



SAGINAW COUNTY ROAD COMMISSION
Saginaw, Michigan

FINANCIAL STATEMENTS
December 31, 2023



**Gardner | Provenzano
Thomas & Luplow**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

April 15, 2024

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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 11 to the financial statements, Saginaw County Road Commission adopted GASB Statement No. 96, *Subscription-based IT Arrangements*, in 2023. Our opinions are not modified with respect to the matter.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 15, 2024, 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, Proronyano, Thomas & Luplow, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

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, 2023. 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, 2023

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, 2023

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	2023	2022
Current	\$ 12,872,852	\$ 9,915,453
Long-term	199,268,475	194,100,399
Total Assets	<u>212,141,327</u>	<u>204,015,852</u>
Deferred Outflows of resources	<u>1,895,251</u>	<u>3,686,055</u>
Liabilities and Deferred Inflows		
Current	1,823,832	786,564
Long-term liabilities	24,757,583	26,807,283
Total Liabilities	<u>26,581,415</u>	<u>27,593,847</u>
Deferred Inflows of resources	<u>723,272</u>	<u>2,087,310</u>
Net Position		
Restricted for County Roads	(12,418,644)	(15,860,364)
Net invested in capital assets	199,150,535	193,881,114
Total Net Position	<u>\$ 186,731,891</u>	<u>\$ 178,020,750</u>

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

Condensed Statement of Activities

Revenue	2023	2022
Federal and State Revenue	\$ 31,908,081	\$ 29,329,297
County	4,073,367	3,968,425
Other, including charges for services	976,439	2,868,869
Total Revenue	36,957,887	36,166,591
Expenses		
Primary preventive/routine maintenance	5,844,466	7,983,827
Local preventive/routine maintenance	10,767,658	10,163,925
Depreciation	9,531,904	9,439,240
Administrative	1,446,923	1,451,225
Other	655,795	(4,726,050)
Total Expenses	28,246,746	24,312,167
Change In Net Position	\$ 8,711,141	\$ 11,854,424

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 \$8,711,141 during the year ending December 31, 2023. Restricted for county roads increased \$3,441,720, and net investment in capital assets increased \$5,269,421. The restricted for county roads for both fiscal years 2023 and 2022 is in a negative position due to pension and OPEB related expenses.

Revenue increased by \$791,296 from 2022. Both federal and state revenue increased from the prior year. Other revenue decreased from the prior year with most of that decrease in contributions from private sources related to subdivisions.

Expenses increased by \$3,934,579 from 2022. Primary preventive/routine maintenance, which will vary from year to year depending on road conditions and funding, decreased from 2022. Other expenses includes any adjustments related to pension and OPEB items and varies from year to year depending on actuary assumptions and market value changes in investment held for those liabilities. That expense increased from 2022.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

THE ROAD COMMISSION'S FUND

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

During the year ending December 31, 2023, the general fund balance increased by \$2,715,137 or 33% of the beginning general fund balance. We had planned for an increase in fund balance in the amount of \$1,461,384. Actual results were \$1,253,753 better than budget.

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

BUDGET

The Saginaw County Road Commission budget is prepared in accordance with state law using the modified accrual accounting basis. This is the same accounting basis used for the general fund.

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The 2023 budget was adopted in December 2022. The budget is reviewed periodically and amended as information becomes available or management's plans change.

The final budget for revenue was increased by \$3,066,582. Most of that increase was in federal revenue and was made to accommodate the increase in costs associated with several federal projects.

The final budget for expenditures was increased by \$1,702,515. There were changes made to each line item, none of which management believes is significant.

AMENDED BUDGET VERSUS ACTUAL

Actual revenue recognized was \$203,168 higher than budget. Management does not believe this variance is significant.

Actual expenditures were \$1,050,585 lower than budget. Management does not believe this variance is significant.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$199,239,178 which is an increase of \$5,183,318. This information, which includes infrastructure, is summarized below.

	<u>2023</u>	<u>2022</u>
Land and improvements	\$ 53,794,640	\$ 50,889,327
Construction in progress	300,889	-
Buildings and improvements	4,401,179	4,375,704
Road equipment	25,554,846	23,668,285
Other equipment	1,070,770	1,064,770
Infrastructure assets	<u>377,716,014</u>	<u>366,739,175</u>
Total Capital Assets	462,838,338	446,737,261
Accumulated Depreciation	<u>(263,599,160)</u>	<u>(252,681,401)</u>
Net Capital Assets	<u>\$ 199,239,178</u>	<u>\$ 194,055,860</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 \$863,670 an equipment lease in the amount of \$88,643, Net OPEB obligation of \$9,129,865 and Net Pension Liability of \$14,764,048. More details of SCRC long-term debt is presented in the notes to the financial statements.

OTHER

The SCRC is building two new salt barns in 2024, One in Hemlock and the other in Chesaning. We are bonding for both barns through the County at a total Principal of \$9,035,000 and interest of \$2,711,895 for a debt of \$11,746,895. The first interest payment is due in December of 2024.

