



**Gardner | Provenzano
Schauman & Thomas**

CERTIFIED PUBLIC ACCOUNTANTS

SAGINAW COUNTY ROAD COMMISSION

Saginaw, Michigan

Financial Statements

December 31, 2009

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CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
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INDEPENDENT AUDITOR'S REPORT

May 3, 2010

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

We have audited the accompanying financial statements of the governmental activities of the Saginaw County Road Commission, a component unit of Saginaw County, as of and for the year ended December 31, 2009, which comprise the Road Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Saginaw County Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of the Saginaw County Road Commission as of December 31, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Members of the Board
of County Road Commissioners
of Saginaw County
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In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2010, on our consideration of the Saginaw County Road Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Saginaw County Road Commission's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Saginaw County Road Commission. The required supplemental information is required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information, the other supplemental information and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gardner, Provenzano, Schaubman & Thomas, P.C.

Certified Public Accountants

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2009

INTRODUCTION

The Saginaw County Road Commission (SCRC) is a special purpose government engaged in a single government program of road and bridge maintenance and construction in the County of Saginaw, Michigan. The adoption of GASB-34 in FY03 changed the SCRC financial statement presentation. In the past, governmental entities were required to report financial information only on the modified accrual accounting method. The modified accrual method of accounting focuses on current available resources and is referred to as governmental fund level accounting. Now, in addition to the governmental fund level information, governmental entities are also required to report financial information on the full accrual method of 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). Capital assets and infrastructure are not recognized as assets and are not capitalized at the governmental fund level.

In FY2009, Saginaw County Road Commission adopted GASB-45. This accounting rule states that public employers can no longer report post-retirement health benefits on a pay-as-you-go basis and must instead account for and report the annual cost of other post-retirement (OPEB) benefits for current and future retirees. While public employers are not required to pre-fund OPEB benefits, they are required to show the liability on their government-wide financial statements. An actuarial evaluation is required every 3 years for our entity size. The current actuarial evaluation is for benefits offered as of December 31, 2007. Please note that this evaluation does not take into account the decrease in benefits that have taken place since that time. The actuarial calculation is a tool, similar to the actuarial calculation for our pension system, to inform the readers of these financial statements of the liability associated with the benefits we offer.

As allowed for single purpose governments, the Statements of Net Assets and the Statement of Activities, the fund level financial statements and the government-wide financial statements have been combined and are presented on the same page.

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

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

SAGINAW COUNTY ROAD COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 FOR THE YEAR ENDED DECEMBER 31, 2009

CONDENSED FINANCIAL STATEMENTS

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

Condensed Statement of Net Assets

	Assets	2009	2008
Current		\$ 9,889,311	\$ 10,218,113
Capital assets		154,446,240	151,678,691
Total Assets		<u>\$ 164,335,551</u>	<u>\$ 161,896,804</u>
	Liabilities		
Current		\$ 811,158	\$ 708,859
Long-term liabilities		1,001,200	505,058
Total Liabilities		<u>\$ 1,812,358</u>	<u>\$ 1,213,917</u>
	Net Assets		
Restricted		\$ 8,076,953	\$ 9,004,196
Invested in capital assets - net of related debt		154,446,240	151,678,691
Total Net Assets		<u>\$ 162,523,193</u>	<u>\$ 160,682,887</u>

Condensed Statement of Activities

	Revenue	2009	2008
Federal and State Revenue		\$ 18,536,185	\$ 20,430,684
Contributions from Local units		3,723,491	3,834,472
Other, including charges for services		942,127	1,136,750
Total Revenue		<u>23,201,803</u>	<u>25,401,906</u>
	Expenses		
Primary preventive/routine maintenance		4,200,972	5,580,923
Local preventive/routine maintenance		6,724,491	6,579,910
Depreciation		7,908,945	7,638,808
Administrative		818,231	1,182,831
Other		1,708,858	265,222
Total Expenses		<u>21,361,497</u>	<u>21,247,694</u>
Change In Net Assets		<u>\$ 1,840,306</u>	<u>\$ 4,154,212</u>

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The total net assets increased by \$1,840,306 during the year ended December 31, 2009. The net assets and changes in net assets are summarized below. Please note that the condensed statement of activities for the 2008 fiscal period was a 15-month period due to the change in the fiscal year ended to December 31, 2008.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2009

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE (cont.)

