

SAGINAW COUNTY ROAD COMMISSION

Saginaw, Michigan

Financial Statements

December 31, 2010



**Gardner | Provenzano
Schauman & Thomas**

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
Heather A. Thomas
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INDEPENDENT AUDITOR'S REPORT

April 4, 2011

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, 2010, 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, 2010, 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 April 4, 2011, 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 considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires 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.

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, other additional supplemental information, and schedule of expenditures of federal awards as identified in the table of contents, are not a required part of the basic financial statements. The required supplementary information, additional supplemental information and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gardner, Provenzano, Schauman & 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, 2010

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. In accordance with GASB-34 the SCRC financial statement presentation includes financial information reported on the modified accrual accounting method as well as on the full accrual method of accounting. 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). Capital assets and infrastructure are not recognized as assets and capitalized at the governmental fund level.

In FY2009, Saginaw County Road Commission adopted GASB-45. This accounting pronouncement 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 an entity our 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 offered 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 true 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, 2010

CONDENSED FINANCIAL STATEMENTS

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

Condensed Statement of Net Assets

	Assets	2010	2009
Current		\$ 9,609,027	\$ 9,889,311
Capital assets		158,450,954	154,446,240
Total Assets		<u>\$ 168,059,981</u>	<u>\$ 164,335,551</u>
	Liabilities		
Current		\$ 623,867	\$ 811,158
Long-term liabilities		2,728,600	1,001,200
Total Liabilities		<u>\$ 3,352,467</u>	<u>\$ 1,812,358</u>
	Net Assets		
Restricted		\$ 7,484,741	\$ 8,076,953
Invested in capital assets - net of related debt		157,222,773	154,446,240
Total Net Assets		<u>\$ 164,707,514</u>	<u>\$ 162,523,193</u>

Condensed Statement of Activities

	Revenue	2010	2009
Federal and State Revenue		\$ 20,227,749	\$ 18,536,185
Contributions from Local units		2,335,072	3,723,491
Other, including charges for services		234,893	942,127
Total Revenue		<u>22,797,714</u>	<u>23,201,803</u>
	Expenses		
Primary preventive/routine maintenance		4,682,293	4,200,972
Local preventive/routine maintenance		6,126,108	6,724,491
Depreciation		8,004,683	7,908,945
Administrative		755,499	818,231
Other		1,044,810	1,708,858
Total Expenses		<u>20,613,393</u>	<u>21,361,497</u>
Change In Net Assets		<u>\$ 2,184,321</u>	<u>\$ 1,840,306</u>

FINANCIAL ANALYSIS OF THE COMMISSION AS A WHOLE

The total net assets increased by \$2,184,321 during the year ended December 31, 2010. The net assets and changes in net assets are summarized below.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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.

Net assets increased by \$2,184,321. The largest portion of that increase was investment in capital assets—net of related debt in the amount of \$2,776,533. Additions of infrastructure, for example roads and bridges, represent the majority of the increase in investment in capital assets. The depreciation for the current year's infrastructure will be recognized in the subsequent year. Unrestricted net assets decreased by \$591,852.

Revenue decreased by \$404,089 from 2009. Most of the decrease was in the other, including charges for services line item. In 2009, there was substantial revenue from the gain on disposal of equipment and private source contributions that did not reoccur at the same level.

Expenses decreased by \$748,104 from 2009. The most significant decrease was in the other category and was due to a decrease in other non-road expenses.

THE ROAD COMMISSION'S FUND

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

During the year ending December 31, 2010, the general fund balance decreased by \$92,993 or 1% of the beginning general fund balance. This decrease was planned and significantly less than the decrease of \$431,101 in the 2009 fiscal year. We had planned for a decrease in fund balance in the amount of \$1,954,758, however some projects were not completed in 2010 that had been budgeted. (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.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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

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 2010 budget was adopted in December 2009. The budget is reviewed periodically and amended as information becomes available or management's plans change. In December 2009, management budgeted for many primary projects, including Federal and State funded projects to be completed during FY2010.