On August 6, 2024, a County wide road millage is on the primary election ballot, 2 mills for 6 years for the cities, townships and villages within Saginaw County. If this passes, it is estimated to generate \$12,798,863 in its first year with an estimated of \$10,450,680 for the 27 townships within the County. This money will be held at the County under the road fund. Funds for the cities & villages will be distributed to them, per State statute we (the County) are required to hold the township revenue.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2023

**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, 2023

	General Fund	Adjustments	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS			
Cash	\$ 173,629	\$ -	\$ 173,629
Investments	6,201,933	-	6,201,933
Accounts Receivable			
Michigan Transportation Department	4,636,155	-	4,636,155
Due from other governments	562,480	77,450	639,930
Other receivables	30,243	-	30,243
Special assessments-current portion	11,322	-	11,322
Inventories			
Equipment materials and parts	93,706	-	93,706
Road materials	800,014	-	800,014
Prepays	285,920	-	285,920
Long-term assets			
Special assessments-due in more than one year	29,297	-	29,297
Capital assets, net of accumulated depreciation	-	199,239,178	199,239,178
Total Assets	<u>12,824,699</u>	<u>199,316,628</u>	<u>212,141,327</u>
Deferred outflows of resources-pension	-	1,825,871	1,825,871
Deferred outflows of resources-OPEB	-	69,380	69,380
Total Deferred Outflow of Resources	-	<u>1,895,251</u>	<u>1,895,251</u>
Total Assets and Deferred Outflows	<u>\$ 12,824,699</u>	<u>201,211,879</u>	<u>214,036,578</u>
LIABILITIES AND DEFERRED INFLOWS			
Accounts payable	\$ 307,972	-	307,972
Accrued liabilities	131,348	-	131,348
Other liabilities	295,869	-	295,869
Equipment leases	-	88,643	88,643
Unearned revenue	1,000,000	-	1,000,000
Long-term liabilities			
Compensated absences	-	863,670	863,670
Net pension liability	-	14,764,048	14,764,048
Net OPEB obligation	-	9,129,865	9,129,865
Total Liabilities	<u>1,735,189</u>	<u>24,846,226</u>	<u>26,581,415</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	40,619	(40,619)	-
Deferred inflows of resources-pension	-	705,587	705,587
Deferred inflows of resources-OPEB	-	17,685	17,685
Total Deferred Inflow of Resources	<u>40,619</u>	<u>682,653</u>	<u>723,272</u>
Total Liabilities and Deferred Inflows of Resources	<u>1,775,808</u>	<u>25,528,879</u>	<u>27,304,687</u>
FUND BALANCE/NET POSITION			
Fund Balances:			
Nonspendable	1,179,640	(1,179,640)	-
Restricted for County Roads	9,869,251	(9,869,251)	-
Total Fund Balance	<u>11,048,891</u>	<u>(11,048,891)</u>	<u>-</u>
Total Liabilities, Deferred inflows of resources and Fund Balance	<u>\$ 12,824,699</u>		
Net Position:			
Invested in capital assets		199,150,535	199,150,535
Restricted for County Roads		(12,418,644)	(12,418,644)
Total Net Position		<u>\$ 186,731,891</u>	<u>\$ 186,731,891</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, 2023

Total governmental fund balance	\$ 11,048,891
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	199,239,178
Long-term receivables are not deemed measurable and available and therefore not reported in the governmental fund.	40,619
Deferred outflows related to the net pension liability are not recognized at the fund level	1,825,871
Deferred inflows related to the net pension liability are not recognized at the fund level	(705,587)
Deferred outflows related to the net OPEB liability are not recognized at the fund level	69,380
Deferred inflows related to the net OPEB liability are not recognized at the fund level	(17,685)
Revenue past the availability date is not recorded as an accounts receivable at the fund level	77,450
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.	
Equipment leases	(88,643)
Compensated absences	(863,670)
Net pension liability	(14,764,048)
Net OPEB obligation	(9,129,865)
Net Position of Governmental Activities	\$ 186,731,891

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, 2023

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 7,024,493	\$ (697,045)	\$ 6,327,448
State	25,580,633	-	25,580,633
County	4,073,367	-	4,073,367
Interest	85,221	-	85,221
Charge for services	142,912	-	142,912
Other revenue	772,866	(24,560)	748,306
Total Revenue	<u>37,679,492</u>	<u>(721,605)</u>	<u>36,957,887</u>
Expenditures/expense			
Primary construction/capacity improvements	221,530	(221,530)	-
Primary preservation/structural improvements	10,897,362	(10,897,362)	-
Primary preventive/routine maintenance	5,844,466	-	5,844,466
Local preservation/structural improvements	2,570,653	(2,570,653)	-
Local preventive/routine maintenance	10,767,658	-	10,767,658
Administrative	1,404,035	42,888	1,446,923
Net equipment expense	1,292,022	-	1,292,022
Net capital outlay			
Capital outlay	3,152,580	(3,152,580)	-
Depreciation credits	(2,126,903)	2,119,493	(7,410)
Debt service	91,258	(86,103)	5,155
Infrastructure Depreciation	-	9,539,314	9,539,314
Other Non-road	849,694	-	849,694
Pension related expense-deferred outflows	-	1,730,294	1,730,294
Pension related expense-deferred inflows	-	705,587	705,587
Pension NPO changes	-	(1,650,892)	(1,650,892)
OPEB related benefits-deferred outflows	-	60,510	60,510
OPEB related benefits-deferred inflows	-	(2,069,625)	(2,069,625)
Net OPEB change	-	(266,950)	(266,950)
Total Expenditures/expense	<u>34,964,355</u>	<u>(6,717,609)</u>	<u>28,246,746</u>
Change in Fund Balance	2,715,137	(2,715,137)	-
Change in net position	-	8,711,141	8,711,141
Fund Balance - Beginning of Year	8,333,754	(8,333,754)	-
Net Position - Beginning of Year	-	178,020,750	178,020,750
Fund Balance/Net Position - End of Year	<u>\$ 11,048,891</u>	<u>\$ 175,683,000</u>	<u>\$ 186,731,891</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, 2023

