024	(12,526)
2025	(6,716)
Total	<u>\$ (1,091,820)</u>

Reconciliation of Net OPEB Liability

	Net OPEB Liability
Net OPEB Liability December 31, 2020	\$ 21,484,424
Total OPEB expense	(1,459,030)
Contributions	(1,291,679)
Change in deferred outflows of resources	(299,003)
Change in deferred inflows of resources	(819,457)
Net OPEB Liability December 31, 2020	<u>\$ 17,615,255</u>

Total OPEB Liability by Participant Status

	Total OPEB Liability
Active participants	\$ 5,631,053
Inactive participants receiving benefits	13,082,701
	<u>\$ 18,713,754</u>

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Benefits Provided

Eligibility Requirements

Employees hired and managers hired on or after December 27, 2011 are no longer eligible for medical, dental or life insurance benefits in retirement.

Summary of Benefits

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

Retiree Contribution

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

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

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

NOTE 8--RISK MANAGEMENT

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

The Road Commission participates in the Michigan County Road Commission Self Insurance Pool (MCRCSIP), a public entity risk pool currently operating as a common risk management program for road commissions in the State of Michigan. The Road Commission pays an annual premium to MCRCSIP for its general insurance coverage. The MCRCSIP is self-sustaining through member premiums.

The Road Commission participates in the County Road Association Self Insurance Fund (CRASIF) for its workers' compensation benefits. The CRASIF is also a common risk management program for road commissions in the State of Michigan and is self-sustaining through premiums. In the event of unusually high claims, both MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

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

NOTE 9--LITIGATION

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

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2021

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 8,276,900	\$ 6,929,590	\$ 6,410,604	\$ (518,986)
State	23,901,400	23,927,900	24,375,325	447,425
County	2,880,000	3,355,000	3,725,867	370,867
Interest	20,000	15,000	106,601	91,601
Charge for services	100,000	190,000	201,583	11,583
Other revenue	108,500	746,210	1,284,918	538,708
Total Revenue	<u>35,286,800</u>	<u>35,163,700</u>	<u>36,104,898</u>	<u>941,198</u>
Expenditures				
Construction/capacity improvements	5,700,792	3,930,300	4,544,624	(614,324)
Preservation/structural improvements	12,315,900	11,820,750	12,564,927	(744,177)
Preventive/routine maintenance	14,475,040	14,723,000	14,669,290	53,710
Administration	1,539,200	1,682,000	1,410,026	271,974
Capital Outlay-net	169,000	(125,075)	(96,092)	(28,983)
Equipment-net	512,200	752,500	598,328	154,172
Other	442,060	594,400	362,180	232,220
Debt service	91,683	91,683	91,257	426
Total Expenditures	<u>35,245,875</u>	<u>33,469,558</u>	<u>34,144,540</u>	<u>(674,982)</u>
Change in fund balance before other financing sources	40,925	1,694,142	1,960,358	266,216
Fund Balance, Beginning of Year	<u>6,640,685</u>	<u>6,640,685</u>	<u>6,640,685</u>	-
Fund Balance, End of Period	<u>\$ 6,681,610</u>	<u>\$ 8,334,827</u>	<u>\$ 8,601,043</u>	<u>\$ 266,216</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, 2021