Net Assets

Restricted net assets are those net assets that have constraints placed on them by 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.

While net assets overall increased by \$1,840,306, restricted net assets decreased by \$927,243 during the year ending December 31, 2009. The primary reason for the decrease is the recording of the OPEB liability (for OPEB explanation, see note under Introduction section).

The investment in capital assets net of related debt increased by \$2,767,549. Additions of infrastructure, for example roads and bridges, totaled \$10,401,076, which represents the majority of the increase in investment in capital assets. This increase is significantly less in comparison to last fiscal period due to the last fiscal period being 15 months versus the fiscal year of 12 months. The depreciation for the current year's infrastructure will be depreciated in the subsequent year.

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, 2009, the general fund balance decreased by \$431,101 or 4.5% of the beginning general fund balance. A major component of the decrease is due to the shifting of projects due to the American Recovery and Reinvestment Act (ARRA) and the delaying of State Funding. (Please see bulleted items under "Original Budget vs. Amended Budget" for further explanation.)

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

BUDGET

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

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2009

ORIGINAL BUDGET VERSUS AMENDED BUDGET

The 2009 budget was adopted in December 2008. The budget is reviewed periodically and amended as information becomes available or management's plans change. In December, 2008, management budgeted for many primary projects, including Federal and State funded projects to be completed during FY2009.

The State Revenue decreased by \$2,368,727 due to two very large bridge projects being delayed due to the lack of State funding. The actual Township revenue was increased by \$513,000 due to the underestimation of the local contributions towards maintenance projects and some preservation projects.

The Construction/capacity improvements increased by \$4,204,910 due to the reclassification of the HSC projects from Preservation/structural improvements to Construction/capacity improvements and change in scope of project. The Preservation/structural improvements decreased by \$8,910,059 due to the reclassification just noted, the delaying of two very large bridge projects, and Dixie Highway being postponed.

The increase in preventative maintenance was due to the original budget numbers being somewhat conservative, but once management was aware of the extra expenditures due to the rough winter months of January through April, 2009, we amended the numbers accordingly.

The major component in the decrease of capital outlay—net was due to the removal of the Saginaw/Kochville/Tittabawassee area salt shed fixed asset from the amended budget.

AMENDED BUDGET VERSUS ACTUAL

The significant differences from amended to actual were in the revenue areas. The actual revenue exceeded the final amended budget by \$1,038,773. The significant variances are as follows:

- The State Revenues increased by \$789,641 due to the Center Road Bridge project. This project was budgeted in FY2010; however, the contractor was ahead of schedule and thus started the pilings for the bridge in December, 2009.
- Township revenue exceeded our final amended numbers because of two projects. Pleasant Valley Subdivision was authorized by the Township's official very late in November, however, the work was still able to be performed in FY2009 in order to take advantage of Road Commission allocation dollars. Also, the VanWormer project was delayed to the very end of the construction season.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2009

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$154,446,240, which is an increase of \$2,767,549. This information, which includes infrastructure, is summarized below.

	<u>2009</u>	<u>2008</u>
Land and improvements	\$ 37,626,037	\$ 35,648,649
Buildings and improvements	2,671,529	2,658,010
Road equipment	12,983,497	12,345,364
Other equipment	1,353,715	1,328,766
Infrastructure assets	<u>228,324,227</u>	<u>219,900,539</u>
Total Capital Assets	282,959,005	271,881,328
Accumulated Depreciation	<u>(128,512,765)</u>	<u>(120,202,637)</u>
Net Capital Assets	<u>\$ 154,446,240</u>	<u>\$ 151,678,691</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 \$520,403 and the Net OPEB obligation of \$480,797. More details of SCRC long-term debt is presented in the notes to the financial statements.