Net Change in fund balance--total governmental fund \$ 2,715,137

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

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

Capital outlay	16,842,125
Depreciation	(11,658,807)

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	(24,560)
Revenue past the availability to be recognized at the fund level from prior year	(697,045)

Some expenses reported in the statement of activities, such as other post-employment benefits and pension, do not required the use of current financial resources and therefore are not reported as expenditures in the governmental funds

Expenses related to the net pension liability	1,650,892
Expenses related to the change in deferred outflows-pension	(1,730,294)
Expenses related to the change in deferred inflows-pension	(705,587)
Expenses related to the change in deferred outflows-OPEB	(60,510)
Expenses related to the change in deferred inflows-OPEB	2,069,625
Expenses related to the net OPEB liability	266,950

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	86,103
Compensated absences	(42,888)
Change in net position of governmental activities	<u>\$ 8,711,141</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.

Unearned Revenue

Unearned revenue consist of advance payments for revenue not earned.

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 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 April 15, 2024, which is the date the financial statements were available to be issued.

11. Pension

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

12. Other Post-Employment Benefits (OPEB)

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

E. Budgets and Budgetary Accounting

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

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

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

NOTE 2-UNEMPLOYMENT COMPENSATION

The Road Commission is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the Road Commission must reimburse the Michigan Employment Security Commission for all benefits charged against the Road Commission. The amount of expenditures for unemployment for the year ended December 31, 2023 was \$726.

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	\$ -	\$ 280,110	\$ 530,110	\$ 173,247
Investment held by County	-	-	6,525,652	6,525,652	6,201,933
Cash on hand	-	-	382	-	382
Totals	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 6,806,144</u>	<u>\$ 7,055,762</u>	<u>\$ 6,375,562</u>

NOTE 4-CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 1/1/2023	Adjustments Additions	Adjustments Retirements	Balance 12/31/2023
Capital Assets Not Being Depreciated				
Land	\$ 558,635	\$ 192,607	\$ -	\$ 751,242
Land and improvements, infrastructure	50,330,692	2,712,706	-	53,043,398
Construction in Progress	-	300,889	-	300,889
Total Land and Improvements	<u>50,889,327</u>	<u>3,206,202</u>	<u>-</u>	<u>54,095,529</u>
Other Capital Assets				
Land Improvements	420,355	25,475	-	445,830
Depletable Assets	35,013	-	-	35,013
Buildings	3,920,336	-	-	3,920,336
Road equipment	23,668,285	2,627,609	741,048	25,554,846
Shop equipment	280,465	6,000	-	286,465
Engineers equipment	139,745	-	-	139,745
Office equipment	644,560	-	-	644,560
Infrastructure and improvements	366,739,175	10,976,839	-	377,716,014
Total Other Capital Assets	<u>395,847,934</u>	<u>13,635,923</u>	<u>741,048</u>	<u>408,742,809</u>
Total Capital Assets	<u>446,737,261</u>	<u>16,842,125</u>	<u>741,048</u>	<u>462,838,338</u>
Accumulated Depreciation				
Land Improvements	403,484	2,977	-	406,461
Depletable Assets	19,098	1,751	-	20,849
Buildings	2,543,102	112,256	-	2,655,358
Road equipment	19,926,411	1,947,822	741,048	21,133,185
Shop equipment	196,077	17,897	-	213,974
Engineers equipment	124,341	4,635	-	128,976
Office equipment	510,472	32,155	-	542,627
Infrastructure and improvements	228,958,416	9,539,314	-	238,497,730
Total Accumulated Depreciation	<u>252,681,401</u>	<u>11,658,807</u>	<u>741,048</u>	<u>263,599,160</u>
Total Net Capital Assets	<u>\$ 194,055,860</u>	<u>\$ 5,183,318</u>	<u>\$ -</u>	<u>\$ 199,239,178</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, 2023 is \$464,117. 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, 2023 is \$399,553.

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, 2023:

	Balance 1/1/2023	Increase	Reduction	Balance 12/31/2023	Due Within One year
Compensated absences	\$ 820,782	\$ 135,195	\$ 92,307	\$ 863,670	\$ -
Equipment lease	174,746	-	86,103	88,643	88,643
Total	<u>\$ 995,528</u>	<u>\$ 135,195</u>	<u>\$ 178,410</u>	<u>\$ 952,313</u>	<u>\$ 88,643</u>

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

	Principal	Interest	Total
Equipment lease 2024	\$ 88,643	\$ 2,615	\$ 91,258
Compensated absences	863,670	-	863,670
	<u>\$ 952,313</u>	<u>\$ 2,615</u>	<u>\$ 954,928</u>

NOTE 6-DEFINED BENEFIT PENSION PLAN

Plan Description

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

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Employees Covered by the Benefit Term

At the December 31, 2022 measurement date the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	105
Inactive plan members entitled to but not yet receiving benefits	15
Active employees	<u>70</u>
Total employees covered by MERS	<u>190</u>

Net Pension Liability

The Net Pension Liability was measured as of December 31, 2022, the date of the actuary report, and the total pension liability used to calculate the Net Pension Liability was determined by an annual actuarial valuation as of that date.