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

- Federal revenue decreased by \$2,172,194 due to the postponement of the Freeland Road Bridge and changing the classification of the Fort Road Bridge from Federal Revenue to State Revenue.
- State revenue increased by \$1,831,717 due to an increase in Motor Vehicle revenue over what was projected. Also as noted above, the Federal revenue dollars for Fort Road Bridge were reclassified from Federal to State revenue.
- Township revenue decreased by \$821,384 due to the overestimation of the local contributions towards maintenance projects and some preservation projects. At the time the original budget was developed, most Township project data is not available for us to make a more accurate estimation. If revenue sharing for the Townships continues to decline, this will be even harder to estimate in the future.
- The Construction/capacity improvements expenditures increased by \$1,288,735 due to the reclassification of projects from Preservation/structural improvements to Construction/capacity improvements and related distribution charges. The Preservation/structural improvements decreased by \$4,008,579 due to this reclassification, decreased costs on two bridge projects, and related distribution charges.
- The increase in preventative maintenance was due to the original budget numbers being somewhat conservative. In addition, during the year we also added \$500,000 in chipseal projects and \$100,000 in crackseal projects.

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2010

AMENDED BUDGET VERSUS ACTUAL

The significant differences from amended to actual are as follows:

- Actual State revenue was lower by \$469,989 due to the under estimation of Category A funds for the HSC projects. The combination of all the projects was not finalized by engineering until year-end, thus actual costs were unknown at the time of amending the budget.
- Township expenditures, which falls into the Preservation/structural improvement category, were \$975,286 lower than budgeted. Most of this difference can be attributed to the postponement of projects and lower costs of projects.
- Preventive/routine maintenance was lower by \$673,498 than the final budgeted. The majority of this difference is associated with winter maintenance. The budget included higher levels of winter maintenance than was actually needed due to favorable weather conditions.
- Equipment-Net was \$479,244 lower than anticipated. The major differences can be attributed to actual direct expenses, which include the depreciation estimate, coming in under estimate.

CAPITAL ASSETS

SCRC has capital assets for full accrual accounting purposes, net of accumulated depreciation, of \$158,450,954, which is an increase of \$4,004,714. This information, which includes infrastructure, is summarized below.

	<u>2010</u>	<u>2009</u>
Land and improvements	\$ 38,108,186	\$ 37,626,034
Buildings and improvements	2,718,370	2,671,528
Road equipment	13,830,937	13,148,371
Other equipment	1,210,053	1,188,842
Infrastructure assets	<u>240,133,495</u>	<u>228,324,229</u>
Total Capital Assets	296,001,041	282,959,004
Accumulated Depreciation	<u>(137,550,087)</u>	<u>(128,512,764)</u>
Net Capital Assets	<u>\$ 158,450,954</u>	<u>\$ 154,446,240</u>

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

SAGINAW COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2010

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 \$559,156 and the Net OPEB obligation of \$941,263. More details of SCRC long-term debt is presented in the notes to the financial statements. During 2010, one of the roads in the county fell in and Saginaw County Road Commission did not have the resources to fix it. We applied for a State Infrastructure Loan to secure funds for the repairing of the road. The majority of these funds will be paid back, starting in 2013, by Federal Funds. The balance of the loan at December 31, 2010 was \$1,228,181

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.

**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, 2010

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Cash	\$ 99,542	\$ -	\$ 99,542
Investment	4,983,390	-	4,983,390
Accounts Receivable			
Michigan Transportation Department	2,299,006	-	2,299,006
Sundry	34,568	-	34,568
Cities, Townships and Villages	1,347,864	-	1,347,864
Interest	8,344	-	8,344
Inventories			
Equipment materials and parts	122,199	-	122,199
Road materials	214,868	-	214,868
Prepaid expense	499,246	-	499,246
Capital assets, net of accumulated depreciation	-	158,450,954	158,450,954
Total Assets	<u>\$ 9,609,027</u>	<u>\$ 158,450,954</u>	<u>\$ 168,059,981</u>
LIABILITIES			
Accounts payable	\$ 349,186	\$ -	\$ 349,186
Accrued liabilities	73,404	-	73,404
Advances	2,000	-	2,000
Other liabilities	195,623	-	195,623
Deferred revenues	3,654	-	3,654
Long-term liabilities			
State infrastructure bank loan	-	1,228,181	1,228,181
Compensated absences-due in more than one year	-	559,156	559,156
Net OPEB obligation	-	941,263	941,263
Total Liabilities	<u>623,867</u>	<u>2,728,600</u>	<u>3,352,467</u>
FUND BALANCE/NET ASSETS			
Fund Balances:			
Restricted for County Roads	8,985,160	(8,985,160)	-
Total Fund Balance	<u>8,985,160</u>	<u>(8,985,160)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 9,609,027</u>		
Net Assets:			
Invested in capital assets, net of related debt		157,222,773	157,222,773
Restricted for County Roads		7,484,741	7,484,741
Total Net Assets		<u>\$ 164,707,514</u>	<u>\$ 164,707,514</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, 2010