	2021	2020	2019	2018	2017	2016	2015	*2012 to 2014
Total pension liability								
Service cost	\$ 420,971	\$ 402,424	\$ 419,674	\$ 396,845	\$ 392,452	\$ 359,123	\$ 350,849	\$ -
Interest	2,698,686	2,580,502	2,634,219	2,606,124	2,535,884	2,448,649	2,327,034	-
Benefit payments	(2,630,425)	(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	809,327	(60,342)	380,735	(386,610)	205,475	1,584,059	-	-
Assumption changes	717,626	1,071,706	-	-	-	-	-	-
Other changes	(116,134)	89,702	(44,944)	44,410	(32,084)	(78,355)	16,893	-
Net change in total pension liability	1,900,051	1,637,996	1,084,665	365,166	945,556	2,031,418	578,114	-
Total pension liability- beginning	36,613,750	34,975,754	33,891,089	33,525,923	32,580,367	30,548,949	29,970,835	-
Total pension liability- ending	\$ 38,513,801	\$ 36,613,750	\$ 34,975,754	\$ 33,891,089	\$ 33,525,923	\$ 32,580,367	\$ 30,548,949	\$ -
Plan fiduciary net position								
Contributions- employer	\$ 1,458,527	\$ 1,262,398	\$ 925,406	\$ 898,360	\$ 719,886	\$ 698,887	\$ 562,134	\$ -
Contributions- employee	191,489	204,804	229,247	258,535	170,862	179,168	153,886	-
Net investment income (loss)	3,483,044	2,869,402	2,885,592	(894,542)	2,864,864	2,340,797	(328,425)	-
Benefits payments, including refunds	(2,630,425)	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Administrative expense	(39,959)	(46,151)	(49,696)	(45,152)	(45,461)	(46,263)	(48,855)	-
Net change in fiduciary net position	2,462,676	1,844,457	1,644,183	(2,078,402)	1,553,980	1,076,763	(1,777,922)	-
Fiduciary net position- beginning	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885	22,834,807	-
Fiduciary net position- ending	27,560,542	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885	-
Net pension liability- ending	\$ 10,953,259	\$ 11,515,884	\$ 11,722,345	\$ 12,281,863	\$ 9,838,295	\$ 10,446,719	\$ 9,492,064	\$ -
Fiduciary net position as a percentage of the total pension liability	71.56%	68.55%	66.48%	63.76%	70.65%	67.94%	68.93%	-
Covered- employee payroll	\$ 4,096,260	\$ 3,923,276	\$ 4,053,797	\$ 3,756,879	\$ 3,527,538	\$ 3,527,334	\$ 3,220,617	\$ -
Net pension liability as a % of covered payroll	267%	294%	289%	327%	279%	296%	295%	0%

*2012 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, 2021

	2020	2019	2018	2017	2016
Actuarially determined contributions	\$ 1,069,398	\$ 905,407	\$ 858,360	\$ 719,887	\$ 623,888
Contribution in relation to the actuarially determined contribution	1,262,398	915,407	898,360	719,887	698,888
Contribution deficiency (excess)	<u>\$ (193,000)</u>	<u>\$ (10,000)</u>	<u>\$ (40,000)</u>	<u>\$ -</u>	<u>\$ (75,000)</u>
Covered-employee payroll	\$ 3,923,276	\$ 4,053,797	\$ 3,756,879	\$ 3,527,538	\$ 3,527,334
Contribution as a percentage of covered-employee payroll	32%	23%	24%	20%	20%
	2015	2014	2013	2012	2011
Actuarially determined contributions	\$ 562,134	\$ 531,975	\$ 456,603	\$ 386,130	\$ 346,310
Contribution in relation to the actuarially determined contribution	562,134	531,975	456,603	386,130	346,310
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 3,220,617	\$ 3,141,991	\$ 3,258,074	\$ 3,336,606	\$ 3,404,013
Contribution as a percentage of covered-employee payroll	17%	17%	14%	12%	10%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll for open divisions, level dollar for closed
Remaining amortization period	18 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3% plus merit and longevity
Investment rate of return	7.35%
Retirement age	Varies depending on plan adoption
Mortality	Pub-2010 and fully generational MP-2019

Saginaw County Road Commission
Required Supplementary Information-OPEB
For the Year Ended December 31, 2021
Changes in Net OPEB Liability and Related Ratios

