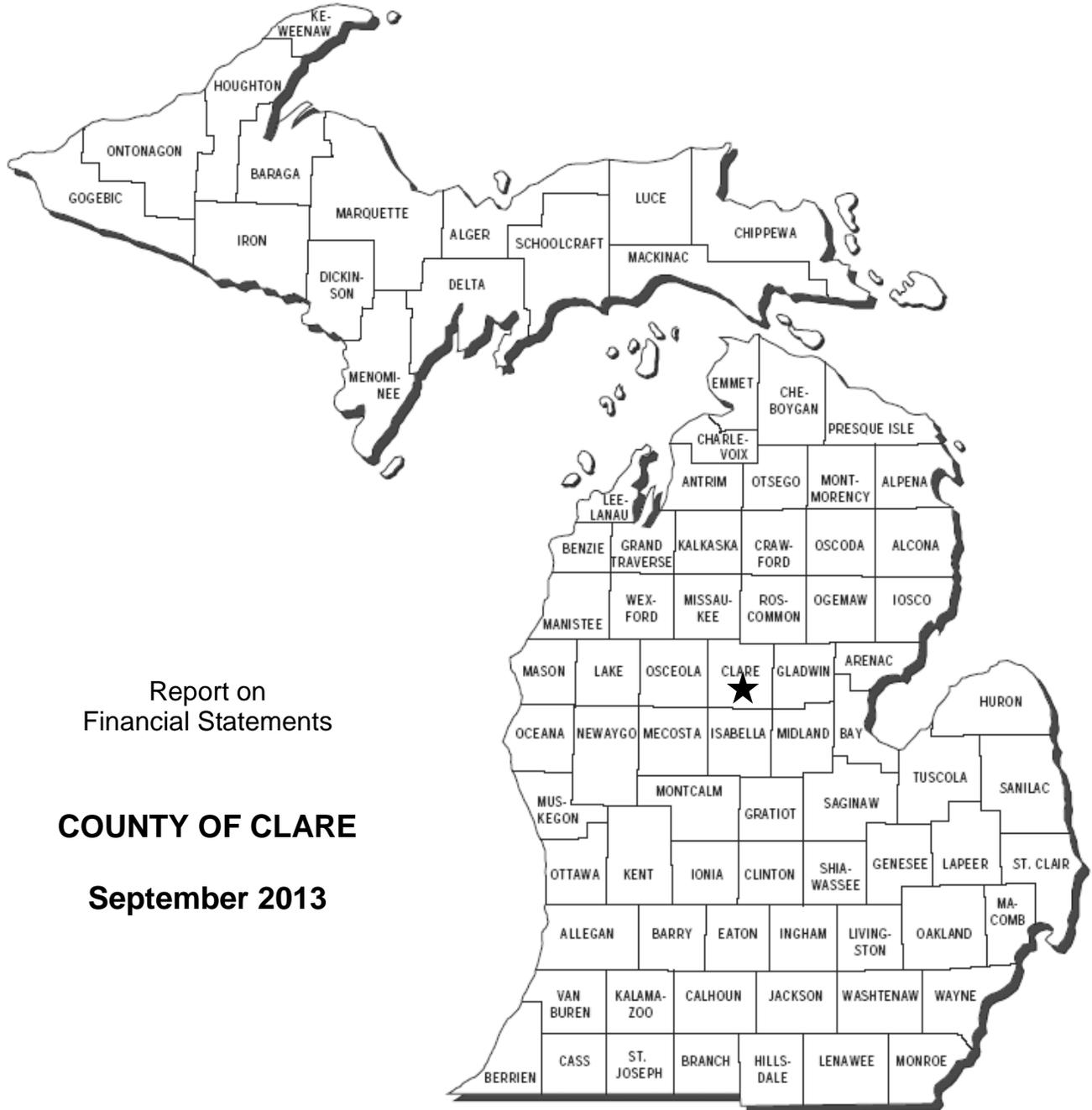


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

R. Kevin Clinton, State Treasurer



Report on  
Financial Statements

**COUNTY OF CLARE**

**September 2013**

CLARE COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Jim Gelios  
Chairperson

Dale Majewski  
Lynn Grim  
Leonard Strouse

Richard LaBoda  
Karen Lipovsky  
Jack Kleinhardt

COURT JUDGES

Thomas Evans  
Circuit Judge

Roy Mienk  
Circuit Judge

Joshua Farrell  
District Judge

Thomas P. McLaughlin  
Probate Judge

OTHER ELECTED OFFICIALS

Pamela Mayfield  
Clerk/Register of Deeds  
and Abstractor

Paul Lapham  
Surveyor

John Wilson  
Sheriff

Carl J. Parks  
Drain Commissioner

Jenny Beemer-Fritzinger  
Treasurer

Michelle Ambrozaitis  
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Michael Duggan  
Chairperson

Richard Haynak

Eddy Garver

COUNTY POPULATION--2010

30,926

STATE EQUALIZED VALUATION--2013

\$1,199,985,734



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

March 19, 2014

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

Independent Auditor's Report

Dear Commissioners:

***Report on the Financial Statements***

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 fiscal year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the County of Clare's basic financial statements as listed in the Table of Contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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 represent 47% and 56%, 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 97% and 99%, respectively, of the assets and revenues of the component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Clare County Transit Corporation and the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***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 of Clare, Michigan, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles general accepted in the United States of America require that the management's discussion and analysis on pages 1 through 9, the budgetary comparison information in Exhibits K, L and M, and the schedules of funding progress for pensions and other postemployment benefits be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Clare's basic financial statements. The accompanying supplementary and related information presented as Exhibits N through W-4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information presented in Exhibits N through W-4 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Exhibits listed above are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2014 on our consideration of the County of Clare'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* in considering the County of Clare's internal control over financial reporting and compliance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Clare'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 non-major 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 non-major 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

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## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2013

Our discussion and analysis of the County of Clare's financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2013. 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 Position 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 Position includes all of the government'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 Position 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 Position 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 For the Fiscal Year Ended September 30, 2013

- *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 three separate legal entities in its report: the County Road Commission, 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 Position 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 Position 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 Position for Fiduciary Funds. We exclude these activities from the County's other financial statements because the County cannot 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  
For the Fiscal Year Ended September 30, 2013**

**The County as a Whole**

The County's net position for the governmental funds increased \$173 from the prior fiscal year for the governmental activities. The County's net position for the business-type activities increased \$424,464 or 3% from the prior fiscal year. In a condensed format, the tables below show a comparison of the net position as of the current year to the prior year.

	<u>Governmental Activities</u> 2012	<u>Governmental Activities</u> 2013	<u>Difference</u>	<u>Percent</u>
Current Assets	\$ 6,720,207	\$ 6,982,883	\$ 262,676	4%
Noncurrent Assets	4,368,812	4,133,511	(235,301)	-5%
<b>Total Assets</b>	<b>11,089,019</b>	<b>11,116,394</b>	<b>27,375</b>	<b>0%</b>
Current Liabilities	525,862	589,426	63,564	12%
Noncurrent Liabilities	1,493,720	1,457,358	(36,362)	-2%
<b>Total Liabilities</b>	<b>2,019,582</b>	<b>2,046,784</b>	<b>27,202</b>	<b>1%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	3,360,809	3,264,852	(95,957)	-3%
Restricted	4,411,516	4,347,044	(64,472)	-1%
Unrestricted	1,297,112	1,457,714	160,602	12%
<b>Total Net Position</b>	<b>\$ 9,069,437</b>	<b>\$ 9,069,610</b>	<b>\$ 173</b>	<b>0%</b>

Restricted net positions 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 Net Investment in Capital Assets which are net of related debt) are considered restricted.

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2013

A portion of the County's net position in the amount of \$3,264,852 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 position, \$4,347,044, represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$1,457,714 represents "unrestricted net position" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2013 fiscal year, the County is able to report positive balances in all three categories of net position, both from a government as a whole, as well as for separate governmental and business activities, as explained above.

	<u>Business-Type Activities</u> <u>2012</u>	<u>Business-Type Activities</u> <u>2013</u>	<u>Difference</u>	<u>Percent</u>
Other Assets	\$ 8,598,007	\$ 8,844,894	\$246,887	3%
Capital Assets	<u>4,891,720</u>	<u>5,101,117</u>	<u>209,397</u>	<u>4%</u>
Total Assets	<u>13,489,727</u>	<u>13,946,011</u>	<u>456,284</u>	<u>3%</u>
Other Liabilities	<u>130,608</u>	<u>162,428</u>	<u>31,820</u>	<u>24%</u>
Total Liabilities	<u>130,608</u>	<u>162,428</u>	<u>31,820</u>	<u>24%</u>
Net Position				
Net Investment in Capital Assets	4,891,720	5,101,117	209,397	4%
Unrestricted	<u>8,467,399</u>	<u>8,682,466</u>	<u>215,067</u>	<u>3%</u>
Total Net Position	<u>\$13,359,119</u>	<u>\$ 13,783,583</u>	<u>\$424,464</u>	<u>3%</u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2013**

The following table shows the changes of the net position for the fiscal years ended September 30, 2012 and September 30, 2013:

	<u>Governmental Activities</u> <u>2012</u>	<u>Governmental Activities</u> <u>2013</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 2,890,484	\$ 2,427,696	\$ (462,788)	-16%
Operating Grants and Contributions	2,953,062	2,584,308	(368,754)	-12%
Capital Grants and Contributions	45,000	-	(45,000)	-100%
General Revenues				
Property Taxes	6,479,459	6,479,716	257	0%
Unrestricted Investment Earnings	36,932	16,328	(20,604)	-56%
Other Revenues	1,177,878	1,279,542	101,664	9%
Total Revenues	<u>13,582,815</u>	<u>12,787,590</u>	<u>(795,225)</u>	<u>-6%</u>
Program Expenses				
General Government	4,415,159	4,320,644	(94,515)	-2%
Public Safety	5,666,252	5,807,671	141,419	2%
Public Works	25,271	101,339	76,068	301%
Health and Welfare	2,115,861	1,940,066	(175,795)	-8%
Community and Economic Development	297,161	138,902	(158,259)	-53%
Recreation and Culture	18,279	12,992	(5,287)	-29%
Other	1,830,423	1,147,607	(682,816)	-37%
Interest on Long-Term Debt	72,216	23,243	(48,973)	-68%
Total Expenses	<u>14,440,622</u>	<u>13,492,464</u>	<u>(948,158)</u>	<u>-7%</u>
Increase (Decrease) in Net Position				
Before Transfers	(857,807)	(704,874)	152,933	-18%
Transfers In (Out)	<u>676,650</u>	<u>705,047</u>	<u>28,397</u>	<u>4%</u>
Change in Net Position	(181,157)	173	181,330	-100%
Beginning Net Position	<u>9,250,594</u>	<u>9,069,437</u>	<u>(181,157)</u>	<u>-2%</u>
Ending Net Position	<u>\$ 9,069,437</u>	<u>\$ 9,069,610</u>	<u>\$ 173</u>	<u>0%</u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2013**

The County's total governmental revenues decreased \$795,225 or 6%. This was due to a decrease in operating grants and contributions. Expenses decreased \$948,158 or 7% as the general government, health and welfare as well as community and economic development reduced overall expenditures.

**Business-Type Activities**

The County's business-type activities consist of the Delinquent Tax Fund, the Transit Fund, the Tax Foreclosure Fund, as well as the Lank Bank Authority Fund, the Tax Anticipation Fund, and the Jail Commissary Fund. The County's net position for business-type activities increased during 2013 by \$424,464 or by 3% from the prior fiscal year. This was due largely to an increase in capital grants and contributions.

	<u>Business-Type Activities</u> 2012	<u>Business-Type Activities</u> 2013	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 1,556,882	\$ 1,692,342	\$135,460	9%
Operating Grants and Contributions	803,532	1,036,905	233,373	29%
Capital Grants and Contributions	104,444	592,471	488,027	467%
General Revenues				
Property Taxes	305,553	306,278	725	0%
Unrestricted Investment Earnings	<u>37,168</u>	<u>13,999</u>	<u>(23,169)</u>	<u>-62%</u>
Total Revenues	<u>2,807,579</u>	<u>3,641,995</u>	<u>834,416</u>	<u>30%</u>
Program Expenses				
Delinquent Tax Fund	410,599	385,139	(25,460)	-6%
Tax Foreclosure Fund	14,654	10,532	(4,122)	-28%
Public Transit	2,039,310	2,086,084	46,774	2%
Nonmajor Enterprise	<u>105,320</u>	<u>30,729</u>	<u>(74,591)</u>	<u>-71%</u>
Total Expenses	<u>2,569,883</u>	<u>2,512,484</u>	<u>(57,399)</u>	<u>-2%</u>
Increase in Net Position Before Transfers	237,696	1,129,511	891,815	375%
Transfers	<u>(617,714)</u>	<u>(705,047)</u>	<u>(87,333)</u>	<u>14%</u>
Increase (Decrease) in Net Position	(380,018)	424,464	804,482	-212%
Beginning Net Position	<u>13,739,137</u>	<u>13,359,119</u>	<u>(380,018)</u>	<u>-3%</u>
Ending Net Position	<u>\$ 13,359,119</u>	<u>\$ 13,783,583</u>	<u>\$424,464</u>	<u>3%</u>

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2013

#### The County's Funds

The financial statements for the County's major funds are detailed in Exhibits C and D, following the government-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 2013 include the General Fund, Gypsy Moth Fund, Community Development Escrow Fund, Transit Fund, Tax Foreclosure Fund, and the Delinquent Tax Revolving 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.

#### Capital Asset and Debt Administration

##### Capital Assets

At the end of fiscal year 2013, the County (primary government) had \$9,151,443 invested in a broad range of capital assets (refer to the table below), including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment.

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2013	2012	2013	2012	2013
Land	\$ 108,326	\$ 108,326	\$ -	\$ -	\$ 108,326	\$ 108,326
Building and Improvements	3,071,292	2,962,184	3,787,818	4,205,470	6,859,110	7,167,654
Vehicles	351,582	390,482	984,292	733,539	1,335,874	1,124,021
Furniture and Equipment	754,426	589,334	59,901	162,108	814,327	751,442
Construction in Progress	-	-	59,709	-	59,709	-
<b>Total</b>	<b>\$ 4,285,626</b>	<b>\$ 4,050,326</b>	<b>\$ 4,891,720</b>	<b>\$ 5,101,117</b>	<b>\$ 9,177,346</b>	<b>\$ 9,151,443</b>

The County's governmental activities had invested \$4,050,326, net of accumulated depreciation. Major additions in the to the capital assets of the County in the current fiscal year included building improvements (air conditioning for the courthouse), public safety equipment and vehicles for the Sheriff's Department. These additions totaled \$307,282. Depreciation charges for the fiscal year totaled \$542,582. The County's business-type activities had invested \$5,101,117, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for the fiscal year totaled \$393,157, with capital additions in the amount of \$662,263.

The most significant impact on capital assets during the year resulted from an increase in vehicles in the governmental activities and a decrease in vehicles however with an overall increase in capital assets in the business-type activities. More detailed information about the County's capital assets is presented in Note F to the financial statements.

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2013

#### Long-Term Debt

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 (primary government) had total debt outstanding of \$1,333,206 which includes vested employee benefits of \$415,665. The County's long-term debt and other long-term obligations for the primary government may be summarized as follows:

	Governmental Activities	
	2012	2013
Note - Building Boilers	\$ 86,485	\$ 66,590
Building Authority Bonds	695,000	596,000
Equipment Lease Copy Machines	89,333	59,825
Brownfield Redevelopment Loan	145,341	132,068
Note - Building Roof	54,000	46,000
Note - Ford Motor Credit	-	17,058
Compensated Absences	323,874	415,665
Total	<u>\$ 1,394,033</u>	<u>\$ 1,333,206</u>

During the year, the County entered into an installment agreement note for the purchase of a Sheriff vehicle through Ford Motor Credit. More detailed information about the County's long term debt for the primary government is presented in Note H to the financial statements.

#### General Fund Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. During the fiscal year, the County's General Fund revenue budget increased \$202,985 or approximately 1.9% above the original budget. Actual General Fund revenue and other financing sources totaled \$10,982,431, which was \$82,535 higher than the final amended budget. The largest variances were in Charges for Services in which the actual revenue came in \$171,369 lower than the final budget.

During the fiscal year, the County's expenditure budget increased \$319,028 or approximately 2.9% above the original budget. Actual General Fund expenditures and other financing uses totaled \$10,711,971, which was \$767,588 under the final amended budget. The largest variance was in capital outlay that was \$22,428, more than the final budget.

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2013**

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

The major issues being addressed in the 2014 fiscal year involve the County's anticipation of potential decreases in state revenues, level property taxes, and possible reduced or unavailable revenue from state and federal grants. The County is also working on additional required services that are not being covered by additional revenue. There are also increased demands for increased expenditures from County departments.

