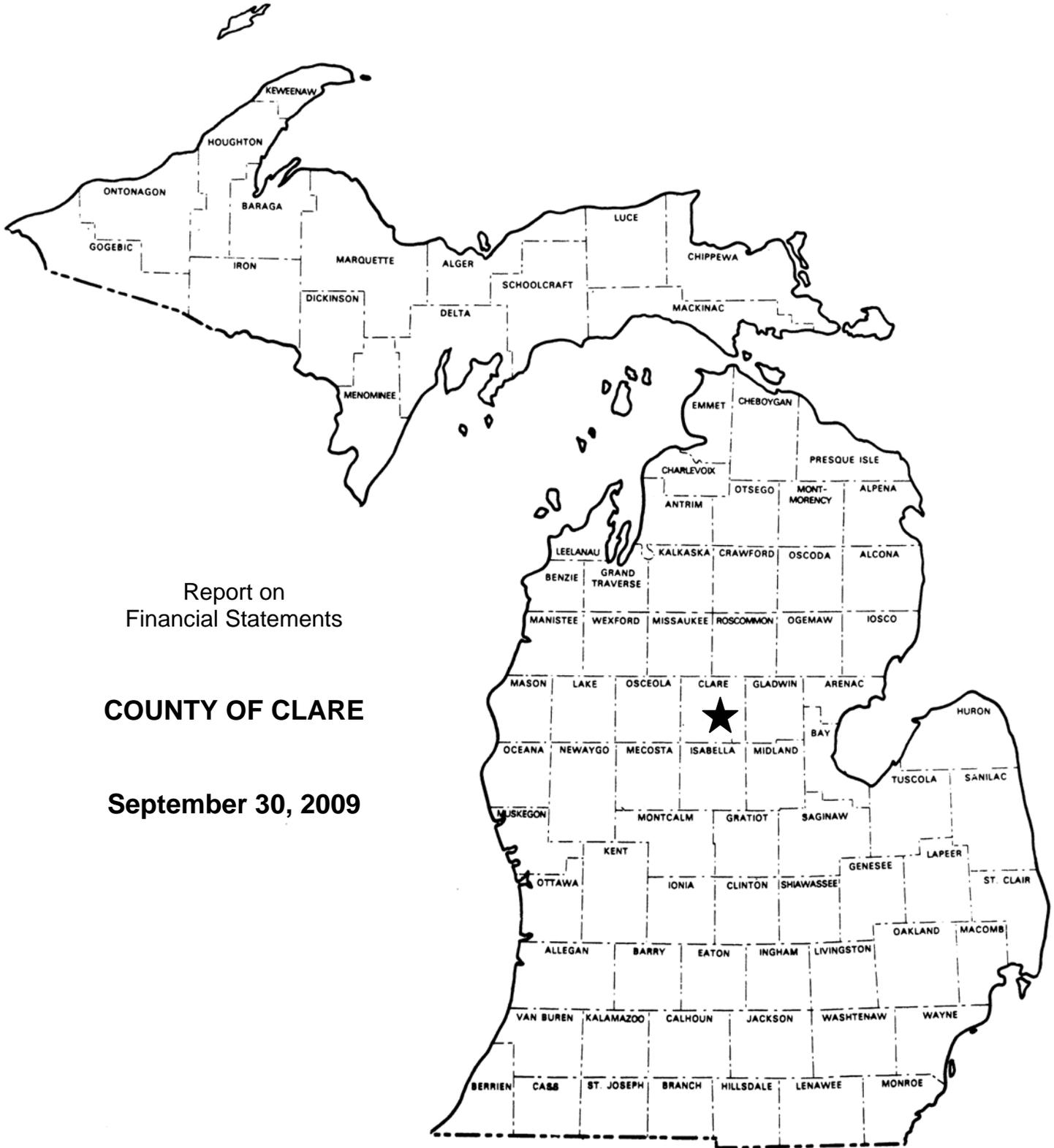


**STATE OF MICHIGAN**  
JENNIFER M. GRANHOLM, Governor  
**DEPARTMENT OF TREASURY**  
Robert J. Kleine, Treasurer



Report on  
Financial Statements

**COUNTY OF CLARE**

**September 30, 2009**

CLARE COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Karen Lipovsky  
Chairperson

Jim Gelios  
Lynn Grim  
John Wolf

Jordon Lockmiller  
Donald David  
Jack Kleinhardt

COURT JUDGES

Thomas Evans  
Circuit Judge

Roy Mienk  
Circuit Judge

Joshua Farrell  
District Judge

Thomas P. McLaughlin  
Probate Judge

OTHER ELECTED OFFICIALS

Pamela Mayfield  
Clerk/Register of Deeds  
and Abstractor

Paul Lapham  
Surveyor

John Wilson  
Sheriff

Carl J. Parks  
Drain Commissioner

Jenny Beemer-Fritzingler  
Treasurer

Michelle Ambrozaitis  
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Timothy Haskin  
Chairperson

Richard Haynak

Michael Duggan

COUNTY POPULATION--2000

31,252

STATE EQUALIZED VALUATION--2009

\$1,399,436,279



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 29, 2010

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

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare, Michigan, as of and for the fiscal year ended September 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Transit Corporation (enterprise fund) which represent 34% and 72%, respectively, of the assets and revenues of the business-type funds. We did not audit the financial statements of the Clare County Road Commission (special revenue component unit) which represents 95% and 97%, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component

units, each major fund, and the aggregate remaining fund information of the County as of September 30, 2009, 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 29, 2010 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



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

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## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

Our discussion and analysis of the County's financial performance provides an overview of the its financial activities for the fiscal year ended September 30, 2009. This discussion and analysis is designed to: a) assist the reader in focusing on significant financial issues; b) provide an overview of the County's financial activity; c) identify changes in the County's financial position (its ability to address the next and subsequent year challenges); d) identify any material deviations from the approved budget; and e) identify any issues or concerns.

#### *Using this Annual Report*

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

#### *Overview of the Financial Statements*

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

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

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

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

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2009**

**The County as a Whole**

The County's net assets for the governmental funds increased \$336,591 or 3% from the prior fiscal year for the governmental activities. The County's net assets for the business-type activities also increased \$1,255,697 or 16% from the prior fiscal year. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

|                                   | <u>Governmental<br/>Activities</u><br><u>2008</u> | <u>Governmental<br/>Activities</u><br><u>2009</u> | <u>Difference</u>        | <u>Percent</u>   |
|-----------------------------------|---|---|--------------------------|------------------|
| Other Assets                      | \$ 8,807,149                                      | \$ 8,573,360                                      | \$ (233,789)             | -3%              |
| Capital Assets                    | <u>4,281,675</u>                                  | <u>4,636,148</u>                                  | <u>354,473</u>           | <u>8%</u>        |
| Total Assets                      | <u>13,088,824</u>                                 | <u>13,209,508</u>                                 | <u>120,684</u>           | <u>1%</u>        |
| Long-Term Liabilities Outstanding | 1,631,334   | 1,626,519   | (4,815)                  | 0%               |
| Other Liabilities                 | <u>944,250</u>                                    | <u>733,158</u>                                    | <u>(211,092)</u>         | <u>-22%</u>      |
| Total Liabilities                 | <u>2,575,584</u>                                  | <u>2,359,677</u>                                  | <u>(215,907)</u>         | <u>-8%</u>       |
| Net Assets                        |   |   |                          |                  |
| Invested in Capital Assets        |   |   |                          |                  |
| Net of Related Debt               | 2,977,371   | 3,637,665   | 660,294                  | 22%              |
| Restricted                        | 3,467,172   | 3,204,604   | (262,568)                | -8%              |
| Unrestricted                      | <u>4,068,698</u>                                  | <u>4,007,562</u>                                  | <u>(61,136)</u>          | <u>-2%</u>       |
| Total Net Assets                  | <u><u>\$10,513,240</u></u>                        | <u><u>\$10,849,831</u></u>                        | <u><u>\$ 336,591</u></u> | <u><u>3%</u></u> |

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. All assets as such (except for assets invested in capital assets-net or related debt) are considered restricted.

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

A portion of the County's net assets in the amount of \$3,637,665 reflects its investments in capital assets (i.e., land, buildings, vehicles, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the citizens of Clare County; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$3,204,604, represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$4,007,562 represents "unrestricted net assets" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2009 fiscal year, the County is able to report positive balances in all three categories of net assets, both from a government as a whole, as well as for separate governmental and business activities, as explained above.

|                            | Business-Type<br>Activities<br><u>2008</u> | Business-Type<br>Activities<br><u>2009</u> | <u>Difference</u>         | <u>Percent</u>    |
|----------------------------|--|--|---------------------------|-------------------|
| Other Assets               | \$6,710,679                                | \$ 7,438,229                               | \$ 727,550                | 11%               |
| Capital Assets             | <u>1,008,628</u>                           | <u>1,574,106</u>                           | <u>565,478</u>            | <u>56%</u>        |
| Total Assets               | <u>7,719,307</u>                           | <u>9,012,335</u>                           | <u>1,293,028</u>          | <u>17%</u>        |
| Other Liabilities          | <u>67,208</u>                              | <u>104,539</u>                             | <u>37,331</u>             | <u>56%</u>        |
| Total Liabilities          | <u>67,208</u>                              | <u>104,539</u>                             | <u>37,331</u>             | <u>56%</u>        |
| Net Assets                 |  |  |                           |                   |
| Invested in Capital Assets | 1,008,628                                  | 1,574,106                                  | 565,478                   | 56%               |
| Unrestricted               | <u>6,643,471</u>                           | <u>7,333,690</u>                           | <u>690,219</u>            | <u>10%</u>        |
| Total Net Assets           | <u><u>\$7,652,099</u></u>                  | <u><u>\$ 8,907,796</u></u>                 | <u><u>\$1,255,697</u></u> | <u><u>16%</u></u> |

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2009**

The following table shows the changes of the net assets for the fiscal years ended September 30, 2008 and September 30, 2009:

|   | <u>Activities</u><br>2008  | <u>Activities</u><br>2009  | <u>Difference</u>        | <u>Percent</u>   |
|---|----------------------------|----------------------------|--------------------------|------------------|
| Program Revenues                                      |                            |                            |                          |                  |
| Charges for Services                                  | \$ 3,090,014               | \$ 3,082,157               | \$ (7,857)               | 0%               |
| Operating Grants and Contributions                    | 2,943,873                  | 3,010,073                  | 66,200                   | 2%               |
| Capital Grants and Contributions                      | 96,347                     | 532,652                    | 436,305                  | 453%             |
| General Revenues                                      |                            |                            |                          |                  |
| Property Taxes  | 5,762,089                  | 5,965,988                  | 203,899                  | 4%               |
| Unrestricted Investment Earnings                      | 102,742                    | 72,212                     | (30,530)                 | -30%             |
| Other Revenues  | 707,429                    | 571,639                    | (135,790)                | -19%             |
| <b>Total Revenues</b>                                 | <u>12,702,494</u>          | <u>13,234,721</u>          | <u>532,227</u>           | <u>4%</u>        |
| Program Expenses                                      |                            |                            |                          |                  |
| General Government                                    | 4,462,086                  | 4,276,416                  | (185,670)                | -4%              |
| Public Safety   | 5,418,627                  | 5,141,759                  | (276,868)                | -5%              |
| Public Works  | 310,597                    | 62,738                     | (247,859)                | -80%             |
| Health and Welfare                                    | 1,708,213                  | 1,836,553                  | 128,340                  | 8%               |
| Community and Economic Development                    | 484,671                    | 799,656                    | 314,985                  | 65%              |
| Recreation and Culture                                | 43,475                     | 17,810                     | (25,665)                 | -59%             |
| Other   | 769,437                    | 702,334                    | (67,103)                 | -9%              |
| Interest on Long-Term Debt                            | 71,512                     | 49,481                     | (22,031)                 | -31%             |
| <b>Total Expenses</b>                                 | <u>13,268,618</u>          | <u>12,886,747</u>          | <u>(381,871)</u>         | <u>-3%</u>       |
| Increase (Decrease) in Net Assets<br>Before Transfers | (566,124)                  | 347,974                    | 914,098                  | -161%            |
| Transfers In (Out)                                    | <u>455,000</u>             | <u>(25,476)</u>            | <u>(480,476)</u>         | <u>-106%</u>     |
| Change in Net Assets                                  | (111,124)                  | 322,498                    | 433,622                  | -390%            |
| Beginning Net Assets                                  | 10,624,365                 | 10,513,241                 | (111,124)                | -1%              |
| Restatement to Beginning Net Assets                   |                            | <u>14,092</u>              | <u>14,092</u>            | <u>100%</u>      |
| Restated Beginning Net Assets                         | <u>10,624,365</u>          | <u>10,527,333</u>          | <u>(97,032)</u>          | <u>-1%</u>       |
| Ending Net Assets                                     | <u><u>\$10,513,241</u></u> | <u><u>\$10,849,831</u></u> | <u><u>\$ 336,590</u></u> | <u><u>3%</u></u> |

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2009**

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

This process is intended to fill the funding gap created by the elimination of State revenue sharing until it is reinstated in 2010. The amount being drawn from this account must be reduced in 2010 for it to accomplish that goal. For the 2009 fiscal year, this fund is no longer considered a major special revenue fund.

**Business-Type Activities**

The County's net assets for business-type activities increased during 2009 by \$1,255,697 or by 16% from the prior fiscal year. This was due largely to a increase in capital grants and contributions, as well as the decrease in services rendered related to tax foreclosure sales.

|   | Business-Type<br>Activities<br><u>2008</u> | Business-Type<br>Activities<br><u>2009</u> | Difference                | Percent           |
|---|--|--|---------------------------|-------------------|
| Program Revenues                        |  |  |                           |                   |
| Charges for Services                    | \$1,029,778                                | \$ 1,136,420                               | \$ 106,642                | 10%               |
| Operating Grants and Contributions      | 754,424                                    | 725,437                                    | (28,987)                  | -4%               |
| Capital Grants and Contributions        | 48,343                                     | 860,785                                    | 812,442                   | 1681%             |
| General Revenues                        |  |  |                           |                   |
| Property Taxes                          | 289,383                                    | 296,836                                    | 7,453                     | 3%                |
| Unrestricted Investment Earnings        | 91,224                                     | 33,476                                     | (57,748)                  | -63%              |
| Total Revenues                          | <u>2,213,152</u>                           | <u>3,052,954</u>                           | <u>839,802</u>            | <u>38%</u>        |
| Program Expenses                        |  |  |                           |                   |
| Delinquent Tax Fund                     | 28,079                                     | 25,931                                     | (2,148)                   | -8%               |
| Public Transit                          | 1,614,602                                  | 1,628,416                                  | 13,814                    | 1%                |
| Nonmajor Enterprise                     | 38,609                                     | 168,472                                    | 129,863                   | 336%              |
| Total Expenses                          | <u>1,681,290</u>                           | <u>1,822,819</u>                           | <u>141,529</u>            | <u>8%</u>         |
| Increase in Net Assets Before Transfers | 531,862                                    | 1,230,135                                  | 698,273                   | 131%              |
| Transfers                               | (455,000)                                  | 25,476                                     | 480,476                   | -106%             |
| Increase (Decrease) in Net Assets       | 76,862                                     | 1,255,611                                  | 1,178,749                 | 1534%             |
| Beginning Net Assets                    | <u>7,575,237</u>                           | <u>7,652,185</u>                           | <u>76,948</u>             | <u>1%</u>         |
| Ending Net Assets                       | <u><u>\$7,652,099</u></u>                  | <u><u>\$ 8,907,796</u></u>                 | <u><u>\$1,255,697</u></u> | <u><u>16%</u></u> |

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2009**

**Governmental Activities**

As the County completed fiscal year 2009, its governmental funds reported combined fund balances of \$5,419,107, a decrease of \$19,215 over the prior fiscal year. The net changes are summarized below:

|   | <u>Governmental<br/>Activities<br/>2008</u> | <u>Governmental<br/>Activities<br/>2009</u> | <u>Amount<br/>Difference</u> | <u>Percentage<br/>Difference</u> |
|---|---|---|------------------------------|----------------------------------|
| Revenues  |   |   |                              |                                  |
| Taxes   | \$ 5,662,093                                | \$ 6,004,002                                | \$ 341,909                   | 6%                               |
| Licenses and Permits                            | 190,909                                     | 238,718                                     | 47,809                       | 25%                              |
| Federal and State Grants                        | 1,897,957                                   | 2,645,373                                   | 747,416                      | 39%                              |
| Contributions From Local Units                  | 549,768                                     | 470,907                                     | (78,861)                     | -14%                             |
| Charges for Services                            | 2,860,309                                   | 2,679,971                                   | (180,338)                    | -6%                              |
| Fines and Forfeits                              | 38,797                                      | 73,851                                      | 35,054                       | 90%                              |
| Interest and Rentals                            | 704,597                                     | 521,264                                     | (183,333)                    | -26%                             |
| Other Revenue                                   | 624,311                                     | 591,810                                     | (32,501)                     | -5%                              |
| Total Revenues                                  | <u>12,528,741</u>                           | <u>13,225,896</u>                           | <u>697,155</u>               | <u>6%</u>                        |
| Expenses  |   |   |                              |                                  |
| General Government                              | 4,398,152                                   | 4,203,978                                   | (194,174)                    | -4%                              |
| Public Safety                                   | 5,168,267                                   | 4,760,595                                   | (407,672)                    | -8%                              |
| Public Works                                    | 310,015                                     | 59,867                                      | (250,148)                    | -81%                             |
| Health and Welfare                              | 1,709,715                                   | 1,838,962                                   | 129,247                      | 8%                               |
| Community and Economic<br>Development           | 484,671                                     | 799,389                                     | 314,718                      | 65%                              |
| Recreation and Culture                          | 43,475                                      | 17,810                                      | (25,665)                     | -59%                             |
| Other   | 769,437                                     | 702,334                                     | (67,103)                     | -9%                              |
| Capital Outlay                                  | 526,859                                     | 721,936                                     | 195,077                      | 37%                              |
| Debt Service                                    | 592,003                                     | 157,393                                     | (434,610)                    | -73%                             |
| Total Expenditures                              | <u>14,002,594</u>                           | <u>13,262,264</u>                           | <u>(740,330)</u>             | <u>-5%</u>                       |
| Excess of Revenues Over (Under)<br>Expenditures | <u>(1,473,853)</u>                          | <u>(36,368)</u>                             | <u>1,437,485</u>             | <u>-98%</u>                      |
| Other Financing Sources (Uses)                  |   |   |                              |                                  |
| Loan Proceeds                                   | 210,750                                     | 41,929                                      | (168,821)                    | -80%                             |
| Bond Proceeds                                   | 81,000                                      |   | (81,000)                     | -100%                            |
| Interfund Transfers In (Out)                    | 455,000                                     | (25,476)                                    | (480,476)                    | -106%                            |
| Total Other Financing Sources (Uses)            | 746,750                                     | 16,453                                      | (730,297)                    | -98%                             |
| Beginning Fund Balance                          | <u>6,166,125</u>                            | <u>5,439,022</u>                            | <u>(727,103)</u>             | <u>-12%</u>                      |
| Ending Fund Balance                             | <u>\$ 5,439,022</u>                         | <u>\$ 5,419,107</u>                         | <u>\$ (19,915)</u>           | <u>0%</u>                        |

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

#### The County's Funds

The financial statements for the County's major funds are detailed in Exhibits C and D, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The County's major funds for 2009 include the General Fund, Gypsy Moth Fund, Transit Fund, and the Delinquent Tax Revolving Fund.

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

The most significant services paid by the County's governmental funds are general government, public safety and health and welfare, which incurred expenses of \$4,203,978, \$4,760,595 and \$1,838,962, respectively, during 2009.

Total governmental revenues increased by approximately 6% primarily due to an increase in federal grants and tax revenues, which was offset by a decrease in charges for services and interest earnings. The total governmental expenditures decreased by 5%. Most areas had a decrease in expenditures except for: health and welfare, community and economic development and capital outlay all of which experienced an increase in expenditures, mostly related to the Federal grants received.

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2009**

**Business-Type Activities**

|   | <u>Business-Type<br/>Activities<br/>2008</u> | <u>Business-Type<br/>Activities<br/>2009</u> | <u>Amount<br/>Difference</u> | <u>Percentage<br/>Difference</u> |
|---|--|--|------------------------------|----------------------------------|
| Operating Revenues                              |  |  |                              |                                  |
| Interest and Penalties on Taxes                 | \$ 668,114                                   | \$ 763,026                                   | \$ 94,912                    | 14%                              |
| Charges for Services                            | <u>361,664</u>                               | <u>373,394</u>                               | <u>11,730</u>                | <u>3%</u>                        |
| Total Operating Revenues                        | <u>1,029,778</u>                             | <u>1,136,420</u>                             | <u>106,642</u>               | <u>10%</u>                       |
| Operating Expenses                              |  |  |                              |                                  |
| Administrative                                  | 137,315                                      | 212,665                                      | 75,350                       | 55%                              |
| Operations                                      | 1,002,505                                    | 1,296,501                                    | 293,996                      | 29%                              |
| Maintenance                                     | 181,125                                      | 119,705                                      | (61,420)                     | -34%                             |
| Materials and Supplies                          | 38,609                                       | 168,472                                      | 129,863                      | 336%                             |
| Depreciation                                    | <u>293,780</u>                               | <u></u>                                      | <u>(293,780)</u>             | <u>-100%</u>                     |
| Total Operating Expenses                        | <u>1,653,334</u>                             | <u>1,797,343</u>                             | <u>144,009</u>               | <u>9%</u>                        |
| Net Income (Loss) From Operations               | <u>(623,556)</u>                             | <u>(660,923)</u>                             | <u>(37,367)</u>              | <u>6%</u>                        |
| Nonoperating Revenue (Expenses)                 |  |  |                              |                                  |
| Intergovernmental                               | 736,613                                      | 713,398                                      | (23,215)                     | -3%                              |
| Property Taxes                                  | 289,383                                      | 296,836                                      | 7,453                        | 3%                               |
| Interest Income                                 | 91,224                                       | 33,476                                       | (57,748)                     | -63%                             |
| Interest Expense                                | (27,956)                                     | (25,476)                                     | 2,480                        | -9%                              |
| Other   | <u>17,811</u>                                | <u>12,039</u>                                | <u>(5,772)</u>               | <u>-32%</u>                      |
| Total Nonoperating Revenues<br>(Expenses)       | <u>1,107,075</u>                             | <u>1,030,273</u>                             | <u>(76,802)</u>              | <u>-7%</u>                       |
| Net Income (Loss) Before<br>Operating Transfers | 483,519                                      | 369,350                                      | (114,169)                    | -24%                             |
| Capital Contributions                           | 48,343                                       | 860,785                                      | 812,442                      | 1681%                            |
| Transfers (Out)--Primary Government             | <u>(455,000)</u>                             | <u>25,476</u>                                | <u>480,476</u>               | <u>-106%</u>                     |
| Net Income (Loss)                               | 76,862                                       | 1,255,611                                    | 1,178,749                    | 1534%                            |
| Beginning Net Assets                            | <u>7,575,323</u>                             | <u>7,652,185</u>                             | <u>76,862</u>                | <u>1%</u>                        |
| Ending Net Assets                               | <u><u>\$7,652,185</u></u>                    | <u><u>\$8,907,796</u></u>                    | <u><u>\$1,255,611</u></u>    | <u><u>16%</u></u>                |

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2009

#### **General Fund Budgetary Highlights**

Over the course of the year, the County Board amended the budget to take into account events during the year. The County's General Fund revenue budget increased by \$190,114 (2% above the original budget) during the calendar year 2009. Actual General Fund revenue and other financing sources totaled \$10,166,804, which was \$320,164 lower than the final amended budget. The largest variance was charges for services in which the actual revenue came in \$231,590 lower than the final budget.

The County's expenditure budget increased by \$46,802 during fiscal year 2009. Actual General Fund expenditures and other financing uses totaled \$9,929,049, which was \$884,379 under the final amended budget. The largest variances were in general government, public safety, other, and interfund transfers out that were \$222,435, \$297,491, \$168,889 and \$156,925, respectively, below the final budget.

#### **Capital Asset and Debt Administration**

At the end of fiscal year 2009, the County had \$4,636,148 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this fiscal year included a new roof for the county building and jail, and vehicles for the Sheriff's Department. These additions totaled \$721,937.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total debt outstanding of \$1,595,141 which includes vested employee benefits of \$343,183.

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

The major issues being addressed in the 2010 fiscal year involve the County's anticipation of potential decreases in State revenues, level property taxes, and possible reduced or unavailable revenue from State and Federal grants. The County is also working on additional required services that are not being covered by additional revenue. There are also increased demands for increased expenditures from County departments.

#### **Contacting the County's Management**

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

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2009**

**EXHIBIT A**

|   | <b>PRIMARY GOVERNMENT</b>  |                             |                      | Component<br>Units   |
|---|----------------------------|-----------------------------|----------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                      |
| <b><u>ASSETS</u></b>                                  |                            |                             |                      |                      |
| Current Assets  |                            |                             |                      |                      |
| Cash and Cash Equivalents                             | \$ 4,220,122               | \$ 2,605,050                | \$ 6,825,172         | \$ 1,554,147         |
| Investments   | 1,480,660                  | 1,749,060                   | 3,229,720            | 24,721               |
| Receivables   |                            |                             |                      |                      |
| Summer Taxes  | 858,486                    |                             | 858,486              |                      |
| Taxes--Delinquent<br>Accounts                         | 424,272                    | 2,398,587                   | 2,398,587            | 14,332               |
| Notes   | 1,592,798                  |                             | 1,592,798            |                      |
| Due From State  | 216,811                    |                             | 216,811              | 655,637              |
| Due From Federal Government                           | 58,416                     | 16,416                      | 74,832               |                      |
| Due From Local Units of Governments                   |                            |                             |                      |                      |
| Due Within One Year                                   | -                          | 18,326                      | 18,326               | 108,069              |
| Special Assessments Receivable                        |                            |                             |                      |                      |
| Due Within One Year                                   |                            |                             |                      | 19,837               |
| Internal Balances                                     | (361,390)                  | 361,390                     | -                    |                      |
| Inventories   |                            |                             |                      | 322,058              |
| Prepaid Insurance                                     |                            | 253,288                     | 253,288              |                      |
| <b>Total Current Assets</b>                           | <b>8,490,175</b>           | <b>7,438,229</b>            | <b>15,928,404</b>    | <b>2,698,801</b>     |
| Noncurrent Assets                                     |                            |                             |                      |                      |
| Capital Assets--Net of Accumulated Depreciation       | 4,636,148                  | 1,574,106                   | 6,210,254            | 30,590,066           |
| Due From Local Units of Governments                   |                            |                             |                      |                      |
| Due in More Than One Year                             |                            |                             |                      | 665,000              |
| Long-Term Advances to<br>Other Funds--Component Units | 83,185                     | -                           | 83,185               |                      |
| <b>Total Noncurrent Assets</b>                        | <b>4,719,333</b>           | <b>1,574,106</b>            | <b>6,293,439</b>     | <b>31,255,066</b>    |
| <b>Total Assets</b>                                   | <b>\$ 13,209,508</b>       | <b>\$ 9,012,335</b>         | <b>\$ 22,221,843</b> | <b>\$ 33,953,867</b> |

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2009**

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

|   | <b>PRIMARY GOVERNMENT</b>  |                             |                      | Component<br>Units   |
|---|----------------------------|-----------------------------|----------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                |                      |
| <b><u>LIABILITIES AND NET ASSETS</u></b>          |                            |                             |                      |                      |
| Current Liabilities                               |                            |                             |                      |                      |
| Accounts Payable                                  | \$ 412,594                 | \$ 61,441                   | \$ 474,035           | \$ 129,960           |
| Due to Other Government Units                     |                            | 2,679                       | 2,679                |                      |
| Accrued Liabilities                               | <u>277,564</u>             | <u>23,381</u>               | <u>300,945</u>       | <u>39,537</u>        |
| Total Current Liabilities                         | <u>690,158</u>             | <u>87,501</u>               | <u>777,659</u>       | <u>169,497</u>       |
| Long-Term Liabilities                             |                            |                             |                      |                      |
| Advances From State                               | 43,000                     |                             | 43,000               | 263,179              |
| Long-Term Advances From                           |                            |                             |                      |                      |
| Other Funds--Primary Government                   |                            |                             | -                    | 83,185               |
| Assessments Collected in Advance                  |                            |                             | -                    | 315                  |
| Brownfield Redevelopment Loan Payable             |                            |                             |                      |                      |
| Due Within One Year                               | 91,954                     |                             | 91,954               |                      |
| Due In More Than One Year                         | 161,521                    |                             | 161,521              |                      |
| Bonds Payable                                     |                            |                             |                      |                      |
| Due Within One Year                               | 65,000                     |                             | 65,000               | 85,000               |
| Due In More Than One Year                         | 800,000                    |                             | 800,000              | 665,000              |
| Notes Payable                                     |                            |                             |                      |                      |
| Due Within One Year                               | 7,000                      |                             | 7,000                | 21,503               |
| Due In More Than One Year                         | 68,000                     |                             | 68,000               | 74,025               |
| Installment Purchase Agreements Payable           |                            |                             |                      |                      |
| Due Within One Year                               | 35,719                     |                             | 35,719               | 33,537               |
| Due in More Than One Year                         | 22,764                     |                             | 22,764               | 40,452               |
| Post-Employment Benefit Liabilities               | 31,378                     |                             | 31,378               | 241,447              |
| Vested Employee Benefits Payable                  | <u>343,183</u>             | <u>17,038</u>               | <u>360,221</u>       | <u>212,484</u>       |
| Total Noncurrent Liabilities                      | <u>1,669,519</u>           | <u>17,038</u>               | <u>1,686,557</u>     | <u>1,720,127</u>     |
| Total Liabilities                                 | <u>2,359,677</u>           | <u>104,539</u>              | <u>2,464,216</u>     | <u>1,889,624</u>     |
| Net Assets  |                            |                             |                      |                      |
| Investment in Capital Assets--Net of Related Debt | 3,637,665                  | 1,574,106                   | 5,211,771            | 30,380,549           |
| Restricted for                                    |                            |                             |                      |                      |
| Donations   | 4,682                      |                             | 4,682                |                      |
| Debt Service                                      | 458                        |                             | 458                  | 178                  |
| Housing Rehab                                     | 92,462                     |                             | 92,462               |                      |
| Capital Projects                                  | 298,771                    |                             | 298,771              | 107,526              |
| County Roads                                      |                            |                             |                      | 1,573,865            |
| Other Purposes                                    | 2,808,231                  |                             | 2,808,231            |                      |
| Unrestricted                                      | <u>4,007,562</u>           | <u>7,333,690</u>            | <u>11,341,252</u>    | <u>2,125</u>         |
| Total Net Assets                                  | <u>\$ 10,849,831</u>       | <u>\$ 8,907,796</u>         | <u>\$ 19,757,627</u> | <u>\$ 32,064,243</u> |