OTHER

Management is not aware of any currently known facts, decisions, or conditions expected to have a significant effect on next year and beyond on the SCRC financial condition. However, the Saginaw County Road Commission is continually looking for land in the northern part of the county to house a salt barn and possibly a new maintenance garage.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2009

**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 ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2009

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 66,490	\$ -	\$ 66,490
Investment	5,926,369	-	5,926,369
Accounts Receivable			
Michigan Transportation Department	2,000,383	-	2,000,383
Sundry	124,345	-	124,345
Cities, Townships and Villages	779,222	-	779,222
Interest	25,391	-	25,391
Inventories			
Equipment materials and parts	310,599	-	310,599
Road materials	122,198	-	122,198
Prepaid expense	534,314	-	534,314
Capital assets, net of accumulated depreciation	-	154,446,240	154,446,240
Total Assets	<u>\$ 9,889,311</u>	<u>\$ 154,446,240</u>	<u>\$ 164,335,551</u>
LIABILITIES			
Accounts payable	\$ 467,212	\$ -	\$ 467,212
Accrued liabilities	94,684	-	94,684
Deposits	154,706	-	154,706
Due to former employees	10,944	-	10,944
Due to State of Michigan	80,416	-	80,416
Deferred revenues	3,196	-	3,196
Long-term liabilities			
Compensated absences-due in more than one year	-	520,403	520,403
Net OPEB obligation	-	480,797	480,797
Total Liabilities	<u>811,158</u>	<u>1,001,200</u>	<u>1,812,358</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	<u>9,078,153</u>	<u>(9,078,153)</u>	<u>-</u>
Total Fund Balance	<u>9,078,153</u>	<u>(9,078,153)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 9,889,311</u>		
Net Assets:			
Invested in capital assets, net of related debt		154,446,240	154,446,240
Restricted for County Roads		8,076,953	8,076,953
Total Net Assets		<u>\$ 162,523,193</u>	<u>\$ 162,523,193</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, 2009

Total governmental fund balance	\$ 9,078,153
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	154,446,240
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(1,001,200)
Net Assets of Governmental Activities	<u>\$ 162,523,193</u>

See accompanying notes to the basic financial statements.

SAGINAW COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 2,450,271	\$ -	\$ 2,450,271
State	16,085,914	-	16,085,914
County			
City and Villages	90,769	-	90,769
Township	3,557,656	-	3,557,656
Other government	75,066	-	75,066
Interest	103,135	-	103,135
Charge for services	101,496	-	101,496
Miscellaneous	43,821	-	43,821
Gain on disposal	400,539	-	400,539
Private source contributions	293,136	-	293,136
Total Revenue	<u>23,201,803</u>	<u>-</u>	<u>23,201,803</u>
Expenditures/expense			
Primary construction/capacity improvements	3,823,159	(3,823,159)	-
Local construction/capacity improvements	253,732	(253,732)	-
Primary preservation/structural improvements	3,760,649	(3,760,649)	-
Primary preventive/routine maintenance	4,200,972	-	4,200,972
Local preservation/structural improvements	2,563,536	(2,563,536)	-
Local preventive/routine maintenance	6,724,491	-	6,724,491
Administrative	758,196	15,345	773,541
Net equipment expense	27,681	-	27,681
Net capital outlay			
Capital outlay	1,430,912	(1,430,912)	-
Depreciation credits	(1,155,494)	1,155,494	-
Debt service interest	44,690	-	44,690
Infrastructure Depreciation	-	7,908,945	7,908,945
Drain assessment	127,313	-	127,313
Other Non-road	1,073,067	-	1,073,067
OPEB benefits	-	480,797	480,797
Total Expenditures/expense	<u>23,632,904</u>	<u>(2,271,407)</u>	<u>21,361,497</u>
Excess of Revenue Over (Under) Expenditures	(431,101)	431,101	-
Change in Net Assets	-	1,840,306	1,840,306
Fund Balance/Net Assets - Beginning of Year	9,509,254	151,173,633	160,682,887
Fund Balance/Net Assets - End of Year	<u>\$ 9,078,153</u>	<u>\$ 153,445,040</u>	<u>\$ 162,523,193</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, 2009

Net Change in fund balance--total governmental funds	\$ (431,101)
Amounts reported for governmental activities in the statement are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the statement of activities.	
Capital outlay	11,875,241
Depreciation	(9,064,439)
Equipment retirement	(43,253)
The difference between the actuarially determined Annual Required Contribution to fund Other Post-Employment Benefits and the actual contributions made during the year is reported as an expense in the Statement of Activities, but does not require the use of current resources and therefore is not reported as an expenditure in the fund level statements.	
	(480,797)
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. (Changes in compensated absences)	
	<u>(15,345)</u>
Change in net assets of governmental activities	<u>\$ 1,840,306</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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with GASB 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 three-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 GASB Statement 14, 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 Assets and the Statement of Changes in Net Assets) 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 assets from the current year's activities.