	2021	2020	2019	2018
Service cost	\$ 174,282	\$ 172,054	\$ 403,299	\$ 344,702
Interest	1,270,349	1,227,755	883,166	761,217
Difference in expected and actual experience	(495,980)	(713,497)	(94,598)	719,423
Change in assumptions	(3,448,683)	874,008	(8,470,250)	3,037,369
Benefits payments and refunds	(803,579)	(860,331)	(873,149)	(845,994)
Net change in total OPEB liability	(3,303,611)	699,989	(8,151,532)	4,016,717
Total OPEB- beginning	22,017,365	21,317,376	29,468,908	25,452,191
Total OPEB- ending	<u>\$ 18,713,754</u>	<u>\$ 22,017,365</u>	<u>\$ 21,317,376</u>	<u>\$ 29,468,908</u>
Plan Fiduciary Net Position				
Contributions to OPEB trust	\$ 488,100	\$ 120,000	\$ 280,000	\$ 60,000
Contributions from general operations	803,579	860,331	873,149	845,994
Net investment income	78,830	53,533	20,424	-
Administrative expenses	(1,372)	(750)	(265)	-
Benefits payments and refunds	(803,579)	(860,331)	(873,149)	(845,994)
Net change in total fiduciary net position	565,558	172,783	300,159	60,000
Total fiduciary net position-beginning	532,941	360,158	59,999	(1)
Total fiduciary net position-ending	<u>\$ 1,098,499</u>	<u>\$ 532,941</u>	<u>\$ 360,158</u>	<u>\$ 59,999</u>
Net OPEB Liability	\$ 17,615,255	\$ 21,484,424	\$ 20,957,218	\$ 29,408,909
Plan fiduciary net position as a % of total OPEB liability	5.87%	2.42%	1.69%	0.20%
Covered employees	\$ 4,597,020	\$ 4,220,852	\$ 3,990,795	\$ 4,414,057
Net OPEB Liability as a % of payroll	383.19%	509.01%	525.14%	666.30%
Actuarially Determined Contributions	\$ 4,530,263	\$ 3,913,603	\$ 5,135,715	\$ 3,980,871
Employer contributions/benefit payments	(1,291,679)	(980,331)	(1,153,149)	(905,994)
Contribution deficiency/(excess)	<u>\$ 3,238,584</u>	<u>\$ 2,933,272</u>	<u>\$ 3,982,566</u>	<u>\$ 3,074,877</u>
ADC as a percentage of covered payroll	98.5%	92.7%	128.7%	90.2%
Employer contribution as a % of covered payroll	28.1%	23.2%	28.9%	20.5%

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Actuarially Determined Contributions (ADC)
 Fiscal Year Ending December 31, 2021

	Fiscal Year Ending 2022	Fiscal Year Ending 2021
Discount rate	7.35%	5.83%
Amortization period	5 years	6 years
Amortization method	Level \$	Level \$
Normal cost	\$ 109,208	\$ 174,282
Amortization of Net OPEB Liability	4,039,623	4,106,416
Interest to end of the year	304,939	249,565
Total ADC	\$ 4,453,770	\$ 4,530,263

Saginaw County Road Commission
Required Supplementary Information - OPEB
For the Year Ended December 31, 2021
State of Michigan Public Act 530 and 202 Information

Financial information	2021
Assets (Fiduciary net position)	\$ 1,098,499
Liabilities (Total OPEB Liability)	\$ 18,713,754
Funded ratio for the Plan Year	5.87%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	\$ 4,530,263
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2021
Active members	31
Inactive members	-
Retirees and Beneficiaries	99
Premiums paid on behalf of the retirees	\$ 803,579
Actuarial Assumptions	2021
Actuarially assumed rate of investment return	7.35%
Discount rate	7.35%
Amortization method used for funding unfunded liability	Level \$
Amortization period used for funding unfunded liability	6
Is each division closed to new employees	Yes
Healthcare inflation assumption	7.50%
Healthcare inflation assumption-long term	4.50%
Uniform Assumptions	2021
Actuarial value of assets using uniform assumptions	\$ 1,098,499
Actuarial accrued liability using uniform assumptions	\$ 17,691,714
Funded ratio using uniform assumptions	6.21%
Annual Required contribution (ARC) using uniform assumptions	\$ 4,556,728

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Assumptions and methods used in Calculation of Actuarially Determined Contribution
 Fiscal Year Ending December 31, 2021

Valuation date December 31, 2020
 Measurement Date December 31, 2021
 Reporting Date December 31, 2021

Actuarial Methods

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

Actuarial Assumptions

Discount Rate – 7.353% for 2021 liability and 2022 contribution

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

20-year Aa Municipal Bond Rate –2.25% (S&P Municipal Bond 20-Year High Grade Rate Index)

Rationale – Current bond rate (based on information published by S&P as of December 31 ,2021)

Salary Scale – 2.0% (for purpose of allocating liability)

Rationale – Per employer experience and expectations

Return on Plan Assets –7.35%

Rationale – Per investment manager

Mortality Rates – Public General 2010 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, 2021

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 for both member and spouse

Covered dependents up to age 26 are assumed to generate claims at an annual rate of \$1,842 for males and \$2,472 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, 2021

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

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

State of Michigan hard cap maximums - Single \$7,043, double \$14,731 and family \$19,211

Trend rates – Medical premiums: Pre-Medicare 8.25% graded down to 7.5% after one year and then 0.25% per year to an ultimate rate of 5.5%

