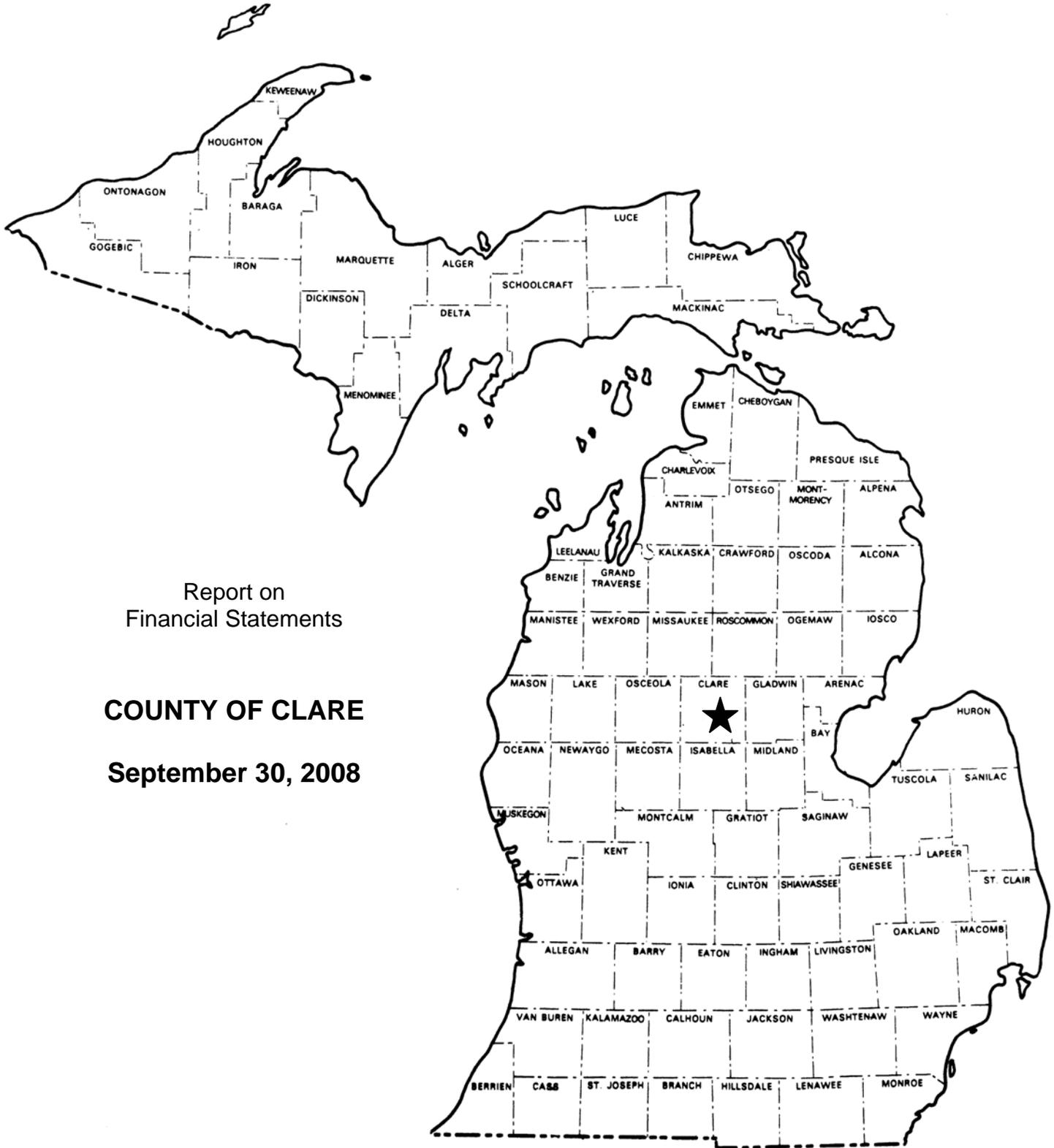


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**  
Robert J. Kleine, Treasurer



Report on  
Financial Statements

**COUNTY OF CLARE**

**September 30, 2008**

CLARE COUNTY

BOARD OF COMMISSIONERS  
September 30, 2008

Karen Lipovsky  
Chairperson

Jim Gelios  
Lynn Grim  
Fred DeBoer

Jordon Lockmiller  
Donald David  
Jack Kleinhardt

COURT JUDGES

Thomas Evans  
Circuit Judge

Roy Mienk  
Circuit Judge

Gary J. Allen  
District Judge

Thomas P. McLaughlin  
Probate Judge

OTHER ELECTED OFFICIALS

Carol A. McAulay  
Clerk/Register of Deeds  
and Abstractor

Paul Lapham  
Surveyor

Jeffery Goyt  
Sheriff

Stephen Conroy  
Drain Commissioner

Lois Chinn  
Treasurer

Norman Gage  
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Timothy Haskin  
Chairperson

Richard Haynak

Michael Duggan

COUNTY POPULATION--2000  
31,252

STATE EQUALIZED VALUATION--2008  
\$1,429,191,719



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 23, 2009

Board of County Commissioners  
County of Clare  
225 West Main Street  
P.O. Box 438  
Harrison, Michigan 48625

RE: Unqualified Opinion on Basic Financial Statements and Supplementary  
Schedule of Expenditures of Federal and State Awards--Governmental Entity

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare, Michigan, as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Transit Corporation (enterprise fund) which represents 29% and 67%, respectively, of the assets and revenues of the business-type funds. We did not audit the financial statements of the Clare County Road Commission (special revenue component unit) which represents 94% and 99%, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of September 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2009 on our consideration of the County's internal control over financial reporting and on 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.

The Management's Discussion and Analysis and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, 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 and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

**CLARE COUNTY**  
**TABLE OF CONTENTS**

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS .....	1
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
EXHIBIT A--Government-Wide Statement of Net Assets .....	11
EXHIBIT B--Government-Wide Statement of Activities .....	13
EXHIBIT C--Balance Sheet--Governmental Funds .....	15
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances--Governmental Funds.....	16
EXHIBIT D-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities.....	17
EXHIBIT E--Statement of Net Assets--Proprietary Funds .....	18
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds .....	19
EXHIBIT G--Statement of Cash Flows--Proprietary Funds .....	20
EXHIBIT H--Statement of Net Assets--Fiduciary Funds.....	21
EXHIBIT I--Statement of Net Assets--Component Units .....	22
EXHIBIT J--Statement of Activities--Component Units .....	23
NOTES TO FINANCIAL STATEMENTS.....	24
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
EXHIBIT K--Budgetary Comparison Schedule--General Fund.....	68
EXHIBIT L--Budgetary Comparison Schedule--Gypsy Moth Fund Major Special Revenue Fund.....	69
EXHIBIT M--Budgetary Comparison Schedule--Revenue Sharing Reserve Major Special Revenue Fund.....	70

CLARE COUNTY

TABLE OF CONTENTS  
(Continued)

Page

**SUPPLEMENTARY INFORMATION AND SCHEDULES**

EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds .....	71
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds .....	74
EXHIBIT P--Combining Statement of Net Assets--Non-Major Enterprise Funds .....	77
EXHIBIT Q--Statement of Revenues, Expenses and Changes in Net Assets Non-Major Enterprise Funds .....	78
EXHIBIT R--Combining Statement of Cash Flows--Non-Major Enterprise Funds .....	79
EXHIBIT S--Combining Statement of Net Assets--Internal Service Funds .....	80
EXHIBIT T--Statement of Revenues, Expenses and Changes in Net Assets Internal Service Funds .....	81
EXHIBIT U--Combining Statement of Cash Flows--Internal Service Funds .....	82
EXHIBIT V--Combining Statement of Fiduciary Net Assets--Agency Funds .....	83
EXHIBIT W--Statement of Revenues and Other Financing Sources Budget and Actual--General Fund .....	84
EXHIBIT X--Statement of Expenditures and Other Uses--By Activity Budget and Actual--General Fund .....	87
EXHIBIT Y-1--Combining Statements of Net Assets Department of Public Works--Component Unit .....	90
EXHIBIT Y-2--Combining Statement of Activities Department of Public Works--Component Unit .....	91
EXHIBIT Y-3--Combining Balance Sheet--Department of Public Works Component Unit--Governmental Funds .....	92
EXHIBIT Y-4--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Department of Public Works--Component Unit Governmental Funds .....	93

**CLARE COUNTY**

**TABLE OF CONTENTS  
(Continued)**

	<u>Page</u>
EXHIBIT Z-1--Combining Statements of Net Assets--Drain Component Unit.....	94
EXHIBIT Z-2--Combining Statement of Activities--Drain Component Unit.....	95
EXHIBIT Z-3--Combining Balance Sheet--Drain--Component Unit Governmental Funds.....	96
EXHIBIT Z-4--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Drain--Component Unit--Governmental Funds .....	97
SCHEDULE 1--Expenditures of Federal Awards .....	98
Notes to Schedule of Expenditures of Federal Awards .....	99
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> .....	100
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 .....	103
Report to Those Charged With Governance.....	105
Schedule of Findings and Questioned Costs.....	108

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2008

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended September 30, 2008. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the County's financial activity; c) identify changes in the County's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

#### *Using this Annual Report*

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County, as a whole, and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

#### *Overview of the Financial Statements*

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents supplementary information and schedules. The basic financial statements include two kinds of statements that present different views of the County.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the County's overall financial status. These statements report information about the County, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County and present a longer-term view of the County's finances. The two government-wide statements report the County's net assets and how they have changed. In the statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:
  - Governmental Activities--Most of the County's basic services are reported here, including the general government, public safety, health and welfare, and cultural and recreation. Property taxes, State and Federal Grants and charges for services finance most of these activities.

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2008

- Business-Type Activities--The County charges a fee to customers to help it cover all or most of the cost of certain services it provides. The County's delinquent tax revolving fund, public transit, and jail commissary funds are reported here.
- Component Units--The County includes four separate legal entities in its report: the County Road Commission, Economic Development Corporation, Department of Public Works and Drain Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.
- The remaining statements are fund financial statements and provide detailed information about the most significant funds, not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that focus on individual funds; reporting the operations in more detail than the government-wide statements. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. The County's two kinds of funds, governmental and proprietary, use different accounting approaches.
  - *Governmental Funds*--Most of the County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental funds in reconciliations on exhibits following the fund statements.
  - *Proprietary Funds*--When the County charges customers for the services it provides, these are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the County's enterprise funds are the same as business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.
  - *Fiduciary Funds*--The County is the fiduciary agent acting in various capacities for others. All of the County's fiduciary activities are reported in a separate Statement of Net Assets for Fiduciary Funds. We exclude these activities from the County's other financial statements because the County can not use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2008

#### The County as a Whole

The County's net assets for the governmental funds decreased \$111,124 or 1% from the prior fiscal year for the governmental activities. The County's net assets for the business-type activities also increased \$76,862 or 1% from the prior fiscal year. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Difference	Percent
Other Assets	\$ 9,000,530	\$ 8,807,149	\$ (193,381)	-2%
Capital Assets	4,108,350	4,281,675	173,325	4%
<b>Total Assets</b>	<b>13,108,880</b>	<b>13,088,824</b>	<b>(20,056)</b>	<b>0%</b>
Long-Term Liabilities Outstanding	1,834,782	1,631,334	(203,448)	-11%
Other Liabilities	649,734	944,250	294,516	45%
<b>Total Liabilities</b>	<b>2,484,516</b>	<b>2,575,584</b>	<b>91,068</b>	<b>4%</b>
<b>Net Assets</b>				
Invested in Capital Assets				
Net of Related Debt	2,626,780	2,977,371	350,591	13%
Restricted	4,090,200	3,467,172	(623,028)	-15%
Unrestricted	3,907,384	4,068,697	161,313	4%
<b>Total Net Assets</b>	<b>\$ 10,624,364</b>	<b>\$10,513,240</b>	<b>\$ (111,124)</b>	<b>-1%</b>

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, charges or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. All assets as such (except for assets invested in capital assets-net or related debt) are considered restricted.

**COUNTY OF CLARE**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
Fiscal Year Ended September 30, 2008**

A portion of the County’s net assets in the amount of \$2,977,371 reflects its investments in capital assets (i.e., land, buildings, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the citizens of Clare County; consequently, these assets are not available for future spending. Although the County’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County’s net assets, \$3,467,172 represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$4,068,697 represents “unrestricted net assets” that may be used to meet the County’s ongoing obligations to citizens and creditors.

At the end of the 2008 fiscal year, the County is able to report positive balances in all three categories of net assets, both from a government as a whole as well as for separate governmental and business activities, as explained above.

	<u>Business-Type Activities 2007</u>	<u>Business-Type Activities 2008</u>	<u>Difference</u>	<u>Percent</u>
Other Assets	\$6,410,307	\$ 6,710,679	\$ 300,372	5%
Capital Assets	<u>1,253,976</u>	<u>1,008,628</u>	<u>(245,348)</u>	<u>-20%</u>
Total Assets	<u>7,664,283</u>	<u>7,719,307</u>	<u>55,024</u>	<u>1%</u>
Other Liabilities	<u>89,046</u>	<u>67,208</u>	<u>(21,838)</u>	<u>-25%</u>
Total Liabilities	<u>89,046</u>	<u>67,208</u>	<u>(21,838)</u>	<u>-25%</u>
Net Assets				
Invested in Capital Assets	1,253,976	1,008,628	(245,348)	-20%
Unrestricted	<u>6,321,261</u>	<u>6,643,471</u>	<u>322,210</u>	<u>5%</u>
Total Net Assets	<u><u>\$7,575,237</u></u>	<u><u>\$ 7,652,099</u></u>	<u><u>\$ 76,862</u></u>	<u><u>1%</u></u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended September 30, 2008**

The following table shows the changes of the net assets for the years ended September 30, 2007 and September 30, 2008:

	Governmental Activities <u>2007</u>	Governmental Activities <u>2008</u>	Difference	Percent
Program Revenues				
Charges for Services	\$ 2,998,348	\$ 3,090,014	\$ 91,666	3%
Operating Grants and Contributions	3,014,461	2,943,873	(70,588)	-2%
Capital Grants and Contributions	80,689	96,347	15,658	19%
General Revenues				
Property Taxes	6,921,246	5,762,089	(1,159,157)	-17%
Unrestricted Investment Earnings	238,955	102,742	(136,213)	-57%
Other Revenues	858,029	707,429	(150,600)	-18%
<b>Total Revenues</b>	<u>14,111,728</u>	<u>12,702,494</u>	<u>(1,409,234)</u>	<u>-10%</u>
Program Expenses				
General Government	4,232,228	4,462,086	229,858	5%
Public Safety	5,187,196	5,418,627	231,431	4%
Public Works	100,679	310,597	209,918	209%
Health and Welfare	1,935,899	1,708,213	(227,686)	-12%
Community and Economic Development	764,890	484,671	(280,219)	-37%
Recreation and Culture	13,589	43,475	29,886	220%
Other	742,154	769,437	27,283	4%
Interest on Long-Term Debt	36,675	71,512	34,837	95%
<b>Total Expenses</b>	<u>13,013,310</u>	<u>13,268,618</u>	<u>255,308</u>	<u>2%</u>
Increase (Decrease) in Net Assets				
Before Transfers	1,098,418	(566,124)	(1,664,542)	-152%
Transfers	<u>371,250</u>	<u>455,000</u>	<u>83,750</u>	<u>23%</u>
Change in Net Assets	1,469,668	(111,124)	(1,580,792)	-108%
Beginning Net Assets	<u>9,154,696</u>	<u>10,624,364</u>	<u>1,469,668</u>	<u>16%</u>
Ending Net Assets	<u><u>\$10,624,364</u></u>	<u><u>\$10,513,240</u></u>	<u><u>\$ (111,124)</u></u>	<u><u>-1%</u></u>

Public Act 357 of 2004 provided a funding mechanism to serve as a substitute to County revenue sharing payments. This substitute funding mechanism involved a gradual shift of County property tax millage from a winter tax levy to a summer tax levy and, additionally, required the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund. The creation of the Revenue Sharing Reserve Fund in 2004 shifted the General Fund County Property Tax Collections from December to July over a three year period. During the time period, the County will levy 33% more each fiscal year and set aside that amount into the Revenue Sharing Fund. The County in turn draws an amount from the fund each year equal to the estimated State Revenue Sharing payment.

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended September 30, 2008**

This process is intended to fill the funding gap created by the elimination of State revenue sharing until it is reinstated in 2010. The amount being drawn from this account must be reduced in 2009 for it to accomplish that goal.

**Business-Type Activities**

The County's net assets for business-type activities decreased during 2008 by \$76,862 or by 1% from the prior fiscal year. This was due largely to a decrease in capital grants and contributions, as well as the decrease in services rendered related to tax foreclosure sales.

	<u>Business-Type Activities 2007</u>	<u>Business-Type Activities 2008</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 1,129,726	\$ 1,029,778	\$ (99,948)	-9%
Operating Grants and Contributions	709,546	754,424	44,878	6%
Capital Grants and Contributions	263,301	48,343	(214,958)	-82%
General Revenues				
Property Taxes	270,624	289,383	18,759	7%
Unrestricted Investment Earnings	90,546	91,224	678	1%
Other	48,872		(48,872)	-100%
Total Revenues	<u>2,512,615</u>	<u>2,213,152</u>	<u>(299,463)</u>	<u>-12%</u>
Program Expenses				
Delinquent Tax Funds		28,079	28,079	100%
Public Transit	1,566,309	1,614,602	48,293	3%
Nonmajor Enterprise	141,234	38,609	(102,625)	-73%
Total Expenses	<u>1,707,543</u>	<u>1,681,290</u>	<u>(26,253)</u>	<u>-2%</u>
Increase in Net Assets Before Transfers	805,072	531,862	(273,210)	-34%
Transfers	<u>(371,250)</u>	<u>(455,000)</u>	<u>(83,750)</u>	<u>23%</u>
Increase (Decrease) in Net Assets	433,822	76,862	(356,960)	-82%
Beginning Net Assets	<u>7,141,415</u>	<u>7,575,237</u>	<u>433,822</u>	<u>6%</u>
Ending Net Assets	<u>\$ 7,575,237</u>	<u>\$ 7,652,099</u>	<u>\$ 76,862</u>	<u>1%</u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
Fiscal Year Ended September 30, 2008**

**Governmental Activities**

As the County completed fiscal year 2008, its governmental funds reported combined fund balances of \$5,439,023, an decrease of \$726,803 or 12% over the prior fiscal year. The net changes are summarized below:

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2008</u>	<u>Amount Difference</u>	<u>Percentage Difference</u>
Revenues				
Taxes	\$ 6,388,624	\$ 5,662,093	\$ (726,531)	-11%
Licenses and Permits	222,577	190,909	(31,668)	-14%
Federal and State Grants	1,965,308	1,897,957	(67,351)	-3%
Contributions From Local Units	443,562	549,768	106,206	24%
Charges for Services	2,735,945	2,860,309	124,364	5%
Fines and Forfeits	39,826	38,797	(1,029)	-3%
Interest and Rentals	1,016,429	704,597	(311,832)	-31%
Other Revenue	580,384	624,311	43,927	8%
Total Revenues	<u>13,392,655</u>	<u>12,528,741</u>	<u>(863,914)</u>	<u>-6%</u>
Expenses				
General Government	4,161,199	4,398,152	236,953	6%
Public Safety	4,855,978	5,168,267	312,289	6%
Public Works	100,679	310,015	209,336	208%
Health and Welfare	1,935,899	1,709,715	(226,184)	-12%
Community and Economic Development	769,791	484,671	(285,120)	-37%
Recreation and Cultural	13,589	43,475	29,886	220%
Other	742,154	769,437	27,283	4%
Capital Outlay	246,047	526,859	280,812	114%
Debt Service	591,484	592,003	519	0%
Total Expenditures	<u>13,416,820</u>	<u>14,002,594</u>	<u>585,774</u>	<u>4%</u>
Excess of Revenues Over (Under) Expenditures	<u>(24,165)</u>	<u>(1,473,853)</u>	<u>(1,449,688)</u>	<u>5999%</u>
Other Financing Sources (Uses)				
Loan Proceeds	51,475	210,750	159,275	309%
Bond Proceeds		81,000	81,000	100%
Interfund Transfers In (Out)	371,250	455,000	83,750	23%
Total Other Financing Sources (Uses)	<u>422,725</u>	<u>746,750</u>	<u>324,025</u>	<u>77%</u>
Beginning Fund Balance	<u>5,767,566</u>	<u>6,166,126</u>	<u>398,560</u>	<u>7%</u>
Ending Fund Balance	<u>\$ 6,166,126</u>	<u>\$ 5,439,023</u>	<u>\$ (727,103)</u>	<u>-12%</u>

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS Fiscal Year Ended September 30, 2008

#### The County's Funds

The financial statements for the County's major funds are detailed in Exhibits C and D, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The County's major funds for 2008 include the General Fund, Gypsy Moth Fund, Revenue Sharing Reserve Fund, Transit Fund, Delinquent Tax Revolving Fund and the 2007 Delinquent Tax Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund.

The most significant services paid by the County's governmental funds are general government, public safety and health and welfare, which incurred expenses of \$4,398,152, \$5,168,267 and \$1,709,715, respectively, during 2008.

Total governmental revenues decreased by approximately 6% primarily due to the continued decline in financial support from the State of Michigan and declining local property tax revenues. The total governmental expenditures increased by approximately 4% due to increases in fixed costs and collectively negotiated contracts.