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

**CLARE COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2009**

**EXHIBIT B**

| <u>Functions/Programs</u>          | <u>Expenses</u>      | <u>PROGRAM REVENUES</u>     |   |   |
|------------------------------------|----------------------|-----------------------------|---|---|
|                                    |                      | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government                 |                      |                             |   |   |
| Governmental Activities            |                      |                             |   |   |
| General Government                 | \$ 4,276,416         | \$ 1,256,555                | \$ 767,687                                | \$ 34,613                               |
| Public Safety                      | 5,141,759            | 1,739,652                   | 778,200                                   | 491,199                                 |
| Public Works                       | 62,738               |                             | 25,261                                    | 6,840                                   |
| Health and Welfare                 | 1,836,553            |                             | 671,609                                   |   |
| Community and Economic Development | 799,656              | 85,950                      | 767,316                                   |   |
| Recreation and Culture             | 17,810               |                             |   |   |
| Other                              | 702,334              |                             |   |   |
| Interest on Long-Term Debt         | 49,481               |                             |   |   |
| Total Governmental Activities      | <u>12,886,747</u>    | <u>3,082,157</u>            | <u>3,010,073</u>                          | <u>532,652</u>                          |
| Business-Type Activities           |                      |                             |   |   |
| Delinquent Tax Revolving           | 455                  | 373,394                     |   |   |
| Interest Expense                   | 25,476               |                             |   |   |
| Public Transit                     | 1,628,416            | 370,134                     | 725,437                                   | 860,785                                 |
| Non-Major Enterprise               | 168,472              | 392,892                     |   |   |
| Total Business-Type Activities     | <u>1,822,819</u>     | <u>1,136,420</u>            | <u>725,437</u>                            | <u>860,785</u>                          |
| Total Primary Government           | <u>\$ 14,709,566</u> | <u>\$ 4,218,577</u>         | <u>\$ 3,735,510</u>                       | <u>\$ 1,393,437</u>                     |
| Component Units                    |                      |                             |   |   |
| Road Commission                    | \$ 5,817,654         | \$ 1,082,921                | \$ 3,479,878                              | \$ 2,272,838                            |
| Interest on Long-Term Debt         | 10,493               |                             |   |   |
| Department of Public Works         |                      |                             | 47,635                                    |   |
| Interest on Long-Term Debt         | 47,633               |                             |   |   |
| Drain Fund                         | 42,634               | 160,073                     | 200                                       |   |
| Interest on Long-Term Debt         | 2,805                |                             |   |   |
| Total Component Units              | <u>\$ 5,921,219</u>  | <u>\$ 1,242,994</u>         | <u>\$ 3,527,713</u>                       | <u>\$ 2,272,838</u>                     |

**CLARE COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2009**

**EXHIBIT B  
(CONTINUED)**

| <b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b> |                                    |                                     |                       |                            |
|--|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| <b>PRIMARY GOVERNMENT</b>                              |                                    |                                     |                       |                            |
| <u>Functions/Programs</u>                              | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Total</u>          | <u>Component<br/>Units</u> |
| Primary Government                                     |                                    |                                     |                       |                            |
| Governmental Activities                                |                                    |                                     |                       |                            |
| General Government                                     | \$ (2,217,561)                     |                                     | \$ (2,217,561)        |                            |
| Public Safety  | (2,132,708)                        |                                     | (2,132,708)           |                            |
| Public Works   | (30,637)                           |                                     | (30,637)              |                            |
| Health and Welfare                                     | (1,164,944)                        |                                     | (1,164,944)           |                            |
| Community and Economic Development                     | 53,610                             |                                     | 53,610                |                            |
| Recreation and Culture                                 | (17,810)                           |                                     | (17,810)              |                            |
| Other  | (702,334)                          |                                     | (702,334)             |                            |
| Interest on Long-Term Debt                             | (49,481)                           |                                     | (49,481)              |                            |
| Total Governmental Activities                          | <u>(6,261,865)</u>                 | <u>\$ -</u>                         | <u>(6,261,865)</u>    | <u>\$ -</u>                |
| Business-Type Activities                               |                                    |                                     |                       |                            |
| Delinquent Tax Revolving                               |                                    | 372,939                             | 372,939               |                            |
| Interest Expense                                       |                                    | (25,476)                            | (25,476)              |                            |
| Public Transit   |                                    | 327,940                             | 327,940               |                            |
| Jail Commissary  |                                    | 224,420                             | 224,420               |                            |
| Total Business-Type Activities                         | <u>-</u>                           | <u>899,823</u>                      | <u>899,823</u>        | <u>-</u>                   |
| Total Primary Government                               | <u>\$ (6,261,865)</u>              | <u>\$ 899,823</u>                   | <u>\$ (5,362,042)</u> | <u>\$ -</u>                |
| Component Units  |                                    |                                     |                       |                            |
| Road Commission  |                                    |                                     |                       | \$ 1,017,983               |
| Interest on Long-Term Debt                             |                                    |                                     |                       | (10,493)                   |
| Department of Public Works                             |                                    |                                     |                       | 47,635                     |
| Interest on Long-Term Debt                             |                                    |                                     |                       | (47,633)                   |
| Drain Fund   |                                    |                                     |                       | 117,639                    |
| Interest on Long-Term Debt                             |                                    |                                     |                       | (2,805)                    |
| Total Component Units                                  | <u>\$ -</u>                        | <u>\$ -</u>                         | <u>\$ -</u>           | <u>\$ 1,122,326</u>        |
| General Revenues                                       |                                    |                                     |                       |                            |
| Property Taxes   | \$ 5,965,988                       | \$ 296,836                          | \$ 6,262,824          |                            |
| Unrestricted Investment Earnings                       | 72,212                             | 33,476                              | 105,688               |                            |
| Rentals  | 77,580                             |                                     | 77,580                |                            |
| Royalties  | 340,845                            |                                     | 340,845               |                            |
| Other  | 153,214                            |                                     | 153,214               | \$ 26,260                  |
| Transfers  | (25,476)                           | 25,476                              |                       |                            |
| Total General Revenues--Special Items and Transfers    | <u>6,584,363</u>                   | <u>355,788</u>                      | <u>6,940,151</u>      | <u>26,260</u>              |
| Change in Net Assets                                   | 322,498                            | 1,255,611                           | 1,578,109             | 1,148,586                  |
| Net Assets--Beginning                                  | <u>10,513,241</u>                  | <u>7,652,185</u>                    | <u>18,165,426</u>     | <u>30,915,657</u>          |
| Restatement to Net Assets [Note F/H/O]                 | 14,092                             |                                     | 14,092                |                            |
| Restated Net Assets--Beginning                         | <u>10,527,333</u>                  | <u>7,652,185</u>                    | <u>18,179,518</u>     | <u>30,915,657</u>          |
| Net Assets--Ending                                     | <u>\$ 10,849,831</u>               | <u>\$ 8,907,796</u>                 | <u>\$ 19,757,627</u>  | <u>\$ 32,064,243</u>       |

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

**CLARE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2009**

**EXHIBIT C**

| <u>ASSETS</u>   | General                    | Gypsy<br>Moth              | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------------|----------------------------|------------------------------------|--------------------------------|
| Cash and Cash Equivalents   | \$ 1,901,243               | \$ 1,423                   | \$ 2,118,770                       | \$ 4,021,436                   |
| Investments   | 195,079                    | 1,233,125                  | 52,456                             | 1,480,660                      |
| Receivables   |                            |                            |                                    |                                |
| Summer Taxes  | 858,486                    |                            |                                    | 858,486                        |
| Accounts  | 306,689                    |                            | 115,217                            | 421,906                        |
| Notes   |                            |                            | 1,592,798                          | 1,592,798                      |
| Due From State  | 104,720                    |                            | 112,091                            | 216,811                        |
| Due From Federal Government   | 1,305                      |                            | 57,111                             | 58,416                         |
| Due From Other Funds--Primary Government                            |                            |                            | 17,957                             | 17,957                         |
| Long-Term Advances to<br>Other Funds--Component Units               | <u>83,185</u>              |                            |                                    | <u>83,185</u>                  |
| <b>Total Assets</b>   | <u><b>\$ 3,450,707</b></u> | <u><b>\$ 1,234,548</b></u> | <u><b>\$ 4,066,400</b></u>         | <u><b>\$ 8,751,655</b></u>     |
| <b><u>LIABILITIES AND FUND EQUITY</u></b>                           |                            |                            |                                    |                                |
| <b>Liabilities</b>  |                            |                            |                                    |                                |
| Accounts Payable  | \$ 204,371                 | -                          | \$ 207,927                         | \$ 412,298                     |
| Due to Other Funds--Primary Government                              | 19,632                     |                            |                                    | 19,632                         |
| Accrued Liabilities   | 234,084                    | \$ 414                     | 43,066                             | 277,564                        |
| Long-Term Advances From<br>Other Funds--Primary Government<br>State | 160,561                    |                            | 199,154<br>43,000                  | 359,715<br>43,000              |
| Deferred Revenue  | <u>594,604</u>             |                            | <u>1,625,735</u>                   | <u>2,220,339</u>               |
| <b>Total Liabilities</b>  | <u><b>1,213,252</b></u>    | <u><b>414</b></u>          | <u><b>2,118,882</b></u>            | <u><b>3,332,548</b></u>        |
| <b>Fund Equity</b>  |                            |                            |                                    |                                |
| <b>Fund Balances</b>  |                            |                            |                                    |                                |
| <b>Reserved for</b>   |                            |                            |                                    |                                |
| Long-Term Advances  | 103,185                    |                            |                                    | 103,185                        |
| Family Counseling   | 22,952                     |                            |                                    | 22,952                         |
| Gypsy Moth  |                            | 1,234,134                  |                                    | 1,234,134                      |
| Donations   |                            |                            | 4,682                              | 4,682                          |
| Debt Service  |                            |                            | 458                                | 458                            |
| Housing Rehab   |                            |                            | 92,462                             | 92,462                         |
| Capital Projects  |                            |                            | 298,771                            | 298,771                        |
| Unreserved--Undesignated  | <u>2,111,318</u>           |                            | <u>1,551,145</u>                   | <u>3,662,463</u>               |
| <b>Total Fund Equity</b>  | <u><b>2,237,455</b></u>    | <u><b>1,234,134</b></u>    | <u><b>1,947,518</b></u>            | <u><b>5,419,107</b></u>        |
| <b>Total Liabilities and Fund Equity</b>                            | <u><b>\$ 3,450,707</b></u> | <u><b>\$ 1,234,548</b></u> | <u><b>\$ 4,066,400</b></u>         | <u><b>\$ 8,751,655</b></u>     |
| <b>Fund Balance--Total Governmental Funds</b>                       |                            |                            |                                    | <b>\$ 5,419,107</b>            |

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

|  |                    |
|--|--------------------|
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 4,636,148          |
| Revenues that do not provide current financial resources are not reported as revenue in the funds.   | 2,220,338          |
| Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. | 200,757            |
| Certain liabilities, such as bonds payable, compensated absences and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.   | <u>(1,626,519)</u> |

**Total Net Assets** **\$ 10,849,831**

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

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES--GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT D**

|  | General          | Gypsy<br>Moth | Non-Major<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|------------------|---------------|------------------------------------|--------------------------------|
| <b>Revenues</b>  |                  |               |                                    |                                |
| Taxes and Penalties  | \$ 5,172,672     | -             | \$ 831,330                         | \$ 6,004,002                   |
| Licenses and Permits   | 85,614           |               | 153,104                            | 238,718                        |
| Federal Grants   | 74,446           |               | 1,416,658                          | 1,491,104                      |
| State Grants   | 738,524          |               | 338,468                            | 1,076,992                      |
| Contributions From Local Units   | 470,907          |               |                                    | 470,907                        |
| Charges for Services   | 2,442,677        |               | 237,294                            | 2,679,971                      |
| Fines and Forfeits   | 45,163           |               | 28,688                             | 73,851                         |
| Interest and Rentals   | 471,861          | \$ 3,293      | 46,110                             | 521,264                        |
| Other Revenue  | 153,011          |               | 516,076                            | 669,087                        |
| <b>Total Revenues</b>  | <b>9,654,875</b> | <b>3,293</b>  | <b>3,567,728</b>                   | <b>13,225,896</b>              |
| <b>Expenditures</b>  |                  |               |                                    |                                |
| <b>Current</b>   |                  |               |                                    |                                |
| General Government   | 3,823,686        | 12,943        | 367,349                            | 4,203,978                      |
| Public Safety  | 4,184,815        |               | 575,780                            | 4,760,595                      |
| Public Works   | 26,334           |               | 33,533                             | 59,867                         |
| Health and Welfare   | 571,664          |               | 1,267,298                          | 1,838,962                      |
| Community and Economic Development   | 33,812           |               | 765,577                            | 799,389                        |
| Recreation and Culture   | -                |               | 17,810                             | 17,810                         |
| Other  | 702,334          |               |                                    | 702,334                        |
| Capital Outlay   | 84,101           |               | 637,835                            | 721,936                        |
| Debt Service   |                  |               |                                    |                                |
| Principal  | 36,912           |               | 71,000                             | 107,912                        |
| Interest and Fiscal Fees   | 2,414            |               | 47,067                             | 49,481                         |
| <b>Total Expenditures</b>  | <b>9,466,072</b> | <b>12,943</b> | <b>3,783,249</b>                   | <b>13,262,264</b>              |
| Excess of Revenues Over<br>(Under) Expenditures                                  | 188,803          | (9,650)       | (215,521)                          | (36,368)                       |
| <b>Other Financing Sources (Uses)</b>  |                  |               |                                    |                                |
| Loan Proceeds  | 41,929           |               | -                                  | 41,929                         |
| Interfund Transfers In   | 470,000          |               | 457,501                            | 927,501                        |
| Interfund Transfers (Out)  | (462,977)        |               | (490,000)                          | (952,977)                      |
| <b>Total Other Financing Sources (Uses)</b>                                      | <b>48,952</b>    | <b>-</b>      | <b>(32,499)</b>                    | <b>16,453</b>                  |
| Excess of Revenues and Other Sources Over<br>(Under) Expenditures and Other Uses | 237,755          | (9,650)       | (248,020)                          | (19,915)                       |
| Fund Balance (Deficit)--October 1, 2008  | 1,999,700        | 1,243,784     | 2,195,538                          | 5,439,022                      |
| Fund Balance (Deficit)--September 30, 2009                                       | \$ 2,237,455     | \$ 1,234,134  | \$ 1,947,518                       | \$ 5,419,107                   |

**CLARE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGE IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (19,915)

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

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

|                              |           |
|------------------------------|-----------|
| Add--Capital Outlay          | 721,936   |
| Deduct--Depreciation Expense | (395,193) |

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

|  |          |
|--|----------|
| Housing Commission--Loans Paid Out During 2009               | 85,950   |
| Federal Grants Earned But Not Yet Received                   | 32,937   |
| Federal Grants Earned in Prior Year Received in Current Year | (72,047) |
| Property Taxes   | (38,014) |

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

|  |          |
|--|----------|
| Add--Principal Payments on Long-Term Liabilities | 107,912  |
| Less--New Loan Proceeds                          | (41,929) |

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

|   |          |
|---|----------|
| Add--Net Operating Income (Loss) From Governmental Activities in Internal Service Funds | (11,608) |
|---|----------|

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds:

|  |          |
|--|----------|
| Net (Increase) in Compensated Absences           | (16,153) |
| Net (Increase) in Other Post-Employment Benefits | (31,378) |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 322,498

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

**CLARE COUNTY**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**September 30, 2009**

**EXHIBIT E**

|  | <b>BUSINESS-TYPE ACTIVITIES</b> |                     |                                  |                              | <b>GOVERNMENTAL</b>          |
|--|---------------------------------|---------------------|----------------------------------|------------------------------|------------------------------|
|  | <b>ENTERPRISE FUNDS</b>         |                     |                                  |                              | <b>ACTIVITIES</b>            |
| <b>ASSETS</b>                                      | Delinquent<br>Tax<br>Revolving  | Public<br>Transit   | Non-Major<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
| Current Assets                                     |                                 |                     |                                  |                              |                              |
| Cash and Cash Equivalents                          | \$ 1,624,753                    | \$ 614,077          | \$ 366,220                       | \$ 2,605,050                 | \$ 198,686                   |
| Investments  | 789,422                         | 559,062             | 400,576                          | 1,749,060                    |                              |
| Receivables  |                                 |                     |                                  |                              |                              |
| Taxes--Delinquent                                  | 2,398,587                       |                     |                                  | 2,398,587                    |                              |
| Accounts   | -                               | 22,592              | 13,520                           | 36,112                       | 2,366                        |
| Due From Other Funds                               |                                 |                     | 1,675                            | 1,675                        |                              |
| Due From Federal Government                        |                                 | 16,416              |                                  | 16,416                       |                              |
| Due From Local Units                               | 14,222                          | 4,104               |                                  | 18,326                       |                              |
| Prepaid Expenses                                   |                                 | 13,128              |                                  | 13,128                       |                              |
| Cash on Deposit With Agent                         |                                 | 240,160             |                                  | 240,160                      |                              |
| Total Current Assets                               | <u>4,826,984</u>                | <u>1,469,539</u>    | <u>781,991</u>                   | <u>7,078,514</u>             | <u>201,052</u>               |
| Noncurrent Assets                                  |                                 |                     |                                  |                              |                              |
| Long-Term Advance--Primary Government              | 269,715                         |                     | 90,000                           | 359,715                      |                              |
| Capital Assets--Net of Accumulated<br>Depreciation |                                 | <u>1,574,106</u>    |                                  | <u>1,574,106</u>             | <u>-</u>                     |
| Total Noncurrent Assets                            | <u>269,715</u>                  | <u>1,574,106</u>    | <u>90,000</u>                    | <u>1,933,821</u>             | <u>-</u>                     |
| Total Assets                                       | <u>\$ 5,096,699</u>             | <u>\$ 3,043,645</u> | <u>\$ 871,991</u>                | <u>\$ 9,012,335</u>          | <u>\$ 201,052</u>            |
| <b>LIABILITIES</b>                                 |                                 |                     |                                  |                              |                              |
| Current Liabilities                                |                                 |                     |                                  |                              |                              |
| Accounts Payable                                   | -                               | \$ 52,300           | \$ 9,141                         | \$ 61,441                    | \$ 296                       |
| Accrued Liabilities                                |                                 | 23,381              |                                  | 23,381                       | -                            |
| Due to Other Government Units                      | <u>\$ 2,679</u>                 |                     |                                  | <u>2,679</u>                 |                              |
| Total Current Liabilities                          | <u>2,679</u>                    | <u>75,681</u>       | <u>9,141</u>                     | <u>87,501</u>                | <u>296</u>                   |
| Noncurrent Liabilities                             |                                 |                     |                                  |                              |                              |
| Accrued Compensated Absences                       |                                 | <u>17,038</u>       |                                  | <u>17,038</u>                |                              |
| Total Noncurrent Liabilities                       | <u>-</u>                        | <u>17,038</u>       | <u>-</u>                         | <u>17,038</u>                | <u>-</u>                     |
| Total Liabilities                                  | <u>2,679</u>                    | <u>92,719</u>       | <u>9,141</u>                     | <u>104,539</u>               | <u>296</u>                   |
| <b>NET ASSETS</b>                                  |                                 |                     |                                  |                              |                              |
| Invested in Capital Assets--Net of<br>Related Debt |                                 | 1,574,106           |                                  | 1,574,106                    | -                            |
| Unrestricted                                       | <u>5,094,020</u>                | <u>1,376,820</u>    | <u>862,850</u>                   | <u>7,333,690</u>             | <u>200,756</u>               |
| Total Net Assets                                   | <u>\$ 5,094,020</u>             | <u>\$ 2,950,926</u> | <u>\$ 862,850</u>                | <u>\$ 8,907,796</u>          | <u>\$ 200,756</u>            |

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

**CLARE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN NET ASSETS--PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT F**

|   | <b>BUSINESS-TYPE ACTIVITIES<br/>ENTERPRISE FUNDS</b> |                           |   |                                       | <b>GOVERNMENTAL<br/>ACTIVITIES</b>    |
|---|--|---------------------------|---|---------------------------------------|---------------------------------------|
|   | <u>Delinquent<br/>Tax<br/>Revolving</u>              | <u>Public<br/>Transit</u> | <u>Non-Major<br/>Enterprise<br/>Funds</u> | <u>Total<br/>Enterprise<br/>Funds</u> | <u>Internal<br/>Service<br/>Funds</u> |
| Operating Revenues  |  |                           |   |                                       |                                       |
| Charges for Services  |  | \$ 370,134                | \$392,892                                 | \$ 763,026                            | \$1,154,177                           |
| Interest on Delinquent Taxes                                | \$ 373,394   |                           |   | 373,394                               |                                       |
| <b>Total Operating Revenues</b>                             | <u>373,394</u>                                       | <u>370,134</u>            | <u>392,892</u>                            | <u>1,136,420</u>                      | <u>1,154,177</u>                      |
| Operating Expenses  |  |                           |   |                                       |                                       |
| Administrative  | 455  | 212,210                   |   | 212,665                               |                                       |
| Health Insurance  |  |                           |   | -                                     | 1,165,784                             |
| Operations  |  | 1,296,501                 |   | 1,296,501                             |                                       |
| Maintenance   |  | 119,705                   |   | 119,705                               |                                       |
| Materials and Supplies                                      |  |                           | 168,472                                   | 168,472                               |                                       |
| <b>Total Operating Expenses</b>                             | <u>455</u>   | <u>1,628,416</u>          | <u>168,472</u>                            | <u>1,797,343</u>                      | <u>1,165,784</u>                      |
| <b>Operating Income (Loss)</b>                              | <u>372,939</u>                                       | <u>(1,258,282)</u>        | <u>224,420</u>                            | <u>(660,923)</u>                      | <u>(11,607)</u>                       |
| Nonoperating Revenues (Expenses)                            |  |                           |   |                                       |                                       |
| Intergovernmental   |  | 713,398                   |   | 713,398                               |                                       |
| Property Taxes  |  | 296,836                   |   | 296,836                               |                                       |
| Interest Earned on Investments                              | 14,216   | 19,260                    |   | 33,476                                |                                       |
| Interest Expense  | (25,476)   |                           |   | (25,476)                              |                                       |
| Other   |  | 12,039                    |   | 12,039                                |                                       |
| <b>Total Nonoperating Revenues<br/>(Expenses)</b>           | <u>(11,260)</u>                                      | <u>1,041,533</u>          | <u>-</u>                                  | <u>1,030,273</u>                      | <u>-</u>                              |
| <b>Income (Loss) Before Contributions<br/>and Transfers</b> | <u>361,679</u>                                       | <u>(216,749)</u>          | <u>224,420</u>                            | <u>369,350</u>                        | <u>(11,607)</u>                       |
| Capital Contributions                                       |  | 860,785                   |   | 860,785                               |                                       |
| Interfund Transfers   |  |                           |   |                                       |                                       |
| Transfers In  | 25,476   |                           |   | 25,476                                |                                       |
| <b>Change in Net Assets</b>                                 | <u>387,155</u>                                       | <u>644,036</u>            | <u>224,420</u>                            | <u>1,255,611</u>                      | <u>(11,607)</u>                       |
| <b>Total Net Assets--October 1, 2008</b>                    | <u>4,706,865</u>                                     | <u>2,306,890</u>          | <u>638,430</u>                            | <u>7,652,185</u>                      | <u>212,363</u>                        |
| <b>Total Net Assets--September 30, 2009</b>                 | <u>\$ 5,094,020</u>                                  | <u>\$2,950,926</u>        | <u>\$862,850</u>                          | <u>\$ 8,907,796</u>                   | <u>\$ 200,756</u>                     |

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

**CLARE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT G**

|  | BUSINESS-TYPE ACTIVITIES       |                   |                                  |                              | GOVERNMENTAL                 |
|--|--------------------------------|-------------------|----------------------------------|------------------------------|------------------------------|
|  | ENTERPRISE FUNDS               |                   |                                  |                              | ACTIVITIES                   |
|  | Delinquent<br>Tax<br>Revolving | Public<br>Transit | Non-Major<br>Enterprise<br>Funds | Total<br>Enterprise<br>Funds | Internal<br>Service<br>Funds |
| Cash Flows From Operating Activities   |                                |                   |                                  |                              |                              |
| Cash Received From Customers   | -                              | \$ 364,754        | \$ 391,827                       | \$ 756,581                   | \$ 1,151,811                 |
| Interest on Delinquent Taxes   | \$ 373,394                     |                   |                                  | 373,394                      |                              |
| Delinquent Taxes Collected   | 3,865,202                      |                   |                                  | 3,865,202                    |                              |
| Delinquent Taxes Purchased   | (3,983,131)                    |                   |                                  | (3,983,131)                  |                              |
| Cash Payments to Employees for Services and Benefits                                   |                                | (940,372)         |                                  | (940,372)                    | (1,165,488)                  |
| Cash Payments to Suppliers for Goods and Services                                      | (2,648)                        | (448,187)         | (161,082)                        | (611,917)                    |                              |
| Net Cash Provided by Operating Activities  | 252,817                        | (1,023,805)       | 230,745                          | (540,243)                    | (13,677)                     |
| Cash Flows From Noncapital Financing Activities  |                                |                   |                                  |                              |                              |
| Tax Anticipation Note Proceeds   | 2,276,000                      |                   |                                  | 2,276,000                    |                              |
| Tax Anticipation Note Payments   | (2,276,000)                    |                   |                                  | (2,276,000)                  |                              |
| Interest Expense   | (25,476)                       |                   |                                  | (25,476)                     |                              |
| State Grants   |                                | 711,017           |                                  | 711,017                      |                              |
| Property Tax   |                                | 296,836           |                                  | 296,836                      |                              |
| Due to Other Governmental Units  | 2,679                          |                   |                                  | 2,679                        |                              |
| Other  |                                | 4,800             |                                  | 4,800                        |                              |
| Due From Other Funds   |                                |                   | (1,675)                          | (1,675)                      |                              |
| Long-Term Advances   | (161,944)                      |                   | (3,660)                          | (165,604)                    | (15,550)                     |
| Transfers In (Out)   | 25,476                         |                   | -                                | 25,476                       |                              |
| Net Cash Provided by Noncapital Financing Activities                                   | (159,265)                      | 1,012,653         | (5,335)                          | 848,053                      | (15,550)                     |
| Cash Flows From Capital and Related Financing Activities                               |                                |                   |                                  |                              |                              |
| Capital Assistance Grants  |                                | 860,785           |                                  | 860,785                      |                              |
| Fixed Assets Purchased With Transit Corporation Money                                  |                                | (872,912)         |                                  | (872,912)                    |                              |
| Sale of Fixed Assets   |                                | 7,239             |                                  | 7,239                        |                              |
| Net Cash Provided by Capital and Related Financing Activities                          | -                              | (4,888)           | -                                | (4,888)                      | -                            |
| Cash Flows From Investing Activities   |                                |                   |                                  |                              |                              |
| Interest on Cash Equivalents   | 14,216                         | 19,260            |                                  | 33,476                       |                              |
| Sale or (Purchase) of Investments  | 967,233                        | 584,533           | (400,576)                        | 1,151,190                    |                              |
| Net Cash Provided by Investing Activities  | 981,449                        | 603,793           | (400,576)                        | 1,184,666                    | -                            |
| Net Increase (Decrease) in Cash and Cash Equivalents                                   | 1,075,001                      | 587,753           | (175,166)                        | 1,487,588                    | (29,227)                     |
| Cash and Cash Equivalents at Beginning of Year   | 549,752                        | 26,324            | 541,386                          | 1,117,462                    | 227,913                      |
| Cash and Cash Equivalents at End of Year   | \$ 1,624,753                   | \$ 614,077        | \$ 366,220                       | \$ 2,605,050                 | \$ 198,686                   |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities        |                                |                   |                                  |                              |                              |
| Operating Income (Loss)  | \$ 372,939                     | \$ (1,258,282)    | \$ 224,420                       | \$ (660,923)                 | \$ (11,607)                  |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities |                                |                   |                                  |                              |                              |
| Depreciation Expense   |                                | 302,971           |                                  | 302,971                      | -                            |
| (Increase) Decrease in Delinquent Taxes Receivable                                     | (144,753)                      |                   |                                  | (144,753)                    |                              |
| (Increase) Decrease in Accounts Receivable   | 26,824                         | (5,380)           | (1,065)                          | 20,379                       | (2,366)                      |
| (Increase) in Prepaid Insurance  |                                | (92,587)          |                                  | (92,587)                     | -                            |
| Increase (Decrease) in Accounts Payable  | (2,193)                        | 34,468            | 7,390                            | 39,665                       |                              |
| Increase (Decrease) in Accrued Wages Payable   |                                | 138               |                                  | 138                          | 296                          |
| Increase (Decrease) in Accrued Paid Time Off   |                                | (5,133)           |                                  | (5,133)                      |                              |
| Net Cash Provided by Operating Activities  | \$ 252,817                     | \$ (1,023,805)    | \$ 230,745                       | \$ (540,243)                 | \$ (13,677)                  |

