

# COUNTY OF CLARE, MICHIGAN



## **Comprehensive Annual Financial Report** **For the Fiscal Year Ended September 30, 2004**

*Prepared by:*  
*Randolph D. Terronez, County Administrator*

# **CLARE COUNTY, MICHIGAN**

Comprehensive Annual Financial Report  
Year Ended September 30, 2004

**Prepared by:  
Administrator's Office**

**Randolph D. Terronez  
County Administrator**

Clare County, Michigan

Comprehensive Annual Financial Report  
Year Ended September 30, 2004

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## **INTRODUCTORY SECTION**

March 31, 2005

The Honorable Chairperson and  
Members of the Board of Commissioners  
Clare County  
Harrison, Michigan

The Office of County Administrator is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the County of Clare, Michigan for the fiscal year ended September 30, 2004.

This report is published to provide the Board of Commissioners, County staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of County government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

This is the first year that the County of Clare is presenting its financial statements in a Comprehensive Annual Financial Report and the second year that the County has prepared its financial statements in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Previously, the financial statements provided information about individual funds of the County. These funds established by the County show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the Comprehensive Annual Financial Report remain on an individual fund basis, GASB #34 required government-wide financial statements, which were prepared using full accrual accounting for all governmental activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety, determine if the County's overall financial position improved or deteriorated, and see how the County invested in capital assets like water mains, sewers, parks, etc. The government-wide statements are aimed at viewing the County as a whole from a long-term perspective.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. Clare County's MD&A can be found immediately following the report of the independent auditors.

## THE REPORTING ENTITY AND ITS SERVICES

### **Location**

Clare County is located in the central part of Lower Michigan. Harrison is the county seat with a unique transportation activity as the hub of the US-127, US-10 and M-115 intersections which provide ready access to the northern portion of Michigan's lower peninsula and make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, the Michigan Department of Transportation (MDOT) multi-year upgrade of US-127/US-10 totaled \$5 million and prepared Clare County to accommodate present and future transportation needs. The County encompasses an area of approximately 576 square miles, has a population of approximately 31,252.

The County operates under the State of Michigan and is a Commission-Manager form of government. The County Commission is comprised of the seven Commissioners elected on a partisan basis for terms of two years from single member districts. The Board of Commissioners elects from its ranks a Chairperson and Vice-Chairperson by majority vote. The Board of Commissioners primary functions include adoption of local laws and policies, determination of the type and level of County services, adoption of the County budget, equalization of County property values, legislative oversight of County services and the appointment of various board, commissions and County officials.

The administration of the County, other than as delegated to certain elected officials, falls to the County Administrator who is appointed by the County Board of Commissioners. The County Administrator also coordinates activities with the six elected county offices of Clerk/Register, Treasurer, Prosecuting Attorney, Sheriff, Drain Commissioner and Surveyor, who are all elected at-large for four-year terms on a partisan basis.

Additionally, the County Administrator maintains communications with the three courts (Circuit, Probate and District) each headed by an elected judge who serves a six-year nonpartisan term. Clare County shares the three court offices with the County of Gladwin.

The Basic Financial Statements of the County include all government activities, organizations and functions for which the County is financially accountable as defined by the Governmental Accounting Standards Board.

### **Services Provided**

The County provides a full range of services that are either mandated by State statute, or authorized by the County Board of Commissioners. These services are carried out by its approximately 135 full-time and 65 part-time employees and include legislative, judicial, public safety, public works, health, welfare, cultural, capital improvements and general administrative services.

The annual budget serves as the foundation for the Clare County's financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 45 as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 51, or other supplementary information (for nonmajor funds), starting on page 67.

### **FACTORS AFFECTING FINANCIAL CONDITION**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Clare County operates.

### **Local Economy**

Clare County's economy traces back to its early origins in the 1800's when lumbering was an early economic driver. The Flint & Pere Marquette Railroad began in Clare County in 1870 and furthered the County's population expansion. The lumbermen made the quickest and heaviest impact on our forest resources. Utilizing the Muskegon River, a major river tributary running through northwest Clare County, tens of thousands of logs were transported to market.

After the timber was gone, homesteader/farmers began nurturing the soil back to productivity. During the 1930's large oil fields were discovered and developed with capital supplied by various sorts of businessmen.

Into the 21<sup>st</sup> century, Clare County has become one of Michigan's favorite residential areas reflected by the County's 25% population growth from 1990 to 2000 and ranks in the top ten counties in growth rate in the state. The County is now known for hunting, fishing, snowmobiling, golfing, and other recreational activities.

Clare County is located in the central Michigan region, the geographic center of Michigan's lower peninsula, which is surrounded by the world's largest reserve of fresh water. The area offers a unique lifestyle boasting the warmth and safety of many small communities of distinctive character - each proud of its pristine surroundings, local festivals, specialty shops and area charm. Fortunate to experience the magnificence of all four seasons, the inhabitants of Clare County take pleasure in the many experiences of the great outdoors. In addition, Clare County offers a broad-based environment usually found in much larger counties, with nearby Mid Michigan Community College and neighboring Isabella County's Central Michigan University and the Soaring Eagle Casino and Resort. Clare County is within a 3-hour drive of every major market in Michigan and is linked to one of the largest industrial and consumer markets in the United States.

The City of Clare, the largest city in the County, is known statewide as the "Gateway to the North." Clare is an ideal location for family living, which boasts such amenities as: bountiful hunting, fishing, and wildlife adventures, proximity to some 150 named lakes, exciting ski facilities, pleasant subdivisions, and an excellent school system.

The City of Harrison is the Clare County seat and home to Mid Michigan Community College, and supports an unlimited availability of year-round water related activities. It is also known for its outdoor activities including camping, golfing, skiing, and snowmobiling. It is truly a recreational paradise for both seasonal visitors and residents.

The Village of Farwell, located on the southern border of Clare County, was established in 1870 along the Pere Marquette Railroad line. The village still retains its small town atmosphere, is supported by small businesses and several manufacturing firms, and plays a role in local tourism due to its proximity to lakes and skiing. It is also the site of a tax-free, industrial Renaissance Zone.

The County of Clare is rich with quality educational opportunities. All communities in Clare County provide the choice of excellent public and private schools, area vocational centers, and alternative education programs.

The County's crown jewel is Mid Michigan Community College, a recognized leader in educational and community leadership. The College provides post-secondary education and services to enable students and the community to achieve success in a global society. A key asset to the business community is the Technical Training Center (M-TEC) of Mid Michigan Community College. The focus of training in the M-TEC center is the industrial and construction trades. Industrial training components include pneumatics, hydraulics, instrumentation, electrical controls and pipe fitting. In the construction trades, training is provided in carpentry, electrical, masonry, and plumbing. A key to the instructional delivery in the M-TEC is providing learners with a variety of instructional delivery systems. Units of instruction are developed that cover the skills specifically identified as critical by business and industry.

Clare County supports a 64-bed hospital, Mid Michigan Medical Center - Clare, where services are offered that are reflective of a rural, primary care hospital. Inpatient care includes special units for intensive, progressive, obstetrical and pediatric care, as well as for medical and surgical care. The Medical Center provides 24-hour emergency room coverage and services including radiology, nuclear medicine, Laboratory, Ultrasound, CT scanning, Rehabilitation services, Outpatient surgery including general, gynecological and ophthalmology.

The citizens of Clare County take great pride in their community and are committed to maintaining the area's high standard of economic excellence. With a strong business climate, a central and convenient location with quick access to nearby major markets, significant interaction with Central Michigan University and proximity to Michigan's favorite vacationlands, Clare County is an ideal place to live, to work, and to "grow" a business.

Clare County's tax base has grown steadily in the last few years and is a sign of the strong economy. From 2003 to 2004, the County's taxable value increased from \$768.2 million to \$816.5 million, a 6.29% increase.

However, Clare County does have its challenges. Unemployment in Clare County is historically above the statewide average. In 2003, Clare County's unemployment rate stood at 10.9% while the State was at 7.6%. In 2004, Clare County's unemployment rate improved slightly at 10.8% while the state figure was 7.3%.

As a result of Clare County's designation as an Enterprise Zone Community, the County has taken advantage of regional economic development opportunities and participates in a two-county economic development organization called Middle Michigan Development Corporation that provides quality economic development services to Clare and Isabella County organizations.

### **Long-term Financial Planning**

The Clare County Board of Commissioners recognizes the need for long-term planning by annually holding a series of planning sessions that result in the County's Strategic Plan. The 2003-2004 Plan identified the following priorities:

- Employee Relations & Compensation, which includes pay, benefits, recognition, fair and equal treatment, and communication issues.
- Health Care Costs, which includes cost, co-pay problems, and health improvement to reduce usage.
- Technology, including developing minimum hardware standards for county employees; address public access to Internet, and provision of county services on the web.

-Budget, including reduced costs, communication with the public about what is being done to streamline County government, continue reducing dependence on fund balance.

-Jobs/Economic Development, including continuing to work with other regional agencies to develop ways to attract and maintain small business in the area, developing a revolving loan fund for small business.

### **Cash Management Policies and Practices**

The County maintains depository accounts with four (4) banks and two (2) investment firms. The County holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by County officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the County's investment policy. The ending balance of the County's investment portfolio for fiscal year 2004 was approximately \$3.0 million. The overall portfolio provided \$110,431 in investment income.

In compliance with the County's investment policy, the County Treasurer is responsible for its implementation and reports to the County Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end as required. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

### **MAJOR INITIATIVES**

#### **Scrap Tire Clean Up**

The County continues to take steps toward cleaning up scrap tire sites in the County. The Kirby Road site in Redding Township was the site of over two (2) million tires that became a health hazard insofar as mosquito and rodent infestation. This fifty-acre site has been the subject of several Michigan Department of Environmental Quality (MDEQ) scrap tire cleanup grant awards that totaled \$1 million through 2004. In the summer of 2004, the most recent grant cleared the site of tires above the ground.

#### **Technology**

Recent progress has been made to expand Internet access and email/calendaring capabilities to its employees. The County continues to inventory its technology needs in order to plan for replacement subject to funding availability.

#### **Central Dispatch/E9-1-1 Improvements**

This project is involved in identifying the need to improve the facility space needs and financing of Clare County's emergency dispatching services currently under the County Sheriff's Department. An outside consultant was hired to analyze the options available to the County of merging with one or more surrounding counties or to maintain as a single county operation. The Study recommended a standalone operation. Subsequently, the County successfully obtained voter approval at the November, 2004 election for a 0.35 mill levy over five years to fund a building addition to the existing Sheriffs Department and fund a portion of the operational costs.

#### **Dog Census Project**

A need to implement a dog census project in 2004 saw tremendous results. Responsible pet ownership demands that dogs be given rabies shots and be licensed with the County. The County Animal Control Department with County Board approval established a temporary full time License Enforcement Officer. With the cooperation of District Court, owners of unlicensed dogs were given three weeks to obtain the dog license or face a Court fine of \$70. The results showed that dog license revenue increased from \$18,082 in 2003 to \$68,982 in 2004, an increase of \$50,900 or 281%.

#### **Employee Health Insurance Cost Reductions**

From 2001 to 2004, employee health insurance premiums have skyrocketed an average of 29% for family coverage. In order to reduce the costs impact, Clare County bid out its employee health insurance package in 2004. While it continued with the current carrier, the County decided to change to a self-insured product as one means of containing employee health care costs. The County continues to review all aspects of employee health insurance in order to realize cost containment.

## OTHER INFORMATION

### **Independent Audit**

The County is required by state statute to undertake an annual audit of the books of financial statements of the County by independent certified public accountants selected by the County Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

### **Awards and Acknowledgments**

Clare County is submitting for the first time its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program for the fiscal year ended September 30, 2004. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

It is management's contention that the current comprehensive annual financial report meets the Certificate of Achievement program's requirements and therefore it is has been submitted to the GFOA to determine its eligibility.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office and the Accounts Payable/Payroll Division of the Clerk/Register's Office. Finally, special thanks needs to be given to Tracy Byard, Administrative Assistant in the County Administrator's Office for her true dedication and commitment to Clare County. I also wish to express our sincere appreciation to County Department Heads, Elected Officials and the Judiciary throughout the organization, especially those who were instrumental in the successful completion of this report.

I would like to thank the members of the County Commission for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,

Randolph D. Terronez  
County Administrator

Clare County, Michigan  
Comprehensive Annual Financial Report  
Year Ended September 30, 2004

LIST OF COUNTY OFFICIALS

COUNTY COMMISSION

Karen Lipovsky

Jim Gelios

Jordon Lockmiller

Lauren Jones

Karen Keesecker

Forrest Meek

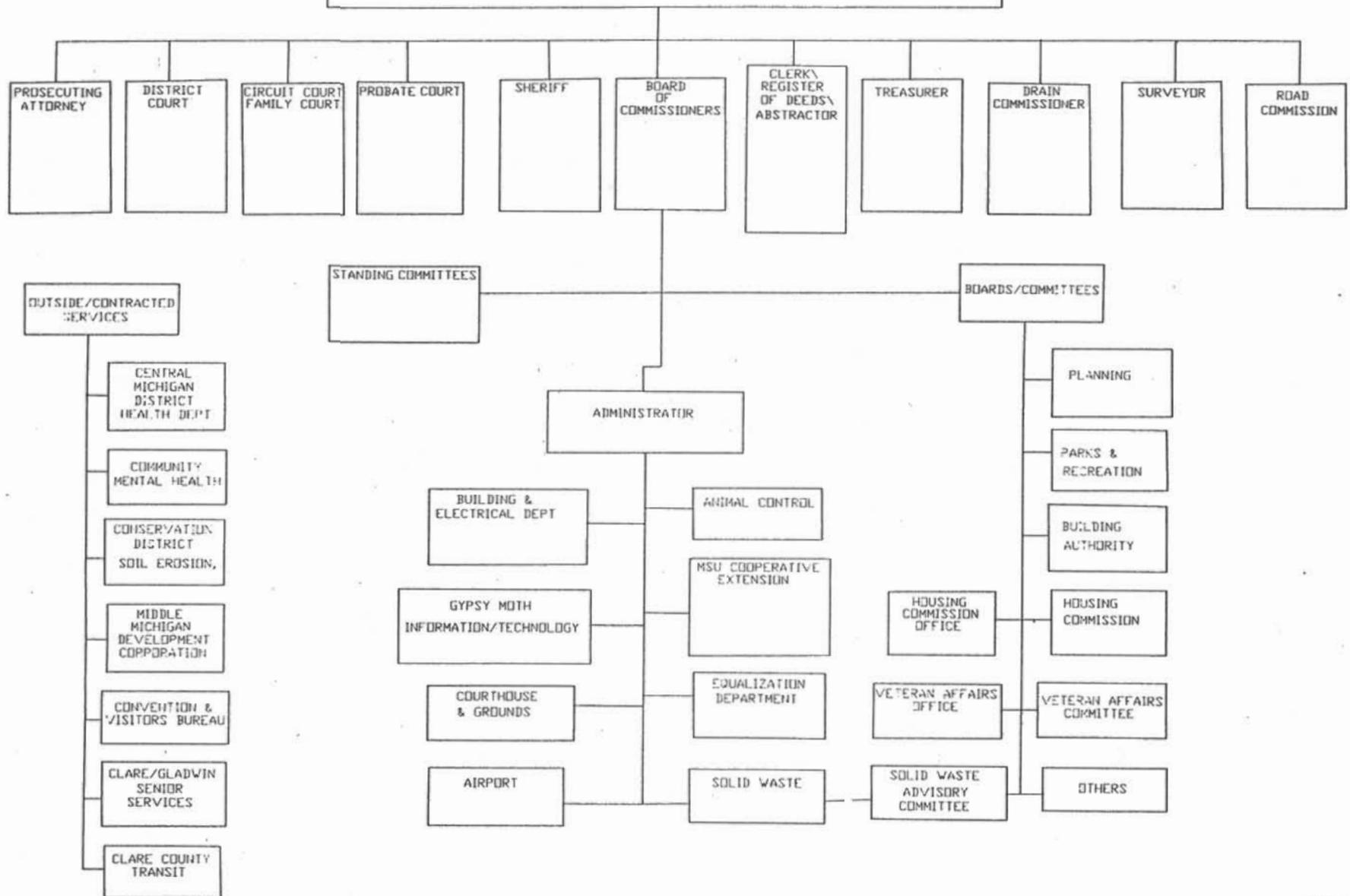
Julie Murphy

COUNTY ADMINISTRATOR  
Randy Terronez

COUNTY TREASURER  
Winifred Johnson

COUNTY CLERK  
Carol McAulay

# CITIZENS OF CLARE COUNTY



## **FINANCIAL SECTION**

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Clare County  
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan as of and for the year ended September 30, 2004, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Road Commission, which represents 88% and 98%, respectively of the total assets and revenues of the component units and the Public Transit Corporation, which represents 28% and 76%, respectively of the total assets and revenues of the business-type funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission and Public Transit Corporation, is based solely on the report of the other auditors. The financial statements of Clare County for the year ended September 30, 2003 were audited by other auditors whose report dated February 12, 2004, expressed an unqualified opinion on those statements.

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

In our opinion, based on our audit and the audit 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, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2005 on our consideration of Clare County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clare County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section is unaudited and we express no opinion on it.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 7, 2005

As management of the County of Clare, Michigan, 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, 2004. 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 primary government exceeded its liabilities at the close of the most recent fiscal year by \$14,209,113 (*net assets*). Of this amount, \$9,294,337 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$ 264,074. This increase was largely due to growth in property taxes and increase in the charges for service that were received.
- As of the close of the current fiscal year, the County of Clare's governmental activities reported combined ending net assets of \$ 7,080,555, an increase of \$ 730,741 in comparison with the prior year. Approximately 45 percent of this total amount, \$3,201,315, is available for spending at the government's discretion (*unrestricted net assets*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$2,124,936, or approximately 20 percent of total general fund expenditures (Total Expenditures and Other Financing Uses).

### **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 required and 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 the County of Clare's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County of Clare'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 County of Clare is improving or deteriorating.

The *statement of activities* presents information showing how the government'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*. 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 the County of Clare 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 general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. *Business-type activities* include delinquent tax collections, public transit and an operation of an inmate commissary.

The County's financial statements also include legally separate entities (component units) for which the County is financially accountable. The *component units* include the Clare County Road Commission, Clare County Economic Development Corporation, the Clare County Drain Commission, and the Clare County Board of Public Works. Financial information for the component units are reported separately from the financial information presented for the primary government itself.

**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 the County of Clare 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*.

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, Gypsy Moth and Housing Commission 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 nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

*Proprietary funds.* The County maintains both 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 uses an internal service fund to account for the resources used to provide health care to employees and their families and retirees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The Proprietary fund financial statements 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, since two (2) of the three (3) funds are considered major funds.

*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 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 the County of Clare's budgetary comparison schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

### **Government-Wide Financial Analysis**

The government-wide financial statements focus 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 useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by \$7,080,555 at September 30, 2004.

**Clare County's Net Assets**

	Governmental		Business-type		Total	
	Activities		Activities			
	2003	2004	2003	2004	2003	2004
<b>Assets</b>						
Current assets	\$6,625,216	\$7,170,699	\$6,715,682	\$6,214,289	\$13,340,898	\$13,384,988
Non-current assets	4,303,816	3,696,704	1,017,074	1,035,536	5,320,890	4,732,240
Total assets	10,929,032	10,867,403	7,732,756	7,249,825	18,661,788	18,117,228
<b>Liabilities</b>						
Current	1,143,947	1,153,739	113,156	121,267	1,257,103	1,275,006
Non-current	3,246,961	2,633,109	24,375	-	3,271,336	2,633,109
Total liabilities	4,390,908	3,786,848	137,531	121,267	4,528,439	3,908,115
<b>Net Assets</b>						
Invested in capital assets- net of related debt	830,679	856,704	1,017,074	1,035,536	1,847,753	1,892,240
Restricted	4,051,521	3,022,536	304,000	-	4,355,521	3,022,536
Unrestricted	1,655,924	3,201,315	6,274,151	6,093,022	7,930,075	9,294,337
Total net assets	<b>\$6,538,124</b>	<b>\$7,080,555</b>	<b>\$7,595,225</b>	<b>\$7,128,558</b>	<b>\$14,133,349</b>	<b>\$14,209,113</b>

**Clare County's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
<b>Revenues</b>						
Program revenue:						
Charges for services	\$4,179,392	\$4,764,659	\$588,055	\$597,308	\$4,767,447	\$5,361,967
Operating grants and contributions	2,008,390	2,882,549	805,215	601,680	2,813,605	3,484,229
Capital grants and contributions	39,542	166,110	270,014	76,639	309,556	242,749
General revenues:						
Property taxes	4,412,105	4,407,811	-	201,698	4,412,105	4,609,509
Other	1,346,690	1,276,781	64,328	56,382	1,411,018	1,333,163
Transfers	650,000	650,000	(650,000)	(650,000)	-	-
Total revenues	12,636,119	14,147,910	1,077,612	883,707	13,713,731	15,031,617
<b>Expenses</b>						
General government	4,107,883	4,120,702	-	-	4,107,883	4,120,702
Public safety	4,696,470	4,943,791	-	-	4,696,470	4,943,791
Public works	20,621	29,779	-	-	20,621	29,779
Health and welfare	2,237,065	2,650,836	-	-	2,237,065	2,650,836
Comm and Econ Development	465,016	816,054	-	-	465,016	816,054
Recreation and Culture	18,784	14,372	-	-	18,784	14,372
Other	587,904	666,398	-	-	587,904	666,398
Interest on long-term debt	191,603	175,237	-	-	191,603	175,237
Business-type activities	-	-	1,277,678	1,350,374	1,277,678	1,350,374
Total expenses	12,325,346	13,417,169	1,277,678	1,350,374	13,603,024	14,767,543
Increase in net assets	310,773	730,741	(200,066)	(466,667)	110,707	264,074
Net assets, beginning of year	6,227,351	6,538,124	7,795,291	7,595,225	14,022,642	14,133,349
Prior period adjustment	-	(188,310)	-	-	-	(188,310)
Net assets, end of year	<b>\$6,538,124</b>	<b>\$7,080,555</b>	<b>\$7,595,225</b>	<b>\$7,128,558</b>	<b>\$14,133,349</b>	<b>\$14,209,113</b>

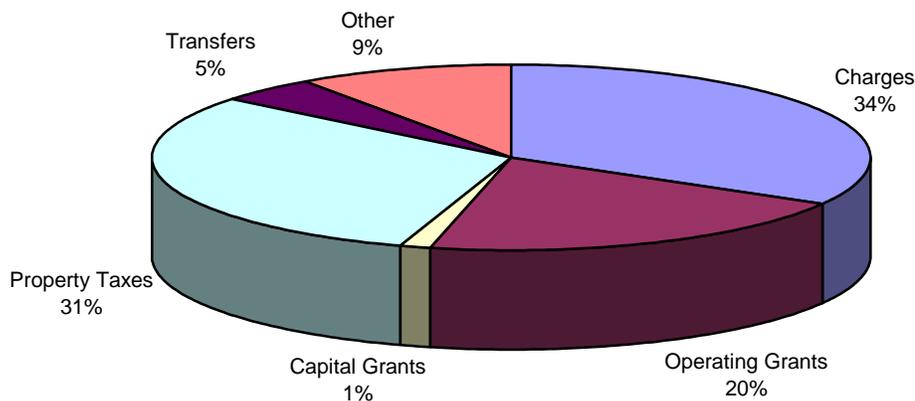
The largest portion of the County’s net assets, \$9,294,337 (65 percent) represents *unrestricted net assets* that may be used to meet the County’s ongoing obligations to citizens and creditors.