Contribution Requirements

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

The projected contribution rates as a percentage of payroll for employee contributions and the flat rate for employer contributions for the year ended December 31, 2023, were as follows:

Division	Employee Contribution	Employer Contribution
	<u> </u>	<u> </u>
01-Union: Closed to New Hires,	4.70%	\$51,635 per month
10-Managers: Closed to New Hires	4.70%	\$30,949 per month
11-Commissioners: Closed to New Hires	4.00%	\$55 per month
12-Non-Union: Closed to new hires	4.70%	\$12,121 per month
13-Non-Union New Hires after 01/01/12 Open	4.70%	\$2,319 per month
14- Manager New Hires after 01/01/12 Open	4.70%	\$1,953 per month
15-Union New Hires after 01/01/12 Open	4.70%	\$8,264 per month

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Benefits Provided

01-Union: Closed to New Hires, linked to Division 15	<u>2022 Valuation</u>	10-Managers: Closed to New Hires, linked to Division 14	<u>2022 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	Final Average Compensation:	3 Years
Final Average Compensation:	5 Years	COLA for Future Retirees:	2.50% (Non-Compound)
Employee Contributions	4.70%	Employee Contributions	4.70%
Act 88:	Yes (Adopted 12/22/1966)	Act 88:	Yes (Adopted 12/22/1966)
11-Commissioners: Closed to New Hires	<u>2022 Valuation</u>	12-Non-Union: Closed to new hires linked to Division 13,	<u>2022 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>2022 Valuation</u>	14- Manager New Hires after 01/01/12 Open Division, linked to Division 10	<u>2022 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>2022 Valuation</u>		
Benefit Multiple:	1.50% (no max.)		
Normal Retirement Age:	60		
Vesting:	10 Years		
Early Retirement (Unreduced):	55/25		
Early Retirement (Reduced):	50/25		
	55/15		
Final Average Compensation:	5 Years		
Employee Contributions	4.70%		
Act 88:	Yes (Adopted 12/22/1966)		

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions

The total pension liability in the December 31, 2022, 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.%, 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
		of Return	Gross Rate	Assumption	Real Rate
			of Return		of Return
Global Equity	60%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20%	4.50%	0.90%	2.50%	0.40%
Private investments	20%	9.50%	1.90%	2.50%	1.40%
Total	<u>100%</u>		<u>7.00%</u>		<u>4.50%</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability is 7.25%. 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, 2022	\$ 40,137,227	\$ 23,722,287	\$ 16,414,940
Service cost	464,180	-	464,180
Interest	2,831,369	-	2,831,369
Employer contributions	-	1,359,591	(1,359,591)
Employee contributions	-	223,885	(223,885)
Net investment income	-	2,588,517	(2,588,517)
Benefit payments	(2,632,011)	(2,632,011)	-
Experience changes	(764,747)	-	(764,747)
Assumption changes	-	-	-
Administrative expense	-	(54,990)	54,990
Other changes	(64,691)	-	(64,691)
Net changes	(165,900)	1,484,992	(1,650,892)
Balance at December 31, 2023	\$ 39,971,327	\$ 25,207,279	\$ 14,764,048

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 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.25%) or 1% higher (8.25%) than the current rate:

	<u>1% Decrease in Rate to (6.25%)</u>	<u>Current Discount Rate 7.25%</u>	<u>1% Increase in Rate to (8.25%)</u>
Net Pension Liability	\$ 19,131,752	\$ 14,764,048	\$ 11,081,430

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

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

During the current year, the Road Commission recognized pension expense of \$2,144,580. At year-end, the Road Commission reported deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual earnings on investments	\$ 1,143,510	\$ -
Difference in experience	-	705,587
Difference in assumptions	682,361	-
	<u>\$ 1,825,871</u>	<u>\$ 705,587</u>

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

Year Ending	<u>Net Amount</u>
December 31,	
2024	\$ 241,956
2025	470,175
2026	589,884
2027	<u>(181,731)</u>
Total	<u>\$ 1,120,284</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

Payable to the Pension Plan

At December 31, 2023, \$129,282 was 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.

Summary of Plan Participants

As of December 31, 2023, retirement plan membership consisted of the following:

Active members	30
Inactive members	-
Retirees and beneficiaries	98
Total participants	<u>128</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 Saginaw County Road Commission's OPEB liability was measured as of December 31, 2022 rolled forward to December 31, 2023. The following actuarial assumptions were used in the measurement:

Inflation	2.50%
Salary increases	3.00% (for purposes of allocating liability)
Investment rate of return	7.00% (including inflation)
20-year Aa Municipal bond rate	4.00%
Mortality	Public General 2010 Employees and Healthy Retirees, Headcount weighted
Improvement scale	IRS 2024 Adjusted Scale MP-2021

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

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

<u>Asset Class</u>	<u>Target Allocation (%)</u>	<u>Long-Term Expected Real Rate of Return (%)</u>
Global Equity	60%	4.50%
Global fixed income	20%	2.00%
Private Investment	20%	7.00%

The sum of each target allocation times its long-term expected real rate, plus inflation is 7%.

Discount Rate

The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that the Road Commission made an annual contribution to the trust of \$200,000 until the plan is at least 40% funded and pay retirement benefits from general operating funds, pay-as-you-go basis. Based on this assumption, the retirement plan's fiduciary net position was projected to be sufficient to make projected future benefit payments of current plan members. There is no cross-over point. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. Because there is no instance when benefit payments were not projected to be covered by the projected assets, there is no "depletion date", resulting in a single equivalent discount rate being equal to the long-term expected rate of return. This discount rate is used to determine the total OPEB liability. As of December 31, 2022, the discount rate used to value OPEB liabilities was 7.00%.