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended September 30, 2008**

**Business-Type Activities**

	<u>Business-Type Activities 2007</u>	<u>Business-Type Activities 2008</u>	<u>Amount Difference</u>	<u>Percentage Difference</u>
Operating Revenues				
Interest and Penalties on Taxes	\$ 309,572	\$ 361,664	\$ 52,092	17%
Charges for Services	<u>820,154</u>	<u>668,114</u>	<u>(152,040)</u>	<u>-19%</u>
Total Operating Revenues	<u>1,129,726</u>	<u>1,029,778</u>	<u>(99,948)</u>	<u>-9%</u>
Operating Expenses				
Administrative	155,670	137,315	(18,355)	-12%
Operations	869,804	1,002,505	132,701	15%
Maintenance	196,007	181,125	(14,882)	-8%
Materials and Supplies	141,234	38,609	(102,625)	-73%
Depreciation	<u>344,828</u>	<u>293,780</u>	<u>(51,048)</u>	<u>-15%</u>
Total Operating Expenses	<u>1,707,543</u>	<u>1,653,334</u>	<u>(54,209)</u>	<u>-3%</u>
Net Income (Loss) From Operations	<u>(577,817)</u>	<u>(623,556)</u>	<u>(45,739)</u>	<u>8%</u>
Nonoperating Revenue (Expenses)				
Intergovernmental	709,546	736,613	27,067	4%
Property Taxes	270,624	289,383	18,759	7%
Interest Income	90,546	91,224	678	1%
Interest Expense		(27,956)	(27,956)	100%
Other	<u>48,872</u>	<u>17,811</u>	<u>(31,061)</u>	<u>-64%</u>
Total Nonoperating Revenues (Expenses)	<u>1,119,588</u>	<u>1,107,075</u>	<u>(12,513)</u>	<u>-1%</u>
Net Income (Loss) Before Operating Transfers	541,771	483,519	(58,252)	-11%
Capital Contributions	263,301	48,343	(214,958)	-82%
Transfers In (Out)--Primary Government	<u>(371,250)</u>	<u>(455,000)</u>	<u>(83,750)</u>	<u>23%</u>
Net Income (Loss)	433,822	76,862	(356,960)	-82%
Beginning Net Assets	<u>7,141,415</u>	<u>7,575,237</u>	<u>433,822</u>	<u>6%</u>
Ending Net Assets	<u>\$7,575,237</u>	<u>\$ 7,652,099</u>	<u>\$ 76,862</u>	<u>1%</u>

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**Fiscal Year Ended September 30, 2008**

**General Fund Budgetary Highlights**

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's General Fund revenue budget was increased by \$245,682 (2% above the original budget) during calendar year 2008. Actual General Fund revenue and other financing sources totaled \$10,941,708, which was \$460,162 lower than the final amended budget. The largest variance was the Charges for Services in which the actual revenue came in \$335,762 lower than the final budget.

The County's expenditure budget was increased by \$268,217 (2% over the original budget) during calendar year 2008. Actual General Fund expenditures and other financing uses totaled \$11,017,934, which was \$1,226,551 below the final amended budget. The largest variance was due to the interfund transfers that were \$402,825 below the final budget.

**Capital Asset and Debt Administration**

At the end of fiscal year 2008, the County had \$4,281,675 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this fiscal year included a new roof for the County building and jail and vehicles for the Sheriff's Department. These additions totaled \$526,860.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total debt outstanding of \$1,631,334 which includes vested employee benefits of \$327,030.

**Economic Factors and Next Year's Budgets and Rates**

The major problems being addressed in the 2009 fiscal year involve the County's growing reliance on the borrowing from the Delinquent Tax Revolving Fund and from over-dependence on the Revenue Sharing Reserve Fund. During the next three to five fiscal cycles, the County will be dealing with a reducing revenue stream and increased expenses. The County will need to accomplish fairly dramatic reductions in expenditures to avoid a worsening economic crisis.

**Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clare County Administrator's Office, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625.

CLARE COUNTY  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 September 30, 2008

EXHIBIT A

	<b>PRIMARY GOVERNMENT</b>			
	Governmental Activities	Business-Type Activities	Total	Component Units
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Cash Equivalents	\$ 3,045,877	\$ 1,117,462	\$ 4,163,339	\$ 373,781
Investments	2,041,175	2,900,250	4,941,425	549,765
Receivables (Net)				
Summer Taxes	1,243,503		1,243,503	
Taxes--Delinquent		2,229,592	2,229,592	
Accounts	474,358	29,687	504,045	28,725
Notes	1,485,902		1,485,902	
Land Contracts	20,946		20,946	
Due From State	322,802		322,802	770,517
Due From Federal Government	112,467	17,662	130,129	
Due From Local Units of Governments				
Due Within One Year	1,045	65,745	66,790	420,489
Special Assessments Receivable				
Due Within One Year				40,208
Internal Balances	(44,111)	44,111	-	
Inventories				267,530
Prepaid Insurance		156,170	156,170	
Total Current Assets	<u>8,703,964</u>	<u>6,560,679</u>	<u>15,264,643</u>	<u>2,451,015</u>
Noncurrent Assets				
Capital Assets				
Net of Accumulated Depreciation	4,281,675	1,008,628	5,290,303	29,938,828
Due From Local Units of Governments				
Due in More Than One Year				710,000
Special Assessments Receivable				
Due in More Than One Year				19,837
Long-Term Advances to				
Other Funds--Component Units	103,185	150,000	253,185	
Total Noncurrent Assets	<u>4,384,860</u>	<u>1,158,628</u>	<u>5,543,488</u>	<u>30,668,665</u>
Total Assets	<u>\$ 13,088,824</u>	<u>\$ 7,719,307</u>	<u>\$ 20,808,131</u>	<u>\$ 33,119,680</u>

CLARE COUNTY  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 September 30, 2008

EXHIBIT A  
 (CONTINUED)

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 572,214	\$ 21,794	\$ 594,008	\$ 130,569
Due to Other Government Units		2,848	2,848	
Due to State	30,000		30,000	
Accrued Liabilities	258,945	20,395	279,340	31,890
Deferred Revenue	83,091		83,091	
<b>Total Current Liabilities</b>	<b>944,250</b>	<b>45,037</b>	<b>989,287</b>	<b>162,459</b>
<b>Long-Term Liabilities</b>				
Advances From State			-	245,769
Long-Term Advances From				
Other Funds--Primary Government			-	253,185
Assessments Collected in Advance			-	2,324
Capital Lease Payable--Due Within One Year	10,913		10,913	
Capital Lease Payable--Due In More Than One Year	20,166		20,166	
Bonds Payable--Due Within One Year	65,000		65,000	455,000
Bonds Payable--Due In More Than One Year	865,000		865,000	750,000
Notes Payable--Due Within One Year	6,000		6,000	37,428
Notes Payable--Due In More Than One Year	75,000		75,000	18,000
Installment Purchase Agreements				
Payable--Due Within One Year			-	16,043
Installment Purchase Agreements			-	
Payable--Due in More Than One Year	262,225		262,225	40,489
Vested Employee Benefits Payable	327,030	22,171	349,201	223,326
<b>Total Noncurrent Liabilities</b>	<b>1,631,334</b>	<b>22,171</b>	<b>1,653,505</b>	<b>2,041,564</b>
<b>Total Liabilities</b>	<b>2,575,584</b>	<b>67,208</b>	<b>2,642,792</b>	<b>2,204,023</b>
<b>Net Assets</b>				
Investment in Capital Assets--Net of Related Debt	2,977,371	1,008,628	3,985,999	29,696,868
Restricted for				
Donations	4,897		4,897	
Debt Service	758		758	176
Housing Rehab	90,722		90,722	
Capital Projects	223,735		223,735	(16,488)
County Roads				1,232,976
Other Purposes	3,147,060		3,147,060	
Unrestricted	4,068,697	6,643,471	10,712,168	2,125
<b>Total Net Assets</b>	<b>\$ 10,513,240</b>	<b>\$ 7,652,099</b>	<b>\$ 18,165,339</b>	<b>\$ 30,915,657</b>

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities				
General Government	\$ 4,462,086	\$1,309,096	\$ 948,957	
Public Safety	5,418,627	1,764,977	762,560	\$ 72,687
Public Works	310,597	15	187,992	23,660
Health and Welfare	1,708,213	15,926	547,547	
Community and Economic Development	484,671		455,595	
Recreation and Culture	43,475		41,222	
Other	769,437			
Interest on Long-Term Debt	71,512			
<b>Total Governmental Activities</b>	<b>13,268,618</b>	<b>3,090,014</b>	<b>2,943,873</b>	<b>96,347</b>
Business-Type Activities				
Delinquent Tax Revolving	123	317,684		
Delinquent Tax 2007	27,956	64,941		
Public Transit	1,614,602	365,308	754,424	48,343
Non-Major Enterprise	38,609	281,845		
<b>Total Business-Type Activities</b>	<b>1,681,290</b>	<b>1,029,778</b>	<b>754,424</b>	<b>48,343</b>
<b>Total Primary Government</b>	<b>\$14,949,908</b>	<b>\$4,119,792</b>	<b>\$3,698,297</b>	<b>\$ 144,690</b>
<b>Component Units</b>				
Road Commission				
Interest on Long-Term Debt	\$ 6,261,467	\$1,351,747	\$1,029,955	\$5,653,992
Economic Development Corporation				
Department of Public Works			62,779	
Interest on Long-Term Debt	63,048			
Drain Fund	105,259	26,728	4,702	
Interest on Long-Term Debt	5,413			
<b>Total Component Units</b>	<b>\$ 6,455,429</b>	<b>\$1,378,475</b>	<b>\$1,097,436</b>	<b>\$5,653,992</b>

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended September 30, 2008

**EXHIBIT B**  
**(CONTINUED)**

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>				
<b>PRIMARY GOVERNMENT</b>				
<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
Primary Government				
Governmental Activities				
General Government	\$ (2,204,033)		\$ (2,204,033)	
Public Safety	(2,818,403)		(2,818,403)	
Public Works	(98,930)		(98,930)	
Health and Welfare	(1,144,740)		(1,144,740)	
Community and Economic Development	(29,076)		(29,076)	
Recreation and Culture	(2,253)		(2,253)	
Other	(769,437)		(769,437)	
Interest on Long-Term Debt	(71,512)		(71,512)	
Total Governmental Activities	(7,138,384)	\$ -	(7,138,384)	\$ -
Business-Type Activities				
Delinquent Tax Revolving		317,561	317,561	
Delinquent Tax 2007		36,985	36,985	
Public Transit		(446,527)	(446,527)	
Non-Major Enterprise		243,236	243,236	
Total Business-Type Activities		151,255	151,255	
Total Primary Government	\$ (7,138,384)	\$ 151,255	\$ (6,987,129)	\$ -
Component Units				
Road Commission				\$ 1,774,227
Interest on Long-Term Debt				(20,242)
Economic Development Corporation				-
Department of Public Works				62,779
Interest on Long-Term Debt				(63,048)
Drain Fund				(73,829)
Interest on Long-Term Debt				(5,413)
Total Component Units	\$ -	\$ -	\$ -	\$ 1,674,474
General Revenues				
Property Taxes	\$ 5,762,089	\$ 289,383	\$ 6,051,472	
Unrestricted Investment Earnings	102,742	91,224	193,966	
Rentals	77,580		77,580	
Royalties	432,732		432,732	
Other	197,117		197,117	\$ 13,306
Transfers	455,000	(455,000)		
Total General Revenues--Special Items and Transfers	7,027,260	(74,393)	6,952,867	13,306
Change in Net Assets	(111,124)	76,862	(34,262)	1,687,780
Net Assets--Beginning	10,624,364	7,575,237	18,199,601	29,227,877
Net Assets--Ending	\$ 10,513,240	\$ 7,652,099	\$ 18,165,339	\$ 30,915,657

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2008**

**EXHIBIT C**

**SPECIAL REVENUE FUNDS**

<u>ASSETS</u>	General	Gypsy Moth	Revenue Sharing Reserve	Non-Major Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 227,949	\$ 14,446	\$ 1,036,589	\$ 1,538,979	\$ 2,817,963
Investments	690,601	1,229,831		120,743	2,041,175
Receivables					
Summer Taxes	1,243,503				1,243,503
Accounts	433,719			40,639	474,358
Notes				1,485,902	1,485,902
Land Contracts				20,946	20,946
Due From State	167,124			155,678	322,802
Due From Federal Government	6,801			105,666	112,467
Due From Local Units	1,045				1,045
Long-Term Advances to					
Other Funds--Primary Government	457,780				457,780
Other Funds--Component Units	103,185				103,185
<b>Total Assets</b>	<b>\$ 3,331,707</b>	<b>\$ 1,244,277</b>	<b>\$ 1,036,589</b>	<b>\$ 3,468,553</b>	<b>\$ 9,081,126</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 230,944	\$ 112		\$ 341,158	\$ 572,214
Due to State				30,000	30,000
Accrued Liabilities	227,599	381		30,965	258,945
Long-Term Advances From					
Other Funds--Primary Government	240,846			245,494	486,340
Deferred Revenue	632,618			1,661,986	2,294,604
<b>Total Liabilities</b>	<b>1,332,007</b>	<b>493</b>	<b>\$ -</b>	<b>2,309,603</b>	<b>3,642,103</b>
Fund Equity					
Fund Balances					
Reserved for					
Long-Term Advances	103,185				103,185
Family Counseling	22,952				22,952
Gypsy Moth		1,243,784			1,243,784
Revenue Sharing Reserve			1,036,589		1,036,589
Donations				4,897	4,897
Debt Service				758	758
Housing Rehab				90,722	90,722
Capital Improvements				223,735	223,735
Unreserved--Undesignated	1,873,563			838,838	2,712,401
<b>Total Fund Equity</b>	<b>1,999,700</b>	<b>1,243,784</b>	<b>1,036,589</b>	<b>1,158,950</b>	<b>5,439,023</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 3,331,707</b>	<b>\$ 1,244,277</b>	<b>\$ 1,036,589</b>	<b>\$ 3,468,553</b>	<b>\$ 9,081,126</b>
<b>Fund Balance--Total Governmental Funds</b>					<b>\$ 5,439,023</b>
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					4,281,675
Revenues that do not provide current financial resources are not reported as revenue in the funds.					2,211,513
Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.					212,363
Certain liabilities, such as bonds payable, interest payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					(1,631,334)
<b>Total Net Assets</b>					<b>\$ 10,513,240</b>

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT D**

	<u>SPECIAL REVENUE FUNDS</u>				
	General	Gypsy Moth	Revenue Sharing Reserve	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 4,871,151	\$ 2		\$ 790,940	\$ 5,662,093
Licenses and Permits	86,311			104,598	190,909
Federal Grants	159,021			573,376	732,397
State Grants	797,697			367,863	1,165,560
Contributions From Local Units	549,768				549,768
Charges for Services	2,617,757			242,552	2,860,309
Fines and Forfeits	25,082			13,715	38,797
Interest and Rentals	616,054	28,474	\$ 24,947	35,122	704,597
Other Revenue	194,117			430,194	624,311
<b>Total Revenues</b>	<b>9,916,958</b>	<b>28,476</b>	<b>24,947</b>	<b>2,558,360</b>	<b>12,528,741</b>
Expenditures					
Current					
General Government	4,068,327	10,045		319,780	4,398,152
Public Safety	4,591,518			576,749	5,168,267
Public Works	57,104			252,911	310,015
Health and Welfare	571,485			1,138,230	1,709,715
Community and Economic Development	26,928			457,743	484,671
Recreation and Culture	-			43,475	43,475
Other	769,437				769,437
Capital Outlay	206,825			320,034	526,859
Debt Service					
Principal	10,491			510,000	520,491
Interest and Fiscal Fees	1,497			70,015	71,512
<b>Total Expenditures</b>	<b>10,303,612</b>	<b>10,045</b>	<b>-</b>	<b>3,688,937</b>	<b>14,002,594</b>
Excess of Revenues Over (Under) Expenditures	(386,654)	18,431	24,947	(1,130,577)	(1,473,853)
Other Financing Sources (Uses)					
Loan Proceeds	8,750			202,000	210,750
Bond Proceeds				81,000	81,000
Interfund Transfers In	1,016,000		-	769,322	1,785,322
Interfund Transfers (Out)	(714,322)		(616,000)	-	(1,330,322)
<b>Total Other Financing Sources (Uses)</b>	<b>310,428</b>	<b>-</b>	<b>(616,000)</b>	<b>1,052,322</b>	<b>746,750</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(76,226)	18,431	(591,053)	(78,255)	(727,103)
Fund Balance (Deficit)--October 1, 2007	2,075,926	1,225,353	1,627,642	1,237,205	6,166,126
Fund Balance (Deficit)--September 30, 2008	\$ 1,999,700	\$ 1,243,784	\$ 1,036,589	\$ 1,158,950	\$ 5,439,023

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2008**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (727,103)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	526,859
Deduct--Depreciation Expense	(353,532)

Revenues earned but not available for current resources are not reported in the funds.

Housing Commission--Loans Paid Out During 2008	1,711
Federal Grants Earned But Not Yet Received	72,047
Property Taxes	99,996

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	520,491
Less--New Loan Proceeds	(291,750)

Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add--Net Operating Income (Loss) From Governmental Activities in Internal Service Funds	65,450
---	--------

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 the funds. Net decrease in compensated absences.

(25,293)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (111,124)

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2008**

**EXHIBIT E**

	BUSINESS-TYPE ACTIVITIES				GOVERNMENTAL	
	ENTERPRISE FUNDS				ACTIVITIES	
	Delinquent Tax Revolving	Delinquent Tax 2007	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b><u>ASSETS</u></b>						
Current Assets						
Cash and Cash Equivalents	\$ 533,751	\$ 16,001	\$ 26,324	\$ 541,386	\$ 1,117,462	\$ 227,914
Investments	1,756,655		1,143,595		2,900,250	
Receivables						
Taxes--Delinquent	350,643	1,878,949			2,229,592	
Accounts	20		17,212	12,455	29,687	-
Due From Federal Government			17,662		17,662	
Due From Local Units	64,971	297	477		65,745	
Prepaid Expenses			21,101		21,101	
Prepaid Insurance			135,069		135,069	
Total Current Assets	2,706,040	1,895,247	1,361,440	553,841	6,516,568	227,914
Noncurrent Assets						
Long-Term Advance--Primary Government	415,551			86,340	501,891	
Long-Term Advance--Component Units	150,000				150,000	
Capital Assets--Net of Accumulated Depreciation			1,008,628		1,008,628	-
Total Noncurrent Assets	565,551	-	1,008,628	86,340	1,660,519	-
Total Assets	\$ 3,271,591	\$ 1,895,247	\$ 2,370,068	\$ 640,181	\$ 8,177,087	\$ 227,914
<b><u>LIABILITIES</u></b>						
Current Liabilities						
Accounts Payable	\$ 1,711	\$ 482	\$ 17,850	\$ 1,751	\$ 21,794	
Accrued Liabilities			20,395		20,395	-
Due to Other Government Units			2,848		2,848	
Total Current Liabilities	1,711	\$ 482	41,093	1,751	45,037	\$ -
Noncurrent Liabilities						
Vested Employee Benefits Payable			22,171		22,171	
Long-Term Advance--Primary Government		457,780			457,780	15,551
Total Noncurrent Liabilities	-	457,780	22,171	-	479,951	15,551
Total Liabilities	1,711	458,262	63,264	1,751	524,988	15,551
<b><u>NET ASSETS</u></b>						
Invested in Capital Assets--Net of Related Debt			1,008,628		1,008,628	-
Unrestricted	3,269,880	1,436,985	1,298,176	638,430	6,643,471	212,363
Total Net Assets	\$ 3,269,880	\$ 1,436,985	\$ 2,306,804	\$ 638,430	\$ 7,652,099	\$ 212,363

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN NET ASSETS--PROPRIETARY FUNDS  
For the Fiscal Year Ended September 30, 2008

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES	
	Delinquent Tax Revolving	Delinquent Tax 2007	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues						
Charges for Services		\$ 20,961	\$ 365,308	\$ 281,845	\$ 668,114	\$ 1,352,169
Interest on Delinquent Taxes	\$ 317,684	43,980			361,664	
Total Operating Revenues	317,684	64,941	365,308	281,845	1,029,778	1,352,169
Operating Expenses						
Administrative	123		137,192		137,315	
Health Insurance					-	1,286,718
Operations			1,002,505		1,002,505	
Maintenance			181,125		181,125	
Materials and Supplies				38,609	38,609	
Depreciation			293,780		293,780	14,325
Total Operating Expenses	123	-	1,614,602	38,609	1,653,334	1,301,043
Operating Income (Loss)	317,561	64,941	(1,249,294)	243,236	(623,556)	51,126
Nonoperating Revenues (Expenses)						
Intergovernmental			736,613		736,613	
Property Taxes			289,383		289,383	
Interest Earned on Investments	56,015		35,209		91,224	
Interest Expense		(27,956)			(27,956)	
Other			17,811		17,811	
Total Nonoperating Revenues (Expenses)	56,015	(27,956)	1,079,016	-	1,107,075	-
Income (Loss) Before Contributions and Transfers	373,576	36,985	(170,278)	243,236	483,519	51,126
Capital Contributions			48,343		48,343	
Interfund Transfers						
Transfers In		1,400,000			1,400,000	
Transfers (Out)	(1,800,000)			(55,000)	(1,855,000)	
Change in Net Assets	(1,426,424)	1,436,985	(121,935)	188,236	76,862	51,126
Total Net Assets--October 1, 2007	4,696,304	-	2,428,739	450,194	7,575,237	161,237
Total Net Assets--September 30, 2008	\$ 3,269,880	\$ 1,436,985	\$ 2,306,804	\$ 638,430	\$ 7,652,099	\$ 212,363