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

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2009**

**EXHIBIT H**

|  | <u>Agency<br/>Funds</u>    |
|--|----------------------------|
| <b><u>ASSETS</u></b>                           |                            |
| Cash   | \$ 2,783,970               |
| Investments                                    | 67,174                     |
| Due From Other Agencies                        | <u>(38)</u>                |
| Total Assets                                   | <u><u>\$ 2,851,106</u></u> |
| <br><b><u>LIABILITIES AND FUND BALANCE</u></b> |                            |
| Liabilities                                    |                            |
| Due to Cities                                  | \$ 630                     |
| Due to Schools and Colleges                    | 928                        |
| Due to State of Michigan                       | 2,363,985                  |
| Undistributed Penal Fines and Interest         | 114,712                    |
| Other Liabilities                              | <u>370,851</u>             |
| Total Liabilities                              | <u><u>\$ 2,851,106</u></u> |

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

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
September 30, 2009**

**EXHIBIT I**

| <u>ASSETS</u>   | Road<br>Commission  | Economic<br>Development<br>Corporation | Department<br>of Public<br>Works | Drain<br>Commission | Total                |
|---|---------------------|--|----------------------------------|---------------------|----------------------|
| Current Assets  |                     |  |                                  |                     |                      |
| Cash  | \$ 1,368,603        | \$ 2,125                               | \$ 178                           | \$ 183,241          | \$ 1,554,147         |
| Investments   |                     |  |                                  | 24,721              | 24,721               |
| Accounts Receivable   | 14,332              |  |                                  |                     | 14,332               |
| Due From State  | 655,637             |  |                                  |                     | 655,637              |
| Due From Local Units of Government                                    |                     |  |                                  |                     |                      |
| Due Within One Year   | 63,069              |  | 45,000                           |                     | 108,069              |
| Special Assessments Receivable  |                     |  |                                  |                     |                      |
| Due Within One Year   |                     |  |                                  | 19,837              | 19,837               |
| Inventories   | 322,058             |  |                                  |                     | 322,058              |
| Total Current Assets  | <u>2,423,699</u>    | <u>2,125</u>                           | <u>45,178</u>                    | <u>227,799</u>      | <u>2,698,801</u>     |
| Noncurrent Assets   |                     |  |                                  |                     |                      |
| Due From Local Units of Government                                    |                     |  |                                  |                     |                      |
| Due In More Than One Year   |                     |  | 665,000                          |                     | 665,000              |
| Capital Assets (Net of Accumulated<br>Depreciation)                   | 29,797,982          |  |                                  | 792,084             | 30,590,066           |
| Total Noncurrent Assets   | <u>29,797,982</u>   | <u>-</u>                               | <u>665,000</u>                   | <u>792,084</u>      | <u>31,255,066</u>    |
| Total Assets  | <u>\$32,221,681</u> | <u>\$ 2,125</u>                        | <u>\$ 710,178</u>                | <u>\$ 1,019,883</u> | <u>\$ 33,953,867</u> |
| <u>LIABILITIES</u>  |                     |  |                                  |                     |                      |
| Current Liabilities   |                     |  |                                  |                     |                      |
| Accounts Payable  | \$ 93,187           |  |                                  | \$ 36,773           | \$ 129,960           |
| Accrued Liabilities   | 39,537              |  |                                  |                     | 39,537               |
| Total Current Liabilities   | <u>132,724</u>      | <u>\$ -</u>                            | <u>\$ -</u>                      | <u>36,773</u>       | <u>169,497</u>       |
| Noncurrent Liabilities  |                     |  |                                  |                     |                      |
| Advances From State of Michigan                                       | 263,179             |  |                                  |                     | 263,179              |
| Long-Term Advances From<br>Primary Government                         |                     |  |                                  | 83,185              | 83,185               |
| Assessments Collected in Advance                                      |                     |  |                                  | 315                 | 315                  |
| Bonds Payable--Due Within One Year                                    | 40,000              |  | 45,000                           |                     | 85,000               |
| Bonds Payable--Due in More Than One Year                              |                     |  | 665,000                          |                     | 665,000              |
| Notes Payable--Due Within One Year                                    |                     |  |                                  | 21,503              | 21,503               |
| Notes Payable--Due in More Than One Year                              |                     |  |                                  | 74,025              | 74,025               |
| Installment Purchase Agreements<br>Payable--Due Within One Year       | 33,537              |  |                                  |                     | 33,537               |
| Installment Purchase Agreements<br>Payable--Due in More Than One Year | 40,452              |  |                                  |                     | 40,452               |
| Post Employment Benefit Liabilities                                   | 241,447             |  |                                  |                     | 241,447              |
| Vested Employee Benefits Payable                                      | 212,484             |  |                                  |                     | 212,484              |
| Total Noncurrent Liabilities  | <u>831,099</u>      | <u>-</u>                               | <u>710,000</u>                   | <u>179,028</u>      | <u>1,720,127</u>     |
| Total Liabilities   | <u>963,823</u>      | <u>-</u>                               | <u>710,000</u>                   | <u>215,801</u>      | <u>1,889,624</u>     |
| <u>NET ASSETS</u>   |                     |  |                                  |                     |                      |
| Invested in Capital Assets--Net of Related Debt<br>Restricted for     | 29,683,993          |  |                                  | 696,556             | 30,380,549           |
| County Roads  | 1,573,865           |  |                                  |                     | 1,573,865            |
| Debt Service  |                     |  | 178                              |                     | 178                  |
| Capital Projects  |                     |  |                                  | 107,526             | 107,526              |
| Unrestricted  |                     | 2,125                                  |                                  |                     | 2,125                |
| Total Net Assets  | <u>\$31,257,858</u> | <u>\$ 2,125</u>                        | <u>\$ 178</u>                    | <u>\$ 804,082</u>   | <u>\$ 32,064,243</u> |

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

**CLARE COUNTY**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT J**

| Functions/Programs               | PROGRAM REVENUES |                     |                                    |                                  | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS |                                  |                            |                   |                      |
|----------------------------------|------------------|---------------------|------------------------------------|----------------------------------|---|----------------------------------|----------------------------|-------------------|----------------------|
|                                  | Expenses         | Charge for Services | Operating Grants and Contributions | Capital Grants and Contributions | Road Commission                                 | Economic Development Corporation | Department of Public Works | Drain Commission  | Total                |
| Road Commission                  |                  |                     |                                    |                                  |   |                                  |                            |                   |                      |
| Public Works                     | \$ 5,817,654     | \$ 1,082,921        | \$ 3,479,878                       | \$ 2,272,838                     | \$ 1,017,983                                    |                                  |                            |                   | \$ 1,017,983         |
| Interest on Related Debt         | 10,493           |                     |                                    |                                  | (10,493)  |                                  |                            |                   | (10,493)             |
| Total Road Commission            | <u>5,828,147</u> | <u>1,082,921</u>    | <u>3,479,878</u>                   | <u>2,272,838</u>                 | <u>1,007,490</u>                                | <u>\$ -</u>                      | <u>\$ -</u>                | <u>\$ -</u>       | <u>1,007,490</u>     |
| Department of Public Works       |                  |                     |                                    |                                  |   |                                  |                            |                   |                      |
| Interest on Related Debt         | 47,633           |                     | 47,635                             |                                  |   |                                  | 2                          |                   | 2                    |
| Total Department of Public Works | <u>47,633</u>    | <u>-</u>            | <u>47,635</u>                      | <u>-</u>                         | <u>-</u>  | <u>-</u>                         | <u>2</u>                   | <u>-</u>          | <u>2</u>             |
| Drain Commission                 |                  |                     |                                    |                                  |   |                                  |                            |                   |                      |
| Public Works                     | 42,634           | 160,073             | 200                                |                                  |   |                                  |                            | 117,639           | 117,639              |
| Interest on Related Debt         | 2,805            |                     |                                    |                                  |   |                                  |                            | (2,805)           | (2,805)              |
| Total Drain Commission           | <u>\$ 45,439</u> | <u>\$ 160,073</u>   | <u>\$ 200</u>                      | <u>\$ -</u>                      | <u>-</u>  | <u>-</u>                         | <u>-</u>                   | <u>114,834</u>    | <u>114,834</u>       |
|                                  |                  |                     | General Revenues                   |                                  |   |                                  |                            |                   |                      |
|                                  |                  |                     | Interest                           |                                  |   |                                  |                            |                   | -                    |
|                                  |                  |                     | Gain on Equipment Disposal         |                                  | 26,260  |                                  |                            |                   | 26,260               |
|                                  |                  |                     | Total General Revenues             |                                  | <u>26,260</u>                                   | <u>-</u>                         | <u>-</u>                   | <u>-</u>          | <u>26,260</u>        |
|                                  |                  |                     | Change in Net Assets               |                                  | 1,033,750                                       | -                                | 2                          | 114,834           | 1,148,586            |
|                                  |                  |                     | Net Assets--Beginning of Year      |                                  | <u>30,224,108</u>                               | <u>2,125</u>                     | <u>176</u>                 | <u>689,248</u>    | <u>30,915,657</u>    |
|                                  |                  |                     | Net Assets--End of Year            |                                  | <u>\$ 31,257,858</u>                            | <u>\$ 2,125</u>                  | <u>\$ 178</u>              | <u>\$ 804,082</u> | <u>\$ 32,064,243</u> |

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

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

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

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

#### Reporting Entity

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

#### BLENDED COMPONENT UNITS

##### Building Authority

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

##### Public Transit Corporation

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Enterprise Community

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

DISCRETELY PRESENTED COMPONENT UNITS

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

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

Clare County Road Commission

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

Clare County Economic Development Corporation

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

Clare County Drain Commission

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Clare County Department of Public Works

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

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

Administrative Offices

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

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

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Central Michigan District Health Department

Clare, Gladwin, Arenac, Isabella, Osceola and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County. The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2009 were:

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

The County's appropriation to the District Health Department for the fiscal year ended September 30, 2009 was \$214,053, which included cigarette tax of \$7,524.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Services Board consists of the counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2009, the actual County contribution percentages were:

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

The County's appropriation to Central Michigan Community Mental Health Services for the fiscal year ended September 30, 2009 was \$139,000.

RELATED ORGANIZATION

Clare Gladwin Services for the Aging (CGSA)

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

Budgets are approved by the County and the Housing Commission. The amount provided to CGSA by the County for the fiscal year ended September 30, 2009 was \$450,793.

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

The County, in conjunction with 31 other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties. The County's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the fiscal year ended September 30, 2009, the County passed through \$67,918.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

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

##### BASIS OF PRESENTATION

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

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

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

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

###### Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The County reports the following major governmental funds:

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the County reports the following fund type:

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

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

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

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

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

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

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

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

#### Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes and local ordinances.

#### Receivables and Payables

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Deferred Revenue

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

Inventories and Prepaid Items

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

Inventories--Component Units

Road Commission--Inventories consisting of equipment parts and supplies of \$147,316 and road materials of \$174,742 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

Capital Assets--Primary Government and Drain Component Unit

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

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

Capital Assets--Transit (Blended Component Unit)

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

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

Capital Assets--Road Commission (Component Unit)

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

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

Deferred Revenue

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

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

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

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

PTO in excess of two times the annual accrual rate will be paid to the employee at the Transit Corporation's fiscal year end at the employees' current rate of pay.

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

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

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

Long-Term Obligations

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

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

Use of Estimates

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Other Financing Sources (Uses)

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

Fund Equity

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

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

|                                      | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|---------------|---------------|-----------------|
| General Fund                         |               |               |                 |
| General Government                   |               |               |                 |
| Surveyor                             | \$ 4,022      | \$ 4,093      | \$ (71)         |
| Remonumentation                      | 18,545        | 18,559        | (14)            |
| Capital Outlay                       | 47,852        | 84,101        | (36,249)        |
| <br>                                 |               |               |                 |
| Friend of the Court Fund             |               |               |                 |
| General Government                   | 320,475       | 322,259       | (1,784)         |
| <br>                                 |               |               |                 |
| Public Building and Improvement Fund |               |               |                 |
| Transfers (Out)                      |               | 20,000        | (20,000)        |
| <br>                                 |               |               |                 |
| Enterprise Community Fund            |               |               |                 |
| Partnership Fees                     | 291,997       | 395,957       | (103,960)       |

Fund Deficit

As of September 30, 2009, a deficit existed in the unreserved fund balance (governmental fund) in the following fund:

|                            | <u>Fund Balance<br/>(Deficit)</u> |
|----------------------------|-----------------------------------|
| Special Revenue Funds      |                                   |
| County Building Renovation | \$ (3,376)                        |

The deficit was the result of an amount due on a Federal grant in the amount of \$9,000. The receivable was offset by deferred revenue because it was received after 60 days after the year end. A deficit elimination plan has not been submitted to the Michigan Department of Treasury.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE C--CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the County to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

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

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

|                           | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Fiduciary<br/>Funds</u> | <u>Total<br/>Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|---------------------------|------------------------------------|-------------------------------------|----------------------------|---|----------------------------|
| <u>Cash and Deposits</u>  |                                    |                                     |                            |   |                            |
| Cash and Cash Equivalents | \$ 4,220,122                       | \$ 2,605,050                        | \$ 2,783,970               | \$ 9,609,142                            | \$ 1,554,147               |
| Investments               | <u>1,480,660</u>                   | <u>1,749,060</u>                    | <u>67,174</u>              | <u>3,296,894</u>                        | <u>24,721</u>              |
| Total                     | <u>\$ 5,700,782</u>                | <u>\$ 4,354,110</u>                 | <u>\$ 2,851,144</u>        | <u>\$ 12,906,036</u>                    | <u>\$ 1,578,868</u>        |

The breakdown between deposits and investments, as follows:

|   | <u>Primary<br/>Government</u> | <u>Component<br/>Units</u> |
|---|-------------------------------|----------------------------|
| Bank Deposits (Checking and Savings<br>Accounts, Certificates of Deposit) | \$ 9,552,612                  | \$1,553,897                |
| Investments in Securities, Mutual Funds<br>and Similar Vehicles           | 3,296,894                     | 24,721                     |
| Petty Cash and Cash on Hand   | <u>56,530</u>                 | <u>250</u>                 |
| Total   | <u>\$12,906,036</u>           | <u>\$1,578,868</u>         |

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

#### NOTE C--CASH AND INVESTMENTS (Continued)

##### Custodial Credit Risk

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

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

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

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

At September 30, 2009, the bank balance of the primary government's deposits is \$9,555,774, of which \$1,142,597 is covered by Federal depository insurance and \$8,413,177 was uncollateralized with securities held by the County's agent in the County's name. The component units' deposits had a bank balance of \$606,027 of which \$435,596 was covered by Federal depository insurance and \$170,431 was uncollateralized with securities held by the County's agent in the County's name. On October 3, 2008, FDIC deposit insurance temporarily increased from \$100,000 to \$250,000 per depositor through December 31, 2009; and on May 20, 2009, the temporary increase was extended through December 31, 2013.

##### Types of Investments

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

##### Risk

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE C--CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

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

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

The counterparty; or

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

The County does not have an investment policy for managing custodial credit risk. At September 30, 2009, common cash investments were not exposed to custodial credit risk.

Credit Risk

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

|                              |                            | <u>Rated Debt Investments</u> |                      |                           |                      |                           |
|------------------------------|----------------------------|-------------------------------|----------------------|---------------------------|----------------------|---------------------------|
| <u>Financial Institution</u> | <u>Investment Type</u>     | <u>Fair Value</u>             | <u>Credit Rating</u> | <u>Rating Institution</u> | <u>Credit Rating</u> | <u>Rating Institution</u> |
| <u>Primary Government</u>    |                            |                               |                      |                           |                      |                           |
| National City                | Municipal Investment Funds | \$ 1,410,946                  | A-1                  | S&P                       | P-1                  | Moody's                   |
| Chemical Bank                | U.S. Treasury Securities   | 106                           | not rated            |                           |                      |                           |
| MBIA Class                   | Money Market Funds         | 183,933                       | AAA                  | S&P                       |                      |                           |
| FirstBank                    | Municipal Investment Funds | 1,633,701                     | 4 Star               | BauerFinancial            |                      |                           |
| MorganStanleySmithBarney     | Money Market Funds         | 68,208                        | not rated            |                           |                      |                           |
|                              | Total                      | <u>\$ 3,296,894</u>           |                      |                           |                      |                           |
| <u>Component Units</u>       |                            |                               |                      |                           |                      |                           |
| National City                | Municipal Investment Funds | \$ 24,721                     | A-1                  | S&P                       | P-1                  | Moody's                   |
|                              | Total                      | <u>\$ 24,721</u>              |                      |                           |                      |                           |

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

#### NOTE C--CASH AND INVESTMENTS (Continued)

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The County's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2009, the fair value of the County's investments are listed above with all maturities due within 12 months or less.

##### Cash on Deposit With Agent

The Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MTPA). The Transit Corporation's required retention has been is \$25,000 per occurrence. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$253,288 with the pool. Cash on deposit with agent consists of amounts deposited with the Michigan Transit Pool Association and amounts retained by the MTPA.

#### NOTE D--PROPERTY TAXES

##### Current Summer Property Taxes

In accordance with the provisions of Michigan Public Act 357 of 2004, the County levied 4.7072 mills on the County's 2009 taxable valuation of \$1,040,228,182 in the summer of 2009. The total levy amounted to \$4,896,562. At September 30, 2009, the taxes receivable for the summer taxes is \$858,487. Each year the taxes collected within the first 60 days is recognized as revenue earned and the remaining balance is reported as deferred revenue and is recognized in the subsequent year. The deferred revenue recorded at September 30, 2009 for the summer property taxes is \$583,337.

##### Current Winter Property Taxes

Most County extra voted property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the County as of the preceding December 31<sup>st</sup>. The County's 2008 ad valorem tax is levied and collectible on December 1, 2008, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE D--PROPERTY TAXES (Continued)

The 2008 taxable valuation of the County amounted to \$1,005,985,204 on which ad valorem taxes of .4725 mills for Senior Citizens, .2953 mills for Transit Service, and .3445 for 911 Services. The 2008 current tax levied included \$475,227 for Senior Citizens, \$297,067 for Transit Services, and \$346,660 for 911 Services. These taxes will be recorded as revenue on County records in and for the year of 2009.

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,374,366 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2009. There were also homestead denial receivables in the amount of \$24,221. The delinquent real property taxes and homestead receivables may be summarized as follows:

|                                   |                     |
|-----------------------------------|---------------------|
| 2008                              | \$ 1,958,554        |
| 2007                              | 368,667             |
| 2006                              | 26,850              |
| 2005                              | 6,924               |
| 2004                              | 2,794               |
| 2003                              | 8,244               |
| 2002 and Prior                    | <u>2,333</u>        |
| Total Delinquent Taxes Receivable | <u>\$ 2,374,366</u> |
| Homestead Denial Receivable 2005  | \$ 4,251            |
| Homestead Denial Receivable 2006  | 6,618               |
| Homestead Denial Receivable 2007  | <u>13,352</u>       |
| Total Homestead Denial Receivable | <u>\$ 24,221</u>    |
| Total Taxes Receivable            | <u>\$ 2,398,587</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE E--RECEIVABLES

Receivables--Primary Government

Receivables as of year end for the County's individual major and nonmajor funds, and the internal service and fiduciary funds in the aggregate, there was no applicable allowances for uncollectible accounts, are as follows:

|                      | Governmental Funds  |                                    |                              | Business-Type Funds              |                   |                                  |                   |
|----------------------|---------------------|------------------------------------|------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|
|                      | General Fund        | Non-Major<br>Governmental<br>Funds | Internal<br>Service<br>Funds | Delinquent Tax<br>Revolving Fund | Public<br>Transit | Non-Major<br>Enterprise<br>Funds | Fiduciary<br>Fund |
| Taxes                | \$ 858,486          |                                    |                              | \$ 2,398,587                     |                   |                                  |                   |
| Accounts             | 306,689             | \$ 115,217                         | \$ 2,366                     |                                  | \$ 22,592         | \$ 13,520                        | \$ (38)           |
| Notes                |                     | 1,592,798                          |                              |                                  | 16,416            |                                  |                   |
| Due From State       | 104,720             | 112,091                            |                              |                                  |                   |                                  |                   |
| Due From Federal     | 1,305               | 57,111                             |                              |                                  |                   |                                  |                   |
| Due From Local Units |                     |                                    |                              | 14,222                           | 4,104             |                                  |                   |
| Total Receivables    | <u>\$ 1,271,200</u> | <u>\$ 1,877,217</u>                | <u>\$ 2,366</u>              | <u>\$ 2,412,809</u>              | <u>\$ 43,112</u>  | <u>\$ 13,520</u>                 | <u>\$ (38)</u>    |
| Deferred Revenue     | <u>\$ (594,604)</u> | <u>\$ (1,625,735)</u>              | <u>\$ -</u>                  | <u>\$ -</u>                      | <u>\$ -</u>       | <u>\$ -</u>                      | <u>\$ -</u>       |

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

Special Assessments Receivable--Component Unit

The Drain Commission has long-term special assessments recorded in the Drain Fund of \$19,837 at September 30, 2009. The special assessment receivables are recorded in the fund financial statements as special assessment receivable with an offsetting credit to deferred revenue.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE F--CAPITAL ASSETS

Primary Government

During 2008 there were two sheriff patrol vehicles purchased under an installment purchase agreement that was not recorded in the capital asset listing. The purchase price was \$36,495 and the related depreciation was \$8,765. Listed below is the restatement of the capital assets:

| <u>Governmental Activities</u>             | Beginning<br>Balance<br>10/01/08 | Adjustment       | Restated<br>Beginning<br>Balance<br>10/01/08 |
|--|----------------------------------|------------------|--|
| Capital Assets Not Being Depreciated       |                                  |                  |  |
| Land                                       | \$ 108,326                       |                  | \$ 108,326                                   |
| Construction in Progress                   | 205,986                          |                  | 205,986                                      |
| Total Capital Assets Not Being Depreciated | <u>314,312</u>                   | <u>\$ -</u>      | <u>314,312</u>                               |
| Capital Assets Being Depreciated           |                                  |                  |  |
| Buildings and Improvements                 | 6,297,792                        |                  | 6,297,792                                    |
| Vehicles                                   | 1,496,133                        | 36,495           | 1,532,628                                    |
| Furniture and Equipment                    | 1,549,070                        |                  | 1,549,070                                    |
| Total Capital Assets Being Depreciated     | <u>9,342,995</u>                 | <u>36,495</u>    | <u>9,379,490</u>                             |
| Less Accumulated Depreciation for          |                                  |                  |  |
| Buildings and Improvements                 | 3,089,007                        |                  | 3,089,007                                    |
| Vehicles                                   | 1,168,306                        | 8,765            | 1,177,071                                    |
| Furniture and Equipment                    | 1,118,319                        |                  | 1,118,319                                    |
| Total Accumulated Depreciation             | <u>5,375,632</u>                 | <u>8,765</u>     | <u>5,384,397</u>                             |
| Net Capital Assets Being Depreciated       | <u>3,967,363</u>                 | <u>27,730</u>    | <u>3,995,093</u>                             |
| Governmental Activities Capital Total      |                                  |                  |  |
| Capital Assets--Net of Depreciation        | <u>\$ 4,281,675</u>              | <u>\$ 36,495</u> | <u>\$ 4,309,405</u>                          |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE F--CAPITAL ASSETS (Continued)

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

| <u>Governmental Activities</u>   | Restated<br>Beginning<br>Balance<br>10/01/08 | Increases         | Decreases         | Ending<br>Balance<br>09/30/09 |
|--|--|-------------------|-------------------|-------------------------------|
| Capital Assets Not Being Depreciated   |  |                   |                   |                               |
| Land   | \$ 108,326                                   |                   |                   | \$ 108,326                    |
| Construction in Progress   | 205,986                                      | \$ 33,555         |                   | 239,541                       |
| Total Capital Assets Not Being Depreciated                                   | 314,312                                      | 33,555            | \$ -              | 347,867                       |
| Capital Assets Being Depreciated   |  |                   |                   |                               |
| Buildings and Improvements   | 6,297,792                                    |                   |                   | 6,297,792                     |
| Vehicles   | 1,532,628                                    | 54,056            | 744,760           | 841,924                       |
| Furniture and Equipment  | 1,549,070                                    | 634,325           |                   | 2,183,395                     |
| Total Capital Assets Being Depreciated                                       | 9,379,490                                    | 688,381           | 744,760           | 9,323,111                     |
| Less Accumulated Depreciation for  |  |                   |                   |                               |
| Buildings and Improvements   | 3,089,007                                    | 124,324           |                   | 3,213,331                     |
| Vehicles   | 1,177,071                                    | 101,341           | 744,760           | 533,652                       |
| Furniture and Equipment  | 1,118,319                                    | 169,528           |                   | 1,287,847                     |
| Total Accumulated Depreciation   | 5,384,397                                    | 395,193           | 744,760           | 5,034,830                     |
| Net Capital Assets Being Depreciated   | 3,995,093                                    | 293,188           | -                 | 4,288,281                     |
| Governmental Activities Capital Total<br>Capital Assets--Net of Depreciation | <u>\$ 4,309,405</u>                          | <u>\$ 721,936</u> | <u>\$ 395,193</u> | <u>\$ 4,636,148</u>           |

Construction in progress is for the repairs to the county courthouse that were 95% complete as of September 30, 2009.

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

|   | <u>Amount</u>     |
|---|-------------------|
| Governmental Activities                     |                   |
| General Government                          | \$ 59,319         |
| Public Safety                               | 333,003           |
| Public Works                                | 2,871             |
| Total Depreciation--Governmental Activities | <u>\$ 395,193</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE F--CAPITAL ASSETS (Continued)

| <u>Business-Type Activity--Public Transit</u> | <u>Beginning<br/>Balance<br/>10/1/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance<br/>09/30/09</u> |
|---|--|------------------|------------------|--|
| Capital Assets Not Being Depreciated          |  |                  |                  |  |
| Construction in Progress                      |  | \$ 217,110       |                  | \$ 217,110                             |
| Total Capital Assets Not Being Depreciated    | \$ -                                     | 217,110          | \$ -             | 217,110                                |
| Capital Assets Being Depreciated              |  |                  |                  |  |
| Operating Facility                            | 767,360                                  |                  |                  | 767,360                                |
| Vehicles                                      | 2,273,980                                | 643,644          | 453,310          | 2,464,314                              |
| Shop Equipment                                | 78,568                                   |                  |                  | 78,568                                 |
| Office Furniture and Equipment                | 96,098                                   | 12,158           |                  | 108,256                                |
| Total Capital Assets Being Depreciated        | 3,216,006                                | 655,802          | 453,310          | 3,418,498                              |
| Less: Accumulated Depreciation for            |  |                  |                  |  |
| Operating Facility                            | 511,561                                  | 31,039           |                  | 542,600                                |
| Vehicles                                      | 1,565,278                                | 259,446          | 453,310          | 1,371,414                              |
| Shop Equipment                                | 65,675                                   | 3,765            |                  | 69,440                                 |
| Office Furniture and Equipment                | 69,327                                   | 8,721            |                  | 78,048                                 |
| Total Accumulated Depreciation                | 2,211,841                                | 302,971          | 453,310          | 2,061,502                              |
| Net Capital Assets Being Depreciated          | 1,008,628                                | 352,831          | -                | 1,356,996                              |
| Total Capital Assets--Net of Depreciation     | \$ 1,225,738                             | \$ 569,941       | \$ -             | \$ 1,574,106                           |

Depreciation expense of \$302,971 was charged to business-type programs of the primary government.