An additional portion of the County’s net assets, \$1,892,240 (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 are 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 \$3,022,536 (22 percent) represents resources that are subject to external restrictions on how they may be used.

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.

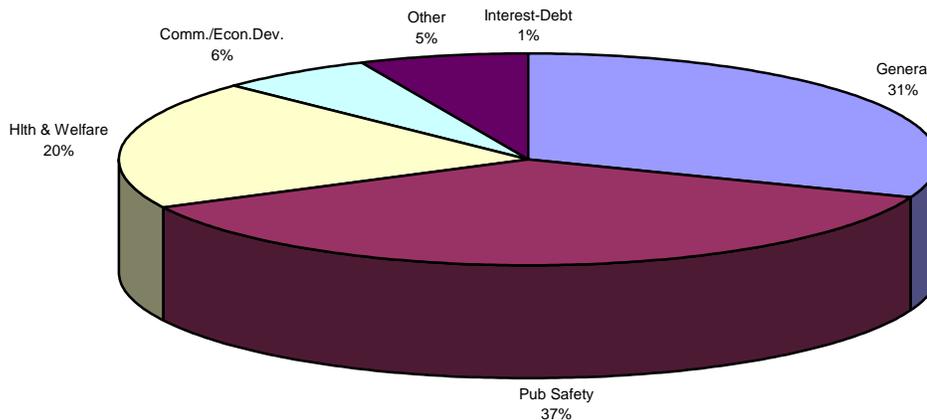
**Revenue By Source - Governmental Activities**



The primary government’s net assets increased by \$264,074 during the current fiscal year. This increase is attributable to growth in property taxes and an increase in the charges for service that were received.

**Governmental activities.** Governmental activities increased the County’s net assets by \$730,741, accounting for 277 percent of the total growth in the net assets of the primary government.

Expenditures By Source - Governmental Activities



**Business-type activities.** Business type activities decreased the County's net assets by \$466,667. This decrease is primarily due to Delinquent Tax operating transfers (to the General Fund) exceeding the annual earnings and higher than anticipated transit activity. The delinquent tax revolving fund transferred \$650,000 to the General Fund.

**Financial Analysis of the County's Funds**

As noted earlier, the County of Clare 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 September 30, 2004, the County's governmental funds reported combined ending fund balances of \$5,191,325, an increase of \$105,016. This was primarily due to increases in grant funding and charge for service fees. Of the fund balance amount, \$4,102,857 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 \$1,516,186, with a total fund balance of \$2,124,936. Unreserved fund balance represents approximately 15 percent of total general fund expenditures (Total Expenditures and Other Financing Uses). The fund balance of the County's general fund decreased by \$73,969 during the current fiscal year. This is primarily attributable to decreases in grant funded and charges for service fees revenue areas and significant increases in employee health insurance.

The county Gypsy Moth fund had a total fund balance of \$1,145,392 as a result of continued low gypsy moth infestation.

The county Housing Commission had an ending fund balance of \$692,372, 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.

Unrestricted net assets of the enterprise funds at year-end amounted to \$7,128,558. The enterprise funds had a decrease in net assets for the year of \$466,667.

**FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS**

As the County completed the fiscal year 2004, its governmental funds reported combined fund balances of \$5,191,325, an increase of \$105,016 or 2.1%. The net changes are summarized in the following chart:

**FINANCIAL ANALYSIS OF MAJOR AND NONMAJOR FUNDS**

	<u>General</u>	<u>Gypsy Moth</u>	<u>Housing Commission</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
Fund Balance 9/30/03	\$2,198,905	\$1,002,975	\$777,672	\$1,106,757	\$5,086,309
Fund Balance 9/30/04	\$2,124,936	\$1,145,392	\$692,372	\$1,228,625	\$5,191,325
Net Change	-\$73,969	\$142,417	-\$85,300	\$121,868	\$105,016
%	-3.4%	14.2%	-11.0%	11.0%	2.1%

The General Fund balance decreased by \$73,969 or 3.4%. This was due to increased health care and pension costs. The Gypsy Moth Fund balance increased \$142,417 or 14.2% due to minimal Gypsy Moth Suppression activities. The Housing Commission fund balance decreased by \$85,300 or 11.0% due to the office using non-grant revenue to provide housing service to Clare County clients. The combined nonmajor funds increased by \$121,868 or 11.0% due to lower activity in the Friend of the Court, Child Care-Probate and Animal Shelter Improvement Funds.

**General Fund Budgetary Highlights**

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 3 percent increase, (\$352,137 increase in appropriations). The increases were primarily attributed to additional grant funds and additional reimbursements.

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 4 percent increase, (\$428,832 increase in appropriations). There was an \$111,894 increase allocated to the Friend of the Court Fund, which had not previously been budgeted. There was a \$142,270 increase to the Insurance and Bonds budget due to higher pension and health insurance costs. There was a \$56,427 increase to the 911 Fund appropriation.

Overall during the year, general fund revenues (revenue and other financing sources) were minimally below the budgetary estimates by \$260,043 or 2%. No area showed a noticeable variance. Expenditures (expenditures and other financing uses), however, were significantly less than budgetary estimates overall (\$740,873 or 7%). The greatest variance pertains to the Contingency budget (\$220,177 or 100%), which was the result of fiscal restraint exercised by departments and the Board of Commissioners. This resulted in an actual decrease in fund balance of \$73,969 as compared to budgeted (anticipated) use of fund balance of \$554,799.

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

**Gypsy Moth Fund Budgetary Highlights**

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 9.3% increase, or \$20,087 due to an increase in taxes.

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 7.1% increase, or \$10,153. The amount represents the County's Central Service Cost Plan Indirect Costs for the fund and the County's policy to reimburse General Fund costs for non-General Fund activities.

Gypsy Moth Fund revenues (revenue and other financing sources) were below the budgetary estimates by \$37,640 or 16%. This was due to no spraying conducted as a result of lack of the moth infestation. Consequently, no State grant reimbursement was made. Additionally, interest income was down \$4,606 or 38% due to record low interest rates.

Gypsy Moth Fund expenditures (expenditures and other financing uses) were below the budgetary estimates by \$97,329 or 73.3%. As noted above, there was not any spray program conducted and results in lower expense activity.

As previously noted, fund balance grew 14.2% or \$142,417. The County had been levying a millage of 0.25 but discontinued in FY 2004 as a result in the lack of gypsy moth infestation. Sufficient funds exist in the Gypsy Moth Fund to undertake several years of suppression activity.

**Housing Commission Fund Budgetary Highlights**

No changes were made between the original and final amended budgets for revenue (revenue and other financing sources) nor were there any changes between the original and final amended budgets for expenditures (expenditures and other financing uses)

Housing Commission Fund revenues (revenue and other financing sources) were below the budgetary estimates by \$21,247 or 4.2%. This was due to lower grant reimbursements.

Housing Commission Fund expenditures (expenditures and other financing uses) were below the budgetary estimates by \$64,053 or 11.2%. As noted above, there was less caseload activity.

**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 \$ 3,696,704, (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 10 percent and includes prior period adjustments.

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

\$72,257 in general government vehicle replacement (Sheriff's Road patrol, etc.)

County of Clare's Capital Assets  
(net of depreciation)  
Governmental Activities

Land and improvements	\$ 108,325
Buildings and improvements	3,122,951
Machinery and equipment	187,563
Vehicular equipment	<u>277,865</u>
Total	<u>\$ 3,696,704</u>

Additional information on the County's capital assets can be found in Note E 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 primary government had total debt outstanding of \$3,044,223.

**OUTSTANDING DEBT AS OF SEPTEMBER 30, 2004**

	<u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Sept. 30, 2004</u>
<b>Primary Government</b>				
Government Activities				
Direct County Obligations	\$ 3,265,000	-	\$ (425,000)	\$ 2,840,000
Loans Payable	18,339	-	(18,339)	-
Accumulated Comp. Absences	<u>275,761</u>	<u>-</u>	<u>(71,538)</u>	<u>204,223</u>
<b>Total Primary Government</b>	3,559,100	-0-	(514,877)	3,044,223
<b>Component Units</b>				
Road Commission				
Direct County Obligations	1,820,000	-	(390,000)	1,430,000
Loans Payable	122,310	-	(11,438)	110,872
Accumulated Comp. Absences	136,497	27,690	-	164,187
Board of Public Works				
Water & Sewer Bonds	2,575,000	-	(295,000)	2,280,000
Drainage Districts				
Loans Payable	39,722	-	(19,861)	19,861
Drain Bonds & Notes	<u>246,952</u>	<u>-</u>	<u>(38,890)</u>	<u>208,062</u>
<b>Total Component Units</b>	<u>4,940,481</u>	<u>27,690</u>	<u>(755,189)</u>	<u>4,212,982</u>
<b>Total Reporting Entity</b>	<u>\$ 8,499,581</u>	<u>\$ 27,690</u>	<u>\$ (1,270,066)</u>	<u>\$ 7,257,205</u>
<b>Debt Limit (10% of SEV)</b>				<u>\$ 118,220,394</u>
<b>Available Statutory Debt Limit</b>				<u>\$ 111,671,757</u>

The primary government's total debt decreased by \$514,877 (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 \$118,220,394, 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 F of this report.

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

The following factors were considered in preparing the County's 2005 budget:

- Property tax revenues are projected to increase 6 percent in 2004.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreasing state funding, particularly in State Income Tax (i.e., State Revenue Sharing).
- Health insurance costs will continue to escalate and premium increases averaged 21% since 2001.

Highlights of the 2004 budget are as follows:

- The County Board of Commissioners adopted several fiscal policies on Use of Fund Balance, Use of Delinquent Tax Fund that provides guidelines for long-term fiscal health.
- The County, faced with limited revenues and higher expenditures, enacted an early out retirement program that resulted in seven of fourteen staff eligible taking early retirement and allowed the County to restructure and/or eliminate several positions, combined with staff and contract staff reductions reduced \$123,075 in payroll and contract staff expenses from various department staff levels.
- The County budgeted a contingency of \$482,248 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures.
- The County General Fund allocated \$417,500 to the Child Care Fund as compared to \$756,516 in 2003, a \$339,016 or 45% decrease from the 2003 level as a result of implementing in FY 2004 a new community-based program in Probate/Family Court.
- The adopted 2005 budget is \$660,095 (6%) less than the Amended 2004 budget.

During the current fiscal year, unreserved fund balance in the general fund decreased to \$1,516,186. 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 \$163,384 in 2003 to \$73,969 in 2004, a 55% decrease. For the 2005 budget, the County plans to continue progress on reducing reliance upon fund balance in the general fund.

**Contacting the County's 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.

## **BASIC FINANCIAL STATEMENTS**

Clare County, Michigan

STATEMENT OF NET ASSETS

September 30, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,451,927	\$ 2,200,271	\$ 6,652,198	\$ 687,107
Investments	300,000	2,377,752	2,677,752	347,040
Receivables	1,230,587	1,440,657	2,671,244	1,116,195
Inventories	-	-	-0-	423,235
Due from other governmental units	961,392	70,540	1,031,932	32,685
Advances to component units	103,185	-	103,185	(103,185)
Prepays	123,608	125,069	248,677	-
Current portion of lease receivable	-	-	-0-	344,068
<b>Total current assets</b>	<b>7,170,699</b>	<b>6,214,289</b>	<b>13,384,988</b>	<b>2,847,145</b>
Noncurrent assets				
Lease receivable	-	-	-0-	1,980,000
Capital assets, net	3,696,704	1,035,536	4,732,240	26,079,714
<b>Total noncurrent assets</b>	<b>3,696,704</b>	<b>1,035,536</b>	<b>4,732,240</b>	<b>28,059,714</b>
<b>TOTAL ASSETS</b>	<b>10,867,403</b>	<b>7,249,825</b>	<b>18,117,228</b>	<b>30,906,859</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	255,070	20,790	275,860	1,077
Accrued wages	225,754	-	225,754	-
Other accrued liabilities	32,971	71,934	104,905	48,350
Due to other governmental units	54,359	-	54,359	32,685
Advance from local unit	-	-	-0-	3,231
Deferred revenue	124,471	-	124,471	10,361
Current portion of compensated absences	16,114	28,543	44,657	218,121
Current portion of long-term debt	445,000	-	445,000	760,989
<b>Total current liabilities</b>	<b>1,153,739</b>	<b>121,267</b>	<b>1,275,006</b>	<b>1,074,814</b>
Noncurrent liabilities				
Advance from State	50,000	-	50,000	-
Compensated absences	188,109	-	188,109	164,187
Noncurrent portion of long-term debt	2,395,000	-	2,395,000	3,287,806
<b>Total noncurrent liabilities</b>	<b>2,633,109</b>	<b>-0-</b>	<b>2,633,109</b>	<b>3,451,993</b>
<b>TOTAL LIABILITIES</b>	<b>3,786,848</b>	<b>121,267</b>	<b>3,908,115</b>	<b>4,526,807</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	856,704	1,035,536	1,892,240	24,310,919
Restricted for:				
Other purposes	3,022,536	-	3,022,536	1,744,676
Unrestricted	3,201,315	6,093,022	9,294,337	324,457
<b>TOTAL NET ASSETS</b>	<b>\$ 7,080,555</b>	<b>\$ 7,128,558</b>	<b>\$ 14,209,113</b>	<b>\$ 26,380,052</b>

See accompanying notes to financial statements.

Clare County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 4,120,702	\$ 1,607,599	\$ 998,669	\$ -	\$ (1,514,434)	\$ -	\$ (1,514,434)	\$ -
Public safety	4,943,791	2,669,328	269,684	166,110	(1,838,669)	-	(1,838,669)	-
Public works	29,779	105	-	-	(29,674)	-	(29,674)	-
Health and welfare	2,650,836	227,584	918,231	-	(1,505,021)	-	(1,505,021)	-
Community and economic development	816,054	245,628	695,965	-	125,539	-	125,539	-
Recreation and cultural	14,372	14,415	-	-	43	-	43	-
Other	666,398	-	-	-	(666,398)	-	(666,398)	-
Interest on long-term debt	175,237	-	-	-	(175,237)	-	(175,237)	-
Total governmental activities	13,417,169	4,764,659	2,882,549	166,110	(5,603,851)	-0-	(5,603,851)	-0-
Business-type activities								
Delinquent tax revolving	-	282,271	-	-	-	282,271	282,271	-
Transit corporation	1,323,134	285,991	601,680	76,639	-	(358,824)	(358,824)	-
Jail commissary	27,240	29,046	-	-	-	1,806	1,806	-
Total business-type activities	1,350,374	597,308	601,680	76,639	-0-	(74,747)	(74,747)	-0-
Total primary government	<u>\$ 14,767,543</u>	<u>\$ 5,361,967</u>	<u>\$ 3,484,229</u>	<u>\$ 242,749</u>	(5,603,851)	(74,747)	(5,678,598)	-0-
Component units								
Road Commission	\$ 4,905,461	\$ 746,077	\$ 4,056,547	\$ 1,862,015	-	-	-0-	1,759,178
Drainage Districts	82,936	-	-	17,411	-	-	-0-	(65,525)
Board of Public Works	105,784	-	-	105,784	-	-	-0-	-
Total component units	<u>\$ 188,720</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 123,195</u>	-0-	-0-	-0-	1,693,653
General revenues								
Property taxes					4,407,811	201,698	4,609,509	169,888
Other taxes					75,109	-	75,109	-
State shared revenue					626,019	-	626,019	-
Investment earnings					47,388	54,471	101,859	8,573
Other					528,265	1,911	530,176	-
Transfers					650,000	(650,000)	-0-	-
Total general revenues and transfers					6,334,592	(391,920)	5,942,672	178,461
Change in net assets					730,741	(466,667)	264,074	1,872,114
Net assets, beginning of the year					6,538,124	7,595,225	14,133,349	24,513,368
Prior period adjustment					(188,310)	-	(188,310)	(5,430)
Net assets, end of the year					<u>\$ 7,080,555</u>	<u>\$ 7,128,558</u>	<u>\$ 14,209,113</u>	<u>\$ 26,380,052</u>

See accompanying notes to financial statements.

Clare County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2004

	General	Gypsy Moth	Housing Commission
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,410,669	\$ 1,146,442	\$ 694,152
Investments	-	-	-
Accounts receivable	95,252	-	-
Notes receivable	-	-	1,161,357
Due from other governmental units			
Federal/State	258,842	-	-
Local	364,647	-	-
Advances to other funds	482,613	-	-
Advances to component units	103,185	-	-
	<u>2,715,208</u>	<u>1,146,442</u>	<u>1,855,509</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,715,208</b>	<b>\$ 1,146,442</b>	<b>\$ 1,855,509</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 195,627	\$ 220	\$ -
Accrued wages	198,311	830	1,780
Due to other governmental units - Federal/State	54,359	-	-
Deferred revenue	141,975	-	1,161,357
Advance from State	-	-	-
Advances from other funds	-	-	-
	<u>590,272</u>	<u>1,050</u>	<u>1,163,137</u>
<b>TOTAL LIABILITIES</b>	<b>590,272</b>	<b>1,050</b>	<b>1,163,137</b>
<b>FUND BALANCES</b>			
Reserved for			
Advances to other funds and component units	585,798	-	-
Family counseling	22,952	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in			
General fund	1,516,186	-	-
Special revenue funds	-	1,145,392	692,372
	<u>2,124,936</u>	<u>1,145,392</u>	<u>692,372</u>
<b>TOTAL FUND BALANCES</b>	<b>2,124,936</b>	<b>1,145,392</b>	<b>692,372</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,715,208</b>	<b>\$ 1,146,442</b>	<b>\$ 1,855,509</b>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 963,880	\$ 4,215,143
300,000	300,000
5,957	101,209
-	1,161,357
316,698	575,540
21,205	385,852
-	482,613
-	103,185
<u>\$ 1,607,740</u>	<u>\$ 7,324,899</u>
\$ 59,223	\$ 255,070
24,833	225,754
-	54,359
12,446	1,315,778
50,000	50,000
232,613	232,613
<u>379,115</u>	<u>2,133,574</u>
-	585,798
-	22,952
1,363	1,363
477,355	477,355
-	1,516,186
<u>749,907</u>	<u>2,587,671</u>
<u>1,228,625</u>	<u>5,191,325</u>
<u>\$ 1,607,740</u>	<u>\$ 7,324,899</u>

Clare County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2004

**Total fund balance - governmental funds** \$ 5,191,325

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 7,689,451	
Accumulated depreciation is	<u>(3,992,747)</u>	
Capital assets, net		3,696,704

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		1,269,720
------------------	--	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	2,840,000	
Accrued interest payable	32,971	
Compensated absences	<u>204,223</u>	
		<u>(3,077,194)</u>

**Net assets of governmental activities** \$ 7,080,555

See accompanying notes to financial statements.