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT G**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES	
	Delinquent Tax Revolving	Delinquent Tax 2007	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities						
Cash Received From Customers	-	\$ 21,146	\$ 348,355	\$ 270,937	\$ 640,438	\$ 1,353,921
Interest on Delinquent Taxes	\$ 268,300	43,980			312,280	
Delinquent Taxes Collected	1,670,820	(1,878,949)			(208,129)	
Cash Payments to Employees for Services and Benefits			(854,194)		(854,194)	(1,286,762)
Cash Payments to Suppliers for Goods and Services	(123)		(501,924)	(37,779)	(539,826)	
Net Cash Provided by Operating Activities	1,938,997	(1,813,823)	(1,007,763)	233,158	(649,431)	67,159
Cash Flows From Noncapital Financing Activities						
State Grants			502,964		502,964	
Federal Grants			233,549		233,549	
Property Tax			289,383		289,383	
Other			7,984		7,984	
Long-Term Advances	65,725	457,780		(86,340)	437,165	(15,724)
Transfers In (Out)	(1,800,000)	1,400,000		(55,000)	(455,000)	
Net Cash Provided by Noncapital Financing Activities	(1,734,275)	1,857,780	1,033,880	(141,340)	1,016,045	(15,724)
Cash Flows From Capital and Related Financing Activities						
Capital Assistance Grants			48,343		48,343	
Fixed Assets Purchased With Transit Corporation Money			(48,474)		(48,474)	
Sale of Fixed Assets			9,970		9,970	
Net Cash Provided by Capital and Related Financing Activities	-	-	9,839	-	9,839	-
Cash Flows From Investing Activities						
Interest on Cash Equivalents	56,015		35,209		91,224	
Interest Expense		(27,956)				
Sale or (Purchase) of Investments	(388,858)		(60,618)		(449,476)	
Net Cash Provided by Investing Activities	(332,843)	(27,956)	(25,409)	-	(358,252)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(128,121)	16,001	10,547	91,818	(9,755)	51,435
Cash and Cash Equivalents at Beginning of Year	661,872		15,777	449,568	1,127,217	176,479
Cash and Cash Equivalents at End of Year	\$ 533,751	\$ 16,001	\$ 26,324	\$ 541,386	\$ 1,117,462	\$ 227,914
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ 317,561	\$ 64,941	\$ (1,249,294)	\$ 243,236	\$ (623,556)	\$ 51,126
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense			293,780		293,780	14,325
(Increase) Decrease in Delinquent Taxes Receivable	1,670,820	(1,878,949)			(208,129)	
(Increase) Decrease in Accounts Receivable	(49,384)	185	(16,953)	(10,908)	(77,060)	-
(Increase) in Prepaid Insurance			(10,435)		(10,435)	(44)
Increase (Decrease) in Accounts Payable			(14,779)	830	(13,949)	
Increase (Decrease) in Accrued Wages Payable			2,725		2,725	-
Increase (Decrease) in Accrued Paid Time Off			1,361		1,361	
Increase (Decrease) in Deferred Revenue					-	1,752
Increase (Decrease) in Other Accrued Liabilities			(14,168)		(14,168)	
Net Cash Provided by Operating Activities	\$ 1,938,997	\$ (1,813,823)	\$ (1,007,763)	\$ 233,158	\$ (649,431)	\$ 67,159

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2008**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ 1,646,347
Investments	10,565
Due From Other Agencies	<u>257</u>
Total Assets	<u><u>\$ 1,657,169</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to Cities	\$ 399
Due to Schools and Colleges	141
Due to State of Michigan	1,496,787
Undistributed Penal Fines and Interest	84,695
Other Liabilities	<u>75,147</u>
Total Liabilities	<u><u>\$ 1,657,169</u></u>

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
September 30, 2008**

**EXHIBIT I**

<u>ASSETS</u>	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commission	Total
<b>Current Assets</b>					
Cash	\$ 214,512	\$ 2,125	\$ 176	\$ 156,968	\$ 373,781
Investments	525,244			24,521	549,765
Accounts Receivable	28,725				28,725
Due From State	770,517				770,517
Due From Local Units of Government					
Due Within One Year	55,489		365,000		420,489
Special Assessments Receivable					
Due Within One Year				40,208	40,208
Inventories	267,530				267,530
<b>Total Current Assets</b>	<b>1,862,017</b>	<b>2,125</b>	<b>365,176</b>	<b>221,697</b>	<b>2,451,015</b>
<b>Noncurrent Assets</b>					
Due From Local Units of Government					
Due In More Than One Year			710,000		710,000
Special Assessments Receivable					
Due In More Than One Year				19,837	19,837
Capital Assets (Net of Accumulated Depreciation)	29,177,664			761,164	29,938,828
<b>Total Noncurrent Assets</b>	<b>29,177,664</b>	<b>-</b>	<b>710,000</b>	<b>781,001</b>	<b>30,668,665</b>
<b>Total Assets</b>	<b>\$ 31,039,681</b>	<b>\$ 2,125</b>	<b>\$ 1,075,176</b>	<b>\$ 1,002,698</b>	<b>\$ 33,119,680</b>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 128,056			\$ 2,513	\$ 130,569
Accrued Liabilities	31,890				31,890
<b>Total Current Liabilities</b>	<b>159,946</b>	<b>\$ -</b>	<b>\$ -</b>	<b>2,513</b>	<b>162,459</b>
<b>Noncurrent Liabilities</b>					
Advances From State of Michigan	245,769				245,769
Long-Term Advances From					
Primary Government				253,185	253,185
Assessments Collected in Advance				2,324	2,324
Bonds Payable--Due Within One Year	90,000		365,000		455,000
Bonds Payable--Due in More Than One Year	40,000		710,000		750,000
Notes Payable--Due Within One Year				37,428	37,428
Notes Payable--Due in More Than One Year				18,000	18,000
Installment Purchase Agreements					
Payable--Due Within One Year	16,043				16,043
Installment Purchase Agreements					
Payable--Due in More Than One Year	40,489				40,489
Vested Employee Benefits Payable	223,326				223,326
<b>Total Noncurrent Liabilities</b>	<b>655,627</b>	<b>-</b>	<b>1,075,000</b>	<b>310,937</b>	<b>2,041,564</b>
<b>Total Liabilities</b>	<b>815,573</b>	<b>-</b>	<b>1,075,000</b>	<b>313,450</b>	<b>2,204,023</b>
<b>NET ASSETS</b>					
Invested in Capital Assets--Net of Related Debt Restricted for	28,991,132			705,736	29,696,868
County Roads	1,232,976				1,232,976
Debt Service			176		176
Capital Projects				(16,488)	(16,488)
Unrestricted		2,125			2,125
<b>Total Net Assets</b>	<b>\$ 30,224,108</b>	<b>\$ 2,125</b>	<b>\$ 176</b>	<b>\$ 689,248</b>	<b>\$ 30,915,657</b>

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
For the Fiscal Year Ended September 30, 2008**

**EXHIBIT J**

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commission	Total
Road Commission									
Public Works	\$ 6,261,467	\$ 1,351,747	\$ 1,029,955	\$ 5,653,992	\$ 1,774,227				\$ 1,774,227
Interest on Related Debt	20,242				(20,242)				(20,242)
<b>Total Road Commission</b>	<b>6,281,709</b>	<b>1,351,747</b>	<b>1,029,955</b>	<b>5,653,992</b>	<b>1,753,985</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>1,753,985</b>
Department of Public Works									
Interest on Related Debt	63,048		62,779				(269)		(269)
<b>Total Department of Public Works</b>	<b>63,048</b>	<b>-</b>	<b>62,779</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(269)</b>	<b>-</b>	<b>(269)</b>
Drain Commission									
Public Works	105,259	26,728	4,702				(73,829)		(73,829)
Interest on Related Debt	5,413						(5,413)		(5,413)
<b>Total Drain Commission</b>	<b>\$ 110,672</b>	<b>\$ 26,728</b>	<b>\$ 4,702</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79,242)</b>	<b>(79,242)</b>
			General Revenues						
			Gain on Equipment Disposal		13,306				13,306
			<b>Total General Revenues</b>		<b>13,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,306</b>
			Change in Net Assets		1,767,291	-	(269)	(79,242)	1,687,780
			Net Assets--Beginning of Year		28,456,817	2,125	445	768,490	29,227,877
			Net Assets--End of Year		<b>\$ 30,224,108</b>	<b>\$ 2,125</b>	<b>\$ 176</b>	<b>\$ 689,248</b>	<b>\$ 30,915,657</b>

**The Notes to Financial Statements are an integral part of this statement.**

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS Fiscal Year Ended September 30, 2008

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County was organized in 1840 and covers an area of 576 square miles divided into 16 townships, 1 village and 2 cities. The county seat is located in the City of Harrison. The County operates under an elected county board of commissioners (7 members) and provides services to its more than 31,000 residents in many areas including law enforcement, administration of justice, community enrichment, and development and human services.

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the County:

#### Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the County's operations. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit). Each discretely presented component unit is reported separately in Exhibit I and J of the financial statements.

#### BLENDED COMPONENT UNITS

##### Building Authority

The Clare County Building Authority is governed by a 5 member board appointed by the county board of commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

##### Public Transit Corporation

The Clare County Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not legally separate, but is administered by a 5 to 12 member board elected by a majority of the seated board members present and voting. The Transit Corporation Board may not issue debt and the tax levy is subject to county board of commissioners' approval. The Transit Corporation taxes are levied under the taxing authority of the County, as approved by the County electors, and are included as part of the County's total tax levy and are reported in the Public Transit Corporation Fund.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2008

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Clare County Housing Commission

The Clare County Housing Commission was created on March 17, 1975, in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended. The Housing Commission is administered by a 5 member board appointed by the Clare County Board of Commissioners. Although it is legally separate from the County, the Housing Commission is reported as if it were part of the primary government because its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County. Clare County Board of Commissioners approves all grants received by the Housing Commission. As noted in Note S (Subsequent Events), on September 26, 2008, the Clare County Board of Commissioners approved Ordinance #08-33 repealing Clare County Ordinance No. 7 establishing a Housing Commission for the County. The Housing Commission activities will be moved back under County control for fiscal year 2009.

##### Enterprise Community

The Clare County Enterprise Community is governed by an 18-member board. Although it is legally separate from the County, it is reported as if it were part of the primary government because its sole purpose is to improve the quality of life of its citizens and promote economic growth.

#### DISCRETELY PRESENTED COMPONENT UNITS

The component unit column in the government-wide financial statements (Exhibits A and B) include the financial data of the Clare County Road Commission, Clare County Economic Development Corporation, Clare County Department of Public Works and the Clare County Drain to emphasize that they are legally separate from the County.

Each discretely presented component unit is reported in a separate column in the Component Unit's Statement of Net Assets (Exhibit I) and the Statement of Activities (Exhibit J).

##### Clare County Road Commission

The Clare County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by an elected 3-member board of county road commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county board of commissioners. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Clare County Economic Development Corporation

The Clare County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a 9 person board of directors appointed by the Clare County Board of Commissioners. The EDC may not issue debt without the County's approval.

Clare County Drain Commission

Pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner may issue debt or levy a tax without the approval of the county board of commissioners, as authorized by the Drain Code. The combining financial statements for the County Drain Commission are presented as part of supplemental schedules (Exhibits Z-1 through Z-4).

Clare County Department of Public Works

Pursuant to MCL 123.732, the County entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The board manages water supply and sanitary sewer system construction projects that are bonded by the County. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Clare County Board of Commissioners. The combining financial statements for the Department of Public Works are presented as part of supplemental schedules (Exhibits Y-1 through Y-4).

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County clerk's office at the courthouse.

Administrative Offices

Clare County Building Authority  
225 West Main Street  
Harrison, Michigan 48625

Clare County Housing Commission  
225 West Main Street  
Harrison, Michigan 48625

Clare County Enterprise Community  
225 West Main Street  
Harrison, Michigan 48625

Clare County Economic Development Corporation  
225 West Main Street  
Harrison, Michigan 48625

Clare County Road Commission  
3900 East Mannsiding Road  
Harrison, Michigan 48625

Clare County Transit Corporation  
4175 North Clare Avenue  
Harrison, Michigan 48625

Clare County Drain Commissioner  
225 West Main Street  
Harrison, Michigan 48625

Clare County Department of Public Works  
225 West Main Street  
Harrison, Michigan 48625

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Central Michigan District Health Department

Clare, Gladwin, Arenac, Isabella, Osceola and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2008 were:

Clare	16.94%	Isabella	28.65%
Gladwin	14.44%	Osceola	12.53%
Arenac	10.00%	Roscommon	17.44%

The County's appropriation to the District Health Department for the year ended September 30, 2008 was \$217,144, which included cigarette tax.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Services Board consists of the counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2008, the actual County contribution percentages were:

Clare	12.49%	Mecosta	15.00%
Gladwin	8.22%	Midland	35.41%
Isabella	19.44%	Osceola	9.44%

The County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2008 was \$139,000.

RELATED ORGANIZATION

Clare Gladwin Services for the Aging (CGSA)

Pursuant to MCL 400.571, the County entered into an agreement with the Housing Commission of the City of Gladwin to provide services to persons age 60 and over. The Housing Commission is a component unit of the City of Gladwin. Services are provided through commission programs administered by the Clare-Gladwin Services for the Aging (CGSA). The County levies the millage and provides appropriations to the CGSA.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS Fiscal Year Ended September 30, 2008

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets are approved by the County and the Housing Commission. The amount provided to CGSA by the County for the year ended September 30, 2008 was \$436,695.

#### Northern Michigan Substance Abuse Services, Inc. (NMSAS)

The County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties. The County's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the year ended September 30, 2008, the County passed through \$53,226.

#### BASIS OF PRESENTATION

##### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. 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 when it is both measurable and available. Revenues are 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 County considers revenues to be available if they are collected within 90 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (90 days). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Gypsy Moth Fund accounts for County millage revenue that is reserved for the control of the insect population.

Revenue Sharing Reserve Fund accounts for the State mandated transfers of equal amounts for a three-year period of the property tax shift from a winter levy to a summer levy to replace State revenue-sharing payments to counties. These transfers from the General Fund will be equivalent to the property tax levy for fiscal year 2004.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major proprietary funds:

Delinquent Tax Revolving Fund accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the County's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Public Transit Fund accounts for the transportation service operation of the County.

Additionally, the County reports the following fund type:

Internal Service Funds--These funds account for services provided to other departments or agencies of government, or to other governments, on a cost reimbursement basis.

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Delinquent Tax Fund, the Transit Fund, and the Jail Commissary Fund are collection fees for delinquent taxes, busing services, and sales commissions, respectively. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as needed.

Deposits and Investments

The 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 from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Inventories and Prepaid Items

Inventories are valued at cost, using the consumption method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories--Component Units

Road Commission--Inventories consisting of equipment parts and supplies of \$149,359 and road materials of \$118,171 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Primary Government</u>	<u>Component Unit</u>
	<u>Governmental Funds</u>	<u>Drain</u>
Building	40 years	
Shop Equipment		
Office Furniture and Equipment	3 to 7 years	
Vehicles	5 to 7 years	
Drain and Lake Level System		50 years

Capital Assets--Transit (Blended Component Unit)

Capital assets are stated at historical cost. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amounts, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Operating Facility	12 to 20 years
Vehicles	3 to 7 years
Shop Equipment	3 to 10 years
Office Equipment	6 to 10 years

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Clare County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences (Vacation and Sick Leave)--Primary Government

It is the County's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is only 50% of the time available according to the County's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

Compensated Absences (Vacation and Sick Leave)--Transit (Blended Component Unit)

Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick leave time.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2008

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Compensated Absences (Vacation and Sick Leave)--Road Commission (Discrete Component Unit)

Road Commission employees are granted vacation and sick leave in varying amounts based on years of service. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick leave time.

##### Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

##### Other Financing Sources (Uses)

The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid; in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

##### Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets are adopted by the county board of commissioners for the general and special revenue funds, except for the County Road Fund budget (special revenue--component unit), which is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget document presents information by fund, function, department and line-items. The budget is adopted at the activity level and control is exercised at the line-item level. The county board of commissioners monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The County has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions of the General Fund and special revenue funds are as follows:

	<u>Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
General Fund			
Debt			
Principal		\$ 10,491	\$ (10,491)
Interest		1,497	(1,497)
Revenue Sharing Fund			
Transfers (Out)	\$ 580,000	616,000	(36,000)
Friend of the Court Fund			
General Government	309,937	314,599	(4,662)
Enterprise Community Fund			
Partnership Fees	167,965	221,778	(53,813)
Senior Citizen Fund			
Health and Welfare	354,045	436,695	(82,650)
Airport Fund			
Capital Outlay	21,753	43,061	(21,308)

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Fund Deficits

As of September 30, 2008, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

	<u>Fund Balance</u>	<u>Net Assets</u>
Special Revenue Funds		
Building Department Fund	\$ 2,675	
County Building Renovation	61,021	
Internal Service		
Technology Fund		\$11,526
Component Unit--Drain Commission		
Lake Level Fund	22,335	
Lake Improvement Revolving Fund	98,364	

A deficit elimination plan has been submitted to the Michigan Department of Treasury.

NOTE C--CASH, CASH EQUIVALENT AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the County 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 obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated 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.

The County has designated nine financial institutions for the deposit of County funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized investment in accordance with the State statutory authority as listed above.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

At year end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	Carrying Amounts				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
<u>Cash and Deposits</u>					
Cash and Cash Equivalents	\$3,045,877	\$1,117,462	\$1,646,347	\$ 5,809,686	\$ 373,781
Investments	<u>2,041,175</u>	<u>2,900,250</u>	<u>10,565</u>	<u>4,951,990</u>	<u>549,765</u>
Total	<u>\$5,087,052</u>	<u>\$4,017,712</u>	<u>\$1,656,912</u>	<u>\$10,761,676</u>	<u>\$ 923,546</u>

The breakdown between deposits and investments, as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 5,773,231	\$ 373,531
Investments in Securities, Mutual Funds and Similar Vehicles	4,951,990	549,765
Petty Cash and Cash on Hand	<u>36,555</u>	<u>250</u>
Total	<u>\$ 10,761,776</u>	<u>\$ 923,546</u>

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized;
- b. Collateralized with securities held by the pledging financial institution; or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

The County's policy requires the following criteria to lessen the custodial credit risk: To secure County funds, all financial institutions holding the County's money must pledge collateral equal to the amount of the account balance for all demand and time deposits. A bank, savings and loan association or credit union holding County funds must be organized under the law of Michigan or Federal law and maintain a principal office or branch office in the State of Michigan. No deposit in any financial organization may be in excess of 25 percent of the net worth of the organization.

At September 30, 2008, the bank balance of the primary government's deposits is \$7,426,816, of which \$484,322 is covered by Federal depository insurance and \$6,942,494 was uncollateralized with securities held by the County's agent in the County's name. The component units' deposits had a bank balance of \$637,658 of which \$100,000 was covered by Federal depository insurance and \$537,658 was uncollateralized with securities held by the County's agent in the County's name. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009.

Types of Investments

Common cash investments include money markets, government bonds, and US government securities.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. The custodial credit risk, the credit risk and the interest rate risk are discussed in the following paragraphs.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the County will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either:

The counterparty; or

The counterparty's trust department or agent but not in the government's name.

The County does not have an investment policy for managing custodial credit risk. At September 30, 2008, common cash investments were not exposed to custodial credit risk.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or another counter party to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) Michigan law, the County's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

		<u>Rated Debt Investments</u>				
<u>Financial Institution</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Institution</u>	<u>Credit Rating</u>	<u>Rating Institution</u>
<u>Primary Government</u>						
National City	Municipal Investment Funds	\$ 1,459,938	Unrated			
Chemical Bank	U.S. Treasury Securities	839,926	AAA	S&P	Aaa	Moody's
MBIA Class	Money Market Funds	679,501	AAA	Fitch		
Bank of America	Mutual Funds	1,274,388	AAA	S&P	Aaa	Moody's
JP Morgan Chase	Governmental Operating MM	87,658	Aaa	S&P	Aaa	Moody's
Flagstar Bank	Certificate of Deposit	542,832	Unrated			
Citigroup	U.S. Treasury Securities	67,747	AAA			
	Total	<u>\$ 4,951,990</u>				
<u>Component Units</u>						
National City	Municipal Investment Funds	<u>\$ 549,765</u>	Unrated			

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The County's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2008, the fair value of the County's investments are listed above with all maturities due within 12 months or less.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE D--PROPERTY TAXES

Current Summer Property Taxes

In accordance with the provisions of Michigan Public Act 357 of 2004, the County levied 4.7072 mills on the County's 2008 taxable valuation of \$1,005,985,204 in the summer of 2008. The total levy amounted to \$4,735,373. At September 30, 2008, the taxes receivable for the summer taxes is \$1,243,503. Each year the taxes collected within the first 60 days is recognized as revenue earned and the remaining balance is reported as deferred revenue and is recognized in the subsequent year. The deferred revenue recorded at September 30, 2008 for the summer property taxes is \$632,618.

Current Winter Property Taxes

Most County extra voted property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the County as of the preceding December 31<sup>st</sup>. The County's 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations.

The 2007 taxable valuation of the County amounted to \$972,656,468 on which ad valorem taxes of .4729 mills for Senior Citizens, .2956 mills for Transit Service, and .3448 for 911 Services. The 2007 current tax levied included \$458,209 for Senior Citizens, \$342,403 for Transit Services, and \$332,729 for 911 Services. These taxes will be recorded as revenue on County records in and for the year of 2008.