Total governmental fund balance	\$ 8,985,160
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	158,450,954
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(2,728,600)
Net Assets of Governmental Activities	<u>\$ 164,707,514</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, 2010

	General Fund	Adjustments	Statement of Activities
Revenue			
Federal	\$ 3,509,200	\$ -	\$ 3,509,200
State	16,718,549	-	16,718,549
County			
City and Villages	11,299	-	11,299
Township	2,266,633	-	2,266,633
Other government	57,140	-	57,140
Interest	57,815	-	57,815
Charge for services	83,683	-	83,683
Gain on disposal	29,261	-	29,261
Other revenue	64,134	-	64,134
Total Revenue	<u>22,797,714</u>	<u>-</u>	<u>22,797,714</u>
Expenditures/expense			
Primary construction/capacity improvements	1,123,226	(1,123,226)	-
Primary preservation/structural improvements	10,025,786	(10,025,786)	-
Primary preventive/routine maintenance	4,682,293	-	4,682,293
Local preservation/structural improvements	1,142,406	(1,142,406)	-
Local preventive/routine maintenance	6,126,108	-	6,126,108
Administrative	693,929	38,753	732,682
Net equipment expense	(66,595)	-	(66,595)
Net capital outlay			
Capital outlay	830,022	(830,022)	-
Depreciation credits	(1,112,043)	1,112,043	-
Debt service interest	22,817	-	22,817
Infrastructure Depreciation	-	8,004,683	8,004,683
Drain assessment	125,456	-	125,456
Other Non-road	525,483	-	525,483
OPEB benefits	-	460,466	460,466
Total Expenditures/expense	<u>24,118,888</u>	<u>(3,505,495)</u>	<u>20,613,393</u>
Excess of Revenues Over (Under) Expenditures before other financing sources (uses)	(1,321,174)	3,505,495	2,184,321
Other financing sources (uses)			
Other financing sources	<u>1,228,181</u>	<u>(1,228,181)</u>	<u>-</u>
Net Change in Fund Balance/Net Assets	(92,993)	2,277,314	2,184,321
Fund Balance/Net Assets - Beginning of Year	9,078,153	153,445,040	162,523,193
Fund Balance/Net Assets - End of Year	<u>\$ 8,985,160</u>	<u>\$ 155,722,354</u>	<u>\$ 164,707,514</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, 2010

Net Change in fund balance--total governmental funds	\$ (92,993)
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	13,121,441
Depreciation	(9,109,456)
Equipment retirement	(7,271)
Note proceeds provide current financial resource to governmental funds, but entering into notes payable increases long-term liabilities in the statement of net assets.	(1,228,181)
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.	(460,466)
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)	(38,753)
Change in net assets of governmental activities	<u>\$ 2,184,321</u>

See accompanying notes to the basic financial statements.

NOTES TO FINANCIAL STATEMENTS

SAGINAW COUNTY ROAD COMMISSION
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.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

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.

Deposits

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

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

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.

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.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Demand deposits	\$250,000	\$ -	\$ 129,769	\$ 379,769	\$ 99,160
Investment held by County	-	-	4,983,390	4,983,390	4,983,390
Cash on hand	-	-	382	-	382
Totals	<u>\$250,000</u>	<u>\$ -</u>	<u>\$ 5,113,541</u>	<u>\$ 5,363,159</u>	<u>\$ 5,082,932</u>

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

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 3--CAPITAL ASSETS AND DEPRECIATION

Changes in capital assets for the year are as follows:

Governmental Activities	Balance 12/31/2009	Additions	Retirements	Balance 12/31/2010
Capital Assets Not Being Depreciated				
Land	\$ 618,385	\$ -	\$ -	\$ 618,385
Total Land and Improvements	618,385	-	-	618,385
Other Capital Assets				
Land and improvements, infrastructure	37,007,649	482,152	-	37,489,801
Land Improvements	427,771	16,806	-	444,577
Depletable Assets	42,008	-	-	42,008
Buildings	2,201,749	30,036	-	2,231,785
Road equipment	13,148,371	740,661	58,095	13,830,937
Shop equipment	135,449	249	-	135,698
Engineers equipment	239,935	9,420	747	248,608
Yard and storage equipment	5,646	-	-	5,646
Office equipment	807,812	32,851	20,562	820,101
Infrastructure and improvements	228,324,229	11,809,266	-	240,133,495
Total Other Capital Assets	282,340,619	13,121,441	79,404	295,382,656
Total Capital Assets	282,959,004	13,121,441	79,404	296,001,041
Accumulated Depreciation				
Land Improvements	394,090	7,571	-	401,661
Depletable Assets	3,914	-	-	3,914
Buildings	1,710,780	51,561	-	1,762,341
Road equipment	10,432,201	939,436	56,265	11,315,372
Shop equipment	118,728	6,254	-	124,982
Engineers equipment	119,821	6,737	747	125,811
Yard and storage equipment	5,646	-	-	5,646
Office equipment	547,851	93,214	15,121	625,944
Infrastructure and improvements	115,179,733	8,004,683	-	123,184,416
Total Accumulated Depreciation	128,512,764	9,109,456	72,133	137,550,087
Total Net Capital Assets	\$ 154,446,240	\$ 4,011,985	\$ 7,271	\$ 158,450,954

NOTE 4--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, 2010 was \$741.

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, 2010 is \$335,522. Additionally, up to twenty days vacation may be carried over to a succeeding year, subject to certain restrictions. Accumulated vacation payable at December 31, 2010 is \$223,634.

State Infrastructure Bank Loan (SIB Loan)

The SIB Loan has been issued pursuant to Section 350 of the National Highway System Designation Act of 1995. The financing from these notes was used to fund improvements to Sharon Road in Saginaw County. The loan is due in full August 15, 2015. Interest paid on the loan is set at 3% of unpaid balance.

Following is a summary of long term liabilities for the year ended December 31, 2010:

	<u>Balance</u> <u>1/1/2010</u>	<u>Increase</u>	<u>Reduction</u>	<u>Balance</u> <u>12/31/2010</u>	<u>Due Within</u> <u>One year</u>
Compensated absences	\$ 520,403	\$ 59,381	\$ 20,628	\$ 559,156	\$ -
SIB Loan	-	1,228,181	-	1,228,181	-
Total	<u>\$ 520,403</u>	<u>\$ 1,287,562</u>	<u>\$ 20,628</u>	<u>\$ 1,787,337</u>	<u>\$ -</u>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ 36,845	\$ 36,845
2012	-	36,846	36,846
2013	445,000	36,846	481,846
2014	462,977	23,495	486,472
2015	320,204	9,606	329,810
Compensated absences	559,156	-	559,156
	<u>\$ 1,787,337</u>	<u>\$ 143,638</u>	<u>\$ 1,930,975</u>

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN

Plan Description

The SCRC's defined benefit pension plan provides retirement, disability, and death benefits to plan members and beneficiaries. The SCRC 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. MERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing MERS, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

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 SCRC depending on the MERS contribution program adopted by the SCRC.

Annual Pension Cost

For the year ended December 31, 2010, the Road Commission's annual pension cost and required contribution was \$251,039. The required contribution was determined as part of the December 31, 2008, actuarial valuation using the entry age actuarial cost method. 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 actuarial value of assets is determined on the basis of a method that calculates expected investment income at the valuation rate of return and adds a portion of the difference between the expected investment income earned on a market value basis.

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

NOTE 6--PENSION PLAN (continued)

Three-year Trend Information

Fiscal Year Period Ended	Annual Pension Cost	Percentage of APC Contributed	Net Pension Asset
12/31/2008	\$ 294,760	204%	\$ 307,000
12/31/2009	\$ 194,872	177%	\$ 150,000
12/31/2010	\$ 251,039	100%	\$ -

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)
12/31/2007	\$ 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%
12/31/2009	\$ 24,465,502	\$ 25,889,973	\$ 1,424,471	94%	\$3,500,897	41.0%

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.

Through April 30, 2010, 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.

SAGINAW COUNTY ROAD COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 7--RISK MANAGEMENT (continued)

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 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.