Clare County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2004

	General	Gypsy Moth	Housing Commission
<b>REVENUES</b>			
Taxes	\$ 3,857,712	\$ 191,756	\$ -
Licenses and permits	90,353	-	-
Intergovernmental	2,087,200	-	176,135
Charges for services	2,674,311	-	5,900
Fines and forfeits	15,327	-	-
Interest and rents	548,121	7,394	14,145
Other	483,359	-	288,723
<b>TOTAL REVENUES</b>	<b>9,756,383</b>	<b>199,150</b>	<b>484,903</b>
<b>EXPENDITURES</b>			
Current			
General government	3,598,047	35,523	-
Public safety	4,155,737	-	-
Public works	16,706	-	-
Health and welfare	632,547	-	-
Community and economic development	34,744	-	570,203
Recreation and cultural	-	-	-
Other	666,398	-	-
Debt service	19,440	-	-
Capital outlay	133,306	-	-
<b>TOTAL EXPENDITURES</b>	<b>9,256,925</b>	<b>35,523</b>	<b>570,203</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>499,458</b>	<b>163,627</b>	<b>(85,300)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	682,380	-	-
Operating transfers out	(1,255,807)	(21,210)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(573,427)</b>	<b>(21,210)</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(73,969)</b>	<b>142,417</b>	<b>(85,300)</b>
Fund balances, beginning of year	2,198,905	1,002,975	777,672
Fund balances, end of year	<u>\$ 2,124,936</u>	<u>\$ 1,145,392</u>	<u>\$ 692,372</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 538,543	\$ 4,588,011
162,537	252,890
1,378,077	3,641,412
357,810	3,038,021
6,820	22,147
10,956	580,616
229,908	1,001,990
<hr/>	<hr/>
2,684,651	13,125,087
332,263	3,965,833
561,471	4,717,208
13,073	29,779
2,018,289	2,650,836
211,107	816,054
14,372	14,372
-	666,398
585,821	605,261
71,024	204,330
<hr/>	<hr/>
3,807,420	13,670,071
<hr/>	<hr/>
(1,122,769)	(544,984)
1,275,807	1,958,187
(31,170)	(1,308,187)
<hr/>	<hr/>
1,244,637	650,000
<hr/>	<hr/>
121,868	105,016
1,106,757	5,086,309
<hr/>	<hr/>
<u>\$ 1,228,625</u>	<u>\$ 5,191,325</u>

Clare County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

**Net change in fund balances - total governmental funds** \$ 105,016

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 103,297	
Depreciation expense	<u>(370,296)</u>	
Excess of depreciation expense over capital outlay		(266,999)

Revenues earned but not available for current expenditures are not reported as revenues in the funds. In the current period, these amounts were: 372,823

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt principal retirement		443,339
-------------------------------------	--	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable	5,024	
Decrease in accrued compensated absences	<u>71,538</u>	
		<u>76,562</u>

**Change in net assets of governmental activities** \$ 730,741

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2004

	Business-type Activities				Governmental
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 2,183,163	\$ 8,200	\$ 8,908	\$ 2,200,271	\$ 236,784
Investments	1,619,146	758,606	-	2,377,752	-
Receivables					
Accounts	-	19,847	50	19,897	1,633
Interest	11,493	-	-	11,493	-
Delinquent taxes	1,409,267	-	-	1,409,267	-
Due from other governmental units	9,887	60,653	-	70,540	-
Prepays	-	125,069	-	125,069	123,608
<b>Total current assets</b>	<b>5,232,956</b>	<b>972,375</b>	<b>8,958</b>	<b>6,214,289</b>	<b>362,025</b>
Noncurrent assets					
Capital assets, net	-	1,035,536	-	1,035,536	-
<b>TOTAL ASSETS</b>	<b>5,232,956</b>	<b>2,007,911</b>	<b>8,958</b>	<b>7,249,825</b>	<b>362,025</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	-	19,075	1,715	20,790	-
Other accrued liabilities	-	71,934	-	71,934	-
Accrued compensated absences	-	28,543	-	28,543	-
Deferred revenue	-	-	-	-0-	112,025
Advance from other funds	-	-	-	-0-	250,000
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>119,552</b>	<b>1,715</b>	<b>121,267</b>	<b>362,025</b>
<b>NET ASSETS</b>					
Invested in capital assets	-	1,035,536	-	1,035,536	-
Unrestricted	5,232,956	852,823	7,243	6,093,022	-
<b>TOTAL NET ASSETS</b>	<b>\$ 5,232,956</b>	<b>\$ 1,888,359</b>	<b>\$ 7,243</b>	<b>\$ 7,128,558</b>	<b>\$ -0-</b>

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2004

	Business-type Activities				Governmental
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
OPERATING REVENUES					
Charges for services	\$ 36,038	\$ 285,991	\$ 29,046	\$ 351,075	\$ -
Interest and penalties on delinquent taxes	246,233	-	-	246,233	-
<b>TOTAL OPERATING REVENUES</b>	<b>282,271</b>	<b>285,991</b>	<b>29,046</b>	<b>597,308</b>	<b>-0-</b>
OPERATING EXPENSES					
Administrative	-	138,571	-	138,571	-
Operations	-	986,706	-	986,706	-
Maintenance	-	197,857	-	197,857	-
Supplies	-	-	27,240	27,240	-
<b>TOTAL OPERATING EXPENSES</b>	<b>-0-</b>	<b>1,323,134</b>	<b>27,240</b>	<b>1,350,374</b>	<b>-0-</b>
<b>OPERATING INCOME (LOSS)</b>	<b>282,271</b>	<b>(1,037,143)</b>	<b>1,806</b>	<b>(753,066)</b>	<b>-0-</b>
NONOPERATING REVENUES					
Intergovernmental	-	678,319	-	678,319	-
Property taxes	-	201,698	-	201,698	-
Interest revenue	49,320	5,151	-	54,471	-
Other	-	1,911	-	1,911	-
<b>TOTAL NONOPERATING REVENUES</b>	<b>49,320</b>	<b>887,079</b>	<b>-0-</b>	<b>936,399</b>	<b>-0-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>331,591</b>	<b>(150,064)</b>	<b>1,806</b>	<b>183,333</b>	<b>-</b>
<b>TRANSFERS OUT</b>	<b>(650,000)</b>	<b>-</b>	<b>-</b>	<b>(650,000)</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(318,409)</b>	<b>(150,064)</b>	<b>1,806</b>	<b>(466,667)</b>	<b>-0-</b>
Net assets, beginning of year	5,551,365	2,038,423	5,437	7,595,225	-
<b>Net assets, end of year</b>	<b>\$ 5,232,956</b>	<b>\$ 1,888,359</b>	<b>\$ 7,243</b>	<b>\$ 7,128,558</b>	<b>\$ -0-</b>

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2004

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 64,293	\$ 285,397	\$ 28,996	\$ 378,686	\$ 110,392
Cash paid to suppliers	-	(351,517)	(26,774)	(378,291)	-
Cash paid for employee services and benefits	-	(728,079)	-	(728,079)	(123,608)
Interest on delinquent taxes	244,627	-	-	244,627	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>308,920</b>	<b>(794,199)</b>	<b>2,222</b>	<b>(483,057)</b>	<b>(13,216)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers out	(650,000)	-	-	(650,000)	-
Other income	-	1,911	-	1,911	-
State/Federal grants	-	583,050	-	583,050	-
Property taxes	-	201,698	-	201,698	-
Single Business Tax	-	3,026	-	3,026	-
Advance from other funds	-	-	-	-0-	250,000
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(650,000)</b>	<b>789,685</b>	<b>-0-</b>	<b>139,685</b>	<b>250,000</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Capital assistance grants	-	76,639	-	76,639	-
Acquisition and construction of capital assets	-	(278,728)	-	(278,728)	-
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>(202,089)</b>	<b>-0-</b>	<b>(202,089)</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
(Purchase) sale of investments	(611,281)	206,552	-	(404,729)	-
Interest revenue	49,320	5,151	-	54,471	-
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(561,961)</b>	<b>211,703</b>	<b>-0-</b>	<b>(350,258)</b>	<b>-0-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(903,041)</b>	<b>5,100</b>	<b>2,222</b>	<b>(895,719)</b>	<b>236,784</b>
Cash and cash equivalents, beginning of year	3,086,204	3,100	6,686	3,095,990	-
Cash and cash equivalents, end of year	<u>\$ 2,183,163</u>	<u>\$ 8,200</u>	<u>\$ 8,908</u>	<u>\$ 2,200,271</u>	<u>\$ 236,784</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 282,271	\$ (1,037,143)	\$ 1,806	\$ (753,066)	\$ -
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities					
Depreciation	-	260,268	-	260,268	-
(Increase) decrease in receivables	36,536	(594)	(50)	35,892	-
(Increase) in due from governmental units	(9,887)	-	-	(9,887)	-
(Increase) in prepaids	-	-	-	-0-	(123,608)
Increase (decrease) in accounts payable	-	(37,981)	466	(37,515)	-
Increase in other accrued liabilities	-	17,083	-	17,083	-
Increase in accrued compensated absences	-	4,168	-	4,168	-
Increase in deferred revenue	-	-	-	-0-	110,392
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 308,920</b>	<b>\$ (794,199)</b>	<b>\$ 2,222</b>	<b>\$ (483,057)</b>	<b>\$ (13,216)</b>

See accompanying notes to financial statements.

Clare County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2004

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 1,620,328
Investments	20,501
Due from others	<u>6</u>
TOTAL ASSETS	<u><u>\$ 1,640,835</u></u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 1,414,351
Local	40,607
Due to individuals and agencies	<u>185,877</u>
TOTAL LIABILITIES	<u><u>\$ 1,640,835</u></u>

See accompanying notes to financial statements.

Clare County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2004

	Road Commission	Board of Public Works	Drainage Districts
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 480,583	\$ 722	\$ 203,677
Investments	347,040	-	-
Receivables	876,126	-	240,069
Inventories	423,235	-	-
Due from primary government	-	-	32,685
Current portion of lease receivable	-	344,068	-
Total current assets	2,126,984	344,790	476,431
Noncurrent assets			
Lease receivable	-	1,980,000	-
Capital assets, net	25,236,266	-	843,448
Total noncurrent assets	25,236,266	1,980,000	843,448
<b>TOTAL ASSETS</b>	<b>27,363,250</b>	<b>2,324,790</b>	<b>1,319,879</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	-	-	1,077
Accrued interest payable	-	44,068	4,282
Due to primary government	-	-	32,685
Advance from local unit	-	-	3,231
Deferred revenue	-	-	10,361
Advance from primary government	-	-	103,185
Advance from State	218,121	-	-
Current portion of long-term debt	402,239	300,000	58,750
Total current liabilities	620,360	344,068	213,571
Noncurrent liabilities			
Noncurrent portion of compensated absences	164,187	-	-
Noncurrent portion of long-term debt	1,138,633	1,980,000	169,173
Total noncurrent liabilities	1,302,820	1,980,000	169,173
<b>TOTAL LIABILITIES</b>	<b>1,923,180</b>	<b>2,324,068</b>	<b>382,744</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	23,695,394	-	615,525
Restricted for other purposes	1,744,676	-	-
Unrestricted	-	722	321,610
<b>TOTAL NET ASSETS</b>	<b>\$ 25,440,070</b>	<b>\$ 722</b>	<b>\$ 937,135</b>

See accompanying notes to financial statements.

<u>Economic Development Corporation</u>	<u>Total Component Units</u>
\$ 2,125	\$ 687,107
-	347,040
-	1,116,195
-	423,235
-	32,685
-	344,068
<u>2,125</u>	<u>2,950,330</u>
-	1,980,000
-	26,079,714
<u>-0-</u>	<u>28,059,714</u>
2,125	31,010,044
-	1,077
-	48,350
-	32,685
-	3,231
-	10,361
-	103,185
-	218,121
-	760,989
<u>-0-</u>	<u>1,177,999</u>
-	164,187
-	3,287,806
<u>-0-</u>	<u>3,451,993</u>
<u>-0-</u>	<u>4,629,992</u>
-	24,310,919
-	1,744,676
<u>2,125</u>	<u>324,457</u>
<u>\$ 2,125</u>	<u>\$ 26,380,052</u>

Clare County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Drainage Districts	\$ 82,936	\$ -	\$ -	\$ 17,411	\$ (65,525)
Board of Public Works	105,784	-	-	105,784	-
Road Commission	4,905,461	746,077	4,056,547	1,862,015	1,759,178
<b>TOTALS</b>	<b>\$ 5,094,181</b>	<b>\$ 746,077</b>	<b>\$ 4,056,547</b>	<b>\$ 1,985,210</b>	<b>1,693,653</b>
		General revenues			
		Gain on equipment disposal			169,888
		Investment earnings			8,573
		Total general revenues			178,461
			CHANGE IN NET ASSETS		1,872,114
		Net assets, beginning of year			24,513,368
		Prior period adjustment			(5,430)
		Net assets, end of year			<u>\$ 26,380,052</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 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 financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, The Financial Reporting Entity (as amended by GASB Statement 39); and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of the Clare County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Units

Building Authority

The Clare County Building Authority is governed by a five (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 eight (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 is included as part of the County's total tax levy and are reported in the Public Transit Corporation Fund. A copy of the Corporation's audited financial statements can be obtained at their administrative offices.

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 five (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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Blended Component Units - concluded

Enterprise Community

The Clare County Enterprise Community is governed by an eighteen (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.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Clare County remains financially accountable for these entities or the nature and significance of the relationship between these entities and the County is such that exclusion of these entities would render the financial statements misleading or incomplete.

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 three (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. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

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 nine (9) member Board of Directors appointed by the Clare County Board of Commissioners. The EDC may not issue debt without the County's approval. Financial statements for EDC are presented as part of Other Supplementary Information and are not audited separately.

Clare County Drainage Districts

Pursuant to the Drain Code of 1953, 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 Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

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 Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. 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 total population and valuation. Member counties' percentages of the net operating budget for the year of 2004 were:

Clare	16.85%	Isabella	28.50%
Gladwin	14.37%	Osceola	12.44%
Arenac	10.54%	Roscommon	17.30%

Clare County's appropriation to the District Health Department for the year ended September 30, 2004 was \$204,094, which included \$13,267 cigarette tax. A copy of the Department's audited financial statements can be obtained at their administrative offices.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Service 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 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, 2004, the actual County contribution percentages were:

Clare	11.82%	Mecosta	14.19%
Gladwin	7.78%	Midland	38.89%
Isabella	18.39%	Osceola	8.93%

Clare County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2004 was \$139,000. A copy of the Department's audited financial statements can be obtained at their administrative offices.

5. 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.

Budgets are approved by the County and the Housing Commission. The amount provided to CGSA by Clare County for the year ended September 30, 2004 was \$411,628.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Related Organization - concluded

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, 2004, the County passed through \$54,992.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are 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.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the County are:

- a. 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.
- b. The Gypsy Moth Fund accounts for County millage revenue that is reserved for control of the insect population.
- c. The Housing Commission Fund accounts for grant revenue and contributions reserved for the improvement of housing within the County.
- d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.
- e. The Transit Corporation Fund accounts for resources used to provide transportation services for the people of Clare County, particularly the elderly and handicapped, coordinated through a central dispatch center using a combination of demand-response and reserve trips.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are 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 not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Budgets and Budgetary Accounting - concluded

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 budgetary 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 department and total fund level for the General Fund and Special Revenue Funds, respectively and control is exercised at the line item level for all budgeted funds. The County Board of Commissioners monitors and amends the budgets as necessary. The County Administrator is authorized to transfer amounts between accounts.

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

- a. Prior to July 1, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Budget and Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.
- d. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- e. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.
- f. The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its general appropriations act.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of mutual funds.

11. Investments

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services and also notes and leases receivable made in connection with Housing Commission programs.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Inventories

Inventories consisting of equipment parts and supplies of \$170,259 and road materials of \$252,976 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.

14. Prepays

Prepays in the proprietary funds consist of insurance premiums which are expected to be written off within the next fiscal year.

15. Compensated Absences

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

16. Deferred Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned.

17. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

18. Capital Assets

**PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)**

Capital assets include land, buildings, equipment, vehicles, and drain infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. Capital Assets - concluded

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONCLUDED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	5 - 30 years
Buildings and improvements	12 - 40 years
Equipment	3 - 10 years
Vehicles	3 - 7 years
Drain infrastructure	50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Infrastructure assets are being capitalized and depreciated beginning fiscal year 2003 as indicated on the government-wide statements. Capital assets are defined by the Road Commission as assets with an estimated 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 donated.

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

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental activities column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund of the Road Commission.

GASB 34 requires major networks and major subsystems 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 34. The Clare County Road Commission has capitalized the current year's infrastructure, as required by GASB 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 34.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

19. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

20. Internal Service Fund

The County uses an internal service fund to account for revenues collected from user departments for the payment of costs incurred to administer a self-funded health insurance program including actual claims paid for active and eligible retired employees and their families.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 35 funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of September 30, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking	\$ 1,373,078	\$ 2,113,647
Savings	1,049,127	1,049,127
Certificates of deposit	<u>2,419,146</u>	<u>2,419,146</u>
Total primary government	4,841,351	5,581,920
<b>FIDUCIARY FUNDS</b>		
Checking	1,595,453	1,615,421
Savings	1,875	1,875
Certificates of deposit	<u>20,501</u>	<u>20,501</u>
Total fiduciary funds	1,617,829	1,637,797
<b>COMPONENT UNITS</b>		
Checking	188,085	188,100
Savings	<u>479,772</u>	<u>480,333</u>
Total component units	<u>667,857</u>	<u>668,433</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 7,127,037</u>	<u>\$ 7,888,150</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2004, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$837,328 and the amount of \$7,050,822 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

As of September 30, 2004, the market values, which are the carrying values for each investment, are as follows:

<u>INVESTMENT TYPE</u>	<u>Market Value</u>
Uncategorized pooled investment funds - primary government	\$ 4,482,169
Uncategorized pooled investment funds - fiduciary funds	23,000
Uncategorized pooled investment funds - component units	<u>366,040</u>
	<u>\$ 4,871,209</u>

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2004:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 6,652,198	\$ 1,620,328	\$ 687,107	\$ 8,959,633
Investments	<u>2,677,752</u>	<u>20,501</u>	<u>347,040</u>	<u>3,045,293</u>
	<u>\$ 9,329,950</u>	<u>\$ 1,640,829</u>	<u>\$ 1,034,147</u>	<u>\$12,004,926</u>

The primary government and component unit cash and cash equivalents captions on the financial statements include \$6,430 and \$250 in imprest cash, respectively.

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Gypsy Moth Fund	\$ 21,210
Revolving Tax Fund	650,000
Nonmajor governmental funds	<u>11,170</u>
Total transfers to General Fund	<u>\$ 682,380</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,255,807
Nonmajor governmental funds	<u>20,000</u>
	<u>\$ 1,275,807</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE D: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between the primary government and component units at September 30, 2004:

Advances from General Fund to:	
Nonmajor governmental funds	\$ 232,613
Internal service funds	250,000
Component units funds	<u>103,185</u>
	<u>\$ 585,798</u>

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2004 was as follows:

**Primary Government**

	Restated Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 108,325	\$ -	\$ -	\$ 108,325
Capital assets, being depreciated:				
Buildings and improvements	5,646,893	-	-	5,646,893
Vehicles	996,885	72,257	-	1,069,142
Furniture and other assets	<u>844,051</u>	<u>31,040</u>	<u>( 10,000 )</u>	<u>865,091</u>
Total capital assets being depreciated	7,487,829	103,297	( 10,000 )	7,581,126
Less accumulated depreciation for:				
Buildings and improvements	( 2,367,759 )	( 156,183 )	-	( 2,523,942 )
Vehicles	( 670,644 )	( 120,633 )	-	( 791,277 )
Furniture and other assets	<u>( 594,048 )</u>	<u>( 93,480 )</u>	<u>10,000</u>	<u>( 677,528 )</u>
Total accumulated depreciation	<u>( 3,632,451 )</u>	<u>( 370,296 )</u>	<u>10,000</u>	<u>( 3,992,747 )</u>
Total capital assets being depreciated, net	<u>3,855,378</u>	<u>( 266,999 )</u>	<u>-0-</u>	<u>3,588,379</u>
Governmental activities capital assets, net	<u>\$ 3,963,703</u>	<u>\$( 266,999 )</u>	<u>\$ -0-</u>	<u>\$ 3,696,704</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Primary Government - concluded**

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>
Capital assets being depreciated:			
Operating facility	\$ 239,482	\$ 493,074	\$ 732,556
Vehicles	121,942	1,408,814	1,530,756
Shop equipment	10,786	64,961	75,747
Office furniture and equipment	<u>27,739</u>	<u>54,726</u>	<u>82,465</u>
	399,949	2,021,575	2,421,524
Less: accumulated depreciation	<u>( 105,911 )</u>	<u>( 1,280,077 )</u>	<u>( 1,385,988 )</u>
Net property and equipment	<u>\$ 294,038</u>	<u>\$ 741,498</u>	<u>\$ 1,035,536</u>

The depreciation expense for the year was \$260,268. 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	\$ 125,374
Public safety	<u>244,922</u>
Total Governmental Activities	<u>\$ 370,296</u>

**Discretely Presented Component Units**

	<u>Balance Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Sept. 30, 2004</u>
Component Unit - Drainage Districts				
Drains	\$ 996,582	\$ -	\$ -	\$ 996,582
Lake levels	<u>168,415</u>	<u>-</u>	<u>-</u>	<u>168,415</u>
Subtotal	1,164,997	-0-	-0-	1,164,997
Less accumulated depreciation for:				
Drains	( 262,340 )	( 16,083 )	-	( 278,423 )
Lake levels	<u>( 39,718 )</u>	<u>( 3,408 )</u>	<u>-</u>	<u>( 43,126 )</u>
Subtotal	<u>( 302,058 )</u>	<u>( 19,491 )</u>	<u>-0-</u>	<u>( 321,549 )</u>
Capital assets, net	<u>\$ 862,939</u>	<u>\$ ( 19,491 )</u>	<u>\$ -0-</u>	<u>\$ 843,448</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE E: CAPITAL ASSETS - CONCLUDED**