NOTE E--RECEIVABLES

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,229,592 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2007. The delinquent real property taxes may be summarized as follows:

2007	\$1,878,949
2006	296,313
2005	26,528
2004	8,657
2003	10,726
2002 and Prior	<u>8,419</u>
Total Delinquent Taxes Receivable	<u><u>\$2,229,592</u></u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE E--RECEIVABLES (Continued)

Receivables--Primary Government

The following amounts listed as accounts receivable in the governmental funds have been collected within 60 days after the year end and are not offset by deferred revenue:

General Fund	
State of Michigan	\$ 167,124
Federal	6,801
Other Agencies	433,719
Total General Fund Accounts Receivable	<u>\$ 607,644</u>
Special Revenue--Friend of the Court	
State of Michigan	<u>\$ 41,034</u>
Special Revenue--Brownfield Redevelopment	
State of Michigan	<u>\$ 32,162</u>
Special Revenue--Brownfield EPA Grant	
Federal	<u>\$ 2,000</u>
Special Revenue--911 Service Fund	
State of Michigan	\$ 31,306
Telephone Surcharges for September	34,617
Total 911 Service Fund Accounts Receivable	<u>\$ 65,923</u>
Special Revenue--Drug Law Enforcement	
State of Michigan	<u>\$ 1,047</u>
Special Revenue--Housing	
Federal	<u>\$ 3,619</u>
Special Revenue--Department of Human Services	
State of Michigan	<u>\$ 35,819</u>
Special Revenue--Child Care DHS	
Accounts Receivable	\$ 6,022
State of Michigan	12,369
Total Child Care Fund Accounts Receivable	<u>\$ 18,391</u>
Special Revenue--Child Care Probate	
State of Michigan	<u>\$ 1,941</u>
Special Revenue--County Building Renovation	
Federal	<u>\$ 28,000</u>
Enterprise Fund--Jail Commissary	
Commissary Fees	<u>\$ 1,534</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE E--RECEIVABLES (Continued)

Receivables--Component Units

The receivables for the component units are presented in the financial statements as follows:

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Accounts Receivable <u>Unavailable</u>	<u>Unearned</u>
General Fund		
Summer Property Tax Collections	<u>\$ 632,618</u>	<u>\$ 632,618</u>
Housing Commission		
Notes Receivable--Personal	29,004	29,004
Notes Receivable--Business	5,153	5,153
Notes Receivable--Deferred Notes	1,451,746	1,451,746
Land Contracts	<u>20,946</u>	<u>20,946</u>
Total Housing Commission	1,506,849	1,506,849
Enterprise Community		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	79,492	79,492
TSA Grant		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	3,598	3,598
County Building Renovation		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	48,387	48,387
Airport		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>23,660</u>	<u>23,660</u>
Total	<u><u>\$1,661,986</u></u>	<u><u>\$1,661,986</u></u>

Special Assessments Receivable--Component Unit

The Drain Commission has long-term special assessments recorded in the Drain Fund of \$60,045 at September 30, 2008. The special assessment receivables are recorded in the fund financial statements as special assessment receivable with an offsetting credit to deferred revenue.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE F--CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 108,325			\$ 108,325
Construction in Progress	22,965	\$ 183,021		205,986
Subtotal	131,290	183,021	\$ -	314,312
Capital Assets Being Depreciated				
Buildings and Improvements	6,297,792			6,297,792
Vehicles	1,281,479	214,654		1,496,133
Furniture and Equipment	1,419,886	129,184		1,549,070
Subtotal	8,999,158	343,838	-	9,342,996
Less Accumulated Depreciation for				
Buildings and Improvements	2,964,343	124,665		3,089,008
Vehicles	1,077,378	90,928		1,168,306
Furniture and Equipment	980,379	137,940		1,118,319
Subtotal	5,022,100	353,532	-	5,375,632
Net Capital Assets Being Depreciated	3,977,058	(9,694)	-	3,967,364
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 4,108,348</u>	<u>\$ 526,860</u>	<u>\$ (353,532)</u>	<u>\$ 4,281,675</u>

Depreciation expense was charged to programs of the primary government as follows:

	<u>Amount</u>
Governmental Activities	
General Government	\$ 76,300
Public Safety	276,650
Public Works	582
Total Depreciation--Governmental Activities	<u>\$ 353,532</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activity--Public Transit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Operating Facility	\$ 760,010	\$ 7,430		\$ 767,440
Vehicles	2,269,011	30,400	\$ 25,432	2,273,979
Shop Equipment	78,568			78,568
Office Furniture and Equipment	110,666	10,644	25,212	96,098
Subtotal	<u>3,218,255</u>	<u>48,474</u>	<u>50,644</u>	<u>3,216,085</u>
Less: Accumulated Depreciation for				
Operating Facility	472,940	38,621		511,561
Vehicles	1,340,658	245,668	25,432	1,560,894
Shop Equipment	61,186	4,490		65,676
Office Furniture and Equipment	89,495	5,001	25,170	69,326
Subtotal	<u>1,964,279</u>	<u>293,780</u>	<u>50,602</u>	<u>2,207,457</u>
Net Capital Assets Being Depreciated	<u>1,253,976</u>	<u>(245,306)</u>	<u>42</u>	<u>1,008,628</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,253,976</u>	<u>\$ 48,474</u>	<u>\$ 293,780</u>	<u>\$ 1,008,628</u>

Depreciation expense of \$293,780 was charged to business-type programs of the primary government.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE F--CAPITAL ASSETS (Continued)

Component Units

The following is a summary of changes in the capital assets for the Road Commission:

	Beginning Balance 10/01/07	Increases	Decreases	Ending Balances 09/30/08
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 187,883			\$ 187,883
Subtotal	187,883	\$ -	\$ -	187,883
Capital Assets Being Depreciated				
Buildings	1,095,959	17,120		1,113,079
Road Equipment	5,620,414	410,001	120,827	5,909,588
Shop Equipment	149,891			149,891
Office Equipment	102,349			102,349
Engineers' Equipment	39,177			39,177
Yard and Storage	102,663	26,273		128,936
Infrastructure--Bridges	5,765,119	1,645,511		7,410,630
Infrastructure--Roads	37,656,407	2,185,464		39,841,871
Total	50,531,979	4,284,369	120,827	54,695,521
Less Accumulated Depreciation				
Buildings	728,058	37,343		765,401
Road Equipment	4,546,641	536,606	120,827	4,962,420
Shop Equipment	101,688	8,190		109,878
Office Equipment	86,379	6,255		92,634
Engineers' Equipment	27,036	1,871		28,907
Yard and Storage	67,464	6,150		73,614
Infrastructure--Bridges	1,885,625	139,049		2,024,674
Infrastructure--Roads	15,807,563	1,840,649		17,648,212
Total	23,250,454	2,576,113	120,827	25,705,740
Net Capital Assets Being Depreciated	31,445,067	1,708,256	-	28,989,781
Total Net Capital Assets	\$ 31,632,950	\$ 1,708,256	\$ -	\$29,177,664

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

<u>Drain Commission</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Infrastructure				
Drains	\$ 1,000,278			\$ 1,000,278
Lake Levels	177,808			177,808
Subtotal	<u>1,178,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,178,086</u>
Less Accumulated Depreciation for				
Infrastructure				
Drains	343,172	16,662		359,834
Lake Levels	53,512	3,576		57,088
Subtotal	<u>396,684</u>	<u>20,238</u>	<u>-</u>	<u>416,922</u>
Net Capital Assets Being Depreciated	<u>781,402</u>	<u>(20,238)</u>	<u>-</u>	<u>761,164</u>
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 781,402</u>	<u>\$ (20,238)</u>	<u>\$ -</u>	<u>\$ 761,164</u>

The depreciation expense for the year was \$20,238 and was charged to the Drain Commission operations.

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

The amounts of interfund receivables and payables between discretely presented component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Drain Revolving	\$ 20,555	Drain	\$ 20,555
Lake Level Revolving	<u>48,985</u>	Lake Level	<u>48,985</u>
Total Component Units	<u>\$ 69,540</u>		<u>\$ 69,540</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS  
(Continued)

The long-term advances to other funds, which represent long-term interfund receivables and payables that are not available to finance current operations, are as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Fund</u>	<u>Advances From Other Funds</u>
General	\$ 457,780	2007 Delinquent Tax Fund	\$ 457,780
Delinquent Tax Revolving Fund	415,551	General	240,846
		Nonmajor Governmental	159,154
		Internal Service	15,551
Nonmajor Enterprise	<u>86,340</u>	Nonmajor Governmental	<u>86,340</u>
Total Primary Government	<u>\$ 959,671</u>		<u>\$ 959,671</u>
<u>Primary Government and Discrete Component Units</u>			
Primary Government		Component Units	
General	\$ 103,185	Drain Revolving	\$ 29,695
		Lake Level Revolving	53,490
		Lake Improvement Revolving	<u>20,000</u>
Delinquent Tax Revolving	<u>150,000</u>	Lake Improvement Revolving	<u>150,000</u>
Total Primary Government	<u>\$ 253,185</u>		<u>\$ 253,185</u>
Total Reporting Entity	<u>\$1,212,856</u>	Total Reporting Entity	<u>\$1,212,856</u>

The 2008 operating transfers from Exhibits D, F, and K can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Primary Government		
General Fund	\$1,016,000	\$ 714,322
Revenue Sharing Reserve		616,000
Nonmajor Governmental	769,322	55,000
Delinquent Tax Fund	<u>1,400,000</u>	<u>1,800,000</u>
Total Primary Government	<u>3,185,322</u>	<u>3,185,322</u>
Total Reporting Entity	<u>\$3,185,322</u>	<u>\$3,185,322</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT

The long-term debt and other long-term obligations of the County's governmental funds, and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>10/01/07</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>09/30/08</u>	<u>Due Within</u> <u>One Year</u>
<u>PRIMARY GOVERNMENT</u>				
Clare County Jail addition 4.6% to 5.1% 1997 Municipal Purchase Notes for construction of the jail addition	\$ 450,000	\$ (450,000)	-	
County Building Authority 4.0% to 5.050% 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse	990,000	(60,000)	\$ 930,000	\$ 65,000
Clare County equipment lease-purchase agreement payable to GE Commercial Finance Company	41,570	(10,491)	31,079	10,913
Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project	51,475	202,000	253,475	
Clare County for Building Roof USDA note payable at 4.125%		81,000	81,000	6,000
Clare County equipment lease-purchase agreement payable to DSS Corporation at 8.825% for two years		8,750	8,750	4,190
Vested Employee Benefits Payable (See Note I for more details)	<u>301,737</u>	<u>25,293</u>	<u>327,030</u>	
Total Primary Government	<u>\$1,834,782</u>	<u>\$ (203,448)</u>	<u>\$1,631,334</u>	<u>\$ 86,103</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Discretely Presented Component Units

The following is a summary of pertinent information concerning the Road Commission's changes in long-term debt:

	Balance 10/01/07	Additions (Reductions)	Balance 09/30/08	Due Within One Year
Clare County Road Projects 4.1% to 7.625% 1999, and 2000 General Obligation Bonds	\$ 310,000	\$ (180,000)	\$ 130,000	\$ 90,000
Purchase of land, principal payment of \$20,000 at 7% interest	71,525	(14,993)	56,532	16,043
Vested Employee Benefits	209,481	13,845	223,326	
Totals	<u>\$ 591,006</u>	<u>\$ (181,148)</u>	<u>\$ 409,858</u>	<u>\$ 106,043</u>

Department of Public Works (DPW)

Sanitary Sewage System No. 4, 4% to 5.85% 1996 General Obligation Limited Tax Bonds project with the City of Clare	\$ 425,000	\$ (20,000)	\$ 405,000	\$ 20,000
Clare County Water Supply System No. 1 4% to 5.85% 1996 General Obligation Limited Tax Bonds for project with the City of Clare	375,000	(25,000)	350,000	25,000
Sanitary Sewage System No. 3, 2.50% to 4.05% 2002 General Obligation Limited Tax Refunding Bonds for 1988 project with the City of Clare	<u>590,000</u>	<u>(270,000)</u>	<u>320,000</u>	<u>320,000</u>
Total DPW Component Unit Long-Term Debt	<u>\$ 1,390,000</u>	<u>\$ (315,000)</u>	<u>\$ 1,075,000</u>	<u>\$ 365,000</u>

Drain Component Unit

Note Payable for Little Tobacco Intercounty Drain at 5.27%	\$ 15,668	\$ (15,668)	-	
Note payable for Bertha Lake Drain 4.95%	62,857	(31,428)	\$ 31,429	\$ 31,429
Note payable for Ross Drain at 5.1%	<u>30,000</u>	<u>(6,000)</u>	<u>24,000</u>	<u>6,000</u>
Total Drain Component Unit Long-Term Debt	<u>\$ 108,525</u>	<u>\$ (53,096)</u>	<u>\$ 55,429</u>	<u>\$ 37,429</u>
Total Component Unit Long-Term Debt	<u>\$ 5,672,291</u>	<u>\$ (368,096)</u>	<u>\$ 1,130,429</u>	<u>\$ 402,429</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Primary Government

The annual requirements to pay the principal and interest on the primary government of the County's direct general long-term debt obligations outstanding at September 30, 2008, are as follows:

Building Authority Refunding Bonds

During 1998, the County refunded and defeased in substance \$1,140,000 of its outstanding 1994 General Obligation Bonds, carrying an interest rate between 5% and 8%, with new debt of \$1,250,000 issued at interest rates varying between 4% and 5.05%. The new debt was dated April 1, 1998. A portion (\$16,712) of the payment to the escrow agent was provided from monies in the County's 1994 series debt service fund. All issuance costs of the transaction were paid from bond proceeds.

The amount of \$1,217,251 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bond has been removed from long-term debt. The advance refunding reduced the total debt service payments over the 20 years by approximately \$201,862, which represents an economic gain of approximately \$34,056.

Principal and interest payments for the 1998 building authority refunding bonds are as follows:

<u>Year</u>	<u>Principal February</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>February 1</u>	<u>August 1</u>	
2009	\$ 65,000	\$ 22,848	\$ 21,369	\$ 109,217
2010	65,000	21,369	19,858	106,227
2011	70,000	19,858	18,195	108,053
2012	75,000	18,195	16,395	109,590
2013	80,000	16,395	14,455	110,850
2014	85,000	14,455	12,373	111,828
2015-2019	<u>490,000</u>	<u>38,506</u>	<u>26,134</u>	<u>554,640</u>
	<u>\$ 930,000</u>	<u>\$ 151,626</u>	<u>\$ 128,779</u>	<u>\$ 1,210,405</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Lease purchase agreement for the purchase of copier machines was entered into on June 29, 2006 payable to GE Commercial Finance for \$54,115 at an annual interest rate of 4%. Remaining principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 10,913	\$ 1,030	\$ 11,943
2010	11,352	591	11,943
2011	<u>8,814</u>	<u>146</u>	<u>8,960</u>
	<u>\$ 31,079</u>	<u>\$ 1,767</u>	<u>\$ 32,846</u>

A Brownfield Redevelopment Loan with the Department of Environmental Quality was entered into on January 22, 2007 for the HAEDCO Industrial Park Project. The loan is to be paid in annual installments of \$36,163 beginning in January 2012 for 11 years at an interest rate of 2%, based on a loan amount of \$361,000. As of September 30, 2008, \$253,475 has been borrowed from the loan agreement.

Note Payable with the USDA in accordance with the provisions of Act 156 of Public Acts of 1951 for the purpose of a new roof for the County building. The note was entered into on July 2, 2008 payable at an annual interest rate of 4.125%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal July 1</u>	<u>Interest</u>	<u>Annual Total</u>
2009	\$ 6,000	\$ 3,341	\$ 9,341
2010	7,000	3,094	10,094
2011	7,000	2,805	9,805
2012	7,000	2,516	9,516
2013	8,000	2,228	10,228
2014	8,000	1,898	9,898
2015	9,000	1,568	10,568
2016	9,000	1,196	10,196
2017	10,000	825	10,825
2018	<u>10,000</u>	<u>413</u>	<u>10,413</u>
	<u>\$ 81,000</u>	<u>\$ 19,883</u>	<u>\$ 100,883</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Lease purchase agreement for the purchase of Equature Voice Capture and Trunked Radio Scanner with 32 channel analog recording system hardware was entered into on January 22, 2008 payable to DSS Corporation for \$8,750 at an annual interest rate of 8.825%. Remaining principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 4,190	\$ 772
2010	<u>4,560</u>	<u>402</u>
	<u>\$ 8,750</u>	<u>\$1,174</u>

Annual Principal and Interest Requirements--Component Units

The annual requirements to pay the principal and interest on the component unit's direct general long-term debt obligations outstanding at September 30, 2008, are as follows:

Road Commission Bonds Payable (Component Unit)

The general obligation bonds payable is made up of bonds issued on September 16, 1999 and October 4, 2000 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of \$5,000 with rates varying from 4.55% to 6.0%. The bonds mature in \$50,000 increments annually over a 10-year period.

The installment notes payable was entered into on July 10, 2002 for the purchase of land. Principal payments of \$20,000 with an interest rate of 7% are made per year until it is paid off.

Annual Debt Service Requirements

<u>Year</u>	<u>Amount</u>
2009	\$116,535
2010	62,000
2011	<u>24,955</u>
Total Payments	203,490
Less: Interest and Fees	<u>(16,958)</u>
Net Balance Due	<u>\$186,532</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Department of Public Works (Component Unit)

Sanitary Sewage System No. 4 (City of Clare) General Obligation

The County issued \$630,000 Sewage Disposal System No. 4 (General Obligation Limited Tax) (City of Clare) Bonds on November 6, 1996. The bonds were issued under the provisions of Public Act 185 of 1957, as amended, for the purpose of constructing sewage disposal system improvements to serve the City of Clare. The bonds are payable primarily from monies derived from payments to be made by the City to the County in accordance with the terms of the contract.

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2008	\$ 20,000		\$ 11,213	\$ 31,213
2009	20,000	\$ 10,693	10,692	41,385
2010	35,000	10,167	10,168	55,335
2011	30,000	9,240	9,240	48,480
2012	30,000	8,437	8,437	46,874
2013-2016	120,000	25,575	25,574	171,149
2017-2021	150,000	4,312	4,313	158,625
	<u>\$ 405,000</u>	<u>\$ 68,424</u>	<u>\$ 79,637</u>	<u>\$ 553,061</u>

Water Supply System No. 1 (City of Clare) General Obligation

The County issued \$575,000 Water Supply System No. 1 (General Obligation Limited Tax) (City of Clare) Bonds on November 6, 1996. The bonds were issued under the provisions of Public Act 185 of 1957, as amended, for the purpose of constructing water supply system improvements to serve the City of Clare. The bonds are payable primarily from monies derived from payments to be made by the City to the County in accordance with the terms of the contract.

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2008	\$ 25,000		\$ 9,730	\$ 34,730
2009	25,000	\$ 9,080	9,080	43,160
2010	15,000	8,424	8,424	31,848
2011	20,000	8,026	8,026	36,052
2012	20,000	7,491	7,491	34,982
2013-2016	90,000	24,376	24,376	138,752
2017-2021	155,000	14,182	14,183	183,365
	<u>\$ 350,000</u>	<u>\$ 71,579</u>	<u>\$ 81,310</u>	<u>\$ 502,889</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Sanitary Sewage System No. 3 (City of Clare) Refunding Bonds

During 2002, Clare County Department of Public Works refunded and defeased Clare County Sewage Disposal System No. 3 (City of Clare) General Obligation Bonds dated April 6, 1988 in the amount of \$325,000 and the Clare County Sewage Disposal System No. 3 (City of Clare) General Obligation Refunding Bonds dated June 1, 1993 in the amount of \$1,415,000 of its outstanding General Obligation Bonds, carrying interest rates between 6% and 11% and 2.6% to 5.45%, respectively, with new debt of \$1,810,000 issued at interest rates varying between 2.5% and 4.05%. The new debt was dated March 28, 2002. A portion (\$37,929) of the payment to the escrow agent was provided from prior issue debt service funds. All issuance costs of the transaction were paid from bond proceeds.

The amount of \$1,800,958 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the long-term debt account group. The advance refunding reduced the total debt service payments over the 7 years by approximately \$77,168, which represents an economic gain of approximately \$42,712.

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2008	<u>\$ 320,000</u>		<u>\$ 6,480</u>	<u>\$ 326,480</u>
	<u>\$ 320,000</u>	<u>\$ -</u>	<u>\$ 6,480</u>	<u>\$ 326,480</u>

Drain--Component Unit

Bertha Lake Drain Note

The drain commissioner obtained a promissory note on November 9, 2001 with Isabella Bank and Trust for \$220,000 at an annual interest rate of 4.95%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1</u>	<u>Annual Total</u>
2009	<u>\$31,429</u>	<u>\$1,555</u>	<u>\$32,984</u>
	<u>\$31,429</u>	<u>\$1,555</u>	<u>\$32,984</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE H--LONG-TERM DEBT (Continued)

Ross Drain Note

The Drain Commissioner obtained a promissory note on September 18, 2002 with Isabella Bank and Trust for \$60,000 at an annual interest rate of 5.1%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal July 1</u>	<u>Interest July 1</u>	<u>Annual Total</u>
2009	\$ 6,000	\$ 1,224	\$ 7,224
2010	6,000	918	6,918
2011	6,000	612	6,612
2012	<u>6,000</u>	<u>307</u>	<u>6,307</u>
	<u>\$ 24,000</u>	<u>\$ 3,061</u>	<u>\$ 27,061</u>

NOTE I--COMPENSATED ABSENCES

Accrued Vacation and Sick Leave Payable

The County has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2008, the accumulated vested vacation and sick leave benefits of the employees of various County departments and the Road Commission were as follows:

	<u>Vacation</u>	<u>Sick Leave</u>	<u>Compensatory</u>	<u>Total</u>
Primary Government				
General County	\$ 30,791	\$ 41,584		\$ 72,375
Courts	28,703	47,380		76,083
Sheriff Department	69,704	91,699	\$13,467	174,870
Housing Commission	<u>2,586</u>	<u>1,116</u>		<u>3,702</u>
Total Primary Government	<u>\$ 131,784</u>	<u>\$ 181,779</u>	<u>\$13,467</u>	<u>\$ 327,030</u>
Component Unit				
Road Commission	<u>\$ 209,481</u>	<u>\$ 13,845</u>	<u>\$ -</u>	<u>\$ 223,326</u>

The accrued liability for compensated absences of the County Transit Corporation is recorded in the financial statements of the Transit Fund.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE I--COMPENSATED ABSENCES (Continued)

Vacation and Sick Leave Policies

The employment policies for the accumulation of vacation and sick leave benefits vary by contract.