**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 POSITION**  
**September 30, 2013**

**EXHIBIT A**

	<b>PRIMARY GOVERNMENT</b>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Bank Deposits	\$ 2,981,951	\$ 4,688,360	\$ 7,670,311	\$ 3,255,491
Investments	506,219	1,358,804	1,865,023	521,449
Receivables				
Summer Taxes	994,482	-	994,482	-
Taxes--Delinquent Accounts	509,529	2,468,070	2,468,070	-
Loans	1,627,149	31,378	540,907	1,075
Due From Federal Government	39,046	-	1,627,149	-
Due From State	260,460	24,000	63,046	-
Due From Local Units of Governments			260,460	991,032
Due Within One Year	64,047	9,063	73,110	210,410
Special Assessments Receivable				
Due Within One Year	-	-	-	16,731
Prepaid Expenses	-	37,707	37,707	-
Cash on Deposit With Agent	-	227,512	227,512	-
Inventories	-	-	-	329,269
Total Current Assets	<u>6,982,883</u>	<u>8,844,894</u>	<u>15,827,777</u>	<u>5,325,457</u>
Noncurrent Assets				
Capital Assets--Net of Accumulated Depreciation	3,942,000	5,101,117	9,043,117	28,667,659
Capital Assets--Nondepreciating	108,326		108,326	187,833
Long-Term Advances to Other Funds--Component Units	83,185	-	83,185	-
Total Noncurrent Assets	<u>4,133,511</u>	<u>5,101,117</u>	<u>9,234,628</u>	<u>28,855,492</u>
Total Assets	<u>11,116,394</u>	<u>13,946,011</u>	<u>25,062,405</u>	<u>34,180,949</u>

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET POSITION**  
**September 30, 2013**

**EXHIBIT A**  
**(CONTINUED)**

	<b>PRIMARY GOVERNMENT</b>			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current Liabilities				
Accounts Payable	430,550	131,327	561,877	520,335
Due to Other Government Units	6,619	-	6,619	-
Accrued Liabilities	152,257	7,923	160,180	-
Total Current Liabilities	589,426	139,250	728,676	520,335
Long-Term Liabilities				
Advances From State	-	-	-	294,906
Long-Term Advances From Other Funds--Primary Government	-	-	-	83,185
Brownfield Redevelopment Loan Payable				
Due Within One Year	13,539	-	13,539	-
Due In More Than One Year	118,529	-	118,529	-
Bonds Payable				
Due Within One Year	97,000	-	97,000	-
Due In More Than One Year	499,000	-	499,000	-
Notes Payable				
Due Within One Year	8,000	-	8,000	15,505
Due In More Than One Year	38,000	-	38,000	-
Installment Purchase Agreements Payable				
Due Within One Year	60,632	-	60,632	-
Due in More Than One Year	82,842	-	82,842	-
Vested Employee Benefits Payable	415,664	23,178	438,842	208,225
Post-Employment Benefit Liabilities	124,152	-	124,152	1,309,078
Total Noncurrent Liabilities	1,457,358	23,178	1,480,536	1,910,899
Total Liabilities	2,046,784	162,428	2,209,212	2,431,234
Net Position				
Net Investment in Capital Assets	3,264,852	5,101,117	8,365,969	28,839,987
Restricted	4,347,044	-	4,347,044	2,909,728
Unrestricted	1,457,714	8,682,466	10,140,180	-
Total Net Position	\$ 9,069,610	\$ 13,783,583	\$ 22,853,193	\$ 31,749,715

**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, 2013**

**EXHIBIT B**

Functions/Programs	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 4,320,644	\$ 1,233,848	\$ 765,955	\$ -
Public Safety	5,807,671	1,193,688	766,621	-
Public Works	101,339	-	90,054	-
Health and Welfare	1,940,066	160	801,033	-
Community and Economic Development	138,902	-	160,643	-
Recreation and Culture	12,992	-	-	-
Other	1,147,607	-	-	-
Interest on Long-Term Debt	23,243	-	-	-
Total Governmental Activities	<u>13,492,464</u>	<u>2,427,696</u>	<u>2,584,306</u>	<u>-</u>
Business-Type Activities				
Delinquent Tax Revolving	-	470,880	-	-
Tax Foreclosure	385,139	784,917	-	-
Interest Expense	10,532	-	-	-
Public Transit	2,086,084	364,039	1,036,905	592,471
Non-Major Enterprise	30,729	72,506	-	-
Total Business-Type Activities	<u>2,512,484</u>	<u>1,692,342</u>	<u>1,036,905</u>	<u>592,471</u>
Total Primary Government	<u>\$ 16,004,948</u>	<u>\$ 4,120,038</u>	<u>\$ 3,621,211</u>	<u>\$ 592,471</u>
Component Units				
Road Commission	\$ 7,930,273	\$ 1,271,073	\$ 5,855,608	\$ 1,308,029
Interest on Long-Term Debt				
Department of Public Works				
Interest on Long-Term Debt	80	-	80	-
Drain Fund	15,868	3,879	22	-
Interest on Long-Term Debt	1,837	-	-	-
Total Component Units	<u>\$ 7,948,058</u>	<u>\$ 1,274,952</u>	<u>\$ 5,855,710</u>	<u>\$ 1,308,029</u>

**CLARE COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2013**

**EXHIBIT B  
(CONTINUED)**

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</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	(2,320,841)	\$ -	\$ (2,320,841)	\$ -
Public Safety	(3,847,362)	-	(3,847,362)	-
Public Works	(11,285)	-	(11,285)	-
Health and Welfare	(1,138,873)	-	(1,138,873)	-
Community and Economic Development	21,741	-	21,741	-
Recreation and Culture	(12,992)	-	(12,992)	-
Other	(1,147,607)	-	(1,147,607)	-
Interest on Long-Term Debt	(23,243)	-	(23,243)	-
Total Governmental Activities	<u>(8,480,462)</u>	<u>\$ -</u>	<u>(8,480,462)</u>	<u>\$ -</u>
Business-Type Activities				
Delinquent Tax Revolving	-	470,880	470,880	-
Tax Foreclosure	-	389,246	389,246	-
Interest Expense				
Public Transit	-	(92,669)	(92,669)	-
Jail Commissary	-	41,777	41,777	-
Total Business-Type Activities	<u>-</u>	<u>809,234</u>	<u>809,234</u>	<u>-</u>
Total Primary Government	<u>\$ (8,480,462)</u>	<u>\$ 809,234</u>	<u>\$ (7,671,228)</u>	<u>\$ -</u>
Component Units				
Road Commission	\$ -	\$ -	\$ -	\$ 504,437
Interest on Long-Term Debt	-	-	-	-
Department of Public Works				
Interest on Long-Term Debt	-	-	-	-
Drain Fund	-	-	-	(11,967)
Interest on Long-Term Debt	-	-	-	(1,837)
Total Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 490,633</u>
General Revenues				
Property Taxes	\$ 6,479,715	\$ 306,278	\$ 6,785,993	\$ -
State-Shared Revenues	492,459	-	492,459	-
Unrestricted Investment Earnings	16,328	13,999	30,327	11,582
Rentals	77,605	-	77,605	-
Royalties	307,359	-	307,359	-
Gain on Equipment Disposal				48,853
Other	402,122	-	402,122	-
Transfers	<u>705,047</u>	<u>(705,047)</u>	<u>-</u>	<u>-</u>
Total General Revenues--Special Items and Transfers	<u>8,480,635</u>	<u>(384,770)</u>	<u>8,095,865</u>	<u>60,435</u>
Change in Net Position	173	424,464	424,637	551,068
Net Position--Beginning	<u>9,069,437</u>	<u>13,359,119</u>	<u>22,428,556</u>	<u>31,198,647</u>
Net Position--Ending	<u>\$ 9,069,610</u>	<u>\$ 13,783,583</u>	<u>\$ 22,853,193</u>	<u>\$ 31,749,715</u>

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

**CLARE COUNTY  
BALANCE SHEET - GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT  
OF NET POSITION  
September 30, 2013**

**EXHIBIT C**

<u>ASSETS</u>	General	Gypsy Moth	Community Development Escrow	Non-Major Governmental Funds	Total Governmental Funds
Cash and Bank Deposits	\$ 540,087	\$ 829,986	\$ 142,276	\$ 1,469,602	\$ 2,981,951
Investments	406,165	100,054	-	-	506,219
Receivables					
Summer Taxes	994,482	-	-	-	994,482
Accounts	472,452	-	-	37,077	509,529
Loans	-	-	1,621,300	5,849	1,627,149
Due From Federal Government	39,046	-	-	-	39,046
Due From State	105,034	-	-	155,426	260,460
Due From Local Units	-	-	-	64,047	64,047
Due From Other Funds	10,000	-	-	-	10,000
Long-Term Advances to Other Funds--Component Units	83,185	-	-	-	83,185
Total Assets	<u>\$ 2,650,451</u>	<u>\$ 930,040</u>	<u>\$ 1,763,576</u>	<u>\$ 1,732,001</u>	<u>\$ 7,076,068</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 292,581	\$ 859	\$ -	\$ 137,110	\$ 430,550
Accrued Liabilities	115,516	1,547	-	35,194	152,257
Due to General Fund	-	-	-	10,000	10,000
Due to Other Funds	6,619	-	-	-	6,619
Total Liabilities	<u>414,716</u>	<u>2,406</u>	<u>-</u>	<u>182,304</u>	<u>599,426</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unearned Revenue	565,308	-	1,621,300	5,849	2,192,457
Fund Equity					
Fund Balances					
Restricted	106,137	927,634	142,276	1,543,848	2,719,895
Unassigned	<u>1,564,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,564,290</u>
Total Fund Equity	<u>1,670,427</u>	<u>927,634</u>	<u>142,276</u>	<u>1,543,848</u>	<u>4,284,185</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 2,650,451</u>	<u>\$ 930,040</u>	<u>\$ 1,763,576</u>	<u>\$ 1,732,001</u>	<u>\$ 7,076,068</u>
Fund Balance--Total Governmental Funds					\$ 4,284,185
Amounts reported for governmental activities in the Statement of Net Position are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					4,050,327
Revenues that do not provide current financial resources are not reported as revenue in the funds.					2,192,457
Certain liabilities, such as bonds payable, compensated absences and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.					<u>(1,457,359)</u>
Total Net Position					<u>\$ 9,069,610</u>

**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, 2013**

**EXHIBIT D**

	General	Gypsy Moth	Community Development Escrow	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Taxes and Penalties	\$ 5,062,235	\$ -	\$ -	\$ 852,172	\$ 5,914,407
Licenses and Permits	93,703	-	-	131,257	224,960
Federal Grants	143,888	-	18,700	508,101	670,689
State Grants	1,224,693	-	-	408,373	1,633,066
Contributions From Local Units	403,314	-	-	-	403,314
Charges for Services	2,568,980	-	-	234,016	2,802,996
Fines and Forfeits	24,723	-	-	42,836	67,559
Interest and Rentals	397,346	3,828	3,943	8,217	413,334
Other Revenue	320,741	-	110,743	336,587	768,071
<b>Total Revenues</b>	<b>10,239,623</b>	<b>3,828</b>	<b>133,386</b>	<b>2,521,559</b>	<b>12,898,396</b>
<b>Expenditures</b>					
<b>Current</b>					
General Government	3,761,009	23,624	-	350,154	4,134,787
Public Safety	4,450,994	-	-	903,450	5,354,444
Public Works	2,601	-	-	93,979	96,580
Health and Welfare	565,397	-	-	1,371,529	1,936,926
Community and Economic Development	-	-	97,526	41,376	138,902
Recreation and Culture	12,992	-	-	-	12,992
Other	1,147,606	-	-	-	1,147,606
Capital Outlay	275,828	-	-	31,455	307,283
Debt Service					
Principal	58,772	-	-	120,273	179,045
Interest and Fiscal Fees	8,477	-	-	14,766	23,243
<b>Total Expenditures</b>	<b>10,283,676</b>	<b>23,624</b>	<b>97,526</b>	<b>2,926,982</b>	<b>13,331,808</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(44,053)</b>	<b>(19,796)</b>	<b>35,860</b>	<b>(405,423)</b>	<b>(433,412)</b>
<b>Other Financing Sources (Uses)</b>					
Installment Purchase/Lease Proceeds	26,428	-	-	-	26,428
Interfund Transfers In	716,380	-	-	426,125	1,142,505
Interfund Transfers (Out)	(428,295)	-	-	(800)	(429,095)
<b>Total Other Financing Sources (Uses)</b>	<b>314,513</b>	<b>-</b>	<b>-</b>	<b>425,325</b>	<b>739,838</b>
<b>Net Change in Fund Balances</b>	<b>270,460</b>	<b>(19,796)</b>	<b>35,860</b>	<b>19,902</b>	<b>306,426</b>
<b>Fund Balance (Deficit)--October 1, 2012</b>	<b>1,399,967</b>	<b>947,430</b>	<b>106,416</b>	<b>1,523,946</b>	<b>3,977,759</b>
<b>Fund Balance (Deficit)--September 30, 2013</b>	<b>\$ 1,670,427</b>	<b>\$ 927,634</b>	<b>\$ 142,276</b>	<b>\$ 1,543,848</b>	<b>\$ 4,284,185</b>

**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, 2013**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 306,426

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	307,282
Deduct--Depreciation Expense	(542,582)

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

Housing Commission--Loans Paid Out During 2013	5,848
Property Taxes	565,308

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	179,046
Less--New Loan Proceeds	(26,428)
Less--Transfers	(653,471)

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 (Increase) in Compensated Absences	(91,791)
Net (Increase) in Other Post-Employment Benefits	(49,465)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 173

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

**CLARE COUNTY  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
September 30, 2013**

**EXHIBIT E**

	<b>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS</b>				
	<u>Delinquent Tax Revolving</u>	<u>Tax Foreclosure</u>	<u>Public Transit</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
<b><u>ASSETS</u></b>					
Current Assets					
Cash and Bank Deposits	\$ 2,306,663	\$ 1,153,419	\$ 1,122,759	\$ 105,519	\$ 4,688,360
Investments	1,358,804	-	-	-	1,358,804
Receivables					
Taxes--Delinquent	2,468,070	-	-	-	2,468,070
Accounts	-	8,506	15,623	7,249	31,378
Due From Federal Government	-	-	24,000	-	24,000
Due From Local Units	9,063	-	-	-	9,063
Prepaid Expenses	-	-	37,707	-	37,707
Cash on Deposit With Agent	-	-	227,512	-	227,512
Total Current Assets	<u>6,142,600</u>	<u>1,161,925</u>	<u>1,427,601</u>	<u>112,768</u>	<u>8,844,894</u>
Noncurrent Assets					
Capital Assets--Net of Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>5,101,117</u>	<u>-</u>	<u>5,101,117</u>
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>5,101,117</u>	<u>-</u>	<u>5,101,117</u>
Total Assets	<u>\$ 6,142,600</u>	<u>\$ 1,161,925</u>	<u>\$ 6,528,718</u>	<u>\$ 112,768</u>	<u>\$ 13,946,011</u>
<b><u>LIABILITIES</u></b>					
Current Liabilities					
Accounts Payable	\$ -	\$ 2,142	\$ 128,209	\$ 976	\$ 131,327
Accrued Liabilities	<u>-</u>	<u>-</u>	<u>7,923</u>	<u>-</u>	<u>7,923</u>
Total Current Liabilities	<u>-</u>	<u>2,142</u>	<u>136,132</u>	<u>976</u>	<u>139,250</u>
Noncurrent Liabilities					
Accrued Compensated Absences	<u>-</u>	<u>-</u>	<u>23,178</u>	<u>-</u>	<u>23,178</u>
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>23,178</u>	<u>-</u>	<u>23,178</u>
Total Liabilities	<u>-</u>	<u>2,142</u>	<u>159,310</u>	<u>976</u>	<u>162,428</u>
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	-	-	5,101,117	-	5,101,117
Unrestricted	<u>6,142,600</u>	<u>1,159,783</u>	<u>1,268,291</u>	<u>111,792</u>	<u>8,682,466</u>
Total Net Position	<u>\$ 6,142,600</u>	<u>\$ 1,159,783</u>	<u>\$ 6,369,408</u>	<u>\$ 111,792</u>	<u>\$ 13,783,583</u>

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

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION--PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT F**

	<b>BUSINESS-TYPE ACTIVITIES</b>				
	<b>ENTERPRISE FUNDS</b>				
	Delinquent Tax Revolving	Tax Foreclosure	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds
Operating Revenues					
Charges for Services	\$ -	\$ 784,917	\$ 364,039	\$ 72,506	\$ 1,221,462
Interest on Delinquent Taxes	470,880	-	-	-	470,880
<b>Total Operating Revenues</b>	<b>470,880</b>	<b>784,917</b>	<b>364,039</b>	<b>72,506</b>	<b>1,692,342</b>
Operating Expenses					
Administrative	-	385,139	334,059	-	719,198
Operations	-	-	1,117,376	-	1,117,376
Maintenance	-	-	241,491	-	241,491
Materials and Supplies	-	-	-	30,729	30,729
Depreciation	-	-	393,158	-	393,158
<b>Total Operating Expenses</b>	<b>-</b>	<b>385,139</b>	<b>2,086,084</b>	<b>30,729</b>	<b>2,501,952</b>
<b>Operating Income (Loss)</b>	<b>470,880</b>	<b>399,778</b>	<b>(1,722,045)</b>	<b>41,777</b>	<b>(809,610)</b>
Nonoperating Revenues (Expenses)					
Intergovernmental	-	-	1,025,093	-	1,025,093
Property Taxes	-	-	306,278	-	306,278
Interest Earned on Investments	6,368	2,411	5,220	-	13,999
Interest Expense	-	-	-	(10,532)	(10,532)
Other	-	-	11,812	-	11,812
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,368</b>	<b>2,411</b>	<b>1,348,403</b>	<b>(10,532)</b>	<b>1,346,650</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>477,248</b>	<b>402,189</b>	<b>(373,642)</b>	<b>31,245</b>	<b>537,040</b>
Capital Contributions	-	-	592,471	-	592,471
Interfund Transfers					
Transfers In	-	-	-	10,532	10,532
Transfers (Out)	(400,000)	(256,392)	-	(59,187)	(715,579)
<b>Change in Net Position</b>	<b>77,248</b>	<b>145,797</b>	<b>218,829</b>	<b>(17,410)</b>	<b>424,464</b>
<b>Total Net Position--October 1, 2012</b>	<b>6,065,352</b>	<b>1,013,986</b>	<b>6,150,579</b>	<b>129,202</b>	<b>13,359,119</b>
<b>Net Position--October 1, 2012</b>	<b>6,065,352</b>	<b>1,013,986</b>	<b>6,150,579</b>	<b>129,202</b>	<b>13,359,119</b>
<b>Total Net Position--September 30, 2013</b>	<b>\$ 6,142,600</b>	<b>\$ 1,159,783</b>	<b>\$ 6,369,408</b>	<b>\$ 111,792</b>	<b>\$ 13,783,583</b>

**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, 2013**

**EXHIBIT G**

	<b>BUSINESS-TYPE ACTIVITIES</b>				
	<b>ENTERPRISE FUNDS</b>				
	Delinquent Tax Revolving	Tax Foreclosure	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds
Cash Flows From Operating Activities					
Cash Received From Customers	\$ -	\$ 787,712	\$ 373,480	\$ 69,748	\$ 1,230,940
Interest on Delinquent Taxes	470,880	-	-	-	470,880
Delinquent Taxes Collected	(2,285,504)	-	-	-	(2,285,504)
Delinquent Taxes Purchased	2,468,071	-	-	-	2,468,071
Cash Payments to Employees for Services and Benefits	-	-	(1,048,511)	-	(1,048,511)
Cash Payments to Suppliers for Goods and Services	-	(382,997)	(675,420)	(31,989)	(1,090,406)
Net Cash Provided by Operating Activities	<u>653,447</u>	<u>404,715</u>	<u>(1,350,451)</u>	<u>37,759</u>	<u>(254,530)</u>
Cash Flows From Noncapital Financing Activities					
Operating Grants	-	-	1,025,093	-	1,025,093
Property Tax	-	-	306,278	-	306,278
Due to Other Governmental Units	5,307	-	-	-	5,307
Other	-	-	11,812	-	11,812
Long-Term Advances	-	-	-	-	-
Transfers In (Out)	(400,000)	(256,392)	-	(48,655)	(705,047)
Net Cash Provided by Noncapital Financing Activities	<u>(394,693)</u>	<u>(256,392)</u>	<u>1,343,183</u>	<u>(48,655)</u>	<u>643,443</u>
Cash Flows From Capital and Related Financing Activities					
Capital Assistance Grants	-	-	598,866	-	598,866
Capital Assets Purchased	-	-	(602,554)	-	(602,554)
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(3,688)</u>	<u>-</u>	<u>(3,688)</u>
Cash Flows From Investing Activities					
Interest on Cash and Cash Equivalents	6,367	2,411	5,220	-	13,998
Interest Expense	-	-	-	(10,532)	(10,532)
Sale or (Purchase) of Investments	63,793	-	-	-	63,793
Net Cash Provided by Investing Activities	<u>70,160</u>	<u>2,411</u>	<u>5,220</u>	<u>(10,532)</u>	<u>67,259</u>
Net Increase (Decrease) in Cash and Cash Equivalents	328,914	150,734	(5,736)	(21,428)	452,484
Cash and Cash Equivalents at Beginning of Year	1,977,749	1,002,685	1,128,495	126,947	4,235,876
Cash and Cash Equivalents at End of Year	<u>\$ 2,306,663</u>	<u>\$ 1,153,419</u>	<u>\$ 1,122,759</u>	<u>\$ 105,519</u>	<u>\$ 4,688,360</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 470,880	\$ 399,778	\$ (1,722,045)	\$ 41,777	\$ (809,610)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense	-	-	393,158	-	393,158
(Increase) Decrease in Delinquent Taxes Receivable	171,502	-	-	-	171,502
(Increase) Decrease in Accounts Receivable	11,065	2,795	9,441	(2,758)	20,543
(Increase) Decrease in Prepaid Insurance	-	-	(62,280)	-	(62,280)
Increase (Decrease) in Accounts Payable	-	2,142	56,344	(1,260)	57,226
Increase (Decrease) in Accrued Wages Payable	-	-	(23,724)	-	(23,724)
Increase (Decrease) in Accrued Compensated Absences	-	-	(1,345)	-	(1,345)
Net Cash Provided by Operating Activities	<u>\$ 653,447</u>	<u>\$ 404,715</u>	<u>\$ (1,350,451)</u>	<u>\$ 37,759</u>	<u>\$ (254,530)</u>