Construction Commitments

At September 30, 2009, the Transit Corporation had committed to a contract for the construction of a building. Total estimated construction cost is \$2,700,000. The Transit Corporation has received a Section 5311 Capital ARRA Nonurbanized Area Formula grant in the amount of \$2,540,000 to fund the cost of the construction project. Costs related to this project consisted of \$217,110 for engineering services. At September 30, 2009, there is a \$33,487 commitment remaining on the engineering services contract.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE F--CAPITAL ASSETS (Continued)

Component Units

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

|  | Beginning<br>Balance<br>10/01/08 | Increases  | Decreases | Ending<br>Balances<br>09/30/09 |
|--|----------------------------------|------------|-----------|--------------------------------|
| Capital Assets Not Being Depreciated       |                                  |            |           |                                |
| Land and Improvements                      | \$ 187,883                       |            |           | \$ 187,883                     |
| Total Capital Assets Not Being Depreciated | 187,883                          | \$ -       | \$ -      | 187,883                        |
| Capital Assets Being Depreciated           |                                  |            |           |                                |
| Buildings                                  | 1,113,079                        | 1,935      |           | 1,115,014                      |
| Road Equipment                             | 5,909,588                        | 114,552    | 173,949   | 5,850,191                      |
| Shop Equipment                             | 149,891                          |            |           | 149,891                        |
| Office Equipment                           | 102,349                          | 18,070     |           | 120,419                        |
| Engineers' Equipment                       | 39,177                           | 990        |           | 40,167                         |
| Yard and Storage                           | 128,936                          | 13,765     |           | 142,701                        |
| Infrastructure--Bridges                    | 7,410,630                        | 1,451,505  |           | 8,862,135                      |
| Infrastructure--Roads                      | 39,841,871                       | 1,429,927  |           | 41,271,798                     |
| Total Capital Assets Being Depreciated     | 54,695,521                       | 3,030,744  | 173,949   | 57,552,316                     |
| Less Accumulated Depreciation              |                                  |            |           |                                |
| Buildings                                  | 765,401                          | 37,463     |           | 802,864                        |
| Road Equipment                             | 4,962,420                        | 296,044    | 173,949   | 5,084,515                      |
| Shop Equipment                             | 109,878                          | 7,473      |           | 117,351                        |
| Office Equipment                           | 92,634                           | 5,527      |           | 98,161                         |
| Engineers' Equipment                       | 28,907                           | 1,900      |           | 30,807                         |
| Yard and Storage                           | 73,614                           | 9,595      |           | 83,209                         |
| Infrastructure--Bridges                    | 2,024,674                        | 174,636    |           | 2,199,310                      |
| Infrastructure--Roads                      | 17,648,212                       | 1,877,788  |           | 19,526,000                     |
| Total Accumulated Depreciation             | 25,705,740                       | 2,410,426  | 173,949   | 27,942,217                     |
| Net Capital Assets Being Depreciated       | 28,989,781                       | 620,318    | -         | 29,610,099                     |
| Total Net Capital Assets                   | \$ 29,177,664                    | \$ 620,318 | \$ -      | \$ 29,797,982                  |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

| <u>Drain Commission</u>                | <u>Beginning<br/>Balance<br/>10/01/08</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending<br/>Balance<br/>09/30/09</u> |
|--|---|------------------|------------------|--|
| Capital Assets Being Depreciated       |   |                  |                  |  |
| Infrastructure                         |   |                  |                  |  |
| Drains                                 | \$ 1,000,278                              | \$ 48,839        |                  | \$ 1,049,117                           |
| Lake Levels                            | 177,808                                   | 3,125            |                  | 180,933                                |
| Total Capital Assets Being Depreciated | <u>1,178,086</u>                          | <u>51,964</u>    | <u>\$ -</u>      | <u>1,230,050</u>                       |
| Less Accumulated Depreciation for      |   |                  |                  |  |
| Infrastructure                         |   |                  |                  |  |
| Drains                                 | 359,834                                   | 17,436           |                  | 377,270                                |
| Lake Levels                            | 57,088                                    | 3,608            |                  | 60,696                                 |
| Total Accumulated Depreciation         | <u>396,684</u>                            | <u>21,044</u>    | <u>-</u>         | <u>437,966</u>                         |
| Net Capital Assets Being Depreciated   | <u>781,402</u>                            | <u>30,920</u>    | <u>-</u>         | <u>792,084</u>                         |
| Drain Commission--Component Unit       |   |                  |                  |  |
| Total Net Capital Assets               | <u>\$ 781,402</u>                         | <u>\$ 30,920</u> | <u>\$ -</u>      | <u>\$ 792,084</u>                      |

The depreciation expense for the year was \$21,044 and was charged to the Drain Commission operations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

The composition of interfund balances is as follows:

| <u>Receivable Fund</u>           | <u>Payable Fund</u>                  | <u>Amount</u>     |
|----------------------------------|--------------------------------------|-------------------|
| Due To/From Other Funds          |                                      |                   |
| Non-Major Governmental Funds     | General Fund                         | \$ 17,957         |
| Non-Major Business-Type Funds    | General Fund                         | <u>1,675</u>      |
| Total                            |                                      | <u>\$ 19,632</u>  |
| Advances From/To Other Funds     |                                      |                   |
| Delinquent Tax Revolving Fund    | General Fund                         | \$ 160,561        |
| Delinquent Tax Revolving Fund    | Non-Major Governmental Funds         | 109,154           |
| Non-Major Business-Type Funds    | Non-Major Governmental Funds         | <u>90,000</u>     |
| Total                            |                                      | <u>\$ 359,715</u> |
| Advances From/To Other Funds     |                                      |                   |
| Primary Government--General Fund | Component Unit--Drain Revolving      | \$ 29,695         |
| Primary Government--General Fund | Component Unit--Lake Level Revolving | <u>53,490</u>     |
| Total                            |                                      | <u>\$ 83,185</u>  |

Interfund Transfers

|                              | <u>Transfers (Out)</u>                      |                         |                   |
|------------------------------|---|-------------------------|-------------------|
|                              | <u>Non-Major<br/>Governmental<br/>Funds</u> | <u>General<br/>Fund</u> | <u>Total</u>      |
| Transfers In                 |   |                         |                   |
| General Fund                 | \$ 470,000                                  |                         | \$ 470,000        |
| Non-Major Governmental Funds | 20,000                                      | \$ 437,501              | 457,501           |
| Enterprise Funds             |   |                         |                   |
| Delinquent Tax Fund          |   | 25,476                  | 25,476            |
| Tax Anticipation Note        |   |                         | -                 |
| Total                        | <u>\$ 490,000</u>                           | <u>\$ 462,977</u>       | <u>\$ 952,977</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT

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

|   | <u>Balance</u><br><u>10/01/08</u> | <u>Additions</u><br><u>(Reductions)</u> | <u>Balance</u><br><u>09/30/09</u> | <u>Due Within</u><br><u>One Year</u> |
|---|-----------------------------------|---|-----------------------------------|--------------------------------------|
| <u>PRIMARY GOVERNMENT</u>   |                                   |   |                                   |                                      |
| 2008 Clare County equipment lease-purchase agreement payable to Ford Motor Credit Company at 6.25% for three years (Note 1)                                   | \$ 13,638                         | \$ (6,612)                              | \$ 7,026                          | \$ 7,026                             |
| 2009 Clare County equipment lease-purchase agreement payable to Ford Motor Credit Company at 7.60% for three years  |                                   | (15,012)<br>41,929                      | 26,917                            | 12,966                               |
| County Building Authority 4.0% to 5.050% 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse | 930,000                           | (65,000)                                | 865,000                           | 65,000                               |
| Clare County equipment lease-purchase agreement payable to GE Commercial Finance Company  | 31,078                            | (10,913)                                | 20,165                            | 11,352                               |
| Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project   | 253,475                           |   | 253,475                           | 91,954                               |
| Clare County for Building Roof USDA note payable at 4.125%  | 81,000                            | (6,000)                                 | 75,000                            | 7,000                                |
| Clare County equipment lease-purchase agreement payable to DSS Corporation at 8.825% for two years  | 8,750                             | (4,375)                                 | 4,375                             | 4,375                                |
| Vested Employee Benefits Payable<br>(See Note I for more details)   | <u>327,030</u>                    | <u>16,153</u>                           | <u>343,183</u>                    |                                      |
| Total Primary Government  | <u>\$1,644,971</u>                | <u>\$ (49,830)</u>                      | <u>\$ 1,595,141</u>               | <u>\$ 199,673</u>                    |

Note 1--The beginning debt balance in the amount of \$1,631,334 has been restated for the 2008 lease/purchase of \$13,638 for a beginning restated balance of \$1,644,971.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

Discretely Presented Component Units

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

|  | <u>Balance</u><br><u>10/01/08</u> | <u>Additions</u><br><u>(Reductions)</u> | <u>Balance</u><br><u>09/30/09</u> | <u>Due Within</u><br><u>One Year</u> |
|--|-----------------------------------|---|-----------------------------------|--------------------------------------|
| Clare County Road Projects 4.1% to 7.625%<br>1999, and 2000 General Obligation Bonds | \$ 130,000                        | \$ (90,000)                             | \$ 40,000                         | \$ 40,000                            |
| Purchase of land, principal payment of<br>\$20,000 at 7% interest                    | 56,532                            | (16,043)                                | 40,489                            | 20,000                               |
| Capital Lease Payable  | -                                 | 33,500                                  | 33,500                            | 13,537                               |
| Vested Employee Benefits   | <u>223,326</u>                    | <u>(10,842)</u>                         | <u>212,484</u>                    | <u>          </u>                    |
| Totals   | <u>\$ 409,858</u>                 | <u>\$ (83,385)</u>                      | <u>\$ 326,473</u>                 | <u>\$ 73,537</u>                     |

Department of Public Works (DPW)

|  |                     |                     |                   |                   |
|--|---------------------|---------------------|-------------------|-------------------|
| Sanitary Sewage System No. 4, 4% to 5.85%<br>1996 General Obligation Limited Tax Bonds<br>project with the City of Clare                       | \$ 405,000          | \$ (20,000)         | \$ 385,000        | \$ 20,000         |
| Clare County Water Supply System No. 1<br>4% to 5.85% 1996 General Obligation Limited<br>Tax Bonds for project with the City of Clare          | 350,000             | (25,000)            | 325,000           | 25,000            |
| Sanitary Sewage System No. 3, 2.50% to 4.05%<br>2002 General Obligation Limited Tax Refunding<br>Bonds for 1988 project with the City of Clare | <u>320,000</u>      | <u>(320,000)</u>    | <u>          </u> | <u>          </u> |
| Total DPW Component Unit Long-Term Debt  | <u>\$ 1,390,000</u> | <u>\$ (365,000)</u> | <u>\$ 710,000</u> | <u>\$ 45,000</u>  |

Drain Component Unit

|   |                     |                     |                   |                  |
|---|---------------------|---------------------|-------------------|------------------|
| Note Payable for Leitner Drain at 3.95 %  |                     | \$ 77,528           | \$ 77,528         | \$ 15,503        |
| Note Payable for Bertha Lake Drain 4.95%  | \$ 31,429           | (31,429)            |                   |                  |
| Note Payable for Ross Drain at 5.1%       | <u>24,000</u>       | <u>(6,000)</u>      | <u>18,000</u>     | <u>6,000</u>     |
| Total Drain Component Unit Long-Term Debt | <u>\$ 55,429</u>    | <u>\$ 40,099</u>    | <u>\$ 95,528</u>  | <u>\$ 21,503</u> |
| Total Component Unit Long-Term Debt       | <u>\$ 1,445,429</u> | <u>\$ (324,901)</u> | <u>\$ 805,528</u> | <u>\$ 66,503</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Primary Government

The annual requirements to pay the principal and interest on the primary government of the County's direct general long-term debt obligations outstanding at September 30, 2009, are as follows:

Building Authority Refunding Bonds

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

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

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

| <u>Year</u> | <u>Principal<br/>February</u> | <u>Interest</u>   |                   | <u>Annual<br/>Total</u> |
|-------------|-------------------------------|-------------------|-------------------|-------------------------|
|             |                               | <u>February 1</u> | <u>August 1</u>   |                         |
| 2010        | \$ 65,000                     | \$ 21,369         | \$ 19,858         | \$ 106,227              |
| 2011        | 70,000                        | 19,858            | 18,195            | 108,053                 |
| 2012        | 75,000                        | 18,195            | 16,395            | 109,590                 |
| 2013        | 80,000                        | 16,395            | 14,455            | 110,850                 |
| 2014        | 85,000                        | 14,455            | 12,373            | 111,828                 |
| 2015-2019   | <u>490,000</u>                | <u>38,506</u>     | <u>26,135</u>     | <u>539,641</u>          |
|             | <u>\$ 865,000</u>             | <u>\$ 128,778</u> | <u>\$ 107,411</u> | <u>\$ 1,086,189</u>     |

Lease purchase agreement for the purchase of a sheriff vehicle was entered into on May 6, 2008 payable to Ford Motor Credit for \$21,103 at an annual interest rate of 6.25%. Remaining principal and interest requirements over the life of the note are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>   |
|-------------|------------------|-----------------|----------------|
| 2010        | \$ 7,076         | \$ 439          | \$7,515        |
|             | <u>\$ 7,076</u>  | <u>\$ 439</u>   | <u>\$7,515</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

Lease purchase agreement for the purchase of two sheriff vehicles was entered into on July 8, 2009 payable to Ford Motor Credit for \$41,929 at an annual interest rate of 7.60%. Remaining principal and interest requirements over the life of the note are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-------------|------------------|-----------------|------------------|
| 2010        | \$ 12,966        | \$ 2,045        | \$ 15,011        |
| 2011        | <u>13,951</u>    | <u>1,060</u>    | <u>15,011</u>    |
|             | <u>\$ 26,917</u> | <u>\$ 3,105</u> | <u>\$ 30,022</u> |

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u>     |
|-------------|------------------|-----------------|------------------|
| 2010        | \$ 11,352        | \$ 591          | \$ 11,943        |
| 2011        | <u>8,813</u>     | <u>146</u>      | <u>8,959</u>     |
|             | <u>\$ 20,165</u> | <u>\$ 737</u>   | <u>\$ 20,902</u> |

A Brownfield Redevelopment Loan with the Department of Environmental Quality was entered into on January 22, 2007 for the HAEDCO Industrial Park Project. The loan is to be paid in annual installments of \$36,163 beginning in January 2012 for 11 years at an interest rate of 2%, based on a loan amount of \$361,000. As of September 30, 2009, \$253,475 has been borrowed from the loan agreement. A letter dated January 28, 2010 from the Department of Natural Resources (DNR) requested immediate repayment of unexpended loan funds in the amount of \$128,440. The County's unexpended balance was \$91,954. The County is to provide the DNR with invoices for the difference of \$ 36,485 and repay the unexpended loan funds balance in 2010.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

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

| <u>Year</u> | <u>Principal<br/>July 1</u> | <u>Interest</u> | <u>Annual<br/>Total</u> |
|-------------|-----------------------------|-----------------|-------------------------|
| 2010        | \$ 7,000                    | \$ 3,094        | \$ 10,094               |
| 2011        | 7,000                       | 2,805           | 9,805                   |
| 2012        | 7,000                       | 2,516           | 9,516                   |
| 2013        | 8,000                       | 2,228           | 10,228                  |
| 2014        | 8,000                       | 1,898           | 9,898                   |
| 2015        | 9,000                       | 1,568           | 10,568                  |
| 2016        | 9,000                       | 1,196           | 10,196                  |
| 2017        | 10,000                      | 825             | 10,825                  |
| 2018        | 10,000                      | 413             | 10,413                  |
|             | <u>\$ 75,000</u>            | <u>\$16,541</u> | <u>\$ 91,541</u>        |

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2010        | \$ 4,375         | \$ 587          |
|             | <u>\$ 4,375</u>  | <u>\$ 587</u>   |

Annual Principal and Interest Requirements--Component Units

The annual requirements to pay the principal and interest on the component unit's direct general long-term debt obligations outstanding at September 30, 2009, are as follows:

Road Commission Bonds Payable (Component Unit)

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

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

The capital lease agreement was entered into on June 16, 2009 for the purchase of road equipment. The lease requires two annual payments of \$18,012.62 on June 19, 2010 and 2011 with an interest rate of 4.9%.

Annual Debt Service Requirements

| <u>Year</u>             | <u>Amount</u>            |
|-------------------------|--------------------------|
| 2010                    | \$ 80,013                |
| 2011                    | <u>42,968</u>            |
| Total Payments          | 122,981                  |
| Less: Interest and Fees | <u>(8,992)</u>           |
| Net Balance Due         | <u><u>\$ 113,989</u></u> |

Department of Public Works (Component Unit)

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

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

| <u>Year</u> | <u>Principal<br/>November 1</u> | <u>Interest</u>         |                         | <u>Annual<br/>Total</u>  |
|-------------|---------------------------------|-------------------------|-------------------------|--------------------------|
|             |                                 | <u>May 1</u>            | <u>November 1</u>       |                          |
| 2009        | \$ 20,000                       |                         | \$ 10,692               | \$ 30,692                |
| 2010        | 35,000                          | \$ 10,167               | 10,168                  | 55,335                   |
| 2011        | 30,000                          | 9,240                   | 9,240                   | 48,480                   |
| 2012        | 30,000                          | 8,437                   | 8,437                   | 46,874                   |
| 2013        | 30,000                          | 7,627                   | 7,628                   | 45,255                   |
| 2014-2018   | 150,000                         | 25,724                  | 25,729                  | 201,453                  |
| 2019-2021   | <u>90,000</u>                   | <u>5,234</u>            | <u>5,237</u>            | <u>100,471</u>           |
|             | <u><u>\$ 385,000</u></u>        | <u><u>\$ 66,429</u></u> | <u><u>\$ 77,131</u></u> | <u><u>\$ 528,560</u></u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

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

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

| <u>Year</u> | <u>Principal<br/>November 1</u> | <u>Interest</u>  |                   | <u>Annual<br/>Total</u> |
|-------------|---------------------------------|------------------|-------------------|-------------------------|
|             |                                 | <u>May 1</u>     | <u>November 1</u> |                         |
| 2009        | \$ 25,000                       |                  | \$ 9,080          | \$ 34,080               |
| 2010        | 15,000                          | \$ 8,424         | 8,424             | 31,848                  |
| 2011        | 20,000                          | 8,026            | 8,026             | 36,052                  |
| 2012        | 20,000                          | 7,491            | 7,491             | 34,982                  |
| 2013        | 20,000                          | 6,951            | 6,952             | 33,903                  |
| 2014-2018   | 125,000                         | 25,642           | 25,642            | 176,284                 |
| 2017-2021   | <u>100,000</u>                  | <u>5,964</u>     | <u>5,964</u>      | <u>111,928</u>          |
|             | <u>\$ 325,000</u>               | <u>\$ 62,498</u> | <u>\$ 71,579</u>  | <u>\$ 459,077</u>       |

Drain--Component Unit

Leitner Drain Drainage District Note

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

| <u>Year</u> | <u>Principal<br/>July 21</u> | <u>Interest<br/>July 21</u> | <u>Annual<br/>Total</u> |
|-------------|------------------------------|-----------------------------|-------------------------|
| 2010        | \$ 15,506                    | \$ 3,062                    | \$ 18,568               |
| 2011        | 15,505                       | 2,450                       | 17,955                  |
| 2012        | 15,506                       | 1,837                       | 17,343                  |
| 2013        | 15,505                       | 1,837                       | 17,342                  |
| 2014        | <u>15,506</u>                | <u>1,225</u>                | <u>16,731</u>           |
|             | <u>\$ 77,528</u>             | <u>\$ 10,411</u>            | <u>\$ 87,939</u>        |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE H--LONG-TERM DEBT (Continued)

Ross Drain Note

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

| <u>Year</u> | <u>Principal<br/>July 1</u> | <u>Interest<br/>July 1</u> | <u>Annual<br/>Total</u> |
|-------------|-----------------------------|----------------------------|-------------------------|
| 2010        | \$ 6,000                    | \$ 918                     | \$ 6,918                |
| 2011        | 6,000                       | 612                        | 6,612                   |
| 2012        | <u>6,000</u>                | <u>307</u>                 | <u>6,307</u>            |
|             | <u>\$ 18,000</u>            | <u>\$ 1,837</u>            | <u>\$ 19,837</u>        |

NOTE I--COMPENSATED ABSENCES

Accrued Vacation and Sick Leave Payable

The County has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2009, the accumulated vested vacation and sick leave benefits of the employees of various County departments and the Road Commission were as follows:

|                          | <u>Vacation</u>   | <u>Sick Leave</u>  | <u>Compensatory</u> | <u>Total</u>      |
|--------------------------|-------------------|--------------------|---------------------|-------------------|
| Primary Government       |                   |                    |                     |                   |
| General County           | \$ 28,399         | \$ 40,240          | \$ 13               | \$ 68,652         |
| Courts                   | 28,358            | 44,896             |                     | 73,254            |
| Sheriff Department       | <u>67,234</u>     | <u>101,714</u>     | <u>32,329</u>       | <u>201,277</u>    |
| Total Primary Government | <u>\$ 123,991</u> | <u>\$ 186,850</u>  | <u>\$ 32,342</u>    | <u>\$ 343,183</u> |
| Component Unit           |                   |                    |                     |                   |
| Road Commission          | <u>\$ 223,326</u> | <u>\$ (10,842)</u> | <u>\$ -</u>         | <u>\$ 212,484</u> |

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

Vacation and Sick Leave Policies

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE I--COMPENSATED ABSENCES (Continued)

Vacation Leave

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

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

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

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

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

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

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

Road Commission employees (component unit), after 6 months of service, are credited with 8 hours vacation leave per month, and an additional 2 to 7 days based on years of service exceeding 4 years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited. Vacation leave for 2009 amounted to \$78,912.

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

#### NOTE I--COMPENSATED ABSENCES (Continued)

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

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

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

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

#### Sick Leave

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE I--COMPENSATED ABSENCES (Continued)

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

Road Commission (component unit) post-1987 employees earn 4 hours sick leave per month, and pre-1987 employees earn 8 hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2009 amounted to \$133,572.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

Plan Description

The County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The County service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General UAW Units 111, Sheriff's Department, UAW (units 1 and 2), and elected officials. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2008.

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units which required employees to contribute 3% of the first \$4,200 of annual compensation and 5% of compensation over \$4,200 for the Sheriff's Department, 4.7% for the General UAW Units 111 and UAW (units 1 and 2), and 4.5% for the elected officials. The County's pension contributions were 8.95%, 4.99%, 7.83%, and 5.46% of the covered payroll at December 31, 2008 for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, 2008. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 28 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

| <u>Year Ended December 31</u> | <u>Employer Annual Pension Cost (APC)</u> | <u>Employee Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|---|---|--------------------------------------|-------------------------------|
| 2008                          | \$ 324,695                                | \$ 232,323                                | 100%                                 | \$0                           |
| 2007                          | 309,562                                   | 227,137                                   | 100%                                 | 0                             |
| 2006                          | 295,687                                   | 219,715                                   | 100%                                 | 0                             |

Required Supplementary Information for GASB Statement No. 27

| <u>Actuarial Valuation December 31</u> | <u>(1)<br/>Actuarial Value of Assets</u> | <u>(2)<br/>Actuarial Accrued Liability (AAL)</u> | <u>(3)<br/>Overfunded (Unfunded) AAL (UAAL) (1) - (2)</u> | <u>(4)<br/>Funded Ratio (1) / (2)</u> | <u>(5)<br/>Covered Payroll</u> | <u>(6)<br/>UAAL as a % of Covered Payroll</u> |
|--|--|--|---|---------------------------------------|--------------------------------|---|
| 2008                                   | \$ 13,081,211                            | \$ 14,619,030                                    | \$ (1,537,819)  | 89%                                   | \$ 4,574,972                   | 34%   |
| 2007                                   | 12,589,361                               | 13,666,412                                       | (1,077,051)   | 92%                                   | 4,896,058                      | 22%   |
| 2006                                   | 11,727,617                               | 12,867,906                                       | (1,140,289)   | 93%                                   | 4,689,048                      | 24%   |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Employee Pension Plan--Transit Corporation

Profit Sharing Plan and Trust 401(K)

The Clare County Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(K) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2009, there were seven plan members. Employees may at their option, defer up to 10% of their gross income. The Clare County Transit Corporation will match the employees' contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$2,592 during the current fiscal year and employees contributed \$4,524. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

SIMPLE Section 408(p)

The Clare County Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (SIMPLE), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2009, there were two plan members. The Clare County Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed \$1,894 during the current fiscal year and employees contributed \$2,419. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION

Plan Description

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

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

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

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2008. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%: a) projected salary increases of 4.5% per year compounded annually, attributable to inflation; b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; and c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2008 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

GASB Statement No. 25 Information (as of 12/31/08)

|  |                            |
|--|----------------------------|
| Actuarial Accrued Liability  |                            |
| Retirees and Beneficiaries Currently Receiving Benefits                                | \$ 5,749,315               |
| Terminated Employees Not Yet Receiving Benefits  |                            |
| Non-Vested Terminated Employees  | 188                        |
| Current Employees  |                            |
| Accumulated Employee Contributions Including   |                            |
| Allocated Investment Income  | 768,681                    |
| Employer Financed  | <u>2,563,948</u>           |
| Total Actuarial Accrued Liability  | 9,082,132                  |
| Net Assets Available for Benefits, at Actuarial Value<br>(Market Value is \$5,761,418) | <u>8,016,909</u>           |
| Unfunded (Overfunded) Actuarial Accrued Liability                                      | <u><u>\$ 1,065,223</u></u> |

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2008 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 28 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year Trend Information for GASB Statement No. 27

| <u>Year Ended December 31</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------------------------|----------------------------------|--------------------------------------|-------------------------------|
| 2006                          | \$ 113,748                       | 100%                                 | \$0                           |
| 2007                          | 113,400                          | 100%                                 | 0                             |
| 2008                          | 148,728                          | 100%                                 | 0                             |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

Required Supplementary Information for GASB Statement No. 27

|                                       | (1)                             | (2)  | (3)   | (4)                          | (5)                | (6)                                     |
|---------------------------------------|---------------------------------|--|---|------------------------------|--------------------|---|
| Actuarial<br>Valuation<br>December 31 | Actuarial<br>Value<br>of Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Overfunded<br>(Unfunded)<br>AAL (UAAL)<br>(1) - (2) | Funded<br>Ratio<br>(1) / (2) | Covered<br>Payroll | UAAL as<br>a % of<br>Covered<br>Payroll |
| 2006                                  | \$ 7,868,155                    | \$ 8,452,756                               | \$ (584,601)  | 93%                          | \$ 1,238,972       | 47%                                     |
| 2007                                  | 8,104,337                       | 8,734,291                                  | (629,954)   | 93%                          | 1,279,355          | 49%                                     |
| 2008                                  | 8,016,909                       | 9,082,132                                  | (1,065,223)   | 88%                          | 1,329,895          | 80%                                     |

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

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

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

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

NOTE M--OTHER POST-EMPLOYMENT BENEFITS

In 2004, the GASB issued Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" (OPEB). The pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare, as well as any "other" post-employment benefits (other than pensions). The new rules cause the government-wide financial statements to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. For the County, the pronouncement is effective for the fiscal year ending September 30, 2009. GASB Statement No. 45 has been implemented prospectively.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

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

##### Primary Government

##### Plan Description

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

##### Funding Policy

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

The healthcare benefits may be continued after retirement or termination by the individual paying from \$100 to \$200, depending on their number of years of service, their portion of the premiums, in advance, to the County clerk's office. The net cost for retirees incurred for the fiscal year ended September 30, 2009 was \$31,854. During 2009, there were 18 individuals covered under this agreement.

##### Annual OPEB Cost and Net OPEB Obligation

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

##### Funding Status and Funding Progress

For the fiscal year ended September 30, 2009, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The valuation computed required contribution and actual funding are summarized as follows:

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

|   |                         |
|---|-------------------------|
| Annual Required Contribution                      | \$ 62,128               |
| Interest on Beginning of Year Net OPEB Obligation | <u>-</u>                |
| Annual OPEB Cost                                  | 62,128                  |
| Amounts Contributed                               |                         |
| Payments of Current Premiums                      | (30,750)                |
| Increase in Net OPEB Obligation                   | 31,378                  |
| Net OPEB Obligation--Beginning of Year            | <u>-</u>                |
| Net OPEB Obligation--End of Year                  | <u><u>\$ 31,378</u></u> |

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2009 were as follows:

|                        |          |
|------------------------|----------|
| Annual OPEB Costs      | \$62,128 |
| Percentage Contributed | 49.49%   |
| Net OPEB Obligation    | \$31,378 |

The schedule of funding progress presents trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. This is the first year of implementation for GASB Statement No. 45, so only one year is presented because only one actuarial valuation is available. The county expects to have an actuarial valuation performed every three years.