Vacation Leave

General County, sheriff department and court employees are credited with annual leave for consecutive service as follows:

After 1 Year Employment	6 Days Annual Leave
After 2 Years Employment	12 Days Annual Leave
After 5 Years Employment	18 Days Annual Leave

Unused vacation leave is carried forward to the next year as follows. Sheriff department employees can carry into the subsequent year ½ of their regular annual leave. Court and County general employees may carry forward 5 vacation days into the next anniversary year, but these days may not be accumulated from year to year.

Upon termination of employment, the balance of accumulated vacation leave is paid in full for sheriff and County general employees. For court employees, this will be a maximum of 28 days.

The nonsupervisory and supervisory employees represented by International Union UAW and its local 1974 (unit 1 and unit 2), respectively, can carry a maximum of 5 days vacation into the next anniversary year and must be used within the next anniversary year. However, it shall be within the department head's sole discretion whether or not to allow the up to 5 days of vacation to be carried over. Any unused vacation time over 5 days shall be lost and not paid for.

The Housing Commission Director is credited with annual leave for consecutive service as follows:

1 Through 5 Years Employment	10 Days Annual Leave
After 5 Years Employment	18 Days Annual Leave

The Housing Commission Director may carry unused vacation days forward to the next anniversary date, to a maximum of 40 days.

Road Commission employees (component unit), after 6 months of service, are credited with 8 hours vacation leave per month, and an additional 2 to 7 days based on years of service exceeding 4 years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited. Vacation leave for 2008 amounted to \$83,552.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE I--COMPENSATED ABSENCES (Continued)

The liability for vested paid time off is charged to expense with a corresponding liability. Effective October 1, 1997, all full-time and regular part-time drivers and dispatchers, mechanics, clerical and janitorial employees of the Clare County Transit Corporation earn paid time off (PTO).

For straight time worked, including paid leave but not overtime, paid time off is credited based upon a varying scale as defined in the collective bargaining agreement. This scale shows 1 hour of time off for each 20 hours worked for employees with 0 time through 4 years of service. It increases with years of service to a maximum of 1 hour of time off for each 15 hours worked for employees with 10 years of service. An employee may accumulate up to 320 hours of paid time off.

Upon termination, other than discharge for cause, after 1 year of service due to resignation with 2 weeks' notice, death, retirement or layoff, an employee shall be paid for all paid time off (PTO) time accrued through the date of termination.

Administrative employees, including the manager and operations supervisor, earn paid days off (PTO) in a similar manner to the covered employees. These employees earn 2.31 hours of paid time off for each week for 0 years of service to 4.62 hours of paid time off for each week for 12 years of service. They may not accumulate hours in excess of two times their annual accumulation rate. Paid time off in excess of two times the annual accrual rate will be paid to the employee at Clare County Transit Corporation's fiscal year end at the employees' current rate of pay.

Administrative employees who leave their employment for any reason other than termination, and who give a minimum of 4 weeks notice are entitled to a payout for all remaining paid time off hours. Administrative employees may also elect to receive payment of paid time off instead of accumulation.

Sick Leave

General County employees earn 1 day of sick leave per month after their probationary periods, and are paid annually for ½ of their accumulated leave in excess of 70 days. Upon voluntary termination of employment, ½ of the accumulated sick leave is paid to the employee. Sheriff department employees earn sick leave upon hire at 1 day per month. After accumulation of 70 days, the employee is paid annually 65% of their accumulated leave in excess of 70 days in December. Only employees that retire and immediately receive County Municipal Employee Retirement System benefits will be paid 50% of their unused sick leave, up to a maximum of 280 hours.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE I--COMPENSATED ABSENCES (Continued)

Court employees are credited with 6 days of sick leave at the end of their probationary periods. After their probationary periods, employees earn 1 day of sick leave per month up to a maximum of 12 days per calendar year. Court employees may carry sick leave forward to their next anniversary date of employment up to 70 sick leave days. Court employees are paid annually for ½ of their accumulated sick leave in excess of 70 days. Upon voluntary termination of employment, employees who have completed 5 years of service will be paid ½ of their accumulated sick leave up to the maximum that can be carried forward as described above.

The nonsupervisory and supervisory employees represented by the International Union UAW and its local 1974 (unit 1 and unit 2), respectively, earn sick leave at the rate of 1 day per month after a 6 month probationary period. At the end of the probationary period, each employee is credited with 6 days of sick leave. The employees may accumulate a maximum of 70 days sick leave. After the accumulation of over 70 days on the employee anniversary date, the employee shall be paid at the rate of 65% their regular daily rate on all sick days accumulated in excess of 70 days.

The Housing Commission Director earns 1 day of sick leave per month and will be paid annually for ½ of accumulated leave in excess of 60 days. Upon voluntary termination of employment, ½ of the accumulated sick leave will be paid to the director.

Road Commission (component unit) post-1987 employees earn 4 hours sick leave per month, and pre-1987 employees earn 8 hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2008 amounted to \$139,774.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

Plan Description

The County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The County service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General UAW Units 111, Sheriff's Department, UAW (units 1 and 2), and elected officials. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2007.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

MERS was established in 1946 under Public Act 135 of 1945, and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at: 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units which required employees to contribute 3% of the first \$4,200 of annual compensation and 5% of compensation over \$4,200 for the Sheriff's Department, 4.7% for the General UAW Units 111 and UAW (units 1 and 2), and 4.5% for the elected officials. The County's pension contributions were 8.90%, 4.91%, 7.62%, and 5.25% of the covered payroll at December 31, 2007 for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, 2007. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Employer Annual Pension Cost (APC)</u>	<u>Employee Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2007	\$ 309,562	\$ 227,137	100%	\$0
2006	295,687	219,715	100%	\$0
2005	207,401	209,595	100%	\$0

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
2007	\$12,589,361	\$13,666,412	\$ (1,077,051)	92%	\$4,896,058	22%
2006	11,727,617	12,867,906	(1,140,289)	93%	4,689,048	24%
2005	10,955,295	11,959,186	(1,003,891)	92%	4,387,069	23%

Employee Pension Plan--Transit Corporation

Profit Sharing Plan and Trust 401(K)

The Clare County Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(K) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2008, there were eight plan members. Employees may at their option, defer up to 10% of their gross income. The Clare County Transit Corporation will match the employees' contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$1,007 during the current fiscal year and employees contributed \$5,344. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

SIMPLE Section 408(p)

The Clare County Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (SIMPLE), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2008, there were two plan members. The Clare County Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed \$1,698 during the current fiscal year and employees contributed \$1,750. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION

Plan Description

The Clare County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employees' Retirement System (MERS). The plan covers substantially all full-time employees.

MERS is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a nonprofit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers, and the public employees who are its beneficiaries.

MERS was established in 1946 under Public Act 135 of 1945 and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. MERS issues a financial report available to the public that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at: 1134 Municipal Way, Lansing, Michigan 49817.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after 10 years of service. Employees who retire at or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% of the member's five-year final average compensation. The system also provides death and disability benefits which are established by State statute.

Participating Road Commission employees are required to contribute 5.0% of their annual salary to the system. The Road Commission is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees' Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2007. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%: a) projected salary increases of 4.5% per year compounded annually, attributable to inflation; b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; and c) the assumption that benefits will increase 2.5% annually after retirement.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION (Continued)

All entries are based on the actuarial methods and assumption that were used in the December 31, 2007 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB Statement No. 25 Information (as of 12/31/07)

Actuarial Accrued Liability	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 5,634,300
Terminated Employees Not Yet Receiving Benefits	
Non-Vested Terminated Employees	187
Current Employees	
Accumulated Employee Contributions Including	
Allocated Investment Income	763,468
Employer Financed	<u>2,336,336</u>
Total Actuarial Accrued Liability	8,734,291
Net Assets Available for Benefits, at Actuarial Value	
(Market Value is \$8,198,878)	<u>8,104,337</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>\$ 629,954</u></u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2007 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 123,252	100%	\$0
2006	113,748	100%	\$0
2007	113,400	100%	\$0

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION (Continued)

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
2005	\$7,692,090	\$8,365,351	\$ (673,261)	92%	\$ 1,307,116	52%
2006	7,868,155	8,452,756	(584,601)	93%	1,238,972	47%
2007	8,104,337	8,734,291	(629,954)	93%	1,279,355	49%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return of 8% and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations.

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

The County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Wells Fargo Bank West, N.A.) is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

NOTE M--POST-EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

The County provides certain post-employment health and dental care benefits per contractual agreement. The health care benefits may be continued after retirement or termination by the individual paying the premiums, in advance, to the County clerk's office. The net cost for retirees incurred for the year ended September 30, 2008 was \$31,725. During 2008, there were 22 individuals covered under this agreement.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE M--POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Component Unit--Road Commission

In addition to the pension benefits described in Note K, the Road Commission provides post-employment health care benefits to all employees who retire from the Road Commission on or after attaining age 60 with 10 or more years of service; or, those who retire under a valid disability claim who have reached the age of 60. The health care benefits consist of the Road Commission paying the monthly health insurance premium until the recipient reaches the age of 65. The costs of retirees' health care benefits are recognized as expenditures as claims are paid. For the fiscal year ended September 30, 2008, those costs totaled \$57,037.

NOTE N--RISK MANAGEMENT

Primary Government

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

The County belongs to the Michigan Municipal Risk Management Authority which is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships and special purpose governments. The Michigan Municipal Risk Management Authority is a separate legal and administrative entity.

The County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self-insured retention (SIR). If a covered loss exceeds the Authority's limits, all further payments for such loss are the sole obligation of the County. If for any reason, the authority's resources available to pay losses are depleted, the payment of all unpaid losses of the County is the sole obligation of the County. The County's self-insured retentions are as follows:

<u>COVERAGE</u>	<u>SELF-INSURED RETENTION (SIR)</u> (Excess of Deductibles)
Liability	\$75,000
Vehicle Physical Damage \$1,000 County Deductible	\$15,000 Per Vehicle \$30,000 Per Occurrence
Property and Crime Deductible Per Occurrence	\$1,000 10% of the Next \$100,000

After the County has paid the SIR, the authority will be responsible for paying losses, including damages, loss adjustment expense and defense costs.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 2008

NOTE N--RISK MANAGEMENT (Continued)

Transit Corporation

The Transit Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Transit Corporation purchases commercial insurance for business auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims. The Transit Corporation participates in the Michigan Transit Pool for claims relating to auto and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 4 fiscal years.

The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of MCL 124.1 et seq.; and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101 et seq., as the Michigan Transit Pool, Inc. The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Pool is a separate legal and administrative entity. Settled claims for the Pool have not exceeded the amounts of insurance coverage in any of the past 4 years.

Road Commission (Component Unit)

Clare County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorized contracts between municipal corporations (inter-local agreements) to form group self-insurance pools and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Clare County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability, bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that it will be self-sustaining through member premiums determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self-Insurance Fund.

During the year ended September 30, 2008 and the previous 2 years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2008

NOTE O--CONTINGENT LIABILITIES

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The County's insurance carrier estimates that the potential claims against the County, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the County.

NOTE P--COUNTY SOLID WASTE LANDFILL

The County entered into a real estate purchase agreement, and landfill development and operation agreement with Waste Management of Michigan, Inc., on June 20, 1990. For \$260,000, the County conveyed title to certain land and entered into a 20-year operation agreement. The County is also entitled to certain host community fees. Waste Management is party to a Perpetual Care Trust Fund Agreement (PCTF) with the State of Michigan Department of Natural Resources. The PCTF is used exclusively for closure, monitoring, and maintenance of the landfill, and for the response activity necessitated by discharge from the landfill of a substance which is or may become injurious to the public health, safety, or welfare or to the environment. Waste Management is required to make certain specified deposits to the fund and to provide a surety bond.

NOTE Q--PREPAID INSURANCE

Clare County Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to \$25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$135,069 with the pool, which is recorded as prepaid insurance as of September 30, 2008.

NOTE R--FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation that the County road commissioners report total Federal financial assistance for highway research, planning and construction pertaining to their County. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation. The Federal aid revenue of \$1,687,825 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors, but was paid for and administered by the Michigan Department of Transportation.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS

Fiscal Year Ended September 30, 2008

#### NOTE S--SUBSEQUENT EVENTS

After the end of the September 30, 2008 fiscal year, the Clare County Board of Commissions approved two resolutions that will change two areas of County operations for the September 30, 2009 fiscal year. First, on September 26, 2008, the Clare County Board of Commissioners approved Ordinance #08-33 repealing Clare County Ordinance No. 7 establishing a Housing Commission for the County of Clare. The Housing Commission activities will be moved back under County control for fiscal year 2009. Secondly, on February 18, 2009, the Clare County Board of Commissioners approved Ordinance #09-08 establishing the Clare County Senior Services Department.

#### NOTE T--UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” postemployment benefits (other than pensions). The new rules will cause government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than the time the health care benefits are paid. The new pronouncement is effective for the year beginning October 1, 2008.

**CLARE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT K**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Revenues</b>				
Taxes and Penalties	\$ 4,789,727	\$ 4,809,440	\$ 4,871,151	\$ 61,711
Licenses and Permits	97,000	97,785	86,311	(11,474)
Federal Grants	206,916	214,916	159,021	(55,895)
State Grants	834,588	825,564	797,697	(27,867)
Contributions From Local Units	491,758	522,664	549,768	27,104
Charges for Services	2,813,858	2,953,519	2,617,757	(335,762)
Fines and Forfeits	28,000	28,945	25,082	(3,863)
Interest and Rentals	767,019	770,019	616,054	(153,965)
Other Revenue	136,120	187,816	194,117	6,301
<b>Total Revenues</b>	<b>10,164,986</b>	<b>10,410,668</b>	<b>9,916,958</b>	<b>(493,710)</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	4,244,080	4,402,623	4,068,327	334,296
Public Safety	4,473,266	4,680,224	4,591,518	88,706
Public Works	107,090	108,495	57,104	51,391
Health and Welfare	598,564	604,945	571,485	33,460
Community and Economic Development	33,525	36,438	26,928	9,510
Other	1,097,221	980,334	769,437	210,897
Capital Outlay	305,375	314,279	206,825	107,454
<b>Debt Service</b>				
Principal	-	-	10,491	(10,491)
Interest and Fiscal Fees	-	-	1,497	(1,497)
<b>Total Expenditures</b>	<b>10,859,121</b>	<b>11,127,338</b>	<b>10,303,612</b>	<b>823,726</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(694,135)</b>	<b>(716,670)</b>	<b>(386,654)</b>	<b>330,016</b>
<b>Other Financing Sources (Uses)</b>				
Installment Purchase Proceeds			8,750	8,750
Interfund Transfers In	991,202	991,202	1,016,000	24,798
Interfund Transfers (Out)	(1,109,144)	(1,117,147)	(714,322)	402,825
<b>Total Other Financing Sources (Uses)</b>	<b>(117,942)</b>	<b>(125,945)</b>	<b>310,428</b>	<b>436,373</b>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<b>(812,077)</b>	<b>(842,614)</b>	<b>(76,226)</b>	<b>766,388</b>
<b>Fund Balance--October 1, 2007</b>	<b>1,559,029</b>	<b>1,559,029</b>	<b>2,075,926</b>	<b>516,897</b>
<b>Fund Balance--September 30, 2008</b>	<b>\$ 746,952</b>	<b>\$ 716,415</b>	<b>\$ 1,999,700</b>	<b>\$ 766,388</b>

**CLARE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GYPSY MOTH--MAJOR SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT L**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes			\$ 2	\$ 2
Interest and Rentals	\$ 50,000	\$ 50,000	28,474	(21,526)
Total Revenues	50,000	50,000	28,476	(21,524)
Expenditures				
Current				
General Government	182,136	182,136	10,045	172,091
Total Expenditures	182,136	182,136	10,045	172,091
Excess of Revenues Over (Under) Expenditures	(132,136)	(132,136)	18,431	150,567
Fund Balance--October 1, 2007	136,336	136,336	1,225,353	1,089,017
Fund Balance--September 30, 2008	\$ 4,200	\$ 4,200	\$ 1,243,784	\$ 1,239,584

**CLARE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
REVENUE SHARING RESERVE  
MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended September 30, 2008**

**EXHIBIT M**

	<b><u>BUDGETED AMOUNTS</u></b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 580,000	\$ 580,000		\$ (580,000)
Interest	-	-	\$ 24,947	24,947
Total Revenues	580,000	580,000	24,947	(555,053)
Expenditures				
General Government				-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	580,000	580,000	24,947	(555,053)
Other Financing Sources (Uses)				
Interfund Transfers (Out)	(580,000)	(580,000)	(616,000)	(36,000)
Total Other Financing Sources (Uses)	(580,000)	(580,000)	(616,000)	(36,000)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(591,053)	(591,053)
Fund Balance--October 1, 2007	-	-	1,627,642	1,627,642
Fund Balance--September 30, 2008	\$ -	\$ -	\$ 1,036,589	\$ 1,036,589

**The Notes to Financial Statements are an integral part of this statement.**

**CLARE COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2008**

**EXHIBIT N**

**SPECIAL REVENUE FUNDS**

	Parks and Recreation	Friend of the Court	Brownfield Redevelopment Authority	Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers
<b><u>ASSETS</u></b>								
Cash	\$ 24,477	\$ 61,555	\$ 136,533	\$ 55,351	\$ 422	\$ 168,634	\$ 272,017	\$ 13,606
Investments				514				
Accounts Receivable	-						34,617	-
Notes Receivable								
Land Contracts Receivable								
Due From State of Michigan		41,034	32,162				31,306	
Due From Federal Government								
<b>Total Assets</b>	<b>\$ 24,477</b>	<b>\$ 102,589</b>	<b>\$ 168,695</b>	<b>\$ 55,865</b>	<b>\$ 422</b>	<b>\$ 168,634</b>	<b>\$ 337,940</b>	<b>\$ 13,606</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>								
Accounts Payable	\$ 357	\$ 712	\$ 74,108		\$ 217	-	\$ 14,499	
Due to State								
Accrued Liabilities	359	10,758			2,880		15,188	
Long-Term Advance							159,154	
Deferred Revenue	-							
<b>Total Liabilities</b>	<b>716</b>	<b>11,470</b>	<b>74,108</b>	<b>\$ -</b>	<b>3,097</b>	<b>\$ -</b>	<b>188,841</b>	<b>\$ -</b>
Fund Balances								
Reserved for								
Donations								
Debt Service								
Housing Rehab								
Capital Improvements								
Unreserved--Undesignated	23,761	91,119	94,587	55,865	(2,675)	168,634	149,099	13,606
<b>Total Fund Balances</b>	<b>23,761</b>	<b>91,119</b>	<b>94,587</b>	<b>55,865</b>	<b>(2,675)</b>	<b>168,634</b>	<b>149,099</b>	<b>13,606</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 24,477</b>	<b>\$ 102,589</b>	<b>\$ 168,695</b>	<b>\$ 55,865</b>	<b>\$ 422</b>	<b>\$ 168,634</b>	<b>\$ 337,940</b>	<b>\$ 13,606</b>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2008

EXHIBIT N  
 (CONTINUED)

SPECIAL REVENUE FUNDS

	Drug Law Enforcement	Law Library	Housing Commission	Enterprise Community	Brownfield Redevelopment Authority EPA Grant	TSA Grant	Senior Citizen	Department of Human Services	Child Care DHS
<b><u>ASSETS</u></b>									
Cash	\$ 10,621	\$ 1,251	\$ 57,668	\$ 152,390	\$ 3,500	\$ 3,680	\$ 676	\$ 33,267	\$ 69,193
Investments			41,216				79,013		
Accounts Receivable									6,022
Notes Receivable			1,485,902						
Land Contracts Receivable			20,946						
Due From State of Michigan	1,047							35,819	12,369
Due From Federal Government			3,619	-	2,000	-			
Total Assets	\$ 11,668	\$ 1,251	\$ 1,609,351	\$ 152,390	\$ 5,500	\$ 3,680	\$ 79,689	\$ 69,086	\$ 87,584
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Accounts Payable		\$ 211		\$ 72,898	\$ 5,500	\$ 82			\$ 32,464
Due to State								\$ 30,000	
Accrued Liabilities			\$ 1,780						
Long-Term Advance			10,000						
Deferred Revenue			1,506,849	79,492	-	3,598			
Total Liabilities	\$ -	211	1,518,629	152,390	5,500	3,680	\$ -	30,000	32,464
Fund Balances									
Reserved for									
Donations								4,897	
Debt Service									
Housing Rehab			90,722						
Capital Improvements									
Unreserved--Undesignated	11,668	1,040					79,689	34,189	55,120
Total Fund Balances	11,668	1,040	90,722	-	-	-	79,689	39,086	55,120
Total Liabilities and Fund Balances	\$ 11,668	\$ 1,251	\$ 1,609,351	\$ 152,390	\$ 5,500	\$ 3,680	\$ 79,689	\$ 69,086	\$ 87,584

