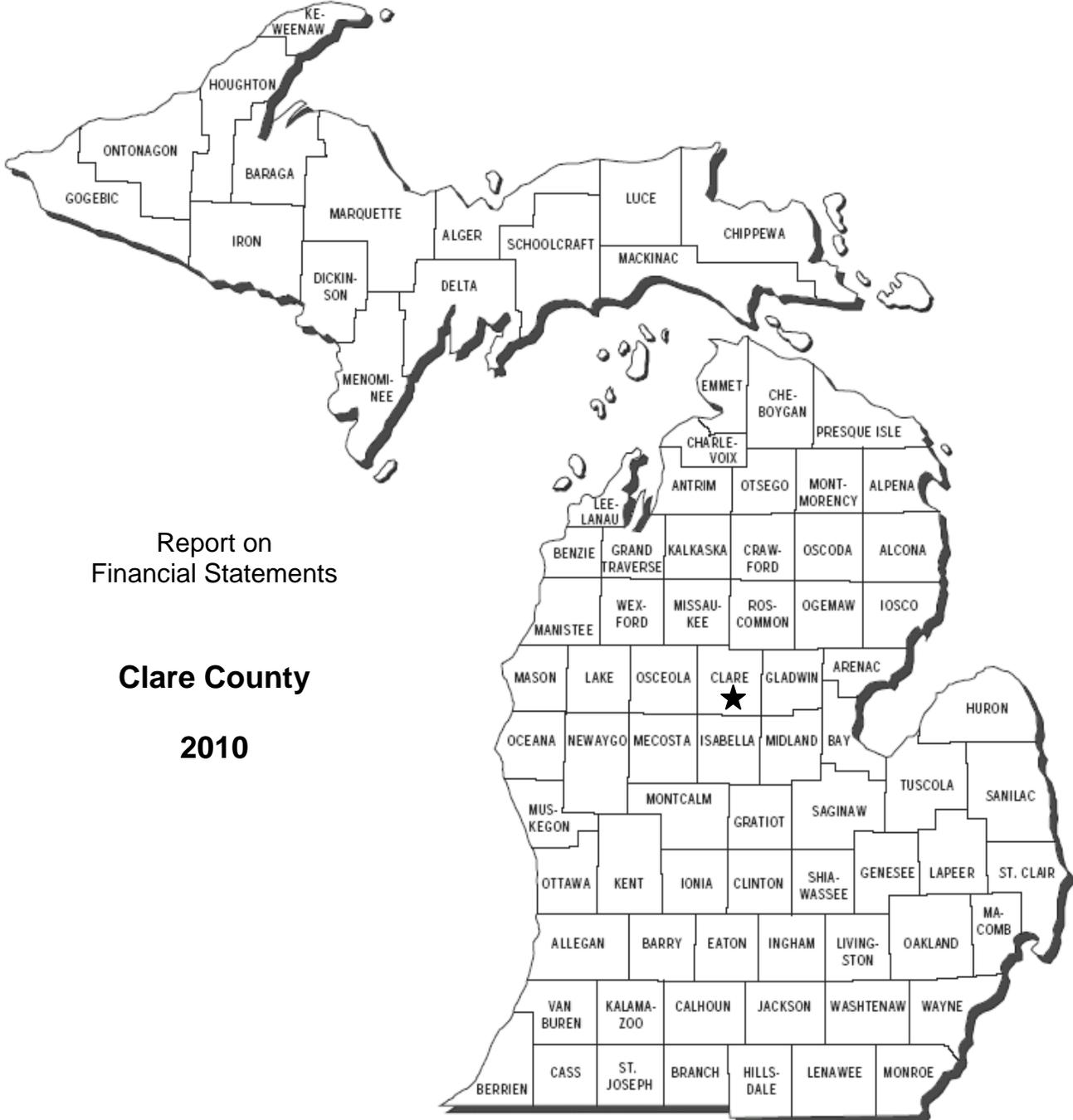


# STATE OF MICHIGAN

Rick Snyder, Governor

## DEPARTMENT OF TREASURY

ANDY DILLON  
State Treasurer



Report on  
Financial Statements

**Clare County**

**2010**

Local Audit and Finance Division  
Bureau of Local Government Services

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-Fritzinger  
Treasurer

Michelle Ambrozaitis  
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Timothy Haskin  
Chairperson

Richard Haynak

Michael Duggan

COUNTY POPULATION--2000

31,252

STATE EQUALIZED VALUATION--2010

\$1,335,645,209



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 22, 2011

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

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare, Michigan, as of and for the fiscal year ended September 30, 2010, 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 49% and 64%, 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 99%, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of the 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, 2010, 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 22, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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



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

CLARE COUNTY

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## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2010

Our discussion and analysis of the County of Clare's financial performance provides an overview of the financial activities for the fiscal year ended September 30, 2010. 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, 2010

- *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, 2010**

**The County as a Whole**

The County's net assets for the governmental funds decreased \$428,447 or 4% from the prior fiscal year for the governmental activities. The County's net assets for the business-type activities increased \$3,864,589 or 43% 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 Activities</u> 2009	<u>Governmental Activities</u> 2010	<u>Difference</u>	<u>Percent</u>
Other Assets	\$ 8,573,360	\$ 8,168,445	\$ (404,915)	-5%
Capital Assets	<u>4,636,148</u>	<u>4,575,723</u>	<u>(60,425)</u>	<u>-1%</u>
Total Assets	<u>13,209,508</u>	<u>12,744,168</u>	<u>(465,340)</u>	<u>-4%</u>
Long-Term Liabilities Outstanding	1,626,519	1,627,116	597	0%
Other Liabilities	<u>733,158</u>	<u>695,668</u>	<u>(37,490)</u>	<u>-5%</u>
Total Liabilities	<u>2,359,677</u>	<u>2,322,784</u>	<u>(36,893)</u>	<u>-2%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	3,637,665	3,551,319	(86,346)	-2%
Restricted	3,204,604	4,620,453	1,415,849	44%
Unrestricted	<u>4,007,562</u>	<u>2,249,612</u>	<u>(1,757,950)</u>	<u>-44%</u>
Total Net Assets	<u>\$ 10,849,831</u>	<u>\$ 10,421,384</u>	<u>\$ (428,447)</u>	<u>-4%</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 of related debt) are considered restricted.

**COUNTY OF CLARE**

**MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2010**

A portion of the County’s net assets in the amount of \$3,551,319 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, \$4,620,453, represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$2,249,612 represents “unrestricted net assets” that may be used to meet the County’s ongoing obligations to citizens and creditors.

At the end of the 2010 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 Activities <u>2009</u>	Business-Type Activities <u>2010</u>	<u>Difference</u>	<u>Percent</u>
Other Assets	\$7,438,229	\$ 8,188,446	\$ 750,217	10%
Capital Assets	<u>1,574,106</u>	<u>4,797,167</u>	<u>3,223,061</u>	<u>205%</u>
Total Assets	<u>9,012,335</u>	<u>12,985,613</u>	<u>3,973,278</u>	<u>44%</u>
Other Liabilities	<u>104,539</u>	<u>213,228</u>	<u>108,689</u>	<u>104%</u>
Total Liabilities	<u>104,539</u>	<u>213,228</u>	<u>108,689</u>	<u>104%</u>
Net Assets				
Invested in Capital Assets	1,574,106	4,797,167	3,223,061	205%
Unrestricted	<u>7,333,690</u>	<u>7,975,218</u>	<u>641,528</u>	<u>9%</u>
Total Net Assets	<u><u>\$8,907,796</u></u>	<u><u>\$12,772,385</u></u>	<u><u>\$ 3,864,589</u></u>	<u><u>43%</u></u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2010**

The following table shows the changes of the net assets for the fiscal years ended September 30, 2009 and September 30, 2010:

	Governmental Activities <u>2009</u>	Governmental Activities <u>2010</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 3,082,157	\$ 3,280,563	\$ 198,406	6%
Operating Grants and Contributions	3,010,073	3,231,179	221,106	7%
Capital Grants and Contributions	532,652	84,549	(448,103)	-84%
General Revenues				
Property Taxes	5,965,988	5,944,158	(21,830)	0%
Unrestricted Investment Earnings	72,212	32,228	(39,984)	-55%
Other Revenues	571,639	622,779	51,140	9%
Total Revenues	<u>13,234,721</u>	<u>13,195,456</u>	<u>(39,265)</u>	<u>0%</u>
Program Expenses				
General Government	4,276,416	4,367,000	90,584	2%
Public Safety	5,141,759	5,434,907	293,148	6%
Public Works	62,738	46,259	(16,479)	-26%
Health and Welfare	1,836,553	2,052,962	216,409	12%
Community and Economic Development	799,656	597,999	(201,657)	-25%
Recreation and Culture	17,810	18,414	604	3%
Other	702,334	1,168,979	466,645	66%
Interest on Long-Term Debt	49,481	49,410	(71)	0%
Total Expenses	<u>12,886,747</u>	<u>13,735,930</u>	<u>849,183</u>	<u>7%</u>
Increase (Decrease) in Net Assets				
Before Transfers	347,974	(540,474)	(888,448)	-255%
Transfers In (Out)	<u>(25,476)</u>	<u>112,029</u>	<u>137,505</u>	<u>-540%</u>
Change in Net Assets	322,498	(428,447)	(750,943)	-233%
Beginning Net Assets	10,513,241	10,849,831	336,590	3%
Restatement to Beginning Net Assets	<u>14,092</u>		<u>(14,092)</u>	<u>-100%</u>
Restated Beginning Net Assets	<u>10,527,333</u>	<u>10,849,831</u>	<u>322,498</u>	<u>3%</u>
Ending Net Assets	<u>\$ 10,849,831</u>	<u>\$ 10,421,384</u>	<u>\$ (428,445)</u>	<u>-4%</u>

**COUNTY OF CLARE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended September 30, 2010**

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.

**Business-Type Activities**

The County's net assets for business-type activities increased during 2010 by \$3,864,589 or by 43% from the prior fiscal year. This was due largely to an increase in capital grants and contributions, as well as the decrease in services rendered related to tax foreclosure sales.