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

**CLARE COUNTY  
STATEMENT OF NET POSITION  
FIDUCIARY FUNDS  
September 30, 2013**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash and Bank Deposits	\$ 3,190,963
Investments	<u>156,018</u>
Total Assets	<u>\$ 3,346,981</u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to State of Michigan	\$ 3,039,246
Undistributed Penal Fines and Interest	202,871
Other Liabilities	<u>104,864</u>
Total Liabilities	<u>\$ 3,346,981</u>

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

**CLARE COUNTY  
STATEMENT OF NET POSITION  
COMPONENT UNITS  
September 30, 2013**

**EXHIBIT I**

	Road Commission	Department of Public Works	Drain Commission	Total
<b><u>ASSETS</u></b>				
Current Assets				
Cash	\$ 3,134,062	\$ -	\$ 121,429	\$ 3,255,491
Investments	500,567	-	20,882	521,449
Accounts Receivable	1,075	-	-	1,075
Due From State	991,032	-	-	991,032
Due From Local Units of Government				
Due Within One Year	210,410	-	-	210,410
Special Assessments Receivable				
Due Within One Year	-	-	16,731	16,731
Inventories	329,269	-	-	329,269
Total Current Assets	<u>5,166,415</u>	<u>-</u>	<u>159,042</u>	<u>5,325,457</u>
Noncurrent Assets				
Capital Assets-Net of Accumulated Depreciation	27,934,900	-	732,759	28,667,659
Capital Assets-Nondepreciating	187,833	-	-	187,833
Total Noncurrent Assets	<u>28,122,733</u>	<u>-</u>	<u>732,759</u>	<u>28,855,492</u>
Total Assets	<u>\$ 33,289,148</u>	<u>\$ -</u>	<u>\$ 891,801</u>	<u>\$ 34,180,949</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	\$ 518,678	\$ -	\$ 1,657	\$ 520,335
Total Current Liabilities	<u>518,678</u>	<u>-</u>	<u>1,657</u>	<u>520,335</u>
Noncurrent Liabilities				
Advances From State of Michigan	294,906	-	-	294,906
Long-Term Advances From	-	-	-	-
Primary Government	-	-	83,185	83,185
Notes Payable--Due Within One Year	-	-	15,505	15,505
Vested Employee Benefits Payable	208,225	-	-	208,225
Post Employment Benefit Liabilities	1,309,078	-	-	1,309,078
Total Noncurrent Liabilities	<u>1,812,209</u>	<u>-</u>	<u>98,690</u>	<u>1,910,899</u>
Total Liabilities	<u>2,330,887</u>	<u>-</u>	<u>100,347</u>	<u>2,431,234</u>
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	28,122,733	-	717,254	28,839,987
Restricted for				
County Roads	2,835,528	-	-	2,835,528
Capital Projects	-	-	74,200	74,200
Total Net Position	<u>\$ 30,958,261</u>	<u>\$ -</u>	<u>\$ 791,454</u>	<u>\$ 31,749,715</u>

**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, 2013

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION			
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Department of Public Works	Drain Commission	Total
Road Commission								
Public Works	\$ 7,930,273	\$ 1,271,073	\$ 5,855,608	\$ 1,308,029	\$ 504,437	\$ -	\$ -	\$ 504,437
Interest on Related Debt	-	-	-	-	-	-	-	-
Total Road Commission	<u>7,930,273</u>	<u>1,271,073</u>	<u>5,855,608</u>	<u>1,308,029</u>	<u>504,437</u>	<u>-</u>	<u>-</u>	<u>504,437</u>
Department of Public Works								
Public Works								
Interest on Related Debt	80	-	80	-	-	-	-	-
Total Department of Public Works	<u>80</u>	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Drain Commission								
Public Works	15,868	3,879	22	-	-	-	(11,967)	(11,967)
Interest on Related Debt	1,837	-	-	-	-	-	(1,837)	(1,837)
Total Drain Commission	<u>\$ 17,705</u>	<u>\$ 3,879</u>	<u>\$ 22</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>(13,804)</u>	<u>(13,804)</u>
			General Revenues					
			Interest		11,582	-	-	11,582
			Gain on Equipment Disposal		48,853	-	-	48,853
			Total General Revenues		<u>60,435</u>	<u>-</u>	<u>-</u>	<u>60,435</u>
			Change in Net Position		564,872	-	(13,804)	551,068
			NetPosition--Beginning of Year		<u>30,393,389</u>	<u>-</u>	<u>805,258</u>	<u>31,198,647</u>
			Net Position--End of Year		<u>\$ 30,958,261</u>	<u>\$ -</u>	<u>\$ 791,454</u>	<u>\$ 31,749,715</u>

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

The County of Clare 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).

#### 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. A separate report is not prepared for the Building Authority.

##### 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. The component unit is audited separately from the County and complete financial statements may be obtained from the Transit Corporation's administrative office.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

##### 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 Department of Public Works and the Clare County Drain Commission 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 Position (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 Laws (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. The component unit is audited separately from the County and complete financial statements may be obtained from the Road Commission's administrative office.

##### 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 W-1 through W-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 V-1 through V-4).

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

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 Transit Corporation  
4175 North Clare Avenue  
Harrison, Michigan 48625

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

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

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

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 2013 were:

Clare	16.56%	Isabella	28.56%
Gladwin	14.40%	Osceola	12.49%
Arenac	10.59%	Roscommon	17.40%

The County's appropriation to the District Health Department for the fiscal year ended September 30, 2013 was \$211,783, which included cigarette tax of \$1,636.

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, 2013, the actual County contribution percentages were:

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

The County's appropriation to Central Michigan Community Mental Health Services for the fiscal year ended September 30, 2013 was \$139,000.

#### RELATED ORGANIZATION

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

The County, in conjunction with 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 Northern Michigan Substance Abuse Services, Inc. For the fiscal year ended September 30, 2013, the County passed through \$81,171.

#### 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund 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  
For the Fiscal Year Ended September 30, 2013

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 (60 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.

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

The Community Development Escrow Fund account for Federal and State grants received to provide low income housing programs for county residents as well as economic and community development within the County.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

The County reports the following major proprietary funds:

The 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.

The Tax Foreclosure Fund accounts for properties that have been foreclosed upon in the County.

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

Additionally, the County reports the following fund types:

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

As a general rule, the effect of inter-fund 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 non-operating 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 Revolving 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 non-operating revenues and expenses.

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

Interfund 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.

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 \$232,545 and road materials of \$96,724 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

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 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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

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

	<u>Funds</u>	<u>Drain</u>
Building	40 years	
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

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 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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

Deferred Inflows of Resources

Governmental funds report deferred inflows of resources 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)

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 dispatcher's mechanics, clerical and janitorial employees of the Transit Corporation earn paid time off (PTO).

For straight time worked, including paid leave but not overtime, PTO is credited based upon a varying scale as defined in the collective bargaining agreement. This scale shows one hour of time off for each 20 hours worked for employees with zero service time through four years of service. It increases with years of service to a maximum of one hour of time off for each 15 hours worked for employees with ten years of service. An employee may accumulate up to 320 hours of PTO. Upon termination, other than discharge for cause, after one year of service due to resignation with two weeks' notice, death, retirement or layoff, an employee shall be paid for all PTO time accrued through the date of termination.

Administrative employees, including the manager and operations supervisor, earn PTO in a similar manner to the covered employees. These employees earn 2.31 hours of PTO for each week for zero years of service increasing to 4.62 hours of PTO for each week for twelve years of service. They may not accumulate hours in excess of two times their annual accumulation rate.

PTO in excess of two times the annual accrual rate will be paid to the employee at the 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 notice of four weeks are entitled to payout for all remaining PTO hours. Administrative employees may also elect to receive payment of PTO instead of accumulation.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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 Position. 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.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

##### Fund Balance Classifications

In the fund financial statements, governmental funds report the following components of fund balance which comprise a hierarchy based on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

##### Non-spendable Fund Balances

Non-spendable fund balances includes amounts in governmental funds to designate amounts which are not available for spending, or are legally or contractually required to be maintained. The non-spendable amount reported in the Road Fund is related to inventories.

##### Restricted Fund Balances

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

The purpose of the primary government's restricted fund balances and revenue sources are listed below:

##### Special Revenue Funds

- Friend of Court Fund - This fund is used to account for revenues for Friend of the Court activities as required by Acts 294, 295, 296, 297, and 298 PA 1982, as amended.
- Building Department - This fund is used to account for revenues earmarked by law for building construction code enforcement activities within the city.
- Register of Deeds Automation – This fund is used for funds set aside under provisions of Public Act 698 of 2002 (MCL 600.2568). The fund was created for upgrading technology in the Register of Deeds' Office under the Revised Judicature Act of 1961.
- 911 Service – This fund is used to account for earmarked revenue for 911 services under the provisions of Public Act 29 of 1994.
- Local Corrections Officers – This fund is used to account for the earmarked fees established under Public Act 124 of 2003 to provide for the training of local corrections officers.
- Drug Law Enforcement – This fund is used to account for revenue from seized property involved in the violation of controlled substances statutes, Act 135 PA 1985.
- ORV Ordinance – This fund is used to account for the fines used to enforce off road vehicle laws.
- Law Library – This fund is used to account for revenue that is a specified portion of the penal fines collected each year by the county courts. The fund is required by MCL 600.4851.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

- Community Development – This fund is used to account for the program income and administrative fees received for the administration of the Housing Commission.
- Brownfield Redevelopment Authority EPA Grant – This fund is used to account for the revenues received from grants as established under the Brownfield Redevelopment Financing Act.
- Senior Services – This fund is used to account for the extra voted millage, Federal and state grants, and other income directly related to the operations of the county's senior center.
- Department of Human Services – This fund is used to account for the revenue from transfers in from the general fund, state and federal grants, and refunds/reimbursements. The fund is required by MCL 400.73a.
- Child Care Probate – This fund is used to account for revenue relating to the probate court from transfers in from the general fund and state grants. The fund is required by MCL 400.117a.
- Child Care DHS – This fund is used to account for revenue relating to the Department of Human Services from transfers in from the general fund and state grants. The fund is required by MCL 400.117a.
- Soldiers and Sailors Relief – This fund is used account for transfers from the General Fund for soldiers and sailors relief activities. The fund is required by MCL 35.21.
- Veterans Trust – This fund is used to account for the revenues from the distribution by the State Department of Military Affairs from the State Veterans' Trust Fund as required by MCL 35.607.
- Veterans Special Projects – This fund is used to account for the revenues received for special projects dedicated to Veterans.
- Airport – This fund is used to account for the revenues received from the airport. It is classified as a special revenue fund because of the limited usage of the assets of the fund.

Debt Service Funds

- Building Authority Refunding Debt - This fund is used to account for the principal and interest payments on the Building Authority bonds.
- Brownfield Debt - This fund is used to account for the principal and interest payments on the Brownfield loan.
- USDA Loan Debt - This fund is used to account for the principal and interest payments on the USDA loan.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

##### Capital Project Funds

- Public Building and Improvement – This fund is used to account for funds set aside for future capital improvement as authorized by Act 136 PA 1956.  
Animal Shelter Construction - This fund is used to account for the extra voted millage levied on the residents for the construction of a new animal shelter.  
Brownfield Redevelopment Authority - This fund is used to account for the taxes received from improved brownfield areas and is to be used on future brownfield projects.

The purpose of the component unit's restricted fund balances and revenue sources are listed below:

- Road Commission – This fund is used to account for the receipt and expenditure of State motor fuel taxes which are earmarked by law (Act 51 PA 1951, as amended) for street and highway purposes, Federal aid for highway purposes, taxes and special assessments for road purposes and general fund appropriations as well as State Trunkline maintenance contracts.
- DPW--Clare Water #1 – This fund is used to account for the contributions from Clare County to pay for the principal and interest on water bonds issued by Clare County on behalf of the City to provide a better interest rate.
- DPW--Clare Sewer #3 Refunding Bonds 2002 – This fund is used to account for the contributions from Clare County to pay for the principal and interest on sewer bonds issued by Clare County on behalf of the City to provide a better interest rate.
- Drain Commission--Drain Fund – This fund is used to account for revenue from special assessments, at-large assessments, and bond or note proceeds for the construction and maintenance of county drains. The Drain Fund is required by Act 40 PA 1956, as amended.
- Drain Commission--Drain Revolving Fund – This fund is used to account for money advanced from the county general fund for engineering, surveys and other preliminary costs of new drains and maintenance work on established drains. The Revolving Drain Fund is reimbursed from the Drain Fund as special assessments are collected. The Revolving Drain Fund is permitted by Chapter 12 of Act 40 PA 1956, as amended.
- Drain Commission--Lake Level Fund – This fund is used to account for revenue from special assessments and bond or note proceeds to account for the construction and maintenance of lake level projects. The Lake Level Fund is permitted by Act 451 PA 1994, as amended.
- Drain Commission--Lake Level Revolving Fund - The Revolving Lake Level Fund is used to account for money advanced from the county general fund for engineering, surveys and other preliminary costs of new lake level projects and maintenance work on established lake level districts. The Revolving Lake Level Fund is reimbursed from the Lake Level Fund as special assessments are collected. The Revolving Lake Level Fund is permitted by Act 451 PA 1994, as amended.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

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

##### Unassigned Fund Balance

Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the County Board of Commissioners.

Clare County does not have a formal minimum fund balance policy.

#### 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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

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 as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
General Government			
Soil Erosion and Sedimentation	\$ 20,510	\$ 21,645	\$ (1,135)
Record Copying	27,708	38,978	(11,270)
Public Safety			
Off-Road Vehicle Grant	3,900	4,409	(509)
Court Security	106,139	107,914	(1,775)
Office of Emergency Management	63,105	80,310	(17,205)
Animal Control	190,864	191,836	(972)
Capital Outlay			
Sheriff	-	76,853	(76,853)
911 Service Fund			
Capital Outlay	13,000	14,251	(1,251)
Brownfield Redevelopment Authority - EPA Grant			
Public Works	32,112	85,383	(53,271)

The County intends to continue to diligently maintain expenditures under appropriations and make adjustments to the budget when necessary.

NOTE C--CASH DEPOSITS 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.

Deposits are carried at cost. The County Board of Commissioners has designated nine financial institutions for the deposit of County funds. The investment policy adopted by the Board is in accordance with Public Act 20 of 1943, as amended, has authorized investments described in the preceding paragraph. The County's deposits and investment policy are in accordance with statutory authority.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The County's deposits and investments at September 30, 2013, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are report in the basic financial statements as follows:

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and Bank Deposits	\$ 2,981,951	\$ 4,688,360	\$ 3,190,963	\$ 10,861,274	\$ 3,255,491
Investments	506,219	1,358,804	156,018	2,021,041	521,449
Cash Deposit with Agent	-	227,512	-	227,512	-
Total	<u>\$ 3,488,170</u>	<u>\$ 6,274,676</u>	<u>\$ 3,346,981</u>	<u>\$ 13,109,827</u>	<u>\$ 3,776,940</u>

The breakdown between deposits and investments, are as follows:

	Primary Government	Component Units
Bank Deposits (Checking, Savings Accounts and Certificates of Deposits)	\$ 10,835,674	\$ 3,255,241
Investments in Securities, Money Markets and Similar Vehicles	2,021,041	521,449
Cash on Deposit with Agent	227,512	-
Petty Cash and Cash on Hand	25,600	250
Total	<u>\$ 13,109,827</u>	<u>\$ 3,776,940</u>

Non-negotiable certificates of deposits that are placed by the depositors directly with financial institutions and that are subject to a penalty if redeemed before maturity are treated as bank deposits. Because nonnegotiable certificates of deposits are deposits, no interest rate risk or credit risk disclosures are required, which are limited to investments.

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 For the Fiscal Year Ended September 30, 2013

#### NOTE C--CASH DEPOSITS 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, 2013, the bank balance of the primary government's deposits is \$12,864,785, of which \$1,619,914 is covered by federal depository insurance and \$11,202,002 was uncollateralized with securities held by the County's agent in the County's name. The component units' deposits had a bank balance of \$3,776,700 of which \$750,000 was covered by federal depository insurance and \$2,614,102 was uncollateralized with securities held by the County's agent in the County's name.

#### 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, 2013, common cash investments were not exposed to custodial credit risk.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE C--CASH DEPOSITS 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.

Investment Type	Rated Debt Investments		
	Fair Value	Credit Rating	Rating Institution
Municipal Investment Funds	\$ 652,843	A-1	S&P
Money Market Funds	120,079	AAAm	S&P
Municipal Investment Funds	455,430	A-1	S&P
Commercial / Government Securities	<u>792,689</u>	AA	S&P
Total	<u>\$ 2,021,041</u>		
Money Market Funds	\$ 500,567	AAAm	S&P
Municipal Investment Funds	<u>20,882</u>	A-1	S&P
Total	<u>\$ 521,449</u>		

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, 2013, the fair value of the County's investments is listed above with all maturities due within 12 months or less.

Cash on Deposit With Agent

The Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MTPA). The Transit Corporation's required retention is \$25,000 per occurrence. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$227,512 with the pool. Cash on deposit with agent consists of amounts deposited with the MTPA and amounts retained by the MTPA.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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 2013 taxable valuation of \$1,028,043,754 in the summer of 2013. The total levy amounted to \$4,823,861. At September 30, 2013 the taxes receivable for the summer taxes is \$994,482. Each year the taxes collected within the first 60 days is recognized as revenue earned and the remaining balance is reported as deferred inflow of resources and is recognized in the subsequent year. The deferred inflow of resources (unearned revenue) recorded at September 30, 2013, for the summer property taxes is \$568,308.