**CLARE COUNTY  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
September 30, 2008**

**EXHIBIT N  
(CONTINUED)**

	<u>SPECIAL REVENUE FUNDS</u>				<u>DEBT SERVICE FUNDS</u>		<u>CAPITAL PROJECT FUNDS</u>		
	Child Care Probate	Soldiers and Sailors Relief	Veterans Trust	Airport	Jail Building Debt	Building Authority Refunding Debt	Animal Shelter Construction	County Building Renovation	Total
<b><u>ASSETS</u></b>									
Cash	\$ 58,187	\$ 1,413	\$ 2,083	\$ 49,136	\$ 15	\$ 743	\$ 361,582	\$ 979	\$ 1,538,979
Investments									120,743
Accounts Receivable									40,639
Notes Receivable									1,485,902
Land Contracts Receivable									20,946
Due From State of Michigan	1,941								155,678
Due From Federal Government				23,660				76,387	105,666
<b>Total Assets</b>	<b>\$ 60,128</b>	<b>\$ 1,413</b>	<b>\$ 2,083</b>	<b>\$ 72,796</b>	<b>\$ 15</b>	<b>\$ 743</b>	<b>\$ 361,582</b>	<b>\$ 77,366</b>	<b>\$ 3,468,553</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Accounts Payable	\$ 4,786	\$ 1,263	-	\$ 43,575			\$ 486	\$ 90,000	\$ 341,158
Due to State									30,000
Accrued Liabilities									30,965
Long-Term Advance							76,340		245,494
Deferred Revenue				23,660				48,387	1,661,986
<b>Total Liabilities</b>	<b>4,786</b>	<b>1,263</b>	<b>\$ -</b>	<b>67,235</b>	<b>\$ -</b>	<b>\$ -</b>	<b>76,826</b>	<b>138,387</b>	<b>2,309,603</b>
<b>Fund Balances</b>									
Reserved for									
Donations									4,897
Debt Service					15	743			758
Housing Rehab									90,722
Capital Improvements							284,756	(61,021)	223,735
Unreserved--Undesignated	55,342	150	2,083	5,561					838,838
<b>Total Fund Balances</b>	<b>55,342</b>	<b>150</b>	<b>2,083</b>	<b>5,561</b>	<b>15</b>	<b>743</b>	<b>284,756</b>	<b>(61,021)</b>	<b>1,158,950</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 60,128</b>	<b>\$ 1,413</b>	<b>\$ 2,083</b>	<b>\$ 72,796</b>	<b>\$ 15</b>	<b>\$ 743</b>	<b>\$ 361,582</b>	<b>\$ 77,366</b>	<b>\$ 3,468,553</b>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT O**

	<b>SPECIAL REVENUE FUNDS</b>							
	Parks and Recreation	Friend of Court	Brownfield Redevelopment Authority	Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers
Revenues								
Taxes							\$ 332,729	
Licenses and Permits					\$ 104,598			
Federal Grants		\$ 238,986						
State Grants		29,438	\$ 49,500				129,006	
Charges for Services		36,047	15			\$ 50,280	140,284	
Fines and Forfeits								\$ 7,340
Interest and Rentals				\$ 125		4,870		
Other	\$ 41,222							
Total Revenues	41,222	304,471	49,515	125	104,598	55,150	602,019	7,340
Expenditures								
General Government		314,599				1,272		
Public Safety				14,890	109,790		432,871	12,863
Public Works			182,220					
Health and Welfare								
Community and Economic Development								
Recreation and Cultural	43,475							
Capital Outlay				-			17,612	
Principal								
Interest and Fees								
Total Expenditures	43,475	314,599	182,220	14,890	109,790	1,272	450,483	12,863
Excess of Revenue Over (Under)								
Expenditures	(2,253)	(10,128)	(132,705)	(14,765)	(5,192)	53,878	151,536	(5,523)
Other Financing Sources (Uses)								
Loan Proceeds			202,000					
Bond Proceeds								
Interfund Transfers In	8,312	-		55,000				
Interfund Transfers (Out)								
Total Other Financing Sources (Uses)	8,312	-	202,000	55,000	-	-	-	-
Excess of Revenues and Other Sources Over (Under)								
Expenditures and Other Uses	6,059	(10,128)	69,295	40,235	(5,192)	53,878	151,536	(5,523)
Fund Balance--October 1, 2007	17,702	101,247	25,292	15,630	2,517	114,756	(2,437)	19,129
Fund Balance--September 30, 2008	\$ 23,761	\$ 91,119	\$ 94,587	\$ 55,865	\$ (2,675)	\$ 168,634	\$ 149,099	\$ 13,606

**CLARE COUNTY  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2008**

**EXHIBIT O  
(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>								
	Drug Law Enforcement	Law Library	Housing Commission	Enterprise Community	Brownfield Redevelopment Authority EPA Grant	TSA Grant	Senior Citizens	Department of Human Services	Child Care DHS
Revenues									
Taxes							\$ 458,209		
Licenses and Permits									
Federal Grants			\$ 59,325	\$ 221,778	\$ 5,500	\$ 47,787			
State Grants									\$ 88,442
Charges for Services									15,926
Fines and Forfeits	\$ 1,125	\$ 5,250							
Interest and Rentals			8,925				3,843		
Other			67,682					\$ 232,132	
<b>Total Revenues</b>	<b>1,125</b>	<b>5,250</b>	<b>135,932</b>	<b>221,778</b>	<b>5,500</b>	<b>47,787</b>	<b>462,052</b>	<b>232,132</b>	<b>104,368</b>
Expenditures									
General Government		3,909							
Public Safety	657								
Public Works					5,500				
Health and Welfare							436,695	236,716	347,026
Community and Economic Development			188,178	221,778	-	47,787			
Recreation and Cultural									
Capital Outlay									
Principal									
Interest and Fees									
<b>Total Expenditures</b>	<b>657</b>	<b>3,909</b>	<b>188,178</b>	<b>221,778</b>	<b>5,500</b>	<b>47,787</b>	<b>436,695</b>	<b>236,716</b>	<b>347,026</b>
Excess of Revenue Over (Under)									
Expenditures	468	1,341	(52,246)	-	-	-	25,357	(4,584)	(242,658)
Other Financing Sources (Uses)									
Loan Proceeds									
Bond Proceeds									
Interfund Transfers In								10,000	
Interfund Transfers (Out)									
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,000</b>	<b>-</b>
Excess of Revenues and Other Sources Over (Under)									
Expenditures and Other Uses	468	1,341	(52,246)	-	-	-	25,357	5,416	(242,658)
Fund Balance--October 1, 2007	11,200	(301)	142,968	-	-	-	54,332	33,670	297,778
Fund Balance--September 30, 2008	\$ 11,668	\$ 1,040	\$ 90,722	\$ -	\$ -	\$ -	\$ 79,689	\$ 39,086	\$ 55,120

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT O**  
**(CONTINUED)**

	SPECIAL REVENUE FUNDS				DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS		Total
	Child Care Probate	Soldiers and Sailors Relief	Veterans Trust	Airport	Jail Building Debt	Building Authority Refunding Debt	Animal Shelter Construction	County Building Renovation	
Revenues									
Taxes							\$ 2		\$ 790,940
Licenses and Permits									104,598
Federal Grants									573,376
State Grants	\$ 55,609		\$ 8,868	\$ 7,000					367,863
Charges for Services	-								242,552
Fines and Forfeits									13,715
Interest and Rentals				11,775			5,584		35,122
Other				89,158					430,194
<b>Total Revenues</b>	<b>55,609</b>	<b>\$ -</b>	<b>8,868</b>	<b>107,933</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,586</b>	<b>\$ -</b>	<b>2,558,360</b>
Expenditures									
General Government									319,780
Public Safety							5,678		576,749
Public Works				65,191					252,911
Health and Welfare	101,300	7,706	8,787						1,138,230
Community and Economic Development									457,743
Recreation and Cultural									43,475
Capital Outlay				43,061			76,340	183,021	320,034
Principal					450,000	60,000			510,000
Interest and Fees					22,950	47,065			70,015
<b>Total Expenditures</b>	<b>101,300</b>	<b>7,706</b>	<b>8,787</b>	<b>108,252</b>	<b>472,950</b>	<b>107,065</b>	<b>82,018</b>	<b>183,021</b>	<b>3,688,937</b>
Excess of Revenue Over (Under) Expenditures	(45,691)	(7,706)	81	(319)	(472,950)	(107,065)	(76,432)	(183,021)	(1,130,577)
Other Financing Sources (Uses)									
Loan Proceeds									202,000
Bond Proceeds								81,000	81,000
Interfund Transfers In	75,000				472,950	107,060		41,000	769,322
Interfund Transfers (Out)									-
<b>Total Other Financing Sources (Uses)</b>	<b>75,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>472,950</b>	<b>107,060</b>	<b>-</b>	<b>122,000</b>	<b>1,052,322</b>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	29,309	(7,706)	81	(319)	-	(5)	(76,432)	(61,021)	(78,255)
Fund Balance--October 1, 2007	26,033	7,856	2,002	5,880	15	748	361,188	-	1,237,205
<b>Fund Balance--September 30, 2008</b>	<b>\$ 55,342</b>	<b>\$ 150</b>	<b>\$ 2,083</b>	<b>\$ 5,561</b>	<b>\$ 15</b>	<b>\$ 743</b>	<b>\$ 284,756</b>	<b>\$ (61,021)</b>	<b>\$ 1,158,950</b>

**CLARE COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**September 30, 2008**

**EXHIBIT P**

	<b>BUSINESS-TYPE ACTIVITIES</b>		
	<b><u>NON-MAJOR ENTERPRISE FUNDS</u></b>		
	Tax Foreclosure	Jail Commissary	Total Non-Major Funds
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 521,358	\$ 20,028	\$ 541,386
Accounts Receivable	10,921	1,534	12,455
Total Current Assets	<u>532,279</u>	<u>21,562</u>	<u>553,841</u>
Noncurrent Assets			
Long-Term Advances			
Housing	10,000		10,000
General	76,340		76,340
Total Noncurrent Assets	<u>86,340</u>	<u>-</u>	<u>86,340</u>
Total Assets	<u>\$ 618,619</u>	<u>\$ 21,562</u>	<u>\$ 640,181</u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable		\$ 1,751	\$ 1,751
Total Liabilities	<u>\$ -</u>	<u>1,751</u>	<u>1,751</u>
<b><u>NET ASSETS</u></b>			
Unrestricted	<u>618,619</u>	<u>19,811</u>	<u>638,430</u>
Total Net Assets	<u>\$ 618,619</u>	<u>\$ 19,811</u>	<u>\$ 638,430</u>

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT Q**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Non-Major Enterprise Funds
	<b>NON-MAJOR ENTERPRISE FUNDS</b>		
	Tax Foreclosure	Jail Commissary	
Operating Revenues			
Charges for Services	\$ 254,731	\$ 27,114	\$ 281,845
Total Operating Revenues	254,731	27,114	281,845
Operating Expenses			
Materials and Supplies	21,574	17,035	38,609
Total Operating Expenses	21,574	17,035	38,609
Operating Income (Loss)	233,157	10,079	243,236
Interfund Transfers			
Transfers (Out)	(55,000)		(55,000)
Change in Net Assets	178,157	10,079	188,236
Total Net Assets--October 1, 2007	440,462	9,732	450,194
Total Net Assets--September 30, 2008	\$ 618,619	\$ 19,811	\$ 638,430

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT R**

	<b>BUSINESS-TYPE ACTIVITIES</b>		Total Enterprise Funds
	<b>NON-MAJOR ENTERPRISE FUNDS</b>		
	Tax Foreclosure	Jail Commissary	
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 243,810	\$ 27,127	\$ 270,937
Cash Payments to Suppliers for Goods and Services	(21,574)	(16,205)	(37,779)
Net Cash Provided by Operating Activities	222,236	10,922	233,158
Cash Flows From Noncapital Financing Activities			
Long-Term Advances	(86,340)		(86,340)
Transfers In (Out)	(55,000)		(55,000)
Net Cash Provided by Noncapital Financing Activities	(141,340)	-	(141,340)
Net Increase (Decrease) in Cash and Cash Equivalents	80,896	10,922	91,818
Cash and Cash Equivalents at Beginning of Year	440,462	9,106	449,568
Cash and Cash Equivalents at End of Year	\$ 521,358	\$ 20,028	\$ 541,386
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 233,157	\$ 10,079	\$ 243,236
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
(Increase) Decrease in Accounts Receivable	(10,921)	13	(10,908)
Increase (Decrease) in Accounts Payable		830	830
Net Cash Provided by Operating Activities	\$ 222,236	\$ 10,922	\$ 233,158

**CLARE COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**September 30, 2008**

**EXHIBIT S**

	<u>INTERNAL SERVICE FUNDS</u>		
	Technology Fund	Health Insurance Fund	Total Non-Major Funds
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 4,025	\$ 223,889	\$ 227,914
Total Assets	\$ 4,025	\$ 223,889	\$ 227,914
<b><u>LIABILITIES</u></b>			
Total Current Liabilities	\$ -	\$ -	\$ -
Noncurrent Liabilities			
Long-Term Advance	15,551		15,551
Total Noncurrent Liabilities	15,551	-	15,551
Total Liabilities	15,551	-	15,551
<b><u>NET ASSETS</u></b>			
Unrestricted	(11,526)	223,889	212,363
Total Net Assets	\$ (11,526)	\$ 223,889	\$ 212,363

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT T**

	<b>INTERNAL SERVICE FUNDS</b>		
	Technology Fund	Health Insurance Fund	Total Internal Service Funds
Operating Revenues			
Charges for Services	\$ 15,724	\$ 1,336,445	\$ 1,352,169
Total Operating Revenues	15,724	1,336,445	1,352,169
Operating Expenses			
Health Insurance		1,286,718	1,286,718
Depreciation	14,325		14,325
Total Operating Expenses	14,325	1,286,718	1,301,043
Operating Income (Loss)	1,399	49,727	51,126
Change in Net Assets	1,399	49,727	51,126
Total Net Assets--October 1, 2007	(12,925)	174,162	161,237
Total Net Assets--September 30, 2008	\$ (11,526)	\$ 223,889	\$ 212,363

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT U**

	<u>INTERNAL SERVICE FUNDS</u>		
	Technology Fund	Health Insurance Fund	Total Funds
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 15,724	\$ 1,338,197	\$ 1,353,921
Cash Payments For Employees Benefits		(1,286,762)	(1,286,762)
Net Cash Provided by Operating Activities	<u>15,724</u>	<u>51,435</u>	<u>67,159</u>
Cash Flows From Capital and Related Financing Activities			
Long-Term Advance	<u>(15,724)</u>		<u>(15,724)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(15,724)</u>	-	<u>(15,724)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	51,435	51,435
Cash and Cash Equivalents at Beginning of Year	<u>4,025</u>	<u>172,454</u>	<u>176,479</u>
Cash and Cash Equivalents at End of Year	<u>\$ 4,025</u>	<u>\$ 223,889</u>	<u>\$ 227,914</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,399	\$ 49,727	\$ 51,126
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	14,325		14,325
(Increase) Decrease in Accounts Receivable		-	-
(Increase) in Prepaid Insurance		(44)	(44)
Increase (Decrease) in Accrued Wages Payable		-	-
Increase (Decrease) in Deferred Revenue		1,752	1,752
Net Cash Provided by Operating Activities	<u>\$ 15,724</u>	<u>\$ 51,435</u>	<u>\$ 67,159</u>

**CLARE COUNTY  
COMBINING STATEMENT OF FIDUCIARY  
NET ASSETS--AGENCY FUNDS  
September 30, 2008**

**EXHIBIT V**

	General Agency	Library (Penal Fines) Fund	Total
<b><u>ASSETS</u></b>			
Cash	\$1,572,217	\$ 74,130	\$ 1,646,347
Investments		10,565	10,565
Due From Other Agencies	257		257
	<hr/>		
Total Assets	\$1,572,474	\$ 84,695	\$ 1,657,169
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities			
Due to Cities	\$ 399		\$ 399
Due to Schools and Colleges	141		141
Due to State of Michigan	1,496,787		1,496,787
Undistributed Penal Fines and Interest		\$ 84,695	84,695
Other Liabilities	75,147		75,147
	<hr/>		
Total Liabilities	\$1,572,474	\$ 84,695	\$ 1,657,169

**CLARE COUNTY**  
**STATEMENT OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT W**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
<b>Taxes and Penalties</b>				
Current Property Taxes	\$ 4,578,463	\$ 4,578,463	\$ 4,645,988	\$ 67,525
Unpaid Personal Property Taxes	25,000	25,000	16,283	(8,717)
Tax Reverted Lands	500	500	-	(500)
Trailer Taxes	3,700	3,700	2,110	(1,590)
Swampland Tax	41,569	41,569	41,550	(19)
Commercial Forest Reserve	-	21	21	-
Industrial Facility Tax	13,272	30,254	30,254	-
Payments-in-Lieu of Taxes	7,223	7,223	7,465	242
Property Tax Administration Fees	120,000	122,710	127,480	4,770
County Expense of Sale	-	-	-	-
<b>Total Taxes and Penalties</b>	<b>4,789,727</b>	<b>4,809,440</b>	<b>4,871,151</b>	<b>61,711</b>
<b>Licenses and Permits</b>				
Marriage Licenses	1,000	1,000	970	(30)
Marriage Licenses--Family Counseling	3,000	3,000	2,850	(150)
Dog Licenses	65,000	65,000	56,688	(8,312)
Pistol Permits	8,000	8,782	6,230	(2,552)
Soil Erosion and Sedimentation Permits	20,000	20,000	19,570	(430)
Explosives Permits	-	3	3	-
<b>Total Licenses and Permits</b>	<b>97,000</b>	<b>97,785</b>	<b>86,311</b>	<b>(11,474)</b>
<b>Federal Grants</b>				
State Domestic Preparedness Equipment	700	700	-	(700)
Emergency Management	21,216	21,216	10,842	(10,374)
USDA Grant--Solid Waste	62,000	62,000	25,059	(36,941)
USDA Grant--Vehicles	52,000	52,000	52,000	-
USDA Grant--Dive Equipment	-	8,000	8,000	-
Marine Safety	20,000	20,000	12,687	(7,313)
Cooperative Reimbursement Program--Prosecuting Attorney	51,000	51,000	50,433	(567)
<b>Total Federal Grants</b>	<b>206,916</b>	<b>214,916</b>	<b>159,021</b>	<b>(55,895)</b>
<b>State Grants</b>				
Probate Judges' Salary	101,400	101,400	101,969	569
Judges' Salary Standardization	100,592	100,592	100,098	(494)
State Court Equity Fund	213,000	213,000	204,000	(9,000)
Secondary Road Patrol	73,000	73,000	65,079	(7,921)
Bullet Proof Vest Program	1,500	1,500	-	(1,500)
Livery Inspections--Sheriff	-	494	494	-
State Aid Caseload Assistance	10,000	17,287	17,287	-
State Snowmobile Grant	10,525	10,525	4,400	(6,125)
Judicial Network Project	-	436	436	-
Michigan Justice Training	5,000	5,000	3,882	(1,118)
Off-Road Vehicle Enforcement	7,000	7,000	5,750	(1,250)
Off-Road Vehicle Safety Education	6,000	6,000	-	(6,000)
Cooperative Reimbursement Program--Prosecuting Attorney	-	-	261	261
Juvenile Officer Grant	27,317	27,317	27,317	-
Food Stamp Fraud	2,000	2,000	1,519	(481)
Victims Rights Grant	29,200	29,200	29,500	300
State Cigarette Tax	18,457	18,457	10,744	(7,713)
Convention Facilities Liquor Tax	135,660	135,660	147,909	12,249
Rezonumentation	71,479	48,341	48,341	-
Juror Compensation	5,000	10,858	10,858	-
Liquor Law Enforcement	2,008	2,008	-	(2,008)
Election	15,000	15,000	17,167	2,167
Voter Registration	450	490	686	196
<b>Total State Grants</b>	<b>834,588</b>	<b>825,564</b>	<b>797,697</b>	<b>(27,867)</b>

**CLARE COUNTY**  
**STATEMENT OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT W**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Contributions From Local Units				
Liquor Law Enforcement--Townships	4,512	4,512	5,633	1,121
Law Enforcement Contracts				
Lincoln Township	121,247	127,380	124,652	(2,728)
City of Harrison	161,627	161,627	151,548	(10,079)
Village of Farwell	35,169	35,169	34,995	(174)
Hayes Township	40,445	45,113	51,652	6,539
Redding Township	5,284	5,284	5,153	(131)
Grant Township	17,586	17,586	17,116	(470)
MMC College	25,000	45,105	51,247	6,142
School Safety Match				
Harrison	40,444	40,444	40,442	(2)
Farwell	40,444	40,444	31,650	(8,794)
Elections	-	-	35,680	35,680
<b>Total Contributions From Local Units</b>	<b>491,758</b>	<b>522,664</b>	<b>549,768</b>	<b>27,104</b>
Charges for Services				
Circuit Court Costs	45,500	83,803	86,693	2,890
District Court Costs	282,000	302,070	329,060	26,990
Circuit Court Services	15,639	15,639	16,142	503
Public Guardian Services	25,000	25,000	22,085	(2,915)
Probate Court Services	30,000	30,032	23,736	(6,296)
Clerk Services	45,000	50,955	52,699	1,744
Partnerships and Assumed Names	3,100	3,100	3,085	(15)
Equalization Department Services				
Nongovernmental	4,500	5,989	6,279	290
Local Units	63,000	64,943	63,743	(1,200)
Register of Deeds Services	162,450	177,274	169,453	(7,821)
Abstract Department Services	3,610	3,610	4,313	703
Treasurer Services	5,250	5,250	5,181	(69)
Sheriff Services	11,122	16,891	20,103	3,212
Preliminary Breath Test Fees	16,009	20,080	22,365	2,285
Animal Control Services	9,110	10,631	14,243	3,612
District Court Attorney Fees	114,000	114,000	117,138	3,138
Probate Court Attorney Fees	1,600	1,600	760	(840)
Real Estate Transfer Tax	100,000	100,000	69,467	(30,533)
25% Child Care Fund Collection Fees	2,000	2,000	1,379	(621)
Abstract Department Use of Tract Book	47,000	47,175	53,580	6,405
Prosecutor OWI Cases	-	101	1,471	1,370
District Court Assessment and Evaluation Fees	35,000	35,000	36,731	1,731
District Court Bond Costs	12,000	12,510	13,920	1,410
Circuit Court Bond Costs	100	100	-	(100)
District Court Civil Fees	77,000	77,000	88,553	11,553
Sheriff Service of Papers	28,048	31,604	38,308	6,704
Animal Adoption Fees	5,820	5,820	5,180	(640)
Record Copying	3,500	3,995	3,460	(535)
Jail Fees	6,750	7,671	8,557	886
Transporting Prisoners	24,233	24,233	24,168	(65)
Housing of Inmates--Other Counties	1,422,747	1,422,747	1,079,259	(343,488)
Housing of Inmates--State Detainees	7,302	7,302	15,177	7,875
Housing of Inmates--Diverted Felons	21,416	23,838	29,537	5,699
Weekend Lodging--Jail	18,377	23,595	25,755	2,160
Inmates Room and Board	5,643	8,307	17,661	9,354
Inmates Work Release	7,642	7,642	2,650	(4,992)
Inmates Incentive	7,722	14,600	18,200	3,600