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, 2022	\$ 10,550,274	\$1,153,459	\$ 9,396,815
Service cost	74,778	-	74,778
Interest	721,213	-	721,213
Experience (Gains)/Losses	(135,585)	-	(135,585)
Change in assumptions	57,440	-	57,440
Contributions to OPEB trust	-	199,649	(199,649)
Administrative expenses	-	(2,581)	2,581
Net investment income	-	143,734	(143,734)
Contributions/benefits paid from general operations	-	643,994	(643,994)
Benefit payments including refunds			
of employee contributions	(643,994)	(643,994)	-
Net changes	73,852	340,802	(266,950)
Balance at December 31, 2023	\$ 10,624,126	\$ 1,494,261	\$ 9,129,865

Net OPEB Liability – Discount and Trend Rate Sensitivities

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

Discount	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 11,629,503	\$ 10,624,126	\$ 9,771,027
Less Plan Fiduciary Net Position	1,494,261	1,494,261	1,494,261
Net OPEB Liability	\$ 10,135,242	\$ 9,129,865	\$ 8,276,766
Trend	1% Decrease	Current Rate	1% Increase
Total OPEB Liability	\$ 9,836,640	\$ 10,624,126	\$ 11,566,010
Less Plan Fiduciary Net Position	1,494,261	1,494,261	1,494,261
Net OPEB Liability	\$ 8,342,379	\$ 9,129,865	\$ 10,071,749

OPEB Expense

Below are the components of the total OPEB expense:

	Fiscal Year Ending December 31, 2023
Service cost	\$ 74,778
Interest on total OPEB liability	721,213
Experience (Gains)/Losses	(2,043,752)
Change in assumptions	(111,510)
Projected earnings on OPEB plan investments	(92,021)
Investment earning (gains)/losses	16,289
Administrative expenses	2,581
Total OPEB Expense/(Income)	\$ (1,432,422)

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	\$ -	\$17,685
Change in assumptions	7,492	-
Investment earning (gains)/losses	61,888	-
Total	<u>\$69,380</u>	<u>\$17,685</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
2024	\$ 7,772
2025	23,775
2026	30,489
2027	(10,341)
Total	<u>\$ 51,695</u>

Reconciliation of Net OPEB Liability

	<u>Net OPEB Liability</u>
Net OPEB Liability December 31, 2022	\$9,396,815
Total OPEB expense	(1,432,422)
Contributions	(843,643)
Change in deferred outflows of resources	(60,510)
Change in deferred inflows of resources	2,069,625
Net OPEB Liability December 31, 2023	<u>\$9,129,865</u>

Total OPEB Liability by Participant Status

	<u>Total OPEB Liability</u>
Active participants	\$3,238,514
Retirees and beneficiaries	7,385,612
	<u>\$10,624,126</u>

NOTE 8-RISK MANAGEMENT

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

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

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

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

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

NOTE 9-LITIGATION

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

NOTE 10-FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that Road Commissions report all federal revenue pertaining to their county. During the year ended December 31, 2023, the total federal revenue recognized by the Road Commission was \$7,024,493. The make-up of that total is as follows: \$6,327,448 for contracted projects (pass through), \$697,045 in negotiated projects that were expenditures in previous years but did not meet the revenue recognition requirements in those previous years and \$0 for negotiated projects. Contracted projects are projects performed by private contractors paid for and administered by MDOT. Negotiated projects are projects where the SCRC administers the grant and either performs the work or contracts it out. The contracted projects (pass through) projects and the federal revenue for projects expensed in previous years are not subject to the Uniform Guidance and therefore an audit in accordance with the Uniform Guidance was not conducted.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

The following is the detail for the federal projects for the 2023 fiscal year:

<u>Program</u>	<u>Project Number</u>	
Michigan Department of Transportation		
Pass Through Revenue		
	205718	\$ 1,877,297
	205716	70,767
	212045	1,211,268
	216267	1,556,730
	202249	1,611,386
Total pass through		<u>6,327,448</u>
Negotiated federal revenue spent in previous years		
U.S Department of Homeland Security		
Michigan State Police		
Disaster Grants-Public Assistance	PA-05-MI-45-PW-0880	697,045
Total negotiated federal revenue spent in previous years		<u>697,045</u>
Total federal revenue not subject to the Uniform Guidance		<u><u>\$ 7,024,493</u></u>

NOTE 11-Change in Accounting Principle

For the year ended December 31, 2023, the SCRC implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no impact on the SCRC's financial statements after the adoption of GASB Statement 96.