Current Winter Property Taxes

Most County extra voted property taxes are levied on each December 1 on the taxable valuation of property located in the County as of the preceding December 31. The County's 2012 ad valorem tax is levied and collectible on December 1, 2012, 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 2012 taxable valuation of the County amounted to \$1,021,114,900 on which ad valorem taxes of .4800 mills for Senior Citizens, .3000 mills for Transit Service, and .3500 for 911 Services. The 2012 current tax levied included \$490,371 for Senior Citizens, \$306,278 for Transit Services, and \$358,053 for 911 Services. These taxes will be recorded as revenue on County records in and for the year of 2013.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE D--PROPERTY TAXES (Continued)

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,468,070 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2013. There were also homestead denial receivables in the amount of \$9,063. The delinquent real property taxes and homestead receivables may be summarized as follows:

2012	\$ 2,010,631
2011	414,876
2010	23,430
2009	7,735
2008	6,896
2007	3,058
2006	838
2005	323
2004	<u>283</u>
Total Delinquent Taxes Receivable	<u>\$ 2,468,070</u>
Total Homestead Denial Receivable	<u>\$ 9,063</u>
Total Taxes Receivable	<u>\$ 2,477,133</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE E—RECEIVABLES AND DEFERRED INFLOWS OF RESOURCES

Receivables--Primary Government

Receivables as of year-end for the County’s individual major, non-major funds and fiduciary funds in the aggregate, there were no applicable allowances for uncollectible accounts, and are as follows:

	Governmental Funds			Business-Type Funds			
	General Fund	Community Development Escrow Fund	Non-Major Governmental Funds	Delinquent Tax Revolving Fund	Tax Foreclosure Fund	Public Transit	Non-Major Enterprise Funds
Taxes	\$ 994,482	\$ -	\$ -	\$ 2,468,070	\$ -	\$ -	\$ -
Accounts	472,452	-	37,077	-	8,506	15,623	7,249
Loan Notes Receivable	-	1,621,300	5,849	-	-	-	-
Due From Federal	39,046	-	-	-	-	24,000	-
Due From State	105,034	-	155,426	-	-	-	-
Due From Local Units	-	-	64,047	9,063	-	-	-
<b>Total Receivables</b>	<b>\$ 1,611,014</b>	<b>\$ 1,621,300</b>	<b>\$ 262,399</b>	<b>\$ 2,477,133</b>	<b>\$ 8,506</b>	<b>\$ 39,623</b>	<b>\$ 7,249</b>
Deferred Inflows of Resources							
Unearned Revenue	\$ 565,308	\$ 1,621,300	\$ 5,849	\$ -	\$ -	\$ -	\$ -

Governmental funds report deferred inflows of resources (revenue) in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds report unavailable revenues, which arise only under a modified accrual basis of accounting, from property taxes and special assessment receivable. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. At the end of the current fiscal year, deferred inflows of resources are reported above in the General Fund in the amount of \$565,308 related to property taxes which are unavailable. Also, within Community Development Fund has unearned revenue in the amount of \$5,849 related to Loan Notes Receivable as well as Community Development Escrow Fund in the amount of \$1,621,300 for Loan Notes Receivable.

Special Assessments Receivable--Component Unit

The Drain Commission has long-term special assessments recorded in the Drain Fund of \$16,731 at September 30, 2013. The special assessment receivables are recorded in the fund financial statements as special assessment receivable with an offsetting credit to deferred inflows of resources.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE F--CAPITAL ASSETS

Primary Government

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

<u>Governmental Activities</u>	Beginning Balance 10/01/12	Increases	Decreases	Ending Balance 09/30/13
Capital Assets Not Being Depreciated				
Land	\$ 108,326	\$ -	\$ -	\$ 108,326
Total Capital Assets Not Being Depreciated	<u>108,326</u>	<u>-</u>	<u>-</u>	<u>108,326</u>
Capital Assets Being Depreciated				
Buildings and Improvements	6,714,590	42,450	-	6,757,040
Vehicles	951,108	159,540	-	1,110,648
Furniture and Equipment	2,573,438	105,292	-	2,678,730
Total Capital Assets Being Depreciated	<u>10,239,136</u>	<u>307,282</u>	<u>-</u>	<u>10,546,418</u>
Less Accumulated Depreciation for				
Buildings and Improvements	3,643,298	151,558	-	3,794,856
Vehicles	599,526	120,640	-	720,166
Furniture and Equipment	1,819,012	270,384	-	2,089,396
Total Accumulated Depreciation	<u>6,061,836</u>	<u>542,582</u>	<u>-</u>	<u>6,604,418</u>
Net Capital Assets Being Depreciated	<u>4,177,300</u>	<u>(235,300)</u>	<u>-</u>	<u>3,942,000</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 4,285,626</u>	<u>\$ (235,300)</u>	<u>\$ -</u>	<u>\$ 4,050,326</u>

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 120,114
Public Safety	414,129
Health and Welfare	3,580
Public Works	4,759
Total Depreciation--Governmental Activities	<u>\$ 542,582</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activity--Public Transit</u>	<u>Beginning Balance 10/1/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/13</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 59,709	\$ -	\$ 59,709	\$ -
Total Capital Assets Not Being Depreciated	59,709	-	59,709	-
Capital Assets Being Depreciated				
Operating Facility	4,594,033	535,591	-	5,129,624
Vehicles	2,745,254	-	33,465	2,711,789
Shop Equipment	135,240	-	-	135,240
Office Furniture and Equipment	106,707	126,672	-	233,379
Total Capital Assets Being Depreciated	7,581,234	662,263	33,465	8,210,032
Less: Accumulated Depreciation for				
Operating Facility	806,215	117,939	-	924,154
Vehicles	1,760,962	250,753	33,465	1,978,250
Shop Equipment	82,473	5,611	-	88,084
Office Furniture and Equipment	99,573	18,854	-	118,427
Total Accumulated Depreciation	2,749,223	393,157	33,465	3,108,915
Net Capital Assets Being Depreciated	4,832,011	269,106	-	5,101,117
Total Capital Assets--Net of Depreciation	\$ 4,891,720	\$ 269,106	\$ 59,709	\$ 5,101,117

Depreciation expense of \$393,157 was charged to business-type programs of the primary government.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE F--CAPITAL ASSETS (Continued)

Component Units

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

	Beginning Balance 10/01/12	Increases	Decreases	Ending Balances 09/30/13
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 187,883	\$ -	\$ -	\$ 187,883
Total Capital Assets Not Being Depreciated	187,883	-	-	187,883
Capital Assets Being Depreciated				
Buildings	1,174,069	130,897	-	1,304,966
Road Equipment	6,512,153	311,802	409,014	6,414,941
Shop Equipment	164,687	12,769	-	177,456
Office Equipment	109,503	9,369	5,872	113,000
Engineers' Equipment	40,846	1,408	-	42,254
Yard and Storage	150,406	-	-	150,406
Infrastructure--Bridges	10,667,077	42,661	-	10,709,738
Infrastructure--Roads	43,596,671	2,518,193	-	46,114,864
Total Capital Assets Being Depreciated	62,415,412	3,027,099	414,886	65,027,625
Less Accumulated Depreciation				
Buildings	913,518	27,303	-	940,821
Road Equipment	5,196,160	451,008	408,463	5,238,705
Shop Equipment	135,017	6,364	-	141,381
Office Equipment	88,336	4,055	5,872	86,519
Engineers' Equipment	36,069	1,500	-	37,569
Yard and Storage	109,801	7,529	-	117,330
Infrastructure--Bridges	2,862,210	229,783	-	3,091,993
Infrastructure--Roads	25,405,934	2,032,523	-	27,438,457
Total Accumulated Depreciation	34,747,045	2,760,065	414,335	37,092,775
Net Capital Assets Being Depreciated	27,668,367	267,034	551	27,934,850
Total Net Capital Assets	\$ 27,856,250	\$ 267,034	\$ 551	\$ 28,122,733

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

<u>Drain Commission</u>	<u>Beginning Balance 10/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/13</u>
Capital Assets Being Depreciated				
Infrastructure				
Drains	\$ 1,071,423	\$ -	\$ -	\$ 1,071,423
Lake Levels	186,933	-	-	186,933
Total Capital Assets Being Depreciated	<u>1,258,356</u>	<u>-</u>	<u>-</u>	<u>1,258,356</u>
Less Accumulated Depreciation for				
Infrastructure				
Drains	431,349	18,137	-	449,486
Lake Levels	72,247	3,863	-	76,110
Total Accumulated Depreciation	<u>503,596</u>	<u>22,000</u>	<u>-</u>	<u>525,596</u>
Net Capital Assets Being Depreciated	<u>754,760</u>	<u>(22,000)</u>	<u>-</u>	<u>732,760</u>
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 754,760</u>	<u>\$ (22,000)</u>	<u>\$ -</u>	<u>\$ 732,760</u>

The depreciation expense for the year was \$22,000 and was charged to the Drain Commission operations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due From/To Other Funds		
Primary Government-General Fund	Primary Government-Nonmajor Governmental Funds	\$ 10,000
Component Units-Drain Revolving	Component Units-Drain Fund	4,359
Component Units-Lake Revolving	Component Units-Lake Level Fund	<u>215</u>
Total		<u>\$ 14,574</u>
Advances From/To Other Funds		
Primary Government--General Fund	Component Unit--Drain Revolving	\$ 29,695
Primary Government--General Fund	Component Unit--Lake Level Revolving	<u>53,490</u>
Total		<u>\$ 83,185</u>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

<u>Transfers to</u>	<u>Transfers From</u>					<u>Total</u>
	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Delinquent Tax Revolving</u>	<u>Non-Major Enterprise</u>	<u>Tax Foreclosure</u>	
General	\$ -	\$ 800	\$ 400,000	\$ 59,187	\$ 256,393	\$ 716,380
Nonmajor Governmental	417,763	-	-	-	-	417,763
Nonmajor Enterprise	<u>10,532</u>	-	-	-	-	<u>10,532</u>
Total Government	<u>\$ 428,295</u>	<u>\$ 800</u>	<u>\$ 400,000</u>	<u>\$ 59,187</u>	<u>\$ 256,393</u>	<u>\$ 1,144,675</u>

Interfund transfers are used to 1) transfer revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; 2) transfer receipts restricted to debt service from the funds collecting the receipts to the debt service funds as debt service payments become due; and 3) transfer unrestricted revenues collected in the General Fund to other funds to finance various programs accounted for in the other funds in accordance with budgetary authorizations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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:

	Balance 10/1/2012	Additions	(Reductions)	Balance 9/30/2013	Due Within One Year
<u>PRIMARY GOVERNMENT</u>					
County Building Authority 2012 Refunding Bonds with interest ranging from 0.55% to 1.85% for the purpose of refunding the 1998 Refunding Bonds at an economic gain	\$ 695,000	\$ -	\$ (99,000)	\$ 596,000	\$ 97,000
Clare County equipment lease-purchase agreement payable to Team Financial Group, Inc. for copy machine	89,333	-	(29,508)	59,825	31,666
Gateway Refrigeration note for three boilers for courthouse at a rate of 4%	86,485	-	(19,895)	66,590	20,705
Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project	145,341	-	(13,273)	132,068	13,539
Clare County for Building Roof USDA note payable at 4.125%	54,000	-	(8,000)	46,000	8,000
Ford Motor Credit for a Sheriff Vehicle	-	26,428	(9,370)	17,058	8,261
Vested Employee Benefits Payable	323,874	91,791	-	415,665	-
Total Primary Government	<u>\$ 1,394,033</u>	<u>\$ 118,219</u>	<u>\$ (179,046)</u>	<u>\$ 1,333,206</u>	<u>\$ 179,171</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE H--LONG-TERM DEBT (Continued)

Discretely Presented Component Units

The following is a summary of pertinent information concerning the discretely presented component units' changes in long-term debt as of the end of the fiscal year:

<u>County Road Commission</u>	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>09/30/13</u>	<u>Due Within</u> <u>One Year</u>
Vested Employee Benefits	\$ 201,581	\$ 6,644	\$ -	\$ 208,225	\$ -
Totals	\$ 201,581	\$ 6,644	\$ -	\$ 208,225	\$ -

	<u>Balance</u> <u>10/01/12</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>09/30/13</u>	<u>Due Within</u> <u>One Year</u>
<u>Drain Component Unit</u>					
Note Payable for Leitner Drain at 3.95 %	\$ 31,011	\$ -	\$ (15,505)	\$ 15,506	\$ 15,506
Total Drain Component Unit Long-Term Debt	\$ 31,011	\$ -	\$ (15,505)	\$ 15,506	\$ 15,506
Total Component Unit Long-Term Debt	\$ 31,011	\$ -	\$ (15,505)	\$ 15,506	\$ 15,506

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

Year	Primary Govt.--Governmental Activities			Discrete Component Units		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 179,171	\$ 19,090	\$ 198,261	\$ 15,506	\$ 1,225	\$ 16,731
2015	180,315	13,918	194,233	-	-	-
2016	140,513	9,745	150,258	-	-	-
2017	123,276	7,141	130,417	-	-	-
2018	127,655	4,782	132,437	-	-	-
2018-2022	166,611	4,083	170,694	-	-	-
Total	\$ 917,541	\$ 58,759	\$ 976,300	\$ 15,506	\$ 1,225	\$ 16,731

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, 2012, 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.

During 2012, the County refunded and defeased in substance \$695,000 of its outstanding General Obligation Bonds, carrying an interest rate between 4% and 5.05%, with new debt of \$695,000 issued at interest rates varying between 0.55% and 1.85%. The new debt was dated June 28, 2012.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE H--LONG-TERM DEBT (Continued)

Principal and interest payments for the 2013 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>	
2014	\$ 97,000	\$ 4,149	\$ 3,785	\$ 104,934
2015	99,000	3,785	3,266	106,051
2016	95,000	3,266	2,624	100,890
2017	97,000	2,624	1,873	101,497
2018	103,000	1,873	971	105,844
2019	105,000	971		105,971
	<u>\$ 596,000</u>	<u>\$ 16,668</u>	<u>\$ 12,519</u>	<u>\$ 625,187</u>

Lease purchase agreement for the purchase of copier machines was entered into on July 8, 2010 payable to Team Financial Group, Inc. for \$146,550 at an annual interest rate of 7.08%. Remaining principal and interest requirements over the life of the lease are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2014	\$ 31,666	\$ 3,221	\$ 34,887
2015	28,158	913	29,071
	<u>\$ 59,824</u>	<u>\$ 4,134</u>	<u>\$ 63,958</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE H--LONG-TERM DEBT (Continued)

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, 2009, \$253,475 has been borrowed from the loan agreement. A letter dated January 28, 2010 from the Department of Natural Resources (DNR) requested immediate repayment of unexpended loan funds in the amount of \$128,440. The County's unexpended balance was \$91,954. The County is to provide the DNR with invoices for the difference of \$36,485 and repay the unexpended loan funds balance in 2010. The County paid the \$91,954 back during the fiscal year ended September 30, 2010. As of September 30, 2012, a new amortization for the amount borrowed has been issued as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2014	\$ 13,539	\$ 2,641	\$ 16,180
2015	13,810	2,371	16,181
2016	14,086	2,094	16,180
2017	14,368	1,813	16,181
2018	14,655	1,525	16,180
2019-2022	<u>61,610</u>	<u>3,111</u>	<u>64,721</u>
	<u>\$ 132,068</u>	<u>\$ 13,555</u>	<u>\$ 145,623</u>

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>
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>\$ 46,000</u>	<u>\$ 5,900</u>	<u>\$ 51,900</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE H--LONG-TERM DEBT (Continued)

Note Payable with Gateway Refrigeration for the purpose of three new boilers for the County building. The note was entered into in 2012 payable at an annual interest rate of 4%. 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>
2014	\$ 20,705	\$ 2,287	\$ 22,992
2015	21,549	1,443	22,992
2016	22,427	565	22,992
2017	<u>1,909</u>	<u>6</u>	<u>1,915</u>
	<u>\$ 66,590</u>	<u>\$ 4,301</u>	<u>\$ 70,891</u>

Lease purchase agreement for the purchase of a Sheriff vehicle was entered into in fiscal year 2013 payable to Ford Motor Credit for \$26,428 at an annual interest rate of 6.5%. Remaining principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2014	\$ 8,261	\$ 1,109	\$ 9,370
2015	<u>8,797</u>	<u>572</u>	<u>9,369</u>
	<u>\$ 17,058</u>	<u>\$ 1,681</u>	<u>\$ 18,739</u>

Drain--Component Unit

Leitner Drain Drainage District Note

The drain commissioner obtained a promissory note on July 21, 2009 with Isabella Bank and Trust for \$77,528 at an annual interest rate of 3.95%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal July 21</u>	<u>Interest July 21</u>	<u>Annual Total</u>
2014	\$ 15,506	\$ 1,225	\$ 16,731
	<u>\$ 15,506</u>	<u>\$ 1,225</u>	<u>\$ 16,731</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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, 2013, 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	\$ 47,888	\$ 34,287	\$ 452	\$ 82,627
Courts	23,975	40,217	-	64,192
Sheriff Department	94,405	129,637	44,804	268,846
	<u>\$ 166,268</u>	<u>\$ 204,141</u>	<u>\$ 45,256</u>	<u>\$ 415,665</u>
Total Primary Government				
Component Unit				
Road Commission	<u>\$ 73,020</u>	<u>\$ 135,205</u>	<u>\$ -</u>	<u>\$ 208,225</u>

An accrued liability of \$23,178 for compensated absences of the County Transit Corporation is recorded in the financial statements of the Transit Fund.

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE I--COMPENSATED ABSENCES (Continued)

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

Road Commission employees (component unit), after six months of service, are credited with 8 hours vacation leave per month, and an additional two to seven days based on years of service exceeding four years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited. Vacation leave for 2012 amounted to \$67,254.

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, PTO 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 up to 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 PTO.

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 PTO time accrued through the date of termination.

Administrative employees, including the manager and operations supervisor, earn 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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE I--COMPENSATED ABSENCES (Continued)

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 PTO 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.

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.

Road Commission (component unit) post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn eight 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 2013 amounted to \$135,205.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

#### 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, 2012.

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 10.31%, 6.14%, 7.59%, and 6.76% of the covered payroll at December 31, 2012, for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

##### Annual Pension Cost

During the calendar year ended December 31, 2012, the County's contributions totaling \$678,572 (\$445,166 for employer and \$233,405 for employees) were made in accordance with annual required contribution requirements determined as part of an actuarial valuation at December 31, 2012. 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 28 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retire-

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

ment) 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

Year Ended <u>December 31</u>	Employer Annual Pension Cost (APC)	Employee Annual Pension Cost (APC)	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2012	\$ 445,166	\$ 233,406	100%	\$0
2011	365,050	230,395	100%	0
2010	359,328	235,813	100%	0

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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. The benefit to which a participant is entitled is the benefit that can be paid from a participant's account. The participant's account consists of amounts contributed to the plan for the participant plus investment earnings.