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Government-Wide Statements and Fund Financial Statements (continued)

The Operating Fund 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.

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. 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, and Net Assets or Equity

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.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Inventories

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

Prepaid Expenses

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

E. Capital Assets and Depreciation

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

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

GASB 34 requires the Commission to report and depreciate infrastructure assets in its government-wide statements. Infrastructure assets include roads, bridges, traffic signals, etc. Neither these assets nor related depreciation have historically been reported in the financial statements issued before the adoption of GASB 34. The Commission has implemented the general provisions and the retroactive infrastructure reporting requirements in the year of GASB 34 adoption.

F. 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.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

- 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.

G. 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.

Deferred Revenue

Deferred revenue consists of prepaid permits.

Compensated Absences

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

Due to State of Michigan

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

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deposits

Performance deposits are amounts paid by contractors and held by the Commission until the projects are completed and inspected.

NOTE 2--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.

At year-end, the carrying amount of the commission's cash and investments was \$5,992,859. The bank balance and county balance was \$6,031,455. Of the bank balance, \$105,086 was covered by federal depository insurance and \$5,926,751 was uninsured and uncollateralized.

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.

A summary of cash and investments follows:

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents Commission's insured or collateralized deposits with securities held by the Commission or by its agent in the commission's name.
- Category 2 represents the Commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Commission's name.
- Category 3 represents the Commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in Commission's name.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 2—CASH AND INVESTMENTS (continued)

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$ 105,086	\$ -	\$ -	\$ 105,086	\$ 66,108
Investment held by County	-	-	5,926,369	5,926,369	5,926,369
Cash on hand	-	-	382	-	382
Totals	<u>\$ 105,086</u>	<u>\$ -</u>	<u>\$ 5,926,751</u>	<u>\$ 6,031,455</u>	<u>\$ 5,992,859</u>

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

NOTE 3--CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

	Balance 12/31/2008	Additions	Retirements	Balance 12/31/2009
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 618,385	\$ -	\$ -	\$ 618,385
Land and improvements, infrastructure	35,030,264	1,977,388	-	37,007,652
Total Land and Improvements	<u>35,648,649</u>	<u>1,977,388</u>	<u>-</u>	<u>37,626,037</u>
Other Capital Assets				
Land Improvements	414,745	13,027	-	427,772
Depletable Assets	62,750	-	20,742	42,008
Buildings	2,180,515	21,234	-	2,201,749
Road equipment	12,345,364	1,353,308	715,175	12,983,497
Shop equipment	141,238	-	366	140,872
Engineers equipment	259,847	951	21,528	239,270
Yard and storage equipment	5,646	-	-	5,646
Office equipment	922,035	85,645	39,753	967,927
Infrastructure and improvements	219,900,539	8,423,688	-	228,324,227
Total Other Capital Assets	<u>236,232,679</u>	<u>9,897,853</u>	<u>797,564</u>	<u>245,332,968</u>
Total Capital Assets	<u>271,881,328</u>	<u>11,875,241</u>	<u>797,564</u>	<u>282,959,005</u>
Accumulated Depreciation				
Land Improvements	387,857	6,232	-	394,089
Depletable Assets	12,393	-	8,480	3,913
Buildings	1,662,285	48,495	-	1,710,780
Road equipment	10,143,157	979,092	690,046	10,432,203
Shop equipment	111,985	7,109	366	118,728
Engineers equipment	122,634	13,319	16,131	119,822
Yard and storage equipment	5,646	-	-	5,646
Office equipment	485,892	101,247	39,288	547,851
Infrastructure and improvements	107,270,788	7,908,945	-	115,179,733
Total Accumulated Depreciation	<u>120,202,637</u>	<u>9,064,439</u>	<u>754,311</u>	<u>128,512,765</u>
Total Net Capital Assets	<u>\$ 151,678,691</u>	<u>\$ 2,810,802</u>	<u>\$ 43,253</u>	<u>\$ 154,446,240</u>

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 4--LONG-TERM LIABILITIES

The Road Commission pays 65% of accrued unused sick leave at retirement. The amount due at December 31, 2009 is \$315,636. Additionally, up to twenty days vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at December 31, 2009 is \$204,767.