Started May 1, 2010, SCRC is fully insured through Health Plus to include drug coverage. Employees contribute 12% of the premium.

Employees of the Commission were covered by the Saginaw Road Commission's prescription drug plan administered through 4D through April 30, 2010. 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. At the time of the last actuary report, as of December 31, 2007, the plan provided 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 last actuary report, as of December 31, 2007, the membership of the plan was seventy-nine active members and eighty-one retirees and beneficiaries receiving benefits. The SCRC has the authority to establish the funding policy for the plan, and to amend the obligations of both the

SAGINAW COUNTY ROAD COMMISSION
 NOTES TO FINANCIAL STATEMENTS

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

Plan Description (continued)

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).

Funding Policy

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

Expenditures for postemployment benefits are recognized as the insurance premiums become due. During the year ended December 31, 2010, approximately \$945,804 for postemployment benefits was paid and recorded as expenditures in the general fund.

Annual OPEB Cost and Net Obligation

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	21,636
Less adjustments to ARC	<u>(16,027)</u>
Annual OPEB cost	1,406,270
Amounts contributed:	
Payments of current premiums	(945,804)
Advanced funding	<u>-</u>
Increase (decrease) in net OPEB obligation	460,466
OPEB obligation beginning of the year	<u>480,797</u>
OPEB obligation end of the year	<u><u>\$ 941,263</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net Pension Obligation</u>
12/31/2009	\$ 1,400,661	63%	\$ 480,797
12/31/2010	\$ 1,406,270	64%	\$ 941,263

The funding progress of the plan as of December 31, 2007, the date of the last actuary report, 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, 2010, the Federal aid received and expended by the Road Commission was \$3,162,858 for contracted projects and \$346,342 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.

REQUIRED SUPPLEMENTAL INFORMATION

SAGINAW COUNTY ROAD COMMISSION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual	Actual Vs. Final Budget Favorable (Unfavorable)
Revenue				
Federal	\$ 5,780,020	\$ 3,607,826	\$ 3,509,200	\$ (98,626)
State	15,356,821	17,188,538	16,718,549	(469,989)
County				
City and Villages	2,000	11,000	11,299	299
Township	3,114,556	2,293,172	2,266,633	(26,539)
Other government	10,000	51,200	57,140	5,940
Interest	90,000	55,000	57,815	2,815
Charge for services	75,000	80,000	83,683	3,683
Gain on disposal	9,350	39,500	29,261	(10,239)
Other revenue	18,000	45,900	64,134	18,234
Total Revenue	<u>24,455,747</u>	<u>23,372,136</u>	<u>22,797,714</u>	<u>(574,422)</u>
Expenditures				
Construction/capacity improvements	-	1,288,735	1,123,226	165,509
Preservation/structural improvements	16,152,057	12,143,478	11,168,192	975,286
Preventive/routine maintenance	10,307,349	11,481,899	10,808,401	673,498
Administration	734,000	702,700	693,929	8,771
Capital Outlay-net	(351,300)	(369,000)	(282,021)	(86,979)
Equipment-net	78,504	412,649	(66,595)	479,244
Drain assessment	125,500	125,500	125,456	44
Other	1,199,437	506,458	525,483	(19,025)
Debt service	66,000	66,000	22,817	43,183
Total Expenditures	<u>28,311,547</u>	<u>26,358,419</u>	<u>24,118,888</u>	<u>2,239,531</u>
Excess of Revenues Over (Under) Expenditures before other financing sources (uses)	(3,855,800)	(2,986,283)	(1,321,174)	1,665,109
Other financing sources (uses)				
Other financing sources	1,200,000	1,031,525	1,228,181	196,656
Total Other financing sources (uses)	<u>1,200,000</u>	<u>1,031,525</u>	<u>1,228,181</u>	<u>196,656</u>
Net Change in Fund Balance	(2,655,800)	(1,954,758)	(92,993)	1,861,765
Fund Balance, Beginning of Year	9,078,153	9,078,153	9,078,153	-
Fund Balance, End of Period	<u>\$ 6,422,353</u>	<u>\$ 7,123,395</u>	<u>\$ 8,985,160</u>	<u>\$ 1,861,765</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, 2010

