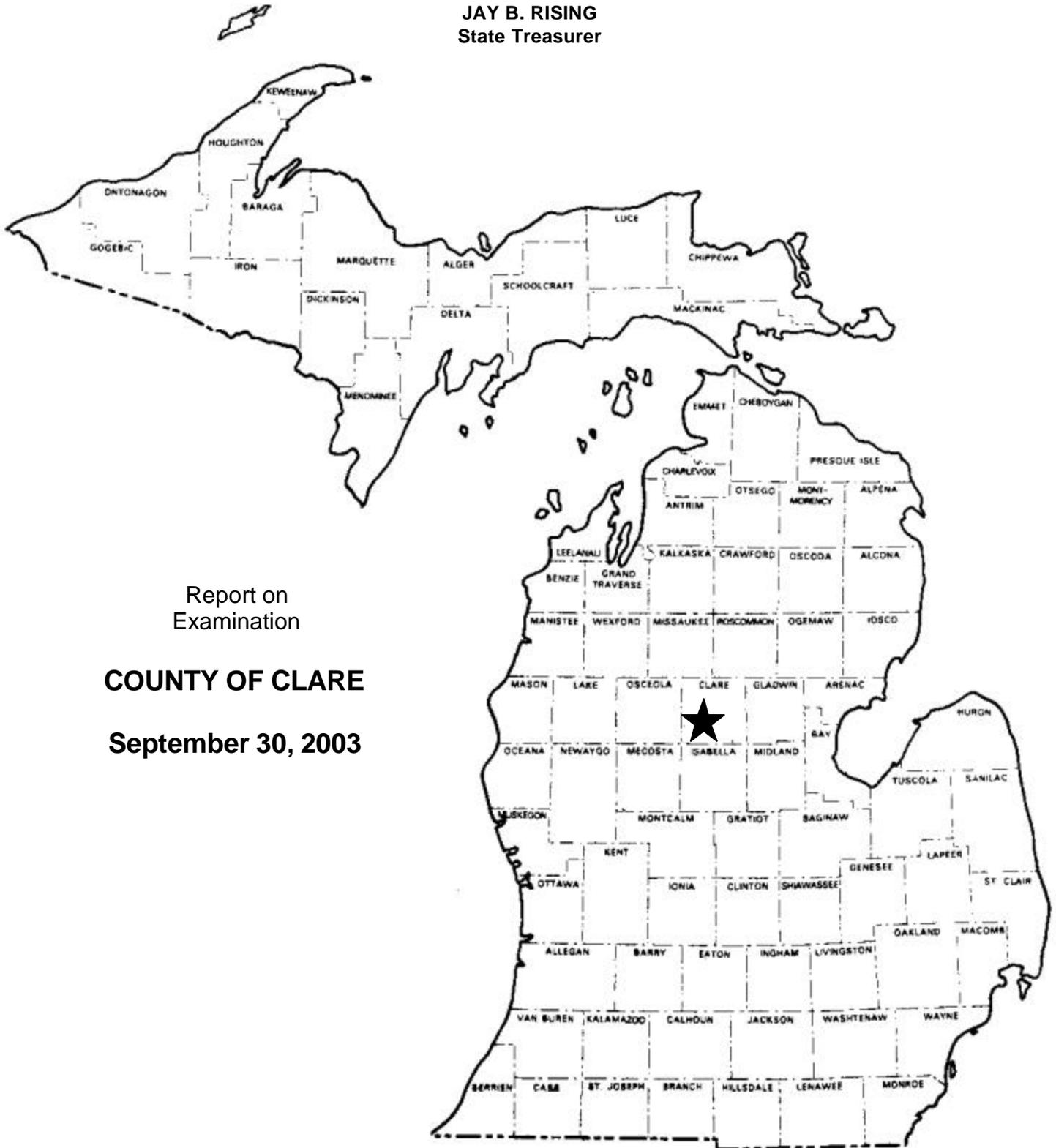


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

COUNTY OF CLARE

September 30, 2003

Local Audit and Finance Division
Bureau of Local Government Services

CLARE COUNTY
BOARD OF COMMISSIONERS

Karen Lipovsky
Chairperson

Alfred R. Bransdorfer
Jim Gelios
Lauren Jones

Jordon Lockmiller
Forrest Meek
Julie Murphy

COURT JUDGES

Gary J. Allen
District Judge

Kurt N. Hansen
Circuit Judge

Thomas P. McLaughlin
Probate Judge

OTHER ELECTED OFFICIALS

Carol A. McAulay
Clerk/Register of Deeds
and Abstractor

Paul Lapham
Surveyor

Jeffery Goyt
Sheriff

Charles Pardue
Drain Commissioner

Winifred Johnson
Treasurer

Norman Gage
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Timothy Haskin
Chairperson

Donald Armentrout

Richard Haynak

COUNTY POPULATION--2000
31,252

STATE EQUALIZED VALUATION--2003
\$1,108,118,918



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

February 12, 2004

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

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County, Michigan, as of and for the year ended September 30, 2003, which collectively comprise the county's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Clare County's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Clare County Transit Corporation (enterprise fund) which represents 28.1 percent and 73.7 percent, 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 86.6 percent and 93.4 percent, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of other auditors.

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

As described in Note S, the county adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and

Analysis," GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 September 30, 2003 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated February 12, 2004, on our consideration of the County of Clare's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1-11 and the Budgetary Comparisons for Major Funds on pages 68-77 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Clare's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. 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 general purpose financial statements. The combining and individual nonmajor fund financial statements, Schedule 1 and Schedule 2, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements, taken as a whole. Application of State Block Grant Funds (Schedule 1 and 2) have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.



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

As management of the County of Clare, we offer readers of the county's financial statements this narrative overview and analysis of the financial activities of the county for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The assets of the County of Clare exceeded its liabilities at the close of the most recent fiscal year by \$14,133,349 (*net assets*). Of this amount, \$7,930,075 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the County of Clare's governmental funds reported combined ending net assets of \$6,538,124, an increase of \$310,773 in comparison with the prior year. Approximately 25 percent of this total amount, \$1,655,924, is available for spending at the government's discretion (*unreserved and undesignated net assets*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,986,155, or 19 percent of total general fund expenditures (Total Expenditures and Other Financing Uses--Operating Transfers Out).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Clare's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Clare County's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of Clare County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Clare County is improving or deteriorating.

The *Statement of Activities* presents information showing how the Clare County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. (e.g., uncollected taxes and earned but unused vacation leave)

Both of the government-wide financial statements distinguish functions of Clare County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). *Governmental activities* include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions. *Business-type activities* include delinquent tax collections, public transit and an operation of an inmate commissary.

The county's governmental activities also include the blending of legally separate entities (component units) for which the county is financially accountable. The *component units* include the Clare County Building Authority, Public Transit Corporation, Clare County Housing Commission, Enterprise Community, Clare County Road Commission, Clare County Economic Development Corporation, the Clare County Drain Commissioner, and the Clare County Department of Public Works. Of the entities, the Public Transit Corporation, Clare County Housing Commission, and the Enterprise Community, while legally separate, function for all practical purposes as departments of the County and, therefore, have been included as integral parts of the primary government. Financial information for the balance of the component units are reported separately from the financial information presented for the primary government itself. Separately issued reports can be obtained from the component unit's office as stated in Note A.

Fund Financial Statements. A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Clare, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Clare County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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 the modified accrual basis of 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.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *government funds* and *governmental activities*.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The County of Clare maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, friend of the court, gypsy moth, building department, 911 service, housing commission, enterprise community, council on aging, child care probate, airport and animal shelter improvement funds, each of which is considered to be a major fund. Data for the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary Funds. The county maintains only one of the two different types of proprietary funds: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The county uses enterprise funds to account for its delinquent tax, public transit and inmate commissary operations. *Internal service funds* are used to accumulate and allocate costs internally among the county's various functions. Clare County has no internal service funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Clare County's progress in funding its obligation to provide pension benefits to its employees.

The combining statements referred to earlier in connection with non-major governmental funds and combining component unit funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

useful indicator of a government's financial position. As the following table demonstrates, the county's assets exceeded its liabilities by \$6,538,124 at September 30, 2003.

[Because this is the first year of implementation of Government Account Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.]

County of Clare's Net Assets

	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 6,625,216	\$ 6,715,682	\$ 13,340,898
Net Capital Assets	4,303,816	1,017,074	5,320,890
Total Assets	10,929,032	7,732,756	18,661,788
Long-Term Liabilities Outstanding	3,246,961	24,375	3,271,336
Other Liabilities	1,143,947	113,156	1,257,103
Total Liabilities	4,390,908	137,531	4,528,439
Net Assets			
Invested in Capital Assets			
Net of Related Debt	830,679	1,017,074	1,847,753
Restricted	4,051,521	304,000	4,355,521
Unrestricted	1,655,924	6,274,151	7,930,075
Total Net Assets	\$ 6,538,124	\$ 7,595,225	\$ 14,133,349

The largest portion of the county's net assets, \$7,930,075 (55 percent), represents *unrestricted net assets* that may be used to meet the county's ongoing obligations to citizens and creditors.

An additional portion of the county's net assets, \$1,847,753 (13 percent), reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment 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 citizens; 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.

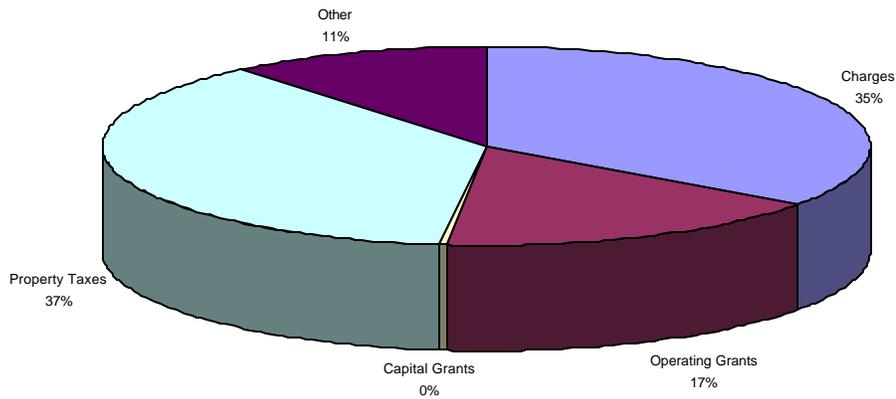
The remaining balance of \$4,355,521, (31 percent), represents resources that are subject to external restrictions on how they may be used.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the county is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Revenue By Source - Governmental Activities



COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

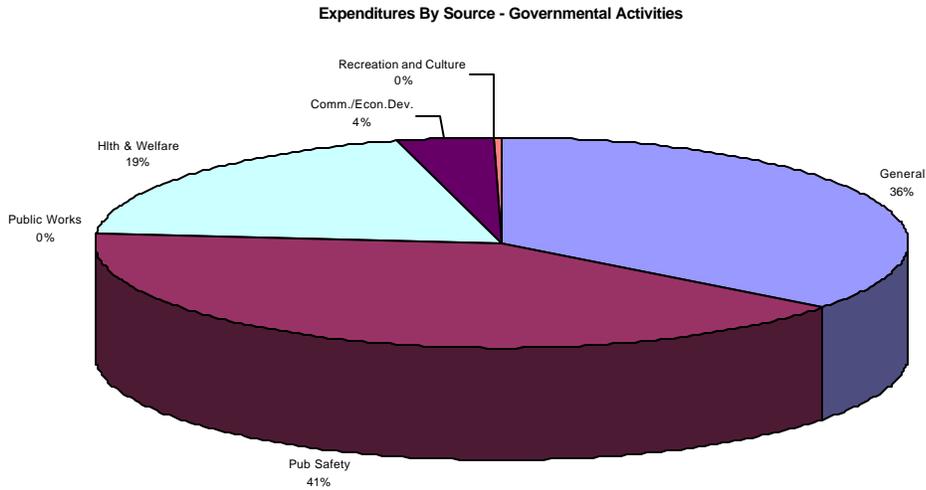
County of Clare's Changes in Net Assets

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenue			
Program Revenue			
Charges for Services	\$ 4,179,392	\$ 588,055	\$ 4,767,447
Operating Grants and Contributions	2,008,390	805,215	2,813,605
Capital Grants and Contributions	39,542	270,014	309,556
General Revenue			
Property Taxes	4,412,105		4,412,105
Other	<u>1,346,690</u>	<u>64,328</u>	<u>1,411,018</u>
Total Revenue	<u>11,986,119</u>	<u>1,727,612</u>	<u>13,713,731</u>
Expenses			
General Government	4,107,883		4,107,883
Public Safety	4,696,470		4,696,470
Public Works	20,621		20,621
Health and Welfare	2,237,065		2,237,065
Community and Economic Development	465,016		465,016
Recreation and Culture	18,784		18,784
Other Expenditures	587,904		587,904
Interest and Fiscal Fees	191,603		191,603
Public Transit		1,258,858	1,258,858
Inmate Commissary		<u>18,820</u>	<u>18,820</u>
Total Expenses	<u>12,325,346</u>	<u>1,277,678</u>	<u>13,603,024</u>
Increase (Decrease) in Net Assets Before Transfers	(339,227)	449,934	110,707
Transfers	<u>650,000</u>	<u>(650,000)</u>	<u>-</u>
Change in Net Assets	310,773	(200,066)	110,707
Net Assets--Beginning of Year	<u>6,227,351</u>	<u>7,795,291</u>	<u>14,022,642</u>
Net Assets--End of Year	<u>\$ 6,538,124</u>	<u>\$ 7,595,225</u>	<u>\$ 14,133,349</u>

The county's net assets increased by \$110,707 during the current fiscal year. This increase is attributable to growth in property taxes and an increase in the charges for services that were received.

Governmental Activities. Governmental activities increased the county's net assets by \$310,773, accounting for 281 percent of the total growth in the net assets of the county.

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS



Business-Type Activities. Business type activities decreased the county’s net assets by \$200,066. The decrease is primarily due to changing the classification of the delinquent tax revolving fund from internal service to enterprise. The delinquent tax revolving fund transferred \$650,000 to the General Fund.

Financial Analysis of the County’s Funds

As noted earlier, Clare County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the county’s *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the county’s financing requirements. In particular, *unreserved* fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At year end of the current fiscal year, the county’s governmental funds reported combined ending fund balance of \$5,086,309, a decrease of \$120,089 when compared with the prior year. This was primarily due to decreases in grant funding and charge for service fees. Of the fund balance amount, \$4,514,217 constitutes *unreserved fund balance*, which is available for spending at the government’s discretion.

The general fund is the chief operating fund of the county. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,986,155, with a total fund balance of \$2,198,905. Unreserved fund balance represents approximately 19 percent of total General Fund expenditures (Total Expenditures and Other Financing Uses--Operating Transfers Out). The fund

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

balance of the county's general fund decreased by \$163,834 during the current fiscal year. This is primarily attributable to decreases in grant funding and charges for services revenue; and significant increases in employee health insurance and the Child Care Fund--Probate Court activities.

The county's Gypsy Moth Fund had a total fund balance of \$1,002,975 as a result of continued low gypsy moth infestation.

The county's Housing Commission had an ending fund balance of \$777,672, all of which was unreserved.

Proprietary Funds. The county's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. (Note: There are no internal service funds.)

Unrestricted net assets of the enterprise funds at year-end amounted to \$6,274,151. The enterprise funds had a decrease in net assets for the year of \$200,066.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 5 percent increase, (\$446,615 increase in appropriations). The increases were primarily attributed to budgeted use of fund balance.

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 10 percent increase, (\$913,259 increase in appropriations). There was a \$331,165 increase allocated to the Child Care--Probate Fund, representing a 79.4 percent change. Clare County continues to encounter a high level of "out-county" placement of juveniles under the court's supervision.

Overall during the year, general fund revenues (revenue and other financing sources) were minimally above the budgetary estimates by \$93,232 or 0.9%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses), however, were significantly less than budgetary estimates overall (\$1,152,091 or 9.9%). The greatest variance include a federal emergency management siren notification project (\$168,097 or 100%), which was the result of a late program start-up; the sheriff department (\$136,788 or 10%), which was a result of staff cost savings. This resulted in an actual decrease in fund balance of \$163,834 as compared to budgeted (anticipated) use of fund balance of \$1,409,157.

Budget-to-actual comparisons for the vast majority of the county's special revenue funds were favorable.

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets. The county's investment in capital assets for its governmental activities as of September 30, 2003, amounted to \$4,114,018 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, and vehicular equipment. The total decrease in the county's investment in capital assets for the current fiscal year was approximately 5 percent.

Major capital asset events during the current fiscal year included the following:

- Over \$46,000 in general government information technology additions.
- Over \$128,307 in general government vehicle replacement (Sheriff's Road patrol, etc.)

County of Clare's Capital Assets
(Net of Depreciation)

	<u>Governmental</u>
Activities	
Land and Improvements	\$ 108,325
Buildings and Improvements	3,283,364
Machinery and Equipment	391,331
Vehicular Equipment	<u>330,998</u>
Total	<u>\$ 4,114,018</u>

Additional information on the county's capital assets can be found in Note F of this report.

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 had total bonded debt outstanding of \$3,559,100.

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

County of Clare's Outstanding Debt
General Obligation

	Governmental Activities	Business-Type Activities	Total
General Obligation Bonds	\$ 3,559,100		\$ 3,559,100
Total	\$ 3,559,100	\$ -	\$ 3,559,100

The county's total debt decreased by \$581,845 (14 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (State Equalized Value). The current debt limitation for the county is \$110,811,812, which is significantly in excess of the county's outstanding general obligation debt.

Additional information on the county's long-term debt can be found in Note H of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the county's 2004 budget:

- Property tax revenues are projected to increase 7 percent in 2004.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreasing state funding. The real effects of the decreases, particularly in State Income tax (i.e., State Revenue Sharing), are yet to be known.