Following is a summary of long term liabilities for the year ended December 31, 2009:

	Balance <u>12/31/2008</u>	Increase	Reduction	Balance <u>12/31/2009</u>
Accrued compensated				
absences	\$ 505,058	\$ 59,691	\$ 44,346	\$ 520,403
Total	<u>\$ 505,058</u>	<u>\$ 59,691</u>	<u>\$ 44,346</u>	<u>\$ 520,403</u>

NOTE 5--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 expended for unemployment for the year ended December 31, 2009 was \$873.

NOTE 6--PENSION PLAN

Plan Description

The Road Commission's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The Road Commission participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board, Act No. 427 of the Public Acts of 1984, as amended by 1996 PA 220, establishes and amends the benefit provisions of the participants in MERS. The fiscal year for the retirement plan ends December 31. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Funding Policy

The union members of the plan are required to contribute at a current rate of 4.7% of annual covered payroll. Management is currently contributing 4.7% of annual covered payroll. The employer contribution requirements are established and may be amended by the Retirement Board of MERS. The employee contribution requirements, if any, are established and may be amended by the Road Commission depending on the MERS contribution program adopted by the Road Commission.

Annual Pension Cost

For the year ended December 31, 2009, the Road Commission's annual pension cost and required contribution was \$194,872. The required contribution was determined as part of the December 31, 2007, actuarial valuation using the entry age actuarial cost method. The Road Commission chose to make voluntary contributions in the amount of \$150,000 for the year ended December 31, 2009. The actuarial assumptions included (a) an assumed rate of investment return which is used to discount liabilities and project what plan assets will earn, the net long-term investment yield is assumed to be 8%, (b) a mortality table projecting the number of employees who will die before retirement and the duration of benefit payments after retirement, (c) assumed retirement rates projected when employees will retire and commence receiving benefits, (d) a set of withdrawal and disability rates to estimate the number of employees who will leave the work force before retirement, (e) assumed rates of salary increases of 4.5% to project employees compensation in future years and (f) no specific price inflation assumption was needed for this valuation, the 4.5% wage inflation assumption would be consistent with a price inflation of 3% to 4%. The actuarial value of MERS assets was determined on a basis of a valuation method that assumes the fund earns the expected rate of return and includes an adjustment to reflect market value. The December 31, 2006 actuarial valuation reflects the following changes in actuarial methods: prospective adoption of 10 year smoothing, instead of 5 year, for calculating valuation assets, prospective gradual reduction of the amortization period for open divisions from 30 years to 25 years.

Three-year Trend Information

<u>Fiscal Year Period Ended</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Asset</u>
9/30/2007	\$ 212,225	2.16%	\$ 246,000
12/31/2008	\$ 294,760	2.04%	\$ 307,000
12/31/2009	\$ 194,872	1.77%	\$ 150,000

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability Entry Age (b)	Unfunded (Over Funded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/ (c)
12/31/2006	\$ 23,789,437	\$ 23,482,439	\$ (306,998)	101%	\$ 3,491,129	0.0%
12/31/2007	\$ 24,793,159	\$ 24,507,547	\$ (285,612)	101%	\$ 3,603,239	0.0%
12/31/2008	\$ 24,901,257	\$ 25,741,433	\$ 840,176	97%	\$ 3,379,869	25.0%

The Road Commission's actuarial accrued liability is over-funded as of December 31, 2008, the date of the last actuary report.

NOTE 7--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 omission; 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 SIP 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 the MCRCSIP and the CRASIF have the authority to bill the member road commissions retroactively.

During the year ended December 31, 2009, employees of the Commission were covered by the Saginaw County Road Commission's medical self-insurance plan. The Commission contributed approximately 90% per month per employee of the estimated "premium". The remaining 10% is paid through pretax payroll deduction. Claims were paid by Blue Cross Blue Shield of Michigan acting on behalf of the Commission.

The administrative contract between the Commission and Blue Cross Blue Shield of Michigan is renewable annually. Administrative fees and stop-loss premiums are included in the contractual provisions. The Commission was protected against unanticipated catastrophic individual or aggregate loss by stop-loss

NOTE 7--RISK MANAGEMENT (continued)

coverage carried through Blue Cross Blue Shield of Michigan. Stop loss coverage was in effect for individual and aggregate claims exceeding \$15,000, which is based on a factor determined monthly by Blue Cross Blue Shield of Michigan.