	<u>Business-Type Activities 2009</u>	<u>Business-Type Activities 2010</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$1,136,420	\$ 1,247,496	\$ 111,076	10%
Operating Grants and Contributions	725,437	918,843	193,406	27%
Capital Grants and Contributions	860,785	3,565,270	2,704,485	314%
General Revenues				
Property Taxes	296,836	306,354	9,518	3%
Unrestricted Investment Earnings	33,476	40,140	6,664	20%
Total Revenues	<u>3,052,954</u>	<u>6,078,103</u>	<u>3,025,149</u>	<u>99%</u>
Program Expenses				
Delinquent Tax Fund	25,931	160,071	134,140	517%
Public Transit	1,628,416	1,873,567	245,151	15%
Nonmajor Enterprise	168,472	69,972	(98,500)	-58%
Total Expenses	<u>1,822,819</u>	<u>2,103,610</u>	<u>280,791</u>	<u>15%</u>
Increase in Net Assets Before Transfers	1,230,135	3,974,493	2,744,358	223%
Transfers	<u>25,476</u>	<u>(109,904)</u>	<u>(135,380)</u>	<u>-531%</u>
Increase (Decrease) in Net Assets	1,255,611	3,864,589	2,608,978	208%
Beginning Net Assets	<u>7,652,185</u>	<u>8,907,796</u>	<u>1,255,611</u>	<u>16%</u>
Ending Net Assets	<u>\$8,907,796</u>	<u>\$ 12,772,385</u>	<u>\$ 3,864,589</u>	<u>43%</u>

## COUNTY OF CLARE

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2010

#### Governmental Activities

As the County completed fiscal year 2010, its governmental funds reported combined fund balances of \$5,020,781, a decrease of \$398,326 over the prior fiscal year. The net changes are summarized below:

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2010</u>	<u>Amount Difference</u>	<u>Percentage Difference</u>
Revenues				
Taxes	\$ 6,004,002	\$ 5,934,362	\$ (69,640)	-1%
Licenses and Permits	238,718	224,089	(14,629)	-6%
Federal and State Grants	2,645,373	2,235,930	(409,443)	-15%
Contributions From Local Units	470,907	453,797	(17,110)	-4%
Charges for Services	2,679,971	3,036,636	356,665	13%
Fines and Forfeits	73,851	19,838	(54,013)	-73%
Interest and Rentals	521,264	469,619	(51,645)	-10%
Other Revenue	591,810	634,750	42,940	7%
Total Revenues	<u>13,225,896</u>	<u>13,009,021</u>	<u>(216,875)</u>	<u>-2%</u>
Expenses				
General Government	4,203,978	4,239,884	35,906	1%
Public Safety	4,760,595	5,072,095	311,500	7%
Public Works	59,867	43,388	(16,479)	-28%
Health and Welfare	1,838,962	2,044,001	205,039	11%
Community and Economic Development	799,389	597,999	(201,390)	-25%
Recreation and Culture	17,810	18,414	604	3%
Other	702,334	816,725	114,391	16%
Capital Outlay	721,936	401,424	(320,512)	-44%
Debt Service	157,393	261,993	104,600	66%
Total Expenditures	<u>13,262,264</u>	<u>13,495,923</u>	<u>233,659</u>	<u>2%</u>
Excess of Revenues Over (Under) Expenditures	<u>(36,368)</u>	<u>(486,902)</u>	<u>(450,534)</u>	<u>1239%</u>
Other Financing Sources (Uses)				
Loan Proceeds	41,929	146,550	104,621	250%
Interfund Transfers In (Out)	<u>(25,476)</u>	<u>(57,971)</u>	<u>(32,495)</u>	<u>128%</u>
Total Other Financing Sources (Uses)	<u>16,453</u>	<u>88,579</u>	<u>72,126</u>	<u>438%</u>
Change in Fund Balance	(19,915)	(398,326)	(378,411)	1900%
Beginning Fund Balance	<u>5,439,022</u>	<u>5,419,107</u>	<u>(19,915)</u>	<u>0%</u>
Ending Fund Balance	<u><u>\$ 5,419,107</u></u>	<u><u>\$ 5,020,781</u></u>	<u><u>\$ (398,326)</u></u>	<u><u>-7%</u></u>

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2010**

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 2010 include the General Fund, Gypsy Moth Fund, Transit Fund, Tax Foreclosure Fund, and the Delinquent Tax Revolving Fund.

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

The most significant services paid by the County's governmental funds are general government, public safety and health and welfare, which incurred expenses of \$4,239,884, \$5,072,095 and \$2,044,001, respectively, during 2010.

Total governmental revenues decreased by approximately 2% primarily due to a decrease in federal and state grants, tax revenues as well as interest earnings, which was offset by an increase in charges for services and other revenue. The total governmental expenditures increase by 2%. Most areas had an increase in expenditures except for: public works, community and economic development and capital outlay all of which experienced a decrease in expenditures, some of which was related to Federal grants received.

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2010**

**Business-Type Activities**

	<u>Business-Type Activities 2009</u>	<u>Business-Type Activities 2010</u>	<u>Amount Difference</u>	<u>Percentage Difference</u>
Operating Revenues				
Interest and Penalties on Taxes	\$ 763,026	\$ 412,577	\$ (350,449)	-46%
Charges for Services	<u>373,394</u>	<u>855,572</u>	<u>482,178</u>	<u>129%</u>
Total Operating Revenues	<u>1,136,420</u>	<u>1,268,149</u>	<u>131,729</u>	<u>12%</u>
Operating Expenses				
Administrative	212,665	413,052	200,387	94%
Operations	1,296,501	1,386,194	89,693	7%
Maintenance	119,705	235,105	115,400	96%
Materials and Supplies	<u>168,472</u>	<u>69,259</u>	<u>(99,213)</u>	<u>-59%</u>
Total Operating Expenses	<u>1,797,343</u>	<u>2,103,610</u>	<u>306,267</u>	<u>17%</u>
Net Income (Loss) From Operations	<u>(660,923)</u>	<u>(835,461)</u>	<u>(174,538)</u>	<u>26%</u>
Nonoperating Revenue (Expenses)				
Intergovernmental	713,398	908,604	195,206	27%
Property Taxes	296,836	306,354	9,518	3%
Interest Income	33,476	40,140	6,664	20%
Interest Expense	(25,476)	(20,653)	4,823	-19%
Other	<u>12,039</u>	<u>10,239</u>	<u>(1,800)</u>	<u>-15%</u>
Total Nonoperating Revenues (Expenses)	<u>1,030,273</u>	<u>1,244,684</u>	<u>214,411</u>	<u>21%</u>
Net Income (Loss) Before Contributions and Operating Transfers	369,350	409,223	39,873	11%
Capital Contributions	860,785	3,565,270	2,704,485	314%
Transfers (Out)--Primary Government	<u>25,476</u>	<u>(109,904)</u>	<u>(135,380)</u>	<u>-531%</u>
Change in Net Assets	1,255,611	3,864,589	2,608,978	208%
Beginning Net Assets	<u>7,652,185</u>	<u>8,907,796</u>	<u>1,255,611</u>	<u>16%</u>
Ending Net Assets	<u><u>\$8,907,796</u></u>	<u><u>\$12,772,385</u></u>	<u><u>\$ 3,864,589</u></u>	<u><u>43%</u></u>

**COUNTY OF CLARE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended September 30, 2010**

**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 \$367,669 (3.7% above the original budget) during the fiscal year 2010. Actual General Fund revenue and other financing sources totaled \$10,719,211, which was \$274,296 lower than the final amended budget. The largest variance was federal grants in which the actual revenue came in \$135,329 lower than the final budget.

The County's expenditure budget increased by \$499,967 during fiscal year 2010. Actual General Fund expenditures and other financing uses totaled \$10,890,109, which was \$490,953 under the final amended budget. The largest variance was in capital outlay that was \$158,945, more than the final budget.

**Capital Asset and Debt Administration**

At the end of fiscal year 2010, the County (primary government) had \$4,575,723 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 in the to the capital assets of the County in the current fiscal year included public safety equipment and vehicles for the Sheriff's Department. These additions totaled \$648,133.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County (primary government) had total debt outstanding of \$1,537,369 which includes vested employee benefits of \$351,444.

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

The major issues being addressed in the 2011 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, 2010**

**EXHIBIT A**

	<b>PRIMARY GOVERNMENT</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>ASSETS</u></b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 3,765,886	\$ 2,285,284	\$ 6,051,170	\$ 1,703,586
Investments	1,503,679	2,496,278	3,999,957	22,518
Receivables				
Summer Taxes	762,374		762,374	
Taxes--Delinquent Accounts	310,769	2,676,571	2,676,571	27,153
Loans	1,590,097	35,143	345,912	
Due From State	110,019		1,590,097	903,629
Due From Federal Government	93,821	312,985	110,019	
Due From Local Units of Governments		12,659	406,806	
Due Within One Year	83,468	2,340	12,659	218,558
Special Assessments Receivable			85,808	
Due Within One Year				19,837
Prepaid Expenses		32,263	32,263	
Internal Balances	(134,853)	134,853	-	
Cash on Deposit With Agent		200,069	200,069	
Inventories				301,072
<b>Total Current Assets</b>	<b>8,085,260</b>	<b>8,188,445</b>	<b>16,273,705</b>	<b>3,196,353</b>
<b>Noncurrent Assets</b>				
Capital Assets--Net of Accumulated Depreciation	4,575,723	4,797,167	9,372,890	30,081,265
Due From Local Units of Governments				615,000
Due in More Than One Year				
Special Assessments Receivable				62,454
Due in More Than One Year				
Long-Term Advances to Other Funds--Component Units	83,185		83,185	
<b>Total Noncurrent Assets</b>	<b>4,658,908</b>	<b>4,797,167</b>	<b>9,456,075</b>	<b>30,758,719</b>
<b>Total Assets</b>	<b>\$ 12,744,168</b>	<b>\$ 12,985,612</b>	<b>\$ 25,729,780</b>	<b>\$ 33,955,072</b>

**CLARE COUNTY**  
**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**September 30, 2010**

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

	<b>PRIMARY GOVERNMENT</b>			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b><u>LIABILITIES AND NET ASSETS</u></b>				
Current Liabilities				
Accounts Payable	\$ 364,766	\$ 160,079	\$ 524,845	\$ 50,081
Due to Other Government Units		4,391	4,391	
Accrued Liabilities	330,902	26,620	357,522	
Total Current Liabilities	695,668	191,090	886,758	50,081
Long-Term Liabilities				
Advances From State	33,000		33,000	230,734
Long-Term Advances From				
Other Funds--Primary Government			-	83,185
Assessments Collected in Advance			-	210
Brownfield Redevelopment Loan Payable				
Due Within One Year	91,954		91,954	
Due In More Than One Year	69,567		69,567	
Bonds Payable				
Due Within One Year	65,000		65,000	50,000
Due In More Than One Year	735,000		735,000	615,000
Notes Payable				
Due Within One Year	7,000		7,000	61,955
Due In More Than One Year	61,000		61,000	52,519
Installment Purchase Agreements Payable				
Due Within One Year	39,573		39,573	
Due in More Than One Year	116,831		116,831	
Vested Employee Benefits Payable	351,444	22,138	373,582	203,494
Post-Employment Benefit Liabilities	56,747		56,747	514,718
Total Noncurrent Liabilities	1,627,116	22,138	1,649,254	1,811,815
Total Liabilities	2,322,784	213,228	2,536,012	1,861,896
Net Assets				
Investment in Capital Assets--Net of Related Debt	3,551,319	4,797,167	8,348,486	29,966,791
Restricted for				
Donations	9,639		9,639	
Family Counseling	22,952		22,952	
Housing Rehab	118,564		118,564	
Capital Projects	298,162		298,162	139,627
County Roads				1,986,758
Other Purposes	4,171,136		4,171,136	
Unrestricted	2,249,612	7,975,218	10,224,830	
Total Net Assets	\$ 10,421,384	\$ 12,772,385	\$ 23,193,769	\$ 32,093,176