The funding status of the plan as of December 31, 2008, the most recent actuarial valuation date is as follows:

| <u>Actuarial<br/>Valuation<br/>Date</u> | <u>Actuarial<br/>Value of<br/>Assets</u> | <u>Actuarial<br/>Accrued<br/>Liability<br/>(AAL)</u> | <u>Underfunded<br/>(Overfunded)<br/>AAL<br/>(UAAL)</u> | <u>Funded<br/>Ratio</u> | <u>Covered<br/>Payroll</u> | <u>a Percent<br/>of<br/>Covered<br/>Payroll</u> |
|---|--|--|--|-------------------------|----------------------------|---|
| 12/31/08                                | \$ -                                     | \$701,160  | \$667,020  | 5%                      | not available              | not available                                   |

In subsequent years, trend information will be available. This is the first year of implementation.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

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

##### Component Unit--Road Commission

##### Plan Description

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

##### Funding Policy

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

##### Funding Progress

For the fiscal year ended September 30, 2009, the Road Commission has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2009. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

|   |                          |
|---|--------------------------|
| Annual Required Contribution                      | \$ 322,729               |
| Interest on Beginning of Year Net OPEB Obligation | <u>-</u>                 |
| Annual OPEB Cost                                  | 322,729                  |
| Amounts Contributed                               |                          |
| Payments of Current Premiums                      | (81,282)                 |
| Increase in Net OPEB Obligation                   | 241,447                  |
| Net OPEB Obligation--Beginning of Year            | <u>-</u>                 |
| Net OPEB Obligation--End of Year                  | <u><u>\$ 241,447</u></u> |

Because this is the first year of the calculation, the above OPEB cost had no interest on the OPEB obligation or adjustment to the ARC within the calculation.

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2009, were as follows:

|                        |           |
|------------------------|-----------|
| Annual OPEB Costs      | \$322,729 |
| Percentage Contributed | 25.18%    |
| Net OPEB Obligation    | \$241,447 |

The current funding progress of the plan as of September 30, 2009, the most recent valuation date, is as follows:

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets | Actuarial<br>Accrued<br>Liability<br>(AAL) | Underfunded<br>(Overfunded)<br>AAL<br>(UAAL) | Funded<br>Ratio | Covered<br>Payroll | UAAL as<br>a Percent<br>of<br>Covered<br>Payroll |
|--------------------------------|---------------------------------|--|--|-----------------|--------------------|--|
| 09/30/09                       | \$ -                            | \$2,183,349                                | \$ 2,183,349                                 | 0%              | \$1,427,579        | 153%   |

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

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

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

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

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

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

NOTE N--RISK MANAGEMENT

Primary Government

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE N--RISK MANAGEMENT (Continued)

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

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

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

Transit Corporation

The Transit Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Transit Corporation purchases commercial insurance for business vehicle repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims.

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2009

NOTE N--RISK MANAGEMENT (Continued)

Road Commission (Component Unit)

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

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

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

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

During the fiscal year ended September 30, 2009 and the previous 2 years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE O--RESTATEMENT OF NET ASSETS

The restatement to net assets is due to the 2008 capital lease of a sheriff vehicle and a jail transport vehicle in the amount of \$36,494, less accumulated depreciation of \$8,765. The debt is also related to a 2008 sheriff vehicle with a balance of \$13,638 as of September 30, 2008.

|   |                             |
|---|-----------------------------|
| Prior Year Ending Net Assets                        | \$ 10,513,240               |
| Add: Capital Assets Net of Accumulated Depreciation | 27,730                      |
| Less: Debt  | <u>(13,638)</u>             |
| Restated Beginning Net Assets                       | <u><u>\$ 10,527,332</u></u> |

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

#### NOTE P--CONTINGENT LIABILITIES

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

The Transit Corporation has received Federal and State grants for specific purposes, which are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under the terms of the grants, management believes that any required reimbursements would not be material.

#### NOTE Q--COUNTY SOLID WASTE LANDFILL

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

#### NOTE R--FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation that the county road commissioners report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through road commission procurement. The reason for this requirement is that the road commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation.

The Federal aid revenue of \$999,384 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors, but was paid for and administered by the Michigan Department of Transportation.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2009

#### NOTE S--SUBSEQUENT EVENTS

##### Senior Services

After the end of the September 30, 2008 fiscal year, the Clare County Board of Commissioners approved a resolution that will change an area of County operations for the September 30, 2010 fiscal year. On February 18, 2009, the Clare County Board of Commissioners approved Ordinance #09-08 establishing the Clare County Senior Services Department. Senior's services were previously provided by the Clare/Gladwin Senior Services office. The split between the two counties was effective October 1, 2009.

There are issues concerning vehicles and equipment purchased with grant funds as to how they should be divided between the Clare County and Gladwin Senior Centers. The Gladwin Senior Center wants to keep all of the grant vehicles and equipment. It is the intention of Clare County to ensure that they get their fair share of the assets from the joint operations. There is the potential that a lawsuit will occur. As of September 30, 2009, no law suit had been filed.

##### Enterprise Community

The County assisted with the formation of the Clare County Enterprise Community which is a non-profit entity consisting of primarily the same individuals who were previously on the County's board for the County-run Enterprise Community Grant. The agreement between Clare County and the Clare County Enterprise Community is that the open projects as of September 30, 2009 will be completed by the non-profit. All new grants will be obtained and handled by the Clare County Enterprise Community non-profit.

##### Brownfield Redevelopment Fund

The contract for the Clare County Brownfield Redevelopment Authority's HAEDCO Industrial Park Project Brownfield Redevelopment Loan expired on January 19, 2010. The contract was not extended because there has been almost no loan activity in the last year and the need for the loan funds in the next year was not expected to be significant. A letter dated January 28, 2010 from the Department of Natural Resources & Environment (DNRE), formally the Department of Environmental Quality, requested immediate repayment of unexpended loan funds in the amount of \$128,440. The County's unexpended balance was \$91,954 at September 30, 2009. The County is to provide the DNRE with invoices for the difference of \$36,485 and repay the balance of the unexpended loan balance of \$91,954. Once the unused loan funds are returned to the DNRE, a revised amortization schedule showing payments based on the actual balance will be sent to the County.

**CLARE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT K**

|   | <b>BUDGETED AMOUNTS</b> |                   |                     | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|-------------------|---------------------|---|
|   | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>       |   |
| Revenues  |                         |                   |                     |   |
| Taxes and Penalties   | \$ 4,975,784            | \$ 4,985,784      | \$ 5,172,672        | \$ 186,888  |
| Licenses and Permits  | 97,923                  | 107,521           | 85,614              | (21,907)  |
| Federal Grants  | 76,364                  | 75,739            | 74,446              | (1,293)   |
| State Grants  | 785,488                 | 808,965           | 738,524             | (70,441)  |
| Contributions From Local Units  | 528,743                 | 532,096           | 470,907             | (61,189)  |
| Charges for Services  | 2,575,788               | 2,674,267         | 2,442,677           | (231,590)   |
| Fines and Forfeits  | 29,000                  | 29,000            | 45,163              | 16,163  |
| Interest and Rentals  | 494,482                 | 524,650           | 471,861             | (52,789)  |
| Other Revenue   | 221,935                 | 237,599           | 153,011             | (84,588)  |
| Total Revenues  | <u>9,785,507</u>        | <u>9,975,621</u>  | <u>9,654,875</u>    | <u>(320,746)</u>  |
| Expenditures  |                         |                   |                     |   |
| Current   |                         |                   |                     |   |
| General Government  | 4,034,222               | 4,046,121         | 3,823,686           | 222,435   |
| Public Safety   | 4,490,895               | 4,482,306         | 4,184,815           | 297,491   |
| Public Works  | 47,010                  | 67,107            | 26,334              | 40,773  |
| Health and Welfare  | 596,047                 | 596,087           | 571,664             | 24,423  |
| Community and Economic Development  | 35,150                  | 43,504            | 33,812              | 9,692   |
| Other   | 943,400                 | 871,223           | 702,334             | 168,889   |
| Capital Outlay  | -                       | 47,852            | 84,101              | (36,249)  |
| Debt Service  |                         |                   |                     |   |
| Principal   | -                       | 36,912            | 36,912              | -   |
| Interest and Fiscal Fees  | -                       | 2,414             | 2,414               | -   |
| Total Expenditures  | <u>10,146,724</u>       | <u>10,193,526</u> | <u>9,466,072</u>    | <u>727,454</u>  |
| Excess of Revenues Over<br>(Under) Expenditures                                     | <u>(361,217)</u>        | <u>(217,905)</u>  | <u>188,803</u>      | <u>406,708</u>  |
| Other Financing Sources (Uses)  |                         |                   |                     |   |
| Installment Purchase Proceeds   |                         |                   | 41,929              | 41,929  |
| Interfund Transfers In  | 633,680                 | 511,347           | 470,000             | (41,347)  |
| Interfund Transfers (Out)   | <u>(482,134)</u>        | <u>(619,902)</u>  | <u>(462,977)</u>    | <u>156,925</u>  |
| Total Other Financing<br>Sources (Uses)   | <u>151,546</u>          | <u>(108,555)</u>  | <u>48,952</u>       | <u>157,507</u>  |
| Excess of Revenues and Other<br>Sources Over (Under)<br>Expenditures and Other Uses | <u>(209,671)</u>        | <u>(326,460)</u>  | <u>237,755</u>      | <u>564,215</u>  |
| Fund Balance--October 1, 2008   | <u>359,671</u>          | <u>418,734</u>    | <u>1,999,700</u>    | <u>1,580,966</u>  |
| Fund Balance--September 30, 2009  | <u>\$ 150,000</u>       | <u>\$ 92,274</u>  | <u>\$ 2,237,455</u> | <u>\$ 564,215</u>                                       |

**CLARE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GYPSY MOTH--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended September 30, 2009**

**EXHIBIT L**

|   | <b>BUDGETED AMOUNTS</b>    |                            |                            | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
|   | <u>Original</u>            | <u>Final</u>               | <u>Actual</u>              |   |
| Revenues  |                            |                            |                            |   |
| Interest and Rentals                            | <u>-</u>                   | <u>\$ 30,700</u>           | <u>\$ 3,293</u>            | <u>\$ (27,407)</u>                                      |
| Total Revenues                                  | <u>\$ -</u>                | <u>30,700</u>              | <u>3,293</u>               | <u>(27,407)</u>   |
| Expenditures                                    |                            |                            |                            |   |
| Current   |                            |                            |                            |   |
| General Government                              | <u>198,394</u>             | <u>-</u>                   | <u>12,943</u>              | <u>(12,943)</u>   |
| Total Expenditures                              | <u>198,394</u>             | <u>-</u>                   | <u>12,943</u>              | <u>(12,943)</u>   |
| Excess of Revenues Over<br>(Under) Expenditures | <u>(198,394)</u>           | <u>30,700</u>              | <u>(9,650)</u>             | <u>(40,350)</u>   |
| Fund Balance--October 1, 2008                   | <u>1,272,125</u>           | <u>1,241,425</u>           | <u>1,243,784</u>           | <u>2,359</u>  |
| Fund Balance--September 30, 2009                | <u><u>\$ 1,073,731</u></u> | <u><u>\$ 1,272,125</u></u> | <u><u>\$ 1,234,134</u></u> | <u><u>\$ (37,991)</u></u>                               |

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2009

EXHIBIT M

SPECIAL REVENUE FUNDS

|   | <u>Parks<br/>and<br/>Recreation</u> | <u>Friend of<br/>the Court</u> | <u>Public<br/>Building and<br/>Improvement</u> | <u>Building<br/>Department</u> | <u>Register<br/>of Deeds<br/>Automation</u> | <u>911<br/>Service</u> | <u>Local<br/>Corrections<br/>Officers</u> | <u>Drug Law<br/>Enforcement</u> | <u>Law<br/>Library</u> | <u>Community<br/>Development</u> |
|---|-------------------------------------|--------------------------------|--|--------------------------------|---|------------------------|---|---------------------------------|------------------------|----------------------------------|
| <b><u>ASSETS</u></b>                        |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Cash  | \$ 17,540                           | \$ 18,543                      | \$ 5,351                                       | \$ 84,401                      | \$214,866                                   | \$ 270,999             | \$ 11,805                                 | \$ 20,935                       | \$ 3,761               | \$ 8,018                         |
| Investments                                 |                                     |                                | 30,550   |                                |   |                        |   |                                 |                        | 20,621                           |
| Accounts Receivable                         | -                                   |                                |  |                                |   | 36,258                 | 70  |                                 |                        |                                  |
| Notes Receivable                            |                                     |                                |  |                                |   |                        |   |                                 |                        | 1,537,773                        |
| Due From State of Michigan                  |                                     | 34,557                         |  |                                |   | 37,804                 |   | -                               |                        |                                  |
| Due From Federal Government                 |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Due From Other Funds                        |                                     | 17,957                         |  |                                |   |                        |   |                                 |                        |                                  |
| Total Assets                                | <u>\$ 17,540</u>                    | <u>\$ 71,057</u>               | <u>\$ 35,901</u>                               | <u>\$ 84,401</u>               | <u>\$ 214,866</u>                           | <u>\$ 345,061</u>      | <u>\$ 11,875</u>                          | <u>\$ 20,935</u>                | <u>\$ 3,761</u>        | <u>\$ 1,566,412</u>              |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Accounts Payable                            | \$ 1,225                            | \$ 1,351                       |  | \$ 2,048                       | \$ 42,206                                   | \$ 3,291               | \$ 540                                    | \$ 3,715                        | \$ 222                 |                                  |
| Accrued Liabilities                         | 631                                 | 12,136                         |  | 1,211                          |   | 18,091                 | 2,825                                     |                                 |                        | \$ 2,736                         |
| Long-Term Advance                           |                                     |                                |  |                                |   | 109,154                |   |                                 |                        |                                  |
| Advances From State                         |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Deferred Revenue                            | -                                   | 18,437                         |  |                                |   |                        |   |                                 |                        | 1,537,773                        |
| Total Liabilities                           | <u>1,856</u>                        | <u>31,924</u>                  | <u>\$ -</u>                                    | <u>3,259</u>                   | <u>42,206</u>                               | <u>130,536</u>         | <u>\$ 3,365</u>                           | <u>\$ 3,715</u>                 | <u>222</u>             | <u>1,540,509</u>                 |
| Fund Balances                               |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Reserved for                                |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Donations                                   |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Debt Service                                |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Housing Rehab                               |                                     |                                |  |                                |   |                        |   |                                 |                        | 25,903                           |
| Capital Improvements                        |                                     |                                |  |                                |   |                        |   |                                 |                        |                                  |
| Unreserved--Undesignated                    | 15,684                              | 39,133                         | 35,901   | 81,142                         | 172,660                                     | 214,525                | 8,510                                     | 17,220                          | 3,539                  |                                  |
| Total Fund Balances                         | <u>15,684</u>                       | <u>39,133</u>                  | <u>35,901</u>                                  | <u>81,142</u>                  | <u>172,660</u>                              | <u>214,525</u>         | <u>8,510</u>                              | <u>17,220</u>                   | <u>3,539</u>           | <u>25,903</u>                    |
| Total Liabilities and Fund Balances         | <u>\$ 17,540</u>                    | <u>\$ 71,057</u>               | <u>\$ 35,901</u>                               | <u>\$ 84,401</u>               | <u>\$ 214,866</u>                           | <u>\$ 345,061</u>      | <u>\$ 11,875</u>                          | <u>\$ 20,935</u>                | <u>\$ 3,761</u>        | <u>\$ 1,566,412</u>              |

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2009

EXHIBIT M  
 (CONTINUED)

SPECIAL REVENUE FUNDS

|                                      | Community<br>Development<br>Escrow | Enterprise<br>Community | Brownfield<br>Redevelopment<br>Authority<br>EPA Grant | TSA<br>Grant | Revenue<br>Sharing<br>Reserve | Senior<br>Services | Department<br>of Human<br>Services | Child<br>Care<br>Probate | Child<br>Care<br>DHS |
|--------------------------------------|------------------------------------|-------------------------|---|--------------|-------------------------------|--------------------|------------------------------------|--------------------------|----------------------|
| <b>ASSETS</b>                        |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Cash                                 | \$ 78,205                          | \$ 54,651               | -   | -            | \$ 585,567                    | \$ 99,359          | \$ 71,667                          | \$ 70,947                | \$ 64,716            |
| Investments                          |                                    |                         |   |              |                               | 1,285              |                                    |                          |                      |
| Accounts Receivable                  | 78,439                             |                         |   |              |                               |                    |                                    | -                        |                      |
| Notes Receivable                     | 55,025                             |                         |   |              |                               |                    |                                    |                          |                      |
| Due From State of Michigan           |                                    |                         |   |              |                               |                    | 16,359                             | 13,453                   | 4,418                |
| Due From Federal Government          |                                    | 48,111                  | -   | -            |                               |                    |                                    |                          |                      |
| Due From Other Funds                 |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Total Assets                         | <u>\$ 211,669</u>                  | <u>\$ 102,762</u>       | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 585,567</u>             | <u>\$ 100,644</u>  | <u>\$ 88,026</u>                   | <u>\$ 84,400</u>         | <u>\$ 69,134</u>     |
| <b>LIABILITIES AND FUND BALANCES</b> |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Accounts Payable                     | \$ 85                              | \$ 102,762              | -   | -            |                               | \$ 942             |                                    | \$ 21,917                | \$ 8,962             |
| Accrued Liabilities                  |                                    |                         |   |              |                               | 5,436              |                                    |                          |                      |
| Long-Term Advance                    | 90,000                             |                         |   |              |                               |                    |                                    |                          |                      |
| Advances From State                  |                                    |                         |   |              |                               |                    | \$ 43,000                          |                          |                      |
| Deferred Revenue                     | 55,025                             | -                       | -   | -            |                               |                    |                                    |                          |                      |
| Total Liabilities                    | <u>145,110</u>                     | <u>102,762</u>          | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ -</u>                   | <u>\$ 6,378</u>    | <u>43,000</u>                      | <u>21,917</u>            | <u>8,962</u>         |
| Fund Balances                        |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Reserved for                         |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Donations                            |                                    |                         |   |              |                               |                    | 4,682                              |                          |                      |
| Debt Service                         |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Housing Rehab                        | 66,559                             |                         |   |              |                               |                    |                                    |                          |                      |
| Capital Improvements                 |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Unreserved--Undesignated             |                                    |                         |   |              | 585,567                       | 94,266             | 40,344                             | 62,483                   | 60,172               |
| Total Fund Balances                  | <u>66,559</u>                      | <u>-</u>                | <u>-</u>  | <u>-</u>     | <u>585,567</u>                | <u>94,266</u>      | <u>45,026</u>                      | <u>62,483</u>            | <u>60,172</u>        |
| Total Liabilities and Fund Balances  | <u>\$ 211,669</u>                  | <u>\$ 102,762</u>       | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 585,567</u>             | <u>\$ 100,644</u>  | <u>\$ 88,026</u>                   | <u>\$ 84,400</u>         | <u>\$ 69,134</u>     |

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2009

EXHIBIT M  
 (CONTINUED)

|   | <u>SPECIAL REVENUE FUNDS</u>         |                   |                  | <u>DEBT SERVICE FUNDS</u> |  |                      | <u>CAPITAL PROJECT FUNDS</u>      |                                  |  |                     |
|---|--------------------------------------|-------------------|------------------|---------------------------|--|----------------------|-----------------------------------|----------------------------------|--|---------------------|
|   | Soldiers<br>and<br>Sailors<br>Relief | Veterans<br>Trust | Airport          | Jail<br>Building<br>Debt  | Building<br>Authority<br>Refunding<br>Debt | USDA<br>Loan<br>Debt | Animal<br>Shelter<br>Construction | County<br>Building<br>Renovation | Brownfield<br>Redevelopment<br>Authority | Total               |
| <b><u>ASSETS</u></b>                        |                                      |                   |                  |                           |  |                      |                                   |                                  |  |                     |
| Cash  | \$ 2,924                             | \$ 3,871          | \$ 17,702        | \$ 15                     | \$ 443                                     | \$ -                 | \$ 303,859                        | \$ 5,434                         | \$ 101,413                               | \$ 2,116,992        |
| Investments                                 |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 52,456              |
| Accounts Receivable                         |                                      |                   | 450              |                           |  |                      |                                   |                                  |  | 115,217             |
| Notes Receivable                            |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 1,592,798           |
| Due From State of Michigan                  |                                      |                   |                  |                           |  |                      |                                   |                                  | 5,500                                    | 112,091             |
| Due From Federal Government                 |                                      |                   | -                |                           |  |                      |                                   | 9,000                            |  | 57,111              |
| Due From Other Funds                        |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 17,957              |
| Total Assets                                | <u>\$ 2,924</u>                      | <u>\$ 3,871</u>   | <u>\$ 18,152</u> | <u>\$ 15</u>              | <u>\$ 443</u>                              | <u>\$ -</u>          | <u>\$ 303,859</u>                 | <u>\$ 14,434</u>                 | <u>\$ 106,913</u>                        | <u>\$ 4,064,622</u> |
| <b><u>LIABILITIES AND FUND BALANCES</u></b> |                                      |                   |                  |                           |  |                      |                                   |                                  |  |                     |
| Accounts Payable                            | \$ 534                               | \$ 1,109          | \$ 996           |                           |  |                      | \$ 1,712                          | \$ 8,810                         | \$ 5,500                                 | \$ 207,927          |
| Accrued Liabilities                         |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 43,066              |
| Long-Term Advance                           |                                      |                   |                  |                           |  |                      | -                                 |                                  |  | 199,154             |
| Advances From State                         |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 43,000              |
| Deferred Revenue                            |                                      |                   | -                |                           |  |                      |                                   | 9,000                            | 5,500                                    | 1,625,735           |
| Total Liabilities                           | <u>534</u>                           | <u>1,109</u>      | <u>996</u>       | <u>\$ -</u>               | <u>\$ -</u>                                | <u>\$ -</u>          | <u>\$ 1,712</u>                   | <u>\$ 17,810</u>                 | <u>\$ 11,000</u>                         | <u>2,118,882</u>    |
| Fund Balances                               |                                      |                   |                  |                           |  |                      |                                   |                                  |  |                     |
| Reserved for                                |                                      |                   |                  |                           |  |                      |                                   |                                  |  |                     |
| Donations                                   |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 4,682               |
| Debt Service                                |                                      |                   |                  | 15                        | 443  |                      |                                   |                                  |  | 458                 |
| Housing Rehab                               |                                      |                   |                  |                           |  |                      |                                   |                                  |  | 92,462              |
| Capital Improvements                        |                                      |                   |                  |                           |  |                      | 302,147                           | (3,376)                          |  | 298,771             |
| Unreserved--Undesignated                    | <u>2,390</u>                         | <u>2,762</u>      | <u>17,156</u>    | <u>-</u>                  | <u>-</u>                                   | <u>-</u>             | <u>-</u>                          | <u>-</u>                         | <u>95,913</u>                            | <u>1,549,367</u>    |
| Total Fund Balances                         | <u>2,390</u>                         | <u>2,762</u>      | <u>17,156</u>    | <u>15</u>                 | <u>443</u>                                 | <u>-</u>             | <u>302,147</u>                    | <u>(3,376)</u>                   | <u>95,913</u>                            | <u>1,945,740</u>    |
| Total Liabilities and Fund Balances         | <u>\$ 2,924</u>                      | <u>\$ 3,871</u>   | <u>\$ 18,152</u> | <u>\$ 15</u>              | <u>\$ 443</u>                              | <u>\$ -</u>          | <u>\$ 303,859</u>                 | <u>\$ 14,434</u>                 | <u>\$ 106,913</u>                        | <u>\$ 4,064,622</u> |

CLARE COUNTY  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 For the Fiscal Year Ended September 30, 2009

EXHIBIT N

SPECIAL REVENUE FUNDS

|   | Parks<br>and<br>Recreation | Friend<br>of Court | Public<br>Building and<br>Improvement | Building<br>Department | Register<br>of Deeds<br>Automation | 911<br>Service | Local<br>Corrections<br>Officers | Drug Law<br>Enforcement | ORV<br>Ordinance | Law<br>Library | Community<br>Development |
|---|----------------------------|--------------------|---------------------------------------|------------------------|------------------------------------|----------------|----------------------------------|-------------------------|------------------|----------------|--------------------------|
| Revenues  |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Taxes   |                            |                    |                                       |                        |                                    | \$ 346,659     |                                  |                         |                  |                |                          |
| Licenses and Permits                              |                            |                    |                                       | \$ 153,104             |                                    |                |                                  |                         |                  |                |                          |
| Federal Grants                                    |                            | \$ 232,566         |                                       |                        |                                    | 471,314        |                                  |                         |                  |                |                          |
| State Grants                                      |                            | 2,493              |                                       |                        |                                    | 159,728        |                                  |                         |                  |                |                          |
| Charges for Services                              |                            | 35,213             |                                       |                        | \$ 51,745                          | 150,336        |                                  |                         |                  |                |                          |
| Fines and Forfeits                                |                            |                    |                                       |                        |                                    |                | \$ 6,750                         | \$ 13,133               | \$ 3,555         | \$ 5,250       |                          |
| Interest and Rentals                              |                            |                    | \$ 36                                 |                        | 2,917                              |                |                                  |                         |                  |                | \$ 1,099                 |
| Other   | -                          |                    |                                       |                        |                                    |                |                                  |                         |                  |                | 63,180                   |
| Total Revenues                                    | \$ -                       | 270,272            | 36                                    | 153,104                | 54,662                             | 1,128,037      | 6,750                            | 13,133                  | 3,555            | 5,250          | 64,279                   |
| Expenditures                                      |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| General Government                                |                            | 322,258            |                                       |                        | 42,341                             |                |                                  |                         |                  | 2,750          |                          |
| Public Safety                                     |                            |                    | -                                     | 69,287                 |                                    | 476,755        | 11,846                           | 7,581                   | 1,777            |                |                          |
| Public Works                                      |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Health and Welfare                                |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Community and Economic Development                |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                | 78,569                   |
| Recreation and Culture                            | 17,810                     |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Capital Outlay                                    |                            |                    | -                                     |                        | 8,295                              | 585,856        |                                  |                         |                  |                |                          |
| Principal   |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Interest and Fees                                 |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Total Expenditures                                | 17,810                     | 322,258            | -                                     | 69,287                 | 50,636                             | 1,062,611      | 11,846                           | 7,581                   | 1,777            | 2,750          | 78,569                   |
| Excess of Revenue Over (Under)                    |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Expenditures                                      | (17,810)                   | (51,986)           | 36                                    | 83,817                 | 4,026                              | 65,426         | (5,096)                          | 5,552                   | 1,778            | 2,500          | (14,290)                 |
| Other Financing Sources (Uses)                    |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Interfund Transfers In                            | 9,734                      | -                  | -                                     |                        |                                    |                |                                  |                         |                  |                |                          |
| Interfund Transfers (Out)                         |                            |                    | (20,000)                              |                        |                                    |                |                                  |                         |                  |                |                          |
| Total Other Financing Sources (Uses)              | 9,734                      | -                  | (20,000)                              | -                      | -                                  | -              | -                                | -                       | -                | -              | -                        |
| Excess of Revenues and Other Sources Over (Under) |                            |                    |                                       |                        |                                    |                |                                  |                         |                  |                |                          |
| Expenditures and Other Uses                       | (8,076)                    | (51,986)           | (19,964)                              | 83,817                 | 4,026                              | 65,426         | (5,096)                          | 5,552                   | 1,778            | 2,500          | (14,290)                 |
| Fund Balance--October 1, 2008                     | 23,760                     | 91,119             | 55,865                                | (2,675)                | 168,634                            | 149,099        | 13,606                           | 11,668                  | -                | 1,039          | 40,193                   |
| Fund Balance--September 30, 2009                  | \$ 15,684                  | \$ 39,133          | \$ 35,901                             | \$ 81,142              | \$ 172,660                         | \$ 214,525     | \$ 8,510                         | \$ 17,220               | \$ 1,778         | \$ 3,539       | \$ 25,903                |