Employees of the Commission are covered by the Saginaw Road Commission's prescription drug plan administered through 4D. The administrative contract between the Commission and 4D is renewable annually. Administrative fees are included in the contractual provisions. The Commission pays a monthly administrative fee and reimburses 4D for claims made by employees.

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

NOTE 8--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 9--POST-EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description

The Road Commission administers a single-employer defined benefit post employment benefit plan. The plan provides healthcare, dental and life insurance benefits in accordance with the Saginaw County Road commission's union contract Article 28, to all employees who retire from the SCRC and qualify for benefits under MERS. Coverage for non-union employees is provided upon the discretion of management. The plan provides up to 100% of health insurance benefits depending on coverage elected by the employee.

The plan is administered by the Road Commission and can be amended at its discretion. At the time of the actuary report, the membership of the plan was seventy-nine active members and eighty-one retirees and beneficiaries receiving benefits. The Road Commission has the authority to establish the funding policy for the plan, and to amend the obligations of both the Road Commission and members. Active members are obligated to make contributions to the plan based upon the union contract. As of the date of the actuary report, the Road Commission had not made contributions to a Trust. The Road Commission has no obligation to make contributions in advance to a Trust when insurance premiums or claims are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 9--POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONT.)

Funding Policy

The contribution requirements of plan members and the Road Commission are established and may be amended by the Road Commissioner.

Expenditures for postemployment benefits are recognized as the insurance premiums become due. During the year ended December 31, 2009, approximately \$919,864 for postemployment benefits was paid and recorded as expenditures in the general fund.

Annual OPEB Cost and Net Obligation

During 2009, the SCRC implemented GASB 45 prospectively (zero net OPEB obligation at transition). The annual post-employment benefit, other than pension, (OPEB) cost (expense) is calculated based upon the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents the level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the SCRC annual OPEB cost for the year, the amount actually contributed to the plan and the changes in the Road Commission's OPEB obligation to the retiree plan:

Annual required contribution (ARC)	\$ 1,400,661
Interest on Net OPEB obligation	-
Less adjustments to ARC	-
Annual OPEB cost	<u>1,400,661</u>
Amounts contributed:	
Payments of current premiums	(919,864)
Advanced funding	<u>-</u>
Increase (decrease) in net OPEB obligation	480,797
OPEB obligation beginning of the year	-
OPEB obligation end of the year	<u>\$ 480,797</u>

The annual OPEB costs, the percentage contributed to the plan and the net OPEB obligation for the year ended December 31, 2009 are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual OPEB</u> <u>Cost (AOC)</u>	<u>Percentage of</u> <u>AOC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
12/31/2009	\$ 1,400,661	66%	\$ 480,797

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 9--POST-EMPLOYMENT BENEFITS OTHER THAN PENSION (CONT.)

Annual OPEB Cost and Net Obligation (continued)

The funding progress of the plan as of December 31, 2007 is as follows:

Actuarial value of assets	\$	-
Actuarial accrued liability (AAL)		23,370,956
Unfunded actuarial accrued liability (UAAL)		23,370,956
Funded ratio		0%

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial values of assets, consistent with long-term perspectives of the calculations. The actuarial assumptions as provided in the December 31, 2007 actuarial report are as follows:

1. A rate of return on investments 4.5%.
2. Mortality: 1994 Group Annuity table blended 50% male/50% female.
3. Projected salary increase of 4.80% to 12.90% depending on age, attributable to seniority/merit.
4. Projected healthcare benefit increases of 4.5% - 9%.

NOTE 10--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2009, the Federal aid received and expended by the Road Commission was \$1,837,906 for contracted projects and \$612,365 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT (they are included in MDOT's single audit). Negotiated projects are projects where the Commission administers the grant and either performs the work or contracts it out. The Road Commission is subject to single audit requirements if they expended \$500,000 or more for negotiated projects.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 11--NEW ACCOUNTING STANDARD

In the current year, the Road Commission implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government-wide financial statements to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported at the government-wide level of \$480,797 in excess of what would have been reported in prior years. The new standard had no impact on the expenditures reported at the fund financial statement level.