**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, 2010**

**EXHIBIT B**

<u>Functions/Programs</u>	<b>PROGRAM REVENUES</b>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities				
General Government	\$ 4,367,000	\$ 1,302,655	\$ 809,552	
Public Safety	5,434,907	1,977,908	819,686	\$ 84,547
Public Works	46,259		24,884	
Health and Welfare	2,052,962		976,812	
Community and Economic Development	597,999		598,900	
Recreation and Culture	18,414		1,345	
Other	1,168,979			
Interest on Long-Term Debt	49,410			
Total Governmental Activities	<u>13,735,930</u>	<u>3,280,563</u>	<u>3,231,179</u>	<u>84,547</u>
Business-Type Activities				
Delinquent Tax Revolving		412,577		
Interest Expense				
Tax Foreclosure	160,071	342,693		
Public Transit	1,873,567	371,375	918,843	3,565,270
Non-Major Enterprise	69,972	141,504		
Total Business-Type Activities	<u>2,103,610</u>	<u>1,268,149</u>	<u>918,843</u>	<u>3,565,270</u>
Total Primary Government	<u>\$ 15,839,540</u>	<u>\$ 4,548,712</u>	<u>\$ 4,150,022</u>	<u>\$ 3,649,817</u>
Component Units				
Road Commission	\$ 7,160,768	\$ 1,076,566	\$ 4,346,791	\$ 1,535,840
Interest on Long-Term Debt	6,633			
Department of Public Works				
Interest on Long-Term Debt	38,964		38,786	
Drain Fund	41,944	96,500	75	
Interest on Long-Term Debt	3,973			
Total Component Units	<u>\$ 7,252,282</u>	<u>\$ 1,173,066</u>	<u>\$ 4,385,652</u>	<u>\$ 1,535,840</u>

**CLARE COUNTY  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended September 30, 2010**

**EXHIBIT B  
(CONTINUED)**

<b>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</b>				
<b>PRIMARY GOVERNMENT</b>				
<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
Primary Government				
Governmental Activities				
General Government	\$ (2,254,793)		\$ (2,254,793)	
Public Safety	(2,552,766)		(2,552,766)	
Public Works	(21,375)		(21,375)	
Health and Welfare	(1,076,150)		(1,076,150)	
Community and Economic Development	901		901	
Recreation and Culture	(17,069)		(17,069)	
Other	(1,168,979)		(1,168,979)	
Interest on Long-Term Debt	(49,410)		(49,410)	
Total Governmental Activities	<u>(7,139,641)</u>	<u>\$ -</u>	<u>(7,139,641)</u>	<u>\$ -</u>
Business-Type Activities				
Delinquent Tax Revolving		412,577	412,577	
Interest Expense		(20,653)	(20,653)	
Tax Foreclosure		182,622	182,622	
Public Transit		2,981,921	2,981,921	
Jail Commissary		71,532	71,532	
Total Business-Type Activities	<u>-</u>	<u>3,627,999</u>	<u>3,627,999</u>	<u>-</u>
Total Primary Government	<u>\$ (7,139,641)</u>	<u>\$ 3,627,999</u>	<u>\$ (3,511,642)</u>	<u>\$ -</u>
Component Units				
Road Commission				\$ (201,571)
Interest on Long-Term Debt				(6,633)
Department of Public Works				-
Interest on Long-Term Debt				(178)
Drain Fund				54,631
Interest on Long-Term Debt				(3,973)
Total Component Units	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,724)</u>
General Revenues				
Property Taxes	\$ 5,944,158	\$ 306,354	\$ 6,250,512	
Unrestricted Investment Earnings	32,228	40,140	72,368	\$ 13,163
Rentals	77,710		77,710	
Royalties	338,269		338,269	
Gain on Equipment Disposal				175,619
Other	206,800		206,800	
Transfers	112,029	(109,904)	2,125	(2,125)
Total General Revenues--Special Items and Transfers	<u>6,711,194</u>	<u>236,590</u>	<u>6,947,784</u>	<u>186,657</u>
Change in Net Assets	(428,447)	3,864,589	3,436,142	28,933
Net Assets--Beginning	<u>10,849,831</u>	<u>8,907,796</u>	<u>19,757,627</u>	<u>32,064,243</u>
Net Assets--Ending	<u>\$ 10,421,384</u>	<u>\$ 12,772,385</u>	<u>\$ 23,193,769</u>	<u>\$ 32,093,176</u>

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

**CLARE COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
September 30, 2010**

**EXHIBIT C**

<u>ASSETS</u>	General	Gypsy Moth	Non-Major Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 1,789,255	\$ 39,774	\$ 1,844,701	\$ 3,673,730
Investments	269,386	1,192,991	41,302	1,503,679
Receivables				
Summer Taxes	762,374			762,374
Accounts	273,690		37,079	310,769
Loans			1,590,097	1,590,097
Due From State	33,793		76,226	110,019
Due From Federal Government	64,966		28,855	93,821
Due From Local Units	29,177		49,586	78,763
Due From Other Funds	5,973			5,973
Long-Term Advances to				
Other Funds--Component Units	83,185			83,185
Total Assets	<u>\$3,311,799</u>	<u>\$1,232,765</u>	<u>\$ 3,667,846</u>	<u>\$ 8,212,410</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Accounts Payable	\$ 216,090	\$ 369	\$ 146,856	\$ 363,315
Due to Other Funds--Primary Government			5,973	5,973
Accrued Liabilities	268,567	2,669	59,666	330,902
Long-Term Advances From				
Other Funds--Primary Government	80,276		54,577	134,853
State			33,000	33,000
Deferred Revenue	680,310		1,643,276	2,323,586
Total Liabilities	<u>1,245,243</u>	<u>3,038</u>	<u>1,943,348</u>	<u>3,191,629</u>
Fund Equity				
Fund Balances				
Reserved for				
Long-Term Advances	103,185			103,185
Family Counseling	22,952			22,952
Gypsy Moth		1,229,727		1,229,727
Donations			9,639	9,639
Housing Rehabilitation			118,564	118,564
Capital Projects			298,162	298,162
Unreserved--Undesignated	1,940,419		1,298,133	3,238,552
Total Fund Equity	<u>2,066,556</u>	<u>1,229,727</u>	<u>1,724,498</u>	<u>5,020,781</u>
Total Liabilities and Fund Equity	<u>\$3,311,799</u>	<u>\$1,232,765</u>	<u>\$ 3,667,846</u>	<u>\$ 8,212,410</u>
Fund Balance--Total Governmental Funds				\$ 5,020,781

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. 4,575,723

Revenues that do not provide current financial resources are not reported as revenue in the funds. 2,323,586

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. 95,410

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. (1,594,116)

Total Net Assets \$ 10,421,384

**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, 2010**

**EXHIBIT D**

	General	Gypsy Moth	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Taxes and Penalties	\$ 5,065,956		\$ 868,406	\$ 5,934,362
Licenses and Permits	86,827		137,262	224,089
Federal Grants	163,185		882,134	1,045,319
State Grants	714,643		475,968	1,190,611
Contributions From Local Units	453,797			453,797
Charges for Services	2,802,339		234,297	3,036,636
Fines and Forfeits	(2,797)		22,635	19,838
Interest and Rentals	441,324	\$ 9,866	18,427	469,617
Other Revenue	123,612		511,138	634,750
<b>Total Revenues</b>	<b>9,848,886</b>	<b>9,866</b>	<b>3,150,267</b>	<b>13,009,019</b>
<b>Expenditures</b>				
<b>Current</b>				
General Government	3,858,542	14,273	367,069	4,239,884
Public Safety	4,367,082		705,013	5,072,095
Public Works	11,223		32,165	43,388
Health and Welfare	536,928		1,507,073	2,044,001
Community and Economic Development	22,500		575,499	597,999
Recreation and Culture			18,414	18,414
Other	816,725			816,725
Capital Outlay	391,982		9,442	401,424
Debt Service				
Principal	48,629		163,954	212,583
Interest and Fiscal Fees	4,790		44,620	49,410
<b>Total Expenditures</b>	<b>10,058,401</b>	<b>14,273</b>	<b>3,423,249</b>	<b>13,495,923</b>
Excess of Revenues Over (Under) Expenditures	(209,515)	(4,407)	(272,982)	(486,904)
<b>Other Financing Sources (Uses)</b>				
Installment/Lease Purchase Proceeds	146,550			146,550
Interfund Transfers In	723,775		734,381	1,458,156
Interfund Transfers (Out)	(831,708)		(684,419)	(1,516,127)
<b>Total Other Financing Sources (Uses)</b>	<b>38,617</b>	<b>-</b>	<b>49,962</b>	<b>88,579</b>
<b>Net Change in Fund Balances</b>	<b>(170,898)</b>	<b>(4,407)</b>	<b>(223,020)</b>	<b>(398,325)</b>
Fund Balance (Deficit)--October 1, 2009	2,237,455	1,234,134	1,947,518	5,419,107
Fund Balance (Deficit)--September 30, 2010	<u>\$ 2,066,556</u>	<u>\$ 1,229,727</u>	<u>\$ 1,724,498</u>	<u>\$ 5,020,781</u>

**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, 2010**

**EXHIBIT D-1**

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (398,325)

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	408,592
Deduct--Depreciation Expense	(469,017)

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

Housing Commission--Loans Paid Out During 2010	(2,701)
Federal/State Grants Earned But Not Yet Received	140,356
Federal Grants Earned in Prior Year Received in Current Year	(44,204)
Property Taxes	9,796

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	212,583
Less--New Loan Proceeds	(146,550)

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	(105,347)
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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	(8,261)
Net (Increase) in Other Post-Employment Benefits	(25,369)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (428,447)

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

CLARE COUNTY  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
September 30, 2010