Highlights of the 2004 budget are as follows:

- The county approved a user fee study that identified a higher cost of services than the fees charged. Subsequently, the county approved adjustments to fees totaling \$125,000.
- The county, faced with limited revenues and higher expenditures, enacted staff reductions that affected 15 positions and reduced \$323,000 in payroll expenses from various department staff levels.
- The county established a contingency of \$842,782 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures. The largest portion of the contingency

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

budget was to cover anticipated cost increases in the county's employee health care insurance plan that increased above 20% per year.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,970,803. The general rule of thumb is that fund balances can be used to help government weather bad times, but should not be used as a means of funding routine operations. The county reduced its dependence on fund balance, from \$307,335 in 2002 to \$163,834 in 2003. For the 2004 budget, the county plans to continue progress on reducing reliance upon the fund balance in the general fund.

Contacting the County's Financial Management

This financial report is designed to provide a general overview of the county's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to County Administrator, County of Clare Administrator's Office, 225 West Main Street, P. O. Box 438, Harrison, Michigan 48625.

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2003

EXHIBIT A

	PRIMARY GOVERNMENT			Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 1,634,949	\$ 3,114,730	\$ 4,749,679	\$ 973,802
Investments	2,963,075	1,954,422	4,917,497	367,040
Receivables (Net)				
Taxes--Delinquent		1,453,461	1,453,461	
Accounts	578,227	23,088	601,315	1,223
Notes	878,463	-	878,463	
Assessments				34,852
Land Contracts	18,434	-	18,434	
Due From Other Counties	62,502	-	62,502	
Due From State	405,475	8,982	414,457	655,667
Due From Federal Government	64,874	31,378	96,252	
Due From Local Units of Governments	19,217	4,552	23,769	331,311
Inventories	-			286,066
Prepaid Insurance	-	125,069	125,069	
Total Current Assets	6,625,216	6,715,682	13,340,898	2,649,961
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	4,114,018	1,017,074	5,131,092	24,640,422
Due From Local Units of Governments				2,299,862
Special Assessments Receivable				244,323
Long-Term Advances to				
Other Funds--Primary Government	72,613	-	72,613	
Other Funds--Component Units	117,185	-	117,185	
Total Noncurrent Assets	4,303,816	1,017,074	5,320,890	27,184,607
Total Assets	\$ 10,929,032	\$ 7,732,756	\$ 18,661,788	\$ 29,834,568

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2003

EXHIBIT A
(CONTINUED)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts Payable	\$ 466,221	\$ 58,305	524,526	\$ 8,766
Due to State	105,346		105,346	
Accrued Liabilities	129,041	54,851	183,892	
Current Portion of Long-Term Debt	443,339		443,339	755,187
Total Current Liabilities	1,143,947	113,156	1,257,103	763,953
Long-Term Liabilities				
Advances From State	50,000		50,000	254,768
Long-Term Advances From Other Funds--Primary Government	72,613		72,613	117,185
Deferred Revenue	8,587		8,587	
Bonds Payable	1,160,000		1,160,000	3,710,000
Notes Payable	1,680,000		1,680,000	227,925
Installment Loan Payable			-	110,872
Vested Employee Benefits Payable	275,761	24,375	300,136	136,497
Total Noncurrent Liabilities	3,246,961	24,375	3,271,336	4,557,247
Total Liabilities	4,390,908	137,531	4,528,439	5,321,200
Net Assets				
Investment in Capital Assets, Net of Related Debt Restricted for	830,679	1,017,074	1,847,753	22,411,438
Debt Service	1,798		1,798	711
Capital Projects	352,874	304,000	656,874	431,724
County Roads				1,667,370
Other Purposes	3,696,849		3,696,849	
Unrestricted	1,655,924	6,274,151	7,930,075	2,125
Total Net Assets	\$ 6,538,124	\$ 7,595,225	\$ 14,133,349	\$ 24,513,368

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

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003

EXHIBIT B

Functions/Programs	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 4,107,883	\$ 1,280,169	\$ 879,256	
Public Safety	4,696,470	2,618,101	202,034	\$ 39,542
Public Works	20,621	8,520		
Health and Welfare	2,237,065	9,761	460,286	
Community and Economic Development	465,016	99,080	466,814	
Recreation and Culture	18,784			
Other	587,904	163,761		
Interest on Long-Term Debt	191,603			
Total Governmental Activities	<u>12,325,346</u>	<u>4,179,392</u>	<u>2,008,390</u>	<u>39,542</u>
Business-Type Activities				
Delinquent Tax Revolving		312,553		
Public Transit	1,258,858	257,363	805,215	270,014
Jail Commissary	18,820	18,139		
Total Business-Type Activities	<u>1,277,678</u>	<u>588,055</u>	<u>805,215</u>	<u>270,014</u>
Total Primary Government	<u>\$ 13,603,024</u>	<u>\$ 4,767,447</u>	<u>\$ 2,813,605</u>	<u>\$ 309,556</u>
Component Units				
Road Commission	\$ 4,531,710	\$ 700,210	\$ 4,061,510	\$ 1,315,645
Economic Development Corporation				
Department of Public Works	119,902	-	115,438	-
Drain Fund	124,876	411,574	194	-
Total Component Units	<u>\$ 4,776,488</u>	<u>\$ 1,111,784</u>	<u>\$ 4,177,142</u>	<u>\$ 1,315,645</u>

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

PRIMARY GOVERNMENT

<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	\$ (1,948,458)		\$ (1,948,458)	
Public Safety	(1,836,793)		(1,836,793)	
Public Works	(12,101)		(12,101)	
Health and Welfare	(1,767,018)		(1,767,018)	
Community and Economic Development	100,878		100,878	
Recreation and Culture	(18,784)		(18,784)	
Other	(424,143)		(424,143)	
Interest on Long-Term Debt	(191,603)		(191,603)	
Total Governmental Activities	(6,098,022)	\$ -	(6,098,022)	\$ -
Business-Type Activities				
Delinquent Tax Revolving		312,553	312,553	
Public Transit		73,734	73,734	
Jail Commissary		(681)	(681)	
Total Business-Type Activities	-	385,606	385,606	-
Total Primary Government	\$ (6,098,022)	\$ 385,606	\$ (5,712,416)	\$ -
Component Units				
Road Commission				\$ 1,545,655
Economic Development Corporation				-
Department of Public Works				(4,464)
Drain Fund				286,892
Total Component Units	\$ -	\$ -	\$ -	\$ 1,828,083
General Revenues				
Property Taxes	\$ 4,412,105		\$ 4,412,105	
Grants and Contributions Not Restricted to Specific Programs				
Royalties	438,340		438,340	
State-Shared Revenues	740,621		740,621	
Unrestricted Investment Earnings	38,562	\$ 58,636	97,198	
Rentals	110,065		110,065	
Reimbursements				
Franchise Fees				
Miscellaneous	19,102	5,692	24,794	\$ 91,029
Transfers	650,000	(650,000)		
Total General Revenues--Special Items and Transfers	6,408,795	(585,672)	5,823,123	91,029
Change in Net Assets	310,773	(200,066)	110,707	91,029
Net Assets--Beginning	6,227,351	7,795,291	14,022,642	22,594,256
Net Assets--Ending	\$ 6,538,124	\$ 7,595,225	\$ 14,133,349	\$ 24,513,368

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

CLARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2003

EXHIBIT C

	<u>SPECIAL REVENUE FUNDS</u>					
	General	Friend of the Court	Gypsy Moth	Building Department	911 Service	Housing Commission
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 507,555	\$ 3,468	\$ 42,751	\$ 72,785	\$ 192,502	\$ 132,645
Investments	1,054,256		962,070			620,886
Receivables						
Accounts	569,136				9,091	
Notes						922,263
Land Contracts						18,434
Due From Other Counties	62,502					
Due From Other Funds--Primary Government	75,375					
Due From State	200,756	49,435			27,381	24,141
Due From Federal Government	17,933					
Due From Local Units	19,217					
Long-Term Advances to						
Other Funds--Primary Government	72,613					
Other Funds--Component Units	117,185					
Total Assets	<u>\$ 2,696,528</u>	<u>\$ 52,903</u>	<u>\$ 1,004,821</u>	<u>\$ 72,785</u>	<u>\$ 228,974</u>	<u>\$ 1,718,369</u>
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 384,832	\$ 1,664	\$ 802	\$ 1,096	\$ 1,327	
Due to Other Funds--Primary Government						
Due to State						
Accrued Liabilities	112,791	5,401	1,044	2,963	6,471	
Advances From State						
Long-Term Advances From						
Other Funds--Primary Government		72,613				
Deferred Revenue						\$ 940,697
Total Liabilities	<u>497,623</u>	<u>79,678</u>	<u>1,846</u>	<u>4,059</u>	<u>7,798</u>	<u>940,697</u>
Fund Equity						
Fund Balances						
Reserved for						
Long-Term Advances	189,798					
Family Counseling	22,952					
Donations						
Debt Service						
Capital Projects						
Unreserved--Undesignated	<u>1,986,155</u>	<u>(26,775)</u>	<u>1,002,975</u>	<u>68,726</u>	<u>221,176</u>	<u>777,672</u>
Total Fund Equity	<u>2,198,905</u>	<u>(26,775)</u>	<u>1,002,975</u>	<u>68,726</u>	<u>221,176</u>	<u>777,672</u>
Total Liabilities and Fund Equity	<u>\$ 2,696,528</u>	<u>\$ 52,903</u>	<u>\$ 1,004,821</u>	<u>\$ 72,785</u>	<u>\$ 228,974</u>	<u>\$ 1,718,369</u>

CLARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2003

EXHIBIT C
(CONTINUED)

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUND	Non-Major Governmental Funds	Total Governmental Funds
	Enterprise Community	Council on Aging	Child Care Probate	Airport	Animal Shelter Improvement		
ASSETS							
Cash and Cash Equivalents	\$ 9,087	\$ 1,429	\$ 137,646	\$ 39,478	\$ 243,082	\$ 252,521	\$ 1,634,949
Investments		227,460				98,403	2,963,075
Receivables							
Accounts							578,227
Notes							922,263
Land Contracts							18,434
Due From Other Counties							62,502
Due From Other Funds--Primary Government							75,375
Due From State						103,762	405,475
Due From Federal Government	46,941						64,874
Due From Local Units							19,217
Long-Term Advances to							
Other Funds--Primary Government							72,613
Other Funds--Component Units							117,185
Total Assets	\$ 56,028	\$ 228,889	\$ 137,646	\$ 39,478	\$ 243,082	\$ 454,686	\$ 6,934,189
LIABILITIES AND FUND EQUITY							
Liabilities							
Accounts Payable	\$ 47,441		\$ 11,622	\$ 386		\$ 17,051	\$ 466,221
Due to Other Funds--Primary Government						75,375	75,375
Due to State			105,346				105,346
Accrued Liabilities						371	129,041
Advances From State						50,000	50,000
Long-Term Advances From							
Other Funds--Primary Government							72,613
Deferred Revenue	8,587						949,284
Total Liabilities	56,028	\$ -	116,968	386	\$ -	142,797	1,847,880
Fund Equity							
Fund Balances							
Reserved for							
Long-Term Advances							189,798
Family Counseling							22,952
Donations						4,640	4,640
Debt Service						1,798	1,798
Capital Projects					243,082	109,792	352,874
Unreserved--Undesignated		228,889	20,678	39,092		195,659	4,514,247
Total Fund Equity	-	228,889	20,678	39,092	243,082	311,889	5,086,309
Total Liabilities and Fund Equity	\$ 56,028	\$ 228,889	\$ 137,646	\$ 39,478	\$ 243,082	\$ 454,686	\$ 6,934,189

Fund Balance--Total Governmental Funds \$ 5,086,309

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 4,114,018

Revenues that do not provide current financial resources are not reported as revenue in the funds. 896,897

Certain liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds. (3,559,100)

Total Net Assets \$ 6,538,124

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 Year Ended September 30, 2003

EXHIBIT D

	SPECIAL REVENUE FUNDS					
	General	Friend of the Court	Gypsy Moth	Building Department	911 Service	Housing Commission
Revenues						
Taxes and Penalties	\$ 3,710,891		\$ 180,538			
Licenses and Permits	54,885			\$ 154,930		
Federal Grants	204,191	\$ 219,553				\$ 139,414
State Grants	1,459,742	9,031			\$ 79,088	30,548
Contributions From Local Units	312,085					
Charges for Services	2,821,895	34,132			127,071	1,200
Fines and Forfeits	20,670					
Interest and Rentals	586,967		8,306			15,349
Special Assessments	-	-	-	-	-	-
Other Revenue	441,277					82,531
Total Revenues	9,612,603	262,716	188,844	154,930	206,159	269,042
Expenditures						
Current						
General Government	3,556,067	317,279	37,730			
Public Safety	3,909,882			145,896	355,808	
Public Works	7,324					
Health and Welfare	580,711					
Community and Economic Development	14,605					286,864
Recreation and Cultural						
Other	587,904					
Capital Outlay	117,195			32,690	13,445	3,418
Debt Service						
Principal	17,301					
Interest and Fiscal Fees	2,138					
Total Expenditures	8,793,127	317,279	37,730	178,586	369,253	290,282
Excess of Revenues Over (Under) Expenditures	819,476	(54,563)	151,114	(23,656)	(163,094)	(21,240)
Other Financing Sources (Uses)						
Interfund Transfers In	650,863				190,133	
Interfund Transfers (Out)	(1,634,174)					
Total Other Financing Sources (Uses)	(983,311)	-	-	-	190,133	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(163,835)	(54,563)	151,114	(23,656)	27,039	(21,240)
Fund Balance (Deficit)--October 1, 2002	2,362,740	27,788	851,861	92,382	194,137	798,912
Fund Balance (Deficit)--September 30, 2003	\$ 2,198,905	\$ (26,775)	\$ 1,002,975	\$ 68,726	\$ 221,176	\$ 777,672

CLARE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2003

EXHIBIT D
(CONTINUED)

	SPECIAL REVENUE FUNDS				CAPITAL PROJECT FUND	Non-Major Governmental Funds	Total Governmental Funds
	Enterprise Community	Council on Aging	Child Care Probate	Airport	Animal Shelter Improvement		
Revenues							
Taxes and Penalties		\$ 340,218			\$ 180,458		\$ 4,412,105
Licenses and Permits							209,815
Federal Grants	\$ 160,336					\$ 9,648	733,142
State Grants		5,514	\$ 60,977			123,191	1,768,091
Contributions From Local Units						-	312,085
Charges for Services						37,750	3,022,048
Fines and Forfeits						3,500	24,170
Interest and Rentals		2,447		\$ 8,520		3,371	624,960
Special Assessments	-	-	-	-	-	-	-
Other Revenue			1,310			280,203	805,321
Total Revenues	160,336	348,179	62,287	8,520	180,458	457,663	11,911,737
Expenditures							
Current							
General Government					1,014	14,807	3,926,897
Public Safety							4,411,586
Public Works				12,637			19,961
Health and Welfare		403,833	776,960			474,762	2,236,266
Community and Economic Development	160,336						461,805
Recreation and Cultural						18,784	18,784
Other							587,904
Capital Outlay				399		17,572	184,719
Debt Service							
Principal						625,000	642,301
Interest and Fiscal Fees						189,465	191,603
Total Expenditures	160,336	403,833	776,960	13,036	1,014	1,340,390	12,681,826
Excess of Revenues Over (Under) Expenditures	-	(55,654)	(714,673)	(4,516)	179,444	(882,727)	(770,089)
Other Financing Sources (Uses)							
Interfund Transfers In			796,516	8,414		908,078	2,554,004
Interfund Transfers (Out)						(269,830)	(1,904,004)
Total Other Financing Sources (Uses)	-	-	796,516	8,414	-	638,248	650,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(55,654)	81,843	3,898	179,444	(244,479)	(120,089)
Fund Balance (Deficit)--October 1, 2002	-	284,543	(61,165)	35,194	63,638	556,368	5,206,398
Fund Balance (Deficit)--September 30, 2003	\$ -	\$ 228,889	\$ 20,678	\$ 39,092	\$ 243,082	\$ 311,889	\$ 5,086,309

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

Net Change in Fund Balances--Total Governmental Funds	\$ (120,089)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	642,301
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add--Capital Outlay	184,719
Deduct--Depreciation Expense	(410,084)
Revenues earned but not available for current resources are not reported in the funds.	
Add--Housing Commission Revenues	74,382
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.	
Deduct--Increase in Compensated Absences	(60,456)
Change in Net Assets of Governmental Activities	\$ 310,773

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

CLARE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2003

EXHIBIT E

BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS

	Delinquent Tax Revolving	Public Transit	<u>NON-MAJOR</u>	Total Enterprise Funds
			Jail Commissary	
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 3,086,204	\$ 21,840	\$ 6,686	\$ 3,114,730
Investments	1,007,865	946,557		1,954,422
Receivables				
Taxes--Delinquent	1,453,461			1,453,461
Accounts	3,835	19,253		23,088
Due From State		8,982		8,982
Due From Federal Government		31,378		31,378
Due From Local Units		4,552		4,552
Prepaid Insurance		125,069		125,069
Total Current Assets	<u>5,551,365</u>	<u>1,157,631</u>	<u>6,686</u>	<u>6,715,682</u>
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation		1,017,074		1,017,074
Total Noncurrent Assets	<u>-</u>	<u>1,017,074</u>	<u>-</u>	<u>1,017,074</u>
Total Assets	<u>\$ 5,551,365</u>	<u>\$ 2,174,705</u>	<u>\$ 6,686</u>	<u>\$ 7,732,756</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts Payable		\$ 57,056	\$ 1,249	\$ 58,305
Accrued Liabilities		54,851		54,851
Total Current Liabilities	<u>\$ -</u>	<u>111,907</u>	<u>1,249</u>	<u>113,156</u>
Noncurrent Liabilities				
Accrued Compensated Absences		24,375		24,375
Total Noncurrent Liabilities	<u>-</u>	<u>24,375</u>	<u>-</u>	<u>24,375</u>
Total Liabilities	<u>-</u>	<u>136,282</u>	<u>1,249</u>	<u>137,531</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt		1,017,074		1,017,074
Restricted for Capital Projects		304,000		304,000
Unrestricted	5,551,365	717,349	5,437	6,274,151
Total Net Assets	<u>\$ 5,551,365</u>	<u>\$ 2,038,423</u>	<u>\$ 5,437</u>	<u>\$ 7,595,225</u>