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2023

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 6,154,032	\$ 7,357,023	\$ 7,024,493	\$ (332,530)
State	24,848,710	25,416,400	25,580,633	164,233
County	3,200,000	4,011,435	4,073,367	61,932
Interest	15,000	16,118	85,221	69,103
Charge for services	120,000	123,797	142,912	19,115
Other revenue	72,000	551,551	772,866	221,315
Total Revenue	<u>34,409,742</u>	<u>37,476,324</u>	<u>37,679,492</u>	<u>203,168</u>
Expenditures				
Construction/capacity improvements	-	405	221,530	(221,125)
Preservation/structural improvements	13,734,115	13,692,669	13,468,015	224,654
Preventive/routine maintenance	16,708,431	16,825,481	16,612,124	213,357
Administration	1,588,800	1,643,916	1,404,035	239,881
Capital Outlay-net	145,000	1,029,504	1,025,677	3,827
Equipment-net	1,677,620	1,570,766	1,292,022	278,744
Other	367,209	1,160,941	849,694	311,247
Debt service	91,250	91,258	91,258	-
Total Expenditures	<u>34,312,425</u>	<u>36,014,940</u>	<u>34,964,355</u>	<u>1,050,585</u>
Change in fund balance before other financing sources	97,317	1,461,384	2,715,137	1,253,753
Fund Balance, Beginning of Year	8,333,754	8,333,754	8,333,754	-
Fund Balance, End of Period	<u>\$ 8,431,071</u>	<u>\$ 9,795,138</u>	<u>\$ 11,048,891</u>	<u>\$ 1,253,753</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, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	\$ 464,180	\$ 414,721	\$ 420,971	\$ 402,424	\$ 419,674	\$ 396,845	\$ 392,452	\$ 359,123	\$ 350,849	\$ -
Interest	2,831,369	2,713,685	2,698,686	2,580,502	2,634,219	2,606,124	2,535,884	2,448,649	2,327,034	-
Benefit payments	(2,632,011)	(2,582,046)	(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	(764,747)	(264,053)	809,327	(60,342)	380,735	(386,610)	205,475	1,584,059	-	-
Assumption changes	-	1,364,721	717,626	1,071,706	-	-	-	-	-	-
Other changes	(64,691)	(23,602)	(116,134)	89,702	(44,944)	44,410	(32,084)	(78,355)	16,893	-
Net change in total pension liability	(165,900)	1,623,426	1,900,051	1,637,996	1,084,665	365,166	945,556	2,031,418	578,114	-
Total pension liability- beginning	40,137,227	38,513,801	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	\$ 39,971,327	\$ 40,137,227	\$ 38,513,801	\$ 36,613,750	\$ 34,975,754	\$ 33,891,089	\$ 33,525,923	\$ 32,580,367	\$ 30,548,949	\$ -
Plan fiduciary net position										
Contributions- employer	\$ 1,359,591	\$ 1,426,890	\$ 1,458,527	\$ 1,262,398	\$ 925,406	\$ 898,360	\$ 719,886	\$ 698,887	\$ 562,134	\$ -
Contributions- employee	223,885	218,812	191,489	204,804	229,247	258,535	170,862	179,168	153,886	-
Net investment income (loss)	2,588,517	(2,851,632)	3,483,044	2,869,402	2,885,592	(894,542)	2,864,864	2,340,797	(328,425)	-
Benefits payments, including refunds	(2,632,011)	(2,582,046)	(2,630,425)	(2,445,996)	(2,346,366)	(2,295,603)	(2,156,171)	(2,095,826)	(2,116,662)	-
Administrative expense	(54,990)	(50,279)	(39,959)	(46,151)	(49,696)	(45,152)	(45,461)	(46,263)	(48,855)	-
Net change in fiduciary net position	1,484,992	(3,838,255)	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	23,722,287	27,560,542	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	25,207,279	23,722,287	27,560,542	25,097,866	23,253,409	21,609,226	23,687,628	22,133,648	21,056,885	-
Net pension liability- ending	\$ 14,764,048	\$ 16,414,940	\$ 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	63.06%	59.10%	71.56%	68.55%	66.48%	63.76%	70.65%	67.94%	68.93%	-
Covered-employee payroll	\$ 4,435,825	\$ 4,227,711	\$ 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	333%	388%	267%	294%	289%	327%	279%	296%	295%	0%

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, 2023

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 1,426,891	\$ 1,283,527	\$ 1,069,398	\$ 915,407	\$ 858,360
Contribution in relation to the actuarially determined contribution	<u>1,426,891</u>	<u>1,458,527</u>	<u>1,262,398</u>	<u>925,407</u>	<u>898,360</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (175,000)</u>	<u>\$ (193,000)</u>	<u>\$ (10,000)</u>	<u>\$ (40,000)</u>
 Covered-employee payroll	 \$ 4,435,825	 \$ 4,227,711	 \$ 4,096,260	 \$ 3,923,276	 \$ 4,053,797
Contribution as a percentage of covered-employee payroll	32%	34%	31%	24%	22%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contributions	\$ 719,887	\$ 623,888	\$ 562,134	\$ 531,975	\$ 456,603
Contribution in relation to the actuarially determined contribution	<u>719,887</u>	<u>698,888</u>	<u>562,134</u>	<u>531,975</u>	<u>456,603</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 Covered-employee payroll	 \$ 3,756,879	 \$ 3,527,538	 \$ 3,527,334	 \$ 3,220,617	 \$ 3,141,991
Contribution as a percentage of covered-employee payroll	19%	20%	16%	17%	15%

Notes to Schedule

Actuarial cost method	Entry Age
Amortization method	Level percentage of payroll for open
Remaining amortization period	17 years
Asset valuation method	5 year smoothed
Inflation	2.5%
Salary Increases	3% plus merit and longevity: 3% in the long-term
Investment rate of return	7.00% net of investment and administrative expenses
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, 2023
Changes in Net OPEB Liability and Related Ratios

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

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Actuarially Determined Contributions (ADC)
 Fiscal Year Ending December 31, 2023