**Discretely Presented Component Units - concluded**

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and improvements	\$ 175,220	\$ -	\$ -	\$ 175,220
Capital assets being depreciated				
Buildings	986,476	-	-	986,476
Road Equipment	4,962,458	739,041	470,518	5,230,981
Shop Equipment	116,024	5,493	550	120,967
Office Equipment	99,244	21,033	-	120,277
Engineer's Equipment	24,627	-	-	24,627
Yard and Storage Equipment	74,487	4,085	-	78,572
Infrastructure - Bridges	5,563,031	41,804	-	5,604,835
Infrastructure - Roads	<u>27,514,815</u>	<u>2,636,016</u>	<u>-</u>	<u>30,150,831</u>
Total	39,341,162	3,447,472	471,068	42,317,566
Less accumulated depreciation				
Buildings	593,955	33,930	-	627,885
Road Equipment	4,112,844	410,171	438,430	4,084,585
Shop Equipment	84,450	5,994	550	89,894
Office Equipment	78,482	7,417	-	85,899
Engineer's Equipment	21,516	760	-	22,276
Yard and Storage Equipment	47,872	3,416	-	51,288
Infrastructure - Bridges	1,331,190	133,485	-	1,464,675
Infrastructure - Roads	<u>9,468,590</u>	<u>1,361,428</u>	<u>-</u>	<u>10,830,018</u>
Total	<u>15,738,899</u>	<u>1,956,601</u>	<u>438,980</u>	<u>17,256,520</u>
Net capital assets being depreciated	<u>23,602,263</u>	<u>1,409,871</u>	<u>32,088</u>	<u>25,061,046</u>
Total Net Capital Assets	<u>\$ 23,777,483</u>	<u>\$ 1,409,871</u>	<u>\$ 32,088</u>	<u>\$ 25,236,266</u>

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2004:

PRIMARY GOVERNMENT

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>	Amounts Due Within <u>One Year</u>
Primary Government					
Municipal Purchase Notes	\$ 2,050,000	\$ -	\$( 370,000 )	\$ 1,680,000	\$ 390,000
Building Authority Refunding Bonds	1,215,000	-	( 55,000 )	1,160,000	55,000
Vehicle lease	18,339	-	( 18,339 )	-0-	-
Accumulated compensated absences	<u>275,761</u>	<u>-</u>	<u>( 71,538 )</u>	<u>204,223</u>	<u>16,114</u>
TOTAL PRIMARY GOVERNEMENT	<u>\$ 3,559,100</u>	<u>\$ -0-</u>	<u>\$( 514,877 )</u>	<u>\$ 3,044,223</u>	<u>\$ 461,114</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNITS

	Balance <u>Oct. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2004</u>	Amounts Due Within <u>One Year</u>
Road Commission					
General Obligation Bonds	\$ 1,820,000	\$ -	\$( 390,000 )	\$ 1,430,000	\$ 390,000
Installment purchase agreement	122,310	-	( 11,438 )	110,872	12,239
Accumulated sick and vacation	<u>136,497</u>	<u>27,690</u>	<u>-</u>	<u>164,187</u>	<u>-</u>
	2,078,807	27,690	( 401,438 )	1,705,059	402,239
Board of Public Works					
Sewer system #4	515,000	-	( 25,000 )	490,000	25,000
Water supply system #1	465,000	-	( 20,000 )	445,000	20,000
Sewage disposal system #3 refunding	<u>1,595,000</u>	<u>-</u>	<u>( 250,000 )</u>	<u>1,345,000</u>	<u>255,000</u>
	2,575,000	-0-	( 295,000 )	2,280,000	300,000
Drainage Districts					
Installment loan	39,722	-	( 19,861 )	19,861	19,861
Note payable - Walker	4,381	-	( 1,461 )	2,921	1,460
Note payable - Bertha Lake Drain	188,571	-	( 31,429 )	157,142	31,429
Note payable - Ross Drain	<u>54,000</u>	<u>-</u>	<u>( 6,000 )</u>	<u>48,000</u>	<u>6,000</u>
	<u>286,674</u>	<u>-0-</u>	<u>( 58,751 )</u>	<u>227,924</u>	<u>58,750</u>
<b>TOTAL COMPONENT UNITS</b>	<u>4,940,481</u>	<u>27,690</u>	<u>( 755,189 )</u>	<u>4,212,983</u>	<u>760,989</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 8,499,581</u>	<u>\$ 27,690</u>	<u>\$( 1,271,066 )</u>	<u>\$ 7,257,206</u>	<u>\$ 1,222,103</u>

**PRIMARY GOVERNMENT**

**General Long-Term Debt Bonds (Payable from Debt Service Funds)**

Bonds payable at September 30, 2004, is as follows:

\$2,965,000 1997 Municipal Purchase Notes dated October 1, 1997, due in annual principal installments ranging from \$390,000 to \$450,000 through July 1, 2008, with interest ranging from 5.00 to 5.10 percent, payable semi-annually.	\$ 1,680,000
\$1,250,000 1998 Building Authority Refunding Bonds dated April 1, 1998, due in annual principal installments ranging from \$55,000 to \$110,000 through February 1, 2019, with interest ranging from 4.35 to 5.05 percent, payable semi-annually.	<u>1,160,000</u>
	<u>\$ 2,840,000</u>

**Compensated Absences**

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$204,223 for vacation and sick at September 30, 2004. Of this amount, \$16,114 has been recorded as a current liability and \$188,109 has been recorded as a noncurrent liability.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE F: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION

General Obligation Bonds

The general obligation bonds payable is made up of bonds issued on July 24, 1996, June 1, 1998, September 16, 1999, October 4, 2000, and April 1, 2002 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 percent. The bonds mature in \$50,000 increments annually over a 10 year period.

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

COMPONENT UNIT - DEPARTMENT OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

\$630,000 Sewage Disposal System #4 Bonds dated November 1, 1996, due in annual principal installments ranging from \$20,000 to \$35,000 through May 1, 2022, with interest ranging from 4.90 to 5.85 percent, payable semi-annually.	\$ 490,000
\$575,000 Water Supply System #1 Bonds dated November 1, 1996, due in annual principal installments ranging from \$15,000 to \$35,000 through May 1, 2022, with interest ranging from 4.90 to 5.85 percent, payable semi-annually.	445,000
\$1,810,000 Sewage Disposal System #3 Refunding Bonds dated March 28, 2002, due in annual principal installments ranging from \$245,000 to \$320,000 through November 1, 2008, with interest ranging from 3.30 to 4.125 percent, payable semi-annually.	<u>1,345,000</u>
	<u>\$ 2,280,000</u>

COMPONENT UNIT - DRAINS

Long-Term Debt Note Payable Agreements

\$139,028 Farwell Drain Installment Note dated October 9, 1998, due in annual installments of \$19,861 through May 1, 2005, with interest of 4.74 percent, payable annually.	\$ 19,861
\$10,200 Walker Intercounty Drain Note dated June 15, 2000, due in annual installments ranging from \$1,521 to \$1,585 through June 15, 2006, with interest of 4.30 percent, payable annually.	2,921
\$220,000 Bertha Lake Drain Note dated November 9, 2001, due in annual installments of \$31,429 through May 1, 2009, with interest of 4.95 percent, payable annually.	157,142
\$60,000 Ross Drain Note dated September 18, 2002, due in annual installments of \$6,000 through July 1, 2012, with interest of 5.10 percent, payable annually.	<u>48,000</u>
	<u>\$ 227,924</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE F: LONG-TERM DEBT - CONCLUDED**

The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 445,000	\$ 140,016
2006	470,000	119,010
2007	485,000	94,543
2008	510,000	70,010
2009	65,000	44,216
2010-2014	375,000	171,546
2015-2019	<u>490,000</u>	<u>64,640</u>
	<u>\$ 2,840,000</u>	<u>\$ 703,981</u>

<u>Year Ending Sept. 30,</u>	<u>Component Units</u>					
	<u>Road Commission Bonds Payable</u>		<u>Board of Public Works Water and Sewer Bonds</u>		<u>Drainage Districts Drain Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 402,239	\$ 62,811	\$ 300,000	\$ 95,739	\$ 58,750	\$ 11,293
2006	403,096	48,214	290,000	85,645	38,889	8,428
2007	354,012	33,108	300,000	74,388	37,428	6,503
2008	194,993	20,242	315,000	61,573	37,429	4,654
2009	106,043	10,492	365,000	47,195	37,428	2,780
2010-2014	80,489	6,467	245,000	165,719	18,000	1,837
2015-2019	-	-	275,000	95,033	-	-
2020-2022	-	-	190,000	16,886	-	-
	<u>\$ 1,540,872</u>	<u>\$ 181,334</u>	<u>\$ 2,280,000</u>	<u>\$ 642,178</u>	<u>\$ 227,924</u>	<u>\$ 35,495</u>

On April 1, 1998, the County defeased a portion of the 1994 General Obligation Building Authority Bonds, which are due and payable February 1, 1999 through February 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued General Obligation Building Authority Refunding Bonds in the amount of \$1,250,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2004, bonds due and payable February 1, 2005 through February 1, 2019 for the 1994 G.O. Building Authority Bonds in the amount of \$995,000 are considered defeased.

On March 28, 2002, the County defeased a portion of the 1988 Sewage Disposal System No.3 Bonds, which are due and payable November 1, 2002 through November 1, 2008. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued Sewage Disposal System No.3 Refunding Bonds in the amount of \$1,810,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2004, bonds due and payable November 1, 2004 through November 1, 2008 for the 1988 Sewage Disposal System No.3 Bonds in the amount of \$1,400,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE G: EMPLOYEE RETIREMENT SYSTEM**

PRIMARY GOVERNMENT

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System 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 System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

Normal Retirement:

Age 50 with 25 or more years of credited service  
Age 55 with 15 or more years of credited service  
Age 60 with 10 or more years of credited service  
Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the County and by negotiation with the County's collective bargaining units. The plan requires contribution from the employees and the amount is determined by each of the County's collective bargaining units.

Annual Pension Cost

For the year ended September 30, 2004 the County's annual pension cost of \$116,456 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. 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 or her projected benefit.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

PRIMARY GOVERNMENT - CONCLUDED

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 9,250,068	\$ 9,408,781	\$ 9,918,912
Actuarial accrued liability (AAL) (entry age)	8,481,038	8,907,231	9,726,118
Unfunded (overfunded) AAL	( 769,030 )	( 501,550 )	( 192,794 )
Funded ratio	109%	106%	102%
Covered payroll	3,469,339	3,549,933	3,611,478
UAAL as a percentage of covered payroll	0%	0%	0%

	Year Ended September 30,		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
Annual pension cost	\$ 77,769	\$ 79,452	\$ 116,456
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Blended Component Unit

The Transit Corporation provides the following pension plans for its employees:

Profit Sharing Plan and Trust 401(k)

The 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, 2004, there were six plan members. Employees may at their option, defer up to 10% of their gross income. The Transit Corporation will match the employee's contribution at the rate of ¼ of the employee's contribution, up to a maximum of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$1,289 during the fiscal year and employees contributed \$5,617. Plan provisions and contributions requirements are established and may be amended by the Clare County Transit Corporation Board.

SIMPLE Section 408(p)

The Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (the "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, 2004, there were five plan members. The 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 \$4,446 during the current fiscal year and employees contributed \$4,766. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board of Directors.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

COMPONENT UNIT - 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.

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

The passage of HB-5525/Act No. 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, which 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 percent 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 percent of their annual salary to the system. The Road Commission is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employee 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, 2003. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0 percent, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5 percent annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2003 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, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

GASB Statement No. 25 Information (as of 12/31/03)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 4,273,107
Terminated employees not yet receiving benefits	-
Current Employees:	
Accumulated employee contributions including allocated investment income	880,731
Employer financed	<u>2,382,632</u>
Total actuarial accrued liability	7,536,470
Net assets available for benefits, at actuarial value (Market value is \$6,866,074)	<u>7,519,456</u>
Unfunded (overfunded) actuarial accrued liability	<u>\$ 17,014</u>

GASB Statement No. 27 Information (as of 12/31/03)

Fiscal Year Beginning January 1, 2005

Annual required contributions	\$ 52,644
Amortization factor used - Underfunded liabilities (30 years)	0.053632
Amortization factor used - Overfunded liabilities (10 years)	0.119963

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, 2003 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.

Annual Pension Cost

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 14,784	100 %	\$ -0-
2002	45,864	100	-0-
2003	52,644	100	-0-

## NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED**

## COMPONENT UNIT - ROAD COMMISSION - CONCLUDED

Aggregate Accrued Liabilities - Comparative Schedule

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$ 7,278,942	\$ 5,891,688	\$( 1,387,254 )	124 %	\$ 1,296,815	- %
12/31/02	7,340,240	6,961,821	( 378,419 )	105	1,283,058	-
12/31/03	7,519,456	7,536,470	17,014	100	1,234,382	1

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 (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997 and 2000 valuations. The funding method was changed to entry age normal for the 1993 valuation. Adoption of Benefit P-S 50%, B-4 80% maximum reflected in 2002 valuation.

**NOTE H: 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, 2004 was \$145,477. During 2004, there were 29 individuals covered under this agreement.

Component Unit - Road Commission

In addition to the pension benefits described in Note G, 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 ten (10) or more years of service; or, those who retire under a valid disability claim who have reached age 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, 2004, those costs totaled \$65,453.

Upcoming Reporting Change

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2007.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE I: RISK MANAGEMENT**

Primary Government, except for Transit Corporation

The County is a voluntary member of the Michigan Municipal Risk Management Authority (the Authority), which is organized under Public Act 138 of 1982, as amended as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the Authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Clare County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

<u>COVERAGE</u>	<u>SELF-INSURED RETENTION (SIR)</u> (Excess of Deductibles)
Liability	\$100,000
Vehicle physical damage \$1,000 County deductible	\$10,000 per occurrence
Property and crime Deductible per occurrence	\$1,000 10% of the next \$100,000

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expenses as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Clare County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$154,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$154,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Clare County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE I: RISK MANAGEMENT - CONTINUED**

Primary Government, except for Transit Corporation - concluded

At September 30, 2004, the County had reserves for reported claims of \$38,815 on deposit with the Authority.

The County also participates in a pool, the Michigan Counties' Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Clare County is self insured for health insurance through Blue Cross/Blue Shield of Michigan (BCBSM). Under the terms of the agreement between the County and BCBSM, the County is responsible for the first \$50,000 of health care costs of each employee contract. Claims in excess of \$50,000 are covered by Stop Loss coverage purchased through BCBSM. Clare County also purchases Aggregate Stop Loss through BCBSM on the total amount of claims with an attachment point of \$9,741 per contract. The County averages 135 employee contracts throughout the year. Aggregate Stop Loss coverage would be provided to the County when the total amount of claim costs exceeds \$1,324,776 (135 X \$9,741).

Transit Corporation

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

Road Commission (Component Unit)

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

The Pool was established for the purpose of making a self-insurance pooling programs 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 and 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE I: RISK MANAGEMENT - CONCLUDED**

Road Commission (Component Unit) - concluded

During the year ended September 30, 2004 and the previous two (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 J: CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The Single Audit of the Federal Programs and the periodic program compliance audits of many of the State programs have not yet been completed or final resolution has not been received. Accordingly, the County's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

There are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County Management and Legal Counsel to be immaterial.

**NOTE K: 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, 2004.

**NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

PRIMARY GOVERNMENT

In the budgeting comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the department and total fund level for the General Fund and for the Special Revenue Funds, respectively.

During the year ended September 30, 2004, the County incurred expenditures in the General Fund and four (4) Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Prosecutor	\$ 314,982	\$ 315,015	\$ 33
Survey and remonumentation	48,240	48,357	117
Public safety			
School safety	-	275	275
Jail	1,980,650	1,982,852	2,202
Emergency planning	650	62,822	62,172

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Special Revenue Funds			
Housing Commission	\$ 541,500	\$ 570,203	\$ 28,703
Law Library	3,500	3,880	380
Council on Aging	377,970	411,895	33,925
Social Welfare	241,000	243,374	2,374

COMPONENT UNIT - ROAD COMMISSION

Public Act 621 of 1978, section 18 (I), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the twelve months ended September 30, 2004 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
Primary Road			
Heavy maintenance	\$ 1,525,000	\$ 2,032,209	\$( 507,209 )
Local Road			
Maintenance	1,210,000	1,691,665	( 481,665 )
State Trunkline			
Maintenance	720,000	751,660	( 31,660 )
Nonmaintenance	-	53,446	( 53,446 )
Long-Term Debt	400,000	401,438	( 1,438 )

The Road Commission does not use encumbrances for budgetary purposes. During the twelve months ended September 30, 2004, the Road Commissioners made one amendment to the General Operating Fund Budget.

**NOTE M: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of September 30, 2004:

PRIMARY GOVERNMENT

General Fund	
Reserved for advances to other funds and component units	
Friend of the Court Fund	\$ 22,613
Scrap Tire Grant Fund	210,000
Health Insurance Fund	250,000
Component unit funds - Drainage Districts	<u>103,185</u>
	585,798
Reserved for family counseling	<u>22,952</u>
	<u>\$ 608,750</u>

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE M: FUND BALANCE RESERVES AND DESIGNATIONS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

Nonmajor governmental funds	
Reserved for debt service	\$ 1,363
Reserved for capital projects	
Public Building and Improvement Fund	101,631
Animal Shelter Improvement Fund	<u>375,724</u>
	<u>477,355</u>
	<u>\$ 1,087,468</u>

COMPONENT UNITS

Board of Public Works	
Reserved for debt service	<u>\$ 722</u>

The following is the various fund balance designations as of September 30, 2004:

COMPONENT UNITS

Drainage Districts	
Designated for capital projects	<u>\$ 86,384</u>

**NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's 2003 ad valorem tax was levied and collectible on December 31, 2003. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's 2003 tax levy has been recognized as revenue in the current fiscal year. The 2003 taxable value of Clare County amounted to \$768,198,996 on which ad valorem taxes levied for County general operating purposes consisted of 4.8339 mills. For the year ended September 30, 2004, the County levied 0.4629 mills for the Council on Aging, 0.2411 mills for the Animal Control Shelter, and .2500 for the Gypsy Moth Fund. The Clare County Transit Corporation levied 0.2636 mills for transportation services.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2004. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Revolving Tax Fund. This activity is accounted for in the Revolving Tax (Enterprise) Fund.

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2004:

PRIMARY GOVERNMENT

Governmental Activities

Restricted for

Other purposes

Drug law enforcement	\$ 10,089
Local corrections officers	4,662
Friend of the Court medical grant	15,079
Friend of the Court	39,006
Public building and improvements	101,631
911 service	103,248
Law library	1,985
Scrap tire grant	210,000
Council on Aging	177,947
Social welfare	22,561
Child Care probate	96,382
Child Care F.I.A.	26,458
Animal shelter	375,724
Gypsy moth	1,145,392
Housing Commission	<u>692,372</u>

\$ 3,022,536

COMPONENT UNITS

Restricted for

Other purposes

County roads	<u>\$ 1,744,676</u>
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**NOTE P: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	<u>September 30,</u> <u>2003</u>	<u>2004</u>	
PRIMARY GOVERNMENT			
Governmental activities			
Capital assets, net	\$( 150,315 )	\$ -	Correct overstated capital
Change in net assets	( 150,315 )	-	assets, net due to the
Net assets - beginning	-	( 150,315 )	County's adoption of a
			new policy
Accrued interest payable	( 37,995 )	-	Correct understated
Change in net assets	( 37,995 )	-	accrued interest payable
Net assets - beginning	-	( 37,995 )	

Clare County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2004

**NOTE P: PRIOR PERIOD ADJUSTMENTS - CONCLUDED**

	September 30,		
	<u>2003</u>	<u>2004</u>	
COMPONENT UNITS			
Accrued interest payable	\$( 53,353 )	\$ -	Correct understated
Change in net assets	( 53,353 )	-	accrued interest payable
Net assets - beginning	-	( 53,353 )	
Lease receivable	47,923	-	Correct understated
Change in net assets	47,923	-	lease receivable
Net assets - beginning	-	47,923	

**NOTE Q: FEDERAL FINANCIAL ASSISTANCE**

COMPONENT UNIT - ROAD COMMISSION

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 negotiated 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 secondary revenue of \$790,508 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors paid for and administered by the Michigan Department of Transportation.