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

CLARE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended September 30, 2003

EXHIBIT F

	<u>BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS</u>				
	Delinquent Tax Revolving	Public Transit	<u>NON-MAJOR</u>		Total Enterprise Funds
			Jail Commissary		
Operating Revenues					
Charges for Services	\$ 52,733	\$ 257,363	\$ 18,139		\$ 328,235
Interest on Delinquent Taxes	259,820				259,820
Total Operating Revenues	312,553	257,363	18,139		588,055
Operating Expenses					
Salaries and Wages		541,940			541,940
Fringe Benefits		205,492			205,492
Contractual Services		23,639			23,639
Materials and Supplies		141,071	18,820		159,891
Fuel and Lubricants					-
Equipment Repair and Maintenance					-
Utilities		20,716			20,716
Casualty and Liability Costs		80,570			80,570
Depreciation		235,812			235,812
Other		9,618			9,618
Total Operating Expenses	-	1,258,858	18,820		1,277,678
Operating Income (Loss)	312,553	(1,001,495)	(681)		(689,623)
Nonoperating Revenues (Expenses)					
Local Operating Assistance		195,314			195,314
State Operating Grants		493,000			493,000
Federal Operating Grants		112,669			112,669
State and Federal Grants--Prior Year Adjustments		4,232			4,232
Interest Earned on Investments	50,557	8,079			58,636
Other	1,510	4,182			5,692
Total Nonoperating Revenues (Expenses)	52,067	817,476	-		869,543
Income (Loss) Before Contributions and Transfers	364,620	(184,019)	(681)		179,920
Capital Contributions		270,014			270,014
Interfund Transfers					
Transfers In					
Transfers (Out)	(650,000)				(650,000)
Change in Net Assets	(285,380)	85,995	(681)		(200,066)
Total Net Assets--October 1, 2002	5,836,745	1,952,428	6,118		7,795,291
Total Net Assets--September 30, 2003	\$ 5,551,365	\$ 2,038,423	\$ 5,437		\$ 7,595,225

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

CLARE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2003

EXHIBIT G

	BUSINESS-TYPE ACTIVITIES--ENTERPRISE FUNDS				
	Delinquent Tax Revolving	Public Transit	NON-MAJOR		Total Enterprise Funds
			Jail Commissary		
Cash Flows From Operating Activities					
Cash Received From Customers	\$ 60,227	\$ 257,319	\$ 18,139		\$ 335,685
Interest on Delinquent Taxes	259,820				259,820
Delinquent Taxes Purchased	(3,097,230)				(3,097,230)
Delinquent Taxes Collected	3,065,154				3,065,154
Cash Payments to Employees for Services and Benefits		(777,432)			(777,432)
Cash Payments to Suppliers for Goods and Services		(156,234)	(17,862)		(174,096)
Net Cash Provided by Operating Activities	287,971	(676,347)	277		(388,099)
Cash Flows From Noncapital Financing Activities					
Concessions		134			134
State Grants		493,000			493,000
Federal Grants		112,665			112,665
Property Tax		192,739			192,739
Single Business Tax		2,575			2,575
Other	1,510				1,510
Transfers (Out)	(650,000)				(650,000)
Net Cash Provided by Noncapital Financing Activities	(648,490)	801,113	-		152,623
Cash Flows From Capital and Related Financing Activities					
Capital Assistance Grants		270,014			270,014
Fixed Assets Purchased With Transit Corporation Money		(371,707)			(371,707)
Sale of Fixed Assets		4,007			4,007
Net Cash Provided by Capital and Related Financing Activities	-	(97,686)	-		(97,686)
Cash Flows From Investing Activities					
Interest on Cash Equivalents	50,557	8,079			58,636
Sale or (Purchase) of Investments	1,502,447	(16,419)			1,486,028
Net Cash Provided by Investing Activities	1,553,004	(8,340)	-		1,544,664
Net Increase (Decrease) in Cash and Cash Equivalents	1,192,485	18,740	277		1,211,502
Cash and Cash Equivalents at Beginning of Year	1,893,719	3,100	6,409		1,903,228
Cash and Cash Equivalents at End of Year	\$ 3,086,204	\$ 21,840	\$ 6,686		\$ 3,114,730
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 312,553	\$(1,001,495)	\$ (681)		\$ (689,623)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense		235,812			235,812
Decrease in Delinquent Taxes Receivable	(31,416)				(31,416)
(Increase) Decrease in Accounts Receivable	6,834	(1,607)			5,227
(Increase) Decrease in Due From Other Governmental Units		(4,552)			(4,552)
Increase (Decrease) in Accounts Payable		46,905	958		47,863
Increase (Decrease) in Accrued Wages Payable		17,486			17,486
Increase (Decrease) in Accrued Paid Time Off		(2,094)			(2,094)
Increase (Decrease) in Other Accrued Liabilities		33,198			33,198
Net Cash Provided by Operating Activities	\$ 287,971	\$ (676,347)	\$ 277		\$ (388,099)

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

**CLARE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
September 30, 2003**

EXHIBIT H

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,788,198
Investments	26,946
Due From Other Departments	<u>235</u>
Total Assets	<u><u>\$ 1,815,379</u></u>

LIABILITIES AND FUND BALANCE

Liabilities	
Due to Cities	\$ 236
Due to State of Michigan	1,255,113
Due to Schools and Colleges	244
Undistributed Penal Fines and Interest	36,714
Undistributed Tax Collections	665
Other Liabilities	<u>522,407</u>
Total Liabilities	<u><u>\$ 1,815,379</u></u>

**CLARE COUNTY
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2003**

EXHIBIT I

	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commissioner	Total
<u>ASSETS</u>					
Current Assets					
Cash	\$ 757,725	\$ 2,125	\$ 711	\$ 213,241	\$ 973,802
Investments	345,331			21,709	367,040
Receivables					
Accounts	1,223				1,223
Assessments				34,852	34,852
Due From State	655,667				655,667
Due From Local Units of Government	13,889		295,000	22,422	331,311
Inventories	286,066				286,066
Total Current Assets	2,059,901	2,125	295,711	292,224	2,649,961
Noncurrent Assets					
Due From Local Units of Government			2,280,000	19,862	2,299,862
Special Assessments Receivable				244,323	244,323
Capital Assets (Net of Accumulated Depreciation)	23,777,483			862,939	24,640,422
Total Noncurrent Assets	23,777,483	-	2,280,000	1,127,124	27,184,607
Total Assets	\$ 25,837,384	\$ 2,125	\$ 2,575,711	\$ 1,419,348	\$ 29,834,568
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	\$ 8,766				\$ 8,766
Bonds Payable	390,000		\$ 295,000		685,000
Notes Payable				\$ 58,749	58,749
Installment Purchase Agreements Payable	11,438				11,438
Total Current Liabilities	410,204	\$ -	295,000	58,749	763,953
Noncurrent Liabilities					
Advances From Governmental Units	247,268			7,500	254,768
Long-Term Advances From Primary Government--General Fund				117,185	117,185
Bonds Payable	1,430,000		2,280,000		3,710,000
Notes Payable				227,925	227,925
Installment Purchase Agreements Payable	110,872				110,872
Vested Employee Benefits Payable	136,497				136,497
Total Noncurrent Liabilities	1,924,637	-	2,280,000	352,610	4,557,247
Total Liabilities	2,334,841	-	2,575,000	411,359	5,321,200
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt					
	21,835,173			576,265	22,411,438
Restricted for					
County Roads	1,667,370				1,667,370
Debt Service			711		711
Capital Projects				431,724	431,724
Unrestricted		2,125			2,125
Total Net Assets	\$ 23,502,543	\$ 2,125	\$ 711	\$ 1,007,989	\$ 24,513,368

CLARE COUNTY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2003

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commissioner	Total
Road Commission									
Public Works	\$ 4,426,230	\$ 700,210	\$ 4,061,510	\$ 1,315,645	\$ 1,651,135				\$ 1,651,135
Interest on Related Debt	105,480				(105,480)				(105,480)
Total Road Commission	4,531,710	700,210	4,061,510	1,315,645	1,545,655	\$ -	\$ -	\$ -	1,545,655
Department of Public Works									
Interest on Related Debt	119,902		115,438				(4,464)		(4,464)
Total Department of Public Works	119,902	-	115,438	-	-	-	(4,464)	-	(4,464)
Drain Commissioner									
Public Works	103,374	411,574	194					308,394	308,394
Interest on Related Debt	21,502							(21,502)	(21,502)
Total Drain Commissioner	\$ 124,876	\$ 411,574	\$ 194	\$ -	-	-	-	286,892	286,892
			General Revenues						
			Other Revenues		91,029				91,029
			Total General Revenues		91,029	-	-	-	91,029
			Change in Net Assets		1,636,684	-	(4,464)	286,892	1,919,112
			Net Assets--Beginning of Year		21,865,859	2,125	5,175	721,097	22,594,256
			Net Assets--End of Year		\$ 23,502,543	\$ 2,125	\$ 711	\$ 1,007,989	\$ 24,513,368

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Clare 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 Clare County:

Reporting Entity

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

The 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 legal separate entities, in substance, they are part of the government's operations. The discretely presented component units are 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).

BLENDED COMPONENT UNITS

Building Authority

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

Public Transit Corporation

The Clare County Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not legally separate, but is administered by an 8 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.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Clare County Housing Commission

The Clare County Housing Commission was created on March 17, 1975, in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended. The Housing Commission is administered by a 5 member board appointed by the Clare County Board of Commissioners. Although it is legally separate from the county, the Housing Commission is reported as if it were part of the primary government because its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County of Clare. Clare County Board of Commissioners approves all grants received by the Housing Commission.

Enterprise Community

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

Clare County Road Commission

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

Clare County Economic Development Corporation

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Clare County Drain Commissioner

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 as authorized by the Drain Code without the approval of the county board of commissioners. The combining financial statements for the Department of Public Works are presented as part of supplemental schedules (Exhibits AB 1-4).

Clare County Department of Public Works

Pursuant to MCL 123.732, the County of Clare 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 of Clare. 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 AA 1-4).

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

Administrative Offices

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

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

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

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

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

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

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

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

JOINTLY GOVERNED ORGANIZATIONS

Central Michigan District Health Department

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

The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2003 were:

Clare	16.86%	Isabella	28.48%
Gladwin	14.38%	Osceola	12.46%
Arenac	10.54%	Roscommon	17.28%

Clare County's appropriation to the District Health Department for the year ended September 30, 2003 was \$188,472, which included \$19,038 cigarette tax.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Services Board consists of the Counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each county to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual county programs. For the fiscal year ended September 30, 2003, the actual county contribution percentages were:

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

Clare County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2003 was \$139,000.

RELATED ORGANIZATION

Clare Gladwin Services for the Aging (CGSA)

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Budgets are approved by the County and the Housing Commission. The amount provided to CGSA by Clare County for the year ended September 30, 2003 was \$401,761.

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

Clare County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties. The county's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the year ended September 30, 2003, the county passed through \$52,294.

Government-Wide and Fund Financial Statements

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

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

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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 government 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. Property taxes, 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. 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. All other revenue items are considered to be measurable and available only when cash is received by the county.

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.

Friend of the Court Fund accounts for the county revenue that is reserved for the operation of this division of the circuit court.

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

Building Department Fund accounts for permits and fees reserved for the operation of the building department.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

911 Service Fund accounts for the activity of the public safety answering point for all of Clare County, including villages, townships and cities participating in the Emergency Telephone District of the 911 Service Plan.

Housing Commission Fund accounts for grant revenue and contributions reserved for the improvement of housing with the county.

Enterprise Community Fund accounts for activity dedicated to improve the quality of life of its citizens and promote economic growth.

Council on Aging Fund accounts for the special tax levy and donations for services and special programs for seniors.

Child Care Probate Fund accounts for the revenue reserved for this division of the probate court and is used for the care of all juveniles under the jurisdiction of the court.

Airport Fund is used to account for the operation and maintenance of the airport.

Animal Shelter Improvement Fund accounts for revenues reserved for the improvement of the animal shelter.

The county reports the following major proprietary funds:

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

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

Additionally, the county reports the following fund type:

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

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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

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

Proprietary funds distinguish operating revenues and expenses from 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 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.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. 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--Road Commission (Component Unit)

Inventories consisting of equipment parts and supplies of \$123,006 and road materials of \$163,060 are stated at cost based on the first in, first out method. Inventory items are charged to equipment repairs and operations and to road construction and maintenance as used.

Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, 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 \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

	<u>Primary Government</u>		<u>Component</u>
	<u>Governmental</u>	<u>Transit</u>	<u>Unit</u>
	<u>Funds</u>	<u>Corporation</u>	<u>Drain</u>
Building	40 years	12 to 20 years	
Shop Equipment		3 to 10 years	
Office Furniture and Equipment	3 to 7 years	6 to 10 years	
Vehicles	5 to 7 years	3 to 7 years	
Drain and Lake Level System			50 years

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Capital Assets--Road Commission (Component Unit)

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

GASB No. 34 requires major networks and major subsystem of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB No. 34. The Clare County Road Commission has capitalized the current year's infrastructure, as required by GASB No. 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission has retroactively capitalized the major infrastructure assets as of September 30, 2003, as permitted by GASB No. 34.

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

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

Deferred Revenue

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

Compensated Absences (Vacation and Sick Leave)

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.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Long-Term Obligations

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

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

Fund Equity

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

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 line-item level and control is exercised at the line-item level. The county board of commissioners monitors and amends the budgets as necessary.

Excess of Expenditures Over Appropriation in Budgeted Funds

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.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

During the year, the county incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
District Court	\$ 548,910	\$ 570,293	\$ (21,383)
Public Safety			
Sheriff--Redding Township	6,158	6,702	(544)
Other			
Cost Study Contracts	37,173	41,827	(4,654)
Other Financing Uses			
Child Care Probate Appropriation	748,665	756,516	(7,851)
Special Revenue Funds			
Law Library			
General Government	3,500	3,526	(26)
Council on Aging			
Health and Welfare	396,411	401,855	(5,444)
Other	600	1,978	(1,378)
Child Care FIA			
Health and Welfare	85,000	98,694	(13,694)

Fund Deficits

Clare County has an accumulated deficit of \$26,775 in the unreserved portion of fund balance in the Friend of the Court Fund.

Public Act 140 of 1971, as amended, requires Clare County to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Clare County has filed the required plan.

Clare County feels the following addresses the deficits:

At the December 16, 2003 board meeting, the Clare County Board of Commissioners approved an appropriation to the Friend of the Court Fund from the County's General Fund in the amount of \$26,775.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENTS 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 by two standard rating agencies 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.

Clare County Board of Commissioners has designated nine banks for the deposit of county funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in the instruments described in the preceding paragraph. The county's deposits and investment policy are in accordance with statutory authority.

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and Cash Equivalents	\$ 1,634,949	\$3,114,730	\$1,788,198	\$ 6,537,877	\$ 973,802
Investments	<u>2,963,075</u>	<u>1,954,422</u>	<u>26,946</u>	<u>4,944,443</u>	<u>367,040</u>
Total	<u>\$4,598,024</u>	<u>\$5,069,152</u>	<u>\$1,815,144</u>	<u>\$11,482,320</u>	<u>\$ 1,340,842</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 6,501,072	\$ 973,552
Investments in Securities, Mutual Funds and Similar Vehicles	4,944,443	367,040
Petty Cash and Cash on Hand	<u>36,805</u>	<u>250</u>
Total	<u>\$11,482,320</u>	<u>\$ 1,340,842</u>

The bank balance of the primary government's deposits is \$6,344,869, of which \$500,000 is covered by Federal depository insurance. The component units' deposits had a bank balance of \$1,002,529 of which \$1,215,832 was covered by Federal depository insurance.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the county or its agent in the county's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the county's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the county's name.

At year-end, the county's investment balances were categorized as follows:

	<u>Reported Amount (Fair Value)</u>
Investments Not Subject to Categorization	
Municipal Investment Funds	\$2,152,479
Money Market (MM)	58,677
Government Operating MM	75,155
Public Funds Investment Trust	1,000,738
Trust--MM	835,365
MBIA CLASS	<u>822,029</u>
 Total Primary Government	 <u><u>\$4,944,443</u></u>
 Component Units	
Municipal Investment Funds	 <u><u>\$ 367,040</u></u>

The county has investments with National City Bank, Standard Federal, Bank One, Chemical Bank, Salomon Smith Barney, and MBIA Municipal Investors Service Corporation for the government investment pooled funds. The nature of mutual funds, insurance annuities, bond funds and equity pools does not allow for risk-categorization, which is in accordance with GASB Statement No. 3. The risk and nonrisk-categorized investments are carried at cost, which is also the market value.

NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The county property taxes were levied and collectible on December 1, 2002. It is the policy of Clare County to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE D--PROPERTY TAXES (Continued)

The 2002 taxable valuation of Clare County amounted to \$724,255,937 on which ad valorem taxes of 4.9236 mills were levied for county operating purposes, .4715 mills for senior citizens' programs, .2474 for animal shelter improvement, .2500 for gypsy moth programs, and .2685 mills were levied for County Transit Fund operating purposes resulting in property tax revenue of \$3,551,276, \$341,487, \$179,181, \$181,064 and \$194,463, respectively, during the fiscal year ended September 30, 2003. These amounts are recognized in the respective General, Special Revenue, Capital Project and Enterprise Fund financial statements as tax revenue.