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES	
	Delinquent Tax Revolving	Tax Foreclosure	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
Current Assets						
Cash and Cash Equivalents	\$ 1,197,559	\$ 519,254	\$ 464,846	\$ 103,625	\$ 2,285,284	\$ 92,156
Investments	1,527,691	403,642	564,945		2,496,278	
Receivables						
Taxes--Delinquent	2,676,571				2,676,571	
Accounts		12,661	22,169	313	35,143	4,705
Due From Federal Government			312,985		312,985	
Due From Other Agencies			12,659		12,659	
Due From Local Units	2,340				2,340	
Prepaid Expenses			32,263		32,263	
Cash on Deposit With Agent			200,069		200,069	
Total Current Assets	<u>5,404,161</u>	<u>935,557</u>	<u>1,609,936</u>	<u>103,938</u>	<u>8,053,592</u>	<u>96,861</u>
Noncurrent Assets						
Long-Term Advance--Primary Government	134,853				134,853	
Capital Assets--Net of Accumulated Depreciation			4,797,167		4,797,167	5,747
Total Noncurrent Assets	<u>134,853</u>	<u>-</u>	<u>4,797,167</u>	<u>-</u>	<u>4,932,020</u>	<u>5,747</u>
Total Assets	<u>\$ 5,539,014</u>	<u>\$ 935,557</u>	<u>\$ 6,407,103</u>	<u>\$ 103,938</u>	<u>\$ 12,985,612</u>	<u>\$ 102,608</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts Payable		\$ 43,700	\$ 111,469	\$ 4,910	\$ 160,079	\$ 1,451
Accrued Liabilities			26,620		26,620	
Due to Other Government Units	\$ 4,391				4,391	
Total Current Liabilities	<u>4,391</u>	<u>\$ 43,700</u>	<u>138,089</u>	<u>4,910</u>	<u>191,090</u>	<u>1,451</u>
Noncurrent Liabilities						
Accrued Compensated Absences			22,138		22,138	
Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>22,138</u>	<u>-</u>	<u>22,138</u>	<u>-</u>
Total Liabilities	<u>4,391</u>	<u>43,700</u>	<u>160,227</u>	<u>4,910</u>	<u>213,228</u>	<u>1,451</u>
<b>NET ASSETS</b>						
Invested in Capital Assets--Net of Related Debt			4,797,167		4,797,167	5,747
Unrestricted	5,534,624	891,857	1,449,709	99,028	7,975,218	95,410
Total Net Assets	<u>\$ 5,534,623</u>	<u>\$ 891,857</u>	<u>\$ 6,246,876</u>	<u>\$ 99,028</u>	<u>\$ 12,772,384</u>	<u>\$ 101,157</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, 2010**

**EXHIBIT F**

	<b>BUSINESS-TYPE ACTIVITIES</b>				<b>GOVERNMENTAL</b>	
	<b>ENTERPRISE FUNDS</b>				<b>ACTIVITIES</b>	
	<u>Delinquent Tax Revolving</u>	<u>Tax Foreclosure</u>	<u>Public Transit</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service Funds</u>
Operating Revenues						
Charges for Services		\$ 342,693	\$ 371,375	\$141,504	\$ 855,572	\$ 16,299
Other						83,188
Interest on Delinquent Taxes	\$ 412,577				412,577	
Total Operating Revenues	<u>412,577</u>	<u>342,693</u>	<u>371,375</u>	<u>141,504</u>	<u>1,268,149</u>	<u>99,487</u>
Operating Expenses						
Administrative		160,071	252,268	713	413,052	
Health Insurance					-	352,254
Operations			1,386,194		1,386,194	
Maintenance			235,105		235,105	
Materials and Supplies				69,259	69,259	15,411
Depreciation					-	1,421
Total Operating Expenses	<u>-</u>	<u>160,071</u>	<u>1,873,567</u>	<u>69,972</u>	<u>2,103,610</u>	<u>369,086</u>
Operating Income (Loss)	<u>412,577</u>	<u>182,622</u>	<u>(1,502,192)</u>	<u>71,532</u>	<u>(835,461)</u>	<u>(269,599)</u>
Nonoperating Revenues (Expenses)						
Intergovernmental			908,604		908,604	
Property Taxes			306,354		306,354	
Interest Earned on Investments	28,027	3,066	7,675	1,372	40,140	
Interest Expense				(20,653)	(20,653)	
Other			10,239		10,239	
Total Nonoperating Revenues (Expenses)	<u>28,027</u>	<u>3,066</u>	<u>1,232,872</u>	<u>(19,281)</u>	<u>1,244,684</u>	<u>-</u>
Income (Loss) Before Contributions and Transfers	<u>440,604</u>	<u>185,688</u>	<u>(269,320)</u>	<u>52,251</u>	<u>409,223</u>	<u>(269,599)</u>
Capital Contributions			3,565,270		3,565,270	
Interfund Transfers						
Transfers In				20,096	20,096	170,000
Transfers (Out)		(130,000)			(130,000)	
Change in Net Assets	<u>440,604</u>	<u>55,688</u>	<u>3,295,950</u>	<u>72,347</u>	<u>3,864,589</u>	<u>(99,599)</u>
Total Net Assets--October 1, 2009	<u>5,094,020</u>	<u>836,169</u>	<u>2,950,926</u>	<u>26,681</u>	<u>8,907,796</u>	<u>200,756</u>
Total Net Assets--September 30, 2010	<u>\$ 5,534,624</u>	<u>\$ 891,857</u>	<u>\$6,246,876</u>	<u>\$ 99,028</u>	<u>\$ 12,772,385</u>	<u>\$ 101,157</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, 2010**

**EXHIBIT G**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES	
	Delinquent Tax Revolving	Tax Foreclosure	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities						
Cash Received From Customers		\$ 341,884	\$ 371,798	\$ 142,859	\$ 856,541	\$ 97,148
Interest on Delinquent Taxes	\$ 412,577				412,577	
Delinquent Taxes Collected	(2,942,673)				(2,942,673)	
Delinquent Taxes Purchased	2,676,571				2,676,571	
Cash Payments to Employees for Services and Benefits			(943,540)		(943,540)	(366,510)
Cash Payments to Suppliers for Goods and Services		(120,747)	(517,805)	(69,827)	(708,379)	
Net Cash Provided by Operating Activities	<u>146,475</u>	<u>221,137</u>	<u>(1,089,547)</u>	<u>73,032</u>	<u>(648,903)</u>	<u>(269,362)</u>
Cash Flows From Noncapital Financing Activities						
State Grants			908,604		908,604	
Property Tax			306,354		306,354	
Due to Other Governmental Units	1,712				1,712	
Other			10,239		10,239	
Long-Term Advances	134,862	90,000			224,862	
Due from Other Funds				1,675		
Transfers In (Out)		(130,000)		20,096	(109,904)	170,000
Net Cash Provided by Noncapital Financing Activities	<u>136,574</u>	<u>(40,000)</u>	<u>1,225,197</u>	<u>21,771</u>	<u>1,343,542</u>	<u>170,000</u>
Cash Flows From Capital and Related Financing Activities						
Capital Assistance Grants			3,260,146		3,260,146	
Capital Assets Purchased			(3,546,818)		(3,546,818)	(7,168)
Net Cash Provided by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>(286,672)</u>	<u>-</u>	<u>(286,672)</u>	<u>(7,168)</u>
Cash Flows From Investing Activities						
Interest on Cash Equivalents	28,027		7,675	1,372	37,074	
Interest Expense				(20,653)	(20,653)	
Sale or (Purchase) of Investments	(738,269)		(5,883)		(744,152)	
Net Cash Provided by Investing Activities	<u>(710,242)</u>	<u>-</u>	<u>1,792</u>	<u>(19,281)</u>	<u>(727,731)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(427,193)</u>	<u>181,137</u>	<u>(149,230)</u>	<u>75,522</u>	<u>(319,764)</u>	<u>(106,530)</u>
Cash and Cash Equivalents at Beginning of Year	<u>1,624,753</u>	<u>338,117</u>	<u>614,077</u>	<u>28,103</u>	<u>2,605,050</u>	<u>198,686</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,197,560</u>	<u>\$ 519,254</u>	<u>\$ 464,847</u>	<u>\$ 103,625</u>	<u>\$ 2,285,286</u>	<u>\$ 92,156</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities						
Operating Income (Loss)	\$ 412,577	\$ 182,622	\$ (1,502,192)	\$ 71,532	\$ (835,461)	\$ (269,599)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities						
Depreciation Expense			324,197		324,197	1,421
(Increase) Decrease in Delinquent Taxes Receivable	(262,292)				(262,292)	
(Increase) Decrease in Accounts Receivable	(3,810)	(809)	423	1,355	(2,841)	(2,339)
(Increase) Decrease in Prepaid Insurance			20,956		20,956	
Increase (Decrease) in Accounts Payable		39,324	59,169	145	98,638	1,155
Increase (Decrease) in Accrued Wages Payable			2,800		2,800	
Increase (Decrease) in Accrued Paid Time Off			5,100		5,100	
Net Cash Provided by Operating Activities	<u>\$ 146,475</u>	<u>\$ 221,137</u>	<u>\$ (1,089,547)</u>	<u>\$ 73,032</u>	<u>\$ (648,903)</u>	<u>\$ (269,362)</u>

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

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
September 30, 2010**

**EXHIBIT H**

	<u>Agency Funds</u>
<b><u>ASSETS</u></b>	
Cash	\$ 3,290,213
Investments	73,315
Due From Other Agencies	<u>2,234</u>
Total Assets	<u><u>\$ 3,365,762</u></u>
 <b><u>LIABILITIES AND FUND BALANCE</u></b>	
Liabilities	
Due to State of Michigan	\$ 2,399,930
Undistributed Penal Fines and Interest	131,062
Other Liabilities	<u>834,770</u>
Total Liabilities	<u><u>\$ 3,365,762</u></u>