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2009

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 3,286,500	\$ 2,576,814	\$ 2,450,271	\$ (126,543)
State	17,665,000	15,296,273	16,085,914	789,641
County				
City and Villages	3,000	91,825	90,769	(1,056)
Township	2,687,000	3,200,000	3,557,656	357,656
Other government	50,000	75,000	75,066	66
Interest	288,000	100,000	103,135	3,135
Charge for services	105,000	70,000	101,496	31,496
Miscellaneous	31,000	39,000	43,821	4,821
Gain on disposal	161,500	420,386	400,539	(19,847)
Private source contributions	-	293,732	293,136	(596)
Total Revenue	<u>24,277,000</u>	<u>22,163,030</u>	<u>23,201,803</u>	<u>1,038,773</u>
Expenditures				
Construction/capacity improvements	-	4,204,910	4,076,891	128,019
Preservation/structural improvements	14,837,770	5,927,711	6,324,185	(396,474)
Preventive/routine maintenance	10,673,922	11,202,757	10,925,463	277,294
Administration	732,000	735,000	758,196	(23,196)
Capital Outlay-net	950,000	280,000	275,418	4,582
Equipment-net	434,808	189,811	27,681	162,130
Drain assessment	127,500	127,500	127,313	187
Other	10,000	1,011,586	1,073,067	(61,481)
Debt service	54,000	45,000	44,690	310
Total Expenditures	<u>27,820,000</u>	<u>23,724,275</u>	<u>23,632,904</u>	<u>91,371</u>
Excess of Revenues Over (Under) Expenditures	(3,543,000)	(1,561,245)	(431,101)	1,130,144
Fund Balance, Beginning of Year	9,509,254	9,509,254	9,509,254	-
Fund Balance, End of Period	<u>\$ 5,966,254</u>	<u>\$ 7,948,009</u>	<u>\$ 9,078,153</u>	<u>\$ 1,130,144</u>

**ADDITIONAL SUPPLEMENTAL
INFORMATION**

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
Revenues				
Federal				
Surface transportation program	\$ 207,830	\$ 442	\$ -	\$ 208,272
D funds	25,795	-	-	25,795
Bridge	21,516	-	-	21,516
Other ARRA; HRR	2,194,688	-	-	2,194,688
Total Federal	<u>2,449,829</u>	<u>442</u>	<u>-</u>	<u>2,450,271</u>
State				
Engineering	6,662	3,338	-	10,000
Urban road	1,051,645	538,709	-	1,590,354
Allocation	7,112,650	3,563,409	-	10,676,059
Critical bridge	727,288	-	-	727,288
Jobs today and other	9,802	188	24,974	34,964
Economic development fund	3,047,249	-	-	3,047,249
Total State	<u>11,955,296</u>	<u>4,105,644</u>	<u>24,974</u>	<u>16,085,914</u>
County				
City and villages	-	-	90,769	90,769
Township	388,646	3,169,010	-	3,557,656
Other government	-	-	75,066	75,066
Total County	<u>388,646</u>	<u>3,169,010</u>	<u>165,835</u>	<u>3,723,491</u>
Other				
Interest and rents	35,331	32,262	35,542	103,135
Charges for services	10,150	65,972	25,374	101,496
Miscellaneous	12,318	12,318	19,185	43,821
Gain (loss) equipment disposals	76,102	96,130	228,307	400,539
Private source contributions	21,660	255,256	16,220	293,136
Total Other	<u>155,561</u>	<u>461,938</u>	<u>324,628</u>	<u>942,127</u>
Total Revenues	<u>\$14,949,332</u>	<u>\$ 7,737,034</u>	<u>\$ 515,437</u>	<u>\$23,201,803</u>

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION
ANALYSIS OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCE--SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009