NOTE E--RECEIVABLES

Receivables-Governmental Funds

The following amounts listed as accounts receivable in the governmental funds have been collected within 90 days after the year end and are not offset by deferred revenue:

General Fund	
Sheriff Department Reimbursements and Miscellaneous Fees	\$ 14,028
Sheriff Department--Inmate Medical	19,502
Sheriff Department--Statewide Security Transport	370,804
Region 7B Michigan Works	16,091
Public Guardian Services	5,465
Waste Management Royalty for July - September	139,780
September Departmental Transmittal Advices	<u>3,466</u>
Total General Fund Accounts Receivable	<u><u>\$569,136</u></u>
Special Revenue--911 Service Fund	
Telephone Surcharges for September	<u><u>\$ 9,091</u></u>

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$1,453,461 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2003. The delinquent real property taxes may be summarized as follows:

2002	\$1,227,234
2001	195,749
2000	16,723
1999	991
1998 and Prior	<u>12,764</u>
Total Delinquent Taxes Receivable	<u><u>\$1,453,461</u></u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES (Continued)

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

	<u>Unavailable</u>	<u>Unearned</u>
Housing Commission		
Notes Receivable--Personal	\$ 33,620	\$ 33,620
Notes Receivable--Business	17,107	17,107
Notes Receivable--Deferred Notes	871,536	871,536
Land Contracts	<u>18,434</u>	<u>18,434</u>
Total Housing Commission	940,697	940,697
Enterprise Community		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>8,587</u>	<u>8,587</u>
Total	<u>\$ 949,284</u>	<u>\$ 949,284</u>

Special Assessments Receivable--Component Unit

The Drain Commission has long-term special assessments recorded in the Drain Fund of \$293,439 at September 30, 2003. The special assessment receivables are recorded in the fund financial statements as special assessment receivable with an offsetting credit to deferred revenue.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

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

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	<u>\$ 108,325</u>	<u> </u>	<u> </u>	<u>\$ 108,325</u>
Subtotal	<u>108,325</u>	<u>\$ -</u>	<u>\$ -</u>	<u>108,325</u>
Capital Assets Being Depreciated				
Buildings	5,638,713	13,181		5,651,894
Equipment	1,816,378	88,073		1,904,451
Vehicles	<u>959,554</u>	<u>83,465</u>	<u> </u>	<u>1,043,019</u>
Subtotal	<u>8,414,645</u>	<u>184,719</u>	<u>-</u>	<u>8,599,364</u>
Less Accumulated Depreciation for				
Buildings	2,212,402	156,128		2,368,530
Equipment	1,387,471	125,649		1,513,120
Vehicles	<u>583,714</u>	<u>128,307</u>	<u> </u>	<u>712,021</u>
Subtotal	<u>4,183,587</u>	<u>410,084</u>	<u>-</u>	<u>4,593,671</u>
Net Capital Assets Being Depreciated	<u>4,231,058</u>	<u>(225,365)</u>	<u>-</u>	<u>4,005,693</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 4,339,383</u>	<u>\$ (225,365)</u>	<u>\$ -</u>	<u>\$ 4,114,018</u>

The depreciation expense was \$410,084 during the year.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Transit Corporation--Blended Component Unit

Major classes of property and equipment consist of the following:

	<u>Purchased With Corporation Funds</u>	<u>Purchased With Capital Grants</u>	<u>Total</u>
Operating Facility	\$ 43,216	\$ 462,074	\$ 505,290
Vehicles	116,741	1,366,769	1,483,510
Shop Equipment	10,163	61,368	71,531
Office Furniture and Equipment	27,739	54,726	82,465
Less: Accumulated Depreciation	<u>63,131</u>	<u>1,062,591</u>	<u>1,125,722</u>
Net Property and Equipment	<u>\$134,728</u>	<u>\$ 882,346</u>	<u>\$1,017,074</u>

The depreciation expense for the year was \$235,812. The increases and decreases of the transit's capital assets are not available.

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

Governmental Activities	
General Government	\$ 145,504
Public Safety	259,899
Health and Welfare	2,730
Recreation and Culture	660
Other	<u>1,291</u>
Total Governmental Activities	<u>\$ 410,084</u>
Business-Type Activities	
Transit	<u>\$ 235,812</u>
Total Business-Type Activities	<u>\$ 235,812</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Road Commission--Discretely Presented Component Unit

	Account Balances 10/01/02	Increases	Decreases	Account Balances 09/30/03
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 175,220			\$ 175,220
Capital Assets Being Depreciated				
Buildings	981,531	\$ 5,945	\$ 1,000	986,476
Road Equipment	5,016,048	191,250	244,840	4,962,458
Shop Equipment	145,555	9,447	38,978	116,024
Office Equipment	130,844	11,595	43,195	99,244
Engineers' Equipment	26,463		1,836	24,627
Yard and Storage Equipment	74,487			74,487
Infrastructure--Bridges	5,242,730	320,301		5,563,031
Infrastructure--Roads	24,883,683	2,631,132		27,514,815
Total Capital Assets	<u>36,676,561</u>	<u>3,169,670</u>	<u>329,849</u>	<u>39,516,382</u>
Less Accumulated Depreciation				
Land and Improvements				
Buildings	559,935	35,020	1,000	593,955
Road Equipment	3,936,410	406,482	230,048	4,112,844
Shop Equipment	117,627	5,801	38,978	84,450
Office Equipment	114,819	6,858	43,195	78,482
Engineers' Equipment	22,474	878	1,836	21,516
Yard and Storage	44,511	3,361		47,872
Infrastructure--Bridges	1,204,640	126,550		1,331,190
Infrastructure--Roads	8,258,402	1,210,188		9,468,590
Total	<u>14,258,818</u>	<u>1,795,138</u>	<u>315,057</u>	<u>15,738,899</u>
Net Capital Assets Being Depreciated	<u>22,242,523</u>	<u>1,374,532</u>	<u>14,792</u>	<u>23,602,263</u>
Total Net Capital Assets	<u>\$22,417,743</u>	<u>\$ 1,374,532</u>	<u>\$ 14,792</u>	<u>\$23,777,483</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

<u>Drain Commission</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Infrastructure				
Drains	\$ 996,582			\$ 996,582
Lake Levels	168,415			168,415
Subtotal	<u>1,164,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,164,997</u>
Less Accumulated Depreciation for				
Infrastructure				
Drains	246,857	15,483		262,340
Lake Levels	36,289	3,429		39,718
Subtotal	<u>283,146</u>	<u>18,912</u>	<u>-</u>	<u>302,058</u>
Net Capital Assets Being Depreciated	<u>881,851</u>	<u>(18,912)</u>	<u>-</u>	<u>862,939</u>
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 881,851</u>	<u>\$(18,912)</u>	<u>\$ -</u>	<u>\$ 862,939</u>

The depreciation expense for the year was \$18,912 and was charged to the Drain Commission operations.

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

The amounts of interfund receivables and payables between funds of the primary government are as follows:

Fund	<u>Interfund Receivable</u>	Fund	<u>Interfund Payable</u>
General	<u>\$ 75,375</u>	Scrap Tire Grant	<u>\$75,375</u>
Total Primary Government	<u>\$ 75,375</u>		<u>\$75,375</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

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

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Drain Revolving	\$ 14,071	Drain	\$ 14,071
Lake Level Revolving	<u>3,084</u>	Lake Level	<u>3,084</u>
Total Component Units	<u>\$ 17,155</u>		<u>\$ 17,155</u>

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

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Fund</u>	<u>Advances From Other Funds</u>
Primary Government General	<u>\$ 72,613</u>	Friend of the Court	<u>\$ 72,613</u>
Total Primary Government	<u>\$ 72,613</u>		<u>\$ 72,613</u>
<u>Primary Government and Discrete Component Units</u>			
Primary Government General	\$117,185	Component Units Drain	\$ 14,000
		Drain Revolving	29,695
		Lake Level Revolving	53,490
		Lake Improvement Revolving	<u>20,000</u>
Total Primary Government	<u>117,185</u>	Total Component Units	<u>117,185</u>
Total Reporting Entity	<u>\$189,798</u>	Total Reporting Entity	<u>\$189,798</u>

The 2003 operating transfers from Exhibits D and F can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Primary Government		
General Fund	\$ 650,863	\$ 1,634,174
Special Revenue Funds	1,088,661	268,952
Debt Service Funds	814,480	83
Capital Project Funds		795
Enterprise Funds		<u>650,000</u>
Total Primary Government	<u>2,554,004</u>	<u>2,554,004</u>
Total Reporting Entity	<u>\$ 2,554,004</u>	<u>\$ 2,554,004</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT

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

	<u>Balance</u> <u>10/01/02</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>09/30/03</u>
<u>PRIMARY GOVERNMENT</u>			
County Building Authority 5% to 8% 1994 General Obligation Bonds for addition to and renovation of county courthouse	\$ 40,000	\$ (40,000)	-
Clare County Jail addition 4.6% to 5.1% 1997 Municipal Purchase Notes for construction of the jail addition	2,405,000	(355,000)	\$ 2,050,000
County Building Authority 4.0% to 5.050% 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse	1,225,000	(10,000)	1,215,000
County Building Authority 5.0% Series 2001 General Obligation Bonds to construct and equip improvements to the courthouse	220,000	(220,000)	-
Clare County equipment lease-purchase agreement payable to Ford Motor Credit Company	35,640	(17,301)	18,339
Vested Employee Benefits Payable (See Note I for more details)	<u>215,305</u>	<u>60,456</u>	<u>275,761</u>
Total Primary Government	<u>\$ 4,140,945</u>	<u>\$(581,845)</u>	<u>\$ 3,559,100</u>
<u>COMPONENT UNITS</u>			
<u>Road Commission</u>			
Clare County Road Projects 4.1% to 7.625% 1996, 1998, 1999 and 2000 General Obligation Bonds	\$ 2,210,000	\$(390,000)	\$ 1,820,000
Purchase of land. Principal payments of \$20,000 at 7%	133,000	(10,690)	122,310
Compensated Absences (1)	<u>154,707</u>	<u>(18,210)</u>	<u>136,497</u>
Total Road Commission Long-Term Debt	<u>\$ 2,497,707</u>	<u>\$(418,900)</u>	<u>\$ 2,078,807</u>

1) The change in compensated absences is shown as a net reduction.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

	<u>Balance</u> <u>10/01/02</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>09/30/03</u>
COMPONENT UNITS			
Department of Public Works (DPW)			
Sanitary Sewage System No. 4, 4% to 5.85% 1996 General Obligation Limited Tax Bonds project with the City of Clare	\$ 540,000	\$ (25,000)	\$ 515,000
Clare County Water Supply System No. 1 4% to 5.85% 1996 General Obligation Limited Tax Bonds for project with the City of Clare	485,000	(20,000)	465,000
Sanitary Sewage System No. 3, 2.50% to 4.05% 2002 General Obligation Limited Tax Refunding Bonds for 1988 project with the City of Clare	<u>1,810,000</u>	<u>(215,000)</u>	<u>1,595,000</u>
Total DPW Component Unit Long-Term Debt	<u>\$ 2,835,000</u>	<u>\$(260,000)</u>	<u>\$ 2,575,000</u>
Drain Component Unit			
Installment loan for Farwell Drain at 4.74%	\$ 59,584	\$ (19,862)	\$ 39,722
Note payable for Walker Intercounty Drain 4.3%	5,843	(1,462)	4,381
Note payable for Bertha Lake Drain 4.95%	220,000	(31,429)	188,571
Note payable for Ross Drain at 5.1%	<u>60,000</u>	<u>(6,000)</u>	<u>54,000</u>
Total Drain Component Unit Long-Term Debt	<u>\$ 345,427</u>	<u>\$ (58,753)</u>	<u>\$ 286,674</u>
Total Component Unit Long-Term Debt	<u>\$ 5,672,291</u>	<u>\$(318,753)</u>	<u>\$ 2,861,674</u>

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, 2003 are as follows:

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Jail Municipal Purchase Notes

The County of Clare issued \$2,965,000 in Municipal Purchase Notes, Series 1997, on October 1, 1997. The bonds were issued under the provisions of Public Act 31 of 1948, as amended, for the purpose of defraying a portion of the costs of acquiring, constructing, furnishing and equipping an addition to the Clare County Jail. The bonds were issued in anticipation of and are payable solely from certain cash rental payments in amounts sufficient to pay principal of and interest on the bonds when due.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Annual</u>
	<u>July</u>	<u>January 1</u>	<u>July 1</u>	<u>Total</u>
2004	\$ 370,000	\$ 51,710	\$ 51,710	\$ 473,420
2005	390,000	42,645	42,645	475,290
2006	410,000	32,895	32,895	475,790
2007	430,000	22,440	22,440	474,880
2008	450,000	11,475	11,475	472,950
	<u>\$ 2,050,000</u>	<u>\$161,165</u>	<u>\$161,165</u>	<u>\$ 2,372,330</u>

Building Authority Refunding Bonds

During 1998, Clare 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 the general long-term debt account group. The advance refunding reduced total debt service payments over the 20 years by approximately \$201,862, which represents an economic gain of approximately \$34,056.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

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

<u>Year</u>	<u>Principal February</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>February 1</u>	<u>August 1</u>	
2004	\$ 55,000	\$ 29,135	\$ 27,966	\$ 112,101
2005	55,000	27,966	26,770	109,736
2006	60,000	26,770	25,450	112,220
2007	55,000	25,450	24,213	104,663
2008	60,000	24,213	22,848	107,061
2009-2013	355,000	98,665	90,272	543,937
2014-2018	465,000	50,183	38,505	553,688
2019	110,000	2,777		112,777
	<u>\$1,215,000</u>	<u>\$ 285,159</u>	<u>\$256,024</u>	<u>\$ 1,756,183</u>

Lease purchase agreement for the purchase of two sheriff patrol cars was entered into on January 8, 2002 payable to Ford Motor Credit Company for \$55,080 at an annual interest rate of 6%. Remaining principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	<u>\$18,339</u>	<u>\$1,100</u>	<u>\$19,439</u>
	<u>\$18,339</u>	<u>\$1,100</u>	<u>\$19,439</u>

Annual Principal and Interest Requirements--Component Units

The annual requirements to pay the principal and interest on the component unit's direct general long-term debt obligations outstanding at September 30, 2003, are as follows:

Road Commission Bonds Payable (Component Unit)

The general obligation bonds payable is made up of bonds issued on July 24, 1996, June 1, 1998, September 16, 1999 and October 4, 2000 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of \$5,000 with rates varying from 4.1% to 7.625%. The bonds mature in \$50,000 increments annually over a 10-year period.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

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

Annual Debt Service Requirements

<u>Year</u>	<u>Amount</u>
2004	\$ 484,703
2005	469,049
2006	452,706
2007	386,292
2008	215,235
2009-2010	<u>237,820</u>
Total Payments	2,245,805
Less: Interest and Fees	<u>(303,495)</u>
Net Balance Due	<u><u>\$ 1,942,310</u></u>

Department of Public Works--Component Unit

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

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

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2003	\$ 25,000		\$ 13,950	\$ 38,950
2004	25,000	\$ 13,350	13,350	51,700
2005	20,000	12,738	12,737	45,475
2006	20,000	12,237	12,238	44,475
2007	20,000	11,728	11,727	43,455
2008-2012	135,000	49,750	49,750	234,500
2013-2017	150,000	29,887	29,887	209,774
2018-2021	<u>120,000</u>	<u>8,700</u>	<u>8,700</u>	<u>137,400</u>
	<u><u>\$ 515,000</u></u>	<u><u>\$138,390</u></u>	<u><u>\$ 152,339</u></u>	<u><u>\$805,729</u></u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

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

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

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2003	\$ 20,000		\$ 12,606	\$ 32,606
2004	20,000	\$ 12,126	12,127	44,253
2005	25,000	11,636	11,636	48,272
2006	25,000	11,012	1,011	37,023
2007	25,000	10,374	10,374	45,748
2008-2012	105,000	42,751	42,751	190,502
2013-2017	115,000	28,838	28,839	172,677
2018-2021	<u>130,000</u>	<u>9,720</u>	<u>9,720</u>	<u>149,440</u>
	<u>\$ 465,000</u>	<u>\$126,457</u>	<u>\$ 129,064</u>	<u>\$720,521</u>

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

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

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Annual</u>
	<u>November 1</u>	<u>May 1</u>	<u>November 1</u>	<u>Total</u>
2003	\$ 250,000		\$ 28,294	\$ 278,294
2004	255,000	\$24,857	24,857	304,714
2005	245,000	21,032	21,032	287,064
2006	255,000	16,989	16,989	288,978
2007	270,000	12,049	12,049	294,098
2008	<u>320,000</u>	<u>6,480</u>	<u>6,480</u>	<u>332,960</u>
	<u>\$1,595,000</u>	<u>\$81,407</u>	<u>\$ 109,701</u>	<u>\$ 1,786,108</u>

Drain--Component Unit

Installment Loan for Farwell Drain

The county drain commissioner entered into a 7-year installment loan on October 9, 1998 in the amount of \$139,028 at an annual interest rate of 4.74% with Isabella Bank and Trust. Principal and interest requirements over the life of the loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual</u>
	<u>May 1</u>	<u>May 1</u>	<u>Total</u>
2004	\$19,861	\$ 1,883	\$21,744
2005	<u>19,861</u>	<u>941</u>	<u>20,802</u>
	<u>\$39,722</u>	<u>\$2,824</u>	<u>\$42,546</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Walker Intercounty Drain Note

The Gladwin County Drain Commission obtained a promissory note on June 15, 1999 for the Walker Intercounty Drain. The Clare County Drain Commission's principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1</u>	<u>Annual Total</u>
2004	\$ 1,461	\$ 188	\$1,649
2005	1,460	126	1,586
2006	<u>1,460</u>	<u>63</u>	<u>1,523</u>
	<u>\$ 4,381</u>	<u>\$ 377</u>	<u>\$4,758</u>