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT N**  
**(CONTINUED)**

|   | <b>SPECIAL REVENUE FUNDS</b>       |                         |   |              |                               |                    |                                    |                          |                      |
|---|------------------------------------|-------------------------|---|--------------|-------------------------------|--------------------|------------------------------------|--------------------------|----------------------|
|   | Community<br>Development<br>Escrow | Enterprise<br>Community | Brownfield<br>Redevelopment<br>Authority<br>EPA Grant | TSA<br>Grant | Revenue<br>Sharing<br>Reserve | Senior<br>Services | Department<br>of Human<br>Services | Child<br>Care<br>Probate | Child<br>Care<br>DHS |
| Revenues  |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Taxes   |                                    |                         |   |              |                               | \$ 475,227         |                                    |                          |                      |
| Licenses and Permits                              |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Federal Grants                                    | \$ 205,563                         | \$ 395,957              | \$ 8,660  | \$ 3,598     |                               |                    |                                    |                          |                      |
| State Grants                                      |                                    |                         |   |              |                               |                    | \$ 137,980                         | \$ 30,795                |                      |
| Charges for Services                              |                                    |                         |   |              |                               |                    |                                    |                          | -                    |
| Fines and Forfeits                                |                                    |                         |   |              | \$ 18,979                     | 272                |                                    |                          |                      |
| Interest and Rentals                              |                                    |                         |   |              |                               |                    | \$ 351,309                         |                          |                      |
| Other   | 97,919                             |                         |   |              |                               |                    |                                    |                          |                      |
| Total Revenues                                    | <u>303,482</u>                     | <u>395,957</u>          | <u>8,660</u>  | <u>3,598</u> | <u>18,979</u>                 | <u>475,499</u>     | <u>351,309</u>                     | <u>137,980</u>           | <u>30,795</u>        |
| Expenditures                                      |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| General Government                                |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Public Safety                                     |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Public Works                                      |                                    |                         | 8,660   |              |                               |                    |                                    |                          |                      |
| Health and Welfare                                |                                    |                         |   |              |                               | 450,793            | 355,369                            | 380,617                  | 65,965               |
| Community and Economic Development                | 287,453                            | 395,957                 | -   | \$ 3,598     |                               |                    |                                    |                          |                      |
| Recreation and Cultural                           |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Capital Outlay                                    |                                    |                         |   |              |                               | 10,129             |                                    |                          |                      |
| Principal   |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Interest and Fees                                 |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Total Expenditures                                | <u>287,453</u>                     | <u>395,957</u>          | <u>8,660</u>  | <u>3,598</u> | <u>-</u>                      | <u>460,922</u>     | <u>355,369</u>                     | <u>380,617</u>           | <u>65,965</u>        |
| Excess of Revenue Over (Under)                    |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Expenditures                                      | <u>16,029</u>                      | <u>-</u>                | <u>-</u>  | <u>-</u>     | <u>18,979</u>                 | <u>14,577</u>      | <u>(4,060)</u>                     | <u>(242,637)</u>         | <u>(35,170)</u>      |
| Other Financing Sources (Uses)                    |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Interfund Transfers In                            |                                    |                         |   |              |                               |                    | 10,000                             | 250,000                  | 40,000               |
| Interfund Transfers (Out)                         |                                    |                         |   |              | (470,000)                     |                    |                                    |                          |                      |
| Total Other Financing Sources (Uses)              |                                    | <u>-</u>                | <u>-</u>  | <u>-</u>     | <u>(470,000)</u>              | <u>-</u>           | <u>10,000</u>                      | <u>250,000</u>           | <u>40,000</u>        |
| Excess of Revenues and Other Sources Over (Under) |                                    |                         |   |              |                               |                    |                                    |                          |                      |
| Expenditures and Other Uses                       | 16,029                             | -                       | -   | -            | (451,021)                     | 14,577             | 5,940                              | 7,363                    | 4,830                |
| Fund Balance--October 1, 2008                     | <u>50,530</u>                      | <u>-</u>                | <u>-</u>  | <u>-</u>     | <u>1,036,588</u>              | <u>79,689</u>      | <u>39,086</u>                      | <u>55,120</u>            | <u>55,342</u>        |
| Fund Balance--September 30, 2009                  | <u>\$ 66,559</u>                   | <u>\$ -</u>             | <u>\$ -</u>   | <u>\$ -</u>  | <u>\$ 585,567</u>             | <u>\$ 94,266</u>   | <u>\$ 45,026</u>                   | <u>\$ 62,483</u>         | <u>\$ 60,172</u>     |

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT N**  
**(CONTINUED)**

|   | <u>SPECIAL REVENUE FUNDS</u>       |                       |                  | <u>DEBT SERVICE FUNDS</u> |  |                       | <u>CAPITAL PROJECT FUNDS</u>       |                                   |   | <u>Total</u>        |
|---|------------------------------------|-----------------------|------------------|---------------------------|--|-----------------------|------------------------------------|-----------------------------------|---|---------------------|
|   | <u>Soldiers and Sailors Relief</u> | <u>Veterans Trust</u> | <u>Airport</u>   | <u>Jail Building Debt</u> | <u>Building Authority Refunding Debt</u> | <u>USDA Loan Debt</u> | <u>Animal Shelter Construction</u> | <u>County Building Renovation</u> | <u>Brownfield Redevelopment Authority</u> |                     |
| Revenues  |                                    |                       |                  |                           |  |                       |                                    |                                   |   |                     |
| Taxes   |                                    |                       |                  |                           |  |                       | -                                  |                                   | \$ 9,444                                  | \$ 831,330          |
| Licenses and Permits                              |                                    |                       |                  |                           |  |                       |                                    |                                   |   | 153,104             |
| Federal Grants                                    |                                    |                       | \$ 25,000        |                           |  |                       |                                    | \$ 74,000                         |   | 1,416,658           |
| State Grants                                      |                                    | \$ 7,472              | -                |                           |  |                       |                                    |                                   | -   | 338,468             |
| Charges for Services                              |                                    |                       |                  |                           |  |                       |                                    |                                   | -   | 237,294             |
| Fines and Forfeits                                |                                    |                       |                  |                           |  |                       |                                    |                                   |   | 28,688              |
| Interest and Rentals                              |                                    |                       | 3,350            |                           |  |                       | \$ 19,457                          |                                   |   | 46,110              |
| Other   |                                    |                       | -                |                           |  |                       | 3,668                              |                                   |   | 516,076             |
| <b>Total Revenues</b>                             | <b>\$ -</b>                        | <b>7,472</b>          | <b>28,350</b>    | <b>\$ -</b>               | <b>\$ -</b>                              | <b>\$ -</b>           | <b>23,125</b>                      | <b>74,000</b>                     | <b>9,444</b>                              | <b>3,567,728</b>    |
| Expenditures                                      |                                    |                       |                  |                           |  |                       |                                    |                                   |   |                     |
| General Government                                |                                    |                       |                  |                           |  |                       |                                    |                                   |   | 367,349             |
| Public Safety                                     |                                    |                       |                  |                           |  |                       | 5,734                              | 2,800                             |   | 575,780             |
| Public Works                                      |                                    |                       | 16,755           |                           |  |                       |                                    |                                   | 8,118                                     | 33,533              |
| Health and Welfare                                | 7,761                              | 6,793                 |                  |                           |  |                       |                                    |                                   |   | 1,267,298           |
| Community and Economic Development                |                                    |                       |                  |                           |  |                       |                                    |                                   |   | 765,577             |
| Recreation and Cultural                           |                                    |                       |                  |                           |  |                       |                                    |                                   |   | 17,810              |
| Capital Outlay                                    |                                    |                       | -                |                           |  |                       | -                                  | 33,555                            |   | 637,835             |
| Principal   |                                    |                       |                  | -                         | 65,000                                   | 6,000                 |                                    |                                   |   | 71,000              |
| Interest and Fees                                 |                                    |                       |                  | -                         | 44,516                                   | 2,551                 |                                    |                                   |   | 47,067              |
| <b>Total Expenditures</b>                         | <b>7,761</b>                       | <b>6,793</b>          | <b>16,755</b>    | <b>-</b>                  | <b>109,516</b>                           | <b>8,551</b>          | <b>5,734</b>                       | <b>36,355</b>                     | <b>8,118</b>                              | <b>3,783,249</b>    |
| Excess of Revenue Over (Under)                    |                                    |                       |                  |                           |  |                       |                                    |                                   |   |                     |
| Expenditures                                      | (7,761)                            | 679                   | 11,595           | -                         | (109,516)                                | (8,551)               | 17,391                             | 37,645                            | 1,326                                     | (215,521)           |
| Other Financing Sources (Uses)                    |                                    |                       |                  |                           |  |                       |                                    |                                   |   |                     |
| Interfund Transfers In                            | 10,000                             |                       |                  | -                         | 109,216                                  | 8,551                 |                                    | 20,000                            |   | 457,501             |
| Interfund Transfers (Out)                         |                                    |                       |                  |                           |  |                       |                                    |                                   |   | (490,000)           |
| <b>Total Other Financing Sources (Uses)</b>       | <b>10,000</b>                      | <b>-</b>              | <b>-</b>         | <b>-</b>                  | <b>109,216</b>                           | <b>8,551</b>          | <b>-</b>                           | <b>20,000</b>                     | <b>-</b>                                  | <b>(32,499)</b>     |
| Excess of Revenues and Other Sources Over (Under) |                                    |                       |                  |                           |  |                       |                                    |                                   |   |                     |
| Expenditures and Other Uses                       | 2,239                              | 679                   | 11,595           | -                         | (300)                                    | -                     | 17,391                             | 57,645                            | 1,326                                     | (248,020)           |
| Fund Balance--October 1, 2008                     | 151                                | 2,083                 | 5,561            | 15                        | 743                                      | -                     | 284,756                            | (61,021)                          | 94,587                                    | 2,195,538           |
| Fund Balance--September 30, 2009                  | <u>\$ 2,390</u>                    | <u>\$ 2,762</u>       | <u>\$ 17,156</u> | <u>\$ 15</u>              | <u>\$ 443</u>                            | <u>\$ -</u>           | <u>\$ 302,147</u>                  | <u>\$ (3,376)</u>                 | <u>\$ 95,913</u>                          | <u>\$ 1,947,518</u> |

**CLARE COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**September 30, 2009**

**EXHIBIT O**

|                               | <b><u>BUSINESS-TYPE ACTIVITIES</u></b> |                            | Total<br>Non-Major<br>Funds |
|-------------------------------|--|----------------------------|-----------------------------|
|                               | <u>Tax<br/>Foreclosure</u>             | <u>Jail<br/>Commissary</u> |                             |
| <b><u>ASSETS</u></b>          |  |                            |                             |
| Current Assets                |  |                            |                             |
| Cash and Cash Equivalents     | \$ 338,117                             | \$ 28,103                  | \$ 366,220                  |
| Investments                   | 400,576                                |                            | 400,576                     |
| Accounts Receivable           | 11,852                                 | 1,668                      | 13,520                      |
| Due From Other Funds          |  | 1,675                      | 1,675                       |
| Total Current Assets          | <u>750,545</u>                         | <u>31,446</u>              | <u>781,991</u>              |
| Noncurrent Assets             |  |                            |                             |
| Long-Term Advances<br>Housing | <u>90,000</u>                          |                            | <u>90,000</u>               |
| Total Noncurrent Assets       | <u>90,000</u>                          | <u>-</u>                   | <u>90,000</u>               |
| Total Assets                  | <u><u>\$ 840,545</u></u>               | <u><u>\$ 31,446</u></u>    | <u><u>\$ 871,991</u></u>    |
| <b><u>LIABILITIES</u></b>     |  |                            |                             |
| Current Liabilities           |  |                            |                             |
| Accounts Payable              | <u>\$ 4,376</u>                        | <u>\$ 4,765</u>            | <u>\$ 9,141</u>             |
| Total Liabilities             | <u>4,376</u>                           | <u>4,765</u>               | <u>9,141</u>                |
| <b><u>NET ASSETS</u></b>      |  |                            |                             |
| Unrestricted                  | <u>836,169</u>                         | <u>26,681</u>              | <u>862,850</u>              |
| Total Net Assets              | <u><u>\$ 836,169</u></u>               | <u><u>\$ 26,681</u></u>    | <u><u>\$ 862,850</u></u>    |

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT P**

|                                      | <u>BUSINESS-TYPE ACTIVITIES</u> |                            | Total<br>Non-Major<br>Enterprise<br>Funds |
|--------------------------------------|---------------------------------|----------------------------|---|
|                                      | <u>Tax<br/>Foreclosure</u>      | <u>Jail<br/>Commissary</u> | <u></u>                                   |
| Operating Revenues                   |                                 |                            |   |
| Charges for Services                 | <u>\$ 353,637</u>               | <u>\$ 39,255</u>           | <u>\$ 392,892</u>                         |
| Total Operating Revenues             | <u>353,637</u>                  | <u>39,255</u>              | <u>392,892</u>                            |
| Operating Expenses                   |                                 |                            |   |
| Materials and Supplies               | <u>136,087</u>                  | <u>32,385</u>              | <u>168,472</u>                            |
| Total Operating Expenses             | <u>136,087</u>                  | <u>32,385</u>              | <u>168,472</u>                            |
| Operating Income (Loss)              | <u>217,550</u>                  | <u>6,870</u>               | <u>224,420</u>                            |
| Change in Net Assets                 | 217,550                         | 6,870                      | 224,420                                   |
| Total Net Assets--October 1, 2008    | <u>618,619</u>                  | <u>19,811</u>              | <u>638,430</u>                            |
| Total Net Assets--September 30, 2009 | <u><u>\$ 836,169</u></u>        | <u><u>\$ 26,681</u></u>    | <u><u>\$ 862,850</u></u>                  |

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT Q**

|   | <b>BUSINESS-TYPE<br/>ACTIVITIES</b> |                    | Total<br>Enterprise<br>Funds |
|---|-------------------------------------|--------------------|------------------------------|
|   | Tax<br>Foreclosure                  | Jail<br>Commissary |                              |
| Cash Flows From Operating Activities  |                                     |                    |                              |
| Cash Received From Customers  | \$ 352,706                          | \$ 39,121          | \$ 391,827                   |
| Cash Payments to Suppliers for Goods and Services   | (131,711)                           | (29,371)           | (161,082)                    |
| Net Cash Provided by Operating Activities   | <u>220,995</u>                      | <u>9,750</u>       | <u>230,745</u>               |
| Cash Flows From Noncapital Financing Activities   |                                     |                    |                              |
| Due From Other Funds  |                                     | (1,675)            | (1,675)                      |
| Long Term Advances  | (3,660)                             |                    | (3,660)                      |
| Net Cash Provided by Noncapital Financing Activities                                      | <u>(3,660)</u>                      | <u>(1,675)</u>     | <u>(5,335)</u>               |
| Cash Flows From Investing Activities  |                                     |                    |                              |
| Sale or (Purchase) of Investments   | (400,576)                           |                    | (400,576)                    |
| Net Cash Provided by Investing Activities   | <u>(400,576)</u>                    | <u>-</u>           | <u>(400,576)</u>             |
| Net Increase (Decrease) in Cash and Cash Equivalents                                      | (183,241)                           | 8,075              | (175,166)                    |
| Cash and Cash Equivalents at Beginning of Year  | <u>521,358</u>                      | <u>20,028</u>      | <u>541,386</u>               |
| Cash and Cash Equivalents at End of Year  | <u>\$ 338,117</u>                   | <u>\$ 28,103</u>   | <u>\$ 366,220</u>            |
| Reconciliation of Operating Income to Net<br>Cash Provided by Operating Activities        |                                     |                    |                              |
| Operating Income (Loss)   | \$ 217,550                          | \$ 6,870           | \$ 224,420                   |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided by Operating Activities |                                     |                    |                              |
| (Increase) Decrease in Accounts Receivable  | (931)                               | (134)              | (1,065)                      |
| Increase (Decrease) in Accounts Payable   | 4,376                               | 3,014              | 7,390                        |
| Net Cash Provided by Operating Activities   | <u>\$ 220,995</u>                   | <u>\$ 9,750</u>    | <u>\$ 230,745</u>            |

**CLARE COUNTY  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
September 30, 2009**

**EXHIBIT R**

|                           | <u>Technology<br/>Fund</u> | <u>Health<br/>Insurance<br/>Fund</u> | <u>Total<br/>Non-Major<br/>Funds</u> |
|---------------------------|----------------------------|--------------------------------------|--------------------------------------|
| <b><u>ASSETS</u></b>      |                            |                                      |                                      |
| Current Assets            |                            |                                      |                                      |
| Cash and Cash Equivalents | \$ 2,536                   | \$ 196,150                           | \$ 198,686                           |
| Accounts Receivable       |                            | 2,366                                | 2,366                                |
|                           | <u>          </u>          | <u>          </u>                    | <u>          </u>                    |
| Total Assets              | <u>\$ 2,536</u>            | <u>\$ 198,516</u>                    | <u>\$ 201,052</u>                    |
| <b><u>LIABILITIES</u></b> |                            |                                      |                                      |
| Current Liabilities       |                            |                                      |                                      |
| Accounts Payable          |                            | \$ 296                               | \$ 296                               |
|                           | <u>          </u>          | <u>          </u>                    | <u>          </u>                    |
| Total Current Liabilities | <u>\$ -</u>                | <u>296</u>                           | <u>296</u>                           |
| <b><u>NET ASSETS</u></b>  |                            |                                      |                                      |
| Unrestricted              | <u>2,536</u>               | <u>198,220</u>                       | <u>200,756</u>                       |
| Total Net Assets          | <u>\$ 2,536</u>            | <u>\$ 198,220</u>                    | <u>\$ 200,756</u>                    |

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT S**

|                                      | Technology<br>Fund          | Health<br>Insurance<br>Fund | Total<br>Internal<br>Service<br>Funds |
|--------------------------------------|-----------------------------|-----------------------------|---------------------------------------|
| Operating Revenues                   |                             |                             |                                       |
| Charges for Services                 | <u>\$ 14,061</u>            | <u>\$ 1,140,116</u>         | <u>\$ 1,154,177</u>                   |
| Total Operating Revenues             | <u>14,061</u>               | <u>1,140,116</u>            | <u>1,154,177</u>                      |
| Operating Expenses                   |                             |                             |                                       |
| Health Insurance                     | <u>                    </u> | <u>1,165,784</u>            | <u>1,165,784</u>                      |
| Total Operating Expenses             | <u>-</u>                    | <u>1,165,784</u>            | <u>1,165,784</u>                      |
| Operating Income (Loss)              | <u>14,061</u>               | <u>(25,668)</u>             | <u>(11,607)</u>                       |
| Change in Net Assets                 | 14,061                      | (25,668)                    | (11,607)                              |
| Total Net Assets--October 1, 2008    | <u>(11,525)</u>             | <u>223,888</u>              | <u>212,363</u>                        |
| Total Net Assets--September 30, 2009 | <u><u>\$ 2,536</u></u>      | <u><u>\$ 198,220</u></u>    | <u><u>\$ 200,756</u></u>              |

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT T**

|   | Technology<br>Fund      | Health<br>Insurance<br>Fund | Total<br>Funds            |
|---|-------------------------|-----------------------------|---------------------------|
| Cash Flows From Operating Activities  |                         |                             |                           |
| Cash Received From Customers  | \$ 14,061               | \$ 1,137,750                | \$ 1,151,811              |
| Cash Payments For Employees Benefits  |                         | (1,165,488)                 | (1,165,488)               |
| Net Cash Provided by Operating Activities   | <u>14,061</u>           | <u>(27,738)</u>             | <u>(13,677)</u>           |
| Cash Flows From Capital and Related Financing Activities                                  |                         |                             |                           |
| Long-Term Advance   | <u>(15,550)</u>         |                             | <u>(15,550)</u>           |
| Net Cash Provided by Capital and Related Financing Activities                             |                         |                             |                           |
| Long Term Advance   | <u>(15,550)</u>         | -                           | <u>(15,550)</u>           |
| Net Increase (Decrease) in Cash and Cash Equivalents                                      | (1,489)                 | (27,738)                    | (29,227)                  |
| Cash and Cash Equivalents at Beginning of Year  | <u>4,025</u>            | <u>223,888</u>              | <u>227,913</u>            |
| Cash and Cash Equivalents at End of Year  | <u><u>\$ 2,536</u></u>  | <u><u>\$ 196,150</u></u>    | <u><u>\$ 198,686</u></u>  |
| Reconciliation of Operating Income to Net<br>Cash Provided by Operating Activities        |                         |                             |                           |
| Operating Income (Loss)   | \$ 14,061               | \$ (25,668)                 | \$ (11,607)               |
| Adjustments to Reconcile Operating Income<br>to Net Cash Provided by Operating Activities |                         |                             |                           |
| (Increase) Decrease in Accounts Receivable  |                         | (2,366)                     | (2,366)                   |
| Increase (Decrease) in Accrued Wages Payable  |                         | <u>296</u>                  | <u>296</u>                |
| Net Cash Provided by Operating Activities   | <u><u>\$ 14,061</u></u> | <u><u>\$ (27,738)</u></u>   | <u><u>\$ (13,677)</u></u> |

**CLARE COUNTY  
 COMBINING STATEMENT OF FIDUCIARY  
 NET ASSETS--AGENCY FUNDS  
 September 30, 2009**

**EXHIBIT U**

|  | <u>General<br/>Agency</u> | <u>Library<br/>(Penal Fines)<br/>Fund</u> | <u>Total</u>        |
|--|---------------------------|---|---------------------|
| <b><u>ASSETS</u></b>                       |                           |   |                     |
| Cash                                       | \$2,736,432               | \$ 47,538                                 | \$ 2,783,970        |
| Investments                                |                           | 67,174                                    | 67,174              |
| Due From Other Agencies                    | <u>(38)</u>               |   | <u>(38)</u>         |
| Total Assets                               | <u>\$2,736,394</u>        | <u>\$ 114,712</u>                         | <u>\$ 2,851,106</u> |
| <b><u>LIABILITIES AND FUND BALANCE</u></b> |                           |   |                     |
| Liabilities                                |                           |   |                     |
| Due to Cities                              | \$ 630                    |   | \$ 630              |
| Due to Schools and Colleges                | 928                       |   | 928                 |
| Due to State of Michigan                   | 2,363,985                 |   | 2,363,985           |
| Undistributed Penal Fines and Interest     |                           | \$ 114,712                                | 114,712             |
| Other Liabilities                          | <u>370,851</u>            |   | <u>370,851</u>      |
| Total Liabilities                          | <u>\$2,736,394</u>        | <u>\$ 114,712</u>                         | <u>\$ 2,851,106</u> |

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT V**

|   | <b>BUDGETED AMOUNTS</b> |                  |                  | Variance With                          |
|---|-------------------------|------------------|------------------|--|
|   | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>    | Final Budget<br>Positive<br>(Negative) |
| Taxes and Penalties                                     |                         |                  |                  |  |
| Current Property Taxes                                  | \$ 4,728,463            | \$ 4,728,463     | \$ 4,933,172     | \$ 204,709                             |
| Unpaid Personal Property Taxes                          | 25,000                  | 25,000           | 13,416           | (11,584)                               |
| Tax Reverted Lands                                      | 500                     | 500              | -                | (500)                                  |
| Trailer Taxes   | 3,700                   | 3,700            | 2,202            | (1,498)                                |
| Swampland Tax   | 41,600                  | 41,600           | 41,550           | (50)                                   |
| Commercial Forest Reserve                               | 21                      | 21               | 21               | -                                      |
| Industrial Facility Tax                                 | 30,000                  | 30,000           | 21,116           | (8,884)                                |
| Payments-in-Lieu of Taxes                               | 8,500                   | 8,500            | 8,126            | (374)                                  |
| Property Tax Administration Fees                        | 138,000                 | 148,000          | 153,069          | 5,069                                  |
| <b>Total Taxes and Penalties</b>                        | <b>4,975,784</b>        | <b>4,985,784</b> | <b>5,172,672</b> | <b>186,888</b>                         |
| Licenses and Permits                                    |                         |                  |                  |  |
| Marriage Licenses                                       | 1,000                   | 1,100            | 1,090            | (10)                                   |
| Marriage Licenses--Family Counseling                    | 3,000                   | 3,050            | 3,090            | 40                                     |
| Dog Licenses  | 65,000                  | 65,000           | 50,396           | (14,604)                               |
| Pistol Permits  | 4,697                   | 14,144           | 13,852           | (292)                                  |
| Soil Erosion and Sedimentation Permits                  | 24,224                  | 24,224           | 17,183           | (7,041)                                |
| Explosives Permits                                      | 2                       | 3                | 3                | -                                      |
| <b>Total Licenses and Permits</b>                       | <b>97,923</b>           | <b>107,521</b>   | <b>85,614</b>    | <b>(21,907)</b>                        |
| Federal Grants  |                         |                  |                  |  |
| State Domestic Preparedness Equipment                   | 364                     | 364              | -                | (364)                                  |
| Emergency Management                                    | -                       | -                | 6,875            | 6,875                                  |
| Hazardous Materials Emergency Planning Grant            | -                       | 625              | 625              | -                                      |
| Highway Safety Communities Project Grant                | -                       | -                | 12,450           | 12,450                                 |
| USDA Grant--Solid Waste                                 | 25,000                  | 23,750           | 13,251           | (10,499)                               |
| Public Guardian Services                                | -                       | -                | 3,885            | 3,885                                  |
| Cooperative Reimbursement Program--Prosecuting Attorney | 51,000                  | 51,000           | 37,360           | (13,640)                               |
| <b>Total Federal Grants</b>                             | <b>76,364</b>           | <b>75,739</b>    | <b>74,446</b>    | <b>(1,293)</b>                         |
| State Grants  |                         |                  |                  |  |
| Probate Judges' Salary                                  | 101,700                 | 101,700          | 102,252          | 552                                    |
| Judges' Salary Standardization                          | 100,592                 | 100,592          | 100,098          | (494)                                  |
| State Court Equity Fund                                 | 206,000                 | 206,000          | 204,368          | (1,632)                                |
| Secondary Road Patrol                                   | 65,313                  | 73,618           | 59,663           | (13,955)                               |
| Siren Project   | -                       | 15,000           | 15,000           | -                                      |
| Bullet Proof Vest Program                               | 10,000                  | 10,060           | -                | (10,060)                               |
| Livery Inspections--Sheriff                             | 100                     | 100              | 70               | (30)                                   |
| State Aid Caseflow Assistance                           | 15,000                  | 17,540           | 17,540           | -                                      |
| State Snowmobile Grant                                  | 5,000                   | 5,000            | 1,608            | (3,392)                                |
| Judicial Network Project                                | -                       | 600              | 599              | (1)                                    |
| Michigan Justice Training                               | 4,000                   | 4,000            | 6,136            | 2,136                                  |
| Off-Road Vehicle Enforcement                            | -                       | 14,000           | -                | (14,000)                               |
| Off-Road Vehicle Safety Education                       | 5,000                   | 5,500            | 4,500            | (1,000)                                |
| Juvenile Accountability Incentive Block Grant           | 1,939                   | 1,939            | -                | (1,939)                                |
| Cooperative Reimbursement Program--Prosecuting Attorney | 27,317                  | 27,342           | 249              | (27,093)                               |
| Palm Scan Grant   | -                       | -                | 16,000           | 16,000                                 |
| Juvenile Officer Grant                                  | -                       | -                | 27,317           | 27,317                                 |
| Food Stamp Fraud  | 2,000                   | 2,000            | 338              | (1,662)                                |
| Victims Rights Grant                                    | 15,000                  | 22,671           | 17,697           | (4,974)                                |
| State Cigarette Tax                                     | 10,018                  | 10,744           | 7,782            | (2,962)                                |
| Convention Facilities Liquor Tax                        | 142,080                 | 142,080          | 135,999          | (6,081)                                |
| Remonumentation   | 71,479                  | 40,024           | 7,418            | (32,606)                               |
| Juror Compensation                                      | -                       | 780              | 6,240            | 5,460                                  |
| Liquor Law Enforcement                                  | 2,500                   | 7,200            | 7,048            | (152)                                  |
| Voter Registration                                      | 450                     | 475              | 602              | 127                                    |
| <b>Total State Grants</b>                               | <b>785,488</b>          | <b>808,965</b>   | <b>738,524</b>   | <b>(70,441)</b>                        |