**REQUIRED SUPPLEMENTARY INFORMATION**

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes				
Current and delinquent property taxes	\$ 3,788,305	\$ 3,678,547	\$ 3,681,833	\$ 3,286
Payments in lieu of taxes	5,500	5,500	6,167	667
Mobile home park taxes	700	700	784	84
Tax reverted lands	500	500	1,606	1,106
Other taxes	51,158	51,158	56,918	5,760
Administrative fees	120,000	120,000	110,404	(9,596)
<b>Total taxes</b>	<b>3,966,163</b>	<b>3,856,405</b>	<b>3,857,712</b>	<b>1,307</b>
Licenses and permits				
Dog licenses	37,997	60,886	68,982	8,096
Marriage license fees	4,900	4,900	5,655	755
Gun permits	9,920	9,920	10,919	999
Other permits	3,603	3,603	4,797	1,194
<b>Total licenses and permits</b>	<b>56,420</b>	<b>79,309</b>	<b>90,353</b>	<b>11,044</b>
Intergovernmental - Federal/State				
Soil erosion and sedimentation	25,000	25,000	27,670	2,670
Bullet proof vest	1,500	1,500	-	(1,500)
Homeland security	12,936	48,048	85,891	37,843
Single business tax	70,000	84,514	55,487	(29,027)
Michigan justice training	5,000	5,000	6,857	1,857
Siren project	-	103,500	23,000	(80,500)
Remonumentation grant	51,503	44,803	60,768	15,965
Revenue sharing - per capita	520,000	489,398	607,224	117,826
Snowmobile grant	7,970	7,465	5,453	(2,012)
Secondary road patrol	65,000	65,000	71,421	6,421
Food stamp fraud grant	300	300	1,350	1,050
Prosecutor - CRP	45,000	45,000	45,945	945
Caseflow assistance grant	8,000	8,000	8,963	963
Victims' Rights	30,000	30,000	6,964	(23,036)
Juvenile Incentive Block grant	16,941	67,763	52,934	(14,829)
Probate court judge salary	93,207	93,207	101,229	8,022
Judges salary standardization	75,444	75,444	75,445	1
Court equity	203,000	203,000	215,442	12,442
Liquor law enforcement	5,500	5,500	6,380	880
Michigan Works grant	69,469	69,469	47,753	(21,716)
Off-road vehicle	15,580	15,580	18,400	2,820
Convention facility tax	120,000	130,017	109,983	(20,034)
Juvenile officer grant	27,317	27,317	27,317	-0-

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Intergovernmental - Federal/State - concluded				
Cigarette tax	\$ 27,751	\$ 27,751	\$ 18,795	\$ (8,956)
Marine safety grant	14,371	14,371	452	(13,919)
Other	-	3,291	9	(3,282)
<b>Total intergovernmental - Federal/State</b>	<b>1,510,789</b>	<b>1,690,238</b>	<b>1,681,132</b>	<b>(9,106)</b>
Intergovernmental - local				
School safety	51,760	51,760	51,760	-0-
Law enforcement	262,240	297,511	299,308	1,797
Siren project	-	37,400	55,000	17,600
<b>Total intergovernmental - local</b>	<b>314,000</b>	<b>386,671</b>	<b>406,068</b>	<b>19,397</b>
Charges for services				
Circuit Court costs	37,120	37,120	58,989	21,869
District Court costs	341,931	341,931	335,773	(6,158)
Probate/family court	24,500	24,500	37,230	12,730
Care of prisoners	1,629,850	1,634,650	1,499,968	(134,682)
Treasurer	11,400	11,400	3,541	(7,859)
Real estate transfer tax	96,000	96,000	89,979	(6,021)
Clerk	37,400	37,400	47,145	9,745
Register of deeds	266,705	267,990	263,398	(4,592)
Court attorney fees	92,510	92,510	86,865	(5,645)
Sheriff department	40,025	40,025	33,870	(6,155)
Jail	14,500	14,500	13,569	(931)
Inmate work release	10,000	10,000	14,016	4,016
Preliminary breath test fees	32,500	32,500	14,140	(18,360)
Public guardian services	28,000	28,000	27,618	(382)
Telephone commissions	88,000	88,000	57,214	(30,786)
Drug screening and tether	11,300	11,300	8,405	(2,895)
Equalization	54,378	54,378	56,407	2,029
Prosecutor services	7,031	7,031	-	(7,031)
Central services	5,000	5,000	5,000	-0-
Animal control	16,110	16,110	16,413	303
Miscellaneous services	6,250	6,250	4,771	(1,479)
<b>Total charges for services</b>	<b>2,850,510</b>	<b>2,856,595</b>	<b>2,674,311</b>	<b>(182,284)</b>
Fines and forfeits				
District court	10,645	10,645	6,020	(4,625)
Ordinance fines	9,429	9,429	7,101	(2,328)
Circuit court	1,250	1,250	2,206	956
<b>Total fines and forfeits</b>	<b>21,324</b>	<b>21,324</b>	<b>15,327</b>	<b>(5,997)</b>

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONCLUDED</b>				
Interest and rents				
Investment earnings	\$ 40,000	\$ 40,000	\$ 23,784	\$ (16,216)
Royalties	440,000	470,000	433,833	(36,167)
Rental fees	108,317	89,085	90,504	1,419
Total interest and rents	588,317	599,085	548,121	(50,964)
Other				
Reimbursements - workers' compensation	15,000	20,000	21,625	1,625
Reimbursements - inmate medical	38,500	38,500	32,581	(5,919)
Reimbursements - insurance	146,422	273,138	216,988	(56,150)
Reimbursements - jury fees	-	-	1,992	1,992
Reimbursements - courts	97,701	97,701	108,726	11,025
Reimbursements - Prosecutor	1,000	1,000	994	(6)
Reimbursements - Administrator	-	-	965	965
Reimbursements - Treasurer	2,500	2,500	1,959	(541)
Reimbursements - Sheriff	11,188	12,952	16,575	3,623
Reimbursements - restitution	-	-	2,733	2,733
Reimbursements - jail	3,000	3,000	5,131	2,131
Reimbursements - tax collect bond	2,500	2,500	2,748	248
Reimbursements - postage	25,600	25,600	13,707	(11,893)
Reimbursements - other	1,200	1,575	1,038	(537)
Sale of capital assets	-	-	3,150	3,150
Donations - general	-	24,771	27,447	2,676
Donations - siren	-	23,697	25,000	1,303
Total other	344,611	526,934	483,359	(43,575)
<b>TOTAL REVENUES</b>	9,652,134	10,016,561	9,756,383	(260,178)
<b>OTHER FINANCING SOURCES</b>				
Operating transfers from other funds				
Delinquent tax revolving	650,000	650,000	650,000	-0-
Parks and recreation	-	11,035	11,035	-0-
Building authority	-	-	135	135
Gypsy moth	21,210	21,210	21,210	-0-
Health insurance	23,325	-	-	-0-
<b>TOTAL OTHER FINANCING SOURCES</b>	694,535	682,245	682,380	135
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u>\$ 10,346,669</u>	<u>\$ 10,698,806</u>	<u>\$ 10,438,763</u>	<u>\$ (260,043)</u>

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Board of Commissioners	\$ 154,456	\$ 138,906	\$ 110,692	\$ 28,214
County administrator	127,510	135,577	132,575	3,002
Elections	44,754	65,142	45,067	20,075
Clerk	273,022	271,999	258,348	13,651
Equalization	158,583	163,656	161,355	2,301
Prosecutor	298,931	314,982	315,015	(33)
Register of Deeds	209,269	210,414	196,235	14,179
Abstract department	36,990	38,041	37,411	630
Record copying and mailing	106,625	81,625	66,592	15,033
Professional services	74,000	73,829	65,977	7,852
Survey and remonumentation	52,940	48,240	48,357	(117)
Treasurer	204,318	184,555	174,504	10,051
Cooperative extension service	153,000	157,738	141,457	16,281
Data processing	46,776	75,279	55,619	19,660
Building authority	973	973	647	326
Courthouse and grounds	254,166	270,185	235,313	34,872
Drain commissioner	83,599	88,488	80,123	8,365
Soil conservation	27,739	23,962	21,315	2,647
Circuit court	308,378	320,380	287,223	33,157
Circuit court probation	5,200	5,200	4,163	1,037
Public guardian	28,000	31,549	31,080	469
District court	569,073	596,451	587,170	9,281
Michigan Works employment grant	69,469	69,469	53,067	16,402
Probate court	340,516	349,672	341,055	8,617
Probate court juvenile	145,199	145,199	141,695	3,504
Project learn	4,621	5,005	4,564	441
Family counseling	-	1,200	1,200	-0-
Jury board	765	765	228	537
<b>Total general government</b>	<b>3,778,872</b>	<b>3,868,481</b>	<b>3,598,047</b>	<b>270,434</b>
Public safety				
Sheriff	1,330,498	1,369,577	1,366,270	3,307
School safety	-	-	275	(275)
Marine safety	35,705	35,804	18,060	17,744
Jail	1,937,113	1,980,650	1,982,852	(2,202)
City and Township contracts	308,926	352,186	286,632	65,554
Emergency preparedness	61,337	59,815	54,607	5,208
Siren project	-	168,097	156,335	11,762
MMCC Security	-	3,291	2,766	525
Off road grant	15,781	15,781	6,879	8,902

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended September 30, 2004

EXPENDITURES - CONTINUED	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public safety - concluded				
Snowmobile grant	\$ 10,627	\$ 10,627	\$ 7,131	\$ 3,496
Secondary road patrol	65,653	68,281	46,289	21,992
Emergency planning	650	650	62,822	(62,172)
Animal control	135,776	181,653	164,819	16,834
Total public safety	3,902,066	4,246,412	4,155,737	90,675
Public works				
Board of public works	900	900	120	780
Solid waste	22,776	26,291	10,364	15,927
Drain at large	6,513	6,513	6,222	291
Total public works	30,189	33,704	16,706	16,998
Health and welfare				
Central Michigan District				
Health Department	211,795	210,827	204,094	6,733
Contagious disease	665	6,795	6,648	147
Community Mental Health	139,000	139,000	139,000	-0-
Medical examiner	42,927	75,592	74,026	1,566
Veteran's affairs	78,290	93,197	92,317	880
Juvenile incentive	16,941	67,763	61,470	6,293
Substance Abuse Council	60,000	65,009	54,992	10,017
Total health and welfare	549,618	658,183	632,547	25,636
Community economic and development				
Plat board	120	122	73	49
Middle Michigan Development	-	20,000	20,000	-0-
Convention and visitors bureau	1,425	2,925	2,925	-0-
Planning commission	23,325	23,325	11,746	11,579
Total community economic and development	24,870	46,372	34,744	11,628
Other				
Contingency	840,782	220,177	-	220,177
Insurance and bonds	555,600	697,870	666,398	31,472
Total other	1,396,382	918,047	666,398	251,649

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONCLUDED

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONCLUDED</b>				
Debt service				
Principal repayments	\$ 18,339	\$ 18,339	\$ 18,339	\$ -0-
Interest and fiscal agent fees	1,101	1,101	1,101	-0-
Total debt service	19,440	19,440	19,440	-0-
Capital outlay	60,249	201,558	133,306	68,252
<b>TOTAL EXPENDITURES</b>	<b>9,761,686</b>	<b>9,992,197</b>	<b>9,256,925</b>	<b>735,272</b>
<b>OTHER FINANCING USES</b>				
Operating transfers to other funds				
Social welfare	9,500	9,500	9,500	-0-
Sailor and soldier relief	9,965	9,965	9,965	-0-
Jail building debt	473,720	473,720	473,420	300
Friend of the court	-	111,894	111,894	-0-
Child care probate	417,500	417,500	417,500	-0-
Building authority refunding bond	112,402	112,402	112,101	301
Child care DSS	40,000	65,000	65,000	-0-
911 service	-	56,427	56,427	-0-
Scrap tire	-	5,000	-	5,000
<b>TOTAL OTHER FINANCING USES</b>	<b>1,063,087</b>	<b>1,261,408</b>	<b>1,255,807</b>	<b>5,601</b>
<b>TOTAL EXPENDITURES AND     OTHER FINANCING USES</b>	<b>\$ 10,824,773</b>	<b>\$ 11,253,605</b>	<b>\$ 10,512,732</b>	<b>\$ 740,873</b>

Clare County, Michigan

Gypsy Moth Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 174,703	\$ 194,790	\$ 191,756	\$ (3,034)
Intergovernmental - Federal/State	30,000	30,000	-	(30,000)
Interest and rents	12,000	12,000	7,394	(4,606)
TOTAL REVENUES	216,703	236,790	199,150	(37,640)
EXPENDITURES				
Current				
General government	143,909	132,852	35,523	97,329
EXCESS OF REVENUES OVER EXPENDITURES	72,794	103,938	163,627	59,689
OTHER FINANCING USES				
Operating transfer out	-	(21,210)	(21,210)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	72,794	82,728	142,417	59,689
Fund balance, beginning of year	1,002,975	1,002,975	1,002,975	-0-
Fund balance, end of year	<u>\$ 1,075,769</u>	<u>\$ 1,085,703</u>	<u>\$ 1,145,392</u>	<u>\$ 59,689</u>

Clare County, Michigan

Housing Commission

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ 173,450	\$ 173,450	\$ 176,135	\$ 2,685
Charges for services	22,525	22,525	5,900	(16,625)
Interest and rents	15,000	15,000	14,145	(855)
Other	<u>331,725</u>	<u>331,725</u>	<u>288,723</u>	<u>(43,002)</u>
<b>TOTAL REVENUES</b>	<b>542,700</b>	<b>542,700</b>	<b>484,903</b>	<b>(57,797)</b>
<b>EXPENDITURES</b>				
Current				
Community and economic development	<u>541,500</u>	<u>541,500</u>	<u>570,203</u>	<u>(28,703)</u>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>1,200</b>	<b>1,200</b>	<b>(85,300)</b>	<b>(86,500)</b>
Fund balance, beginning of year	<u>777,672</u>	<u>777,672</u>	<u>777,672</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 778,872</u></u>	<u><u>\$ 778,872</u></u>	<u><u>\$ 692,372</u></u>	<u><u>\$ (86,500)</u></u>

## **OTHER SUPPLEMENTARY INFORMATION**

**Nonmajor Governmental Funds  
Fund Descriptions**

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures, which are restricted for specific purposes by administrative action or law.

Parks Fund (208) - This Fund was established for the development, maintenance and operation of the Clare County parks and recreation activities. Funding is provided from the General Fund appropriations, State grants, and user charges.

Friend of the Court Medical Support (214) - This Fund accounts for the operations of the Friend of the Court Medical Support Enforcement Grant.

Friend of the Court (215) - This Fund accounts for the operations of the Friend of the Court activities the Co-op Reimbursement Grant.

Public Building and Improvement Fund (245) - This Fund is used to account for earmarked revenues set aside for public improvements. Funding is provided from General Fund appropriations.

Building Department (249) - This Fund is used to account for building and electrical inspections activities. Funding is generated from inspection fees.

Register of Deed Automation (256) - This Fund is utilized to account for resources received which are utilized to add technology and automation to the Register of Deeds Office.

911 Service (261) - This Fund is used to account for emergency dispatch operations. Funding is generated from landline and cell phone fees and the balance from the General Fund.

Local Corrections Officers Training Fund (264) - This Fund is used to account for corrections training funds received through Public Act 302.

Drug Law Enforcement Fund-Sheriff (265) - This Fund is used to account for earmarked revenue set aside for drug law enforcement under the provisions of Public Act 135 of 1985.

Law Library Fund (269) - This Fund is used to account for amounts available for the County's law library.

Enterprise Community (280) - This Fund is used to account for earmarked revenue set aside for the federal USDA - Rural Development designation to address a variety of socio-economic needs in select portion of Clare County. Funding is generated from federal grant funds.

Scrap Tire Grant Fund (282) - This Fund is used to account for earmarked revenue set aside for clean-up of abandoned scrap tire sites in Clare County. Funding is generated MDEQ grant funds.

Council on Aging Fund (288) - This Fund is used to account for provision of variety of senior services in the County contracted through the Clare-Gladwin Senior Services, Incorporated, a two-county non-profit agency. The primary funding is a special senior millage.

Social Welfare Fund (290) - This Fund is used to account for monies from State and local funding sources and to assist with the welfare program, which offers aid to disadvantaged individuals of Clare County.

Child Care-Probate (291) - This Fund is used to account for care for delinquent youth under the control of Probate Court. The primary funding, which comes from State and a County appropriation, is used to aid delinquent children who require placement outside of their home.

Child Care FIA Fund (292) - This Fund is used to account for revenues and expenditures generated through providing childcare neglect welfare services by the Family Independence Agency (recently renamed the Department of Human Services).

**Nonmajor Governmental Funds  
Fund Descriptions - Concluded**

**SPECIAL REVENUE FUNDS - CONCLUDED**

Soldiers and Sailors Relief Fund (293) - This Fund is used to account for care for emergency relief of eligible veterans. Funding comes from a General Fund appropriation.

Veterans Trust Board Fund (294) - This Fund is used to account for monies received by the State and distributed to needy veterans. This Fund was established under Section 35.607 of the Compiled laws of 1970.

Airport Fund (295) - This Fund is used to account for revenues and expenditures for maintenance, operation and construction of the County's airport operations. Primary revenue sources come from rental income.

**DEBT SERVICE FUNDS**

Debt Service Funds are used to account for the accumulation of resources and payment general obligation bond principal and interest from governmental resources.

Jail Building Debt (366) - This Fund accounts for the accumulation of resources for payment of principal and interest on bonds issued to finance most recent jail building projects for the County of Clare. The source of funds is an appropriation from the General Fund, which receives out-county bed rental revenue.

Building Authority Debt (369) - This Fund was established to account for the accumulation of resources for payment of principal and interest on bonds issued to finance building projects for the County of Clare. The Fund is currently dormant.

Building Authority Refunding Debt (370) - This Fund was established to account for the accumulation of resources for payment of principal and interest on bonds issued to finance the building projects for the County of Clare. Funds come from an appropriation from the General Fund.

**CAPITAL PROJECT FUND**

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Animal Shelter Improvement Fund (413) - This Fund is used to account for revenues generated from a millage to construct and equip the County's animal Control facility.

Clare County, Michigan  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 September 30, 2004

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
<b>ASSETS</b>			
Cash and cash equivalents	\$ 32,579	\$ 14,712	\$ 59,587
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	767	28,378
Local	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 32,579</b>	<b>\$ 15,479</b>	<b>\$ 87,965</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 256	\$ -	\$ 895
Accrued wages	-	400	11,234
Deferred revenue	-	-	-
Advances from State	-	-	-
Advances from other funds	-	-	22,613
<b>TOTAL LIABILITIES</b>	<b>256</b>	<b>400</b>	<b>34,742</b>
<b>FUND BALANCES</b>			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	32,323	15,079	53,223
<b>TOTAL FUND BALANCES</b>	<b>32,323</b>	<b>15,079</b>	<b>53,223</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,579</b>	<b>\$ 15,479</b>	<b>\$ 87,965</b>

Revenue

Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
\$ 108,590	\$ 88,161	\$ 71,643	\$ 70,507	\$ 4,662
-	-	-	-	-
-	-	-	5,957	-
-	-	-	25,624	-
-	-	-	21,175	30
<u>\$ 108,590</u>	<u>\$ 88,161</u>	<u>\$ 71,643</u>	<u>\$ 123,263</u>	<u>\$ 4,692</u>
\$ 6,959	\$ 681	\$ -	\$ 10,987	\$ -
-	4,172	-	9,027	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,959	4,853	-0-	20,014	-0-
-	-	-	-	-
101,631	-	-	-	-
-	83,308	71,643	103,249	4,692
<u>101,631</u>	<u>83,308</u>	<u>71,643</u>	<u>103,249</u>	<u>4,692</u>
<u>\$ 108,590</u>	<u>\$ 88,161</u>	<u>\$ 71,643</u>	<u>\$ 123,263</u>	<u>\$ 4,692</u>

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2004

	Special		
	Drug Law Enforcement	Law Library	Enterprise Community
<b>ASSETS</b>			
Cash and cash equivalents	\$ 10,089	\$ 2,290	\$ 4,959
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	-	17,274
Local	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 10,089</b>	<b>\$ 2,290</b>	<b>\$ 22,233</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 305	\$ 17,274
Accrued wages	-	-	-
Deferred revenue	-	-	4,959
Advances from State	-	-	-
Advances from other funds	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>305</b>	<b>22,233</b>
<b>FUND BALANCES</b>			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	10,089	1,985	-
<b>TOTAL FUND BALANCES</b>	<b>10,089</b>	<b>1,985</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 10,089</b>	<b>\$ 2,290</b>	<b>\$ 22,233</b>

Revenue

Scrap Tire Grant	Council on Aging	Social Welfare	Child Care Probate	Child Care FIA
\$ -	\$ 177,947	\$ 65,205	\$ 97,843	\$ 26,458
-	-	-	-	-
-	-	-	-	-
210,000	-	34,002	653	-
-	-	-	-	-
<u>\$ 210,000</u>	<u>\$ 177,947</u>	<u>\$ 99,207</u>	<u>\$ 98,496</u>	<u>\$ 26,458</u>
\$ -	\$ -	\$ 19,159	\$ 2,114	\$ -
-	-	-	-	-
-	-	7,487	-	-
-	-	50,000	-	-
210,000	-	-	-	-
210,000	-0-	76,646	2,114	-0-
-	-	-	-	-
-	-	-	-	-
-	177,947	22,561	96,382	26,458
-0-	177,947	22,561	96,382	26,458
<u>\$ 210,000</u>	<u>\$ 177,947</u>	<u>\$ 99,207</u>	<u>\$ 98,496</u>	<u>\$ 26,458</u>

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2004

	Special Revenue		
	Soldiers & Sailors Relief	Veterans Trust	Airport
<b>ASSETS</b>			
Cash and cash equivalents	\$ 15,421	\$ 1,165	\$ 34,975
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 15,421</u>	<u>\$ 1,165</u>	<u>\$ 34,975</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 368	\$ 149	\$ 76
Accrued wages	-	-	-
Deferred revenue	-	-	-
Advances from State	-	-	-
Advances from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	368	149	76
<b>FUND BALANCES</b>			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	<u>15,053</u>	<u>1,016</u>	<u>34,899</u>
TOTAL FUND BALANCES	<u>15,053</u>	<u>1,016</u>	<u>34,899</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,421</u>	<u>\$ 1,165</u>	<u>\$ 34,975</u>

Debt Service			Capital Projects	Total Nonmajor Governmental Funds
Jail Building	Building Authority Debt	Building Authority Refunding Debt	Animal Shelter Improvement	
\$ 15	\$ -	\$ 1,348	\$ 75,724	\$ 963,880
-	-	-	300,000	300,000
-	-	-	-	5,957
-	-	-	-	316,698
-	-	-	-	21,205
<u>\$ 15</u>	<u>\$ -0-</u>	<u>\$ 1,348</u>	<u>\$ 375,724</u>	<u>\$ 1,607,740</u>
\$ -	\$ -	\$ -	\$ -	\$ 59,223
-	-	-	-	24,833
-	-	-	-	12,446
-	-	-	-	50,000
-	-	-	-	232,613
-0-	-0-	-0-	-0-	379,115
15	-	1,348	-	1,363
-	-	-	375,724	477,355
-	-	-	-	749,907
<u>15</u>	<u>-0-</u>	<u>1,348</u>	<u>375,724</u>	<u>1,228,625</u>
<u>\$ 15</u>	<u>\$ -0-</u>	<u>\$ 1,348</u>	<u>\$ 375,724</u>	<u>\$ 1,607,740</u>