Bertha Lake Drain Note

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

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1</u>	<u>Annual Total</u>
2004	31,429	9,360	40,789
2005	31,428	7,779	39,207
2006	31,429	6,223	37,652
2007	31,428	4,667	36,095
2008	31,429	3,120	34,549
2009	<u>31,428</u>	<u>1,555</u>	<u>32,983</u>
	<u>\$188,571</u>	<u>\$32,704</u>	<u>\$221,275</u>

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Ross Drain Note

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

<u>Year</u>	<u>Principal July 1</u>	<u>Interest July 1</u>	<u>Annual Total</u>
2004	\$ 6,000	\$ 2,761	\$ 8,761
2005	6,000	2,448	8,448
2006	6,000	2,142	8,142
2007	6,000	1,836	7,836
2008	6,000	1,534	7,534
2009-2012	<u>24,000</u>	<u>3,061</u>	<u>27,061</u>
	<u>\$ 54,000</u>	<u>\$13,782</u>	<u>\$67,782</u>

NOTE I--COMPENSATED ABSENCES

Accrued Vacation and Sick Leave Payable

The county has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2003, 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>Total</u>
General Long-Term Debt Account Group			
Primary			
General County	\$ 25,231	\$ 37,009	\$ 62,240
Courts	29,770	49,316	79,086
Sheriff Department	37,755	88,318	126,073
Housing Commission	<u>6,685</u>	<u>1,677</u>	<u>8,362</u>
Total Primary General Long-Term Debt Account Group	99,441	176,320	275,761
Component Unit			
Road Commission	<u>38,659</u>	<u>97,838</u>	<u>136,497</u>
Total Reporting Entity	<u>\$138,100</u>	<u>\$ 274,158</u>	<u>\$ 412,258</u>

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

Vacation and Sick Leave Policies

The employment policies for the accumulation of vacation and sick leave benefits vary by contract, as follows:

Vacation Leave

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

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

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

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

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

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

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

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

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

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

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

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

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

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

Sick Leave

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

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

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

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

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

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

Plan Description

Clare 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, 2002.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. 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. The county's pension contributions were 4.58%, 3.77% and 5.28% of the covered payroll at December 31, 2002 for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, 2002. 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 to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 83,668	100%	\$0
2001	77,769	100%	\$0
2002	79,452	100%	\$0

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

	(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
2000	\$ 8,706,638	\$ 7,864,042	\$842,595	111%	\$3,132,437	0%
2001	9,250,068	8,481,038	769,030	109%	3,469,339	0%
2002	9,408,781	8,907,231	501,550	106%	3,549,933	0%

Employee Pension Plan--Transit Corporation

Profit Sharing Plan and Trust 401(K)

The Clare County Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(K) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2003, there were 10 plan members. Employees may at their option, defer up to 10% of their gross income. The Clare County Transit Corporation will match the employees contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$1,270 during the current fiscal year and employees contributed \$5,509. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

SIMPLE Section 408(p)

The Clare County Transit Corporation provides pension benefits to all non-union employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (SIMPLE), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2003, there were 5 plan members. The Clare County Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed \$4,458 during the current fiscal year and employees contributed \$7,587. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

Defined Benefit 401(a)

During the year ended September 30, 2003, the finance committee of the Transit Corporation Board authorized a defined benefit pension plan for all non-union employees. Management has begun an application process to join the Municipal Employees' Retirement System of Michigan. As of September 30, 2003, management has accrued \$30,000 in pension costs in anticipation of adding this benefit.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION

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

MERS is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit 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.

The passage of House Bill 5525/Public Act 220 with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 49817.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after 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 2.25% of the member's five-year final average compensation. The system also provides death and disability benefits which are established by State statute.

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

Actuarial Accrued Liability--The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2002. 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, 2002 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

GASB Statement No. 25 Information (as of 12/31/02)

Actuarial Accrued Liability	
Retirees and Beneficiaries Currently Receiving Benefits	\$2,933,459
Terminated Employees Not Yet Receiving Benefits	
Current Employees	
Accumulated Employee Contributions Including	
Allocated Investment Income	1,109,233
Employer Financed	<u>2,919,129</u>
Total Actuarial Accrued Liability	6,961,821
Net Assets Available for Benefits, at Actuarial Value	<u>7,340,240</u>
(Market Value is \$5,832,744)	
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>\$ (378,419)</u></u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2002 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 50,502	100%	\$0
2001	14,784	100%	\$0
2002	45,864	100%	\$0

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

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

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
2000	\$ 6,959,815	\$ 5,760,126	\$ 1,199,689	121%	\$ 1,315,538	
2001	7,278,942	5,891,688	(1,387,254)	124%	1,296,815	
2002	7,340,240	6,961,821	(378,419)	105%	1,283,058	

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

Actuarial assumptions for MERS valuations were revised for the 1981, 1984, 1987, 1993 and 1997 valuations. Total retired life assets and liabilities are reflected in this MERS schedule beginning in 1984. The funding method was changed to entry age normal for the 1993 valuation.

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

Clare 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.

Component Unit--Road Commission

The board of county road commissioners (component unit) has a separate deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The plan, available to all Road Commission employees, permits them to defer a portion of their salaries until future years. Deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE L--DEFERRED COMPENSATION PLAN (Continued)

In the past, the Road Commission was custodian of the assets of the plan and therefore recorded the plan's activity in a trust fund in accordance with Statement No. 2 of the Government Accounting Standards Board (GASB). With the implementation in 1998 of GASB Statement No. 32 and the Road Commission transferring custodianship of the plan to an independent party, balances for the deferred compensation plan are no longer reported in the financial statements.

NOTE M--POST-EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

The county provides certain post-employment health and dental care benefits per contractual agreement. The health care benefits may be continued after retirement or termination by the individual paying the premiums, in advance, to the county clerk's office. The net cost for retirees incurred for the year ended September 30, 2003 was \$150,984. During 2003, there were 30 individuals covered under this agreement.

Component Unit--Road Commission

In addition to the pension benefits described in Note K, the Road Commission provides post-employment health care benefits to all employees who retire from the Road Commission on or after attaining age 60 with 10 or more years of service; or, those who retire under a valid disability claim who have reached the age of 60. The health care benefits consist of the Road Commission paying the monthly health insurance until the recipient reaches the age of 65. The costs of retirees' health care benefits are recognized as expenditures as claims are paid. For the fiscal year ended September 30, 2003, those costs totaled \$25,949.

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.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE N--RISK MANAGEMENT (Continued)

The county is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the county's self-insured retention (SIR). If a covered loss exceeds the authority's limits, all further payments for such loss are the sole obligation of the county. If for any reason, the authority's resources available to pay losses are depleted, the payment of all unpaid losses of the county is the sole obligation of the county. The County of Clare 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 auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, worker's compensation and medical benefit claims. The Transit Corporation participates in the Michigan Transit Pool for claims relating to auto and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 4 fiscal years.

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE N--RISK MANAGEMENT (Continued)

Road Commission (Component Unit)

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

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

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

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

During the year ended September 30, 2003 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.

NOTE O--CONTINGENT LIABILITIES

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

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE P--COUNTY SOLID WASTE LANDFILL

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

NOTE Q--PREPAID INSURANCE

Clare County Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to \$25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$125,069 with the pool, which is recorded as prepaid insurance as of September 30, 2003.

NOTE R--FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation that road commissioners report total federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through road commission procurement. The reason for this requirement is that the road commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation. The Federal aid revenue of \$532,611 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors, but was paid for and administered by the Michigan Department of Transportation.

CLARE COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE S--CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2002, the county implemented several new accounting standards issued by GASB:

Statement No. 33, "Accounting and Financial Reporting for Non-Exchange Transactions," as amended by Statement No. 36, "Recipient Reporting for Certain Shared Non-Exchange Revenues," which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments," as amended by Statement No. 37, "Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments Omnibus," which established new financial reporting standards for state and local governments. This statement requires a significant change in the financial reporting model used by local governments, eliminating account groups and utilizing the full accrual basis of accounting and the economic resources measurement focus. Another significant change is the "Management Discussion and Analysis Section," which provides an overall analysis of the financial position and results of operations and conditions that could have a significant effect on the financial position or results of operations.

Statement No. 38, "Certain Financial Statement Note Disclosures," which requires certain note disclosures when implementing GASB Statement No. 34. Also implemented was Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002.

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes and Penalties	\$ 3,738,458	\$ 3,738,458	\$ 3,710,891	\$ (27,567)
Licenses and Permits	45,043	45,043	54,885	9,842
Federal Grants	173,137	244,294	204,191	(40,103)
State Grants	1,355,172	1,576,978	1,459,742	(117,236)
Contributions From Local Units	282,942	282,942	312,085	29,143
Charges for Services	2,565,953	2,602,045	2,821,895	219,850
Fines and Forfeits	25,500	25,500	20,670	(4,830)
Interest and Rentals	615,000	615,000	586,967	(28,033)
Other Revenue	385,654	389,975	441,277	51,302
Total Revenues	9,186,859	9,520,235	9,612,603	92,368
Expenditures				
Current				
General Government	3,757,748	3,992,623	3,556,067	436,556
Public Safety	4,133,042	4,457,211	3,909,882	547,329
Public Works	11,092	11,129	7,324	3,805
Health and Welfare	599,691	622,976	580,711	42,265
Community and Economic Development	52,480	52,480	14,605	37,875
Other	783,161	645,793	587,904	57,889
Capital Outlay	50,000	146,057	117,195	28,862
Debt Service				
Principal	-	17,301	17,301	-
Interest and Fiscal Fees	-	2,138	2,138	-
Total Expenditures	9,387,214	9,947,708	8,793,127	1,154,581
Excess of Revenues Over (Under) Expenditures	(200,355)	(427,473)	819,476	1,246,949
Other Financing Sources (Uses)				
Interfund Transfers In	650,000	650,000	650,863	863
Interfund Transfers (Out)	(1,252,907)	(1,631,684)	(1,634,174)	(2,490)
Total Other Financing Sources (Uses)	(602,907)	(981,684)	(983,311)	(1,627)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(803,262)	(1,409,157)	(163,835)	1,245,322
Fund Balance--October 1, 2002	2,128,304	2,128,304	2,362,740	234,436
Fund Balance--September 30, 2003	\$ 1,325,042	\$ 719,147	\$ 2,198,905	\$ 1,479,758

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FRIEND OF THE COURT MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003

EXHIBIT L

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Federal Grants	\$ 185,411	\$ 218,501	\$ 219,553	\$ 1,052
State Grants	64,606	73,406	9,031	(64,375)
Charges for Services	28,200	28,200	34,132	5,932
Total Revenues	<u>278,217</u>	<u>320,107</u>	<u>262,716</u>	<u>(57,391)</u>
Expenditures				
Current				
General Government	280,855	338,796	317,279	21,517
Capital Outlay	2,000	2,000		2,000
Total Expenditures	<u>282,855</u>	<u>340,796</u>	<u>317,279</u>	<u>23,517</u>
Excess of Revenues Over (Under) Expenditures	<u>(4,638)</u>	<u>(20,689)</u>	<u>(54,563)</u>	<u>(33,874)</u>
Other Financing Sources (Uses)				
Interfund Transfers In		5,022	-	(5,022)
Total Other Financing Sources (Uses)	<u>-</u>	<u>5,022</u>	<u>-</u>	<u>(5,022)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(4,638)</u>	<u>(15,667)</u>	<u>(54,563)</u>	<u>(38,896)</u>
Fund Balance--October 1, 2002	<u>17,554</u>	<u>17,554</u>	<u>27,788</u>	<u>10,234</u>
Fund Balance--September 30, 2003	<u>\$ 12,916</u>	<u>\$ 1,887</u>	<u>\$ (26,775)</u>	<u>\$ (28,662)</u>

**CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GYPSY MOTH MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 174,703	\$ 174,703	\$ 180,538	\$ 5,835
Federal Grants	30,000	30,000		(30,000)
Interest and Rentals	12,000	12,000	8,306	(3,694)
Total Revenues	<u>216,703</u>	<u>216,703</u>	<u>188,844</u>	<u>(27,859)</u>
Expenditures				
Current				
General Government	142,309	143,194	37,730	105,464
Capital Outlay	1,600	1,600	-	1,600
Total Expenditures	<u>143,909</u>	<u>144,794</u>	<u>37,730</u>	<u>107,064</u>
Excess of Revenues Over (Under) Expenditures	72,794	71,909	151,114	79,205
Fund Balance--October 1, 2002	<u>777,708</u>	<u>777,708</u>	<u>851,861</u>	<u>74,153</u>
Fund Balance--September 30, 2003	<u>\$ 850,502</u>	<u>\$ 849,617</u>	<u>\$ 1,002,975</u>	<u>\$ 153,358</u>

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003

EXHIBIT N

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Licenses and Permits	\$ 168,801	\$ 168,801	\$ 154,930	\$ (13,871)
Total Revenues	168,801	168,801	154,930	(13,871)
Expenditures				
Current				
Public Safety	156,935	166,296	145,896	20,400
Capital Outlay	18,000	38,044	32,690	5,354
Total Expenditures	174,935	204,340	178,586	25,754
Excess of Revenues Over (Under) Expenditures	(6,134)	(35,539)	(23,656)	11,883
Fund Balance--October 1, 2002	55,911	55,911	92,382	36,471
Fund Balance--September 30, 2003	\$ 49,777	\$ 20,372	\$ 68,726	\$ 48,354

**CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
911 SERVICE MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

EXHIBIT O

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
State Grants	\$ 55,000	\$ 55,000	\$ 79,088	\$ 24,088
Charges for Services	95,000	95,000	127,071	32,071
Total Revenues	150,000	150,000	206,159	56,159
Expenditures				
Current				
Public Safety	437,775	440,825	355,808	85,017
Capital Outlay	16,000	16,000	13,445	2,555
Total Expenditures	453,775	456,825	369,253	87,572
Excess of Revenues Over (Under) Expenditures	(303,775)	(306,825)	(163,094)	143,731
Other Financing Sources (Uses)				
Interfund Transfers In	187,083	190,133	190,133	-
Total Other Financing Sources (Uses)	187,083	190,133	190,133	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(116,692)	(116,692)	27,039	143,731
Fund Balance--October 1, 2002	116,692	116,692	194,137	77,445
Fund Balance--September 30, 2003	\$ -	\$ -	\$ 221,176	\$ 221,176

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
HOUSING COMMISSION MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003

EXHIBIT P

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Federal Grants	\$ 145,000	\$ 145,000	\$ 139,414	\$ (5,586)
State Grants	115,000	100,000	30,548	(69,452)
Charges for Services		57,465	1,200	(56,265)
Interest and Rentals	25,000	27,500	15,349	(12,151)
Other Revenue	151,320	71,075	82,531	11,456
Total Revenues	436,320	401,040	269,042	(131,998)
Expenditures				
Current				
Community and Economic Development	433,320	398,040	286,864	111,176
Capital Outlay	3,000	3,000	3,418	(418)
Total Expenditures	436,320	401,040	290,282	110,758
Excess of Revenues Over (Under) Expenditures	-	-	(21,240)	(21,240)
Fund Balance--October 1, 2002	798,912	798,912	798,912	-
Fund Balance--September 30, 2003	\$ 798,912	\$ 798,912	\$ 777,672	\$ (21,240)

**CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE COMMUNITY MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

EXHIBIT Q

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Federal Grants	\$498,900	\$498,900	\$160,336	\$ (338,564)
Total Revenues	498,900	498,900	160,336	(338,564)
Expenditures				
Current				
Community and Economic Development	498,900	498,900	160,336	338,564
Total Expenditures	498,900	498,900	160,336	338,564
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance--October 1, 2002	-	-	-	-
Fund Balance--September 30, 2003	\$ -	\$ -	\$ -	\$ -

**CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
COUNCIL ON AGING MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003**

EXHIBIT R

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes	\$ 347,107	\$ 347,107	\$ 340,218	\$ (6,889)
State Grants	6,000	6,000	5,514	(486)
Interest and Rentals	7,000	7,000	2,447	(4,553)
Total Revenues	<u>360,107</u>	<u>360,107</u>	<u>348,179</u>	<u>(11,928)</u>
Expenditures				
Current				
Health and Welfare	<u>377,970</u>	<u>397,011</u>	<u>403,833</u>	<u>(6,822)</u>
Total Expenditures	<u>377,970</u>	<u>397,011</u>	<u>403,833</u>	<u>(6,822)</u>
Excess of Revenues Over (Under) Expenditures	(17,863)	(36,904)	(55,654)	(18,750)
Fund Balance--October 1, 2002	<u>290,861</u>	<u>290,861</u>	<u>284,543</u>	<u>(6,318)</u>
Fund Balance--September 30, 2003	<u>\$ 272,998</u>	<u>\$ 253,957</u>	<u>\$ 228,889</u>	<u>\$ (25,068)</u>

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
CHILD CARE PROBATE MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003

EXHIBIT S

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
State Grants	\$ 45,000	\$ 52,851	\$ 60,977	\$ 8,126
Other Revenue	2,500	2,500	1,310	(1,190)
Total Revenues	47,500	55,351	62,287	6,936
Expenditures				
Current				
Health and Welfare	465,000	782,851	776,960	5,891
Total Expenditures	465,000	782,851	776,960	5,891
Excess of Revenues Over (Under) Expenditures	(417,500)	(727,500)	(714,673)	12,827
Other Financing Sources (Uses)				
Interfund Transfers In	417,500	727,500	796,516	69,016
Total Other Financing Sources (Uses)	417,500	727,500	796,516	69,016
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	81,843	81,843
Fund Balance--October 1, 2002	-	-	(61,165)	(61,165)
Fund Balance--September 30, 2003	\$ -	\$ -	\$ 20,678	\$ 20,678