	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
Revenues				
Federal				
Surface transportation program	\$ 2,924,993	\$ -	\$ -	\$ 2,924,993
Other ARRA; HRR	584,207	-	-	584,207
Total Federal	<u>3,509,200</u>	<u>-</u>	<u>-</u>	<u>3,509,200</u>
State				
Engineering	6,665	3,335	-	10,000
Urban road	1,050,895	539,729	-	1,590,624
Allocation	7,136,152	3,571,327	-	10,707,479
Critical bridge	4,130,962	-	-	4,130,962
Economic development fund	279,484	-	-	279,484
Total State	<u>12,604,158</u>	<u>4,114,391</u>	<u>-</u>	<u>16,718,549</u>
County				
City and villages	-	-	11,299	11,299
Township	973,970	1,292,663	-	2,266,633
Other government	-	-	57,140	57,140
Total County	<u>973,970</u>	<u>1,292,663</u>	<u>68,439</u>	<u>2,335,072</u>
Other				
Interest and rents	23,084	21,312	13,419	57,815
Charges for services	8,368	54,394	20,921	83,683
Gain (loss) equipment disposals	5,560	7,023	16,678	29,261
Other	6,116	6,116	7,272	19,504
Sundry refunds	-	-	44,630	44,630
Other financing sources	1,228,181	-	-	1,228,181
Total Other	<u>1,271,309</u>	<u>88,845</u>	<u>102,920</u>	<u>1,463,074</u>
Total Revenues	<u>\$ 18,358,637</u>	<u>\$ 5,495,899</u>	<u>\$ 171,359</u>	<u>\$ 24,025,895</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, 2010

	Appropriated		County Roads	Total
	Primary Roads	Local Roads		
Expenditures				
Construction/capacity improvements	\$ 1,123,226	\$ -	\$ -	\$ 1,123,226
Preservation/structural improvements	10,025,786	1,142,406	-	11,168,192
Preventive/routine maintenance	4,682,293	6,126,108	-	10,808,401
Other				
Administration	475,580	218,349	-	693,929
Equipment	1,289,796	2,058,093	94,280	3,442,169
Less: equipment rental	(1,314,749)	(2,097,910)	(96,105)	(3,508,764)
Capital outlay	332,009	332,009	166,004	830,022
Less: depreciation credits and retirements	(212,815)	(268,054)	(631,174)	(1,112,043)
Debt service interest	22,817	-	-	22,817
Drain assessment	31,364	94,092	-	125,456
Other Non-road	-	-	525,483	525,483
Total Other	<u>624,002</u>	<u>336,579</u>	<u>58,488</u>	<u>1,019,069</u>
Total Expenditures	<u>16,455,307</u>	<u>7,605,093</u>	<u>58,488</u>	<u>24,118,888</u>
Excess of revenue over (under) expenditures	1,903,330	(2,109,194)	112,871	(92,993)
Other financing sources (uses)				
Optional transfer	(2,458,113)	2,458,113	-	-
Fund Balance, Beginning	3,624,738	3,346,413	2,107,002	9,078,153
Fund Balance, Ending	<u>\$ 3,069,955</u>	<u>\$ 3,695,332</u>	<u>\$ 2,219,873</u>	<u>\$ 8,985,160</u>

See independent auditor's report on supplementary information.



Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

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

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 4, 2011

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, 2010, which comprise Saginaw County Road Commission's basic financial statements, and have issued our report thereon dated April 4, 2011. 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 an opinion 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*.

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, Privenyome, Schaumcor & Thomas, P.C.

Certified Public Accountants

SAGINAW COUNTY ROAD COMMISSION
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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		106657A	\$ 80,993
		106658A	70,000
		106659A	66,000
		107147A	65,000
Total ARRA funding			<u>281,993</u>
		111267A	12,982
		107599C	12,039
		102667A	3,328
		111269A	36,000
Total Other Michigan Department of Transportation Funding			<u>64,349</u>
Total negotiated Federal Awards			<u>346,342</u>
<u>Michigan Department of Transportation</u>	20.205		
		102267A	535,438
		107599A	755,325
		105329A	236,253
		106588A	1,140,000
		108649A	193,629
		103866A	117,713
		104485A	184,500
Total administered by the State of Michigan			<u>3,162,858</u>
Total Federal Funds as recorded in the financial statements			<u>\$ 3,509,200</u>

Note: Federal financial assistance, received under the highway planning and construction program, in the amount of \$3,162,858 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, 2010

Section II – Financial Statement Audit Findings

None