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2004

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	9,300	223,986
Charges for services	14,415	-	25,548
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>14,415</b>	<b>9,300</b>	<b>249,534</b>
<b>EXPENDITURES</b>			
Current			
General government	-	10,383	281,430
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	14,372	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>14,372</b>	<b>10,383</b>	<b>281,430</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>43</b>	<b>(1,083)</b>	<b>(31,896)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Operating transfers in	20,000	-	111,894
Operating transfers out	(11,035)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>8,965</b>	<b>-0-</b>	<b>111,894</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>9,008</b>	<b>(1,083)</b>	<b>79,998</b>
Fund balances, beginning of year	23,315	16,162	(26,775)
Fund balances, end of year	<u>\$ 32,323</u>	<u>\$ 15,079</u>	<u>\$ 53,223</u>

Revenue

Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
\$ -	\$ -	\$ -	\$ -	\$ -
-	162,537	-	-	-
-	-	-	1,730	-
-	-	70,710	242,445	4,692
-	-	-	-	-
695	-	240	-	-
-	-	-	-	-
695	162,537	70,950	244,175	4,692
-	-	36,455	-	-
-	147,955	-	413,458	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,856	-	-	5,071	-
8,856	147,955	36,455	418,529	-0-
(8,161)	14,582	34,495	(174,354)	4,692
-	-	-	56,427	-
-	-	-	-	-
-0-	-0-	-0-	56,427	-0-
(8,161)	14,582	34,495	(117,927)	4,692
109,792	68,726	37,148	221,176	-
<u>\$ 101,631</u>	<u>\$ 83,308</u>	<u>\$ 71,643</u>	<u>\$ 103,249</u>	<u>\$ 4,692</u>

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2004

	Special		
	Drug Law Enforcement	Law Library	Enterprise Community
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	231,107
Charges for services	-	-	-
Fines and forfeits	3,320	3,500	-
Interest and rents	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>3,320</b>	<b>3,500</b>	<b>231,107</b>
EXPENDITURES			
Current			
General government	-	3,880	-
Public safety	58	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	211,107
Recreation and cultural	-	-	-
Debt service	-	-	-
Capital outlay	5,810	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,868</b>	<b>3,880</b>	<b>211,107</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,548)	(380)	20,000
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(20,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>(20,000)</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(2,548)	(380)	-0-
Fund balances, beginning of year	12,637	2,365	-
Fund balances, end of year	<u>\$ 10,089</u>	<u>\$ 1,985</u>	<u>\$ -0-</u>

Revenue

Scrap Tire Grant	Council on Aging	Social Welfare	Child Care Probate	Child Care FIA
\$ -	\$ 354,499	\$ -	\$ -	\$ -
-	-	-	-	-
759,614	5,313	-	56,866	86,109
-	-	-	-	-
-	1,141	-	-	-
34	-	227,584	2,290	-
759,648	360,953	227,584	59,156	86,109
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
759,648	411,895	243,374	400,952	192,342
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
759,648	411,895	243,374	400,952	192,342
-0-	(50,942)	(15,790)	(341,796)	(106,233)
-	-	9,500	417,500	65,000
-	-	-	-	-
-0-	-0-	9,500	417,500	65,000
-0-	(50,942)	(6,290)	75,704	(41,233)
-	228,889	28,851	20,678	67,691
\$ -0-	\$ 177,947	\$ 22,561	\$ 96,382	\$ 26,458

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended September 30, 2004

	Special Revenue		
	Soldiers & Sailors Relief	Veterans Trust	Airport
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	4,052	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	8,880
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>-0-</b>	<b>4,052</b>	<b>8,880</b>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	13,073
Health and welfare	6,716	3,362	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,716</b>	<b>3,362</b>	<b>13,073</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,716)</b>	<b>690</b>	<b>(4,193)</b>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	9,965	-	-
Operating transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>9,965</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>3,249</b>	<b>690</b>	<b>(4,193)</b>
Fund balances, beginning of year	11,804	326	39,092
Fund balances, end of year	<u>\$ 15,053</u>	<u>\$ 1,016</u>	<u>\$ 34,899</u>

Debt Service			Capital Projects	Total Nonmajor Governmental Funds
Jail Building	Building Authority Debt	Building Authority Refunding Debt	Animal Shelter Improvement	
\$ -	\$ -	\$ -	\$ 184,044	\$ 538,543
-	-	-	-	162,537
-	-	-	-	1,378,077
-	-	-	-	357,810
-	-	-	-	6,820
-	-	-	-	10,956
-	-	-	-	229,908
-0-	-0-	-0-	184,044	2,684,651
-	-	-	115	332,263
-	-	-	-	561,471
-	-	-	-	13,073
-	-	-	-	2,018,289
-	-	-	-	211,107
-	-	-	-	14,372
473,420	-	112,401	-	585,821
-	-	-	51,287	71,024
473,420	-0-	112,401	51,402	3,807,420
(473,420)	-0-	(112,401)	132,642	(1,122,769)
473,420	-	112,101	-	1,275,807
-	(135)	-	-	(31,170)
473,420	(135)	112,101	-0-	1,244,637
-0-	(135)	(300)	132,642	121,868
15	135	1,648	243,082	1,106,757
\$ 15	\$ -0-	\$ 1,348	\$ 375,724	\$ 1,228,625

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Parks and Recreation</u>				
REVENUES				
Charges for services	\$ -	\$ 190	\$ 14,415	\$ 14,225
EXPENDITURES				
Current				
Recreation and cultural	<u>20,000</u>	<u>32,470</u>	<u>14,372</u>	<u>18,098</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,000)	(32,280)	43	32,323
OTHER FINANCING SOURCES (USES)				
Operating transfer in	20,000	20,000	20,000	-0-
Operating transfers (out)	<u>-</u>	<u>(11,035)</u>	<u>(11,035)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>8,965</u>	<u>8,965</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES OTHER FINANCING (USES)	-0-	(23,315)	9,008	32,323
Fund balance, beginning of year	<u>23,315</u>	<u>23,315</u>	<u>23,315</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 23,315</u>	<u>\$ -0-</u>	<u>\$ 32,323</u>	<u>\$ 32,323</u>

Friend of the Court Medical Grant

REVENUES				
Intergovernmental - Federal/State	\$ 17,339	\$ 17,339	\$ 9,300	\$ (8,039)
EXPENDITURES				
Current				
General government	<u>17,339</u>	<u>17,970</u>	<u>10,383</u>	<u>7,587</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(631)	(1,083)	(452)
Fund balance, beginning of year	<u>16,162</u>	<u>16,162</u>	<u>16,162</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 16,162</u>	<u>\$ 15,531</u>	<u>\$ 15,079</u>	<u>\$ (452)</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Friend of the Court</u>				
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ 234,437	\$ 255,401	\$ 223,986	\$ (31,415)
Charges for services	<u>30,107</u>	<u>36,308</u>	<u>25,548</u>	<u>(10,760)</u>
<b>TOTAL REVENUES</b>	264,544	291,709	249,534	(42,175)
<b>EXPENDITURES</b>				
Current				
General government	<u>295,712</u>	<u>393,143</u>	<u>281,430</u>	<u>111,713</u>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	(31,168)	(101,434)	(31,896)	69,538
<b>OTHER FINANCING SOURCES</b>				
Operating transfers in	<u>-</u>	<u>111,894</u>	<u>111,894</u>	<u>-0-</u>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	(31,168)	10,460	79,998	69,538
Fund balance (deficit), beginning of year	<u>(26,775)</u>	<u>(26,775)</u>	<u>(26,775)</u>	<u>-0-</u>
Fund balance (deficit), end of year	<u><u>\$ (57,943)</u></u>	<u><u>\$ (16,315)</u></u>	<u><u>\$ 53,223</u></u>	<u><u>\$ 69,538</u></u>
<u>Public Building &amp; Improvement</u>				
<b>REVENUES</b>				
Interest	\$ 3,000	\$ 3,000	\$ 695	\$ (2,305)
<b>EXPENDITURES</b>				
Current				
Capital outlay	<u>3,000</u>	<u>14,161</u>	<u>8,856</u>	<u>5,305</u>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	-0-	(11,161)	(8,161)	3,000
Fund balance, beginning of year	<u>109,792</u>	<u>109,792</u>	<u>109,792</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 109,792</u></u>	<u><u>\$ 98,631</u></u>	<u><u>\$ 101,631</u></u>	<u><u>\$ 3,000</u></u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Building Department</u>				
REVENUES				
Licenses and permits	\$ 202,520	\$ 202,520	\$ 162,537	\$ (39,983)
EXPENDITURES				
Current				
Public safety	<u>169,701</u>	<u>182,445</u>	<u>147,955</u>	<u>34,490</u>
EXCESS OF REVENUES OVER EXPENDITURES	32,819	20,075	14,582	(5,493)
Fund balance, beginning of year	<u>68,726</u>	<u>68,726</u>	<u>68,726</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 101,545</u>	<u>\$ 88,801</u>	<u>\$ 83,308</u>	<u>\$ (5,493)</u>
<u>Register of Deeds Automation</u>				
REVENUES				
Charges for services	\$ 72,000	\$ 72,000	\$ 70,710	\$ (1,290)
Interest	<u>-</u>	<u>-</u>	<u>240</u>	<u>240</u>
TOTAL REVENUES	72,000	72,000	70,950	(1,050)
EXPENDITURES				
Current				
General government	<u>72,000</u>	<u>72,532</u>	<u>36,455</u>	<u>36,077</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(532)	34,495	35,027
Fund balance, beginning of year	<u>37,148</u>	<u>37,148</u>	<u>37,148</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 37,148</u>	<u>\$ 36,616</u>	<u>\$ 71,643</u>	<u>\$ 35,027</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>911 Service</u>				
REVENUES				
Charges for services	\$ 192,799	\$ 192,799	\$ 242,445	\$ 49,646
Intergovernmental - Federal/State	-	3,000	1,730	(1,270)
TOTAL REVENUES	192,799	195,799	244,175	48,376
EXPENDITURES				
Current				
Public safety	399,315	454,799	413,458	41,341
Capital outlay	-	3,943	5,071	(1,128)
TOTAL EXPENDITURES	399,315	458,742	418,529	40,213
EXCESS OF REVENUES (UNDER) EXPENDITURES	(206,516)	(262,943)	(174,354)	88,589
OTHER FINANCING SOURCES				
Operating transfers in	-	56,427	56,427	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	(206,516)	(206,516)	(117,927)	88,589
Fund balance, beginning of year	221,176	221,176	221,176	-0-
Fund balance, end of year	\$ 14,660	\$ 14,660	\$ 103,249	\$ 88,589

Local Corrections Officers Training

REVENUES				
Charges for services	\$ -	\$ 4,072	\$ 4,692	\$ 620
EXPENDITURES				
Current				
Public safety	-	4,072	-	4,072
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	4,692	4,692
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ -0-	\$ -0-	\$ 4,692	\$ 4,692

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Drug Law Enforcement</u>				
REVENUES				
Fines and forfeits	\$ -	\$ 3,320	\$ 3,320	\$ -0-
EXPENDITURES				
Current				
Public safety	-	58	58	-0-
Capital outlay	-	5,810	5,810	-0-
TOTAL EXPENDITURES	-	5,868	5,868	-
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	(2,548)	(2,548)	-0-
Fund balance, beginning of year	12,637	12,637	12,637	-0-
Fund balance, end of year	<u>\$ 12,637</u>	<u>\$ 10,089</u>	<u>\$ 10,089</u>	<u>\$ -0-</u>
<u>Law Library</u>				
REVENUES				
Fines and forfeits	\$ 3,500	\$ 3,500	\$ 3,500	\$ -0-
EXPENDITURES				
Current				
General government	3,500	3,500	3,880	(380)
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(380)	(380)
Fund balance, beginning of year	2,365	2,365	2,365	-0-
Fund balance, end of year	<u>\$ 2,365</u>	<u>\$ 2,365</u>	<u>\$ 1,985</u>	<u>\$ (380)</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Enterprise Community</u>				
REVENUES				
Intergovernmental - Federal	\$ 498,900	\$ 498,900	\$ 231,107	\$ (267,793)
EXPENDITURES				
Current				
Community and economic development	<u>478,900</u>	<u>478,900</u>	<u>211,107</u>	<u>267,793</u>
EXCESS OF REVENUES OVER EXPENDITURES	20,000	20,000	20,000	-0-
OTHER FINANCING USES				
Operating transfers out	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Scrap Tire Grant</u>				
REVENUES				
Intergovernmental - State	\$ -	\$ 882,000	\$ 759,614	\$ (122,386)
Other				
Reimbursements	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>
TOTAL REVENUES	-0-	882,000	759,648	(122,352)
EXPENDITURES				
Current				
Health and welfare	<u>-</u>	<u>892,000</u>	<u>759,648</u>	<u>132,352</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	(10,000)	-0-	10,000
OTHER FINANCING SOURCES				
Operating transfers in	<u>-</u>	<u>16,130</u>	<u>-</u>	<u>(16,130)</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	6,130	-0-	(6,130)
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ 6,130</u>	<u>\$ -0-</u>	<u>\$ (6,130)</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Council on Aging</u>				
REVENUES				
Taxes	\$ 347,107	\$ 347,107	\$ 354,499	\$ 7,392
Intergovernmental - State	6,000	6,000	5,313	(687)
Interest	7,000	7,000	1,141	(5,859)
TOTAL REVENUES	360,107	360,107	360,953	846
EXPENDITURES				
Current				
Health and welfare	377,970	377,970	411,895	(33,925)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(17,863)	(17,863)	(50,942)	(33,079)
Fund balance, beginning of year	228,889	228,889	228,889	-0-
Fund balance, end of year	<u>\$ 211,026</u>	<u>\$ 211,026</u>	<u>\$ 177,947</u>	<u>\$ (33,079)</u>
<u>Social Welfare</u>				
REVENUES				
Intergovernmental - State	\$ 41,000	\$ 41,000	\$ -	\$ (41,000)
Other	190,000	190,000	227,584	37,584
TOTAL REVENUES	231,000	231,000	227,584	(3,416)
EXPENDITURES				
Current				
Health and welfare	241,000	241,000	243,374	(2,374)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(10,000)	(10,000)	(15,790)	(5,790)
OTHER FINANCING SOURCES				
Operating transfers in	10,000	10,000	9,500	(500)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	-0-	-0-	(6,290)	(6,290)
Fund balance, beginning of year	28,851	28,851	28,851	-0-
Fund balance, end of year	<u>\$ 28,851</u>	<u>\$ 28,851</u>	<u>\$ 22,561</u>	<u>\$ (6,290)</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Child Care Probate</u>				
REVENUES				
Intergovernmental - State	\$ 45,000	\$ 45,000	\$ 56,866	\$ 11,866
Other	2,500	2,500	2,290	(210)
TOTAL REVENUES	47,500	47,500	59,156	11,656
EXPENDITURES				
Current				
Health and welfare	465,000	465,000	400,952	64,048
EXCESS OF REVENUES (UNDER) EXPENDITURES	(417,500)	(417,500)	(341,796)	75,704
OTHER FINANCING SOURCES				
Operating transfer in	417,500	417,500	417,500	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	75,704	75,704
Fund balance, beginning of year	20,678	20,678	20,678	-0-
Fund balance, end of year	<u>\$ 20,678</u>	<u>\$ 20,678</u>	<u>\$ 96,382</u>	<u>\$ 75,704</u>
<u>Child Care FIA</u>				
REVENUES				
Intergovernmental - State	\$ 45,000	\$ 104,217	\$ 86,109	\$ (18,108)
EXPENDITURES				
Current				
Health and welfare	85,000	236,908	192,342	44,566
EXCESS OF REVENUES (UNDER) EXPENDITURES	(40,000)	(132,691)	(106,233)	26,458
OTHER FINANCING SOURCES				
Operating transfers in	40,000	65,000	65,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES	-0-	(67,691)	(41,233)	26,458
Fund balance, beginning of year	67,691	67,691	67,691	-0-
Fund balance, end of year	<u>\$ 67,691</u>	<u>\$ -0-</u>	<u>\$ 26,458</u>	<u>\$ 26,458</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<u>Soldiers &amp; Sailors Relief</u>				
REVENUES	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
Health and welfare	<u>9,965</u>	<u>9,965</u>	<u>6,716</u>	<u>3,249</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(9,965)	(9,965)	(6,716)	3,249
OTHER FINANCING SOURCES				
Operating transfers in	<u>9,965</u>	<u>9,965</u>	<u>9,965</u>	<u>-0-</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	3,249	3,249
Fund balance, beginning of year	<u>11,804</u>	<u>11,804</u>	<u>11,804</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 11,804</u>	<u>\$ 11,804</u>	<u>\$ 15,053</u>	<u>\$ 3,249</u>
<u>Veterans Trust</u>				
REVENUES				
Intergovernmental - State	\$ 4,104	\$ 4,104	\$ 4,052	\$ (52)
EXPENDITURES				
Current				
Health and welfare	<u>4,104</u>	<u>4,104</u>	<u>3,362</u>	<u>742</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	690	690
Fund balance, beginning of year	<u>326</u>	<u>326</u>	<u>326</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 326</u>	<u>\$ 326</u>	<u>\$ 1,016</u>	<u>\$ 690</u>

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2004

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Airport Fund</u>				
REVENUES				
Intergovernmental - State	\$ -	\$ 6,372	\$ -	\$ (6,372)
Interest and rents	9,030	9,030	8,880	(150)
TOTAL REVENUES	9,030	15,402	8,880	(6,522)
EXPENDITURES				
Current				
Public works	17,012	23,384	13,073	10,311
EXCESS OF REVENUES (UNDER) EXPENDITURES	(7,982)	(7,982)	(4,193)	3,789
Fund balance, beginning of year	39,092	39,092	39,092	-0-
Fund balance, end of year	<u>\$ 31,110</u>	<u>\$ 31,110</u>	<u>\$ 34,899</u>	<u>\$ 3,789</u>

**Agency Funds  
Fund Descriptions**

Agency Funds account for assets held by the County in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Trust and Agency Fund (701) - This Fund was established to account for monies received by the County for later distribution to other agencies or persons.

Library Fund (721) - This Fund was established under Act 236, Section 4351 to account for monies from District Court fines, which are received monthly for operations of the County's libraries.