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
AIRPORT MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2003

EXHIBIT T

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Interest and Rentals	\$ 8,820	\$ 8,820	\$ 8,520	\$ (300)
Other Revenue		2,000		(2,000)
Total Revenues	8,820	10,820	8,520	(2,300)
Expenditures				
Current				
Public Works	19,290	21,290	12,637	8,653
Capital Outlay	2,500	2,500	399	2,101
Total Expenditures	21,790	23,790	13,036	10,754
Excess of Revenues Over (Under) Expenditures	(12,970)	(12,970)	(4,516)	8,454
Other Financing Sources (Uses)				
Interfund Transfers In	8,414	8,414	8,414	-
Total Other Financing Sources (Uses)	8,414	8,414	8,414	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(4,556)	(4,556)	3,898	8,454
Fund Balance--October 1, 2002	4,556	6,181	35,194	29,013
Fund Balance--September 30, 2003	\$ -	\$ 1,625	\$ 39,092	\$ 37,467

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT U

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Taxes and Penalties				
Current Property Taxes	\$3,550,000	\$ 3,550,000	\$ 3,526,302	\$ (23,698)
Unpaid Personal Property Taxes	6,800	6,800	9,985	3,185
Tax Reverted Lands	4,000	4,000	1,639	(2,361)
Trailer Taxes	800	800	716	(84)
Swampland Tax	41,650	41,650	41,686	36
Commercial Forest Reserve	8	8	11	3
Industrial Facility Tax	8,700	8,700	9,621	921
Payments-in-Lieu of Taxes	6,000	6,000	5,356	(644)
Property Tax Administration Fees	120,000	120,000	114,284	(5,716)
County Expense of Sale	500	500	1,291	791
Total Taxes and Penalties	3,738,458	3,738,458	3,710,891	(27,567)
Licenses and Permits				
Marriage Licenses	1,300	1,300	1,245	(55)
Marriage Licenses--Family Counseling	3,840	3,840	3,735	(105)
Dog Licenses	20,000	20,000	18,082	(1,918)
Pistol Permits	2,400	2,400	2,040	(360)
Soil Erosion and Sedimentation Permits	17,500	17,500	29,781	12,281
Explosives Permits	3	3	2	(1)
Total Licenses and Permits	45,043	45,043	54,885	9,842
Federal Grants				
State Domestic Preparedness Equipment	300	60,009	39,542	(20,467)
Emergency Management	17,000	17,000	10,362	(6,638)
Hazardous Materials Emergency Planning Grant	-	-	938	938
Region 7B Michigan Works Grant	58,688	70,136	62,134	(8,002)
Juvenile Incentive Block Grant - 90%	57,149	57,149	47,355	(9,794)
Cooperative Reimbursement Program--Prosecuting Attorney	40,000	40,000	43,860	3,860
Total Federal Grants	173,137	244,294	204,191	(40,103)
State Grants				
Probate Judges' Salary	93,283	93,283	101,039	7,756
Judges' Salary Standardization	75,444	75,444	75,445	1
State Court Equity Fund	160,000	160,000	204,979	44,979
Secondary Road Patrol	65,000	65,000	62,552	(2,448)
Siren Project Grant	-	168,097	-	(168,097)
Marine Safety Program	15,245	15,245	30,547	15,302
District Court Caseload Assistance	8,000	9,917	10,281	364
Snowmobile Safety	7,500	7,500	1,632	(5,868)
Judicial Network Project	-	7,923	8,524	601
Michigan Justice Training	5,000	5,000	6,739	1,739
Scrap Tire Fire Grant	-	70,526	70,526	-
Off-Road Vehicle Enforcement	8,600	12,480	11,928	(552)
Off-Road Vehicle Safety Education	7,400	7,400	926	(6,474)
Juvenile Incentive Block Grant - 10%	5,000	5,000	5,262	262
Cooperative Reimbursement Program--Prosecuting Attorney	5,000	5,000	2,539	(2,461)
Juvenile Officer Grant	28,000	28,000	27,317	(683)
Food Stamp Fraud	300	300	338	38
Victims Rights Grant	30,000	30,000	43,693	13,693
State Cigarette Tax	27,751	27,751	26,970	(781)
Convention Facilities Liquor Tax	120,000	120,000	104,588	(15,412)
State Income Tax	572,396	541,859	540,640	(1,219)
Single Business Tax	64,000	64,000	64,909	909
Remonumentation	51,503	51,503	51,503	-
Liquor Law Enforcement	5,500	5,500	6,392	892
Voter Registration	250	250	473	223
Total State Grants	1,355,172	1,576,978	1,459,742	(117,236)

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT U
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Contributions From Local Units				
Liquor Law Enforcement--Townships	4,000	4,000	2,042	(1,958)
Law Enforcement Contracts				
Lincoln Township	71,500	71,500	93,190	21,690
City of Harrison	122,500	122,500	129,805	7,305
Village of Farwell	24,000	24,000	26,894	2,894
Redding Township	5,720	5,720	8,068	2,348
Grant Township	14,222	14,222	12,086	(2,136)
Weighmaster--County Road Commission	1,000	1,000	-	(1,000)
School Safety Match				
Harrison	20,000	20,000	20,000	-
Farwell	20,000	20,000	20,000	-
Total Contributions From Local Units	282,942	282,942	312,085	29,143
Charges for Services				
Circuit Court Costs	25,000	25,000	26,214	1,214
District Court Costs	250,000	250,000	246,526	(3,474)
Circuit Court Services	15,020	15,020	10,238	(4,782)
Public Guardian Services	32,281	32,281	25,172	(7,109)
Probate Court Services	20,000	20,000	22,283	2,283
Clerk Services	33,000	33,000	36,455	3,455
Partnerships and Assumed Names	3,500	3,500	3,699	199
Equalization Department Services				
Nongovernment	3,900	3,900	4,504	604
Local Units	41,000	41,000	53,114	12,114
Register of Deeds Services	160,500	196,592	227,051	30,459
Abstract Department Services	7,010	7,010	5,964	(1,046)
Treasurer Services	5,000	5,000	7,235	2,235
Sheriff Services	3,500	3,500	5,405	1,905
Preliminary Breath Test Fees	10,000	10,000	21,328	11,328
Notary Fees	650	650	208	(442)
Animal Control Services	7,500	7,500	8,180	680
District Court Attorney Fees	80,000	80,000	93,324	13,324
Probate Court Attorney Fees	1,500	1,500	1,235	(265)
Real Estate Transfer Tax	83,000	83,000	99,303	16,303
25% Child Care Fund Collection Fees	3,500	3,500	2,863	(637)
Abstract Department Use of Tract Book	18,000	18,000	33,436	15,436
District Court Assessment and Evaluation Fees	8,292	8,292	19,614	11,322
District Court Bond Costs	15,000	15,000	14,385	(615)
Circuit Court Bond Costs	1,100	1,100	2,541	1,441
District Court Civil Fees	40,000	40,000	52,001	12,001
Sheriff Service of Papers	20,000	20,000	29,221	9,221
Animal Adoption Fees	7,000	7,000	6,675	(325)
Record Copying	5,300	5,300	4,138	(1,162)
Building and Electrical Overhead	4,600	4,600	5,000	400
Jail Fees	14,000	14,000	12,696	(1,304)
Transporting Prisoners	900	900	491	(409)
Housing of Inmates--Other Counties	1,400,000	1,400,000	1,569,047	169,047
Housing of Inmates--State Detainers	10,000	10,000	9,872	(128)
Housing of Inmates--Diverted Felons	100,000	100,000	26,132	(73,868)
Weekend Lodging--Jail	20,000	20,000	19,290	(710)
Inmates Room and Board	6,500	6,500	15,234	8,734
Inmates Work Release	13,000	13,000	13,826	826
Pay Phone Commissions	90,000	90,000	78,807	(11,193)
Vending Machine Commissions	2,700	2,700	2,659	(41)
Circuit Court Sex Offender Program	100	100	889	789
Drug Screening	3,600	3,600	4,450	850
Tether Fees	-	-	1,190	1,190
Total Charges for Services	2,565,953	2,602,045	2,821,895	219,850

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT U
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Fines and Forfeits				
Circuit Court Bond Forfeitures	500	500	3,180	2,680
District Court Bond Forfeitures	16,000	16,000	8,432	(7,568)
Ordinance Fines and Costs	9,000	9,000	9,058	58
Total Fines and Forfeits	25,500	25,500	20,670	(4,830)
Interest and Rents				
Interest Earned	75,000	75,000	38,562	(36,438)
Rent	100,000	100,000	110,065	10,065
Royalties--Landfill	440,000	440,000	438,340	(1,660)
Total Interest and Rents	615,000	615,000	586,967	(28,033)
Other Revenues				
Contributions From Private Sources	34,628	34,628	34,770	142
Reimbursements				
Insurance	15,000	15,422	22,151	6,729
Health Insurance--Retirees	113,800	113,800	97,204	(16,596)
Health Insurance--Employee Family Continuation	21,000	21,000	44,406	23,406
Tax Collection Bond	-	-	2,428	2,428
Township Tax Notice Postage	1,500	1,500	3,665	2,165
Postage	26,000	26,000	19,102	(6,898)
Workers' Compensation	15,000	15,000	-	(15,000)
Inmate Medical	28,500	28,500	58,499	29,999
Other	35,525	39,424	22,428	(16,996)
Gladwin County				
Circuit Court	40,000	40,000	87,908	47,908
District Court	23,701	23,701	23,548	(153)
Probate Court	31,000	31,000	25,168	(5,832)
Total Other Revenues	385,654	389,975	441,277	51,302
Total Revenue	9,186,859	9,520,235	9,612,603	92,368
Other Financing Sources				
Interfund Transfers In				
Public Building and Improvement Fund	-	-	780	780
Building Authority Jail Fund	-	-	83	83
Delinquent Tax Revolving Fund	650,000	650,000	650,000	-
Total Other Financing Sources	650,000	650,000	650,863	863
Total Revenues and Other Financing Sources	\$9,836,859	\$10,170,235	\$10,263,466	\$ 93,231

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT V

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Board of Commissioners	\$ 126,494	\$ 146,494	\$ 135,864	\$ 10,630
Circuit Court	244,992	246,901	214,672	32,229
Circuit Court Reporter	68,438	71,302	61,950	9,352
District Court	517,346	548,910	570,293	(21,383)
Michigan Works Employment Grant	58,689	70,137	64,707	5,430
Public Guardian	34,113	35,640	34,137	1,503
Probate Court	338,837	355,404	343,545	11,859
Circuit Court Probation	8,000	8,000	3,243	4,757
Probate Juvenile Office	132,288	112,409	103,194	9,215
Project Learn	17,766	17,766	17,640	126
Family Counseling	2,000	2,000	1,200	800
Jury Board	960	960	466	494
Administrator	105,424	139,558	105,284	34,274
Elections	71,068	73,576	48,934	24,642
Clerk	252,930	286,648	240,846	45,802
Equalization Department	147,788	156,883	150,185	6,698
Prosecuting Attorney	341,361	361,903	314,291	47,612
Register of Deeds	196,511	226,459	202,523	23,936
Abstract Department	33,527	36,017	33,905	2,112
Surveyor	5,145	5,145	3,630	1,515
Remonumentation	61,503	61,503	61,503	-
Treasurer	191,200	203,339	180,608	22,731
Cooperative Extension Service	154,905	150,026	138,073	11,953
Information Technology	68,250	76,173	55,957	20,216
Building Authority	1,362	1,362	919	443
Courthouse and Grounds	279,559	282,029	229,338	52,691
Drain Commissioner	86,590	103,874	91,311	12,563
Soil Conservation	3,870	3,870	3,870	-
Soil Erosion and Sedimentation	56,712	58,215	28,280	29,935
Record Copying	14,500	14,500	12,679	1,821
Mailing	105,500	105,500	79,356	26,144
Professional Services	30,000	30,000	23,664	6,336
Plat Board	120	120	-	120
Total General Government	3,757,748	3,992,623	3,556,067	436,556

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT V
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Public Safety				
Sheriff	1,427,678	1,418,527	1,281,738	136,789
Weighmaster--County Roads	1,077	1,077	-	1,077
School Safety	124,690	132,847	115,400	17,447
Sheriff--City of Harrison	140,507	132,112	103,714	28,398
Sheriff--Lincoln Township	126,517	117,827	100,601	17,226
Sheriff--Village of Farwell	28,854	28,854	27,254	1,600
Sheriff--Redding Township	6,158	6,158	6,702	(544)
Sheriff--Grant Township	14,222	14,222	13,005	1,217
Marine Safety Program	33,628	33,628	21,970	11,658
Secondary Road Patrol	69,661	60,542	50,138	10,404
Off-Road Vehicle Grant	8,601	12,481	9,389	3,092
Snowmobile Safety Program	9,942	9,942	1,668	8,274
Off-Road Vehicle Safety Education Grant	-	5,596	859	4,737
Siren Project Grant	-	168,097	-	168,097
Jail and Turnkey	1,939,299	1,942,281	1,864,875	77,406
Local Emergency Planning Committee	2,425	56,367	45,976	10,391
Office of Emergency Management	59,700	161,744	125,053	36,691
Animal Control	140,083	154,909	141,540	13,369
Total Public Safety	4,133,042	4,457,211	3,909,882	547,329
Public Works				
Department of Public Works	900	900	120	780
Solid Waste Planning	1,003	1,003	-	1,003
Drain-at-Large Assessments	9,189	9,226	7,204	2,022
Total Public Works	11,092	11,129	7,324	3,805
Health and Welfare				
Central Michigan District Health Department	208,474	208,474	207,510	964
Contagious Diseases	2,100	2,100	871	1,229
Substance Abuse	60,000	60,000	52,294	7,706
Medical Examiners	45,150	55,150	47,927	7,223
Central Michigan Mental Health Services	139,000	139,000	139,000	-
Juvenile Incentive Block Grant	57,149	57,149	51,945	5,204
Veterans Burials	15,800	15,800	13,850	1,950
Office of Veterans Affairs	72,018	85,303	67,314	17,989
Total Health and Welfare	599,691	622,976	580,711	42,265

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT V
(CONTINUED)

	<u>BUDGETED AMOUNTS</u>			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Community and Economic Development				
Planning Commission	32,430	32,430	14,605	17,825
Americans With Disabilities Act	3,550	3,550	-	3,550
County Convention and Visitors Bureau	1,500	1,500	-	1,500
Community Action Teen Program	15,000	15,000	-	15,000
Total Community and Economic Development	52,480	52,480	14,605	37,875
Other				
Insurance and Bonds				
Employee Health	500	500	475	25
Retiree Health	169,000	169,000	150,984	18,016
Workers Compensation	48,433	52,787	46,164	6,623
Liability	225,000	220,000	220,000	-
Unemployment	15,000	17,492	4,000	13,492
Employee Retirement	49,628	73,341	71,138	2,203
Litigations--Attorney Fees	45,000	45,000	31,735	13,265
Professional Services--Studies and Reports	10,000	37,173	41,827	(4,654)
Tax Appeals Adjustments	17,000	27,000	20,289	6,711
Miscellaneous	3,600	3,500	1,292	2,208
Contingency	200,000	-	-	-
Total Other	783,161	645,793	587,904	57,889
Capital Outlay				
New Equipment				
Board of Commissioners	50,000	26,329	-	26,329
Probate Court	-	32,500	18,449	14,051
Clerk	-	1,300	1,297	3
Register of Deeds	-	500	-	500
Cooperative Extension	-	10,000	9,993	7
Information Technology	-	41,817	36,681	5,136
Courthouse and Grounds	-	23,957	23,957	-
Sheriff--Vehicles	-	9,654	26,818	(17,164)
Total Capital Outlay	50,000	146,057	117,195	28,862
Debt Service				
Principal	-	17,301	17,301	-
Interest	-	2,138	2,138	-
Total Debt Service Requirements	-	19,439	19,439	-
Total Expenditures	9,387,214	9,947,708	8,793,127	1,154,581

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2003

EXHIBIT V
(CONTINUED)

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Other Financing Uses				
Interfund Transfers (Out)				
Parks and Recreation Fund	23,200	23,200	23,200	-
Friend of the Court Fund	-	5,021	-	5,021
911 Service Fund	187,083	190,133	190,133	-
Scrap Tire Grant Fund	-	33	33	-
USDA Loan Fund	28,000	-	-	-
Social Welfare Fund	10,000	10,000	10,000	-
Child Care Probate Fund	417,500	748,665	756,516	(7,851)
Child Care FIA Fund	40,000	40,000	40,000	-
Soldiers and Sailors Relief Fund	20,365	20,365	20,365	-
Airport Fund	8,414	8,414	8,414	-
Jail Building Debt Fund	475,800	475,800	475,610	190
Building Authority Debt Fund	-	41,273	41,273	-
Building Authority Refunding Debt Fund	42,545	68,780	68,630	150
Total Other Financing Uses	1,252,907	1,631,684	1,634,174	(2,490)
Total Expenditures and Other Financing Uses	\$ 10,640,121	\$ 11,579,392	\$ 10,427,301	\$ 1,152,091