	Fiscal Year Ending 2024	Fiscal Year Ending 2023
Discount rate	7.00%	7.00%
Amortization period	5 years	6 years
Amortization method	Level \$	Level \$
Normal cost	\$ 67,984	\$ 74,778
Amortization of Net OPEB Liability	2,081,018	1,842,441
Interest to end of the year	150,430	134,205
Total ADC	\$ 2,299,432	\$ 2,051,424

Saginaw County Road Commission
Required Supplementary Information - OPEB
For the Year Ended December 31, 2023
State of Michigan Public Act 530 and 202 Information

Financial information	2023
Assets (Fiduciary net position)	\$ 1,494,261
Liabilities (Total OPEB Liability)	\$ 10,624,126
Funded ratio for the Plan Year	14.60%
Actuarially Recommended Contribution (ARC) with 30-year amortization period	\$ 2,051,424
Is ARC calculated in compliance with No. Letter 2018-3?	Yes
Membership	2023
Active members	30
Inactive members	-
Retirees and Beneficiaries	98
Premiums paid on behalf of the retirees	\$ 643,994
Actuarial Assumptions	2023
Actuarially assumed rate of investment return	7.00%
Discount rate	7.00%
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	7.25%
Healthcare inflation assumption-long term	4.50%
Uniform Assumptions	2023
Actuarial value of assets using uniform assumptions	\$ 1,494,261
Actuarial accrued liability using uniform assumptions	\$ 10,749,936
Funded ratio using uniform assumptions	13.90%
Annual Required contribution (ARC) using uniform assumptions	\$ 2,070,699

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Assumptions and methods used in Calculation of Actuarially Determined Contribution
 Fiscal Year Ending December 31, 2023

Valuation date December 31, 2022
 Measurement Date December 31, 2023
 Reporting Date December 31, 2023

Actuarial Methods

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

Actuarial Assumptions

Discount Rate – 7.00% for 2023 contribution; 7.00% for 2023 liability and 2024 contribution

Rationale – Blended rate based on long term expected return

20-year Aa Municipal Bond Rate –4.00%

Rationale – S&P Municipal Bond 20-Year High Grade Rate Index as of December 31, 2023

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

Rationale – Per employer experience and expectations

Return on Plan Assets –7.00%

Rationale – Per investment manager

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

Adjusted Scale MP-2021

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 past employer experience

Disability Rates-None

Rationale – Small Group

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

Rationale – Consistent with experience

Saginaw County Road Commission
 Required Supplementary Information-OPEB
 Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)
 Fiscal Year Ending December 31, 2023

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

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

Age	Employee		Spouse	
	Males	Females	Males	Females
30-34	\$ 2,121	\$ 4,802	\$ 2,969	\$ 6,723
35-39	\$ 2,663	\$ 4,947	\$ 3,728	\$ 6,925
40-44	\$ 3,318	\$ 5,063	\$ 4,645	\$ 7,088
45-49	\$ 4,189	\$ 5,561	\$ 5,864	\$ 7,786
50-54	\$ 5,517	\$ 6,542	\$ 7,723	\$ 9,159
55-59	\$ 7,172	\$ 7,563	\$ 10,041	\$ 10,588
60-64	\$ 9,203	\$ 8,999	\$ 12,885	\$ 12,599

Medical premium - \$1972.92 for both member and spouse

Covered dependents up to age 26 are assumed to generate claims at an annual rate of \$3,949.08

Monthly Medical Premiums

Coverage Level	Medical (Pre-65)	Medical (Post-65)	Dental	Opt-Out Stipend
Single	\$548.49	\$164.41	\$46.67	\$ 100
Double	\$1,316.37	\$328.82	\$85.18	\$ 200
Family	\$1,656.46	N/A	\$135.65	\$ 200

Annual per-capita cost valued

Saginaw County Road Commission
Required Supplementary Information-OPEB
Assumptions and methods used in Calculation of Actuarially Determined Contribution (Continued)
Fiscal Year Ending December 31, 2023

HRA Contribution

The road commission indicated that, on average, HRA contributions towards copays and deductibles beyond a \$1,000 single / \$2,000 double or family limit are equal to 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

Trend rates – Medical premiums: Pre-Medicare 7.25% graded down to 4.5% by 25% per year; post-Medicare, 5.5% graded down to 4.5% by .25% per year; dental 3% per year; PA 152 cap 2.74% per year.

Rationale – Based on State of Michigan trend survey

Data Collection

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

Assumption changes since prior valuation

- Mortality improvements scale updated from The Retirement Plans Experience Committee of the Society of Actuaries (RPEC) MP-2021 to IRS 2024 Adjusted Scale MP-2021
- Trend rates updated to those prescribed by PA 202 for year 2023