Dental - 4%

Hard Cap Maximum - 3%

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

- Discount rate changed from 5.83% to 7.53%
- Medical trend updated

Assumptions used for PA 202 Reporting

Salary Scale - 3%

Mortality improvement scale – MP-2019

Discount rate - 7%

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, 2021

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,				
			2021	2022	2023	2024	2025
2020	\$ (713,497)	1.52	\$ (244,091)	\$ -	\$ -	\$ -	\$ -
2021	\$ (495,980)	1.36	(364,691)	(131,289)	-	-	-
Net recognized in OPEB expense			<u>\$ (608,782)</u>	<u>\$ (131,289)</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,				
			2021	2022	2023	2024	2025
2020	\$ 87,008	1.52	\$ 299,003	\$ -	\$ -	\$ -	\$ -
2021	\$ (3,448,683)	1.36	(2,535,796)	(912,887)	-	-	-
Net recognized in OPEB expense			<u>\$ (2,236,793)</u>	<u>\$ (912,887)</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,				
			2021	2022	2023	2024	2025
2019	\$ (8,372)	5.00	\$ (1,674)	\$ (1,674)	\$ (1,676)	\$ -	\$ -
2020	\$ (29,060)	5.00	(5,812)	(5,812)	(5,812)	(5,812)	-
2021	\$ (33,572)	5.00	(6,714)	(6,714)	(6,714)	(6,714)	(6,716)
Net recognized in OPEB expense			<u>\$ (14,200)</u>	<u>\$ (14,200)</u>	<u>\$ (14,202)</u>	<u>\$ (12,526)</u>	<u>\$ (6,716)</u>

Total Deferred Outflow/(Inflow) of Resources

	Amount Recognized in Year Ended 12/31,			
	2022	2023	2024	2025
Total Deferred Outflow/(Inflow) of Resources	\$ (1,058,376)	\$ (14,202)	\$ (12,526)	\$ (6,716)

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, 2021

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Revenues				
Federal				
Surface transportation program	\$ 2,379,856	\$ -	\$ -	\$ 2,379,856
Bridge	2,466,301	-	-	2,466,301
Other	1,564,447	-	-	1,564,447
Total Federal	<u>6,410,604</u>	<u>-</u>	<u>-</u>	<u>6,410,604</u>
State				
Engineering	6,571	3,429	-	10,000
Urban road	1,955,839	942,852	-	2,898,691
Allocation	13,365,765	6,975,916	-	20,341,681
Local bridge	462,431	-	-	462,431
Other	662,522	-	-	662,522
Total State	<u>16,453,128</u>	<u>7,922,197</u>	<u>-</u>	<u>24,375,325</u>
County				
City and Villages	-	-	215,401	215,401
Township	-	3,307,172	-	3,307,172
Other government	-	-	203,294	203,294
Total County	<u>-</u>	<u>3,307,172</u>	<u>418,695</u>	<u>3,725,867</u>
Charge for service				
Salvage sales	1,321	8,589	3,304	13,214
Other	18,837	122,440	47,092	188,369
Total Charges for service	<u>20,158</u>	<u>131,029</u>	<u>50,396</u>	<u>201,583</u>
Interest	<u>1,555</u>	<u>1,499</u>	<u>103,547</u>	<u>106,601</u>
Other				
Special assessments	-	63,511	-	63,511
Gain (loss) equipment disposals	9,894	9,894	19,787	39,575
Sundry refunds	295,856	295,856	-	591,712
Contributions from private sources	-	552,048	-	552,048
Other	19,036	19,036	-	38,072
Total Other	<u>324,786</u>	<u>940,345</u>	<u>19,787</u>	<u>1,284,918</u>
Total Revenues	<u>\$ 23,210,231</u>	<u>\$ 12,302,242</u>	<u>\$ 592,425</u>	<u>\$ 36,104,898</u>