**CLARE COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2003**

EXHIBIT W

SPECIAL REVENUE FUNDS

	Parks and Recreation	Friend of the Court Medical Grant	Public Building and Improvement	Register of Deeds Automation	Drug Law Enforcement	Law Library	Scrap Tire Grant	Social Welfare	Child Care FIA
<u>ASSETS</u>									
Cash	\$23,615	\$15,320	\$ 11,389	\$37,148	\$12,637	\$2,975		\$52,337	\$81,738
Investments			98,403						
Due From State of Michigan		1,873					\$75,375	26,514	
Total Assets	\$23,615	\$17,193	\$109,792	\$37,148	\$12,637	\$2,975	\$75,375	\$78,851	\$81,738
<u>LIABILITIES AND FUND BALANCES</u>									
Accounts Payable	\$ 300	\$ 660				\$ 610			\$14,047
Due to Other Funds							\$75,375		
Accrued Liabilities		371							
Advances From State								\$50,000	
Total Liabilities	300	1,031	-	\$ -	\$ -	610	75,375	50,000	14,047
Fund Balances									
Reserved for									
Donations								4,640	
Debt Service									
Capital Expenditures			109,792						
Unreserved--Undesignated	23,315	16,162		37,148	12,637	2,365		24,211	67,691
Total Fund Balances	23,315	16,162	109,792	37,148	12,637	2,365	-	28,851	67,691
Total Liabilities and Fund Balances	\$23,615	\$17,193	\$109,792	\$37,148	\$12,637	\$2,975	\$75,375	\$78,851	\$81,738

**CLARE COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2003**

**EXHIBIT W
(CONTINUED)**

	<u>SPECIAL REVENUE FUNDS</u>		<u>DEBT SERVICE FUNDS</u>					<u>CAPITAL PROJECT FUNDS</u>			
	Soldiers and Sailors Relief	Veterans Trust	Jail Building Debt	Building Authority Jail Debt	Building Authority Debt	Building Authority Refunding Debt	USDA Loan	Jail Construction	USDA Loan Building Improvements	Total	
<u>ASSETS</u>											
Cash	\$ 13,064	\$ 500	\$ 15		\$ 135	\$ 1,648				\$ 252,521	
Investments										98,403	
Due From State of Michigan										103,762	
Total Assets	\$ 13,064	\$ 500	\$ 15	\$ -	\$ 135	\$ 1,648	\$ -	\$ -	\$ -	\$ 454,686	
<u>LIABILITIES AND FUND BALANCES</u>											
Accounts Payable	\$ 1,260	\$ 174								\$ 17,051	
Due to Other Funds										75,375	
Accrued Liabilities										371	
Advances From State										50,000	
Total Liabilities	1,260	174	\$-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	142,797	
Fund Balances											
Reserved for											
Donations										4,640	
Debt Service			15		135	1,648				1,798	
Capital Expenditures										109,792	
Unreserved--Undesignated	11,804	326								195,659	
Total Fund Balances	11,804	326	15	-	135	1,648	-	-	-	311,889	
Total Liabilities and Fund Balances	\$ 13,064	\$ 500	\$ 15	\$ -	\$ 135	\$ 1,648	\$ -	\$ -	\$ -	\$ 454,686	

**CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2003**

EXHIBIT X

	SPECIAL REVENUE FUNDS								
	Parks and Recreation	Friend of the Court Medical Grant	Public Building and Improvement	Register of Deeds Automation	Drug Law Enforcement	Law Library	Scrap Tire Grant	Social Welfare	Child Care FIA
Revenues									
Federal Grants		\$ 9,648							
State Grants							\$ 75,375		\$ 43,764
Charges for Services				\$ 37,750					
Fines and Forfeits						\$ 3,500			
Interest and Rentals			\$ 3,220						
Other						81		\$ 271,671	8,451
Total Revenues	\$ -	9,648	3,220	37,750	\$ -	3,581	75,375	271,671	52,215
Expenditures									
General Government		10,679		602		3,526			
Health and Welfare							75,375	280,405	98,694
Recreation and Cultural	18,784								
Capital Outlay			12,782		4,790				
Principal Interest and Fees									
Total Expenditures	18,784	10,679	12,782	602	4,790	3,526	75,375	280,405	98,694
Excess of Revenue Over (Under) Expenditures	(18,784)	(1,031)	(9,562)	37,148	(4,790)	55	-	(8,734)	(46,479)
Other Financing Sources (Uses)									
Interfund Transfers In	23,200						33	10,000	40,000
Interfund Transfers (Out)			(228,952)						(40,000)
Total Other Financing Sources (Uses)	23,200	-	(228,952)	-	-	-	33	10,000	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	4,416	(1,031)	(238,514)	37,148	(4,790)	55	33	1,266	(46,479)
Fund Balance--October 1, 2002	18,899	17,193	348,306	-	17,427	2,310	(33)	27,585	114,170
Fund Balance--September 30, 2003	\$ 23,315	\$ 16,162	\$ 109,792	\$ 37,148	\$ 12,637	\$ 2,365	\$ -	\$ 28,851	\$ 67,691

CLARE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2003

EXHIBIT X
 (CONTINUED)

	SPECIAL REVENUE FUNDS		DEBT SERVICE FUNDS					CAPITAL PROJECT FUNDS		Total
	Soldiers and Sailors Relief	Veterans Trust	Jail Building Debt	Building Authority Jail Debt	Building Authority Debt	Building Authority Refunding Debt	USDA Loan	Jail Construction	USDA Loan Building Improvements	
Revenues										
Federal Grants										\$ 9,648
State Grants		\$ 4,052								123,191
Charges for Services										37,750
Fines and Forfeits										3,500
Interest and Rentals						\$ 150		\$ 1		3,371
Other										280,203
Total Revenues	\$ -	4,052	\$ -	\$ -	\$ -	\$ 150	\$ -	1	\$ -	457,663
Expenditures										
General Government										14,896
Health and Welfare	16,466	3,822								474,762
Recreation and Cultural										18,784
Capital Outlay										17,572
Principal			355,000		40,000	10,000	220,000			625,000
Interest and Fees			120,610		1,273	58,630	8,952			189,465
Total Expenditures	16,466	3,822	475,610	-	41,273	68,630	228,952	-	-	1,340,479
Excess of Revenue Over (Under)										
Expenditures	(16,466)	230	(475,610)	-	(41,273)	(68,480)	(228,952)	1	-	(882,727)
Other Financing Sources (Uses)										
Interfund Transfers In	20,365		475,625		41,273	68,630	228,952			908,078
Interfund Transfers (Out)				(83)				(15)	(780)	(269,830)
Total Other Financing Sources (Uses)	20,365	-	475,625	(83)	41,273	68,630	228,952	(15)	(780)	638,248
Excess of Revenues and Other Sources Over (Under)										
Expenditures and Other Uses	3,899	230	15	(83)	-	150	-	(14)	(780)	(244,479)
Fund Balance--October 1, 2002	7,905	96	-	83	135	1,498	-	14	780	556,368
Fund Balance--September 30, 2003	\$ 11,804	\$ 326	\$ 15	\$ -	\$ 135	\$ 1,648	\$ -	\$ -	\$ -	\$ 311,889

**CLARE COUNTY
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 September 30, 2003**

EXHIBIT Y

	General Agency	Library (Penal Fines) Fund	Total
<u>ASSETS</u>			
Cash	\$1,778,430	\$ 9,768	\$ 1,788,198
Investments		26,946	26,946
Due From Other Departments	235		235
Total Assets	<u>\$1,778,665</u>	<u>\$ 36,714</u>	<u>\$ 1,815,379</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Due to Cities	\$ 236		\$ 236
Due to State of Michigan	1,255,113		1,255,113
Due to Schools and Colleges	244		244
Undistributed Penal Fines and Interest		\$ 36,714	36,714
Undistributed Tax Collections	665		665
Other Liabilities	522,407		522,407
Total Liabilities	<u>\$1,778,665</u>	<u>\$ 36,714</u>	<u>\$ 1,815,379</u>

CLARE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Year Ended September 30, 2003

EXHIBIT Z

	Balance 10/01/02	Additions	Deductions	Balance 09/30/03
<u>GENERAL AGENCY FUND</u>				
Assets				
Cash	\$218,296	\$21,137,947	\$19,577,813	\$1,778,430
Due From Other Departments		235		235
Due From Other Agencies	91		91	-
Total Assets	\$218,387	\$21,138,182	\$19,577,904	\$1,778,665
Liabilities				
Due to Cities	\$ 415	\$ 4,494	\$ 4,673	\$ 236
Due to State of Michigan	119,814	8,772,081	7,636,782	1,255,113
Due to Federal Government		1,206,038	1,206,038	-
Due to Schools and Colleges	500	2,077,398	2,077,654	244
Undistributed Tax Collections		10,168,165	10,167,500	665
Other Liabilities	97,658	13,650,589	13,225,840	522,407
Total Liabilities	\$218,387	\$35,878,765	\$34,318,487	\$1,778,665
<u>LIBRARY (PENAL FINES) FUND</u>				
Assets				
Cash	\$ 13,822	\$ 296,392	\$ 300,446	\$ 9,768
Investments	30,870	140,018	143,942	26,946
Total Assets	\$ 44,692	\$ 436,410	\$ 444,388	\$ 36,714
Liabilities				
Undistributed Penal Fines and Interest	\$ 44,692	\$ 153,821	\$ 161,799	\$ 36,714
Total Liabilities	\$ 44,692	\$ 153,821	\$ 161,799	\$ 36,714
<u>TOTAL ALL AGENCY FUNDS</u>				
Assets				
Cash	\$232,118	\$21,434,339	\$19,878,259	\$1,788,198
Investments	30,870	140,018	143,942	26,946
Due From Other Departments	-	235	-	235
Due From Other Agencies	91	-	91	-
Total Assets	\$263,079	\$21,574,592	\$20,022,292	\$1,815,379
Liabilities				
Due to Cities	\$ 415	\$ 4,494	\$ 4,673	\$ 236
Due to State of Michigan	119,814	8,772,081	7,636,782	1,255,113
Due to Federal Government	-	1,206,038	1,206,038	-
Due to Schools and Colleges	500	2,077,398	2,077,654	244
Due to Townships	-	-	-	-
Undistributed Tax Collections	-	10,168,165	10,167,500	665
Undistributed Penal Fines and Interest	44,692	153,821	161,799	36,714
Other Liabilities	97,658	13,650,589	13,225,840	522,407
Total Liabilities	\$263,079	\$36,032,586	\$34,480,286	\$1,815,379

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
September 30, 2003

EXHIBIT AA-1

	DEBT SERVICE			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
<u>ASSETS</u>				
Current Assets				
Cash	\$ 150	\$ 411	\$ 150	\$ 711
Due From Local Units of Government	20,000	250,000	25,000	295,000
Total Current Assets	20,150	250,411	25,150	295,711
Total Assets	20,150	250,411	25,150	295,711
Noncurrent Assets				
Due From Local Units of Government	445,000	1,345,000	490,000	2,280,000
Total Noncurrent Assets	445,000	1,345,000	490,000	2,280,000
Total Assets	\$ 465,150	\$ 1,595,411	\$ 515,150	\$ 2,575,711
<u>LIABILITIES</u>				
Current Liabilities				
Bonds Payable	\$ 20,000	\$ 250,000	\$ 25,000	\$ 295,000
Total Current Liabilities	20,000	250,000	25,000	295,000
Noncurrent Liabilities				
Bonds Payable	445,000	1,345,000	490,000	2,280,000
Total Noncurrent Liabilities	445,000	1,345,000	490,000	2,280,000
Total Liabilities	465,000	1,595,000	515,000	2,575,000
<u>NET ASSETS</u>				
Restricted for Debt Service	150	411	150	711
Total Net Assets	\$ 150	\$ 411	\$ 150	\$ 711

CLARE COUNTY
 COMBINING STATEMENT OF ACTIVITIES
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
 For the Year Ended September 30, 2003

EXHIBIT AA-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>	<u>Capital Grants and Contributions</u>	
Clare Water #1 Debt					
Interest on Related Debt	\$ 25,833		\$ 25,983		\$ 150
Total Clare Water #1 Debt	25,833	\$ -	25,983	\$ -	150
Clare Sewer #3 Refunding Bonds 2002 Debt					
Interest on Related Debt	65,431		60,667		(4,764)
Total Clare Sewer #3 Refunding Bonds 2002 Debt	65,431	-	60,667	-	(4,764)
Clare Sewer #4 Debt					
Interest on Related Debt	28,638		28,788		150
Total Clare Sewer #4 Debt	\$ 28,638	\$ -	\$ 28,788	\$ -	\$ 150
					Change in Net Assets
					\$ (4,464)
					Net Assets--Beginning of Year
					5,175
					Net Assets--End of Year
					\$ 711

CLARE COUNTY
 COMBINING BALANCE SHEET
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
 GOVERNMENTAL FUNDS
 September 30, 2003

EXHIBIT AA-3

DEBT SERVICE

	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
<u>ASSETS</u>				
Cash	\$ 150	\$ 411	\$ 150	\$ 711
Due From Local Units of Government	465,000	1,595,000	515,000	2,575,000
Total Assets	<u>\$ 465,150</u>	<u>\$ 1,595,411</u>	<u>\$ 515,150</u>	<u>\$ 2,575,711</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Deferred Revenue	\$ 465,000	\$ 1,595,000	\$ 515,000	\$ 2,575,000
Total Liabilities	<u>465,000</u>	<u>1,595,000</u>	<u>515,000</u>	<u>2,575,000</u>
Fund Equity				
Fund Balance				
Designated for Debt Service	150	411	150	711
Total Fund Equity	<u>150</u>	<u>411</u>	<u>150</u>	<u>711</u>
Total Liabilities and Fund Equity	<u>\$ 465,150</u>	<u>\$ 1,595,411</u>	<u>\$ 515,150</u>	<u>\$ 2,575,711</u>
Fund Balance--Total Governmental Funds			\$	711

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.	2,575,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(2,575,000)</u>
Total Net Assets	<u>\$ 711</u>

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS
COMPONENT UNIT--GOVERNMENTAL FUNDS
For the Year Ended September 30, 2003

EXHIBIT AA-4

	DEBT SERVICE			Total
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	
Revenues				
Contributions From Local Units	\$ 45,983	\$ 275,628	\$ 53,788	\$ 375,399
Interest and Rentals		39		39
Total Revenues	<u>45,983</u>	<u>\$ 275,667</u>	<u>53,788</u>	<u>375,438</u>
Expenditures				
Debt Service				
Principal	20,000	215,000	25,000	260,000
Interest and Fiscal Fees	25,833	65,431	28,638	119,902
Total Expenditures	<u>45,833</u>	<u>280,431</u>	<u>53,638</u>	<u>379,902</u>
Excess of Revenues Over (Under)				
Expenditures	150	(4,764)	150	(4,464)
Fund Balance--October 1, 2002	<u>-</u>	<u>5,175</u>	<u>-</u>	<u>5,175</u>
Fund Balance--September 30, 2003	<u>\$ 150</u>	<u>\$ 411</u>	<u>\$ 150</u>	<u>\$ 711</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ (4,464)
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(260,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	<u>260,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (4,464)</u>

**CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DRAIN COMPONENT UNIT
September 30, 2003**

EXHIBIT AB-1

	CAPITAL PROJECTS					Total
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	
<u>ASSETS</u>						
Current Assets						
Cash	\$ 99,125	\$ 15,624	\$ 30,647	\$ 50,406	\$ 17,439	\$ 213,241
Investments	21,709					21,709
Due From Other Units of Government	19,861				2,561	22,422
Special Assessments Receivable	34,852					34,852
Total Current Assets	175,547	15,624	30,647	50,406	20,000	292,224
Noncurrent Assets						
Due from Other Units of Government	19,862					19,862
Special Assessments Receivable	244,323					244,323
Capital Assets, Net of Accumulated Depreciation	734,241		128,698			862,939
Total Noncurrent Assets	998,426	-	128,698	-	-	1,127,124
Total Assets	\$ 1,173,973	\$ 15,624	\$ 159,345	\$ 50,406	\$ 20,000	\$ 1,419,348
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities						
Current Liabilities						
Notes Payable	\$ 58,749					\$ 58,749
Total Current Liabilities	58,749	\$ -	\$ -	\$ -	\$ -	58,749
Noncurrent Liabilities						
Advances From Governmental Units	7,500					7,500
Long-Term Advances From Primary Government-General Fund	14,000	29,695		53,490	20,000	117,185
Notes Payable	227,925					227,925
Total Noncurrent Liabilities	249,425	29,695	-	53,490	20,000	352,610
Total Liabilities	308,174	29,695	-	53,490	20,000	411,359
Net Assets						
Invested in Capital Assets--Net of Related Debt	447,567		128,698			576,265
Restricted for Capital Projects	418,232	(14,071)	30,647	(3,084)		431,724
Total Net Assets	\$ 865,799	\$(14,071)	\$ 159,345	\$ (3,084)	\$ -	\$ 1,007,989

CLARE COUNTY
COMBINING STATEMENT OF ACTIVITIES
DRAIN COMPONENT UNIT
For the Year Ended September 30, 2003

EXHIBIT AB-2

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>				Net (Expense) Revenue
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Drain					
Governmental Activities					
Public Works	\$ 77,447	\$ 361,158	\$ 194		\$ 283,905
Interest on Related Debt	21,502				(21,502)
Total Drain	98,949	361,158	194	\$ -	262,403
Drain Revolving					
Governmental Activities					
Public Works					
Total Drain Revolving	-	-	-	-	-
Lake Level					
Governmental Activities					
Public Works	25,927	50,416			24,489
Total Lake Level	25,927	50,416	-	-	24,489
Lake Level Revolving					
Governmental Activities					
Public Works					-
Total Lake Level Revolving	-	-	-	-	-
Lake Improvement Revolving					
Governmental Activities					
Public Works					-
Total Lake Improvement Revolving	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets					\$ 286,892
Net Assets--Beginning of Year					-
Net Assets--End of Year					\$ 286,892