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

**CLARE COUNTY  
STATEMENT OF NET ASSETS  
COMPONENT UNITS  
September 30, 2010**

**EXHIBIT I**

<u>ASSETS</u>	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commission	Total
Current Assets					
Cash	\$ 1,583,903			\$ 119,683	\$ 1,703,586
Investments				22,518	22,518
Accounts Receivable	27,153				27,153
Due From State	903,629				903,629
Due From Local Units of Government					
Due Within One Year	168,558		\$ 50,000		218,558
Special Assessments Receivable					
Due Within One Year				19,837	19,837
Inventories	301,072				301,072
Total Current Assets	<u>2,984,315</u>	<u>-</u>	<u>50,000</u>	<u>162,038</u>	<u>3,196,353</u>
Noncurrent Assets					
Due From Local Units of Government					
Due In More Than One Year			615,000		615,000
Special Assessments Receivable					
Due In More Than One Year				62,454	62,454
Capital Assets (Net of Accumulated Depreciation)	29,292,130			789,135	30,081,265
Total Noncurrent Assets	<u>29,292,130</u>	<u>-</u>	<u>615,000</u>	<u>851,589</u>	<u>30,758,719</u>
Total Assets	<u>\$32,276,445</u>	<u>\$ -</u>	<u>\$ 665,000</u>	<u>\$ 1,013,627</u>	<u>\$ 33,955,072</u>
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	\$ 48,611			\$ 1,470	\$ 50,081
Total Current Liabilities	<u>48,611</u>	<u>-</u>	<u>-</u>	<u>1,470</u>	<u>50,081</u>
Noncurrent Liabilities					
Advances From State of Michigan	230,734				230,734
Long-Term Advances From					
Primary Government				83,185	83,185
Assessments Collected in Advance				210	210
Bonds Payable--Due Within One Year			50,000		50,000
Bonds Payable--Due In More Than One Year			615,000		615,000
Notes Payable--Due Within One Year	40,452			21,503	61,955
Notes Payable--Due In More Than One Year				52,519	52,519
Vested Employee Benefits Payable	203,494				203,494
Post Employment Benefit Liabilities	514,718				514,718
Total Noncurrent Liabilities	<u>989,398</u>	<u>-</u>	<u>665,000</u>	<u>157,417</u>	<u>1,811,815</u>
Total Liabilities	<u>1,038,009</u>	<u>-</u>	<u>665,000</u>	<u>158,887</u>	<u>1,861,896</u>
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt Restricted for	29,251,678			715,113	29,966,791
County Roads	1,986,758				1,986,758
Capital Projects				139,627	139,627
Total Net Assets	<u>\$31,238,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 854,740</u>	<u>\$ 32,093,176</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, 2010

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	\$ 7,160,768	\$ 1,076,566	\$ 4,346,791	\$ 1,535,840	\$ (201,571)				\$ (201,571)
Interest on Related Debt	6,633				(6,633)				(6,633)
Total Road Commission	<u>7,167,401</u>	<u>1,076,566</u>	<u>4,346,791</u>	<u>1,535,840</u>	<u>(208,204)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(208,204)</u>
Department of Public Works									
Public Works									
Interest on Related Debt	38,964		38,786				(178)		(178)
Total Department of Public Works	<u>38,964</u>	<u>-</u>	<u>38,786</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>-</u>	<u>(178)</u>
Drain Commission									
Public Works	41,944	96,500	75					54,631	54,631
Interest on Related Debt	3,973							(3,973)	(3,973)
Total Drain Commission	<u>\$ 45,917</u>	<u>\$ 96,500</u>	<u>\$ 75</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,658</u>	<u>50,658</u>
			General Revenues						
			Interest		13,163				13,163
			Gain on Equipment Disposal		175,619				175,619
			Transfers			(2,125)			(2,125)
			Total General Revenues		<u>188,782</u>	<u>(2,125)</u>	<u>-</u>	<u>-</u>	<u>186,657</u>
			Change in Net Assets		(19,422)	(2,125)	(178)	50,658	28,933
			Net Assets--Beginning of Year		<u>31,257,858</u>	<u>2,125</u>	<u>178</u>	<u>804,082</u>	<u>32,064,243</u>
			Net Assets--End of Year		<u>\$ 31,238,436</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 854,740</u>	<u>\$ 32,093,176</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, 2010

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

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

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

#### Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the County's operations. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit). Each discretely presented component unit is reported separately in Exhibits 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, 2010

#### 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 Commission to emphasize that they are legally separate from the County.

Each discretely presented component unit is reported in a separate column in the Component Unit's Statement of Net 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, 2010

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 2010 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, 2010

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

The County's appropriation to the District Health Department for the fiscal year ended September 30, 2010 was \$211,909, which included cigarette tax of \$5,493.

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, 2010, 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, 2010 was \$139,000.

RELATED ORGANIZATION

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

The County, in conjunction with 31 other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties. The County's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the fiscal year ended September 30, 2010, the County passed through \$68,218.

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2010

#### 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

###### 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, 2010

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

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

Additionally, the County reports the following fund types:

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2010

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

Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

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

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

Proprietary funds distinguish operating revenues and expenses from 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 non-operating revenues and expenses.

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

#### Deposits and Investments

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

#### 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 "inter-fund receivables/payables" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund 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, 2010

#### 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 \$184,744 and road materials of \$116,328 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, 2010

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 Government</u>	<u>Component Unit</u>
	<u>Governmental 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, 2010

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, 2010

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 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, 2010

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, 2010

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 a special revenue fund as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Capital Outlay	\$ 233,037	\$ 391,982	\$ (158,945)
Debt Service	-	53,419	(53,419)
EECBG Grant Fund			
General Government	108,282	113,284	(5,002)
Child Care Fund			
Health and Welfare	113,000	115,123	(2,123)

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 20 of 1943 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:

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE C--CASH AND INVESTMENTS (Continued)

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
<u>Cash and Deposits</u>					
Cash and Cash Equivalents	\$ 3,765,886	\$ 2,285,284	\$ 3,290,213	\$ 9,341,383	\$ 1,703,586
Investments	1,503,679	2,496,278	73,315	4,073,272	22,518
Cash on Deposit with Agent		200,069		200,069	
Total	<u>\$ 5,269,565</u>	<u>\$ 4,981,631</u>	<u>\$ 3,363,528</u>	<u>\$ 13,614,724</u>	<u>\$ 1,726,104</u>

The breakdown between deposits and investments, as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 9,284,853	\$ 1,703,336
Investments in Securities, Mutual Funds and Similar Vehicles	4,073,272	22,518
Petty Cash and Cash on Hand	56,530	250
Cash on Deposit with Agent	200,069	
Total	<u>\$ 13,614,724</u>	<u>\$ 1,726,104</u>

Custodial Credit Risk

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

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

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

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE C--CASH AND INVESTMENTS (Continued)

At September 30, 2010, the bank balance of the primary government's deposits is \$15,105,486, of which \$1,500,000 is covered by federal depository insurance and \$13,662,016 was uncollateralized with securities held by the County's agent in the County's name. The component units' deposits had a bank balance of \$2,042,710 of which \$369,683 was covered by federal depository insurance and \$1,673,027 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.

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, 2010, common cash investments were not exposed to custodial credit risk.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE C--CASH AND INVESTMENTS (Continued)

Credit Risk

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

		Rated Debt Investments				
<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>						
Northwestern Bank	Money Market Funds	\$ 1,009,126	not rated			
PNC	Municipal Investment Funds	622,780	A-1	S&P	P-1	Moody's
Chemical Bank	U.S. Treasury Securities	106	not rated			
MBIA Class	Money Market Funds	184,319	AAAAm	S&P		
FirstBank	Municipal Investment Funds	1,308,085	4 Star	BauerFinancial		
Flag Star Bank	Certificates of Deposit	349,752	not rated			
UBS	Money Market/Government Securities	<u>599,104</u>	A-1	S&P	P-1	Moody's
	Total	<u>\$ 4,073,272</u>				
<u>Component Units</u>						
PNC	Municipal Investment Funds	<u>22,518</u>	A-1	S&P	P-1	Moody's
	Total	<u>\$ 22,518</u>				

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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, 2010, the fair value of the County's investments is listed above with all maturities due within 12 months or less.

Cash on Deposit With Agent

The Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MTPA). The Transit Corporation's required retention is \$25,000 per occurrence. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$200,069 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 2010 taxable valuation of \$1,032,131,936 in the summer of 2010. The total levy amounted to \$4,858,451. At September 30, 2010 the taxes receivable for the summer taxes is \$762,374. 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, 2010 for the summer property taxes is \$593,133.

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 2009 ad valorem tax is levied and collectible on December 1, 2009, 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, 2010

NOTE D--PROPERTY TAXES (Continued)

The 2009 taxable valuation of the County amounted to \$1,040,228,182 on which ad valorem taxes of .4800 mills for Senior Citizens, .2953 mills for Transit Service, and .3500 for 911 Services. The 2009 current tax levied included \$499,278 for Senior Citizens, \$305,307 for Transit Services, and \$364,599 for 911 Services. These taxes will be recorded as revenue on County records in and for the year of 2010.

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,636,658 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2010. There were also homestead denial receivables in the amount of \$39,914. The delinquent real property taxes and homestead receivables may be summarized as follows:

2009	\$ 2,131,292
2008	454,579
2007	28,510
2006	8,407
2005	3,972
2004	1,208
2003	8,244
2002 and Prior	<u>446</u>
Total Delinquent Taxes Receivable	<u><u>\$ 2,636,658</u></u>
Homestead Denial Receivable 2005	\$ 2,585
Homestead Denial Receivable 2006	8,082
Homestead Denial Receivable 2007	10,493
Homestead Denial Receivable 2008	16,170
Homestead Denial Receivable 2009	<u>2,584</u>
Total Homestead Denial Receivable	<u><u>\$ 39,914</u></u>
Total Taxes Receivable	<u><u>\$ 2,676,572</u></u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE E--RECEIVABLES

Receivables--Primary Government

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

	Governmental Funds			Business-Type Funds			
	General Fund	Non-Major Governmental Funds	Internal Service Funds	Delinquent Tax Revolving Fund	Public Transit	Non-Major Enterprise Funds	Fiduciary Fund
Taxes	\$ 762,374			\$ 2,676,571			
Accounts	273,690	\$ 37,079	\$ 4,705		\$ 22,169	\$ 313	\$ 2,234
Notes		1,590,097					
Due From State	33,793	76,226					
Due From Federal	64,966	28,855			312,985		
Due From Local Units	29,177	49,586		2,340	12,659		
Total Receivables	<u>\$ 1,164,000</u>	<u>\$ 1,781,843</u>	<u>\$ 4,705</u>	<u>\$ 2,678,911</u>	<u>\$ 347,813</u>	<u>\$ 313</u>	<u>\$ 2,234</u>
Deferred Revenue	<u>\$ (680,310)</u>	<u>\$ (1,643,276)</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 \$82,291 at September 30, 2010. 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, 2010