At September 30, 2013, there were three plan participants. Employees may at their option, defer up to 10% of their gross income, not to exceed amounts established by the Internal Revenue Code. The Transit Corporation matches the employees' contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 2% of the employee's total compensation. During the year ended September 30, 2013, the Transit Corporation contributed \$2,025 and employees contributed \$1,773 to the plan. Plan provisions and contribution requirements are established and may be amended by the Transit Corporation Board.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

SIMPLE Section 408(p)

The 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. The benefit to which a participant is entitled is the benefit that can be paid from a participant's account. The participant's account consists of amounts contributed to the plan for the participant plus investment earnings. At September 30, 2012, there were two plan members. The Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. During the year ended September 30, 2013, the Transit Corporation contributed \$2,025 and employees contributed \$1,773 to the plan. Plan provisions and contribution requirements are established and may be amended by the Transit Corporation Board.

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 state-wide 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 48917.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after ten 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 2.5% of the member's five-year final average compensation. The system also provides death and disability benefits which are established by State statute.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

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, 2012. 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.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2012, 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 12/31/12)

Actuarial Accrued Liability	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 6,309,464
Terminated Employees Not Yet Receiving Benefits	175,614
Non-Vested Terminated Employees	4,000
Current Employees	
Accumulated Employee Contributions Including	
Allocated Investment Income	-
Employer Financed	<u>3,208,210</u>
Total Actuarial Accrued Liability	9,697,288
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$6,231,538)	<u>7,336,192</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u>\$ 2,361,096</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, 2012 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

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

of payroll over a period of 28 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>
2010	\$ 179,532	100%	\$0
2011	201,945	100%	0
2012	221,580	100%	0

The schedule of funding progress immediately following the notes to the financial statements for the Road Commission presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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.

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE M--OTHER POST-EMPLOYMENT BENEFITS

Primary Government

Plan Description

In addition to the pension benefits described in Notes J, K and L, Clare County provides post-employment health and dental care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the county. The Clare County Retiree Medical Plan is a single-employer plan administered by Clare County and can be amended at its discretion.

Funding Policy

Clare County has the authority to establish and amend the obligations of Clare County and plan members to contribute to the plan. Active plan members are currently not obligated to contribute to the plan. Only benefit payments made directly to retirees or on behalf of retirees from general operating funds will be counted as contributions.

The healthcare benefits may be continued after retirement or termination by the individual paying from \$100 to \$200, depending on their number of years of service, their portion of the premiums, in advance, to the County clerk's office. The net cost for retirees incurred for the fiscal year ended September 30, 2013 was \$18,900. During 2013, there were 9 individuals covered under this agreement.

Annual OPEB Cost and Net OPEB Obligation

Clare County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

Funding Status and Funding Progress

For the fiscal year ended September 30, 2013, the County has estimated the cost of providing retiree healthcare benefits through the alternative measurement method valuation as of December 31, 2012. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation computed required contribution and actual funding are summarized as follows:

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE M--OTHER POST-EMPLOYMENT BENEFITS (Continued)

Annual Required Contribution (ARC)	\$ 63,584
Interest on Beginning of Year Net OPEB Obligation	4,781
ARC Adjustment	<u>-</u>
Annual OPEB Cost	68,365
Amounts Contributed	
Payments of Current Premiums	(18,900)
Increase in Net OPEB Obligation	49,465
Net OPEB Obligation--Beginning of Year	<u>74,687</u>
Net OPEB Obligation--End of Year	<u><u>\$124,152</u></u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2010	\$ 62,580	\$ 45,169	72.18%	\$ 17,411
12/31/2011	18,829	18,300	97.19%	529
12/31/2012	68,365	18,900	27.65%	49,465

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The county expects to have an actuarial valuation performed every three years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of the sharing of benefit costs between the employer and plan members to that point.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE M--OTHER POST-EMPLOYMENT BENEFITS (Continued)

Component Unit--Road Commission

Plan Description

Clare County Road Commission provides hospitalization and medical coverage for eligible retirees and their spouses through the Road Commission's group health insurance plan, which covers both active and retired members. Employees who retire between the ages of 60 and 65 will receive health insurance comparable to that provided to the current employee or themselves and their spouse until age 65 years. The plan does not issue a separate stand-alone financial statement.

Funding Policy

The Road Commission's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The Road Commission has elected to calculate the ARC and related information using the alternative measurement permitted by method GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The Road Commission has no obligation to make contributions in advance of when the premiums are due for payment (i.e. may be financed on a "pay-as-you-go basis). The only current contributions being made are to pay the actual current premiums of the retirees. That amount was less than the annual required contribution and is reflected in the schedule that follows. Administrative costs of the plan are paid for by the Road Commission.

Funding Progress

For the fiscal year ended September 30, 2013, the Road Commission has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2013. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE M--OTHER POST-EMPLOYMENT BENEFITS (Continued)

The Road Commission's computed contribution and actual funding is summarized as follows:

Annual Required Contribution	\$ 287,725
Interest on Beginning of Year Net OPEB Obligation	<u>41,764</u>
Annual OPEB Cost	329,489
Amounts Contributed	
Payments of Current Premiums	(64,520)
Increase in Net OPEB Obligation	264,969
Net OPEB Obligation--Beginning of Year	<u>1,044,109</u>
Net OPEB Obligation--End of Year	<u><u>\$ 1,309,078</u></u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2013, were as follows:

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percentage of ARC Contributed</u>	<u>Net OPEB Obligation</u>
9/30/2011	\$ 343,298	\$ 63,743	18.57%	\$ 279,555
9/30/2012	319,496	69,660	21.80%	249,836
9/30/2013	329,489	64,520	19.58%	264,969

The schedule of funding progress immediately following the notes to the financial statements presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The fiscal year ended September 30, 2009 was the first year that an actuarial valuation was done, so no information is available for years prior to that. Also, information related to funding progress with multi-year trend information indicating whether the actuarial value of plan assets is increasing or decreasing over time relative to the AAL for benefits is not presented since there currently are no plan assets.

Actuarial Methods and Assumptions--Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation. The following simplifying assumptions were made:

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

#### NOTE M--OTHER POST-EMPLOYMENT BENEFITS (Continued)

Assumptions About Employees and Members--Based on historical average retirement age of the covered group, active plan members were assumed to retire at various ages between 60 and 65 or the first year thereafter in which the member would qualify for benefit. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published in the 1994 Group Annuity Mortality Table. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using specific age-based turnover data.

Assumptions About Healthcare Costs--The 2008 health insurance premiums of retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums was based on the 2007 version of the National Health Expenditures (NHE) released in January 2009, Centers for Medicare & Medicaid Services, Office of the Actuary.

Other Assumptions and Methods--The inflation rate was assumed to be 4.0%. Based on the historical and expected returns of the Road Commission's investments, the investment rate of return was assumed to be 6%. The value of Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a 30-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

#### 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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE N--RISK MANAGEMENT (Continued)

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.

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 vehicle 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 Insurance Pool (Pool), which provides insurance covering system vehicles. This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to bodily injury liability, property damage liability, and personal injury liability related to vehicle operation. The Transit Corporation pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the Transit Corporation receives notification from the Pool of the retrospective claims adjustments based on the actual claims experience of the Transit Corporation and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are recorded annually by the Transit Corporation upon receipt.

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.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2013

#### NOTE N--RISK MANAGEMENT (Continued)

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverage, auto liability coverage, property insurance coverage, 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 fiscal year ended September 30, 2013, 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.

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--FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation (MDOT) 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 MDOT.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE Q--FEDERAL FINANCIAL ASSISTANCE (Continued)

The Federal Grant revenue of \$1,308,029 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 MDOT.

NOTE R--CHANGE IN ACCOUNTING PRINCIPLE

During the fiscal year, the County adopted GASB Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations.

During the fiscal year, the County adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. The statement also provides a new statement of net position format to report all assets, deferred outflow of resources, liabilities, deferred inflow of resources, and net position. The statement impacts the format and reporting of the balance sheet at the government-wide level and also the fund level.

During the fiscal year, the County also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2013

NOTE S--UPCOMING REPORTING CHANGE

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2015 fiscal year.

COUNTY OF CLARE

REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended September 30, 2013

PRIMARY GOVERNMENT

Employee Pension Plan

Required Supplementary Information-Schedule of Funding Progress

	(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
2012	\$ 14,420,588	\$ 18,278,907	\$ (3,858,319)	79%	\$ 4,828,580	80%
2011	14,109,811	17,568,100	(3,458,289)	80%	4,883,521	71%
2010	13,797,052	16,258,978	(2,461,926)	85%	4,960,637	50%

Other Post-Employment Benefits

Required Supplementary Information-Schedule of Funding Progress

The funded status of the Plan was as of December 31, 2012, the most recent actuarial valuation of the assets was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Underfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/11	\$ -	\$ 186,852	\$ 185,852	0%	\$ -	\$ -

Road Commission –Component Unit

Employee Pension Plan

Required Supplementary Information –Schedule of Funding Progress

	(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
2010	\$ 7,633,299	\$ 9,417,696	\$ (1,784,397)	81%	\$ 1,191,639	150%
2011	7,514,082	9,695,125	(2,181,043)	78%	1,187,749	184%
2012	336,192	9,697,288	(2,361,096)	76%	1,142,655	207%

COUNTY OF CLARE

REQUIRED SUPPLEMENTARY INFORMATION  
For the Fiscal Year Ended September 30, 2013

Road Commission–Component Unit

Other Post-Employment Benefits

Required Supplementary Information-Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
09/30/11	-	\$ 2,198,461	\$ 2,198,461	0%	\$ 1,399,014	157%
09/30/12	-	2,196,514	2,196,514	0%	1,291,792	170%
09/30/13	-	2,196,514	2,196,514	0%	1,307,511	168%

**CLARE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2013**

**EXHIBIT K**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$ 5,049,137	\$ 5,063,250	\$ 5,062,235	\$ (1,015)
Licenses and Permits	85,525	98,675	93,703	(4,972)
Federal Grants	113,433	118,855	143,888	25,033
State Grants	1,246,279	1,255,512	1,224,693	(30,819)
Contributions From Local Units	431,177	444,946	403,314	(41,632)
Charges for Services	2,804,310	2,740,349	2,568,980	(171,369)
Fines and Forfeits	22,500	27,277	24,723	(2,554)
Interest and Rentals	435,000	425,000	397,346	(27,654)
Other Revenue	230,145	247,336	320,741	73,405
Total Revenues	<u>10,417,506</u>	<u>10,421,199</u>	<u>10,239,623</u>	<u>(181,576)</u>
Expenditures				
Current				
General Government	3,927,888	4,014,960	3,761,009	253,951
Public Safety	4,666,142	4,721,076	4,450,994	270,082
Public Works	2,628	2,628	2,601	27
Health and Welfare	565,728	576,058	565,397	10,661
Community and Economic Development	22,500	22,500	-	22,500
Recreational and Cultural	11,000	13,125	12,992	133
Other	1,306,640	1,317,019	1,147,606	169,413
Capital Outlay	194,784	253,400	275,828	(22,428)
Debt Service	88,680	95,050	67,249	27,801
Total Expenditures	<u>10,785,990</u>	<u>11,015,816</u>	<u>10,283,676</u>	<u>732,140</u>
Excess of Revenues Over (Under) Expenditures	<u>(368,484)</u>	<u>(594,616)</u>	<u>(44,053)</u>	<u>550,564</u>
Other Financing Sources (Uses)				
Installment Purchase Proceeds	-	-	26,428	26,428
Interfund Transfers In	279,405	478,697	716,380	237,683
Interfund Transfers (Out)	<u>(374,541)</u>	<u>(463,743)</u>	<u>(428,295)</u>	<u>35,448</u>
Total Other Financing Sources (Uses)	<u>(95,136)</u>	<u>14,954</u>	<u>314,513</u>	<u>299,559</u>
Net Change in Fund Balances	(463,620)	(579,663)	270,460	850,123
Fund Balance--October 1, 2012	<u>1,400,000</u>	<u>1,258,553</u>	<u>1,399,968</u>	<u>141,415</u>
Fund Balance--September 30, 2013	<u>\$ 936,380</u>	<u>\$ 678,890</u>	<u>\$ 1,670,428</u>	<u>\$ 991,538</u>

**CLARE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GYPSY MOTH--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended September 30, 2013**

**EXHIBIT L**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest and Rentals	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ 3,828</u>	<u>\$ (172)</u>
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>3,828</u>	<u>(172)</u>
Expenditures				
Current				
General Government	<u>151,392</u>	<u>151,392</u>	<u>23,624</u>	<u>127,768</u>
Total Expenditures	<u>151,392</u>	<u>151,392</u>	<u>23,624</u>	<u>127,768</u>
Excess of Revenues Over (Under) Expenditures	<u>(147,392)</u>	<u>(147,392)</u>	<u>(19,796)</u>	<u>127,596</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(147,392)	(147,392)	(19,796)	127,596
Fund Balance--October 1, 2012	<u>956,286</u>	<u>956,286</u>	<u>947,430</u>	<u>(8,856)</u>
Fund Balance--September 30, 2013	<u>\$ 808,894</u>	<u>\$ 808,894</u>	<u>\$ 927,634</u>	<u>\$ 118,740</u>

**CLARE COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE  
 COMMUNITY DEVELOPMENT ESCROW  
 For the Fiscal Year Ended September 30, 2013**

**EXHIBIT M**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Federal Grants	\$ 272,250	\$ 237,777	\$ 18,700	\$ (219,077)
Interest and Rentals	6,650	6,856	3,943	(2,913)
Other Revenue	20,200	111,769	110,743	(1,026)
Total Revenues	<u>299,100</u>	<u>356,402</u>	<u>133,386</u>	<u>(223,016)</u>
Expenditures				
Current				
Community and Economic Development	330,912	299,100	97,526	201,574
Total Expenditures	<u>330,912</u>	<u>299,100</u>	<u>97,526</u>	<u>201,574</u>
Excess of Revenues Over (Under) Expenditures	<u>(31,812)</u>	<u>57,302</u>	<u>35,860</u>	<u>(21,442)</u>
Fund Balance--October 1, 2012	<u>31,812</u>	<u>19,312</u>	<u>106,417</u>	<u>87,105</u>
Fund Balance--September 30, 2013	<u>\$ -</u>	<u>\$ 76,614</u>	<u>\$ 142,277</u>	<u>\$ 65,663</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2013

EXHIBIT N

**SPECIAL REVENUE FUNDS**

	Friend of the Court	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers	Drug Law Enforcement	ORV Ordinance	OWI Forfeiture	Clare-Gladwin Recovery Court	Law Library	Community Development
<b><u>ASSETS</u></b>											
Cash	\$ 5,632	\$ 8,517	\$ 273,073	\$ 462,849	\$ 5,754	\$ 4,407	\$ 3,441	\$ 19,541	\$ 12,700	\$ 13,053	\$ 26,618
Accounts Receivable	-	-	1,500	33,627	20	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-	-	5,849
Due From State of Michigan	27,659	-	-	45,079	-	-	-	-	6,893	-	-
Due From Other Agencies	16,192	-	1,500	-	-	2,744	-	3,650	2,797	-	-
Total Assets	<u>\$ 49,483</u>	<u>\$ 8,517</u>	<u>\$ 276,073</u>	<u>\$ 541,555</u>	<u>\$ 5,774</u>	<u>\$ 7,151</u>	<u>\$ 3,441</u>	<u>\$ 23,191</u>	<u>\$ 22,390</u>	<u>\$ 13,053</u>	<u>\$ 32,467</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>											
Accounts Payable	\$ 1,936	\$ 6,247	\$ 17,367	\$ 3,886	\$ 895	\$ 412	\$ -	\$ 910	\$ 129	\$ 269	\$ 552
Accrued Liabilities	5,641	228	-	12,202	-	-	-	-	528	-	1,786
Due to General Fund	10,000	-	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>17,577</u>	<u>6,475</u>	<u>17,367</u>	<u>16,088</u>	<u>895</u>	<u>412</u>	<u>-</u>	<u>910</u>	<u>657</u>	<u>269</u>	<u>2,338</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>											
Unearned Revenue	-	-	-	-	-	-	-	-	-	-	5,849
Fund Balance--Restricted	<u>31,906</u>	<u>2,042</u>	<u>258,706</u>	<u>525,467</u>	<u>4,879</u>	<u>6,739</u>	<u>3,441</u>	<u>22,281</u>	<u>21,733</u>	<u>12,784</u>	<u>24,280</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 49,483</u>	<u>\$ 8,517</u>	<u>\$ 276,073</u>	<u>\$ 541,555</u>	<u>\$ 5,774</u>	<u>\$ 7,151</u>	<u>\$ 3,441</u>	<u>\$ 23,191</u>	<u>\$ 22,390</u>	<u>\$ 13,053</u>	<u>\$ 32,467</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2013

EXHIBIT N  
 (CONTINUED)

**SPECIAL REVENUE FUNDS**

	Brownfield Redevelopment Authority EPA Grant	Senior Services	Department of Human Services	Child Care Probate	Child Care DHS	Soldiers and Sailors Relief	Veterans Trust	Veteran's Special Projects	Airport
<b><u>ASSETS</u></b>									
Cash	\$ 72,274	\$ 164,120	\$ 35,279	\$ 367	\$ -	\$ 14,005	\$ 556	\$ 53,606	\$ 2,000
Accounts Receivable	1,930	-	-	-	-	-	-	-	-
Loans Receivable	-	-	-	-	-	-	-	-	-
Due From State of Michigan	-	-	-	75,795	-	-	-	-	-
Due From Other Agencies	-	32,045	-	-	-	-	-	-	-
Total Assets	<u>\$ 74,204</u>	<u>\$ 196,165</u>	<u>\$ 35,279</u>	<u>\$ 76,162</u>	<u>\$ -</u>	<u>\$ 14,005</u>	<u>\$ 556</u>	<u>\$ 53,606</u>	<u>\$ 2,000</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Accounts Payable	\$ 74,204	\$ 17,723	\$ -	\$ 11,702	\$ -	\$ 400	\$ -	\$ -	\$ 478
Accrued Liabilities	-	9,885	4,924	-	-	-	-	-	-
Due to General Fund	-	-	-	-	-	-	-	-	-
Total Liabilities	<u>74,204</u>	<u>27,608</u>	<u>4,924</u>	<u>11,702</u>	<u>-</u>	<u>400</u>	<u>-</u>	<u>-</u>	<u>478</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>									
Unearned Revenue	-	-	-	-	-	-	-	-	-
Fund Balance--Restricted	-	168,557	30,355	64,460	-	13,605	556	53,606	1,522
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 74,204</u>	<u>\$ 196,165</u>	<u>\$ 35,279</u>	<u>\$ 76,162</u>	<u>\$ -</u>	<u>\$ 14,005</u>	<u>\$ 556</u>	<u>\$ 53,606</u>	<u>\$ 2,000</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2013