Assumptions used for PA 202 Reporting

Discount rate -6.85%

Salary Scale- 3.25%

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, 2022

Schedule of Difference between Actual and Expected Experience

Year Ended December 31,	Difference Between Expected and Actual Experience	Amount Recognized in Year Ended 12/31, Recognition Period (Years)	Amount Recognized in Year Ended 12/31,				
			2023	2024	2025	2026	2027
2022	\$ (8,138,279)	1.31	\$ (1,925,852)	\$ -	\$ -	\$ -	\$ -
2023	\$ (117,900)	1.15	(117,900)	(17,685)	-	-	-
Net recognized in OPEB expense			<u>\$ (2,043,752)</u>	<u>\$ (17,685)</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,				
			2023	2024	2025	2026	2027
2022	\$ (682,289)	1.31	\$ (161,458)	\$ -	\$ -	\$ -	\$ -
2023	\$ 57,440	1.15	49,948	7,492	-	-	-
Net recognized in OPEB expense			<u>\$ (111,510)</u>	<u>\$ 7,492</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,				
			2023	2024	2025	2026	2027
2019	\$ (8,372)	5.00	\$ (1,676)	\$ -	\$ -	\$ -	\$ -
2020	\$ (29,060)	5.00	(5,812)	(5,812)	-	-	-
2021	\$ (33,572)	5.00	(6,714)	(6,714)	(6,716)	-	-
2022	\$ 204,168	5.00	40,834	40,834	40,834	40,832	-
2023	\$ (51,713)	5.00	(10,343)	(10,343)	(10,343)	(10,343)	(10,341)
Net recognized in OPEB expense			<u>\$ 16,289</u>	<u>\$ 17,965</u>	<u>\$ 23,775</u>	<u>\$ 30,489</u>	<u>\$ (10,341)</u>

Total Deferred Outflow/(Inflow) of Resources

Total Deferred Outflow/(Inflow) of Resources	Amount Recognized in Year Ended 12/31,			
	2024	2025	2026	2027
	\$ 7,772	\$ 23,775	\$ 30,489	\$ (10,341)

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, 2023

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Revenues				
Federal				
Surface transportation program	\$ 3,504,794	\$ -	\$ -	\$ 3,504,794
Bridge	1,611,386	-	-	1,611,386
Other	1,211,268	697,045	-	1,908,313
Total Federal	<u>6,327,448</u>	<u>697,045</u>	<u>-</u>	<u>7,024,493</u>
State				
Engineering	6,551	3,449	-	10,000
Urban road	2,142,777	1,017,691	-	3,160,468
Allocation	14,047,361	7,396,616	-	21,443,977
Local bridge	302,135	-	-	302,135
Other	664,053	-	-	664,053
Total State	<u>17,162,877</u>	<u>8,417,756</u>	<u>-</u>	<u>25,580,633</u>
County				
City and Villages	-	-	352,606	352,606
Township	-	3,184,115	-	3,184,115
Other government	-	-	536,646	536,646
Total County	<u>-</u>	<u>3,184,115</u>	<u>889,252</u>	<u>4,073,367</u>
Charge for service				
Salvage sales	1,113	7,237	2,784	11,134
Other	13,178	85,656	32,944	131,778
Total Charges for service	<u>14,291</u>	<u>92,893</u>	<u>35,728</u>	<u>142,912</u>
Interest				
	<u>433</u>	<u>4,077</u>	<u>80,711</u>	<u>85,221</u>
Other				
Special assessments	-	24,559	-	24,559
Gain (loss) equipment disposals	51,680	51,680	103,360	206,720
Sundry refunds	143,779	143,779	-	287,558
Contributions from private sources	-	209,993	-	209,993
Other	22,018	22,018	-	44,036
Total Other	<u>217,477</u>	<u>452,029</u>	<u>103,360</u>	<u>772,866</u>
Total Revenues	<u>\$ 23,722,526</u>	<u>\$ 12,847,915</u>	<u>\$ 1,109,051</u>	<u>\$ 37,679,492</u>

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ -	\$ 221,530	\$ -	\$ 221,530
Preservation/structural improvements	10,897,362	2,570,653	-	13,468,015
Preventive/routine maintenance	5,844,466	10,767,658	-	16,612,124
Other				
Administration	775,737	628,298	-	1,404,035
Equipment	2,077,431	4,683,626	60,970	6,822,027
Less: equipment rental	(1,683,987)	(3,796,595)	(49,423)	(5,530,005)
Capital outlay	1,261,032	1,261,032	630,516	3,152,580
Less: depreciation credits and retirements	(531,726)	(531,726)	(1,063,451)	(2,126,903)
Debt principal	43,052	43,051	-	86,103
Interest	2,578	2,577	-	5,155
Other	-	-	849,694	849,694
Total Other	<u>1,944,117</u>	<u>2,290,263</u>	<u>428,306</u>	<u>4,662,686</u>
Total Expenditures	<u>18,685,945</u>	<u>15,850,104</u>	<u>428,306</u>	<u>34,964,355</u>
Excess of revenue over (under) expenditures	5,036,581	(3,002,189)	680,745	2,715,137
Optional transfer	(5,030,000)	5,030,000	-	-
Net Change in fund balance	6,581	2,027,811	680,745	2,715,137
Fund Balance, Beginning	42,387	398,651	7,892,716	8,333,754
Fund Balance, Ending	<u>\$ 48,968</u>	<u>\$ 2,426,462</u>	<u>\$ 8,573,461</u>	<u>\$ 11,048,891</u>



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

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

April 15, 2024

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, 2023, 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 April 15, 2024.

Report on Internal Control over Financial Reporting

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

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

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

Saginaw, Michigan



INDEPENDENT AUDITORS' COMMUNICATION WITH THOSE CHARGED WITH
GOVERNANCE

April 15, 2024

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

We have audited the accompanying financial statements of the governmental activities, and the major fund of the Saginaw County Road Commission. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 26, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Saginaw County Road Commission are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the Saginaw County Road Commission changed accounting policies related to *Subscription-based Information Technology Arrangements* by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 96, in 2023. There was no effect on the financial statements regarding this adoption. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

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

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 15, 2024.

Management Consultations with Other Independent Accountants

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

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, Pension and OPEB schedules, and the Budgetary Comparison, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

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

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

Saginaw, Michigan