**CLARE COUNTY**  
**STATEMENT OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT W**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Charges for Services (Continued)				
Pay Phone Commissions	135,500	135,500	98,417	(37,083)
Phone Cards--Inmates	-	17,300	21,520	4,220
Vending Machine Commissions	-	1,743	1,743	-
Sale of Confiscated Property	300	4,001	4,001	-
Circuit Court Sex Offender Program	500	500	120	(380)
Drug Screening	8,368	8,368	1,865	(6,503)
Tether Fees	-	-	-	-
<b>Total Charges for Services</b>	<b>2,813,858</b>	<b>2,953,519</b>	<b>2,617,757</b>	<b>(335,762)</b>
Fines and Forfeits				
Circuit Court Bond Forfeitures	3,000	3,945	4,195	250
District Court Bond Forfeitures	10,000	10,000	7,780	(2,220)
Ordinance Fines and Costs	15,000	15,000	13,107	(1,893)
<b>Total Fines and Forfeits</b>	<b>28,000</b>	<b>28,945</b>	<b>25,082</b>	<b>(3,863)</b>
Interest and Rents				
Interest Earned	220,000	220,000	102,742	(117,258)
Rent	79,482	79,482	77,580	(1,902)
Royalties--Landfill	467,537	467,537	432,732	(34,805)
Hazardous Waste--Donations	-	3,000	3,000	-
<b>Total Interest and Rents</b>	<b>767,019</b>	<b>770,019</b>	<b>616,054</b>	<b>(153,965)</b>
Other Revenues				
Sale of Fixed Assets	-	5,314	5,314	-
Contributions From Private Sources	-	39,082	18,662	(20,420)
Reimbursements				
Insurance	-	-	611	611
Tax Collection Bond	3,621	3,621	3,840	219
Bench Warrants	-	-	2,252	2,252
Township Tax Notice Postage	3,600	3,600	5,222	1,622
Postage	11,000	11,000	10,415	(585)
Workers' Compensation	10,000	10,000	10,034	34
Inmate Medical	46,780	51,780	74,406	22,626
Other	695	2,995	(2,911)	(5,906)
Gladwin County				
Circuit Court	-	-	900	900
District Court	30,000	30,000	31,918	1,918
Probate Court	30,424	30,424	33,454	3,030
<b>Total Other Revenues</b>	<b>136,120</b>	<b>187,816</b>	<b>194,117</b>	<b>6,301</b>
<b>Total Revenue</b>	<b>10,164,986</b>	<b>10,410,668</b>	<b>9,916,958</b>	<b>(493,710)</b>
Other Financing Sources				
Installment Purchase Proceeds	-	-	8,750	8,750
Interfund Transfers In				
Gypsy Moth	8,680	8,680	-	(8,680)
Revenue Sharing Reserve	580,000	580,000	616,000	36,000
Tax Foreclosure	31,272	31,272	-	(31,272)
Delinquent Tax Revolving Fund	371,250	371,250	400,000	28,750
<b>Total Other Financing Sources</b>	<b>991,202</b>	<b>991,202</b>	<b>1,024,750</b>	<b>33,548</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 11,156,188</b>	<b>\$ 11,401,870</b>	<b>\$ 10,941,708</b>	<b>\$ (460,162)</b>

**CLARE COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT X**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Board of Commissioners	\$ 138,933	\$ 138,933	\$ 111,502	\$ 27,431
Circuit Court	359,395	398,795	391,475	7,320
District Court	662,762	723,732	723,228	504
Public Guardian	33,097	33,097	32,144	953
Probate Court	370,475	379,051	374,191	4,860
Circuit Court Probation	4,400	4,658	3,251	1,407
Probate Juvenile Office	190,200	187,600	128,087	59,513
Family Counseling	1,500	4,500	4,000	500
Jury Board	926	1,157	1,146	11
Administrator	164,691	165,430	121,540	43,890
Elections	104,729	107,528	95,227	12,301
Clerk	335,210	339,634	329,102	10,532
Equalization Department	199,963	211,461	175,198	36,263
Prosecuting Attorney	435,389	451,443	415,785	35,658
Register of Deeds	233,914	244,314	223,744	20,570
Abstract Department	41,638	45,450	44,368	1,082
Surveyor	4,186	4,326	3,650	676
Remonumentation	71,479	48,341	48,341	-
Treasurer	188,253	197,614	193,494	4,120
Cooperative Extension Service	102,380	103,785	98,297	5,488
Information Technology	72,612	73,363	61,151	12,212
Building Authority	354	354	-	354
Courthouse and Grounds	263,442	268,175	251,084	17,091
Drain Commissioner	88,457	90,687	82,076	8,611
Soil Conservation	3,000	3,000	3,000	-
Soil Erosion and Sedimentation	23,000	23,000	23,000	-
Record Copying	27,654	31,154	15,011	16,143
Mailing	78,941	78,941	78,085	856
Professional Services	43,000	43,000	37,150	5,850
Plat Board	100	100	-	100
<b>Total General Government</b>	<b>4,244,080</b>	<b>4,402,623</b>	<b>4,068,327</b>	<b>334,296</b>
Public Safety				
Sheriff	1,469,040	1,504,340	1,504,322	18
School Safety	80,888	80,888	72,577	8,311
Sheriff--City of Harrison	161,627	162,221	140,280	21,941
Sheriff--Lincoln Township	138,567	144,700	126,869	17,831
Sheriff--Village of Farwell	32,513	32,513	31,795	718
Sheriff--Redding Township	4,884	4,884	4,642	242
Sheriff--Grant Township	16,793	16,793	15,630	1,163
Sheriff--MMCC	25,003	34,039	32,641	1,398
Sheriff--Hayes Township	40,445	40,445	33,753	6,692
Marine Safety Program	15,055	20,069	19,018	1,051
Secondary Road Patrol	77,748	77,748	67,276	10,472
Off-Road Vehicle Grant	9,309	9,309	6,567	2,742
Snowmobile Safety Program	10,273	10,273	8,173	2,100
Off-Road Vehicle Safety Education Grant	1,854	1,854	368	1,486
Jail and Turnkey	2,047,894	2,142,970	2,204,675	(61,705)
Court Security	90,003	90,056	81,786	8,270
Local Emergency Planning Committee	2,650	2,650	-	2,650
Office of Emergency Management	57,587	60,134	47,872	12,262
Animal Control	191,133	244,338	193,274	51,064
<b>Total Public Safety</b>	<b>4,473,266</b>	<b>4,680,224</b>	<b>4,591,518</b>	<b>88,706</b>

**CLARE COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT X**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Public Works</b>				
Department of Public Works	250	250	75	175
Solid Waste Planning	97,444	98,849	51,934	46,915
Drain-at-Large Assessments	9,396	9,396	5,095	4,301
<b>Total Public Works</b>	<b>107,090</b>	<b>108,495</b>	<b>57,104</b>	<b>51,391</b>
<b>Health and Welfare</b>				
Central Michigan District Health Department	216,586	217,144	217,144	-
Contagious Diseases	1,165	1,165	249	916
Substance Abuse	67,830	67,830	53,226	14,604
Medical Examiners	77,500	77,500	63,087	14,413
Central Michigan Mental Health Services	139,000	139,000	139,000	-
Veterans Burials	14,700	14,700	12,950	1,750
Office of Veterans Affairs	81,783	87,606	85,829	1,777
<b>Total Health and Welfare</b>	<b>598,564</b>	<b>604,945</b>	<b>571,485</b>	<b>33,460</b>
<b>Community and Economic Development</b>				
Planning Commission	6,025	7,938	3,776	4,162
Boundary Commission	-	1,000	652	348
Middle Michigan Development	22,500	22,500	22,500	-
County Convention and Visitors Bureau	5,000	5,000	-	5,000
<b>Total Community and Economic Development</b>	<b>33,525</b>	<b>36,438</b>	<b>26,928</b>	<b>9,510</b>
<b>Other</b>				
Insurance and Bonds				
Employee Health	-	-	-	-
Workers' Compensation	90,000	90,000	75,357	14,643
Liability	275,000	330,828	305,828	25,000
Unemployment	41,000	41,000	13,928	27,072
Employee Retirement	280,000	325,665	325,665	-
Litigations--Attorney Fees	40,000	52,500	37,145	15,355
Professional Services--Studies and Reports	15,000	15,000	10,000	5,000
Tax Appeals Adjustments	5,000	5,000	(276)	5,276
Miscellaneous	2,200	2,200	1,790	410
Contingency	349,021	118,140	-	118,140
<b>Total Other</b>	<b>1,097,221</b>	<b>980,334</b>	<b>769,437</b>	<b>210,896</b>
<b>Capital Outlay</b>				
New Equipment				
Circuit Court	3,100	3,100	-	3,100
Clerk	100	100	-	100
Equalization	27,650	27,650	23,750	3,900
Information Technology	12,947	12,947	10,693	2,254
Courthouse and Grounds	76,000	76,000	-	76,000
Sheriff	12,400	21,269	20,070	1,199
Sheriff--Vehicles	95,000	95,255	95,254	1
Sheriff--Computers	26,861	26,641	23,620	3,021
Jail	51,317	51,317	33,438	17,879
<b>Total Capital Outlay</b>	<b>305,375</b>	<b>314,279</b>	<b>206,825</b>	<b>107,454</b>

**CLARE COUNTY**  
**STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT X**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Debt Service				
Principal	-	-	10,491	(10,491)
Interest	-	-	1,497	(1,497)
Total Debt Service Requirements	-	-	11,988	(11,988)
Total Expenditures	10,859,121	11,127,338	10,303,612	823,726
Other Financing Uses				
Interfund Transfers (Out)--Primary Government				
Parks and Recreation Fund	18,312	18,469	8,312	10,157
Friend of the Court Fund	-	1,216	-	1,216
Public Building and Improvement Fund	-	2,250	-	2,250
Building Fund	-	2,280	-	2,280
Housing Fund	15,363	15,363	-	15,363
Department of Human Services Fund	10,000	10,000	10,000	-
Child Care Probate Fund	375,000	377,100	-	377,100
Child Care DHS Fund	75,000	75,000	75,000	-
Soldiers and Sailors Relief Fund	10,150	10,150	-	10,150
Airport Fund	2,229	2,229	-	2,229
Jail Building Debt Fund	476,090	476,090	472,950	3,140
Building Authority Debt Fund	12,000	12,000	-	12,000
Building Authority Refunding Debt Fund	115,000	115,000	107,060	7,940
Building Renovation Fund	-	-	41,000	(41,000)
Total Other Financing Uses--Primary Government	1,109,144	1,117,147	714,322	402,825
Total Expenditures and Other Financing Uses	<u>\$ 11,968,265</u>	<u>\$ 12,244,484</u>	<u>\$ 11,017,934</u>	<u>\$ 1,226,550</u>

CLARE COUNTY  
 COMBINING STATEMENT OF NET ASSETS  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 September 30, 2008

EXHIBIT Y-1

	<b>DEBT SERVICE</b>			Total
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	
<b><u>ASSETS</u></b>				
Current Assets				
Cash			\$ 176	\$ 176
Due From Local Units of Government				
Due Within One Year	\$ 25,000	\$ 20,000	320,000	365,000
Total Current Assets	25,000	20,000	320,176	365,176
Total Assets	25,000	20,000	320,176	365,176
Noncurrent Assets				
Due From Local Units of Government				
Due in More Than One Year	325,000	385,000	-	710,000
Total Noncurrent Assets	325,000	385,000	-	710,000
Total Assets	\$ 350,000	\$ 405,000	\$ 320,176	\$ 1,075,176
<b><u>LIABILITIES</u></b>				
Total Current Liabilities	\$ -	\$ -	\$ -	\$ -
Noncurrent Liabilities				
Bonds Payable--Due Within One Year	25,000	20,000	320,000	365,000
Bonds Payable--Due in More Than One Year	325,000	385,000	-	710,000
Total Noncurrent Liabilities	350,000	405,000	320,000	1,075,000
Total Liabilities	350,000	405,000	320,000	1,075,000
<b><u>NET ASSETS</u></b>				
Restricted for Debt Service			176	176
Total Net Assets	\$ -	\$ -	\$ 176	\$ 176

**CLARE COUNTY  
 COMBINING STATEMENT OF ACTIVITIES  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 For the Fiscal Year Ended September 30, 2008**

**EXHIBIT Y-2**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			Net (Expense) Revenue
	Expenses	Charge for Services	Operating Grants and Contributions	
Clare Water #1 Debt				
Interest on Related Debt	\$ 20,704		\$ 20,704	\$ -
Total Clare Water #1 Debt	20,704	\$ -	20,704	-
Clare Sewer #3 Refunding Bonds 2002 Debt				
Interest on Related Debt	23,540		23,540	-
Total Clare Sewer #3 Refunding Bonds 2002 Debt	23,540	-	23,540	-
Clare Sewer #4 Debt				
Interest on Related Debt	18,804		\$ 18,535	(269)
Total Clare Sewer #4 Debt	\$ 18,804	\$ -	\$ 18,535	\$ (269)
				Change in Net Assets
				\$ (269)
				Net Assets--Beginning of Year
				445
				Net Assets--End of Year
				\$ 176

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
 September 30, 2008

EXHIBIT Y-3

	<u>DEBT SERVICE</u>			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
<b><u>ASSETS</u></b>				
Cash			\$ 176	\$ 176
Due From Local Units of Government	\$ 350,000	\$ 405,000	320,000	1,075,000
Total Assets	<u>\$ 350,000</u>	<u>\$ 405,000</u>	<u>\$ 320,176</u>	<u>\$ 1,075,176</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities				
Deferred Revenue	\$ 350,000	\$ 405,000	\$ 320,000	\$ 1,075,000
Total Liabilities	<u>350,000</u>	<u>405,000</u>	<u>320,000</u>	<u>1,075,000</u>
Fund Equity				
Fund Balance				
Designated for Debt Service	-	-	176	176
Total Fund Equity	<u>-</u>	<u>-</u>	<u>176</u>	<u>176</u>
Total Liabilities and Fund Equity	<u>\$ 350,000</u>	<u>\$ 405,000</u>	<u>\$ 320,176</u>	<u>\$ 1,075,176</u>
Fund Balance--Total Governmental Funds			\$ 176	\$ 176
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				1,075,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(1,075,000)</u>
Total Net Assets				<u>\$ 176</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS**  
**COMPONENT UNIT--GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT Y-4**

	<b>DEBT SERVICE</b>			Total
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	
Revenues				
Contributions From Local Units	\$ 45,704	\$ 43,540	\$ 288,529	\$ 377,773
Interest and Rentals			6	6
<b>Total Revenues</b>	<b>45,704</b>	<b>\$ 43,540</b>	<b>288,535</b>	<b>377,779</b>
Expenditures				
Debt Service				
Principal	25,000	20,000	270,000	315,000
Interest and Fiscal Fees	20,704	23,540	18,804	63,048
<b>Total Expenditures</b>	<b>45,704</b>	<b>43,540</b>	<b>288,804</b>	<b>378,048</b>
Excess of Revenues Over (Under)				
Expenditures	-	-	(269)	(269)
Fund Balance--October 1, 2007			445	445
Fund Balance--September 30, 2008	\$ -	\$ -	\$ 176	\$ 176

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ (269)
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(315,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	<u>315,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (269)</u>

CLARE COUNTY  
 COMBINING STATEMENT OF NET ASSETS  
 DRAIN COMPONENT UNIT  
 September 30, 2008

EXHIBIT Z-1

	<b>CAPITAL PROJECTS</b>					
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
<b><u>ASSETS</u></b>						
Current Assets						
Cash	\$ 44,152	\$ 9,140	\$ 27,460	\$ 4,504	\$ 71,712	\$ 156,968
Investments	24,521					24,521
Special Assessments Receivable Due Within One Year	40,208					40,208
Total Current Assets	108,881	9,140	27,460	4,504	71,712	221,697
Noncurrent Assets						
Special Assessments Receivable Due in More Than One Year	19,837					19,837
Capital Assets--Net of Accumulated Depreciation	640,444		120,720			761,164
Total Noncurrent Assets	660,281	-	120,720	-	-	781,001
Total Assets	\$ 769,162	\$ 9,140	\$ 148,180	\$ 4,504	\$ 71,712	\$ 1,002,698
<b><u>LIABILITIES</u></b>						
Liabilities						
Current Liabilities						
Accounts Payable	\$ 1,628		\$ 809		\$ 76	\$ 2,513
Total Current Liabilities	1,628	\$ -	809	\$ -	76	2,513
Noncurrent Liabilities						
Long-Term Advances From Primary Government		29,695		53,490	170,000	253,185
Assessments Collected in Advance	2,324					2,324
Notes Payable--Due Within One Year	37,428					37,428
Notes Payable--Due in More Than One Year	18,000					18,000
Total Noncurrent Liabilities	57,752	29,695	-	53,490	170,000	310,937
Total Liabilities	59,380	29,695	809	53,490	170,076	313,450
<b><u>NET ASSETS</u></b>						
Invested in Capital Assets--Net of Related Debt	585,016		120,720			705,736
Restricted for Capital Projects	124,766	(20,555)	26,651	(48,986)	(98,364)	(16,488)
Total Net Assets	\$ 709,782	\$ (20,555)	\$ 147,371	\$ (48,986)	\$ (98,364)	\$ 689,248

**CLARE COUNTY**  
**COMBINING STATEMENT OF ACTIVITIES**  
**DRAIN COMPONENT UNIT**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT Z-2**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Drain				
Governmental Activities				
Public Works	\$ 42,078	\$ 15,640	\$ 4,698	\$ (21,740)
Interest on Related Debt	5,413			(5,413)
Total Drain	47,491	15,640	4,698	(27,153)
Drain Revolving				
Governmental Activities				
Public Works				
Total Drain Revolving	-	-	-	-
Lake Level				
Governmental Activities				
Public Works	38,809	11,088	4	(27,717)
Total Lake Level	38,809	11,088	4	(27,717)
Lake Level Revolving				
Governmental Activities				
Public Works				-
Total Lake Level Revolving	-	-	-	-
Lake Improvement Revolving				
Governmental Activities				
Public Works	24,372			(24,372)
Total Lake Improvement Revolving	\$ 24,372	\$ -	\$ -	\$ (24,372)
Change in Net Assets				\$ (79,242)
Net Assets--Beginning of Year				768,490
Net Assets--End of Year				\$ 689,248

**CLARE COUNTY  
COMBINING BALANCE SHEET  
DRAIN--COMPONENT UNIT  
GOVERNMENTAL FUNDS  
September 30, 2008**

**EXHIBIT Z-3**

**CAPITAL PROJECTS**

	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
<b><u>ASSETS</u></b>						
Cash	\$ 44,152	\$ 9,140	\$ 27,460	\$ 4,504	\$ 71,712	\$ 156,968
Investments	24,521					24,521
Special Assessments Receivable	60,045					60,045
Due From Other Funds--Component Units		20,555		48,986		69,541
<b>Total Assets</b>	<b>\$ 128,718</b>	<b>\$ 29,695</b>	<b>\$ 27,460</b>	<b>\$ 53,490</b>	<b>\$ 71,712</b>	<b>\$ 311,075</b>
<b><u>LIABILITIES AND FUND EQUITY</u></b>						
Liabilities						
Accounts Payable	\$ 1,628		\$ 809		\$ 76	\$ 2,513
Due to Other Funds--Component Units	20,555		48,986			69,541
Long-Term Advances From Primary Government		\$ 29,695		\$ 53,490	170,000	253,185
Assessments Collected in Advance	2,324					2,324
Deferred Revenue	60,045					60,045
<b>Total Liabilities</b>	<b>84,552</b>	<b>29,695</b>	<b>49,795</b>	<b>53,490</b>	<b>170,076</b>	<b>387,608</b>
Fund Equity						
Fund Balance Reserved For Capital Projects	44,166		(22,335)		(98,364)	(76,533)
<b>Total Fund Equity</b>	<b>44,166</b>	<b>-</b>	<b>(22,335)</b>	<b>-</b>	<b>(98,364)</b>	<b>(76,533)</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 128,718</b>	<b>\$ 29,695</b>	<b>\$ 27,460</b>	<b>\$ 53,490</b>	<b>\$ 71,712</b>	<b>\$ 311,075</b>