EXHIBIT N  
 (CONTINUED)

	<u>DEBT SERVICE FUNDS</u>			<u>CAPITAL PROJECTS FUNDS</u>			<u>Total</u>
	<u>Building Authority Refunding Debt</u>	<u>Brownfield Debt</u>	<u>USDA Loan Debt</u>	<u>Public Building and Improvement</u>	<u>Animal Shelter Construction</u>	<u>Brownfield Redevelopment Authority</u>	
<b><u>ASSETS</u></b>							
Cash	\$ -	\$ -	\$ -	\$ -	\$ 255,884	\$ 35,926	\$ 1,469,602
Accounts Receivable	-	-	-	-	-	-	37,077
Loans Receivable	-	-	-	-	-	-	5,849
Due From State of Michigan	-	-	-	-	-	-	155,426
Due From Other Agencies	-	-	-	-	5,119	-	64,047
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,003</u>	<u>\$ 35,926</u>	<u>\$ 1,732,001</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,110
Accrued Liabilities	-	-	-	-	-	-	35,194
Due to General Fund	-	-	-	-	-	-	10,000
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,304</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>							
Unearned Revenue	-	-	-	-	-	-	5,849
Fund Balance--Restricted	-	-	-	-	261,003	35,926	1,543,848
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,003</u>	<u>\$ 35,926</u>	<u>\$ 1,732,001</u>

CLARE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended September 30, 2013

EXHIBIT O

<b>SPECIAL REVENUE FUNDS</b>											
	Friend of Court	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers	Drug Law Enforcement	ORV Ordinance	OWI Forfeiture	Clare-Gladwin Recovery Court	Law Library	Community Development
Revenues											
Taxes	\$ -	\$ -	\$ -	\$ 358,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	131,257	-	-	-	-	-	-	-	-	-
Federal Grants	223,110	-	-	-	-	-	-	-	-	-	-
State Grants	20,179	-	-	169,851	-	-	-	-	19,943	-	-
Charges for Services	28,977	60	50,920	153,899	-	-	-	-	-	-	-
Fines and Forfeits	-	-	-	-	3,280	8,187	2,913	23,206	-	5,250	-
Interest and Rentals	-	-	1,010	-	-	-	-	-	-	-	1,355
Other	-	-	-	-	-	-	-	-	11,607	-	23,997
<b>Total Revenues</b>	<b>272,266</b>	<b>131,317</b>	<b>51,930</b>	<b>681,803</b>	<b>3,280</b>	<b>8,187</b>	<b>2,913</b>	<b>23,206</b>	<b>31,550</b>	<b>5,250</b>	<b>25,352</b>
Expenditures											
General Government	344,586	-	2,363	-	-	-	-	-	-	3,205	-
Public Safety	-	167,885	-	644,255	1,886	5,757	1,457	14,285	24,306	-	-
Public Works	-	-	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-	-	-	-	-	41,376
Capital Outlay	-	-	12,004	14,251	-	5,200	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-	-	-
Interest and Fees	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>344,586</b>	<b>167,885</b>	<b>14,367</b>	<b>658,506</b>	<b>1,886</b>	<b>10,957</b>	<b>1,457</b>	<b>14,285</b>	<b>24,306</b>	<b>3,205</b>	<b>41,376</b>
Excess of Revenue Over (Under)											
Expenditures	(72,320)	(36,568)	37,563	23,297	1,394	(2,770)	1,456	8,921	7,244	2,045	(16,024)
Other Financing Sources (Uses)											
Interfund Transfers In	77,058	-	-	-	-	-	-	-	7,500	-	-
Interfund Transfers (Out)	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>77,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,500</b>	<b>-</b>	<b>-</b>
Net Change in Fund Balances	4,738	(36,568)	37,563	23,297	1,394	(2,770)	1,456	8,921	14,744	2,045	(16,024)
Fund Balance--October 1, 2012	27,168	38,610	221,143	502,170	3,485	9,509	1,985	13,360	6,989	10,739	40,304
Fund Balance--September 30, 2013	\$ 31,906	\$ 2,042	\$ 258,706	\$ 525,467	\$ 4,879	\$ 6,739	\$ 3,441	\$ 22,281	\$ 21,733	\$ 12,784	\$ 24,280

CLARE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended September 30, 2013

EXHIBIT O  
 (CONTINUED)

	SPECIAL REVENUE FUNDS								
	Brownfield Redevelopment Authority EPA Grant	Senior Services	Department of Human Services	Child Care Probate	Child Care DHS	Soldiers and Sailors Relief	Veterans Trust	Veteran's Special Projects	Airport
Revenues									
Taxes	\$ -	\$ 490,371	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-	-
Federal Grants	85,383	199,608	-	-	-	-	-	-	\$ -
State Grants	-	-	-	123,135	72,265	-	3,000	-	-
Charges for Services	-	-	-	160	-	-	-	-	-
Fines and Forfeits	-	-	-	-	-	-	-	-	-
Interest and Rentals	-	-	-	-	-	-	-	3	4,671
Other	-	200,739	\$ 15,608	-	-	719	-	67,737	-
Total Revenues	<u>85,383</u>	<u>890,718</u>	<u>15,608</u>	<u>123,295</u>	<u>72,265</u>	<u>719</u>	<u>3,000</u>	<u>67,740</u>	<u>4,671</u>
Expenditures									
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-	-
Public Works	85,383	-	-	-	-	-	-	-	8,596
Health and Welfare	-	894,936	36,432	193,770	213,219	7,622	3,055	22,495	-
Community and Economic Development	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-	-
Interest and Fees	-	-	-	-	-	-	-	-	-
Total Expenditures	<u>85,383</u>	<u>894,936</u>	<u>36,432</u>	<u>193,770</u>	<u>213,219</u>	<u>7,622</u>	<u>3,055</u>	<u>22,495</u>	<u>8,596</u>
Excess of Revenue Over (Under)									
Expenditures	-	(4,218)	(20,824)	(70,475)	(140,954)	(6,903)	(55)	45,245	(3,925)
Other Financing Sources (Uses)									
Interfund Transfers In	-	-	5,000	90,000	105,000	10,000	-	8,361	5,100
Interfund Transfers (Out)	-	-	-	-	-	-	(800)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>90,000</u>	<u>105,000</u>	<u>10,000</u>	<u>(800)</u>	<u>8,361</u>	<u>5,100</u>
Net Change in Fund Balances	-	(4,218)	(15,824)	19,525	(35,954)	3,097	(855)	53,606	1,175
Fund Balance--October 1, 2012	-	172,775	46,179	44,935	35,954	10,508	1,411	-	347
Fund Balance--September 30, 2013	<u>\$ -</u>	<u>\$ 168,557</u>	<u>\$ 30,355</u>	<u>\$ 64,460</u>	<u>\$ -</u>	<u>\$ 13,605</u>	<u>\$ 556</u>	<u>\$ 53,606</u>	<u>\$ 1,522</u>

CLARE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended September 30, 2013

EXHIBIT O  
 (CONTINUED)

	DEBT SERVICE FUNDS			CAPITAL PROJECT FUNDS			Total
	Building Authority Refunding Debt	Brownfield Debt	USDA Loan Debt	Public Building and Improvement	Animal Shelter Construction	Brownfield Redevelopment Authority	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,748	\$ 852,172
Licenses and Permits	-	-	-	-	-	-	131,257
Federal Grants	-	-	-	-	-	-	508,101
State Grants	-	-	-	-	-	-	408,373
Charges for Services	-	-	-	-	-	-	234,016
Fines and Forfeits	-	-	-	-	-	-	42,836
Interest and Rentals	-	-	-	-	1,178	-	8,217
Other	-	16,180	-	-	-	-	336,587
<b>Total Revenues</b>	<b>-</b>	<b>16,180</b>	<b>-</b>	<b>-</b>	<b>1,178</b>	<b>3,748</b>	<b>2,521,559</b>
Expenditures							
General Government	-	-	-	-	-	-	350,154
Public Safety	-	-	-	33,273	10,346	-	903,450
Public Works	-	-	-	-	-	-	93,979
Health and Welfare	-	-	-	-	-	-	1,371,529
Community and Economic Development	-	-	-	-	-	-	41,376
Capital Outlay	-	-	-	-	-	-	31,455
Principal	99,000	13,273	8,000	-	-	-	120,273
Interest and Fees	9,631	2,907	2,228	-	-	-	14,766
<b>Total Expenditures</b>	<b>108,631</b>	<b>16,180</b>	<b>10,228</b>	<b>33,273</b>	<b>10,346</b>	<b>-</b>	<b>2,926,982</b>
Excess of Revenue Over (Under) Expenditures	(108,631)	-	(10,228)	(33,273)	(9,168)	3,748	(405,423)
Other Financing Sources (Uses)							
Interfund Transfers In	107,878	-	10,228	-	-	-	426,125
Interfund Transfers (Out)	-	-	-	-	-	-	(800)
<b>Total Other Financing Sources (Uses)</b>	<b>107,878</b>	<b>-</b>	<b>10,228</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>425,325</b>
Net Change in Fund Balances	(753)	-	-	(33,273)	(9,168)	3,748	19,902
Fund Balance--October 1, 2012	753	-	-	33,273	270,171	32,178	1,523,946
Fund Balance--September 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ 261,003	\$ 35,926	\$ 1,543,848

**CLARE COUNTY  
COMBINING STATEMENT OF NET POSITION  
NON-MAJOR ENTERPRISE FUNDS  
September 30, 2013**

**EXHIBIT P**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Non-Major Funds
	Land Bank Authority	Tax Anticipation	Jail Commissary	
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Cash Equivalents	\$ 40,630	\$ -	\$ 64,889	\$ 105,519
Accounts Receivable	-	-	7,249	7,249
Total Current Assets	40,630	-	72,138	112,768
Total Assets	\$ 40,630	\$ -	\$ 72,138	\$ 112,768
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable	\$ -	\$ -	\$ 976	\$ 976
Total Current Liabilities	-	-	976	976
Total Liabilities	-	-	976	976
<b><u>NET POSITION</u></b>				
Unrestricted	40,630	-	71,162	111,792
Total Net Position	\$ 40,630	\$ -	\$ 71,162	\$ 111,792

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET POSITION--NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT Q**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Non-Major Enterprise Funds
	Land Bank Authority	Tax Anticipation	Jail Commissary	
Operating Revenues				
Charges for Services	\$ 68	\$ -	\$ 72,438	\$ 72,506
Total Operating Revenues	68	-	72,438	72,506
Operating Expenses				
Materials and Supplies	-	-	30,729	30,729
Total Operating Expenses	-	-	30,729	30,729
Operating Income (Loss)	68	-	41,709	41,777
Nonoperating Revenues (Expenses)				
Interest Expense	-	(10,532)	-	(10,532)
Total Nonoperating Revenues (Expenses)	-	(10,532)	-	(10,532)
Interfund Transfers				
Transfers In (Out)	-	10,532	(59,187)	(48,655)
Change in Net Position	68	-	(17,478)	(17,410)
Total Net Position--October 1, 2012	40,562	-	88,640	129,202
Total Net Position--September 30, 2013	\$ 40,630	\$ -	\$ 71,162	\$ 111,792

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT R**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Enterprise Funds
	Land Bank Authority	Tax Anticipation	Jail Commissary	
Cash Flows From Operating Activities				
Cash Received From Customers	\$ 68	\$ -	\$ 69,680	\$ 69,748
Cash Payments to Suppliers for Goods and Services	-	-	(31,989)	(31,989)
Net Cash Provided by Operating Activities	<u>68</u>	<u>-</u>	<u>37,691</u>	<u>37,759</u>
Cash Flows From Noncapital Financing Activities				
Transfers In (Out)	-	10,532	(59,187)	(48,655)
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>10,532</u>	<u>(59,187)</u>	<u>(48,655)</u>
Cash Flows From Investing Activities				
Interest Expense	-	(10,532)	-	(10,532)
Net Cash Provided by Investing Activities	<u>-</u>	<u>(10,532)</u>	<u>-</u>	<u>(10,532)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	68	-	(21,496)	(21,428)
Cash and Cash Equivalents at Beginning of Year	<u>40,562</u>	<u>-</u>	<u>86,385</u>	<u>126,947</u>
Cash and Cash Equivalents at End of Year	<u>\$ 40,630</u>	<u>\$ -</u>	<u>\$ 64,889</u>	<u>\$ 105,519</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 68	\$ -	\$ 41,709	\$ 41,777
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
(Increase) Decrease in Accounts Receivable	-	-	(2,758)	(2,758)
Increase (Decrease) in Accounts Payable	-	-	(1,260)	(1,260)
Net Cash Provided by Operating Activities	<u>\$ 68</u>	<u>\$ -</u>	<u>\$ 37,691</u>	<u>\$ 37,759</u>

**CLARE COUNTY  
 COMBINING STATEMENT OF FIDUCIARY  
 NET POSITION--AGENCY FUNDS  
 September 30, 2013**

**EXHIBIT S**

	<u>General Agency</u>	<u>Library (Penal Fines) Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$ 3,144,110	\$ 46,853	\$ 3,190,963
Investments	-	156,018	156,018
Total Assets	<u>\$ 3,144,110</u>	<u>\$ 202,871</u>	<u>\$ 3,346,981</u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities			
Due to State of Michigan	\$ 3,039,246	\$ -	\$ 3,039,246
Undistributed Penal Fines and Interest	-	202,871	202,871
Other Liabilities	104,864	-	104,864
Total Liabilities	<u>\$ 3,144,110</u>	<u>\$ 202,871</u>	<u>\$ 3,346,981</u>

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT T**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes and Penalties				
Current Property Taxes	\$ 4,800,000	\$ 4,800,000	\$ 4,816,354	\$ 16,354
Unpaid Personal Property Taxes	13,000	13,000	5,268	(7,732)
Trailer Taxes	2,500	2,500	1,654	(846)
Swampland Tax	39,500	41,464	41,464	-
Commercial Forest Reserve	37	41	40	(1)
Industrial Facility Tax	24,000	24,000	18,898	(5,102)
Payments-in-Lieu of Taxes	10,100	10,245	10,245	-
Property Tax Administration Fees	160,000	172,000	168,312	(3,688)
<b>Total Taxes and Penalties</b>	<b>5,049,137</b>	<b>5,063,250</b>	<b>5,062,235</b>	<b>(1,015)</b>
Licenses and Permits				
Marriage Licenses	1,220	1,220	1,085	(135)
Marriage Licenses--Family Counseling	3,300	3,300	3,135	(165)
Dog Licenses	50,000	43,500	42,983	(517)
Pistol Permits	13,000	25,650	25,024	(626)
Soil Erosion and Sedimentation Permits	18,000	25,000	21,475	(3,525)
Explosives Permits	5	5	1	(4)
<b>Total Licenses and Permits</b>	<b>85,525</b>	<b>98,675</b>	<b>93,703</b>	<b>(4,972)</b>
Federal Grants				
DOJ-Byrne-Bayonet	21,090	22,756	11,925	(10,831)
Emergency Management Performance Grant	10,000	10,000	12,775	2,775
Hazardous Materials Emergency Planning Grant	100	-	150	150
Homeland Security Planning	30,000	30,000	47,092	17,092
Public Guardian Services	3,010	3,185	3,185	-
Bullet Proof Vest Program	2,000	2,200	799	(1,401)
Marine Safety Program	8,500	10,981	5,913	(5,068)
Foster Care - Title IV-E	-	-	18,812	18,812
Cooperative Reimbursement Program--Prosecuting Attorney	38,733	39,733	43,237	3,504
<b>Total Federal Grants</b>	<b>113,433</b>	<b>118,855</b>	<b>143,888</b>	<b>25,033</b>
State Grants				
Probate Judges' Salary	101,700	102,250	102,752	502
Judges' Salary Standardization	100,592	100,592	100,593	1
State Court Equity Fund	172,000	161,425	161,425	-
Secondary Road Patrol	47,790	50,976	47,790	(3,186)
Livery Inspections--Sheriff	150	150	14	(136)
State Aid Caseflow Assistance	14,000	12,233	12,233	(0)
State Snowmobile Grant	5,000	3,100	3,100	-
Judicial Network Project	600	733	732	-
Michigan Justice Training	1,100	5,276	8,132	-
CPS DHS Prosecutor	12,000	25,000	-	-
Off-Road Vehicle Enforcement	3,500	4,460	8,360	3,900
Off-Road Vehicle Safety Education	2,000	2,000	675	(1,325)
Juvenile Officer Grant	27,317	27,317	27,317	-
Food Stamp Fraud	1,000	1,000	675	(325)
Victims Rights Grant	29,500	29,500	20,362	(9,138)
State Cigarette Tax	192	1,636	1,636	-
Convention Facilities Liquor Tax	162,792	162,792	184,323	21,531
Revenue Sharing	497,593	497,593	492,459	-
Remonumentation	37,353	37,353	36,831	(522)
Juror Compensation	7,500	7,500	6,562	(938)
Liquor Law Enforcement	7,000	7,000	6,425	(575)
Election	15,000	15,000	1,718	(13,282)
Voter Registration	600	626	579	(47)
<b>Total State Grants</b>	<b>1,246,279</b>	<b>1,255,512</b>	<b>1,224,693</b>	<b>(30,819)</b>