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT V**  
**(CONTINUED)**

|   | <b>BUDGETED AMOUNTS</b> |                |                | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|----------------|----------------|---|
|   | <u>Original</u>         | <u>Final</u>   | <u>Actual</u>  |   |
| Contributions From Local Units                |                         |                |                |   |
| Liquor Law Enforcement--Townships             | 3,100                   | 4,800          | 4,694          | (106)   |
| Law Enforcement Contracts                     |                         |                |                |   |
| Lincoln Township                              | 131,765                 | 131,765        | 130,545        | (1,220)   |
| City of Harrison                              | 164,000                 | 164,000        | 154,345        | (9,655)   |
| Village of Farwell                            | 34,500                  | 34,500         | 33,859         | (641)   |
| Hayes Township                                | 51,500                  | 51,500         | 39,419         | (12,081)  |
| Redding Township                              | 4,884                   | 4,884          | 4,971          | 87  |
| Grant Township                                | 16,997                  | 16,997         | 14,871         | (2,126)   |
| MMC College                                   | 40,000                  | 40,000         | 15,122         | (24,878)  |
| School Safety Match                           |                         |                |                |   |
| Harrison                                      | 51,566                  | 51,566         | 40,997         | (10,569)  |
| Farwell                                       | 30,431                  | 32,084         | 32,084         |   |
| Total Contributions From Local Units          | <u>528,743</u>          | <u>532,096</u> | <u>470,907</u> | <u>(61,189)</u>   |
| Charges for Services                          |                         |                |                |   |
| Circuit Court Costs                           | 75,000                  | 75,800         | 77,783         | 1,983   |
| District Court Costs                          | 310,000                 | 310,000        | 309,217        | (783)   |
| Circuit Court Services                        | 15,770                  | 15,770         | 14,692         | (1,078)   |
| Public Guardian Services                      | 20,000                  | 20,000         | 16,455         | (3,545)   |
| Probate Court Services                        | 30,000                  | 30,000         | 24,057         | (5,943)   |
| Clerk Services                                | 50,000                  | 52,295         | 46,028         | (6,267)   |
| Partnerships and Assumed Names                | 3,100                   | 3,250          | 3,370          | 120   |
| Partnerships and Assumed Names                | 25,000                  | 26,300         | 28,843         | 2,543   |
| Equalization Department Services              |                         |                |                |   |
| Nongovernmental                               | 6,000                   | 7,800          | 7,882          | 82  |
| Local Units                                   | 63,000                  | 63,002         | 57,083         | (5,919)   |
| Register of Deeds Services                    | 178,450                 | 178,505        | 164,088        | (14,417)  |
| Abstract Department Services                  | 3,010                   | 5,147          | 4,792          | (355)   |
| Treasurer Services                            | 3,750                   | 5,320          | 5,390          | 70  |
| Sheriff Services                              | 12,500                  | 12,500         | 7,279          | (5,221)   |
| Preliminary Breath Test Fees                  | 20,000                  | 20,000         | 14,075         | (5,925)   |
| Planning Commission Services                  | -                       | 275            | 275            | -   |
| Animal Control Services                       | 12,000                  | 12,000         | 13,971         | 1,971   |
| District Court Attorney Fees                  | 117,000                 | 117,000        | 93,950         | (23,050)  |
| Probate Court Attorney Fees                   | 1,500                   | 1,500          | 480            | (1,020)   |
| Real Estate Transfer Tax                      | 80,000                  | 80,000         | 53,343         | (26,657)  |
| 25% Child Care Fund Collection Fees           | 1,250                   | 1,250          | 76             | (1,174)   |
| Abstract Department Use of Tract Book         | 48,000                  | 48,000         | 43,515         | (4,485)   |
| Prosecutor OWI Cases                          | -                       | -              | 1,076          | 1,076   |
| District Court Assessment and Evaluation Fees | 35,000                  | 35,000         | 29,399         | (5,601)   |
| District Court Bond Costs                     | 12,000                  | 12,000         | 12,168         | 168   |
| District Court Civil Fees                     | 77,000                  | 82,000         | 97,973         | 15,973  |
| Sheriff Service of Papers                     | 30,200                  | 55,123         | 56,639         | 1,516   |
| Animal Adoption Fees                          | 5,820                   | 5,820          | 4,935          | (885)   |
| Record Copying                                | 3,610                   | 5,600          | 6,022          | 422   |
| Jail Fees                                     | 7,200                   | 8,463          | 9,998          | 1,535   |
| Transporting Prisoners                        | 25,500                  | 26,236         | 12,656         | (13,580)  |
| Housing of Inmates--Other Counties            | 1,100,000               | 1,100,000      | 979,330        | (120,670)   |
| Housing of Inmates--State Detainees           | 7,150                   | 7,650          | 11,900         | 4,250   |
| Housing of Inmates--Diverted Felons           | 25,000                  | 71,300         | 55,854         | (15,446)  |
| Weekend Lodging--Jail                         | 22,000                  | 22,000         | 11,098         | (10,902)  |
| Inmates Room and Board                        | 8,000                   | 8,000          | 10,502         | 2,502   |

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT V**  
**(CONTINUED)**

|   | <b>BUDGETED AMOUNTS</b> |                      |                      | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|----------------------|----------------------|---|
|   | <b>Original</b>         | <b>Final</b>         | <b>Actual</b>        |   |
| Charges for Services (Continued)                  |                         |                      |                      |   |
| Inmates Work Release                              | 5,458                   | 7,524                | 8,124                | 600   |
| Inmates Incentive                                 | 14,000                  | 14,000               | 12,200               | (1,800)   |
| Pay Phone Commissions                             | 83,664                  | 83,664               | 89,138               | 5,474   |
| Phone Cards--Inmates                              | 34,356                  | 39,372               | 43,857               | 4,485   |
| Vending Machine Commissions                       | 1,700                   | 2,000                | 2,104                | 104   |
| Sale of Confiscated Property                      | 1,000                   | 1,000                | -                    | (1,000)   |
| Circuit Court Sex Offender Program                | 300                     | 300                  | 140                  | (160)   |
| Drug Screening                                    | 1,500                   | 1,500                | 920                  | (580)   |
| Tether Fees                                       | -                       | -                    | -                    | -   |
| <b>Total Charges for Services</b>                 | <b>2,575,788</b>        | <b>2,674,267</b>     | <b>2,442,677</b>     | <b>(231,590)</b>  |
| Fines and Forfeits                                |                         |                      |                      |   |
| Circuit Court Bond Forfeitures                    | 4,000                   | 4,000                | 1,700                | (2,300)   |
| District Court Bond Forfeitures                   | 10,000                  | 10,000               | 30,050               | 20,050  |
| Ordinance Fines and Costs                         | 15,000                  | 15,000               | 13,413               | (1,587)   |
| <b>Total Fines and Forfeits</b>                   | <b>29,000</b>           | <b>29,000</b>        | <b>45,163</b>        | <b>16,163</b>   |
| Interest and Rents                                |                         |                      |                      |   |
| Interest Earned                                   | 95,000                  | 95,002               | 53,233               | (41,769)  |
| Rent  | 79,482                  | 79,482               | 77,580               | (1,902)   |
| Royalties--Landfill                               | 320,000                 | 350,166              | 340,845              | (9,321)   |
| Hazardous Waste-Donations                         | -                       | -                    | 203                  | 203   |
| <b>Total Interest and Rents</b>                   | <b>494,482</b>          | <b>524,650</b>       | <b>471,861</b>       | <b>(52,789)</b>   |
| Other Revenues                                    |                         |                      |                      |   |
| Sale of Fixed Assets                              | -                       | 325                  | 825                  | 500   |
| Contributions From Private Sources                | 39,616                  | 41,316               | 25,619               | (15,697)  |
| Reimbursements                                    |                         |                      |                      |   |
| Insurance   | 600                     | 2,600                | 647                  | (1,953)   |
| Tax Collection Bond                               | 4,000                   | 4,100                | 4,026                | (74)  |
| Bench Warrants                                    | -                       | 2,537                | 5,073                | 2,536   |
| Township Tax Notice Postage                       | 5,000                   | 5,000                | 4,709                | (291)   |
| Postage   | 10,000                  | 10,000               | 11,981               | 1,981   |
| Workers' Compensation                             | 12,000                  | 12,531               | 14,362               | 1,831   |
| Inmate Medical                                    | 60,170                  | 60,170               | 30,145               | (30,025)  |
| Other   | 27,175                  | 35,646               | 90                   | (35,556)  |
| Gladwin County                                    |                         |                      |                      |   |
| Circuit Court                                     | 500                     | 500                  | -                    | (500)   |
| District Court                                    | 30,000                  | 30,000               | 32,141               | 2,141   |
| Probate Court                                     | 32,874                  | 32,874               | 23,393               | (9,481)   |
| <b>Total Other Revenues</b>                       | <b>221,935</b>          | <b>237,599</b>       | <b>153,011</b>       | <b>(84,588)</b>   |
| <b>Total Revenue</b>                              | <b>9,785,507</b>        | <b>9,975,621</b>     | <b>9,654,875</b>     | <b>(320,746)</b>  |
| Other Financing Sources                           |                         |                      |                      |   |
| Installment Purchase Proceeds                     | -                       | -                    | 41,929               | 41,929  |
| Interfund Transfers In                            |                         |                      |                      |   |
| Gypsy Moth  | 8,680                   | 8,680                | -                    | (8,680)   |
| Revenue Sharing Reserve                           | 600,000                 | 477,667              | 470,000              | (7,667)   |
| Tax Foreclosure                                   | 25,000                  | 25,000               | -                    | (25,000)  |
| <b>Total Other Financing Sources</b>              | <b>633,680</b>          | <b>511,347</b>       | <b>511,929</b>       | <b>582</b>  |
| <b>Total Revenues and Other Financing Sources</b> | <b>\$ 10,419,187</b>    | <b>\$ 10,486,968</b> | <b>\$ 10,166,804</b> | <b>\$ (320,164)</b>                                     |

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT W**

|                                | <b>BUDGETED AMOUNTS</b> |                  |                  | Variance With                          |
|--------------------------------|-------------------------|------------------|------------------|--|
|                                | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>    | Final Budget<br>Positive<br>(Negative) |
| General Government             |                         |                  |                  |  |
| Board of Commissioners         | \$ 131,987              | \$ 131,987       | \$ 113,095       | \$ 18,892                              |
| Circuit Court                  | 344,946                 | 344,946          | 329,465          | 15,481                                 |
| District Court                 | 647,286                 | 643,286          | 640,516          | 2,770                                  |
| Public Guardian                | 34,816                  | 34,816           | 34,659           | 157                                    |
| Probate Court                  | 376,699                 | 376,699          | 368,662          | 8,037                                  |
| Circuit Court Probation        | 3,800                   | 3,800            | 2,692            | 1,108                                  |
| Probate Juvenile Office        | 142,137                 | 142,137          | 131,186          | 10,951                                 |
| Family Counseling              | 1,200                   | 1,200            | 1,200            | -                                      |
| Jury Board                     | 1,065                   | 1,065            | 396              | 669                                    |
| Administrator                  | 229,624                 | 229,624          | 223,776          | 5,848                                  |
| Elections                      | 64,856                  | 69,406           | 69,179           | 227                                    |
| Clerk                          | 240,984                 | 241,180          | 240,676          | 504                                    |
| Equalization Department        | 191,349                 | 191,449          | 168,658          | 22,791                                 |
| Prosecuting Attorney           | 421,140                 | 438,667          | 403,054          | 35,613                                 |
| Register of Deeds              | 243,585                 | 248,302          | 192,409          | 55,893                                 |
| Abstract Department            | 46,634                  | 46,674           | 46,024           | 650                                    |
| Surveyor                       | 4,022                   | 4,022            | 4,093            | (71)                                   |
| Remonumentation                | 50,000                  | 18,545           | 18,559           | (14)                                   |
| Treasurer                      | 192,161                 | 207,566          | 204,503          | 3,063                                  |
| Cooperative Extension Service  | 93,822                  | 93,897           | 88,300           | 5,597                                  |
| Information Technology         | 59,625                  | 53,615           | 48,944           | 4,671                                  |
| Building Authority             | 354                     | 354              | -                | 354                                    |
| Courthouse and Grounds         | 252,245                 | 259,285          | 245,458          | 13,827                                 |
| Drain Commissioner             | 84,728                  | 84,798           | 83,540           | 1,258                                  |
| Soil Conservation              | 3,000                   | 3,000            | 3,000            | -                                      |
| Soil Erosion and Sedimentation | 24,224                  | 24,224           | 24,224           | -                                      |
| Record Copying                 | 25,999                  | 28,012           | 18,373           | 9,639                                  |
| Mailing                        | 78,834                  | 80,465           | 79,173           | 1,292                                  |
| Professional Services          | 43,000                  | 43,000           | 39,872           | 3,128                                  |
| Plat Board                     | 100                     | 100              | -                | 100                                    |
| Total General Government       | <u>4,034,222</u>        | <u>4,046,121</u> | <u>3,823,686</u> | <u>222,435</u>                         |
| Public Safety                  |                         |                  |                  |  |
| Sheriff                        | 1,432,115               | 1,462,782        | 1,404,529        | 58,253                                 |
| Bench Warrant Enforcement      | -                       | 2,537            | 582              | 1,955                                  |
| School Safety                  | 81,997                  | 76,901           | 53,476           | 23,425                                 |
| Sheriff--City of Harrison      | 158,811                 | 151,381          | 115,207          | 36,174                                 |
| Sheriff--Lincoln Township      | 150,588                 | 137,083          | 127,478          | 9,605                                  |
| Sheriff--Village of Farwell    | 32,760                  | 32,760           | 27,672           | 5,088                                  |
| Sheriff--Redding Township      | 4,884                   | 4,884            | 4,486            | 398                                    |
| Sheriff--Grant Township        | 16,997                  | 16,997           | 14,584           | 2,413                                  |
| Sheriff--MMCC                  | 40,001                  | 40,001           | 13,576           | 26,425                                 |
| Sheriff--Hayes Township        | 40,999                  | 40,999           | 35,433           | 5,566                                  |
| Marine Safety Program          | 16,323                  | 16,383           | 10,150           | 6,233                                  |
| Secondary Road Patrol          | 93,557                  | 66,661           | 58,310           | 8,351                                  |
| Office of Highway Safety Grant | -                       | 14,702           | 14,693           | 9                                      |
| Off-Road Vehicle Grant         | 6,885                   | 7,400            | 5,817            | 1,583                                  |
| Snowmobile Safety Program      | 20,625                  | 20,625           | 1,500            | 19,125                                 |

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

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

|   | <b>BUDGETED AMOUNTS</b> |                  |                  | Variance With<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------------|------------------|------------------|---|
|   | <u>Original</u>         | <u>Final</u>     | <u>Actual</u>    |   |
| Public Safety (Continued)                   |                         |                  |                  |   |
| Off-Road Vehicle Safety Education Grant     | 1,939                   | 1,939            | 278              | 1,661   |
| Jail and Turnkey                            | 2,007,432               | 2,001,744        | 1,983,661        | 18,083  |
| Court Security                              | 108,856                 | 109,856          | 92,231           | 17,625  |
| Local Emergency Planning Committee          | 2,650                   | 2,650            | 787              | 1,863   |
| Office of Emergency Management              | 55,708                  | 55,708           | 27,779           | 27,929  |
| Animal Control                              | 217,768                 | 218,313          | 192,586          | 25,727  |
| Total Public Safety                         | <u>4,490,895</u>        | <u>4,482,306</u> | <u>4,184,815</u> | <u>297,491</u>  |
| Public Works                                |                         |                  |                  |   |
| Department of Public Works                  | 200                     | 200              | 175              | 25  |
| Solid Waste Planning                        | 43,056                  | 63,153           | 22,410           | 40,743  |
| Drain-at-Large Assessments                  | 3,754                   | 3,754            | 3,749            | 5   |
| Total Public Works                          | <u>47,010</u>           | <u>67,107</u>    | <u>26,334</u>    | <u>40,773</u>   |
| Health and Welfare                          |                         |                  |                  |   |
| Central Michigan District Health Department | 217,628                 | 217,628          | 214,053          | 3,575   |
| Contagious Diseases                         | 1,200                   | 1,200            | -                | 1,200   |
| Substance Abuse                             | 71,040                  | 71,040           | 67,918           | 3,122   |
| Medical Examiners                           | 73,625                  | 73,625           | 70,734           | 2,891   |
| Central Michigan Mental Health Services     | 139,000                 | 139,000          | 139,000          | -   |
| Veterans Burials                            | 14,700                  | 23,911           | 19,800           | 4,111   |
| Office of Veterans Affairs                  | 78,854                  | 69,683           | 60,159           | 9,524   |
| Total Health and Welfare                    | <u>596,047</u>          | <u>596,087</u>   | <u>571,664</u>   | <u>24,423</u>   |
| Community and Economic Development          |                         |                  |                  |   |
| Planning Commission                         | 6,650                   | 15,004           | 6,312            | 8,692   |
| Boundry Commission                          | 1,000                   | 1,000            | -                | 1,000   |
| Middle Michigan Development                 | 22,500                  | 22,500           | 22,500           | -   |
| County Convention and Visitors Bureau       | 5,000                   | 5,000            | 5,000            | -   |
| Total Community and Economic Development    | <u>35,150</u>           | <u>43,504</u>    | <u>33,812</u>    | <u>9,692</u>  |
| Other                                       |                         |                  |                  |   |
| Insurance and Bonds                         |                         |                  |                  |   |
| Employee Health Rx Reimbursements           | -                       | 3,000            | -                | 3,000   |
| Workers Compensation                        | 75,500                  | 75,500           | 55,990           | 19,510  |
| Liability                                   | 275,000                 | 275,000          | 268,137          | 6,863   |
| Unemployment                                | 20,000                  | 30,000           | 27,862           | 2,138   |
| Employee Retirement                         | 325,700                 | 315,700          | 313,965          | 1,735   |
| Litigations--Attorney Fees                  | 30,000                  | 30,000           | 25,057           | 4,943   |
| Professional Services--Studies and Reports  | 15,000                  | 15,000           | 10,000           | 5,000   |
| Tax Appeals Adjustments                     | -                       | 123              | 123              | -   |
| Miscellaneous                               | 2,200                   | 2,200            | 1,200            | 1,000   |
| Contingency                                 | 200,000                 | 124,700          | -                | 124,700   |
| Total Other                                 | <u>943,400</u>          | <u>871,223</u>   | <u>702,334</u>   | <u>168,889</u>  |

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2009**

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

|  | <b>BUDGETED AMOUNTS</b> |               |              | Variance With                          |
|--|-------------------------|---------------|--------------|--|
|  | Original                | Final         | Actual       | Final Budget<br>Positive<br>(Negative) |
| Capital Outlay                                 |                         |               |              |  |
| New Equipment                                  |                         |               |              |  |
| Prosecutor                                     | -                       | 6,870         | 6,870        | -                                      |
| Information Technology                         | -                       | 7,890         | 5,000        | 2,890                                  |
| Sheriff--Lincoln Township Vehicle              | -                       | 6,064         | 27,028       | (20,964)                               |
| Secondary Road Patrol                          | -                       | 27,028        | 27,028       | -                                      |
| Jail   | -                       | -             | 18,175       | (18,175)                               |
| Total Capital Outlay                           | -                       | 47,852        | 84,101       | (36,249)                               |
| Debt Service                                   |                         |               |              |  |
| Principal                                      | -                       | 36,912        | 36,912       | -                                      |
| Interest                                       | -                       | 2,414         | 2,414        | -                                      |
| Total Debt Service Requirements                | -                       | 39,326        | 39,326       | -                                      |
| Total Expenditures                             | 10,146,724              | 10,193,526    | 9,466,072    | 727,454                                |
| Other Financing Uses                           |                         |               |              |  |
| Interfund Transfers (Out)--Primary Government  |                         |               |              |  |
| Parks and Recreation Fund                      | 9,734                   | 9,734         | 9,734        | -                                      |
| Public Building and Improvement Fund           | 2,250                   | 2,250         | -            | 2,250                                  |
| Department of Human Services Fund              | 10,000                  | 10,000        | 10,000       | -                                      |
| Child Care Probate Fund                        | 375,000                 | 375,000       | 250,000      | 125,000                                |
| Child Care DHS Fund                            | 75,000                  | 75,000        | 40,000       | 35,000                                 |
| Soldiers and Sailors Relief Fund               | 10,150                  | 10,150        | 10,000       | 150                                    |
| Building Authority Refunding Debt Fund         | -                       | 109,216       | 109,216      | -                                      |
| Building Renovation Fund                       | -                       | 8,551         | 8,551        | -                                      |
| Technology Fund                                | -                       | 20,000        | -            | 20,000                                 |
| Delinquent Tax Revolving Fund                  | -                       | -             | 25,476       | (25,476)                               |
| Total Other Financing Uses--Primary Government | 482,134                 | 619,902       | 462,977      | 156,925                                |
| Total Expenditures and Other Financing Uses    | \$ 10,628,858           | \$ 10,813,428 | \$ 9,929,049 | \$ 884,379                             |

**CLARE COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT**  
**September 30, 2009**

**EXHIBIT X-1**

|  | <b>DEBT SERVICE</b>       |  |                           |                   |
|--|---------------------------|--|---------------------------|-------------------|
|  | <u>Clare<br/>Water #1</u> | <u>Clare Sewer #3<br/>Refunding<br/>Bonds - 2002</u> | <u>Clare<br/>Sewer #4</u> | <u>Total</u>      |
| <b><u>ASSETS</u></b>                     |                           |  |                           |                   |
| Current Assets                           |                           |  |                           |                   |
| Cash                                     |                           |  | \$ 178                    | \$ 178            |
| Due From Local Units of Government       |                           |  |                           |                   |
| Due Within One Year                      | \$ 25,000                 | \$ 20,000  |                           | 45,000            |
| Total Current Assets                     | <u>25,000</u>             | <u>20,000</u>  | <u>178</u>                | <u>45,178</u>     |
| Total Assets                             | <u>25,000</u>             | <u>20,000</u>  | <u>178</u>                | <u>45,178</u>     |
| Noncurrent Assets                        |                           |  |                           |                   |
| Due From Local Units of Government       |                           |  |                           |                   |
| Due in More Than One Year                | 300,000                   | 365,000  | -                         | 665,000           |
| Total Noncurrent Assets                  | <u>300,000</u>            | <u>365,000</u>                                       | <u>-</u>                  | <u>665,000</u>    |
| Total Assets                             | <u>\$ 325,000</u>         | <u>\$ 385,000</u>                                    | <u>\$ 178</u>             | <u>\$ 710,178</u> |
| <b><u>LIABILITIES</u></b>                |                           |  |                           |                   |
| Total Current Liabilities                | <u>\$ -</u>               | <u>\$ -</u>  | <u>\$ -</u>               | <u>\$ -</u>       |
| Noncurrent Liabilities                   |                           |  |                           |                   |
| Bonds Payable--Due Within One Year       | 25,000                    | 20,000   | -                         | 45,000            |
| Bonds Payable--Due in More Than One Year | 300,000                   | 365,000  | -                         | 665,000           |
| Total Noncurrent Liabilities             | <u>325,000</u>            | <u>385,000</u>                                       | <u>-</u>                  | <u>710,000</u>    |
| Total Liabilities                        | <u>325,000</u>            | <u>385,000</u>                                       | <u>-</u>                  | <u>710,000</u>    |
| <b><u>NET ASSETS</u></b>                 |                           |  |                           |                   |
| Restricted for Debt Service              |                           |  | <u>178</u>                | <u>178</u>        |
| Total Net Assets                         | <u>\$ -</u>               | <u>\$ -</u>  | <u>\$ 178</u>             | <u>\$ 178</u>     |

**CLARE COUNTY  
 COMBINING STATEMENT OF ACTIVITIES  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 For the Fiscal Year Ended September 30, 2009**

**EXHIBIT X-2**

| <u>Functions/Programs</u>                      | <u>PROGRAM REVENUES</u> |                                |   | <u>Net (Expense)<br/>Revenue</u>     |
|--|-------------------------|--------------------------------|---|--------------------------------------|
|  | <u>Expenses</u>         | <u>Charge for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |                                      |
| Clare Water #1 Debt                            |                         |                                |   |                                      |
| Interest on Related Debt                       | <u>\$ 18,810</u>        | <u>          </u>              | <u>\$ 18,810</u>                                  | <u>          -</u>                   |
| Total Clare Water #1 Debt                      | <u>18,810</u>           | <u>\$ -</u>                    | <u>18,810</u>                                     | <u>\$ -</u>                          |
| Clare Sewer #3 Refunding Bonds 2002 Debt       |                         |                                |   |                                      |
| Interest on Related Debt                       | <u>22,205</u>           | <u>          </u>              | <u>22,205</u>                                     | <u>          -</u>                   |
| Total Clare Sewer #3 Refunding Bonds 2002 Debt | <u>22,205</u>           | <u>-</u>                       | <u>22,205</u>                                     | <u>-</u>                             |
| Clare Sewer #4 Debt                            |                         |                                |   |                                      |
| Interest on Related Debt                       | <u>6,618</u>            | <u>          </u>              | <u>6,620</u>                                      | <u>          2</u>                   |
| Total Clare Sewer #4 Debt                      | <u>\$ 6,618</u>         | <u>\$ -</u>                    | <u>\$ 6,620</u>                                   | <u>\$ 2</u>                          |
|  |                         |                                |   |                                      |
|  |                         |                                |   | <u>Change in Net Assets</u>          |
|  |                         |                                |   | <u>\$ 2</u>                          |
|  |                         |                                |   | <u>Net Assets--Beginning of Year</u> |
|  |                         |                                |   | <u>176</u>                           |
|  |                         |                                |   | <u>Net Assets--End of Year</u>       |
|  |                         |                                |   | <u>\$ 178</u>                        |

**CLARE COUNTY  
 COMBINING BALANCE SHEET  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
 September 30, 2009**

**EXHIBIT X-3**

|   | <u>DEBT SERVICE</u>       |  |                           |                   |
|---|---------------------------|--|---------------------------|-------------------|
|   | <u>Clare<br/>Water #1</u> | <u>Clare Sewer #3<br/>Refunding<br/>Bonds - 2002</u> | <u>Clare<br/>Sewer #4</u> | <u>Total</u>      |
| <b><u>ASSETS</u></b>  |                           |  |                           |                   |
| Cash  |                           |  | \$ 178                    | \$ 178            |
| Due From Local Units of Government  | \$ 325,000                | \$ 385,000   |                           | 710,000           |
| Total Assets  | <u>\$ 325,000</u>         | <u>\$ 385,000</u>                                    | <u>\$ 178</u>             | <u>\$ 710,178</u> |
| <b><u>LIABILITIES AND FUND EQUITY</u></b>   |                           |  |                           |                   |
| Liabilities   |                           |  |                           |                   |
| Deferred Revenue  | \$ 325,000                | \$ 385,000   | \$ -                      | \$ 710,000        |
| Total Liabilities   | <u>325,000</u>            | <u>385,000</u>                                       | <u>-</u>                  | <u>710,000</u>    |
| Fund Equity   |                           |  |                           |                   |
| Fund Balance  |                           |  |                           |                   |
| Designated for Debt Service   | -                         | -  | 178                       | 178               |
| Total Fund Equity   | <u>-</u>                  | <u>-</u>   | <u>178</u>                | <u>178</u>        |
| Total Liabilities and Fund Equity   | <u>\$ 325,000</u>         | <u>\$ 385,000</u>                                    | <u>\$ 178</u>             | <u>\$ 710,178</u> |
| Fund Balance--Total Governmental Funds  |                           |  |                           | \$ 178            |
| Amounts reported for governmental activities in the Statement of Net Assets are different because:  |                           |  |                           |                   |
| Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds. |                           |  |                           | 710,000           |
| Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.          |                           |  |                           | <u>(710,000)</u>  |
| Total Net Assets  |                           |  |                           | <u>\$ 178</u>     |

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS**  
**COMPONENT UNIT--GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT X-4**

|                                  | <u>DEBT SERVICE</u>       |  |                           | <u>Total</u>   |
|----------------------------------|---------------------------|--|---------------------------|----------------|
|                                  | <u>Clare<br/>Water #1</u> | <u>Clare Sewer #3<br/>Refunding<br/>Bonds - 2002</u> | <u>Clare<br/>Sewer #4</u> |                |
| Revenues                         |                           |  |                           |                |
| Contributions From Local Units   | \$ 43,810                 | \$ 42,205  | \$ 326,618                | \$ 412,633     |
| Interest and Rentals             |                           |  | 2                         | 2              |
| Total Revenues                   | <u>43,810</u>             | <u>42,205</u>  | <u>326,620</u>            | <u>412,635</u> |
| Expenditures                     |                           |  |                           |                |
| Debt Service                     |                           |  |                           |                |
| Principal                        | 25,000                    | 20,000   | 320,000                   | 365,000        |
| Interest and Fiscal Fees         | 18,810                    | 22,205   | 6,618                     | 47,633         |
| Total Expenditures               | <u>43,810</u>             | <u>42,205</u>  | <u>326,618</u>            | <u>412,633</u> |
| Excess of Revenues Over (Under)  |                           |  |                           |                |
| Expenditures                     | -                         | -  | 2                         | 2              |
| Fund Balance--October 1, 2008    |                           |  | 176                       | 176            |
| Fund Balance--September 30, 2009 | <u>\$ -</u>               | <u>\$ -</u>  | <u>\$ 178</u>             | <u>\$ 178</u>  |

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

|   |                |
|---|----------------|
| Net Change in Fund Balances--Total Governmental Funds   | \$ 2           |
| Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred. | (365,000)      |
| Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.                        | <u>365,000</u> |
| Change in Net Assets of Governmental Activities   | <u>\$ 2</u>    |