CLARE COUNTY
 COMBINING BALANCE SHEET
 DRAIN--COMPONENT UNIT
 GOVERNMENTAL FUNDS
 September 30, 2003

EXHIBIT AB-3

CAPITAL PROJECTS

	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
<u>ASSETS</u>						
Cash	\$ 99,125	\$ 15,624	\$ 30,647	\$ 50,406	\$ 17,439	\$ 213,241
Investments	21,709					21,709
Special Assessments Receivable	293,439					293,439
Due From Other Funds--Component Units		14,071		3,084		17,155
Due From Other Units of Government	39,723				2,561	42,284
Total Assets	\$ 453,996	\$ 29,695	\$ 30,647	\$ 53,490	\$ 20,000	\$ 587,828
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Due to Other Funds--Component Units	\$ 14,071		\$ 3,084			\$ 17,155
Advances From Governmental Units	7,500					7,500
Long-Term Advances From						
Primary Government	14,000	\$ 29,695		\$ 53,490	\$ 20,000	117,185
Assessments Collected in Advance	14,264					14,264
Deferred Revenue	333,162					333,162
Total Liabilities	382,997	29,695	3,084	53,490	20,000	489,266
Fund Equity						
Fund Balance						
Reserved For Capital Projects	70,999		27,563			98,562
Total Fund Equity	70,999	-	27,563	-	-	98,562
Total Liabilities and Fund Equity	\$ 453,996	\$ 29,695	\$ 30,647	\$ 53,490	\$ 20,000	\$ 587,828

Fund Balance--Total Governmental Funds \$ 98,562

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 862,939

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. 333,162

Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (286,674)

Total Net Assets \$ 1,007,989

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2003

EXHIBIT AB-4

	CAPITAL PROJECTS					Total
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	
Revenues						
Contributions From Local Units	\$ 21,903					\$ 21,903
Interest and Rentals	194					194
Special Assessments	73,562		\$ 50,416			123,978
Total Revenues	95,659	\$ -	50,416	\$ -	\$ -	146,075
Expenditures						
Current						
Public Works	61,964		22,499			84,463
Debt Service						
Principal	58,752					58,752
Interest on Related Debt	21,502					21,502
Total Expenditures	142,218	-	22,499	-	-	164,717
Excess of Revenues Over (Under)						
Expenditures	(46,559)	-	27,917	-	-	(18,642)
Fund Balance (Deficit)--October 1, 2002	117,558	-	(354)	-	-	117,204
Fund Balance (Deficit)--September 30, 2003	\$ 70,999	\$ -	\$ 27,563	\$ -	\$ -	\$ 98,562

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

Net Change in Fund Balances--Total Governmental Funds	\$ (18,642)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	58,752
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.	265,499
Depreciation is not recorded as an expense in governmental funds, but is recorded as an expense in the Statement of Activities.	<u>(18,911)</u>
Change in Net Assets of Governmental Activities	<u>\$ 286,698</u>

**CLARE COUNTY HOUSING COMMISSION
(Grantee Name)**

Grant No. M-1999-0761

**Application of State HOME Funds
Michigan HOME Investment Partnership Program**

For the Grant Period June 1, 2000 through September 30, 2003

<u>Activity</u>	Authorized Costs	Actual Costs	Variance Under (Over)
Replacement Housing	\$ 250,000	\$ 50,000	\$ 200,000
Administrative	27,700	5,540	22,160
Subtotal	<u>277,700</u>	<u>55,540</u>	<u>222,160</u>
<u>Other Funds/Sources</u>			
Matching Funds	350,000	88,531	261,469
Subtotal	<u>350,000</u>	<u>88,531</u>	<u>261,469</u>
Total	<u><u>\$ 627,700</u></u>	<u><u>\$ 144,071</u></u>	<u><u>\$ 483,629</u></u>

CLARE COUNTY HOUSING COMMISSION
(Grantee Name)

Grant No. MSC-2002-0761-HOA

Application of State Block Grant Funds
Michigan Community Development Block Grant

For the Grant Period January 1, 2002 through September 30, 2003

<u>Activity</u>	Authorized Costs	Actual Costs	Variance Under (Over)
HO--Single Family Housing Rehabilitation	\$ 151,000	\$ 62,876	\$ 88,124
HO--Emergency Assistance	45,000	5,268	39,732
HO--Replacement	50,000	40,000	10,000
Administrative	54,000	13,500	40,500
Subtotal	300,000	121,644	178,356
<u>Other Funds/Sources</u>			
MSHDA PIP/RAP II Loans	50,000	37,254	12,746
USDA Rural Development	90,000	163,850	(73,850)
Subtotal	140,000	201,104	(61,104)
Total	\$ 440,000	\$ 322,748	\$ 117,252

CLARE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)
For the Year Ended September 30, 2003

SCHEDULE 3

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT				
Office of Community Development--Direct Enterprise Community	10.772	(3)	\$160,336	\$160,336
TOTAL US DEPARTMENT OF AGRICULTURE			<u>160,336</u>	<u>160,336</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Michigan Department of Consumer and Industry Services Community Development Block Grant/State's Program	14.228	MSC-2002-0761-HOA	121,644	121,644
Home Investment Partnerships Program	14.239	M-1999-0761	17,770	17,770
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>139,414</u>	<u>139,414</u>
US DEPARTMENT OF JUSTICE				
Passed Through Michigan Family Independence Agency Office of Juvenile Justice Juvenile Accountability Incentive Block Grant	16.523	JABGN 02-18001	18,045	18,045
Juvenile Accountability Incentive Block Grant	16.523	JABGN 03-18001	29,310	29,310
TOTAL US DEPARTMENT OF JUSTICE			<u>47,355</u>	<u>47,355</u>
US DEPARTMENT OF TRANSPORTATION				
Passed Through Michigan Department of State Police Hazardous Material Emergency Planning Grant	20.703	(3)	938	938
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>938</u>	<u>938</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Michigan Family Independence Agency ADC Incentive Program	93.558	(3)	20,921	(4)
Medical Incentive	93.563	CS/Med-03-18001	9,648	9,648
Child Support Enforcement (Title IV-D) Friend of the Court	93.563	CS/FOC-02-18001	22,913	(4)
Friend of the Court	93.563	CS/FOC-03-18001	175,719	175,719
Prosecuting Attorney	93.563	CS/PA-03-18002	43,860	43,860
Passed Through Michigan Department of Career Development Region VII B--Michigan Works Temporary Assistance for Needy Families	93.558	PY00-004	62,134	62,134
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>335,195</u>	<u>291,361</u>
US DEPARTMENT OF HOMELAND SECURITY				
Passed Through Michigan Department of State Police State Domestic Preparedness Equipment Grant (5)	97.004	(3)	39,542	39,542
Emergency Management Performance Grant (5)	97.042	(3)	10,362	10,362
TOTAL US DEPARTMENT OF HOMELAND SECURITY			<u>49,904</u>	<u>49,904</u>
TOTAL PRIMARY GOVERNMENT			<u>\$733,142</u>	<u>\$689,308</u>

See Notes to Schedule of Expenditures of Federal Awards.

CLARE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended September 30, 2003

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

It is required by the Michigan Department of Transportation that road commissions report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through road commission procurement. The reason for this requirement is that the road commission is required to have accounting and administrative control over the force account (negotiated) contracts, while all other contracts are administered by the Michigan Department of Transportation. During 2003, the Road Commission received and expended \$532,611 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 general purpose financial statements.
- (3) Pass-through grantor's number was not available.
- (4) Revenue from this grant is based on collection effort only, with no directly related expenditures.
- (5) The State Domestic Preparedness Equipment Grant and Emergency Management Performance Grant were formerly listed with CFDA numbers 16.007 and 83.552. In September 2004, these programs were moved to the Department of Homeland Security and assigned the new CFDA numbers 97.004 and 97.042.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issues: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ✓ Yes No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes ✓ None reported
- Noncompliance material to financial Statements noted? Yes ✓ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes ✓ No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes ✓ None reported

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

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

**Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003**

Section I--Summary of Auditor's Results (Continued)

Identification of major programs:

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

Dollar threshold used to distinguish
Between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

_____ Yes No

Section II--Financial Statement Findings

MATERIAL INTERNAL CONTROL WEAKNESSES

The following is a detailed description and recommendation of the reportable conditions that we consider to be a material weakness involving internal controls.

FRIEND OF THE COURT

Bank Reconciliation--Account #541-570-0 Chemical Bank

Finding 97-2

Condition: In prior audits, we have disclosed that the Friend of the Court bank account had not been reconciled on a timely basis. During 2003, this bank account became inactive because the function of collections and disbursements of child support has been taken over by the State of Michigan. Maximus of Bay City has reconciled the account as of September 30, 2003. As of September 30, 2003, the account is no longer active. The bank balance of \$22,957.64 consists of \$21,629.02 of outstanding checks, \$1,758.69 of child support payments to be transferred to the State of Michigan, and a shortage of \$430.07.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II--Financial Statement Findings (Continued)

MATERIAL INTERNAL CONTROL STRUCTURE WEAKNESSES (Continued)

Criteria: The Michigan Court Administration Reference Guide states in Section 6-05, paragraph E3d, 6:

“Unreconciled differences between the bank statement balance and the court balance should be resolved on a timely basis. Should an unreconciled difference exist which cannot be found, the unreconciled difference should be properly adjusted through the local funding unit or court’s operational budget on an annual basis.”

The Michigan Court Administration Reference Guide in Section 6-05, paragraph E5 also states:

Old outstanding checks should be periodically reviewed and escheated to the State of Michigan. The Unclaimed Property Division of the Michigan Department of Treasury requires that all uncashed checks unclaimed for a period of one year, including undeliverable and outstanding checks, should be escheated as prescribed in Treasury regulations. Use the Michigan Department of Treasury form 2011. Before filing a report with the State Treasurer regarding the property, the court should send "notice of intent to escheat" to the owner (SCAO Approved form MC 25). Notice must be sent not less than 60 days nor more than 365 days before filing the report. [MCL 567.234; MSA 26.1005(14), MCL 567.238(5); MSA 26.1004(18)(5)]

Paragraph E6 states:

Any funds that exist in an old court bank account, which cannot be identified to a defendant, support recipient, restitution victim, governmental agency, or other court payee should be escheated to the State of Michigan as prescribed in Treasury regulations. Use the Michigan Department of Treasury form 2011.

Recommendation: We recommend that the Friend of the Court review the outstanding checks and reissue checks, if possible, or turn over all others to the State in accordance with State statute. We also recommend that the amount to be transferred to the State of Michigan be carried out and that the Friend of the Court obtain an appropriation from the General Fund for the shortage to close the account.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II--Financial Statement Findings (Continued)

MATERIAL INTERNAL CONTROL STRUCTURE WEAKNESSES (Continued)

Management's Response--Corrective Action Plan: Contact person is Richard Hughes, Friend of the Court, Clare County Friend of the Court, 225 West Main Street, P.O. Box 988, Harrison, Michigan 48625. Telephone (989) 539-0800.

The Friend of the Court has received the recommendation from the county auditor to escheat the available funds in the old bank account to the State of Michigan and obtain appropriation from the General Fund for the shortage so that the account can be closed in a timely manner.

The Friend of the Court has had a difficult time these past few years in reconciling the old bank account. Maximus of Bay City became involved in resolving this issue and has done a fabulous job thus far. They also plan to continue to be involved in the endeavor to help the Friend of the Court be compliant with State guidelines.

To accomplish this goal, the Friend of the Court agreed with the auditor that the first step should be to escheat to the State of Michigan the checks that were issued under \$1.00. The Friend of the Court plans to do this as soon as possible. The next step will be to void/reissue checks to the necessary parties, if any can be located, and begin the process to escheat the larger funds to the State of Michigan.

Any money left over will be transferred to the new bank account. The last step will be to request an appropriation from the General Fund for the shortage of \$430.07 to close the bank account. The Friend of the Court's goal is to accomplish this in a timely manner.

SHERIFF DEPARTMENT

Jail Inmate/Commissary Bank Account Reconciliation

Finding 97-3

Condition: The Jail Inmate/Commissary bank account balance is reconciled monthly to the checkbook balance administered by jail personnel. However, the checkbook balance is not reconciled to individual inmate balances, plus the accumulated total of commissary profits and commissions.

Recommendation: We, again, recommend that the bank balance be reconciled to the checkbook balance and the checkbook balance be reconciled to the total inmate account balances after all commissions earned from commissary sales are transmitted to the county treasurer. This should be done on a monthly basis.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II--Financial Statement Findings (Continued)

MATERIAL INTERNAL CONTROL STRUCTURE WEAKNESSES (Continued)

Management's Response--Corrective Action Plan: Contact person is Barney Ledford, Undersheriff, Clare County Sheriff Department, 255 West Main Street, Harrison, Michigan 48625. Telephone (989) 539-7166.

The Clare County Sheriff's Department will attempt to reconcile the account. If we are not successful in balancing this account by the next inspection, we request that the auditors advise where the inconsistencies are so they can be rectified.

NONCOMPLIANCE WITH STATE STATUTES

Our examination revealed the following instance of noncompliance with State statutes.

Board of Commissioners and Administrator--Deficit Fund Balances

Finding 03-1

Condition: As of September 30, 2003, a deficit in the unreserved fund balance existed in the Friend of the Court Fund (special revenue fund) of \$26,775.

Criteria: Public Act 140 of 1971, as amended, requires Clare County to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Clare County has filed the required plan.

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

Clare County feels the following addresses the deficits:

At the December 16, 2003 board meeting, the Clare County Board of Commissioners approved an appropriation to the Friend of the Court Fund from the County's General Fund in the amount of \$26,775.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II--Financial Statement Findings (Continued)

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Expenditures in Excess of Appropriations--County's Budgetary Funds

Finding 03-2

Condition: Our examination of procedures used by the county to adopt and maintain operating budgets for the county's 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 2003 General Appropriations Act (budget) provided for expenditures of the General Fund and Special Revenue Funds to be controlled to the activity level by the county. As detailed below, actual 2003 expenditures exceeded the board's approved budget allocations for some general fund activities and special revenue fund functions.

During the fiscal year ended September 30, 2003, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditure:</u>
General Fund			
General Government			
District Court	\$ 548,910	\$ 570,293	\$ (21,383)
Public Safety			
Sheriff--Redding Township	6,158	6,702	(544)
Other			
Cost Study Contracts	37,173	41,827	(4,654)
Other Financing Uses			
Child Care Probate Appropriation	748,665	756,516	(7,851)
Special Revenue Funds			
Law Library			
General Government	3,500	3,526	(26)
Council on Aging			
Health and Welfare	396,411	401,855	(5,444)
Other	600	1,978	(1,378)
Child Care FIA			
Health and Welfare	85,000	98,694	(13,694)

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section II--Financial Statement Findings (Continued)

NONCOMPLIANCE WITH STATE STATUTES (Continued)

Criteria: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

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

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

Management has agreed to correct the problem by monitoring the budgets more closely and making budget amendments on a timely basis.

Clare County
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2003

Section III--Federal Award Findings and Questioned Costs

NONCOMPLIANCE WITH FEDERAL REGULATIONS

CFDA# 10.772: Enterprise Communities Program
US Department of Agriculture--Rural Development
Office of Community Development
\$500,000 Grant Dated April 10, 2000 to Clare County Enterprise Community
Passed through Michigan Department of Agriculture

Financial Status Reports

Finding 00-5

Condition: We found that the Enterprise Community is not submitting quarterly Financial Status Reports to the USDA within 30 days after the reporting period as required by the Enterprise Community Grant Agreement.

Recommendation: We recommend that the Enterprise Community submit the required reports on a timely basis.

Management's Response--Corrective Action Plan: Contact person is Edward Kerr, Executive Director, Clare County Enterprise Community, 225 West Main Street, P.O. Box 439, Harrison, Michigan 48625-0439. Telephone (989) 539-7805.

After technical assistance meetings with state auditors on January 14, and February 10, 2004, we have completed our first Financial Status Report for the period April 10, 2000 through December 31, 2003. Now that we have an understanding of the process, Financial Status Reports will be filed quarterly through the end of the grant period April 10, 2010.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

February 12, 2004

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

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

Dear Commissioners:

We have audited the financial statements of Clare County, Michigan, as of and for the year ended September 30, 2003, and have issued our report thereon dated February 12, 2004. We did not audit the financial statements of the Clare County Transit Corporation (enterprise fund) which represents 28.1 percent and 73.7 percent, 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 86.6 percent and 93.4 percent, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of other auditors.

The county adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," as amended by GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues;" GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis," and GASB Statement No. 38, "Certain Financial Statement Note Disclosures;" and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures," as of October 1, 2002. 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.

Compliance--As part of obtaining reasonable assurance about whether Clare County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards, however, we did note other instances of noncompliance described in the accompanying Schedule of Findings and Questioned Costs as items 03-1 and 03-2.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Clare County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clare County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 97-2 and 97-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider items 97-2 and 97-3 to be material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JENNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

February 12, 2004

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

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

Dear Commissioners:

Compliance--We have audited the compliance of Clare County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended September 30, 2003. Clare County's major Federal programs are identified in the summary of auditor's result section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Clare County's management. Our responsibility is to express an opinion on Clare County's compliance based on our audit.

Clare County's financial statements include the operations of the Road Commission (discretely presented component unit), and Public Transit (blended component unit), which received Federal awards that are not included in the schedule during the 2003 year audit. Our audit, described below, did not include the operations of the Public Transit (blended component unit) because other auditors were engaged to perform an audit in accordance with OMB Circular A-133. The Clare County Road Commission (special revenue component unit), which received and expended \$532,611 in Federal Awards, is not included in the schedule for the year ended September 30, 2003 because it is included in the State's single audit. There were no Federal force account projects that are required to be audited for compliance under the Single Audit Act through the road commission procurement.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program. An audit includes examining, on a test basis, evidence about Clare County's compliance with those requirements and performing such other procedures as we considered

necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clare County's compliance with those requirements.

As described in item 00-5 in the accompanying Schedule of Findings and Questioned Costs, Clare County did not comply with requirements regarding financial status reports that are applicable to its Enterprise Community Program. Compliance with such requirements is necessary, in our opinion, for Clare County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Clare County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2003.

Internal Control Over Compliance--The management of Clare County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered Clare County's internal control over compliance (with requirements that could have a direct and material effect on a major Federal program) in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State 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
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