Fund Balance--Total Governmental Funds \$ (76,533)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 761,164

The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities. 60,045

Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (55,428)

Total Net Assets \$ 689,248

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2008**

**EXHIBIT Z-4**

	<b>CAPITAL PROJECTS</b>					Total
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	
Revenues						
Contributions From Local Units	\$ 4,121					\$ 4,121
Interest and Rentals	577		\$ 4			581
Special Assessments	57,723		11,088			68,811
<b>Total Revenues</b>	<b>62,421</b>	<b>\$ -</b>	<b>11,092</b>	<b>\$ -</b>	<b>\$ -</b>	<b>73,513</b>
Expenditures						
Current						
Public Works	25,418		35,232		24,372	85,022
Debt Service						
Principal	53,096					53,096
Interest on Related Debt	5,413					5,413
<b>Total Expenditures</b>	<b>83,927</b>	<b>-</b>	<b>35,232</b>	<b>-</b>	<b>24,372</b>	<b>143,531</b>
Excess of Revenues Over (Under)						
Expenditures	(21,506)	-	(24,140)	-	(24,372)	(70,018)
Fund Balance (Deficit)--October 1, 2007	65,672	-	1,805	-	(73,992)	(6,515)
Fund Balance (Deficit)--September 30, 2008	<u>\$ 44,166</u>	<u>\$ -</u>	<u>\$ (22,335)</u>	<u>\$ -</u>	<u>\$ (98,364)</u>	<u>\$ (76,533)</u>

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ (70,018)
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(20,238)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	53,096
The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities.	<u>(42,083)</u>
Change in Net Assets of Governmental Activities	<u>\$ (79,243)</u>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)**  
**For the Fiscal Year Ended September 30, 2008**

**SCHEDULE 1**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
<b>PRIMARY GOVERNMENT</b>				
<b>US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT</b>				
Office of Rural Development--Direct Rural Housing Preservation Grant (2007/2008)	10.433	(3)	\$ 38,665	\$ 38,665
Office of Rural Development--Direct Technical and Supervisory Assistance Grants	10.441	(3)	47,787	47,787
Office of Rural Development--Direct Solid Waste Management Grants	10.762	(3)	25,059	25,059
Office of Rural Housing Service--Direct Community Facilities Grant	10.766			
Vehicles & Equipment		(3)	52,000	52,000
Dive/Rescue Equipment		(3)	8,000	8,000
Airport Tractor		(3)	(5)	23,660
Building Roof Project--Note Payable		(3)	81,000	81,000
Building Roof Project--Grant		(3)	(5)	48,387
Office of Community Development--Direct Enterprise Community	10.772	(3)	221,778	221,778
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<u>474,289</u>	<u>546,336</u>
<b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Passed Through Michigan Department of Consumer and Industry Services Community Development Block Grant	14.228	MSC-2007-0761-HOA	20,660	20,660
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>20,660</u>	<u>20,660</u>
<b>US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>				
Office of Environmental Protection Agency--Direct Brownfield Assessment Cooperative Agreement	66.814	BF-00E45701	5,500	5,500
<b>TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			<u>5,500</u>	<u>5,500</u>
<b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Passed Through Michigan Family Independence Agency Child Support Enforcement (Title IV-D)				
Friend of the Court--Performance Incentive Programs	93.563	CS/FOC-08-18001	41,139	(4)
Friend of the Court	93.563	CS/FOC-07-18001	64	(4)
Friend of the Court	93.563	CS/FOC-08-18001	197,784	197,784
Prosecuting Attorney	93.563	CS/PA-08-18002	50,433	50,433
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>289,420</u>	<u>248,217</u>
<b>US DEPARTMENT OF HOMELAND SECURITY</b>				
Passed Through Michigan Department of Natural Resources Boating Safety Financial Assistance--Marine Safety Program	97.012	(3)	12,687	12,687
Passed Through Michigan Department of State Police Emergency Management Performance Grant (5)	97.042	(3)	10,842	10,842
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<u>23,529</u>	<u>23,529</u>
<b>TOTAL PRIMARY GOVERNMENT</b>			<u>\$ 839,558</u>	<u>\$844,242</u>

See Notes to Schedule of Expenditures of Federal Awards.

CLARE COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2008

- 1) The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of the County. Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule.

It is required by the Michigan Department of Transportation that road commissions report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account (negotiated) contracts, while all other contracts are administered by the Michigan Department of Transportation. During 2008, the Road Commission received and expended \$1,687,825 in Federal Highway grant money where the work was performed by contractors that were paid directly from the State, which is included in the State's single audit.

- 2) The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note A of the County's financial statements.
- 3) Pass-through grantor's number was not available.
- 4) Revenue from this grant is based on collection effort only, with no direct related expenditures.
- 5) Revenue from these grants were not received within 60 days of fiscal year end and, therefore, do not meet the "availability" criteria under the modified accrual basis of accounting. The expenditures are recognized during the fiscal year as they were incurred and the Federal revenue related to the expenditures has been deferred.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 23, 2009

Board of County Commissioners  
County of Clare  
225 West Main Street  
P.O. Box 438  
Harrison, Michigan 48625

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 23, 2009. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of Clare County Transit Corporation (enterprise fund) and the Clare County Road Commission (component unit-special revenue fund), as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies over

internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting as Findings 2007-2, 2007-3, 2007-4, 2007-5 and 2008-1.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Findings 2007-2, 2007-3 and 2007-4 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-8 and 2007-9. We noted another instance of noncompliance which is described as Finding 2008-2.

We also noted another matter that we reported to management of the County in the accompanying Schedule of Findings and Questioned Costs as Finding 2008-3.

County of Clare  
March 23, 2009

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's responses and accordingly, we express no opinion on it.

This report is intended solely for the information of the Clare County Board of Commissioners, the County's management, others within the County, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

ROBERT J. KLEINE  
STATE TREASURER

March 23, 2009

Board of County Commissioners  
County of Clare  
225 West Main Street  
P.O. Box 438  
Harrison, Michigan 48625

RE: Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

Dear Board Members:

Compliance--We have audited the compliance of the County of Clare with the types of compliance requirements described in the US 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 September 30, 2008. The County's major Federal programs 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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Clare County Transit Corporation (enterprise fund), and the Clare County Road Commission (discretely presented component unit) which received Federal awards that are not included in the schedule during the 2008 year audit. Our audit, described below, did not include the operations of the Clare County Transit Corporation (enterprise fund), because other auditors were engaged to perform the audit in accordance with OMB Circular A-133. The Clare County Road Commission (special revenue component unit), which received and expended \$1,687,825 in Federal awards, is not included in the schedule for the year ended September 30, 2008 because it is included in the State's single 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program. An audit includes examining, on a test basis, evidence about the County'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 County's compliance with those requirements.

In our opinion, the County 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 September 30, 2008.

Internal Control Over Compliance--The management of the County 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 County'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 the County's internal control over compliance.

A *control deficiency* in the County'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 of 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 County'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 County'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 County'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the Clare County Board of Commissioners, the County's management, others within the County, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
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JENNIFER M. GRANHOLM  
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ROBERT J. KLEINE  
STATE TREASURER

March 23, 2009

Board of County Commissioners  
County of Clare  
225 West Main Street  
P.O. Box 438  
Harrison, Michigan 48625

RE: Report to Those Charged With Governance

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 23, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in the engagement letter dated October 19, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures to specifically identify such matters.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 16, 2008.

#### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending September 30, 2008. We noted no transactions entered into by the County during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

#### Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 23, 2009.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

This information is intended solely for the use of the Clare County Board of County Commissioners and management of the County and is not intended to be and should not be used by anyone other than these specified parties. However, this information is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM  
Audit Manager  
Local Audit and Finance Division

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

**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        No

Significant deficiency(ies) identified that are not considered to be material weaknesses?   ✓   Yes        No

Noncompliance material to financial statements noted?        Yes   ✓   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?        Yes   ✓   No

Significant deficiency(ies) identified that are not considered to be material weaknesses?        Yes   ✓   None reported

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of Major Programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.772	Enterprise Community
93.563	Child Support Enforcement Title IV-D

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

Auditee qualified as low-risk auditee?        Yes   ✓   No

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2008

*Section II--Financial Statement Findings*

MATERIAL WEAKNESSES

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of misstatements in amounts that would be material in relation to the financial statements. The following conditions are considered material weaknesses.

Accounts Receivable Balances

*Finding 2007-2*

*Condition:* At the start of our audit, we noted numerous accounts receivable balances in which receivables were posted backwards and in one case posted twice.

*Criteria:* Receivable line-items should reconcile to a properly maintained subsidiary ledger. This ledger should be reviewed for accuracy of postings to the receivable line-items and to ensure that the balance recorded is the amount received and that it is reversed off of the related receivable accounts.

*Recommendation:* We recommend that a formal procedure be established to create a subsidiary ledger for recording receivables. Balances should be monitored to ensure that the receivable balances are collected within 60 days. However, if the county chooses not to establish a subsidiary ledger for recording receivables, the collections received must be monitored more closely to ensure the collections are recorded in the proper fiscal year.

*Management's Response--Corrective Action Plan:* Contact person is Jenny Beemer-Fritzing, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

I was not in office at this time. However; I will take the recommendation into consideration and also attempt to get the receivable balances under control.

Due To/Due From, Transfers In/Transfers (Out), and Long-Term Advances

*Finding 2007-3*

*Condition:* We found during the audit, that the due to/due from accounts, transfers in/transfers (out) accounts, and long-term advances did not agree with each other. Numerous errors were posted to these accounts requiring substantial audit time to propose adjustments. Some of the proposed adjustments affected the cash balances.

*Criteria:* The accounts, stated above, are set up to record short-term amounts due to/from other accounts, appropriations being transferred from one fund to another, and advances from one fund to another. An entry made in one fund should have an equal offsetting entry made into another fund. Essentially, "due to accounts" should equal "due from accounts," "transfers in should equal transfers (out)," and "advances to other funds" should equal "advances from other funds."

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

MATERIAL WEAKNESSES (Continued)

*Recommendation:* We recommend that these accounts be periodically reviewed to ensure that they are in balance throughout the year.

*Management's Response--Corrective Action Plan:* Contact person is Jenny Beemer-Fritzinger, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

I was not in office at this time. However, I will take the recommendation into consideration and also attempt to get these accounts in agreement.

Material Unrecorded Accounts Payable Amounts

*Finding 2007-4*

*Condition:* During our audit, we identified and proposed numerous material adjustments totaling over \$95,000 to adjust the County's unrecorded accounts payable balances. Of the total amount adjusted, close to \$27,000 had to do with Sheriff/Jail related invoices. The other amounts related to a Brownfield project, a tractor for the airport, household hazardous waste cleanup, and the County building's roof project.

*Cause:* There is not a county-wide policy for the accounting office to receive invoices for timely recording of accounts payable.

*Effect:* The County's accounting records were initially misstated due to the unrecorded accounts payable amounts, which affected the true picture of the financial statements and provided the board with inaccurate information for decision making.

*Criteria:* Management is responsible for maintaining the County's accounting records in accordance with generally accepted accounting principles (GAAP).

*Recommendation:* We recommend that the County put into place a system to ensure that all invoices and expenditures that have not been paid by the end of that fiscal year are properly recorded as accounts payable.

*Management's Response--Corrective Action Plan:* Contact person is William Newkirk, Clare County Administrator/Controller, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

The County administrator/controller will work with the Accounts Payable Office to establish a process and time frames to avoid this problem in the future.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

CONTROL DEFICIENCIES

Administrator--Capital Assets

*Finding 2007-5*

*Condition:* The County has a capitalization threshold of \$5,000, but items under \$5,000 were still posted to capital outlay, which lead to proposed adjustments. There were significant improvements from the previous year. However, there were several material items that were not included on the asset list.

*Criteria:* The Michigan Department of Treasury and generally accepted accounting principles requires that each governmental unit maintain a record of capital assets. Governmental Accounting Standards Board (GASB) Statement No. 34 requires capital assets to be presented on the Statement of Net Assets-Net of Depreciation and related debt. The County is to update the capital asset listing for additions and deletions. For governmental funds, assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records. Depreciation is also to be calculated on the capital assets.

*Recommendation:* We recommend that the County maintain its capital asset listing throughout the year in accordance with their capital asset policy. The listing must be periodically reviewed to ensure that the capital outlay is properly posted for all governmental funds (the general fund, special revenue funds, and capital project funds), that disposals are updated, and related depreciation is calculated.

*Management's Response--Corrective Action Plan:* Contact person is William D. Newkirk, Clare County Administrator/Controller, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

Steps will be taken to comply with this recommendation during the current fiscal year.

Centralized Management of Grant Documents

*Finding 2008-1*

*Condition:* There was no centralized location/management of grant related documents within the County. During grant related testwork, there were many grant documents that were not readily available. After auditor follow-up all documents were obtained.

*Criteria:* Federal and State grantor agencies require grants to be monitored by the local government that receives them.

*Recommendation:* We recommend that the County have a centralized area where grant documents are monitored and maintained.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

CONTROL DEFICIENCIES (Continued)

*Management's Response--Corrective Action Plan:* Contact person is William D. Newkirk, Clare County Administrator, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

This issue has been discussed with the County clerk and a file system in the clerk's office will be developed utilizing an individual file for each grant the County is working to process.

STATUTORY NONCOMPLIANCE

Fund Deficits

*Finding 2007-8*

*Condition:* As of September 30, 2008, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

	<u>Fund Balance</u>	<u>Net Assets</u>
Special Revenue Funds		
Building Department Fund	\$ 2,675	
County Building Renovation	61,021	
Internal Service		
Technology Fund		\$ 11,526
Component Unit--Drain Commission		
Lake Level Fund	22,335	
Lake Improvement Revolving Fund	98,364	

*Criteria:* Noncompliance with PA 140 of 1971, as amended, Failure to File Reports and Deficit Elimination Plans:

“For a fiscal year of a unit of local government ending on or after October 1, 1980 or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government the Department of Treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the Department of Treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met.”

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

STATUTORY NONCOMPLIANCE (Continued)

The County failed to formulate and file a deficit elimination plan within 90 days after the end of the fiscal year to correct the deficit condition (MCL 141.921(2)). The deficit elimination plan is to be filed with the state treasurer.

*Directive:* We direct the County to file a Deficit Elimination Plan as required by PA 140 of 1971, as amended. If the deficit has been eliminated subsequent to September 30, 2008, the County should still submit a plan and demonstrate that the plan has already been completed with the desired results.

*Management's Response--Corrective Action Plan:* Contact person is William D. Newkirk, Clare County Administrator/Controller, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

Deficit elimination plans relative to these items have been written and submitted. Copies will be forwarded for review/inclusion as needed.

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

*Condition:* While there were significant improvements in this area, our examination of the procedures used by the County to adopt and maintain operating budgets for the budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The County's 2008 General Appropriations Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled at the activity level by the County. As detailed below, actual 2008 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

STATUTORY NONCOMPLIANCE (Continued)

During the year ended September 30, 2008, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and special revenue funds as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund			
Debt			
Principal		\$ 10,491	\$(10,491)
Interest		1,497	(1,497)
Revenue Sharing Fund			
Transfers (Out)	\$580,000	616,000	(36,000)
Friend of the Court Fund			
General Government	309,937	314,599	(4,662)
Enterprise Community Fund			
Partnership Fees	167,965	221,778	(53,813)
Senior Citizen Fund			
Health and Welfare	354,045	436,695	(82,650)
Airport Fund			
Capital Outlay	21,753	43,061	(21,308)

*Criteria:* The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

*Recommendation:* We recommend that the County's chief administrative officer (administrator), the boards and commissions, and administrative personnel responsible for administering the activities of the various funds of the County to develop budgetary control procedures for the general fund and special revenue funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each County department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads must also be required to make formal requests to the county administrator for budget amendments prior to incurring expenditures in excess of board authorized amounts.

*Management's Response--Corrective Action Plan:* Contact person is William D. Newkirk, Clare County Administrator/Controller, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

Effective immediately, the recommendations above will be implemented. Funds or departments with expenditures in excess of the amounts authorized by the General Appropriations Act, or amendments thereof, will have their discretionary line-items 'frozen' until adjustments are approved to correct the situation.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

STATUTORY NONCOMPLIANCE (Continued)

Friend of the Court--Communication

*Finding 2008-2*

*Condition:* When there is a dispute as to child custody or visitation, the Friend of the Court office does not inform the parties of the availability of mediation.

*Criteria:* MCL section 552.505(e) states that when there is a dispute as to child custody or visitation, the Friend of the Court should inform the parties of the availability of mediation.

*Directive:* When there are disputes as to child custody or visitation, we direct the Friend of the Court office to effectively communicate to parties of the availability of mediation.

*Management's Response--Corrective Action Plan:* Contact person is Jamie Raymond, Clare County Friend of the Court, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-0800.

After discussing this issue with the Probate Judge, it has been determined that information regarding domestic relations mediation will be added to the Friend of the Court informational packet.

OTHER MATTER

Upcoming Reporting Change--Post-Employment Benefits Other than Pensions

*Finding 2008-3*

*Condition:* The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post-Employment Benefits Other than Pensions*. The new rules will cause government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than the time the health care benefits are paid.

*Criteria:* The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (OPEB) (other than pensions). Implementation of GASB Statement No. 45 is based on the government's total annual revenues in the first fiscal year ending after June 15, 1999. The new pronouncement is effective in the County for the year beginning October 1, 2008.

*Recommendation:* We recommend that the County obtain an actuarial report for their OPEB liability.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

OTHER MATTER (Continued)

*Management's Response--Corrective Action Plan:* Contact person is William Newkirk, Clare County Administrator/Controller, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

The actuarial relative to this issue was authorized in August of 2008 and is expected to be delivered to us within the next few weeks.

**Section III--Federal Award Findings and Questioned Costs**

None

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2008

**Summary Schedule of Prior Year Audit Findings**

MATERIAL WEAKNESSES

Bank Reconciliation to Funds

*Finding 2007-1*

*Condition:* As of December 31, 2007, the County's general checking account (pooled cash account) had not been reconciled since September 2006. These reconciliations were prepared subsequent to beginning our audit. According to the September 30, 2007 bank reconciliation, an unexplained shortage of \$53,166 remained, despite numerous corrections we found during the course of our other audit procedures.

*Current Year Status:* This finding has been corrected. All accounts are reconciled on a timely basis.

Accounts Receivable Balances

*Finding 2007-2*

*Condition:* At the start of our September 30, 2007 audit, we noted numerous accounts receivable balances which were not reconciled including a credit balance of \$60,986 in the Due from State account in the General Fund. Accounts receivable balances normally have a debit balance.

*Current Year Status:* This finding was modified and carried forward as a current year deficiency.

Due To/Due From, Transfers In/Transfers (Out), and Long-Term Advances

*Finding 2007-3*

*Condition:* We found during the audit, that the due to/due from accounts, transfers in/transfers (out) accounts, and long-term advances did not agree with each other. Numerous errors were posted to these accounts requiring substantial audit time to correct the balances and some of the adjustments affected the cash balances.

*Current Year Status:* This finding was carried forward as a current year deficiency.

CONTROL DEFICIENCIES

Accounts Payable Balances

*Finding 2007-4*

*Condition:* At the start of our audit, numerous accounts payable balances were not reconciled including a debit balance of \$49,465 in the accounts payable account in the Enterprise Community Fund. Account payables normally have a credit balance.

*Current Year Status:* This finding was modified and carried forward as a current year deficiency.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

CONTROL DEFICIENCIES (Continued)

Administrator--Capital Assets

*Finding 2007-5*

*Condition:* The capital asset listing provided at the start of the audit was not the list used in the preparation of the prior year's audit report. Also, the County set a capitalization threshold of \$5,000. However, there were items under \$5,000 posted to capital outlay that lead to various proposed adjustments to correct the additions to the capital asset list. In addition, the list that was provided only included capital outlay additions purchased by the General Fund. Purchases of capital assets from the Special Revenue Funds and the Capital Project Funds were not included in the listing.

*Current Year Status:* The finding was modified and carried forward as a current year deficiency. There were improvements in the capital asset listing. However, there were still material adjustments and additions that needed to be made.

Various Departments--Agency Funds

*Finding 2007-6*

*Condition:* The County has been recording all activity for its tax foreclosures as activities in the General Agency Fund. Various liability accounts in the General Agency Fund had debit balances and other various liability account balances had incorrect credit balances. The County is also recording donation revenues and related expenses in the General Agency Fund instead of in the General Fund as an activity.

*Current Year Status:* This finding has been corrected.

STATUTORY NONCOMPLIANCE

Violation of Open Meetings Act

*Finding 2007-7*

*Condition:* On December 20, 2006, the board approved to go into closed session to discuss the annual performance evaluation of the administrator. On April 11, 2007, the board approved to go into closed session to discuss an employee's personnel issue. On May 9, 2007, the board approved to go into closed session with no reason indicated in the minutes (further research explained it was to discuss legal matters).

*Current Year Status:* This item was corrected for the fiscal year ended September 30, 2008. There were no inappropriate closed sessions.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2008

STATUTORY NONCOMPLIANCE (Continued)

Fund Deficits

*Finding 2007-8*

*Condition:* As of September 30, 2007, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

	<u>Fund Balance</u>	<u>Net Assets</u>
Special Revenue Funds		
911 Service Fund	\$ 243,283	
Law Library Fund	301	
Internal Service		
Technology Fund		\$ 12,925
Component Unit--Drain Commission		
Lake Improvement Revolving Fund	73,992	

*Current Year Status:* This finding was modified and carried forward as a current year deficiency.

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

*Condition:* Our examination of the procedures used by the County to adopt and maintain operating budgets for the budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

*Current Year Status:* While there were significant improvements in this area, this finding was carried forward as a current year deficiency.