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT T**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Contributions From Local Units				
Liquor Law Enforcement--Townships	2,300	2,300	1,776	(524)
Law Enforcement Contracts				
Lincoln Township	125,000	125,000	114,905	(10,095)
City of Harrison	155,000	155,000	137,866	(17,134)
Village of Farwell	20,000	20,000	16,660	(3,340)
Hayes Township	47,500	60,500	49,961	(10,539)
Redding Township	4,562	-	-	-
Grant Township	3,193	6,508	6,508	-
Weighmaster Contract	7,000	6,550	6,550	-
School Safety Match				
Harrison	37,000	37,000	37,000	-
Farwell	29,622	32,088	32,088	-
Total Contributions From Local Units	431,177	444,946	403,314	(41,632)
Charges for Services				
Circuit Court Costs	125,000	125,000	114,656	(10,344)
District Court Costs	330,000	320,000	320,201	201
Circuit Court Services	18,010	17,010	12,731	(4,279)
Public Guardian Services	15,000	11,500	12,190	690
Probate Court Services	23,500	23,500	21,464	(2,036)
Administrative Services	100	100	-	(100)
Clerk Services	51,500	51,500	46,224	(5,276)
Partnerships and Assumed Names	3,000	3,000	2,645	(355)
Equalization Department Services				
Nongovernmental	11,500	14,500	13,962	(538)
Local Units	59,500	59,500	52,312	(7,188)
Election Services	-	-	-	-
Planning Committee Services	-	100	50	(50)
Register of Deeds Services	150,630	161,135	157,588	(3,547)
Treasurer Services	10,000	17,346	16,276	(1,070)
Sheriff Services	12,000	18,414	17,003	(1,411)
Preliminary Breath Test Fees	10,000	10,600	10,680	80
Drain Services	3,500	3,700	3,682	(18)
Animal Control Services	10,500	10,500	7,984	(2,516)
District Court Attorney Fees	135,000	118,000	87,248	(30,752)
Probate Court Attorney Fees	750	850	785	(65)
Real Estate Transfer Tax	53,000	63,800	60,574	(3,226)
25% Child Care Fund Collection Fees	900	900	45	(855)
Abstract Department Mailing Fees	20	20	5	(15)
Abstract Department Use of Tract Book	40,000	31,000	31,155	155
Abstract Title Searches	4,000	4,200	2,764	(1,436)
Prosecutor OWI Cases	2,900	3,750	3,359	(391)
PAAC/PAAM Victim Rights	500	1,000	500	(500)
District Court Assessment and Evaluation Fees	32,500	29,500	27,428	(2,072)
District Court Bond Costs	13,000	13,100	12,908	(192)
District Court Civil Fees	90,000	98,000	97,181	(819)
Sheriff Service of Papers	50,000	45,000	46,005	1,005
Animal Adoption Fees	5,000	5,000	3,263	(1,737)
Record Copying	5,700	5,700	3,872	(1,828)
Jail Fees	5,200	5,200	3,025	(2,175)
Transportation of Prisoners	20,000	21,600	17,826	(3,774)
Housing of Inmates--Other Counties	1,350,000	1,230,586	1,165,820	(64,766)
Housing of Inmates--State Detainees	14,500	23,737	23,041	(696)
Housing of Inmates--Diverted Felons	55,000	67,000	64,255	(2,745)
Weekend Lodging--Jail	7,500	9,500	8,010	(1,490)
Inmates Room and Board	18,000	38,700	30,973	(7,727)

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT T**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Charges for Services (Continued)				
Inmates Work Release	7,000	7,000	4,817	(2,183)
Pay Phone Commissions	50,000	50,000	55,602	5,602
Vending Machine Commissions	2,000	2,000	760	(1,240)
Salvage Inspections	-	5,000	2,575	(2,425)
Auto Storage Fees	-	2,750	3,340	590
Cobra Services	5,000	5,000	-	(5,000)
Salvage Sales	3,000	4,451	2,036	(2,415)
Circuit Court Sex Offender Program	100	600	160	(440)
<b>Total Charges for Services</b>	<b>2,804,310</b>	<b>2,740,349</b>	<b>2,568,980</b>	<b>(171,369)</b>
Fines and Forfeits				
Circuit Court Bond Forfeitures	6,000	7,000	6,470	(530)
District Court Bond Forfeitures	6,500	6,500	4,300	(2,200)
Ordinance Fines and Costs	10,000	13,777	13,953	176
<b>Total Fines and Forfeits</b>	<b>22,500</b>	<b>27,277</b>	<b>24,723</b>	<b>(2,554)</b>
Interest and Rents				
Interest Earned	25,000	15,000	12,382	(2,618)
Rent	80,000	80,000	77,605	(2,395)
Royalties--Landfill	330,000	330,000	307,359	(22,641)
<b>Total Interest and Rents</b>	<b>435,000</b>	<b>425,000</b>	<b>397,346</b>	<b>(27,654)</b>
Other Revenues				
Contributions From Private Sources	29,595	37,125	90,033	52,908
Reimbursements				
Insurance	650	650	475	(175)
Township Tax Notice Postage	6,300	6,300	3,774	(2,526)
Postage	20,000	20,000	22,946	2,946
Workers' Compensation	7,500	7,500	9,678	2,178
Inmate Medical	4,000	4,500	495	(4,005)
Gladwin County				
Circuit Court	900	4,320	975	(3,345)
District Court	32,000	32,000	38,155	6,155
Probate Court	44,500	44,500	40,045	(4,455)
Restitution	5,000	5,000	-	(5,000)
Health Insurance	64,800	64,800	58,059	(6,741)
Other	14,700	20,441	56,146	35,705
Over and Short	200	200	(40)	(240)
<b>Total Other Revenues</b>	<b>230,145</b>	<b>247,336</b>	<b>320,741</b>	<b>73,405</b>
<b>Total Revenue</b>	<b>10,417,506</b>	<b>10,421,199</b>	<b>10,239,623</b>	<b>(181,576)</b>
Other Financing Sources				
Installment Purchase Proceeds	29,405	-	26,428	26,428
Interfund Transfers In				
Veteran's Trust Fund	-	800	800	-
Jail Commissary	50,000	77,897	59,187	(18,710)
Delinquent Tax Revolving Fund	200,000	400,000	400,000	-
Tax Foreclosure	-	-	256,393	256,393
<b>Total Other Financing Sources</b>	<b>279,405</b>	<b>478,697</b>	<b>742,808</b>	<b>264,111</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 10,696,911</b>	<b>\$ 10,899,896</b>	<b>\$ 10,982,431</b>	<b>\$ 82,535</b>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT U**

	<b>BUDGETED AMOUNTS</b>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Board of Commissioners	\$ 100,424	\$ 100,424	\$ 98,794	\$ 1,630
Circuit Court	347,614	347,699	293,481	54,218
District Court	656,077	663,735	621,862	41,873
Public Guardian	35,965	35,965	35,883	82
Probate Court	495,144	505,122	502,698	2,424
Circuit Court Probation	2,800	2,800	2,436	364
Family Counseling	1,200	1,200	1,200	-
Jury Board	1,060	500	390	110
Administrator	120,057	119,064	118,376	688
Elections	59,266	65,778	51,396	14,382
Clerk	427,169	414,591	356,352	58,239
Equalization Department	171,538	171,538	155,647	15,891
Prosecuting Attorney	452,382	464,996	443,123	21,873
Register of Deeds	180,914	183,548	175,069	8,479
Abstract Department	45,276	45,795	45,579	216
Surveyor	4,373	4,373	4,104	269
Remonumentation	37,353	37,353	2,500	34,853
Treasurer	211,109	217,278	212,365	4,913
Cooperative Extension Service	64,691	64,761	63,699	1,062
Information Technology	91,615	106,294	105,538	756
Building Authority	250	-	-	-
Courthouse and Grounds	193,144	219,513	218,696	817
Drain Commissioner	85,183	86,708	85,182	1,526
Soil Conservation	-	3,000	1,500	1,500
Soil Erosion and Sedimentation	18,000	20,510	21,645	(1,135)
Record Copying	19,000	27,708	38,978	(11,270)
Mailing	64,110	63,713	63,576	137
Professional Services	42,044	40,944	40,940	4
Plat Board	130	50	-	50
<b>Total General Government</b>	<b>3,927,888</b>	<b>4,014,960</b>	<b>3,761,009</b>	<b>253,951</b>
Public Safety				
Sheriff	1,584,365	1,589,843	1,551,314	38,529
DOJ Edward Byrne Grant	62,459	62,459	56,073	6,386
School Safety	89,093	89,093	73,914	15,179
Sheriff--City of Harrison	139,038	139,038	127,909	11,129
Sheriff--Lincoln Township	125,000	117,000	112,894	4,106
Sheriff--Village of Farwell	19,155	19,155	17,920	1,235
Sheriff--Redding Township	4,887	4,887	-	4,887
Sheriff--Grant Township	3,193	5,387	4,289	1,098
Sheriff--Hayes Township	47,500	60,500	45,684	14,816
Marine Safety Program	8,447	10,981	6,692	4,289
Secondary Road Patrol	74,831	78,017	67,146	10,871
Off-Road Vehicle Grant	3,710	3,900	4,409	(509)
Snowmobile Safety Program	5,883	3,648	3,648	-

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT U**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public Safety (Continued)				
Off-Road Vehicle Safety Education Grant	3,150	3,150	847	2,303
Jail and Turnkey	2,145,626	2,170,310	1,995,608	174,702
Court Security	98,139	106,139	107,914	(1,775)
Local Emergency Planning Committee	3,600	3,600	2,587	1,013
Office of Emergency Management	63,105	63,105	80,310	(17,205)
Animal Control	184,961	190,864	191,836	(972)
Total Public Safety	<u>4,666,142</u>	<u>4,721,076</u>	<u>4,450,994</u>	<u>270,082</u>
Public Works				
Drain-at-Large Assessments	2,628	2,628	2,601	27
Total Public Works	<u>2,628</u>	<u>2,628</u>	<u>2,601</u>	<u>27</u>
Health and Welfare				
Central Michigan District Health Department	210,628	211,783	211,783	-
Contagious Diseases	1,200	1,200	61	1,139
Substance Abuse	81,396	81,171	81,170	1
Medical Examiners	65,434	74,034	67,115	6,919
Central Michigan Mental Health Services	139,000	139,000	139,000	-
Veterans Burials	12,500	12,500	11,954	546
Office of Veterans Affairs	55,570	56,370	54,314	2,056
Total Health and Welfare	<u>565,728</u>	<u>576,058</u>	<u>565,397</u>	<u>10,661</u>
Community and Economic Development				
Middle Michigan Development	22,500	22,500	-	22,500
Total Community and Economic Development	<u>22,500</u>	<u>22,500</u>	<u>-</u>	<u>22,500</u>
Recreational and Cultural				
Parks and Recreation	11,000	13,125	12,992	133
Total Recreational and Cultural	<u>11,000</u>	<u>13,125</u>	<u>12,992</u>	<u>133</u>
Other				
Insurance and Bonds				
Workers Compensation	48,465	48,465	47,518	947
Liability	298,597	296,750	206,247	90,503
Health Insurance Reimbursements	467,960	411,571	380,193	31,378
Unemployment	40,398	55,973	40,272	15,701
Employee Retirement	324,620	448,215	425,132	23,083
Litigations--Attorney Fees	34,000	40,720	39,564	1,156
Professional Services--Studies and Reports	8,000	6,500	6,500	-
Tax Appeals Adjustments	8,000	8,000	1,363	6,637
Other	1,600	825	817	8
Contingency	75,000	-	-	-
Total Other	<u>1,306,640</u>	<u>1,317,019</u>	<u>1,147,606</u>	<u>169,413</u>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT U**  
**(CONTINUED)**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Capital Outlay				
New Equipment				
Clerk	20,350	32,560	7,000	25,560
Equalization	-	12,385	12,385	-
Computers	51,270	48,279	48,029	250
Building and Grounds	12,385	11,968	11,968	-
Sheriff	8,829	-	76,853	(76,853)
Sheriff--Vehicles	76,504	78,380	77,487	893
Jail	25,446	69,828	42,106	27,722
Total Capital Outlay	<u>194,784</u>	<u>253,400</u>	<u>275,828</u>	<u>(22,428)</u>
Debt Service				
Principal	68,710	75,080	58,772	16,308
Interest	19,970	19,970	8,477	11,493
Total Debt Service	<u>88,680</u>	<u>95,050</u>	<u>67,249</u>	<u>27,801</u>
Total Expenditures	<u>10,785,990</u>	<u>11,015,816</u>	<u>10,283,676</u>	<u>732,140</u>
Other Financing Uses				
Interfund Transfers (Out)--Primary Government				
Friend of Court Fund	46,108	77,058	77,058	-
Clare-Gladwin Recovery Court Fund	-	22,500	7,500	15,000
Department of Human Services Fund	5,000	5,000	5,000	-
Child Care Probate Fund	90,000	90,000	90,000	-
Child Care DHS Fund	80,000	105,000	105,000	-
Soldiers and Sailors Relief Fund	10,000	10,000	10,000	-
Airport Fund	4,572	5,100	5,100	-
Building Authority Refunding Debt Fund	108,631	109,384	107,878	1,506
Building Renovation Fund	10,230	10,233	10,227	6
Delinquent Tax Revolving Fund	20,000	29,468	10,532	18,936
Total Other Financing Uses--Primary Government	<u>374,541</u>	<u>463,743</u>	<u>428,295</u>	<u>35,448</u>
Total Expenditures and Other Financing Uses	<u>\$ 11,160,531</u>	<u>\$ 11,479,559</u>	<u>\$ 10,711,971</u>	<u>\$ 767,588</u>

**CLARE COUNTY  
 COMBINING STATEMENT OF NET POSITION  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 September 30, 2013**

**EXHIBIT V-1**

	<b>DEBT SERVICE</b>		
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Total
<b><u>ASSETS</u></b>			
Current Assets			
Due From Local Units of Government			
Due Within One Year	\$ -	\$ -	\$ -
Total Current Assets	-	-	-
Total Assets	-	-	-
Noncurrent Assets			
Due From Local Units of Government			
Due in More Than One Year	-	-	-
Total Noncurrent Assets	-	-	-
Total Assets	\$ -	\$ -	\$ -
<b><u>LIABILITIES</u></b>			
Total Current Liabilities	\$ -	\$ -	\$ -
Noncurrent Liabilities			
Bonds Payable--Due Within One Year	-	-	-
Bonds Payable--Due in More Than One Year	-	-	-
Total Noncurrent Liabilities	-	-	-
Total Liabilities	-	-	-
<b><u>NET POSITION</u></b>			
Restricted for Debt Service	-	-	-
Total Net Position	\$ -	\$ -	\$ -

CLARE COUNTY  
 COMBINING STATEMENT OF ACTIVITIES  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 For the Fiscal Year Ended September 30, 2013

EXHIBIT V-2

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	
Clare Water #1 Debt				
Interest on Related Debt	\$ 40	\$ -	\$ 40	\$ -
Total Clare Water #1 Debt	<u>40</u>	<u>-</u>	<u>40</u>	<u>-</u>
Clare Sewer #3 Refunding Bonds 2002 Debt				
Interest on Related Debt	40	-	40	-
Total Clare Sewer #3 Refunding Bonds 2002 Debt	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 40</u>	<u>\$ -</u>
				Change in Net Position
				\$ -
				Net Position--Beginning of Year
				-
				Net Position--End of Year
				<u>\$ -</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
 September 30, 2013

EXHIBIT V-3

	<u>DEBT SERVICE</u>		
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Total
<b><u>ASSETS</u></b>			
Due From Local Units of Government	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>			
Liabilities			
Unearned Revenue	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Equity			
Fund Balance--Restricted	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Equity	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balance--Total Governmental Funds			\$ -
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.			-
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>-</u>
Total Net Position			<u>\$ -</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, 2013**

**EXHIBIT V-4**

	<u>DEBT SERVICE</u>		
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Total
Revenues			
Contributions From Local Units	\$ 40	\$ 40	\$ 80
Total Revenues	<u>40</u>	<u>40</u>	<u>80</u>
Expenditures			
Debt Service			
Principal	-	-	-
Interest and Fiscal Fees	40	40	80
Total Expenditures	<u>40</u>	<u>40</u>	<u>80</u>
Excess of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--October 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance--September 30, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ -
City 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.	-
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	<u>-</u>
Change in Net Position of Governmental Activities	<u>\$ -</u>

**CLARE COUNTY  
COMBINING STATEMENT OF NET POSITION  
DRAIN COMPONENT UNIT  
September 30, 2013**

**EXHIBIT W-1**

	<b>CAPITAL PROJECTS</b>				
	<u>Drain</u>	<u>Drain Revolving</u>	<u>Lake Level</u>	<u>Lake Level Revolving</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Current Assets					
Cash	\$ 23,810	\$ 25,336	\$ 19,008	\$ 53,275	\$ 121,429
Investments	20,882	-	-	-	20,882
Special Assessments Receivable					
Due Within One Year	16,731	-	-	-	16,731
Due From Other Funds -Component Unit	-	4,359	-	215	4,574
Total Current Assets	<u>61,423</u>	<u>29,695</u>	<u>19,008</u>	<u>53,490</u>	<u>163,616</u>
Noncurrent Assets					
Capital Assets--Net of Accumulated Depreciation	<u>621,937</u>	<u>-</u>	<u>110,822</u>	<u>-</u>	<u>732,759</u>
Total Noncurrent Assets	<u>621,937</u>	<u>-</u>	<u>110,822</u>	<u>-</u>	<u>732,759</u>
Total Assets	<u>\$ 683,360</u>	<u>\$ 29,695</u>	<u>\$ 129,830</u>	<u>\$ 53,490</u>	<u>\$ 896,375</u>
<b><u>LIABILITIES</u></b>					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 56	\$ -	\$ 1,601	\$ -	\$ 1,657
Due to Other Funds -Component Unit	<u>4,359</u>	<u>-</u>	<u>215</u>	<u>-</u>	<u>4,574</u>
Total Current Liabilities	<u>4,415</u>	<u>-</u>	<u>1,816</u>	<u>-</u>	<u>6,231</u>
Noncurrent Liabilities					
Long-Term Advances From Primary Government	-	29,695	-	53,490	83,185
Notes Payable--Due Within One Year	<u>15,505</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,505</u>
Total Noncurrent Liabilities	<u>15,505</u>	<u>29,695</u>	<u>-</u>	<u>53,490</u>	<u>98,690</u>
Total Liabilities	<u>19,920</u>	<u>29,695</u>	<u>1,816</u>	<u>53,490</u>	<u>104,921</u>
<b><u>NET POSITION</u></b>					
Net Investment in Capital Assets	606,432	-	110,822	-	717,254
Restricted for Capital Projects	<u>57,008</u>	<u>-</u>	<u>17,192</u>	<u>-</u>	<u>74,200</u>
Total Net Position	<u>\$ 663,440</u>	<u>\$ -</u>	<u>\$ 128,014</u>	<u>\$ -</u>	<u>\$ 791,454</u>

**CLARE COUNTY  
COMBINING STATEMENT OF ACTIVITIES  
DRAIN COMPONENT UNIT  
For the Fiscal Year Ended September 30, 2013**

**EXHIBIT W-2**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Drain				
Governmental Activities				
Public Works	\$ 2,676	\$ 16	\$ 22	\$ (2,638)
Interest on Related Debt	1,837	-	-	(1,837)
Total Drain	<u>4,513</u>	<u>16</u>	<u>22</u>	<u>(4,475)</u>
Drain Revolving				
Governmental Activities				
Public Works	-	-	-	-
Total Drain Revolving	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lake Level				
Governmental Activities				
Public Works	13,192	3,863	-	(9,329)
Total Lake Level	<u>13,192</u>	<u>3,863</u>	<u>-</u>	<u>(9,329)</u>
Lake Level Revolving				
Governmental Activities				
Public Works	-	-	-	-
Total Lake Level Revolving	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
				Change in Net Position
				\$ (13,804)
				Net Position--Beginning of Year
				<u>805,258</u>
				Net Position--End of Year
				<u>\$ 791,454</u>

**CLARE COUNTY  
 COMBINING BALANCE SHEET  
 DRAIN--COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
 September 30, 2013**