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ 3,999,053	\$ 545,571	\$ -	\$ 4,544,624
Preservation/structural improvements	8,714,865	3,850,062	-	12,564,927
Preventive/routine maintenance	4,661,744	10,007,546	-	14,669,290
Other				
Administration	770,958	639,068	-	1,410,026
Equipment	1,677,642	3,944,711	71,456	5,693,809
Less: equipment rental	(1,501,349)	(3,530,185)	(63,947)	(5,095,481)
Capital outlay	736,485	736,485	368,242	1,841,212
Less: depreciation credits and retirements	(484,326)	(484,326)	(968,652)	(1,937,304)
Debt principal	40,619	40,620	-	81,239
Interest	5,009	5,009	-	10,018
Other	-	-	362,180	362,180
Total Other	<u>1,245,038</u>	<u>1,351,382</u>	<u>(230,721)</u>	<u>2,365,699</u>
Total Expenditures	<u>18,620,700</u>	<u>15,754,561</u>	<u>(230,721)</u>	<u>34,144,540</u>
Excess of revenue over (under) expenditures	4,589,531	(3,452,319)	823,146	1,960,358
Optional transfer	(4,650,000)	4,650,000	-	-
Net Change in fund balance	(60,469)	1,197,681	823,146	1,960,358
Fund Balance, Beginning	96,876	93,365	6,450,444	6,640,685
Fund Balance, Ending	<u>\$ 36,407</u>	<u>\$ 1,291,046</u>	<u>\$ 7,273,590</u>	<u>\$ 8,601,043</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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, and the major fund of Saginaw County Road Commission, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated June 15, 2022.

Report on Internal Control over Financial Reporting

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

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

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

Members of the Board of the Saginaw County Road Commission
Saginaw, Michigan
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Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Saginaw, Michigan
June 15, 2022



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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Saginaw County Road Commission's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Saginaw County Road Commission's major federal programs for the year ended December 31, 2021. Saginaw County Road Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Saginaw County Road Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Saginaw County Road Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Saginaw County Road Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Saginaw County Road Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Saginaw County Road Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Saginaw County Road Commission's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Saginaw County Road Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Saginaw County Road Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Saginaw County Road Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less

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

severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Saginaw, Michigan
June 15, 2022

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION 1 – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes x No

Significant deficiencies identified not considered to be material weaknesses?
 ___ Yes x None reported

Noncompliance material to financial statements noted?
 ___ Yes x No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ___ Yes x No

Significant deficiencies identified not considered to be material weaknesses?
 ___ Yes x None reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200, 516(a)?
 ___ Yes x No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
11.300	Grants for Public and Economic Development

Dollar threshold used to distinguish between Type A and Type B programs:
\$750,000

Auditee qualified as low-risk auditee? ___ Yes X No

SAGINAW COUNTY ROAD COMMISSION.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

SECTION II – Financial Statement Findings

There are no matters to report.

SECTION III – Federal Award Findings and Questioned Costs

There are no matters to report.

SAGINAW COUNTY ROAD COMMISSION
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

There are no matters to report.

SAGINAW COUNTY ROAD COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor	Federal	Grant	Current
<u>Pass Through</u>	<u>CFDA</u>	<u>ID</u>	<u>Year</u>
Grantor/Program or Cluster Title	<u>Number</u>	<u>Number</u>	<u>Expenditures</u>
Federal Highway Administration			
<u>Michigan Department of Transportation</u>			
Highway Planning and Construction	20.205	212023	\$ 23,837
Highway Planning and Construction	20.205	211877	21,323
Department of Commerce			
Grants for Public Works and Economic Development	11.300	06-01-6102	1,493,566
Department of Homeland Security			
<u>Michigan State Police</u>			
Disaster Grants-Public Assistance	97.036	PA-05-MI-45-PW-0080 (0)	214,936
Total Expended			<u>\$ 1,753,662</u>

See accompanying notes to schedule of expenditures of federal awards.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2021

NOTE 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Saginaw County Road Commission under programs of the federal government for the year ended December 31, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Saginaw County Road Commission, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of Saginaw County Road Commission.

NOTE 2--Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the same basis of accounting as the fund level statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented when available.

Indirect Cost Rate

The Saginaw County Road Commission has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3--Reconciliation of Revenue Reported in the Financial Statements with Expenditures of Federal Awards

Federal revenue reported on the fund level financial statements	\$ 6,410,604
Grants spent in previous years either not available to be recorded as revenue or not awarded until the current fiscal year	
Disaster grants awarded in 2021 spent in 2020	(73,233)
Grants for Public Works and Economic Development spent in 2020 but not available at December 31, 2020	(504,826)
Highway Planning and Construction awarded in 2021 spent in 2020	(199,878)
Pass through federal funding monitored by the State of Michigan	(4,846,157)
Grants spent in 2021 but not available to be recorded as revenue	
Disaster grants spent in 2021 but not available at December 31, 2021	214,936
Grants for Public Works and Economic Development spent in 2021 but not available at December 31, 2021	752,216
Amount reported on the Schedule of Expenditures of Federal Awards	<u>\$ 1,753,662</u>