NOTE F--CAPITAL ASSETS

Primary Government

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

<u>Governmental Activities</u>	<u>Restated Beginning Balance 10/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/10</u>
Capital Assets Not Being Depreciated				
Land	\$ 108,326			\$ 108,326
Construction in Progress	239,541		\$ 239,541	-
Total Capital Assets Not Being Depreciated	<u>347,867</u>	<u>-</u>	<u>239,541</u>	<u>108,326</u>
Capital Assets Being Depreciated				
Buildings and Improvements	6,297,792	\$ 248,983		6,546,775
Vehicles	841,924	161,056		1,002,980
Furniture and Equipment	2,183,395	238,094	220,980	2,200,509
Total Capital Assets Being Depreciated	<u>9,323,111</u>	<u>648,133</u>	<u>220,980</u>	<u>9,750,264</u>
Less Accumulated Depreciation for				
Buildings and Improvements	3,213,331	136,269		3,349,600
Vehicles	533,652	109,747		643,399
Furniture and Equipment	1,287,847	223,001	220,980	1,289,868
Total Accumulated Depreciation	<u>5,034,830</u>	<u>469,017</u>	<u>220,980</u>	<u>5,282,867</u>
Net Capital Assets Being Depreciated	<u>4,288,281</u>	<u>179,116</u>	<u>-</u>	<u>4,467,397</u>
Governmental Activities Capital Total Capital Assets--Net of Depreciation	<u>\$ 4,636,148</u>	<u>\$ 408,592</u>	<u>\$ 469,017</u>	<u>\$ 4,575,723</u>

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

	<u>Amount</u>
Governmental Activities	
General Government	\$ 90,796
Public Safety	375,350
Public Works	2,871
Total Depreciation--Governmental Activities	<u>\$ 469,017</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activity--Public Transit</u>	<u>Restated Beginning Balance 10/1/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/10</u>
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 217,189	\$ 3,429,197	\$ 3,646,386	\$ -
Total Capital Assets Not Being Depreciated	<u>\$ 217,189</u>	<u>3,429,197</u>	<u>\$ 3,646,386</u>	<u>-</u>
Capital Assets Being Depreciated				
Operating Facility	767,360	3,646,386		4,413,746
Vehicles	2,464,314	107,368		2,571,682
Shop Equipment	78,568	10,253		88,821
Office Furniture and Equipment	108,256			108,256
Total Capital Assets Being Depreciated	<u>3,418,498</u>	<u>3,764,007</u>	<u>-</u>	<u>7,182,505</u>
Less: Accumulated Depreciation for				
Operating Facility	542,600	36,499		579,099
Vehicles	1,371,053	242,791		1,613,844
Shop Equipment	69,440	35,890		105,330
Office Furniture and Equipment	78,048	9,017		87,065
Total Accumulated Depreciation	<u>2,061,141</u>	<u>324,197</u>	<u>-</u>	<u>2,385,338</u>
Net Capital Assets Being Depreciated	<u>1,357,357</u>	<u>3,439,810</u>	<u>-</u>	<u>4,797,167</u>
Total Capital Assets--Net of Depreciation	<u>\$ 1,574,546</u>	<u>\$ 6,869,007</u>	<u>\$ 3,646,386</u>	<u>\$ 4,797,167</u>

Depreciation expense of \$324,197 was charged to business-type programs of the primary government.

Construction Commitments

At September 30, 2010, the Transit Corporation had committed to a contract for the construction of a building. Total estimated construction cost is \$3,700,000. The Transit Corporation also received a Section 5311 Capital ARRA Non-urbanized Area Formula Grant and a Section 5309 Capital Assistance Grant in the amounts of \$2,540,000 and \$1,184,813, respectively, to fund the cost of the construction project. Costs related to this project consisted of \$217,110 for engineering services. Costs incurred related to this project consisted of approximately \$3,500,000 for engineering and construction services. The remaining contract amounts are expected to be expended in the upcoming fiscal year.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE F--CAPITAL ASSETS (Continued)

Component Units

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

	Beginning Balance 10/01/09	Increases	Decreases	Ending Balances 09/30/10
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	1,115,014	21,000		1,136,014
Road Equipment	5,850,191	549,475	453,485	5,946,181
Shop Equipment	149,891			149,891
Office Equipment	120,419	3,458	19,687	104,190
Engineers' Equipment	40,167	-		40,167
Yard and Storage	142,701	7,820	115	150,406
Infrastructure--Bridges	8,862,135	1,387,806		10,249,941
Infrastructure--Roads	41,271,798	118,215		41,390,013
Total Capital Assets Being Depreciated	57,552,316	2,087,774	473,287	59,166,803
Less Accumulated Depreciation				
Buildings	802,864	37,966		840,830
Road Equipment	5,084,515	374,111	420,373	5,038,253
Shop Equipment	117,351	5,815		123,166
Office Equipment	98,161	2,995	19,687	81,469
Engineers' Equipment	30,807	1,950		32,757
Yard and Storage	83,209	9,860	115	92,954
Infrastructure--Bridges	2,199,310	203,338		2,402,648
Infrastructure--Roads	19,526,000	1,924,479		21,450,479
Total Accumulated Depreciation	27,942,217	2,560,514	440,175	30,062,556
Net Capital Assets Being Depreciated	29,610,099	(472,740)	33,112	29,104,247
Total Net Capital Assets	\$ 29,797,982	\$ (472,740)	\$ 33,112	\$ 29,292,130

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

<u>Drain Commission</u>	<u>Beginning Balance 10/01/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance 09/30/10</u>
Capital Assets Being Depreciated				
Infrastructure				
Drains	\$ 1,049,117	\$ 13,815		\$ 1,062,932
Lake Levels	180,933	5,050		185,983
Total Capital Assets Being Depreciated	<u>1,230,050</u>	<u>18,865</u>	<u>\$ -</u>	<u>1,248,915</u>
Less Accumulated Depreciation for				
Infrastructure				
Drains	377,270	17,970		395,240
Lake Levels	60,696	3,844		64,540
Total Accumulated Depreciation	<u>437,966</u>	<u>21,814</u>	<u>-</u>	<u>459,780</u>
Net Capital Assets Being Depreciated	<u>792,084</u>	<u>(2,949)</u>	<u>-</u>	<u>789,135</u>
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 792,084</u>	<u>\$ (2,949)</u>	<u>\$ -</u>	<u>\$ 789,135</u>

The depreciation expense for the year was \$21,814 and was charged to the Drain Commission operations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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		
General Fund	Non-Major Governmental Funds	\$ 5,973
Total		<u>\$ 5,973</u>
Advances From/To Other Funds		
Delinquent Tax Revolving Fund	General Fund	\$ 80,276
Delinquent Tax Revolving Fund	Non-Major Governmental Funds	<u>54,577</u>
Total		<u>\$ 134,853</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

Primary Government		Primary Government	
General Fund	\$ 721,650	General Fund	\$ 831,708
Non-Major Governmental	734,381	Non-Major Governmental	684,420
Non-Major Enterprise	49,281	Non-Major Enterprise	159,184
Internal Service Funds	<u>170,000</u>		
Subtotal	<u>1,675,312</u>		<u>\$ 1,675,312</u>
Primary Government		Component Unit	
General Fund	<u>2,125</u>	EDC	<u>2,125</u>
Subtotals	2,125		2,125
Total Transfers	<u><u>\$ 1,677,437</u></u>		<u><u>\$ 1,677,437</u></u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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 10/01/09</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/10</u>	<u>Due Within 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	\$ 7,026	\$ (7,026)	\$ -	
2009 Clare County equipment lease-purchase agreement payable to Ford Motor Credit Company at 7.60% for three years	26,917	(12,966)	13,951	\$ 13,951
County Building Authority 4.0% to 5.05% 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse	865,000	(65,000)	800,000	65,000
Clare County equipment lease-purchase agreement payable to GE Commercial Finance Company	20,165	(20,165)	-	-
Clare County equipment lease-purchase agreement payable to Team Financial Group, Inc. for copy machines		146,550 (4,097)	142,453	25,622
Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project	253,475	(91,954)	161,521	91,954
Clare County for Building Roof USDA note payable at 4.125%	75,000	(7,000)	68,000	7,000
Clare County equipment lease-purchase agreement payable to DSS Corporation at 8.825% for two years	4,375	(4,375)	-	
Vested Employee Benefits Payable	<u>343,183</u>	<u>8,261</u>	<u>351,444</u>	
Total Primary Government	<u>\$ 1,595,141</u>	<u>\$ (57,772)</u>	<u>\$ 1,537,369</u>	<u>\$ 203,527</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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 10/01/09</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/10</u>	<u>Due Within One Year</u>
Clare County Road Projects 4.1% to 7.625% 1999, and 2000 General Obligation Bonds	\$ 40,000	\$ (40,000)	\$ -	\$ -
Purchase of land, principal payment of \$20,000 at 7% interest	40,489	(17,166)	23,323	23,323
Capital Lease Payable	33,500	(16,371)	17,129	17,129
Vested Employee Benefits	<u>212,484</u>	<u>(8,990)</u>	<u>203,494</u>	
Totals	<u>\$ 326,473</u>	<u>\$ (82,527)</u>	<u>\$ 243,946</u>	<u>\$ 40,452</u>
<u>Department of Public Works (DPW)</u>				
Sanitary Sewage System No. 4, 4% to 5.85% 1996 General Obligation Limited Tax Bonds project with the City of Clare	\$ 385,000	\$ (20,000)	\$ 365,000	\$ 35,000
Clare County Water Supply System No. 1 4% to 5.85% 1996 General Obligation Limited Tax Bonds for project with the City of Clare	<u>325,000</u>	<u>(25,000)</u>	<u>300,000</u>	<u>15,000</u>
Total DPW Component Unit Long-Term Debt	<u>\$ 710,000</u>	<u>\$ (45,000)</u>	<u>\$ 665,000</u>	<u>\$ 50,000</u>
<u>Drain Component Unit</u>				
Note Payable for Leitner Drain at 3.95 %	\$ 77,528	\$ (15,506)	\$ 62,022	\$ 15,503
Note Payable for Ross Drain at 5.1%	<u>18,000</u>	<u>(6,000)</u>	<u>12,000</u>	<u>6,000</u>
Total Drain Component Unit Long-Term Debt	<u>\$ 95,528</u>	<u>\$ (21,506)</u>	<u>\$ 74,022</u>	<u>\$ 21,503</u>
Total Component Unit Long-Term Debt	<u>\$ 805,528</u>	<u>\$ (66,506)</u>	<u>\$ 739,022</u>	<u>\$ 71,503</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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, 2010, 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:

Year	Principal February	Interest		Annual Total
		February 1	August 1	
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	90,000	12,372	10,100	112,472
2016-2019	400,000	26,134	16,035	442,169
	<u>\$ 800,000</u>	<u>\$ 107,409</u>	<u>\$ 87,553</u>	<u>\$ 994,962</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%. This agreement was paid off during the fiscal year ended September 30, 2010.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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>
2011	<u>\$ 13,951</u>	<u>\$ 1,060</u>	<u>\$ 15,011</u>
	<u>\$ 13,951</u>	<u>\$ 1,060</u>	<u>\$ 15,011</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%. This agreement was paid off during the fiscal year ended September 30, 2010.