**CLARE COUNTY  
COMBINING STATEMENT OF NET ASSETS  
DRAIN COMPONENT UNIT  
September 30, 2009**

**EXHIBIT Y-1**

|   | <b>CAPITAL PROJECTS</b> |                    |               |                         |                                  | Total        |
|---|-------------------------|--------------------|---------------|-------------------------|----------------------------------|--------------|
|   | Drain                   | Drain<br>Revolving | Lake<br>Level | Lake Level<br>Revolving | Lake<br>Improvement<br>Revolving |              |
| <b><u>ASSETS</u></b>  |                         |                    |               |                         |                                  |              |
| Current Assets  |                         |                    |               |                         |                                  |              |
| Cash  | \$ 107,658              | \$ 1,071           | \$ 25,028     | \$ 49,484               | -                                | \$ 183,241   |
| Investments   | 24,721                  |                    |               |                         |                                  | 24,721       |
| Special Assessments Receivable<br>Due Within One Year       | 19,837                  |                    |               |                         |                                  | 19,837       |
| Total Current Assets  | 152,216                 | 1,071              | 25,028        | 49,484                  | \$ -                             | 227,799      |
| Noncurrent Assets   |                         |                    |               |                         |                                  |              |
| Special Assessments Receivable<br>Due in More Than One Year | -                       |                    |               |                         |                                  | -            |
| Capital Assets--Net of Accumulated<br>Depreciation          | 671,847                 |                    | 120,237       |                         |                                  | 792,084      |
| Total Noncurrent Assets                                     | 671,847                 | -                  | 120,237       | -                       | -                                | 792,084      |
| Total Assets  | \$ 824,063              | \$ 1,071           | \$ 145,265    | \$ 49,484               | \$ -                             | \$ 1,019,883 |
| <b><u>LIABILITIES</u></b>                                   |                         |                    |               |                         |                                  |              |
| Liabilities   |                         |                    |               |                         |                                  |              |
| Current Liabilities   |                         |                    |               |                         |                                  |              |
| Accounts Payable  | \$ 35,985               |                    | \$ 788        |                         | -                                | \$ 36,773    |
| Total Current Liabilities                                   | 35,985                  | \$ -               | 788           | \$ -                    | \$ -                             | 36,773       |
| Noncurrent Liabilities                                      |                         |                    |               |                         |                                  |              |
| Long-Term Advances From<br>Primary Government               |                         | 29,695             |               | 53,490                  | -                                | 83,185       |
| Assessments Collected in Advance                            | 315                     |                    |               |                         |                                  | 315          |
| Notes Payable--Due Within One Year                          | 21,503                  |                    |               |                         |                                  | 21,503       |
| Notes Payable--Due in More Than One Year                    | 74,025                  |                    |               |                         |                                  | 74,025       |
| Total Noncurrent Liabilities                                | 95,843                  | 29,695             | -             | 53,490                  | -                                | 179,028      |
| Total Liabilities   | 131,828                 | 29,695             | 788           | 53,490                  | -                                | 215,801      |
| <b><u>NET ASSETS</u></b>                                    |                         |                    |               |                         |                                  |              |
| Invested in Capital Assets--Net of<br>Related Debt          | 576,319                 |                    | 120,237       |                         |                                  | 696,556      |
| Restricted for Capital Projects                             | 115,916                 | (28,624)           | 24,240        | (4,006)                 | -                                | 107,526      |
| Total Net Assets  | \$ 692,235              | \$ (28,624)        | \$ 144,477    | \$ (4,006)              | \$ -                             | \$ 804,082   |

**CLARE COUNTY  
COMBINING STATEMENT OF ACTIVITIES  
DRAIN COMPONENT UNIT  
For the Fiscal Year Ended September 30, 2009**

**EXHIBIT Y-2**

| <u>Functions/Programs</u>        | <u>PROGRAM REVENUES</u> |                                 |   | <u>Net (Expense)<br/>Revenue</u>             |
|----------------------------------|-------------------------|---------------------------------|---|--|
|                                  | <u>Expenses</u>         | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> |  |
| Drain                            |                         |                                 |   |  |
| Governmental Activities          |                         |                                 |   |  |
| Public Works                     | \$ 23,602               | \$ 591                          | \$ 200  | \$ (22,811)                                  |
| Interest on Related Debt         | 2,805                   |                                 |   | (2,805)                                      |
| Total Drain                      | <u>26,407</u>           | <u>591</u>                      | <u>200</u>  | <u>(25,616)</u>                              |
| Drain Revolving                  |                         |                                 |   |  |
| Governmental Activities          |                         |                                 |   |  |
| Public Works                     |                         |                                 |   |  |
| Total Drain Revolving            | <u>-</u>                | <u>-</u>                        | <u>-</u>  | <u>-</u>                                     |
| Lake Level                       |                         |                                 |   |  |
| Governmental Activities          |                         |                                 |   |  |
| Public Works                     | 17,702                  | 59,788                          | -   | 42,086                                       |
| Total Lake Level                 | <u>17,702</u>           | <u>59,788</u>                   | <u>-</u>  | <u>42,086</u>                                |
| Lake Level Revolving             |                         |                                 |   |  |
| Governmental Activities          |                         |                                 |   |  |
| Public Works                     |                         |                                 |   | -  |
| Total Lake Level Revolving       | <u>-</u>                | <u>-</u>                        | <u>-</u>  | <u>-</u>                                     |
| Lake Improvement Revolving       |                         |                                 |   |  |
| Governmental Activities          |                         |                                 |   |  |
| Public Works                     | 1,330                   | 99,694                          |   | 98,364                                       |
| Total Lake Improvement Revolving | <u>\$ 1,330</u>         | <u>\$ 99,694</u>                | <u>\$ -</u>                                       | <u>\$ 98,364</u>                             |
|                                  |                         |                                 |   |  |
|                                  |                         |                                 |   | Change in Net Assets \$ 114,834              |
|                                  |                         |                                 |   | Net Assets--Beginning of Year <u>689,248</u> |
|                                  |                         |                                 |   | Net Assets--End of Year <u>\$ 804,082</u>    |

**CLARE COUNTY  
COMBINING BALANCE SHEET  
DRAIN--COMPONENT UNIT  
GOVERNMENTAL FUNDS  
September 30, 2009**

**EXHIBIT Y-3**

**CAPITAL PROJECTS**

|   | <u>Drain</u>      | <u>Drain<br/>Revolving</u> | <u>Lake<br/>Level</u> | <u>Lake<br/>Level<br/>Revolving</u> | <u>Lake<br/>Improvement<br/>Revolving</u> | <u>Total</u>      |
|---|-------------------|----------------------------|-----------------------|-------------------------------------|---|-------------------|
| <b><u>ASSETS</u></b>                          |                   |                            |                       |                                     |   |                   |
| Cash  | \$ 107,658        | \$ 1,071                   | \$ 25,028             | \$ 49,484                           | -   | \$ 183,241        |
| Investments                                   | 24,721            |                            |                       |                                     |   | 24,721            |
| Special Assessments Receivable                | 19,837            |                            |                       |                                     |   | 19,837            |
| Due From Other Funds--Component Units         |                   | 28,624                     |                       | 4,006                               |   | 32,630            |
| Total Assets                                  | <u>\$ 152,216</u> | <u>\$ 29,695</u>           | <u>\$ 25,028</u>      | <u>\$ 53,490</u>                    | <u>\$ -</u>                               | <u>\$ 260,429</u> |
| <b><u>LIABILITIES AND FUND EQUITY</u></b>     |                   |                            |                       |                                     |   |                   |
| Liabilities                                   |                   |                            |                       |                                     |   |                   |
| Accounts Payable                              | \$ 35,985         |                            | \$ 788                |                                     | -   | \$ 36,773         |
| Due to Other Funds--Component Units           | 28,624            |                            | 4,006                 |                                     |   | 32,630            |
| Long-Term Advances From<br>Primary Government |                   | \$ 29,695                  |                       | \$ 53,490                           | -   | 83,185            |
| Assessments Collected in Advance              | 315               |                            |                       |                                     |   | 315               |
| Deferred Revenue                              | 19,837            |                            |                       |                                     |   | 19,837            |
| Total Liabilities                             | <u>84,761</u>     | <u>29,695</u>              | <u>4,794</u>          | <u>53,490</u>                       | <u>\$ -</u>                               | <u>172,740</u>    |
| Fund Equity                                   |                   |                            |                       |                                     |   |                   |
| Fund Balance<br>Reserved For Capital Projects | 67,455            |                            | 20,234                |                                     | -   | 87,689            |
| Total Fund Equity                             | <u>67,455</u>     | <u>-</u>                   | <u>20,234</u>         | <u>-</u>                            | <u>-</u>                                  | <u>87,689</u>     |
| Total Liabilities and Fund Equity             | <u>\$ 152,216</u> | <u>\$ 29,695</u>           | <u>\$ 25,028</u>      | <u>\$ 53,490</u>                    | <u>\$ -</u>                               | <u>\$ 260,429</u> |

Fund Balance--Total Governmental Funds \$ 87,689

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 792,084

The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities. 19,837

Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (95,528)

Total Net Assets \$ 804,082

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2009**

**EXHIBIT Y-4**

|   | <b>CAPITAL PROJECTS</b> |                            |                       |                                     |   |                  |
|---|-------------------------|----------------------------|-----------------------|-------------------------------------|---|------------------|
|   | <u>Drain</u>            | <u>Drain<br/>Revolving</u> | <u>Lake<br/>Level</u> | <u>Lake<br/>Level<br/>Revolving</u> | <u>Lake<br/>Improvement<br/>Revolving</u> | <u>Total</u>     |
| Revenues  |                         |                            |                       |                                     |   |                  |
| Interest and Rentals                              | \$ 200                  |                            | -                     |                                     |   | \$ 200           |
| Special Assessments                               | 40,799                  |                            | \$ 59,788             |                                     | \$ 99,694                                 | 200,281          |
| <b>Total Revenues</b>                             | <u>40,999</u>           | <u>\$ -</u>                | <u>59,788</u>         | <u>\$ -</u>                         | <u>99,694</u>                             | <u>200,481</u>   |
| Expenditures                                      |                         |                            |                       |                                     |   |                  |
| Current   |                         |                            |                       |                                     |   |                  |
| Public Works                                      | 6,166                   |                            | 14,094                |                                     | 1,330                                     | 21,590           |
| Capital Outlay                                    | 48,839                  |                            | 3,125                 |                                     |   | 51,964           |
| Debt Service                                      |                         |                            |                       |                                     |   |                  |
| Principal   | 37,428                  |                            |                       |                                     |   | 37,428           |
| Interest on Related Debt                          | 2,805                   |                            |                       |                                     |   | 2,805            |
| <b>Total Expenditures</b>                         | <u>95,238</u>           | <u>-</u>                   | <u>17,219</u>         | <u>-</u>                            | <u>1,330</u>                              | <u>113,787</u>   |
| Excess of Revenues Over (Under)                   |                         |                            |                       |                                     |   |                  |
| Expenditures                                      | <u>(54,239)</u>         | <u>-</u>                   | <u>42,569</u>         | <u>-</u>                            | <u>98,364</u>                             | <u>86,694</u>    |
| Other Financing Sources (Uses)                    |                         |                            |                       |                                     |   |                  |
| Note Proceeds                                     | <u>77,528</u>           |                            |                       |                                     |   | <u>77,528</u>    |
| <b>Total Other Financing Sources (Uses)</b>       | <u>77,528</u>           | <u>-</u>                   | <u>-</u>              | <u>-</u>                            | <u>-</u>                                  | <u>77,528</u>    |
| Excess of Revenues and Other Sources Over (Under) |                         |                            |                       |                                     |   |                  |
| Expenditures and Other Uses                       | 23,289                  | -                          | 42,569                | -                                   | 98,364                                    | 164,222          |
| Fund Balance (Deficit)--October 1, 2008           | <u>44,166</u>           | <u>-</u>                   | <u>(22,335)</u>       | <u>-</u>                            | <u>(98,364)</u>                           | <u>(76,533)</u>  |
| Fund Balance (Deficit)--September 30, 2009        | <u>\$ 67,455</u>        | <u>\$ -</u>                | <u>\$ 20,234</u>      | <u>\$ -</u>                         | <u>\$ -</u>                               | <u>\$ 87,688</u> |

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

|  |                   |
|--|-------------------|
| Net Change in Fund Balances--Total Governmental Funds  | \$ 164,222        |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | 30,920            |
| Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.   | 37,428            |
| Revenues earned but not available for current resources are not reported in the funds.   | (40,208)          |
| Note Proceeds  | (77,528)          |
| Change in Net Assets of Governmental Activities  | <u>\$ 114,834</u> |

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)**  
**For the Fiscal Year Ended September 30, 2009**

**SCHEDULE 1**

| Federal Grantor/Pass-Through Grantor/Program Title                        | CFDA<br>Number | Pass-Through<br>Grantor<br>Number | Revenue<br>Recognized | Federal<br>Expenditures |
|---|----------------|-----------------------------------|-----------------------|-------------------------|
| <b>PRIMARY GOVERNMENT</b>   |                |                                   |                       |                         |
| <b>US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT</b>                    |                |                                   |                       |                         |
| Office of Rural Development--Direct                                       |                |                                   |                       |                         |
| Solid Waste Management Grants   | 10.762         | (3)                               | \$ 13,251             | \$ 13,251               |
| Rural Business Enterprise Grant   | 10.769         | RSB 2008                          | 25,000                | 25,000                  |
| Rural Business Enterprise Grant   | 10.769         | RSB 2009                          | 30,300                | 30,300                  |
| Technical and Supervisory Assistance Grants                               | 10.441         | (3)                               | 3,598                 | 3,598                   |
| Office of Rural Housing Service--Direct                                   |                |                                   |                       |                         |
| Community Facilities Grant  | 10.766         |                                   |                       |                         |
| Airport Tractor   |                | (3)                               | 25,000 (5)            | 1,340                   |
| Building Roof Project--Grant  |                | (3)                               | 74,000 (5)            | 34,613                  |
| Office of Community Development--Direct                                   |                |                                   |                       |                         |
| Enterprise Community  | 10.772         | (3)                               | 395,957               | 395,957                 |
| <b>TOTAL US DEPARTMENT OF AGRICULTURE</b>                                 |                |                                   | <u>567,106</u>        | <u>504,059</u>          |
| <b>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>                     |                |                                   |                       |                         |
| Passed Through Michigan Department of Consumer and Industry Services      |                |                                   |                       |                         |
| Community Development Block Grant   | 14.228         | MSC-2007-0761-HOA                 | 150,263               | 150,263                 |
| <b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>               |                |                                   | <u>150,263</u>        | <u>150,263</u>          |
| <b>US DEPARTMENT OF TRANSPORTATION</b>                                    |                |                                   |                       |                         |
| Passed Through Michigan Department of State Police                        |                |                                   |                       |                         |
| Office of Highway Safety Planning   |                |                                   |                       |                         |
| Safe Communities-Seat Belt Enforcement                                    | 20600          | PT-09-60                          | 8,451                 | 8,451                   |
| Safe Communities-Child Restraint System                                   | 20.602         | PT-09-60                          | 3,999                 | 3,999                   |
| Hazardous Material Emergency Planning Grant                               | 20.703         | (3)                               | 625                   | 625                     |
| <b>TOTAL US DEPARTMENT OF TRANSPORTATION</b>                              |                |                                   | <u>13,075</u>         | <u>13,075</u>           |
| <b>US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>                   |                |                                   |                       |                         |
| Office of Environmental Protection Agency--Direct                         |                |                                   |                       |                         |
| Brownfield Assessment Cooperative Agreement                               | 66.814         | BF-00E45701                       | 8,660                 | 8,660                   |
| <b>TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>             |                |                                   | <u>8,660</u>          | <u>8,660</u>            |
| <b>US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                         |                |                                   |                       |                         |
| Passed Through Michigan Department of Human Services                      |                |                                   |                       |                         |
| Child Support Enforcement (Title IV-D)                                    |                |                                   |                       |                         |
| Friend of the Court--Performance Incentive Programs                       | 93.563         | CS/FOC-09-18001                   | 41,272 (4)            |                         |
| Friend of the Court   | 93.563         | CS/FOC-09-18001                   | 191,294 (5)           | 209,730                 |
| Prosecuting Attorney  | 93.563         | CS/PA-09-18002                    | 37,360 (5)            | 40,726                  |
| Public Guardian Services  | 93.667         | Guard 09-18001                    | 3,885                 | 3,885                   |
| <b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                   |                |                                   | <u>273,811</u>        | <u>254,341</u>          |
| <b>US DEPARTMENT OF HOMELAND SECURITY</b>                                 |                |                                   |                       |                         |
| Passed Through Michigan Department of Natural Resources                   |                |                                   |                       |                         |
| Boating Safety Financial Assistance--Marine Safety Program                | 97.012         | (3)                               | (5)                   | 8,351                   |
| Passed Through Michigan Department of State Police                        |                |                                   |                       |                         |
| Public Safety Interoperable Communications (PSIC)                         |                |                                   |                       |                         |
| PSIC Baseline Project R6-01   | 11.555         | 2007-GS-H7-0043                   | 96,816                | 96,816                  |
| PSIC Competitive Project R6-02  | 11.555         | 2007-GS-H7-0043                   | 271,688               | 271,688                 |
| Emergency Management Performance Grant (5)                                | 97.042         | (3)                               | 6,875                 | 6,875                   |
| Passed Through Western Michigan Shoreline Regional Development Commission |                |                                   |                       |                         |
| Emergency Management Equipment Grant                                      | 97.067         |                                   | 102,810               | 102,810                 |
| <b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>                           |                |                                   | <u>478,189</u>        | <u>486,540</u>          |
| <b>TOTAL PRIMARY GOVERNMENT</b>   |                |                                   | <u>\$ 1,491,104</u>   | <u>\$1,416,938</u>      |

See Notes to Schedule of Expenditures of Federal Awards.

CLARE COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended September 30, 2009

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

It is required by the Michigan Department of Transportation that the Road Commissions report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account (negotiated) contracts, while all other contracts are administered by the Michigan Department of Transportation. During 2009, the Road Commission received and expended \$999,384 in Federal Highway grant money where the work was performed by contractors that were paid directly from the State, which is included in the State's single audit.

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



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 29, 2010

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

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

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the fiscal year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2010. Our report includes references to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Clare County Transit Corporation (enterprise fund) and the Clare County Road Commission (component unit-special revenue fund), as described in our report on the County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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

Schedule of Findings and Questioned Costs, we and the other auditors identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control, that results in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented or detected and corrected on a timely basis. We consider a certain deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness in internal control over financial reporting as Finding 2007-5.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting as Findings 2008-1, 2009-1 through 2009-07.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-8 and 2007-9.

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

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



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



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ROBERT J. KLEINE  
STATE TREASURER

March 29, 2010

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

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

Dear Board Members:

Compliance--We have audited the compliance of the County of Clare with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended September 30, 2009. The County's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's financial statements include the operations of the Clare County Transit Corporation (enterprise fund), and the Clare County Road Commission (discretely presented component unit) which received Federal awards that are not included in the schedule during the 2009 year audit. Our audit, described below, did not include the operations of the Clare County Transit Corporation (enterprise fund), which received \$922,483 in Federal awards which is not included in the schedule during the fiscal year ended September 30, 2009 because other auditors were engaged to perform the audit in accordance with OMB Circular A-133. The Clare County Road Commission (special revenue component unit), which received \$999,384 in Federal awards, is not included in the schedule for the fiscal year ended September 30, 2009 because other auditors were engaged to perform the audit and the single audit is included is the State's single audit.

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

our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the fiscal year ended September 30, 2009.

Internal Control Over Compliance--The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

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



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

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

**Section I--Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified?                      ✓   Yes           No

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

Noncompliance material to financial  
statements noted?                           Yes      ✓   No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?                           Yes      ✓   No

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

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

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

Identification of Major Programs:

| <i>CFDA Number(s)</i> | <i>Name of Federal Program or Cluster</i> |
|-----------------------|---|
| 10.772                | Enterprise Community                      |
| 11.555                | PSIC Baseline Project/Competitive Project |

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

Auditee qualified as low-risk auditee?                           Yes      ✓   No

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

*Section II--Financial Statement Findings*

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

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

MATERIAL WEAKNESSES

Administrator--Capital Assets

*Finding 2007-5*

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

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

*Recommendation:* We recommend that the County maintain its capital asset listing throughout the year and that it be periodically reviewed to ensure that the capital outlay is properly posted for all governmental funds (the general fund, special revenue funds, and capital project funds), disposals are updated, and related depreciation is calculated. We also recommend that there be account numbers assigned for capital outlay (new equipment) over \$5,000 and also maintained for new equipment under \$5,000 (for the administrator's office to maintain for other purposes like insurance liability coverage).

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

We are working on expanding our expenditure coding for capital outlay and working on better communication with County Departments.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

SIGNIFICANT DEFICIENCIES

Centralized Management of Grant Documents

*Finding 2008-1*

*Condition:* There was not a complete centralized location/management of grant related documents within the County. During grant related testwork, there were many grant documents that were not readily available. After auditor follow-up, all documents were obtained.

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

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

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

The County Clerk is maintaining a listing of known grants to make sure that a signed grant agreement is on file for all known grant agreements. We are also working on better communication with County Departments.

Timely Remitting of Public Guardian Charges for Services

*Finding 2009-1*

*Condition:* There was an instance where the Public Guardian held onto funds from clients for four months after services were rendered before they were deposited with the County Treasurer. When the Public Guardian remitted the funds to the County Treasurer, the funds were in the form of a single check from her personal checking account or business checking account, not the individual checks from the clients, as is the normal practice.

*Criteria:* The Uniform Accounting Procedures Manual for Local Units of Government in Michigan states that procedures must be adopted to ensure that all cash collected will be deposited timely.

*Recommendation:* We recommend that the Public Guardian timely remit all charges for services collections to the County Treasurer for deposit to the County's General Fund.

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

This issue will be handled by the Probate Court Referee.

## CLARE COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2009

#### SIGNIFICANT DEFICIENCIES (Continued)

##### Manual Check Disbursement Process

*Finding 2009-2*

*Condition* We noted the following weaknesses during the testing of the internal controls over the manual disbursement process. We found that manual checks (from Community Development, for example) do not go through the normal finance committee/board approval process (as other disbursements do).

*Criteria:* The Uniform Accounting Procedures Manual states: Each local unit must establish and maintain an adequate system of internal control which includes, in part, the following:

- All disbursements must be approved by the legislative body prior to disbursement unless addressed otherwise in the charter.
- The governing body must approve the bill list prior to releasing the checks (except for home rule cities and villages, if this authority is delegated). The governing body may preapprove certain expenditures (typically payroll, utilities, contracts, and emergency purchases), but those expenditures must be presented to the governing body at a subsequent meeting.

*Recommendation:* We recommend that the County implement the above criteria to improve the internal controls over the manual check disbursement process.

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

This issue has been corrected. The disbursements are now going before the Finance Committee.

##### Returning Checks to the Originating Office for Distribution

*Finding 2009-3*

*Condition* We noted the following weaknesses during the testing of the internal controls over the disbursement process. We found that there were instances where check disbursements are given back to the requesting department for distribution.

*Criteria:* The Uniform Accounting Procedures Manual states: "Each local unit must establish and maintain an adequate system of internal control which includes that checks should not be returned to the originating office for distribution."

*Recommendation:* We recommend that the County implement the above criteria to improve the internal controls over the disbursement process. Checks should be mailed/distributed directly from the accounts payable office.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

SIGNIFICANT DEFICIENCIES (Continued)

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

Checks will not be given back to the requesting department unless signed off by the administrator (in isolated instances). Regular checks will be mailed directly to vendors.

Public Guardian Compensation

*Finding 2009-4*

*Condition:* The Public Guardian is being compensated at a different wage than what is set forth in the contract.

*Criteria:* Actual compensation must be paid in accordance with the contract.

*Recommendation:* We recommend that the County Board review the compensation paid to the Public Guardian and make sure that it follows the contract.

*Management's Response--Corrective Action Plan:* Probate Court Referee, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

This issue will be handled by the Probate Court Referee.

Preparation of Financial Statements in Accordance with GAAP

*Finding 2009-5*

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

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

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

## CLARE COUNTY

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2009

#### SIGNIFICANT DEFICIENCIES (Continued)

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

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

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

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

#### District Court--Bank Reconciliations

*Finding 2009-6*

*Condition:* The District Court Office has two bank accounts, a bond account and a depository account. Both bank accounts are reconciled for the money deposited and checks written compared to the banks postings to determine a bank reconciled amount. However, they are not reconciled to the book balance. The bond account's reconciled bank balance should reconcile to the open bond reports for district 1 and 3. The depository account should be reconciled to \$0. Daily deposits are made to this account and at the end of the month two checks are written out, one to the County and one to the State for the month's collections. At September 30, 2009, the bond account appears to be short by \$907.49 and the depository account appears to be short by \$2,288.49.

*Criteria:* Reconciling subsidiary ledgers (open bond records) with their control accounts (reconciled bank balance) is an effective way to ensure that all District Court bond monies have been properly accounted for. Good internal controls dictate that such reconciliations be performed monthly and must be retained for audit purposes.

*Recommendation:* We recommend that the District Court's Office reconcile to the book balance and investigate reconciling discrepancies on a timely basis.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

SIGNIFICANT DEFICIENCIES (Continued)

*Management's Response--Corrective Action Plan:* Contact person is Joshua Farrell, District Court Judge, 80<sup>th</sup> District Court-Clare County, 225 West Main Street, Harrison, Michigan 48625. Telephone (989) 539-7173.

The County will be working with the Court Magistrate to make sure that these accounts are reconciled.

Reconciliation of Receivable Balances

*Finding 2009-7*

*Condition:* Receivable balances are posted at year end and reversed off in the subsequent year. There is no subsidiary ledger that is reconciled to the general ledger to verify that only valid receivables are posted and that they know exactly who the amount is due from. We also found that the delinquent taxes receivable subsidiary records for 2005, 2006, 2007 and 2008 did not reconcile to the general ledger control. There were some minor variances.

*Criteria:* Receivable line-items should reconcile to a properly maintained subsidiary ledger. This ledger should be reviewed for accuracy of postings to the receivable line-items and to ensure that the balance recorded is the amount received and is credited to the related receivable account. Delinquent taxes receivable should be reconciled periodically, but at least annually. Strong internal controls provide for the reliability of financial reporting. Reconciliation of account balances is a control activity related to reliable financial reporting.

*Recommendation:* We recommend that a formal procedure be established to create a subsidiary ledger for recording receivables and that the balances are monitored. However, if the County chooses not to establish a subsidiary ledger for recording receivables, the collections received must be monitored more closely and posted directly to the general ledger after the fiscal year end to ensure the collections are recorded in the proper fiscal year. We recommend that the County Treasurer's Office implement procedures to ensure that periodic reconciliation of delinquent taxes receivable is established and maintained. At a minimum, there should be a printed copy of the September 30 individual outstanding taxes maintained, reconciled and kept on file until after the audit is performed.

*Management's Response--Corrective Action Plan:* Contact person is Jenny Beemer-Fritzinger, Clare County Treasurer, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-7801.

In light of the transition between Treasurers, we believe that this issue has been corrected and receivables in the future will be handled appropriately.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

STATUTORY NONCOMPLIANCE

Fund Deficits

*Finding 2007-8*

*Condition:* As of September 30, 2009, a deficit existed in the unreserved fund balance (governmental fund) in the following fund:

|                            | Fund<br>Balance<br><u>(Deficit)</u> |
|----------------------------|-------------------------------------|
| Special Revenue Funds      |                                     |
| County Building Renovation | \$ (3,376)                          |

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

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

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

*Directive:* We direct the County to file a Deficit Elimination Plan as required by PA 140 of 1971, as amended. If the deficit has been eliminated subsequent to September 30, 2009, the County should still submit a plan and demonstrate that the plan has already been completed with the desired results.

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

Due to the transition between Treasurers, this fund was thought to be in a positive. The County is in the process of submitting a deficit elimination plan and making the fund positive.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

STATUTORY NONCOMPLIANCE (Continued)

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

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

The County's 2009 General Appropriations Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled at the activity level by the County. As detailed below, actual 2009 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

During the fiscal year ended September 30, 2009, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and special revenue funds as follows:

|                                      | <u>Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|---------------|---------------|-----------------|
| General Fund                         |               |               |                 |
| General Government                   |               |               |                 |
| Surveyor                             | \$ 4,022      | \$ 4,093      | \$ (71)         |
| Remonumentation                      | 18,545        | 18,559        | (14)            |
| Capital Outlay                       | 47,852        | 84,101        | (36,249)        |
| Friend of the Court Fund             |               |               |                 |
| General Government                   | 320,475       | 322,259       | (1,784)         |
| Public Building and Improvement Fund |               |               |                 |
| Transfers (Out)                      |               | 20,000        | (20,000)        |
| Enterprise Community Fund            |               |               |                 |
| Partnership Fees                     | 291,997       | 395,957       | (103,960)       |

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

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

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

STATUTORY NONCOMPLIANCE (Continued)

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

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

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

None

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2009

**Summary Schedule of Prior Year Audit Findings**

MATERIAL WEAKNESSES

Accounts Receivable Balances

*Finding 2007-2*

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

*Current Year Status:* This item was corrected for the fiscal year ended September 30, 2009.

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

*Finding 2007-3*

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

*Current Year Status:* This item was corrected for the fiscal year ended September 30, 2009.

Material Unrecorded Accounts Payable Amounts

*Finding 2007-4*

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

*Current Year Status:* There were significant improvements in this area. This finding will not be repeated for the fiscal year ended September 30, 2009.

SIGNIFICANT DEFICIENCIES

Administrator--Capital Assets

*Finding 2007-5*

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

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

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

**Summary Schedule of Prior Year Audit Findings**

Centralized Management of Grant Documents

*Finding 2008-1*

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

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

STATUTORY NONCOMPLIANCE

Fund Deficits

*Finding 2007-8*

*Condition:* As of September 30, 2009, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

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

*Current Year Status:* There was only one fund with a deficit for the fiscal year ended September 30, 2009. This finding will be carried forward as a current year deficiency.

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

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

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

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2009

**Summary Schedule of Prior Year Audit Findings**

Friend of the Court--Communication

*Finding 2008-2*

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

*Current Year Status:* This item was corrected for the fiscal year ended September 30, 2009.

OTHER MATTER

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

*Finding 2008-3*

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

*Current Year Status:* This item was addressed during the fiscal year ended September 30, 2009.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

ROBERT J. KLEINE  
STATE TREASURER

March 29, 2010

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

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the fiscal year ended September 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 29, 2010. Professional standards require that we provide you with the following information related to our audit.

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

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

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

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

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

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

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 1, 2009.

#### Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Clare are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ending September 30, 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

#### Difficulties Encountered in Performing the Audit

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

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2010.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

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



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