Clare County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2004

	Agency Funds		Total
	Trust and Agency	Library	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,580,052	\$ 40,276	\$ 1,620,328
Investments	20,501	-	20,501
Due from others	6	-	6
<b>TOTAL ASSETS</b>	<b>\$ 1,600,559</b>	<b>\$ 40,276</b>	<b>\$ 1,640,835</b>
<b>LIABILITIES</b>			
Due to other governmental units			
Federal/State	\$ 1,414,351	\$ -	\$ 1,414,351
Local	331	40,276	40,607
Due to individuals and agencies	185,877	-	185,877
<b>TOTAL LIABILITIES</b>	<b>\$ 1,600,559</b>	<b>\$ 40,276</b>	<b>\$ 1,640,835</b>

Clare County, Michigan

Agency Funds

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2004

	Restated Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<u>All Agency Funds</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,794,643	\$ 17,445,910	\$ 17,620,225	\$ 1,620,328
Investments	20,501	-	-	20,501
Due from others	235	6	235	6
<b>TOTAL ASSETS</b>	<b>\$ 1,815,379</b>	<b>\$ 17,445,916</b>	<b>\$ 17,620,460</b>	<b>\$ 1,640,835</b>
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 1,255,113	\$ 15,874,099	\$ 15,714,861	\$ 1,414,351
Local	36,950	416,804	413,147	40,607
Due to individuals and agencies	523,316	12,419,037	12,756,476	185,877
<b>TOTAL LIABILITIES</b>	<b>\$ 1,815,379</b>	<b>\$ 28,709,940</b>	<b>\$ 28,884,484</b>	<b>\$ 1,640,835</b>
<u>Trust and Agency Fund</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,757,929	\$ 17,032,686	\$ 17,210,563	\$ 1,580,052
Investments	20,501	-	-	20,501
Due from others	235	6	235	6
<b>TOTAL ASSETS</b>	<b>\$ 1,778,665</b>	<b>\$ 17,032,692</b>	<b>\$ 17,210,798</b>	<b>\$ 1,600,559</b>
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 1,255,113	\$ 15,874,099	\$ 15,714,861	\$ 1,414,351
Local	236	3,580	3,485	331
Due to individuals and agencies	523,316	12,419,037	12,756,476	185,877
<b>TOTAL LIABILITIES</b>	<b>\$ 1,778,665</b>	<b>\$ 28,296,716</b>	<b>\$ 28,474,822</b>	<b>\$ 1,600,559</b>
<u>Library Fund</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 36,714	\$ 413,224	\$ 409,662	\$ 40,276
<b>LIABILITIES</b>				
Due to other governmental units				
Local	\$ 36,714	\$ 413,224	\$ 409,662	\$ 40,276

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2004

	Debt Service			Total
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	
ASSETS				
Cash and cash equivalents	\$ 150	\$ 422	\$ 150	\$ 722
FUND BALANCES				
Reserved for Debt service	\$ 150	\$ 422	\$ 150	\$ 722

Clare County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

September 30, 2004

**Total fund balance - governmental funds** \$ 722

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Lease receivable	2,324,068
------------------	-----------

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Accrued interest payable	\$ 44,068	
Direct county obligations	<u>2,280,000</u>	
		<u>(2,324,068)</u>

**Net assets of governmental activities** \$ 722

Clare County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2004

	Debt Service			Total
	Clare Water #1	Clare Sewer Refunding Bonds - 2002	Clare Sewer #4	
<b>REVENUES</b>				
Intergovernmental - local	\$ 45,033	\$ 303,151	\$ 52,600	\$ 400,784
Interest	-	11	-	11
<b>TOTAL REVENUES</b>	<b>45,033</b>	<b>303,162</b>	<b>52,600</b>	<b>400,795</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	20,000	250,000	25,000	295,000
Interest and fiscal charges	25,033	53,151	27,600	105,784
<b>TOTAL EXPENDITURES</b>	<b>45,033</b>	<b>303,151</b>	<b>52,600</b>	<b>400,784</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-0-</b>	<b>11</b>	<b>-0-</b>	<b>11</b>
Fund balances, beginning of year	150	411	150	711
Fund balances, end of year	<u>\$ 150</u>	<u>\$ 422</u>	<u>\$ 150</u>	<u>\$ 722</u>

Clare County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2004

**Net change in fund balances - total governmental funds** \$ 11

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

Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year in which the debt was incurred. (295,000)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirements 295,000

**Change in net assets of governmental activities** \$ 11

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2004

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
<b>ASSETS</b>				
Cash and cash equivalents	\$ 103,134	\$ 15,444	\$ 30,604	\$ 35,056
Due from other governmental units	-	-	-	-
Due from other funds	-	14,251	-	18,434
Special assessments receivable	239,508	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 342,642</b>	<b>\$ 29,695</b>	<b>\$ 30,604</b>	<b>\$ 53,490</b>
<b>LIABILITIES AND FUND EQUITY</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,077	\$ -	\$ -	\$ -
Advance from local unit	3,231	-	-	-
Deferred revenue	249,869	-	-	-
Due to other funds	14,251	-	18,434	-
Advance from primary government	-	29,695	-	53,490
<b>TOTAL LIABILITIES</b>	<b>268,428</b>	<b>29,695</b>	<b>18,434</b>	<b>53,490</b>
<b>FUND EQUITY</b>				
Fund balances				
Designated for capital projects	74,214	-	12,170	-
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 342,642</b>	<b>\$ 29,695</b>	<b>\$ 30,604</b>	<b>\$ 53,490</b>

<u>Projects</u>	
Lake Improvement Revolving	<u>Total</u>
\$ 19,439	\$ 203,677
561	561
-	32,685
-	239,508
<u>\$ 20,000</u>	<u>\$ 476,431</u>
\$ -	\$ 1,077
-	3,231
-	249,869
-	32,685
<u>20,000</u>	<u>103,185</u>
20,000	390,047
-	<u>86,384</u>
<u>\$ 20,000</u>	<u>\$ 476,431</u>

Clare County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2004

**Total fund balance - governmental funds** \$ 86,384

Amounts reported for the governmental activities in the statement of net assets are different because:

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue 239,508

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

The cost of capital assets is \$ 1,164,997  
Accumulated depreciation is (321,549)

Capital assets, net 843,448

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and loans payable 227,923  
Accrued interest payable 4,282  
(232,205)

**Net assets of governmental activities** \$ 937,135

Clare County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended September 30, 2004

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
<b>REVENUES</b>				
Intergovernmental - local	\$ 19,544	\$ -	\$ -	\$ -
Interest	101	-	-	-
Other				
Special assessments	<u>76,773</u>	<u>-</u>	<u>14,748</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<u>96,418</u>	<u>-0-</u>	<u>14,748</u>	<u>-0-</u>
<b>EXPENDITURES</b>				
Current				
Public works	20,210	-	30,141	-
Debt service				
Principal redemption	58,751	-	-	-
Interest and fees	<u>14,242</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>93,203</u>	<u>-0-</u>	<u>30,141</u>	<u>-0-</u>
<b>EXCESS OF REVENUES OVER     (UNDER) EXPENDITURES</b>	3,215	-0-	(15,393)	-0-
Fund balances, beginning of year	<u>70,999</u>	<u>-</u>	<u>27,563</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 74,214</u></u>	<u><u>\$ -0-</u></u>	<u><u>\$ 12,170</u></u>	<u><u>\$ -0-</u></u>

<u>Projects</u>		
Lake		
Improvement		<u>Total</u>
Revolving		
\$ -	\$ 19,544	
-	101	
-	<u>91,521</u>	
-0-	111,166	
-	50,351	
-	58,751	
-	<u>14,242</u>	
<u>-0-</u>	<u>123,344</u>	
-0-	(12,178)	
-	<u>98,562</u>	
<u>\$ -0-</u>	<u>\$ 86,384</u>	

Clare County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2004

**Net change in fund balances - total governmental funds** \$ (12,178)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (93,654)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Depreciation expense (19,491)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirements 58,751

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable 1,148

**Change in net assets of governmental activities** \$ (65,424)

Clare County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

September 30, 2004

	<u>Special Revenue</u>
ASSETS	
Current assets	
Cash	<u>\$ 2,125</u>
FUND BALANCE	
Fund balance	
Unreserved - Undesignated	<u>\$ 2,125</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of September 30, 2004.

Clare County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended September 30, 2004

	<u>Special Revenue</u>
REVENUES	\$ -
EXPENDITURES	<u>-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-
Fund balance, beginning of year	<u>2,125</u>
Fund balance, end of year	<u><u>\$ 2,125</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended September 30, 2004.

**STATISTICAL SECTION (UNAUDITED)**

Clare County, Michigan

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

1995-2004  
(Unaudited)

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health and Welfare	Community and Economic Development	Recreation and Cultural	Other	Debt Service	Capital Projects	Total
1995	\$ 67,051	\$ 1,090,834	\$ 1,120,490	\$ 1,717,886	\$ 3,963,241	\$ 1,907,856	\$ -	\$ -	\$ 1,251,235	\$ 454,398	\$ 1,352,599	\$ 12,925,590
1996	63,964	1,064,854	1,219,130	1,699,575	4,439,823	1,905,696	-	-	1,481,579	426,158	1,359,675	13,660,454
1997	77,198	1,022,343	1,155,262	1,823,239	4,960,879	1,788,745	-	-	1,674,332	565,264	2,144,167	15,211,429
1998	72,434	1,188,595	1,247,681	2,220,491	5,515,986	1,774,560	-	-	268,755	779,938	3,084,697	16,153,137
1999	114,987	1,320,633	1,384,477	2,979,695	6,075,206	1,827,203	-	-	1,038,215	1,231,923	851,152	16,823,491
2000	80,804	1,081,527	1,267,843	2,601,159	4,333,875	1,484,289	-	-	545,492	1,007,512	851,703	13,254,204
2001	105,730	1,498,836	1,695,748	3,738,949	6,160,015	2,119,658	-	-	509,250	1,363,736	2,142,541	19,334,463
2002	107,351	1,579,598	1,849,737	4,122,461	6,538,730	2,651,823	-	11,101	651,847	1,355,174	838,557	19,706,379
2003	-	-	3,926,897	4,411,586	4,530,654	2,236,266	461,805	18,784	587,904	1,399,540	184,719	17,758,155
2004	-	-	3,965,833	4,717,208	6,051,381	2,650,836	816,054	14,372	666,398	1,569,903	480,206	20,932,191

Notes:

- (1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.
- (2) Source: Clare County Basic Financial Statements.

Clare County, Michigan

GENERAL GOVERNMENTAL REVENUES BY SOURCE

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental</u>	<u>Charges For Services</u>	<u>Fines and Forfeits</u>	<u>Interest and Rents</u>	<u>Other Revenue</u>	<u>Total</u>
1995	\$ 2,878,195	\$ 139,566	\$ 6,132,521	\$ 1,754,514	\$ 16,691	\$ 483,832	\$ 758,533	\$ 12,163,852
1996	2,955,477	149,834	5,633,570	1,708,775	22,009	552,866	742,773	11,765,304
1997	3,069,465	167,592	6,866,752	1,992,135	20,802	642,006	837,977	13,596,729
1998	3,321,161	188,842	7,129,351	1,980,536	20,086	810,760	768,066	14,218,802
1999	3,474,402	195,573	7,466,678	3,046,661	35,353	693,771	745,293	15,657,731
2000	3,631,247	164,551	5,828,614	2,808,873	27,658	569,834	666,588	13,697,365
2001	4,462,973	201,591	8,511,726	3,576,362	45,184	818,213	681,368	18,297,417
2002	4,188,464	195,279	9,051,798	3,678,727	33,524	703,241	728,626	18,579,659
2003	4,536,083	209,815	3,210,620	3,022,048	24,170	625,193	6,973,715	18,601,644
2004	4,588,011	252,890	9,980,302	3,763,132	22,147	589,189	1,284,365	20,480,036

Notes:

- (1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.
- (2) Source: Clare County Basic Financial Statements.

Clare County, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS

1995-2004  
(Unaudited)

Fiscal Year	General	Senior Citizens	Animal Shelter	Gypsy Moth	County Transit	Total Tax Levy	Total Tax Collections	Percent Collected
1995	5.0753	0.4429	-	-	0.2768	\$ 2,859,913	\$ 2,823,559	98.73%
1996	5.0753	0.4429	-	-	0.2768	3,041,917	2,909,525	95.65%
1997	5.0753	0.4800	0.2500	-	0.2768	3,286,288	3,034,825	92.35%
1998	5.0753	0.4800	0.2500	-	0.2768	3,445,309	3,293,288	95.59%
1999	5.0251	0.4752	0.2475	-	0.2768	3,633,761	3,451,670	94.99%
2000	5.0251	0.4752	0.2475	-	0.2741	3,641,039	3,618,044	99.37%
2001	5.0110	0.4800	0.2468	1.0000	0.2733	4,475,732	4,428,028	98.93%
2002	4.9749	0.4765	0.2450	0.2500	0.2713	4,177,252	4,176,429	99.98%
2003	4.9236	0.4715	0.2474	0.2500	0.2685	4,447,471	4,445,226	99.95%
2004	4.8339	0.4629	0.2411	0.2500	0.2636	4,614,614	4,613,830	99.98%

Notes:

(1) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

(2) Levies in mills.

(3) Source: Clare County Basic Financial Statements.

Clare County, Michigan

TAXABLE PROPERTY VALUATIONS

1995-2004  
(Unaudited)

Fiscal Year	Real Property		Personal Property		Total	
	Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value
1995	\$ 425,929,955	\$ 426,725,947	\$ 96,939,824	\$ 96,939,824	\$ 522,869,779	\$ 523,665,771
1996	462,881,449	463,827,499	99,511,728	99,511,728	562,393,177	563,339,227
1997	502,980,573	502,597,898	91,212,031	91,212,031	594,192,604	593,809,929
1998	552,712,301	552,711,559	89,769,290	89,769,290	642,481,591	642,480,849
1999	622,579,420	622,728,651	98,866,796	98,866,796	721,446,216	721,595,447
2000	700,052,833	700,052,833	99,839,053	99,839,053	799,891,886	799,891,886
2001	787,923,583	787,923,583	96,352,424	96,352,424	884,276,007	884,276,007
2002	932,291,110	932,291,110	94,416,687	94,416,687	1,026,707,797	1,026,707,797
2003	1,013,419,548	1,013,419,548	94,699,370	94,699,370	1,108,118,918	1,108,118,918
2004	1,084,054,636	1,084,054,636	98,149,304	98,149,304	1,182,203,940	1,182,203,940

Notes:

(1) Information taken from Clare County Equalization Reports.

(2) Ad valorem tax only, therefore, excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

Clare County, Michigan

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS  
(Per \$1,000 of Assessed Value)

1995-2004  
(Unaudited)

Fiscal Year	Clare County					Total
	General	Senior Citizens	Animal Shelter	Gypsy Moth	County Transit	
1995	5.0753	0.4429	-	-	0.2768	5.7950
1996	5.0753	0.4429	-	-	0.2768	5.7950
1997	5.0753	0.4800	0.2500	-	0.2768	6.0821
1998	5.0753	0.4800	0.2500	-	0.2768	6.0821
1999	5.0251	0.4752	0.2475	-	0.2768	6.0246
2000	5.0251	0.4752	0.2475	-	0.2741	6.0219
2001	5.0110	0.4800	0.2468	1.0000	0.2733	7.0111
2002	4.9749	0.4765	0.2450	0.2500	0.2713	6.2177
2003	4.9236	0.4715	0.2474	0.2500	0.2685	6.1610
2004	4.8339	0.4629	0.2411	0.2500	0.2636	6.0515

Notes:

(1) Table in mills.

(2) Source: Tax Warrants issued by Equalization Department.

Clare County, Michigan

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Special Assessment Levied</u>	<u>Special Assessment Collection</u>
1995	\$ 48,620	\$ 48,620
1996	14,164	14,164
1997	13,791	10,687
1998	35,743	35,742
1999	47,152	46,899
2000	56,770	56,765
2001	42,306	42,287
2002	123,528	122,945
2003	77,084	61,956
2004	69,858	59,998

Notes:

(1) Information taken from Drain Office reports.

Clare County, Michigan

RATIO OF NET GENERAL BONDED DEBT TO ASSESSED  
VALUE AND NET BONDED DEBT PER CAPITA

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Equalized Value <sup>(3)</sup></u>	<u>Gross Bonded Debt <sup>(4)</sup></u>	<u>Bonded Debt Service Funds Available <sup>(4)</sup></u>	<u>Net General Bonded Debt</u>	<u>Net Debt to Equalized Value</u>	<u>Net Debt Per Capita</u>
1995	24,952 <sup>(1)</sup>	\$ 523,665,771	\$ 4,115,000	\$ 135	\$ 4,114,865	0.79%	\$ 165
1996	24,952 <sup>(1)</sup>	563,339,227	5,650,000	135	5,649,865	1.00%	226
1997	24,952 <sup>(1)</sup>	593,809,929	6,120,000	145	6,119,855	1.03%	245
1998	24,952 <sup>(1)</sup>	642,480,849	6,845,000	1,698	6,843,302	1.07%	274
1999	24,952 <sup>(1)</sup>	721,595,447	6,680,000	84,700	6,595,300	0.91%	264
2000	24,952 <sup>(1)</sup>	799,891,886	6,145,000	1,764	6,143,236	0.77%	246
2001	31,252 <sup>(2)</sup>	884,276,007	6,173,000	1,716	6,171,284	0.70%	197
2002	31,252 <sup>(2)</sup>	1,026,707,797	6,530,000	1,716	6,528,284	0.64%	209
2003	31,252 <sup>(2)</sup>	1,108,118,918	5,610,000	1,798	5,608,202	0.51%	179
2004	31,252 <sup>(2)</sup>	1,182,203,940	6,550,000	1,363	6,548,637	0.55%	210

Note:

(1) Source: 1990 Census Report.

(2) Source: 2000 Census Report.

(3) Source: Information taken from Clare County Equalization Reports.

(4) Source: Clare County Basic Financial Statements.

Clare County, Michigan

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2004  
(Unaudited)

State equalized value		\$	1,182,203,940
Debt limit 10% of equalized value			118,220,394
Amount of Debt Applicable to Debt Limit			
Total bonded debt	\$	6,550,000	
Less:			
Assets available for debt retirement		<u>1,363</u>	
Total amount of debt applicable to debt limit			<u>6,548,637</u>
Legal debt margin		\$	<u><u>111,671,757</u></u>

Note:

(1) Adjusted to State Equalized Equivalent.

Clare County, Michigan

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

September 30, 2004  
(Unaudited)

	<u>Net Bonded Debt Outstanding <sup>(1)</sup></u>	<u>Estimated Percent Applicable</u>	<u>Direct and Estimated Overlapping Bonded Debt</u>
Direct:			
County at large	\$ 6,548,637	100%	\$ 6,548,637
Overlapping:			
School districts (4)	27,191,416	78%	21,230,320
Cities and villages (2)	9,073,629	89%	8,060,521
Mid Michigan Community College	<u>925,000</u>	45%	<u>416,250</u>
Total overlapping debt	<u>37,190,045</u>		<u>29,707,091</u>
Grand Total	<u>\$ 43,738,682</u>		<u>\$36,255,728</u>

Note:

(1) Excluding bonded debt reported in the enterprise funds, special assessment debt, and the amount available for repayment in the debt service funds.

Clare County, Michigan

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL  
BONDED DEBT TO TOTAL GENERAL EXPENDITURES

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Fees and Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures <sup>(1)</sup></u>	<u>Ratio</u>
1995	\$ 213,799	\$ 240,599	\$ 454,398	\$ 12,925,590	3.52%
1996	196,145	230,013	426,158	13,660,454	3.12%
1997	258,722	306,542	565,264	15,211,429	3.72%
1998	343,613	436,325	779,938	16,153,137	4.83%
1999	743,542	488,381	1,231,923	16,823,491	7.32%
2000	602,343	405,169	1,007,512	13,254,204	7.60%
2001	879,611	484,125	1,363,736	19,334,463	7.05%
2002	932,051	423,123	1,355,174	19,706,379	6.88%
2003	961,053	438,487	1,399,540	17,758,155	7.88%
2004	1,198,528	371,375	1,569,903	20,932,191	7.50%

Notes:

(1) General Government includes General, Special Revenue, Debt Service, Capital Project and Component Unit Funds.

(2) Source: Clare County Basic Financial Statements.

Clare County, Michigan

DEMOGRAPHIC STATISTICS

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Labor Force <sup>(3)</sup></u>	<u>Unemployment Rate <sup>(3)</sup></u>
1995	24,952 <sup>(1)</sup>	9,850	10.2%
1996	24,952 <sup>(1)</sup>	10,025	7.7%
1997	24,952 <sup>(1)</sup>	10,125	7.1%
1998	24,952 <sup>(1)</sup>	10,675	9.0%
1999	24,952 <sup>(1)</sup>	10,800	6.2%
2000	24,952 <sup>(1)</sup>	11,150	7.7%
2001	31,252 <sup>(2)</sup>	10,750	8.9%
2002	31,252 <sup>(2)</sup>	10,650	9.0%
2003	31,252 <sup>(2)</sup>	11,450	11.1%
2004	31,252 <sup>(2)</sup>	11,700	12.3%

Notes:

(1) Source: 1990 Census Report.

(2) Source: 2000 Census Report.

(3) Source: Michigan Department of Career Development.

Clare County, Michigan

PROPERTY VALUE AND CONSTRUCTION

1995-2004  
(Unaudited)

<u>Fiscal Year</u>	<u>Commercial Construction True Value</u>	<u>Industrial Construction True Value</u>	<u>Residential Construction True Value</u>	<u>State Equalized Value</u>
1995	\$ 35,552,377	\$ 5,019,285	\$ 342,986,850	\$ 523,665,771
1996	37,661,850	5,736,288	360,277,365	563,339,227
1997	39,813,468	6,615,549	378,775,359	593,809,929
1998	42,067,570	6,643,200	404,129,887	642,480,849
1999	43,633,426	6,901,927	429,537,379	721,595,447
2000	45,512,193	7,505,397	458,897,300	799,891,886
2001	48,798,082	7,691,462	496,340,857	884,276,007
2002	52,614,140	7,701,283	538,460,939	1,026,707,797
2003	57,364,031	7,890,373	575,674,745	1,108,118,918
2004	57,822,483	8,055,005	618,218,643	1,182,203,940

Notes:

(1) Information taken from Clare County Equalization Reports.

Clare County, Michigan

PRINCIPAL TAXPAYERS

September 30, 2004  
(Unaudited)

<u>Taxpayer</u>	<u>Nature of Business</u>	<u>2004 Taxable Value</u>	<u>Percent of Total Assessed Valuation</u>
Consumers Energy	Utility	\$ 39,096,407	3.31%
Great Lakes Gas Transmission	Gas pipeline	21,064,631	1.78%
Mid Michigan Gas Storage	Gas pipeline	7,121,125	0.60%
ANR Pipeline Company	Gas pipeline	7,078,375	0.60%
Renosol	Automotive components	5,169,120	0.44%
Michigan Consolidated Gas Company	Utility	4,535,392	0.38%
Doherty Hotel Inc.	Hospitality services	3,010,753	0.25%
Federal Broach & Machine	Metalworking	2,531,997	0.21%
Chodaka LLC	Architecture	1,502,665	0.13%
Holiday Inn Express	Hospitality services	<u>1,270,590</u>	<u>0.11%</u>
Total assessed value of ten largest taxpayers		92,381,055	7.81%
Total assessed value of other taxpayers		<u>1,089,822,885</u>	<u>92.19%</u>
Total assessed value of all taxpayers		<u><u>\$ 1,182,203,940</u></u>	<u><u>100.00%</u></u>

Note:

(1) Information taken from Clare County Equalization Reports.

Clare County, Michigan

MISCELLANEOUS STATISTICAL DATA

September 30, 2004  
(Unaudited)

Date of Incorporation: January, 1871

Form of Government: The County's legislative body is a seven member Board of Commissioners that is elected from single-member districts, determined by population, on a partisan basis for two-year terms. The Board annually elects from within its ranks a Chairman and Vice-Chairman by majority vote.

Location and Description: The County is located in the central part of Michigan's Lower Peninsula.

The Topography of the County is flat to gently rolling, with approximately 75% of its land area being devoted to agricultural and open space uses.

Area: 576 square miles

Police Protection:

Number of Employees	32
Vehicular Patrol Units	14
Correctional Facility:	
Jail/Work Release	24

Education: Higher educational opportunities are available to County residents at Mid Michigan Community College with its main campus in Harrison and a satellite campus in Mt. Pleasant at Central Michigan University - a fully accredited four year higher education institution located in Mt. Pleasant.