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Total</u>
2011	\$ 25,622	\$ 9,265	\$ 34,887
2012	27,497	7,391	34,887
2013	29,508	5,379	34,887
2014	31,666	3,221	34,887
2015	<u>28,160</u>	<u>913</u>	<u>29,073</u>
	<u>\$ 142,453</u>	<u>\$ 26,169</u>	<u>\$ 168,622</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. The County paid the \$91,954 back during the fiscal year ended September 30, 2010.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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 July 1</u>	<u>Interest</u>	<u>Annual Total</u>
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>\$ 68,000</u>	<u>\$ 13,449</u>	<u>\$ 81,449</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%. This agreement was paid off during the fiscal year ended September 30, 2010.

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, 2010, are as follows:

Road Commission Bonds Payable (Component Unit)

The general obligation bonds payable is made up of bonds issued on September 16, 1999 and October 4, 2000 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of \$5,000 with rates varying from 4.55% to 6.0%. The bonds mature in \$50,000 increments annually over a 10-year period. The loan was paid off in fiscal year 2010.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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>
2011	<u>\$ 42,924</u>
Total Payments	42,924
Less: Interest and Fees	<u>(2,472)</u>
Net Balance Due	<u><u>\$ 40,452</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 November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2010	\$ 35,000		\$ 10,168	\$ 45,168
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	30,000	6,810	6,811	43,621
2015-2019	150,000	21,524	21,529	193,053
2020-2021	<u>60,000</u>	<u>2,624</u>	<u>2,626</u>	<u>65,250</u>
	<u>\$ 365,000</u>	<u>\$ 56,262</u>	<u>\$ 66,439</u>	<u>\$ 487,701</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE H--LONG-TERM DEBT (Continued)

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

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

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2010	\$ 15,000		\$ 8,424	\$ 23,424
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	20,000	6,406	6,406	32,812
2015-2019	135,000	22,137	22,137	179,274
2020-2021	<u>70,000</u>	<u>3,063</u>	<u>3,063</u>	<u>76,126</u>
	<u>\$ 300,000</u>	<u>\$ 54,074</u>	<u>\$ 62,499</u>	<u>\$ 416,573</u>

Drain--Component Unit

Leitner Drain Drainage District Note

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

<u>Year</u>	<u>Principal July 21</u>	<u>Interest July 21</u>	<u>Annual Total</u>
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>\$ 62,022</u>	<u>\$ 7,349</u>	<u>\$ 69,371</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE H--LONG-TERM DEBT (Continued)

Ross Drain Note

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

<u>Year</u>	<u>Principal July 1</u>	<u>Interest July 1</u>	<u>Annual Total</u>
2011	\$ 6,000	\$ 612	\$ 6,612
2012	<u>6,000</u>	<u>307</u>	<u>6,307</u>
	<u>\$ 12,000</u>	<u>\$ 919</u>	<u>\$ 12,919</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, 2010, 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	\$ 37,200	\$ 48,041	\$ 367	\$ 85,608
Courts	29,517	46,486		76,003
Sheriff Department	<u>68,940</u>	<u>87,537</u>	<u>33,356</u>	<u>189,833</u>
Total Primary Government	<u>\$ 135,657</u>	<u>\$ 182,064</u>	<u>\$ 33,723</u>	<u>\$ 351,444</u>
Component Unit				
Road Commission	<u>\$ 212,484</u>	<u>\$ (8,990)</u>	<u>\$ -</u>	<u>\$ 203,494</u>

An accrued liability of \$22.138 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, 2010

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 2010 amounted to \$73,230.

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, 2010

#### 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 up to 4 years of service. It increases with years of service to a maximum of 1 hour of time off for each 15 hours worked for employees with 10 years of service. An employee may accumulate up to 320 hours of 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, 2010

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 2010 amounted to \$130,265.

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, 2009.

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, 2010

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 10.05%, 6.01%, 7.44%, and 6.69% of the covered payroll at December 31, 2009 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, 2009. 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>
2009	\$ 311,481	\$ 225,909	100%	\$0
2008	324,695	232,323	100%	0
2007	309,562	227,137	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation December 31</u>	<u>(1) Actuarial Value of Assets</u>	<u>(2) Actuarial Accrued Liability (AAL)</u>	<u>(3) Overfunded (Unfunded) AAL (UAAL) (1) - (2)</u>	<u>(4) Funded Ratio (1) / (2)</u>	<u>(5) Covered Payroll</u>	<u>(6) UAAL as a % of Covered Payroll</u>
2009	\$ 13,332,207	\$ 14,857,236	\$ (1,525,029)	90%	\$ 4,866,846	31%
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%

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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, 2010, 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. During the year ended September 30, 2010, the Transit Corporation contributed \$1,010 and employees contributed \$4,038. 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, 2010, 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. During the year ended September 30, 2010, the Transit Corporation contributed \$2,572 and employees contributed \$2,010 to the plan. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board of Directors.

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, 2010

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, 2009. 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, 2009 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, 2010

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

GASB Statement No. 25 Information (as of 12/31/09)

Actuarial Accrued Liability	
Retirees and Beneficiaries Currently Receiving Benefits	\$ 6,212,960
Terminated Employees Not Yet Receiving Benefits	
Non-Vested Terminated Employees	189
Current Employees	
Accumulated Employee Contributions Including	
Allocated Investment Income	768,620
Employer Financed	<u>2,106,810</u>
Total Actuarial Accrued Liability	9,088,579
Net Assets Available for Benefits, at Actuarial Value (Market Value is \$5,761,418)	<u>7,796,706</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>\$ 1,291,873</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, 2009 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>
2007	\$ 113,400	100%	0
2008	148,728	100%	0
2009	154,608	100%	0

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
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%
2009	7,796,706	9,088,579	(1,291,873)	86%	1,291,873	105%

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, 2010

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

##### Primary Government

##### Plan Description

In addition to the pension benefits described in Notes J, 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, 2010 was \$20,979. During 2010, there were 12 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, 2010, the County has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2009. 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, 2010

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

Annual Required Contribution (ARC)	\$ 61,785
Interest on Beginning of Year Net OPEB Obligation	1,120
ARC Adjustment	<u>(1,585)</u>
Annual OPEB Cost	61,320
Amounts Contributed	
Payments of Current Premiums	(35,951)
Increase in Net OPEB Obligation	25,369
Net OPEB Obligation--Beginning of Year	<u>31,378</u>
Net OPEB Obligation--End of Year	<u><u>\$ 56,747</u></u>

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

	<u>12/31/08</u>	<u>12/31/09</u>
Annual OPEB Costs	\$62,128	\$61,320
Percentage Contributed	49.49%	55%
Net OPEB Obligation	\$31,378	\$27,988

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. The county expects to have an actuarial valuation performed every three years.

The funding status of the plan as of December 31, 2009, the most recent actuarial valuation date is as follows:

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Liability (AAL)</u>	<u>AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Covered Payroll</u>
12/31/09	\$ -	\$ 701,160	\$ 634,458	0%	not available	not available
12/31/08	-	701,160	667,020	0%	not available	not available

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

## COUNTY OF CLARE

### NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2010

#### 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, 2010, the Road Commission has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2010. 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, 2010

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>9,658</u>
Annual OPEB Cost	332,387
Amounts Contributed	
Payments of Current Premiums	(59,116)
Increase in Net OPEB Obligation	273,271
Net OPEB Obligation--Beginning of Year	<u>241,447</u>
Net OPEB Obligation--End of Year	<u><u>\$ 514,718</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, 2010, were as follows:

	<u>9/30/09</u>	<u>9/30/10</u>
Annual OPEB Costs	\$322,729	\$332,387
Percentage Contributed	25.18%	17.79%
Net OPEB Obligation	\$241,447	\$514,718

The current funding progress of the plan as of September 30, 2010, the most recent valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
09/30/09	\$ -	\$ 2,183,349	\$ 2,183,349	0%	\$ 1,427,579	153%
09/30/10	-	2,190,905	2,190,905	0%	1,374,933	159%

The fiscal year ended September 30, 2010 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, 2010

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

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

#### NOTE N--RISK MANAGEMENT

##### Primary Government

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

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> (Excess of Deductibles)
Liability	\$75,000
Vehicle Physical Damage \$1,000 County Deductible	\$15,000 Per Vehicle \$30,000 Per Occurrence
Property and Crime Deductible Per Occurrence	\$1,000 10% of the Next \$100,000

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

Transit Corporation

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

The Transit Corporation participates in the Michigan Transit Insurance Pool (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, 2010

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, 2010 and the previous 2 years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE O--CONTINGENT LIABILITIES

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

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS  
For the Fiscal Year Ended September 30, 2010

NOTE P--COUNTY SOLID WASTE LANDFILL

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

NOTE Q--FEDERAL FINANCIAL ASSISTANCE

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

The Federal aid revenue of \$1,435,840 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors, but was paid for and administered by the Michigan Department of Transportation.

**CLARE COUNTY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT K**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes and Penalties	\$ 5,105,309	\$ 5,142,394	\$ 5,065,956	\$ (76,438)
Licenses and Permits	90,230	96,030	86,827	(9,203)
Federal Grants	210,221	298,514	163,185	(135,329)
State Grants	752,564	803,044	714,643	(88,401)
Contributions From Local Units	473,236	496,628	453,797	(42,831)
Charges for Services	2,586,750	2,752,082	2,802,339	50,257
Fines and Forfeits	22,500	23,500	(2,797)	(26,297)
Interest and Rentals	448,010	448,010	441,324	(6,686)
Other Revenue	233,746	230,034	123,612	(106,422)
Total Revenues	<u>9,922,566</u>	<u>10,290,236</u>	<u>9,848,886</u>	<u>(441,350)</u>
Expenditures				
Current				
General Government	3,916,169	4,068,775	3,858,542	210,233
Public Safety	4,262,042	4,542,572	4,367,082	175,490
Public Works	3,685	11,582	11,223	359
Health and Welfare	591,336	590,654	536,928	53,726
Community and Economic Development	23,500	23,500	22,500	1,000
Other	836,900	923,837	816,725	107,112
Capital Outlay	260,358	233,037	391,982	(158,945)
Debt Service	-	-	53,419	(53,419)
Total Expenditures	<u>9,893,990</u>	<u>10,393,957</u>	<u>10,058,401</u>	<u>335,556</u>
Excess of Revenues Over (Under) Expenditures	<u>28,576</u>	<u>(103,721)</u>	<u>(209,515)</u>	<u>(105,795)</u>
Other Financing Sources (Uses)				
Installment/Lease Purchase Proceeds	-	-	146,550	146,550
Interfund Transfers In	621,680	703,272	723,775	20,503
Interfund Transfers (Out)	(473,605)	(987,105)	(831,708)	155,397
Total Other Financing Sources (Uses)	<u>148,075</u>	<u>(283,833)</u>	<u>38,617</u>	<u>322,450</u>
Net Change in Fund Balances	176,651	(387,554)	(170,898)	216,656
Fund Balance--October 1, 2009	<u>1,185,158</u>	<u>1,138,426</u>	<u>2,237,455</u>	<u>1,099,029</u>
Fund Balance--September 30, 2010	<u>\$ 1,361,809</u>	<u>\$ 750,872</u>	<u>\$ 2,066,556</u>	<u>\$ 1,315,684</u>