	Appropriated			Total
	Primary Roads	Local Roads	County Roads	
Expenditures				
Construction/capacity improvements	\$ 3,823,159	\$ 253,732	\$ -	\$ 4,076,891
Preservation/structural improvements	3,760,649	2,563,536	-	6,324,185
Preventive/routine maintenance	4,200,972	6,724,491	-	10,925,463
Other				
Administration	418,970	339,226	-	758,196
Equipment	1,282,365	2,198,935	112,547	3,593,847
Less: equipment rental	(1,272,488)	(2,181,997)	(111,681)	(3,566,166)
Capital outlay	581,447	579,285	270,180	1,430,912
Less: depreciation credits and retirements	(219,544)	(277,318)	(658,632)	(1,155,494)
Debt service interest	23,646	21,044	-	44,690
Drain assessment	31,828	95,485	-	127,313
Other Non-road	-	-	1,073,067	1,073,067
Total Other	<u>846,224</u>	<u>774,660</u>	<u>685,481</u>	<u>2,306,365</u>
Total Expenditures	<u>12,631,004</u>	<u>10,316,419</u>	<u>685,481</u>	<u>23,632,904</u>
Excess of revenue over (under) expenditures	2,318,328	(2,579,385)	(170,044)	(431,101)
Other financing sources (uses)				
Optional transfer	500,000	500,000	(1,000,000)	-
Optional transfer	(2,451,197)	2,451,197	-	-
Fund Balance, Beginning	3,257,607	2,974,601	3,277,046	9,509,254
Fund Balance, Ending	<u>\$ 3,624,738</u>	<u>\$ 3,346,413</u>	<u>\$2,107,002</u>	<u>\$ 9,078,153</u>

See independent auditor's report on supplementary information.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

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

May 3, 2010

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

We have audited the financial statements of the governmental activities of Saginaw County Road Commission as of and for the year ended December 31, 2009, which comprise Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated May 3, 2010. 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.

Internal Control Over Financial Reporting

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

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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

Saginaw County Road Commission's response to the findings identified in our audit is described above. We did not audit Saginaw County Road Commission's response and, accordingly, we express no opinion on it.

This report is intended for the information of management and the Board of County Road Commissioners. However, this report is a matter of public record and its distribution is not limited.

Gardner, Robergano, Achaumcar & Thomas, P.C.

Certified Public Accountants



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR-A133

May 3, 2010

Members of the Board
of County Road Commissioners
of Saginaw County

Compliance

We have audited the compliance of the Saginaw County Road Commission with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The major federal programs of the Saginaw County Road Commission are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Saginaw County Road Commission's management. Our responsibility is to express an opinion on the Saginaw County Road Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Saginaw County Road Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Saginaw County Road Commission's compliance with those requirements.

In our opinion, the Saginaw County Road Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

The management of the Saginaw County Road Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Saginaw County Road Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Saginaw County Road Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type or compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses above. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

Members of the Board
of County Road Commissioners
of Saginaw County
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This report is intended solely for the information and use of the Board, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gardner, Provenzano, Achauman & Thomas, P.C.

Certified Public Accountants

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FEDERAL FINANCIAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/Pass Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Number	Federal Expenditures
U. S. Department of Transportation Highway Research, Planning and Construction			
<u>Michigan Department of Transportation</u>	20.205		
ARRA		106335A	\$ 80,000
		106652A	80,000
		106654A	80,716
		106655A	85,000
		106656A	80,000
		107114A	67,369
Total ARRA funding			<u>473,085</u>
		106588	47,347
		107599C	43,249
		102667A	45,965
		102097A	2,719
Total Other Michigan Department of Transportation Funding			<u>139,280</u>
Total subject to Single Audit Act			<u>612,365</u>
<u>Michigan Department of Transportation</u>	20.205		
		78320A	158
		82652A	22,217
		39446A	442
		102876A	13,969
		86283A	21,516
		82652A	25,484
		39446A	310
		78222A	34,926
		103866A	1,718,884
Total administered by the State of Michigan			<u>1,837,906</u>
Total Federal Funds as recorded in the financial statements			<u>\$ 2,450,271</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$1,837,906 was administered by the State of Michigan. The Road Commission has no responsibilities regarding fiscal or compliance controls over such assistance. These funds are not subject to the Single Audit Act.

See independent auditor's report on supplementary information.

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes ___X___ No

- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes ___X___ None reported

Noncompliance material to financial statements noted? ___ Yes ___X___ No

Federal Awards

Internal control over major program(s)?

- Material weakness(es) identified? ___ Yes ___X___ No

- Significant deficiencies identified that are not Considered to be material weaknesses? ___ Yes ___X___ None reported

Type of auditor’s report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ Yes ___X___ No

Identification of major program(s):

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
20.205	Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low risk auditee? ___ Yes ___X___ No

See Notes to Schedule of Expenditures of Federal Awards.

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Section II – Financial Statement Audit Findings

None

SAGINAW COUNTY ROAD COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
FOR THE YEAR ENDED DECEMBER 31, 2009

Section III – Federal Program Audit Findings

None