**EXHIBIT W-3**

	<u><b>CAPITAL PROJECTS</b></u>				
	<u>Drain</u>	<u>Drain Revolving</u>	<u>Lake Level</u>	<u>Lake Level Revolving</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash	\$ 23,810	\$ 25,336	\$ 19,008	\$ 53,275	\$ 121,429
Investments	20,882	-	-	-	20,882
Special Assessments Receivable	16,731	-	-	-	16,731
Due From Other Funds--Component Units	-	4,359	-	215	4,574
Total Assets	<u>\$ 61,423</u>	<u>\$ 29,695</u>	<u>\$ 19,008</u>	<u>\$ 53,490</u>	<u>\$ 163,616</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 56	\$ -	\$ 1,601	\$ -	\$ 1,657
Due to Other Funds--Component Units	4,359	-	215	-	4,574
Long-Term Advances From Primary Government	-	29,695	-	\$ 53,490	83,185
Total Liabilities	<u>4,415</u>	<u>29,695</u>	<u>1,816</u>	<u>53,490</u>	<u>89,416</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>					
Unearned Revenue	16,731	-	-	-	16,731
Fund Equity					
Fund Balance--Restricted	<u>40,277</u>	<u>-</u>	<u>17,192</u>	<u>-</u>	<u>57,469</u>
Total Fund Equity	<u>40,277</u>	<u>-</u>	<u>17,192</u>	<u>-</u>	<u>57,469</u>
Total Liabilities, Deferred Inflows and Fund Equity	<u>\$ 61,423</u>	<u>\$ 29,695</u>	<u>\$ 19,008</u>	<u>\$ 53,490</u>	<u>\$ 163,616</u>
Fund Balance--Total Governmental Funds					\$ 57,469
Amounts reported for governmental activities in the Statement of Net Position are different because					
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.					732,759
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					16,731
Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds					<u>(15,505)</u>
Total Net Position					<u>\$ 791,454</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2013**

**EXHIBIT W-4**

	<u>CAPITAL PROJECTS</u>				Total
	<u>Drain</u>	<u>Drain Revolving</u>	<u>Lake Level</u>	<u>Lake Level Revolving</u>	
Revenues					
Interest and Rentals	\$ 22	\$ -	\$ -	\$ -	\$ 22
Special Assessments	25,035	-	14,325	-	39,360
Total Revenues	<u>25,057</u>	<u>-</u>	<u>14,325</u>	<u>-</u>	<u>39,382</u>
Expenditures					
Current					
Public Works	2,676	-	9,329	-	12,005
Debt Service					
Principal	15,506	-	-	-	15,506
Interest on Related Debt	1,837	-	-	-	1,837
Total Expenditures	<u>20,019</u>	<u>-</u>	<u>9,329</u>	<u>-</u>	<u>29,348</u>
Excess of Revenues Over (Under)					
Expenditures	<u>5,038</u>	<u>-</u>	<u>4,996</u>	<u>-</u>	<u>10,034</u>
Fund Balance (Deficit)--October 1, 2012	<u>35,239</u>	<u>-</u>	<u>12,196</u>	<u>-</u>	<u>47,435</u>
Fund Balance (Deficit)--September 30, 2013	<u>\$ 40,277</u>	<u>\$ -</u>	<u>\$ 17,192</u>	<u>\$ -</u>	<u>\$ 57,469</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ 10,034
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(22,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Position.	15,506
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>(17,344)</u>
Change in Net Position of Governmental Activities:	<u>\$ (13,804)</u>

CLARE COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)  
 For the Fiscal Year Ended September 30, 2013

SCHEDULE 1

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Revenue Recognized	Federal Expenditures
<b>PRIMARY GOVERNMENT</b>				
US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT				
Office of Rural Development--Direct				
Rural Business Enterprise Grant	10.769	RSB FY2009	\$ 18,700	\$ 18,700
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<b>18,700</b>	<b>18,700</b>
US DEPARTMENT OF JUSTICE				
Office of Michigan Department of State Police--Direct				
Bulletproof Vest Partnership Program--FY 2012	16.607	(3)	799	799
Edward Byrne Memorial Justice Assistance Grants-Meth in Michigan	16.738	(3)	169	169
Edward Byrne Memorial Justice Assistance Grants-Residential Substance Abuse Treatment	16.738	2012-DJ-BX-0109	11,756	11,756
<b>TOTAL US DEPARTMENT OF JUSTICE</b>			<b>12,724</b>	<b>12,724</b>
US DEPARTMENT OF TRANSPORTATION				
Office of Michigan Department of State Police--Direct				
Hazard Materials Emergency Preparedness	20.703	(3)	150	150
<b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>			<b>150</b>	<b>150</b>
US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
Office of Environmental Protection Agency--Direct				
Brownfield Assessment Cooperative Agreement	66.814	BF-00E45701	85,383	85,383
<b>TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			<b>85,383</b>	<b>85,383</b>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Office of Michigan Department of Human Services--Passed Through				
Region VII Area Agency on Aging				
C-1 Congregate Meals	93.045	(3)	34,074	34,074
C-2 Home Delivered Meals	93.045	(3)	60,165	60,165
Title IIIB Case Coordination	93.044	(3)	21,673	21,673
Title IIIB Senior Center Staffing	93.044	(3)	5,676	5,676
Title IIIB Personal Care	93.044	(3)	2,293	2,293
Title IIIB Homemaker	93.044	(3)	5,940	5,940
Title IIIE Caregiver Training	93.052	(3)	11,517	11,517
Title IIID Evidence Based Program	93.043	(3)	3,181	3,181
Title IIIE Supplemental Funds	93.052	(3)	2,948	2,948
Title IIIE Kinship Care Funds	93.052	(3)	1,060	1,060
NSIP Congregate	93.053	(3)	9,221	9,221
NSIP Home Delivered Meals	93.053	(3)	34,625	34,625
Title IIIB POS CM Homemaking	93.044	(3)	497	497
POS Waiver	93.778	(3)	6,737	6,737
Office of Michigan Department of Human Services--Passed Through/Direct				
Child Support Enforcement (Title IV-D)				
Friend of the Court--Performance Incentive Programs	93.563	CS/FOC-10-18001	30,575 (4)	-
Friend of the Court--FY 12	93.563	CS/FOC-10-18001	192,535	192,535
Prosecuting Attorney--FY 13	93.563	CS/PA-10-18002	43,237	43,237
Foster Care - Title IV-E	93.658	PROFC-11-18001	18,812	18,812
Public Guardian Services	93.667	Guard 12-18001	3,185	3,185
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>487,951</b>	<b>457,376</b>
US DEPARTMENT OF HOMELAND SECURITY				
Passed Through Michigan Department of Natural Resources				
Boating Safety Financial Assistance--Marine Safety Program 2012	97.012	(3)	5,913	5,913
Office of Michigan Department of State Police--Direct				
Emergency Management Performance Grant	97.042	2010-EP-00-0002	939 (4)	-
Emergency Management Performance Grant	97.042	EMW-2011-EP-00044-S01	2,722 (4)	-
Emergency Management Performance Grant	97.042	EMW-2013-EP-00026-S01	9,114	9,114
Passed Through Western Michigan Shoreline Regional Development Commission				
Homeland Security Grant Program	97.067	(3)	47,092	47,092
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<b>65,780</b>	<b>62,119</b>
<b>TOTAL PRIMARY GOVERNMENT</b>			<b>\$ 670,688</b>	<b>\$ 636,452</b>

See Notes to Schedule of Expenditures of Federal Awards.

CLARE COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended September 30, 2013

- 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. The information in this schedule is presented in accordance with the requirements of *the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

The County's reporting entity is defined in Note A of the County's financial statements. The County's financial statements include the operations of the Clare County Road Commission (discretely presented component unit) and the Clare County Transit Corporation (blended component unit) which received federal awards that are not included in the Schedule for the year ended September 30, 2013, as these entities were separately audited.

It is required by the Michigan Department of Transportation that the 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 portion, while the balance is administered by the Michigan Department of Transportation. During 2013, the Road Commission received and expended \$1,308,029 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. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 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 not received within 60 days after fiscal year end does not meet the "availability" criteria under the modified accrual basis of accounting. The expenditures are recognized in the fiscal year in which they are incurred and the Federal revenue related to the expenditures is deferred to the fiscal year in which it meets the availability criteria.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

March 19, 2014

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 Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare as of and for the fiscal year ended September 30, 2013, and related notes to the financial statements, which collectively comprise the County of Clare's basic financial statements and have issued our report thereon dated March 19, 2014. Our report includes references to other auditors who audited the financial statements of the Clare County Transit Corporation (enterprise fund) and the Clare County Road Commission (component unit-special revenue fund), as described in our report on Clare County's financial statements. This report does not include 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.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the County of Clare's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinions on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County of **Clare's** internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial

reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such there is a reasonable possibility that a material misstatement of the County of Clare's financial statements will not be prevented, or detected and corrected on a timely basis. We consider certain deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness listed as Finding 2007-005.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the Schedule of Findings and Questioned Costs to be significant deficiencies listed as Findings 2009-005 and 2010-001.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Clare'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 an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-009.

### **County of Clare's Response to Findings**

The County of Clare, Michigan'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 of Clare, Michigan's responses and accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is intended solely for the information of the Clare County Board of Commissioners, management and others within the County of Clare, 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

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

March 19, 2014

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 Commissioners:

### **Report on Compliance for Each Major Federal Program**

We have audited County of Clare, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of County of Clare, Michigan's major federal programs for the year ended September 30, 2013. The County of Clare, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of Clare, Michigan's basic financial statements include the operations of Clare County Transit Corporation and the Clare County Road Commission, which received federal awards which are not included in the schedule. Our audit, described below, did not include the operations of the Clare County Transit Corporation and the Clare County Road Commission, because those entities engaged other auditors to perform their financial statement audits and did not meet the threshold for a single audit in accordance with *OMB Circular A-133*.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of Clare, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the

audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Clare, Michigan'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 on compliance for each major federal program. However, our audit does not provide a legal determination of County of Clare, Michigan's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the County of Clare, Michigan, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the County of Clare, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of Clare, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Clare, Michigan's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

**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>
93.044, 93.045, 93.053, 93.705, 93.707	Senior Center Cluster
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

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2013

**Section II--Financial Statement Findings**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

**MATERIAL WEAKNESSES****Administrator--Capital Assets***Finding 2007-005*

*Condition:* The County has a capitalization threshold of \$5,000, but items under \$5,000 were still posted to the capital outlay activity as well as items that should have been capitalized were not recorded in the capital outlay activity, which lead to proposed adjustments. There were 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.

*Cause:* The cause of this finding is unknown.

*Recommendation:* We recommend that the County maintain its capital asset listing throughout the year and that it 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), disposals are updated, and related depreciation is calculated.

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

Capital Assets will be listed throughout the year and will be reviewed to ensure that it is properly listed for all funds. The disposals will be updated and the depreciation will be calculated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

**Section II--Financial Statement Findings**

SIGNIFICANT DEFICIENCIES

Preparation of Financial Statements in Accordance with GAAP

*Finding 2009-005*

*Condition:* The County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered to be a part of the County's internal controls.

*Cause:* This condition was caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for County personnel to prepare them internally.

*Effect:* The County lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this duty.

*Criteria:* All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both: 1) recording, processing and summarizing accounting data (maintaining internal accounting books and records); and 2) reporting government-wide and fund financial statements, including the related notes to financial statements (external financial reporting).

*Recommendation:* We recommend that the County Board evaluate the cost versus benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determine if it is in the best interests of the County to outsource this duty to its external auditors. If the County continues to rely on its external auditors to prepare the financial statements, we recommend the board designate a responsible County official to carefully review the draft financial statements including the notes, prior to approving them and accepting responsibility for their content and presentation.

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

The County has chosen their independent auditor to prepare these financial statements and required footnote disclosures on their behalf.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

**Section II--Financial Statement Findings**

SIGNIFICANT DEFICIENCIES (continued)

Jail Inmate Bank Reconciliation

*Finding 2010-001*

*Condition:* The Clare County Sheriff Department could not provide the September 30, 2013, Jail Inmate bank account reconciliation. This finding has been repeated for the fourth year. The person responsible for the reconciliations has been terminated from employment with the Sheriff's Department subsequent to our audit date.

*Cause:* An overall lack of internal control in the Sheriff's office related to the reconciliation of the Jail Inmate bank account. Staff indicated that the September 30, 2013, Jail Inmate bank account reconciliation was not completed in a timely basis. In addition, it was determined that accurate bank reconciliations in this account were not completed for the whole fiscal year. Opportunity was given to complete the reconciliations; however, they were still not adequately completed by March 2014.

*Effect:* The Board of Commissioners or jail inmates cannot have a true picture of cash available for disbursements, nor monitor its revenues and expenses as they may be misstated. In addition, without proper reconciliations, the Board of Commissioners or jail inmates would not be able to determine if all of the funds are truly accounted for and are open to misappropriation.

*Criteria:* The Standards of Internal Control for the Federal Government (which is a good general standard for all types of municipalities) states that reconciliations must be performed as part of internal controls. This is further enhanced by the Michigan Uniform Accounting Procedures Manual which states that: "All cash accounts should be reconciled to their respective bank statements monthly. An authorized individual not responsible for the actual physical handling of cash should reconcile bank statements to the general ledger when possible." It further states, "Monthly, the treasurer should produce a summary report of cash activity by fund and summary report of cash activity by bank account, certificate of deposit and investment account."

*Recommendation:* We strongly recommend that all bank accounts be reconciled monthly with the accounting records and that all bank accounts be recorded in the County's records. The activity in the bank should reconcile to the general ledger and provide a means to correct errors in posting. The County must be able to determine how much money each fund has in a particular bank and/or investment account. We also recommend that the County Treasurer, the custodian of all county bank accounts, become part of the process for reconciliations of the Jail Inmate account.

*Management's Response--Corrective Action Plan:* Contact person is John Wilson, Clare County Sheriff, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-7166.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

The Clare County Sheriff Department will be, from this day forward, keeping an electronic copy on file at the end of each month as well as the hard copy in case of misplacement or loss, in the future, per Undersheriff Miedzianowski.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

**Section II--Financial Statement Findings**

NONCOMPLIANCE WITH STATE STATUTES

Our review and study for compliance with State statutes and regulations revealed the following noncompliance procedures:

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-009*

*Condition:* While there were 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 2013 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 2013 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

During the fiscal year ended September 30, 2013, 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</u>
General Fund			
General Government			
Soil Erosion and Sedimentation	\$ 20,510	\$ 21,645	\$ (1,135)
Record Copying	27,708	38,978	(11,270)
Public Safety			
Off-Road Vehicle Grant	3,900	4,409	(509)
Court Security	106,139	107,914	(1,775)
Office of Emergency Management	63,105	80,310	(17,205)
Animal Control	190,864	191,836	(972)
Capital Outlay			
Sheriff	-	76,853	(76,853)
911 Service Fund			
Capital Outlay	13,000	14,251	(1,251)
Brownfield Redevelopment Authority - EPA Grant			
Public Works	32,112	85,383	(53,271)

*Cause:* It appears to be a lack of internal controls and communication between the County Departments related to the budgeting process.

*Effect:* The effect of this noncompliance is that the County has expended more than what the Board had approved to spend in the above areas.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

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

**Section II--Financial Statement Findings**

NONCOMPLIANCE WITH STATE STATUTES (continued)

*Directive:* We direct 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 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 Tracy Byard, Clare County Administrator, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

The recommendations above will be implemented. The County will continue to diligently maintain expenditures under appropriations and make adjustments to the budget when necessary.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

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

There were no findings related to single audit compliance.

**Summary Schedule of Prior Year Audit Findings**

MATERIAL WEAKNESSES

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 improvements from the previous year. However, there were several material items that were not included on the asset list.

*Current Year Status:* This finding will be carried forward to the current year.

SIGNIFICANT DEFICIENCIES

Preparation of Financial Statements in Accordance with GAAP

*Finding 2009-5*

*Condition:* The County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements, fund financial statements, and notes to financial statements as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered to be a part of the County's internal controls.

*Current Year Status:* This finding will be carried forward to the current year.

Jail Inmate Bank Reconciliation

*Finding 2010-1*

*Condition:* The September 30, 2012, jail inmate bank account was not reconciled as of March 2013.

*Current Year Status:* This finding will be carried forward to the current year with modifications.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2013

**Summary Schedule of Prior Year Audit Findings**

Jail Inmate Bank Account Shortage

*Finding 2012-1*

*Condition:* There was an instance where a deposit of \$1,585 was not made in the Jail Inmate bank account. On January 16, 2013, a cash count was conducted in the Sheriff Department. Part of the cash count is to verify the current month's receipts and bank deposits. It was indicated that the deposit of \$1,585 was made that day and that the bank receipt was left in a vehicle. The bank receipt was requested to be provided numerous times between January 2013 and March 2013. Since the bank receipt was not provided, we attempted to confirm the bank deposit by verifying the deposit amount and date on the bank statement. The bank statement revealed that there was not a deposit of \$1,585 made on or near January 16, 2013. The Jail Inmate bank account appears to be short by \$1,585 (refer to finding 2010-1, repeated for three years). It was later indicated by the Sheriff Department that the deposit was sitting in the Sheriff Department safe buried under things. It was found by a Clerk and deposited on March 11, 2013.

*Current Year Status:* This finding will not be carried forward to the current year as this incident was not repeated in the 2013 fiscal year.

NONCOMPLIANCE WITH STATE STATUTES

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

*Condition:* While there were 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.

*Current Year Status:* This finding will be carried forward to the current year with modifications.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

March 19, 2014

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

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 County of Clare as of and for the fiscal year ended September 30, 2013, which collectively comprise the County of Clare's basic financial statements and have issued our report thereon dated March 19, 2014. 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 June 12, 2013, 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 of Clare. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control. We also considered 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Clare'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. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Clare's compliance with the types of compliance requirements described in the "U.S. Office of Management and

Budget (OMB) Circular A-133 Compliance Supplement” applicable to each of its major Federal programs for the purpose of expressing an opinion on the County of Clare’s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Clare’s compliance with those requirements.

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.

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.

#### Other information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described in professional standards, is to evaluate the presentation of supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with the accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or the financial statements themselves.

#### 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 November 21, 2013.

#### Significant Results of the Audit

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Clare are described in Note A to the financial statements. As described in Note R to the financial statements, the County of Clare changed accounting policies related to fund balance descriptions by adopting Statement of Governmental Accounting Standards (GASB) Number 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, GASB 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB 65, *Items Previously Reported as Assets and Liabilities* in the current year. This change in accounting principle had no effect on the Statement of Net Position. We noted no transactions entered into by the County of Clare 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. The most sensitive estimate affecting the governmental activities in the government-wide statements was depreciation.

Management's estimate of the depreciation is based on the straight-line method for all other capital assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements, taken as a whole.

#### 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements With Management

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

#### Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2014.

#### 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 County of Clare'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.

County of Clare  
March 19, 2014

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 County of Clare'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 Commissioners and management of the County of Clare 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