Education:

40.4 percent of Clare County residents over 25 years of age earn a high school diploma compared with Michigan at 31.3 percent.

36.9 percent get some college education vs. 30.3 percent of the Michigan average.

8.8 percent earn a bachelor's degree or higher while 21.8 percent of the remaining Michigan residents do so.

Population:

Clare County had 31,589 people (estimated) in 2003, ranking as the 48<sup>th</sup> most populous county in Michigan. The population increased by 6,637 person or 26.6 percent since 1990.

Age:

Of 31,252 people who lived in Clare in 2000, 58.3 percent were between 18 and 64 years of age; the remaining 41.7 percent included 5.8 percent children under the age of 5, 18.6 percent youth ages 5-17 and 17.3 percent over the age of 65.

"Seasoned citizens", those age 65 and over, grew by 1,039 or 23.8 percent since 1990. One in six Clare residents is age 65 or older.

Housing:

Homeownership rates at 82.3% within Clare County with 73.8% being the average within Michigan.

Median value of houses is \$70,500 (Michigan average \$115,600). In 1990 Clare median value was \$30,500.

Clare County, Michigan

MISCELLANEOUS STATISTICAL DATA - CONCLUDED

September 30, 2004  
(Unaudited)

Poverty:

In 2003, 5,003 persons in Clare County were below the poverty line, decreasing from 5,815 persons in 1990.

The poverty rate for Seniors (person age 65 and over) in 2000 was 10.7 percent. This was down from the previous two decades when the poverty rate for Seniors was 13.2 percent (1990) and 12.5 percent (1980).

Labor Force:

Where Clare County Residents Work

County residents who worked in their own county:

	<u>2000</u>	<u>1990</u>	<u>1980</u>
Number	6,535	5,511	3,778
Percent	57.4	70.7	63.4

County residents who worked outside their own county, but in Michigan:

Number	4,784	2,212	2,164
Percent	42.0	28.4	36.3

County residents who worked outside of Michigan:

Number	71	67	21
Percent	.6	.9	.4

Work type is 78% private wage/salary; 11.9% government, and 9.1% self-employed.

Construction industry had the largest percentage increase in jobs since 1990 - 144%, representing additional 736 jobs.

Household Income:

Between 1990 and 2002, households in Clare County experienced an increase in real median income of 31 percent, from \$22,275 to \$29,150. Real income is adjusted for inflation based on changes in the Consumer Price Index.

Compared to other Michigan counties, Clare County ranked 77<sup>th</sup> in 2000 in median household income.

Per capita income in Clare County in 1998 was \$16,549, compared to \$15,676 in 1990 (in 1998 dollars), a 5.6 percent increase.

Principals

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

To the Board of Commissioners  
Clare County  
Harrison, Michigan

We have audited the financial statements of Clare County as of and for the year ended September 30, 2004, and have issued our report thereon dated March 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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. We noted the following reportable conditions:

2004-1 BANK RECONCILIATIONS

Condition: During the course of our audit, it was noted that the County had not reconciled the pooled cash bank account to the general ledger in a timely manner as of October 4, 2004. The reconciling of these amounts to the general ledger was not performed until March of 2005. It was noted that various general ledger posting errors and unrecorded transactions had not been properly accounted for until the reconciliation was complete.

Criteria: Reconciliation of all bank accounts in a timely manner is one of the most important procedures for maintaining a sound internal control structure over all cash activities. The failure to reconcile cash also results in the inability to monitor cash flows to assure adequate funds are on hand to meet cash needs. Timely bank reconciliations are a critical accounting function.

Effect: As a result of not reconciling the County's pooled cash bank account in a timely manner, reconciling items were not identified and resolved until March 2005.

#### 2004-1 BANK RECONCILIATIONS - CONTINUED

Recommendation: We recommend the County assure all bank reconciliations be performed and approved by the appropriate individuals on a timely basis and any adjustments to the general ledger or at the bank be handled immediately. This process will not only assure accurate cash balances but will be useful for the County to monitor cash flow.

Corrective Action Response: Management of the County is currently reviewing procedures related to timely bank reconciliations and will implement necessary changes in order to comply with the cited requirements.

#### 2004-2 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted two (2) bank accounts that are not recorded in the County's general ledger. One (1) account is a Trust and Agency account for the Friend of the Court and the other account is an Inmate/Commissary account maintained at the jail. The balances in these accounts were not considered to be material to the financial statements.

Criteria: The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County.

Effect: The County has failed to identify all of the bank accounts that they have custody over. As a result, the County has not maintained adequate internal control over cash activities.

Recommendation: We recommend that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger.

Corrective Action Response: Management of the County is currently reviewing procedures related to identification of all bank accounts and will implement necessary changes in order to comply with the cited requirements.

A material weakness is a reportable 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 caused by error or fraud 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 2004-1 and 2004-2 to be material weaknesses. Additionally, we noted other matters involving the internal control over financial reporting, which we have reported to management of Clare County, Michigan in a separate letter dated March 7, 2005.

#### Compliance and Other Matters

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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the administration and Board of Commissioners of Clare County, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 7, 2005

**Clare County, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**September 30, 2004**

Clare County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Commissioners  
of Clare County  
Harrison, Michigan

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 is applicable to the major Federal programs for the year ended September 30, 2004. Clare County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are 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 basic financial statements include the operations of the Clare County Road Commission, which received \$790,508 in federal awards during the year ended September 30, 2004, and the Clare County Transit Corporation, which received \$179,045 in federal awards during the year ended September 30, 2004. Our audit described below did not include the operations of the Clare County Road Commission or the Clare County Transit Corporation because the component units have engaged other auditors to perform separate audits in accordance with OMB Circular A-133 or were not required to be audited in accordance with OMB Circular A-133.

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 Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. 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.

In our opinion, Clare County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending September 30, 2004.

### 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 the major Federal programs 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 (1) 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 the major Federal programs 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.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2004, and have issued our report thereon dated March 7, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clare County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 7, 2005

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE				
Office of Rural Development (Direct Programs)				
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	1921000559	\$ 39,410	\$ 39,410
Empowerment Zones Program <sup>(c)</sup>	10.772	N/A	231,107	231,107
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Housing Development Authority Community Development Block Grant (CDBG) Program State's Program				
CDBG Housing Grant Program	14.228	MSC-2004-0761-HOA	136,725	136,725
U.S. DEPARTMENT OF JUSTICE				
Office of Justice Program Passed through Michigan Family Independence Agency Juvenile Accountability Incentive Block Grant <sup>(d)</sup>				
03/04	16.523	JABGN-04-18001	32,128	32,128
02/03		JABGN-03-18001	<u>15,512</u>	<u>15,512</u>
			47,640	47,640
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Career Development and Region VIIB Michigan Works Temporary Assistance for Needy Families				
	93.558	N/A	47,753	47,753
Passed through Michigan Family Independence Agency Child Support Enforcement (Title IV-D) <sup>(c)</sup> Cooperative Reimbursement <sup>(a)</sup>				
Friend of the Court - 03/04	93.563	CS/FOC-04-18001	158,512	158,512
Cooperative Reimbursement <sup>(a)</sup> Prosecuting Attorney - 03/04		CS/PA-04-18002	41,836	41,836
Cooperative Reimbursement <sup>(a)</sup> Medical Support Collection Friend of the Court - 03/04		CS/MED-04-18001	6,589	6,589
Title IV-D Incentive Payments <sup>(b)</sup> 2004 Regular		N/A	<u>51,257</u>	<u>51,257</u>
			258,194	258,194

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

Year Ended September 30, 2004

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan State Police				
State Domestic Preparedness				
Equipment Support Program	97.004			
SHSG Program		N/A	\$ 54,829	\$ 54,829
2002 State Domestic Preparedness		N/A	<u>14,313</u>	<u>14,313</u>
			69,142	69,142
State and Local All Hazards				
Emergency Operations Planning				
2002 Supplemental Funds	97.051	N/A	9,020	9,020
Emergency Management				
Performance Grant	97.042	N/A	<u>7,729</u>	<u>7,729</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 846,720</u>	<u>\$ 846,720</u>

CLARE COUNTY HOUSING COMMISSION  
(Grantee Name)

Grant No. 1921000559

Application of State HOME Funds  
Michigan HOME Investment Partnership Program

For the Grant Period October 1, 2003 through September 30, 2004

<b><u>Activity</u></b>	<b><u>Authorized Costs</u></b>	<b><u>Actual Costs</u></b>	<b><u>Variance Under (Over)</u></b>
Wells and Septic Systems	\$ 35,410	\$ 35,410	\$ -0-
Administrative	<u>4,000</u>	<u>4,000</u>	<u>-0-</u>
Subtotal	<u>39,410</u>	<u>39,410</u>	<u>-0-</u>
<b><u>Other Funds/Sources</u></b>			
Matching Funds	<u>59,500</u>	<u>38,189</u>	<u>21,311</u>
Subtotal	<u>59,500</u>	<u>38,189</u>	<u>21311</u>
Total	<u>\$ 98,910</u>	<u>\$ 77,599</u>	<u>\$ 21,311</u>

CLARE COUNTY HOUSING COMMISSION  
(Grantee Name)

Grant No. MSC-2004-0761-HOA

Application of State Block Grant Funds  
Michigan Community Development Block Grant

For the Grant Period October 1, 2003 through September 30, 2004

<b><u>Activity</u></b>	<u>Authorized Costs</u>	<u>Actual Costs</u>	<u>Variance Under (Over)</u>
HO - Single Family Housing Rehabilitation	\$ 88,124	\$ 84,583	\$ 3,541
HO - Emergency Assistance	39,732	19,137	20,595
HO - Replacement	10,000	-0-	10,000
Administrative	<u>40,500</u>	<u>33,005</u>	<u>7,495</u>
Subtotal	<u>178,356</u>	<u>136,725</u>	<u>41,631</u>
<b><u>Other Funds/Sources</u></b>			
MSHDA/PIP/Personal	94,500	94,500	-0-
USDA Rural Development	<u>121,050</u>	<u>121,050</u>	<u>-0-</u>
Subtotal	<u>215,550</u>	<u>215,550</u>	<u>-0-</u>
Total	<u>\$ 393,906</u>	<u>\$ 352,275</u>	<u>\$ 41,631</u>

Clare County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2004

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Clare County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a)-(d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of these contracts is passed through the State Family Independence Agency (FIA). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by FIA for the reimbursed expenditures is considered Federal, except for the Medical Support Collection portion which is 34% State funded.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes program tested as "major program".
- (d) The amounts reported represent the Federal portion of the respective amounts based on 90% of eligible expenditures for the grant.

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the Federal revenues reported in the September 30, 2004 basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Federal Expenditures</u>
<b>PRIMARY GOVERNMENT</b>			
<b>GENERAL FUND</b>			
Prosecutor - CRP	\$ 45,945	\$( 4,109 )	\$ 41,836
Homeland Security	85,891	-	85,891
Michigan Works Grant	47,753	-	47,753
Juvenile Incentive Block Grant	52,934	( 5,294 )	47,640
Other programs	<u>1,448,609</u>	<u>( 1,448,609 )</u>	<u>-0-</u>
<b>TOTAL GENERAL FUND</b>	<b>1,681,132</b>	<b>( 1,458,012 )</b>	<b>223,120</b>
<b>SPECIAL REVENUE FUNDS</b>			
Friend of the Court	223,986	( 14,217 )	209,769
Friend of the Court Medical Grant	9,300	( 2,711 )	6,589
Housing Commission	176,135	-	176,135
Enterprise Community	231,107	-	231,107
Other funds	<u>913,684</u>	<u>( 913,684 )</u>	<u>-0-</u>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	<b><u>1,554,212</u></b>	<b><u>( 930,612 )</u></b>	<b><u>623,600</u></b>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b><u>\$ 3,235,344</u></b>	<b><u>\$( 2,388,624 )</u></b>	<b><u>\$ 846,720</u></b>

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

To the Board of Commissioners  
Clare County  
Harrison, Michigan

We have audited the financial statements of Clare County as of and for the year ended September 30, 2004, and have issued our report thereon dated March 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 as item 2004-1 and 2004-2.

A material weakness is a reportable 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 caused by error or fraud 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 2004-1 and 2004-2 to be material weaknesses. Additionally, we noted other matters involving the internal control over financial reporting, which we have reported to management of Clare County, Michigan in a separate letter dated March 7, 2005.

### Compliance and Other Matters

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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the administration and Board of Commissioners of Clare County, the pass-through grantors, and the Federal award agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 7, 2005

Clare County, Michigan

SCHEDULE OF FINDINGS

Year Ended September 30, 2004

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There were two (2) reportable conditions disclosed by the audit of the basic financial statements, as discussed below. We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements.

An unqualified opinion was issued on compliance for major programs. We did not disclose any findings related to internal controls or compliance related to the major programs tested.

The major programs tested to cover 50 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D) (CFDA 93.563) and the Empowerment Zone Program (CFDA 10.772) programs. Total Federal expenditures for the year ended September 30, 2004 for the major programs were \$489,301, which is approximately 58 percent of total Federal expenditures. It was determined that the County did not qualify as a low-risk auditee.

The County had no Type A programs. Programs of less than \$300,000 were determined to be Type B programs.

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

2004-1 BANK RECONCILIATIONS

Condition: During the course of our audit, it was noted that the County had not reconciled the pooled cash bank account to the general ledger in a timely manner as of October 4, 2004. The reconciling of these amounts to the general ledger was not performed until March of 2005. It was noted that various general ledger posting errors and unrecorded transactions had not been properly accounted for until the reconciliation was complete.

Criteria: Reconciliation of all bank accounts in a timely manner is one of the most important procedures for maintaining a sound internal control structure over all cash activities. The failure to reconcile cash also results in the inability to monitor cash flows to assure adequate funds are on hand to meet cash needs. Timely bank reconciliations are a critical accounting function.

Effect: As a result of not reconciling the County's pooled cash bank account in a timely manner, reconciling items were not identified and resolved until March 2005.

Recommendation: We recommend the County assure all bank reconciliations be performed and approved by the appropriate individuals on a timely basis and any adjustments to the general ledger or at the bank be handled immediately. This process will not only assure accurate cash balances but will be useful for the County to monitor cash flow.

Corrective Action Response: Management of the County is currently reviewing procedures related to timely bank reconciliations and will implement necessary changes in order to comply with the cited requirements.

2004-2 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted two (2) bank accounts that are not recorded in the County's general ledger. One (1) account is a Trust and Agency account for the Friend of the Court and the other account is an Inmate/Commissary account maintained at the jail. The balances in these accounts were not considered to be material to the financial statements.

Criteria: The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County.

Clare County, Michigan

SCHEDULE OF FINDINGS - CONCLUDED

Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE - CONCLUDED

Reportable Conditions Related to Internal Control Over the Financial Statements - concluded

2004-2 BANK ACCOUNTS NOT RECORDED - CONCLUDED

Effect: The County has failed to identify all of the bank accounts that they have custody over. As a result, the County has not maintained adequate internal control over cash activities.

Recommendation: We recommend that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger.

Corrective Action Response: Management of the County is currently reviewing procedures related to identification of all bank accounts and will implement necessary changes in order to comply with the cited requirements.

Findings Related to Compliance with Requirements Related to the Financial Statements.

None

Findings Related to Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2004

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

97-2 BANK RECONCILEMENT - FRIEND OF THE COURT

Other auditors have cited in the past that the Friend of the Court did not reconcile its bank account on a timely basis. The account is currently inactive because the function of collections and disbursements of child support have been taken over by the State of Michigan. The Friend of the Court is currently taking steps to return the funds to the applicable clients and/or depositing it with the State so that it may be distributed to the rightful owner. This process is expected to be completed by September 30, 2005. The account contained \$19,752 as of September 30, 2004.

97-3 BANK RECONCILEMENT - JAIL/INMATE COMMISSARY ACCOUNT

Other auditors have previously cited that the Jail/Inmate Commissary account is not properly reconciled to individual inmate balances plus the accumulated total of commissary profits and commissions. Our review concluded that this reconciliation is being completed; however, there is an unreconciled difference in this account of \$794.28 as of September 30, 2004. Since this amount is immaterial to the financial statements, this matter is considered to be resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

03-1 BOARD OF COMMISSIONERS AND ADMINISTRATOR - DEFICIT FUND BALANCES

Other auditors have previously cited that the Friend of the Court Fund reported a deficit in the unreserved fund balance of \$26,775 as in instance of noncompliance with State statute. This fund is no longer in a deficit condition and therefore this matter is considered to be resolved.

03-2 EXPENDITURES IN EXCESS OF APPROPRIATIONS - COUNTY'S BUDGETARY FUNDS

Other auditors have previously cited that the County had incurred expenditures in excess of amounts appropriated for the General Fund and certain Special Revenue Funds as an instance of noncompliance with State statute. The County has similar budget variances for the current year, which are detailed in the basic financial statements and reported to the State on the Auditing Procedures Report. These actions are considered to be sufficient to address the issue and therefore this matter is considered to be resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

00-5 FINANCIAL STATUS REPORTS

Other auditors have previously cited that the County had been delinquent in submitting quarterly Financial Status Reports to the USDA as required by the Enterprise Community Grant Agreement. This finding was not noted for the current year and is therefore considered to be resolved.

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



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and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Board of Commissioners  
of Clare County  
Harrison, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Clare County, Michigan for the year ended September 30, 2004. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Policy for conflict of interest should be developed and implemented.

During our fieldwork, we noted the County has not developed or implemented a policy concerning conflict of interest as part of the policy manual. Formal policies provide employees with a clearer understanding of the organization's expectations.

We suggest developing and implementing a policy for conflict of interest as part of the policy manual or as a separate policy.

2. Grant information should be kept in a central location.

As we were testing the provisions of the Federal and State grant programs we discovered the associated information is located in several different offices around the courthouse. Instituting a central location for all grant related information would facilitate the audit process and allow easier access to this information for management purposes.

We suggest that the County assemble all documentation related to Federal and State grants and keep it in a centralized location.

3. Revenues and expenditures should be entered in detail.

An analysis of the detailed transactions for the County revealed several funds where the revenues and expenditures were posted to "control" accounts rather than to a specific line item. In order to provide the necessary detail of the activity of the County, line items in accordance with the State of Michigan's chart of accounts should be used to record revenue and expenditures.

We suggest the County review the required chart of accounts and implement changes to the necessary funds.

4. Delinquent tax revolving funds should be correctly reported as Enterprise funds in the County's general ledger.

In 2002 the Michigan Department of Treasury issued an updated Uniform Chart of Accounts and a corresponding numbered letter that addressed the fund type changes. It indicated that delinquent tax revolving funds were to be reclassified from Internal Service Funds to Enterprise Funds. This change was made in preparing the annual financial statements, but was not properly reflected in the County's accounting records as of the last day of fieldwork.

We suggest the County comply with the Uniform Chart of Accounts by reclassifying all Delinquent Tax related funds to Enterprise Funds.

5. Budgets should be adopted for all funds and monitored and amended when necessary.

As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds.

Additionally, we noted that the Friend of the Court fund budgeted for a fund deficit at September 30, 2004 of \$16,316. Through discussions with management, we determined that this was caused by budget amendments being adopted for expenditures without adopting corresponding budget amendments for revenues.

The Michigan Public Act 621 of 1978, as amended, provides that the County shall not incur expenditures in excess of the amounts appropriated.

We suggest the County monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

6. Prepays and deferred revenues should be recorded in the Health Insurance Fund.

During the course of our audit, we noted that amounts that had been paid and collected in advance in the Health Insurance Fund had been recorded as current revenues and expenditures in that fund, causing an apparent deficit. We inquired of the County Administration and were informed that these amounts had been received into and paid out from that fund before year end but that these amounts related to October health insurance and should have been recorded as deferred revenue and prepaid insurance, respectively. These adjustments were made and are reflected in the September 30, 2004 financial statements.

Because the County began using this internal service fund in September, the required adjustments were easily arrived at for the financial statements. For future years, however, this process will require a more detailed analysis to be performed to determine amounts that should be reflected as prepaids and deferred revenue at year end.

We suggest that in future years the County make the required adjustments to present this fund on the full-accrual basis as required by Generally Accepted Accounting Standards.

7. The Transit Corporation audit should contain required capital assets disclosures.

During the course of our audit, we noted that certain capital assets disclosures required for the Government Finance Officer's Association's Certificate of Excellence in Financial Reporting are absent from the Transit Corporation's audit. As noted in our independent auditor's opinion, the Transit Corporation is audited by other auditors and the amounts and disclosures included in the County's financial statements are solely derived from that audit.

We suggest that the County work with the Transit Corporation auditors to include the required disclosures in their financial statements in the future. An example of a conforming disclosure may be found in Note E to the financial statements under Primary Government.

8. The County should work with component units to ensure audits are submitted timelier in the future.

The Clare County Road Commission and the Clare County Transit Corporation are entities that are audited separately but are included in the County's basic financial statements as part of the reporting entity. The timely receipt of these audits is essential to the County being able to meet the requirements of the Michigan Department of Treasury and the Government Finance Officer's Association Certificate of Excellence in Financial Reporting program. This year, it was necessary for the County to request a time extension from Treasury. Additionally, because the Comprehensive Annual Financial Report is late, it is unlikely that the County will receive the Certificate of Excellence in Financial Reporting for the year ending September 30, 2004.

We suggest that the County work with these entities and their auditors to ensure that the audits are available in future years no later than January 15<sup>th</sup> following the September 30<sup>th</sup> year end.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated March 7, 2005.

This report is intended solely for the use of management and the Board of Commissioners of Clare County and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you, and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 7, 2005