**CLARE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GYPSY MOTH--MAJOR SPECIAL REVENUE FUND  
For the Fiscal Year Ended September 30, 2010**

**EXHIBIT L**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Interest and Rentals	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 9,866</u>	<u>\$ (10,134)</u>
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>9,866</u>	<u>(10,134)</u>
Expenditures				
Current				
General Government	<u>138,566</u>	<u>140,570</u>	<u>14,273</u>	<u>126,297</u>
Total Expenditures	<u>138,566</u>	<u>140,570</u>	<u>14,273</u>	<u>126,297</u>
Excess of Revenues Over (Under) Expenditures	<u>(118,566)</u>	<u>(120,570)</u>	<u>(4,407)</u>	<u>116,163</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(118,566)	(120,570)	(4,407)	116,163
Fund Balance--October 1, 2009	<u>1,253,513</u>	<u>1,253,513</u>	<u>1,234,134</u>	<u>(19,379)</u>
Fund Balance--September 30, 2010	<u><u>\$ 1,134,947</u></u>	<u><u>\$ 1,132,943</u></u>	<u><u>\$ 1,229,727</u></u>	<u><u>\$ 96,784</u></u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

EXHIBIT M

SPECIAL REVENUE FUNDS

	<u>Parks and Recreation</u>	<u>Friend of the Court</u>	<u>Public Building and Improvement</u>	<u>Building Department</u>	<u>Register of Deeds Automation</u>	<u>911 Service</u>	<u>Local Corrections Officers</u>	<u>Drug Law Enforcement</u>	<u>ORV Ordinance</u>	<u>Law Library</u>	<u>Community Development</u>
<b><u>ASSETS</u></b>											
Cash	\$ 4,458	\$ 26,938	\$ 298,923	\$ 68,901	\$ 219,493	\$ 403,614	\$ 3,502	\$ 6,346	\$ 3,168	\$ 6,110	\$ 20,479
Investments			30,642								10,660
Accounts Receivable						36,649	430				
Loans Receivable											23,783
Due From State of Michigan						44,132					
Due From Federal Government		23,853									
Due From Other Agencies											
Total Assets	<u>\$ 4,458</u>	<u>\$ 50,791</u>	<u>\$ 329,565</u>	<u>\$ 68,901</u>	<u>\$ 219,493</u>	<u>\$ 484,395</u>	<u>\$ 3,932</u>	<u>\$ 6,346</u>	<u>\$ 3,168</u>	<u>\$ 6,110</u>	<u>\$ 54,922</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>											
Accounts Payable	\$ 18	\$ 2,496	\$ 5,911	\$ 6,943	\$ 42,141	\$ 1,037	\$ 2,416			\$ 233	
Accrued Liabilities	825	13,458		2,144		19,977					\$ 332
Due to the General Fund											
Long-Term Advance						54,577					
Advances From State											
Deferred Revenue		23,853				5,022					23,783
Total Liabilities	<u>843</u>	<u>39,807</u>	<u>\$ 5,911</u>	<u>9,087</u>	<u>42,141</u>	<u>80,613</u>	<u>\$ 2,416</u>	<u>\$ -</u>	<u>\$ -</u>	<u>233</u>	<u>24,115</u>
Fund Balances											
Reserved for											
Donations											
Housing Rehab											30,807
Capital Improvements											
Unreserved--Undesignated	3,615	10,984	323,654	59,814	177,352	403,782	1,516	6,346	3,168	5,877	
Total Fund Balances	<u>3,615</u>	<u>10,984</u>	<u>323,654</u>	<u>59,814</u>	<u>177,352</u>	<u>403,782</u>	<u>1,516</u>	<u>6,346</u>	<u>3,168</u>	<u>5,877</u>	<u>30,807</u>
Total Liabilities and Fund Balances	<u>\$ 4,458</u>	<u>\$ 50,791</u>	<u>\$ 329,565</u>	<u>\$ 68,901</u>	<u>\$ 219,493</u>	<u>\$ 484,395</u>	<u>\$ 3,932</u>	<u>\$ 6,346</u>	<u>\$ 3,168</u>	<u>\$ 6,110</u>	<u>\$ 54,922</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

EXHIBIT M  
 (CONTINUED)

SPECIAL REVENUE FUNDS

	Community Development Escrow	Enterprise Community	Brownfield Redevelopment Authority EPA Grant	EECBG Grant	Revenue Sharing Reserve	Senior Services	Department of Human Services	Child Care Probate	Child Care DHS
<b><u>ASSETS</u></b>									
Cash	\$ 87,819			\$ 36,080		\$ 167,476	\$ 64,929	\$ 37,030	\$ 57,764
Investments									
Accounts Receivable									
Loans Receivable	1,566,314								
Due From State of Michigan							19,447	12,647	
Due From Federal Government				5,002					
Due From Other Agencies						49,586			
Total Assets	<u>\$1,654,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,082</u>	<u>\$ -</u>	<u>\$ 217,062</u>	<u>\$ 84,376</u>	<u>\$ 49,677</u>	<u>\$ 57,764</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>									
Accounts Payable	\$ 62			35,109		\$ 22,233		\$ 15,202	\$ 11,694
Accrued Liabilities						22,930			
Due to the General Fund				5,973					
Long-Term Advance									
Advances From State							\$ 33,000		
Deferred Revenue	<u>1,566,314</u>					<u>11,657</u>		<u>12,647</u>	
Total Liabilities	<u>1,566,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,082</u>	<u>\$ -</u>	<u>\$ 56,820</u>	<u>33,000</u>	<u>27,849</u>	<u>11,694</u>
Fund Balances									
Reserved for									
Donations							9,639		
Housing Rehab	87,757								
Capital Improvements									
Unreserved--Undesignated				-	-	160,242	41,737	21,828	46,070
Total Fund Balances	<u>87,757</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,242</u>	<u>51,376</u>	<u>21,828</u>	<u>46,070</u>
Total Liabilities and Fund Balances	<u>\$1,654,133</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,082</u>	<u>\$ -</u>	<u>\$ 217,062</u>	<u>\$ 84,376</u>	<u>\$ 49,677</u>	<u>\$ 57,764</u>

CLARE COUNTY  
 COMBINING BALANCE SHEET  
 NON-MAJOR GOVERNMENTAL FUNDS  
 September 30, 2010

EXHIBIT M  
 (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>Brownfield Debt</u>	<u>USDA Loan Debt</u>	<u>Animal Shelter Construction</u>	<u>County Building Renovation</u>		<u>Brownfield Redevelopment Authority</u>
<b><u>ASSETS</u></b>											
Cash	\$ 6,366	\$ 2,223	\$ 10,484					\$ 297,477	\$ 1,134	\$ 13,987	\$ 1,844,701
Investments											41,302
Accounts Receivable											37,079
Loans Receivable											1,590,097
Due From State of Michigan											76,226
Due From Federal Government											28,855
Due From Other Agencies											49,586
Total Assets	<u>\$ 6,366</u>	<u>\$ 2,223</u>	<u>\$ 10,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,477</u>	<u>\$ 1,134</u>	<u>\$ 13,987</u>	<u>\$ 3,667,846</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>											
Accounts Payable	\$ 303		\$ 609					\$ 449			\$ 146,856
Accrued Liabilities											59,666
Due to the General Fund											5,973
Long-Term Advance											54,577
Advances From State											33,000
Deferred Revenue											1,643,276
Total Liabilities	<u>303</u>	<u>-</u>	<u>609</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,943,348</u>
Fund Balances											
Reserved for											
Donations											9,639
Housing Rehab											118,564
Capital Improvements								297,028	1,134		298,162
Unreserved--Undesignated	<u>6,063</u>	<u>2,223</u>	<u>9,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,987</u>	<u>1,298,133</u>
Total Fund Balances	<u>6,063</u>	<u>2,223</u>	<u>9,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,028</u>	<u>1,134</u>	<u>13,987</u>	<u>1,724,498</u>
Total Liabilities and Fund Balances	<u>\$ 6,366</u>	<u>\$ 2,223</u>	<u>\$ 10,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 297,477</u>	<u>\$ 1,134</u>	<u>\$ 13,987</u>	<u>\$ 3,667,846</u>

**CLARE COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2010**

**EXHIBIT N**

<b>SPECIAL REVENUE FUNDS</b>											
	<u>Parks and Recreation</u>	<u>Friend of Court</u>	<u>Public Building and Improvement</u>	<u>Building Department</u>	<u>Register of Deeds Automation</u>	<u>911 Service</u>	<u>Local Corrections Officers</u>	<u>Drug Law Enforcement</u>	<u>ORV Ordinance</u>	<u>Law Library</u>	<u>Community Development</u>
Revenues											
Taxes						\$ 364,600					
Licenses and Permits				\$ 137,262							
Federal Grants		\$ 252,604				1,364					
State Grants						164,151					
Charges for Services		37,774			\$ 48,880	147,643					
Fines and Forfeits							\$ 7,730	\$ 6,875	\$ 2,780	\$ 5,250	
Interest and Rentals			\$ 92		1,442						\$ 307
Other	1,345										25,445
<b>Total Revenues</b>	<b>\$ 1,345</b>	<b>290,378</b>	<b>92</b>	<b>137,262</b>	<b>50,322</b>	<b>677,758</b>	<b>7,730</b>	<b>6,875</b>	<b>2,780</b>	<b>5,250</b>	<b>25,752</b>
Expenditures											
General Government		318,527			45,630					2,912	
Public Safety			9,147	158,590		488,501	14,724	17,749	1,390		
Public Works											
Health and Welfare											
Community and Economic Development											20,848
Recreation and Culture	18,414										
Capital Outlay			9,442								
Principal											
Interest and Fees											
<b>Total Expenditures</b>	<b>18,414</b>	<b>318,527</b>	<b>18,589</b>	<b>158,590</b>	<b>45,630</b>	<b>488,501</b>	<b>14,724</b>	<b>17,749</b>	<b>1,390</b>	<b>2,912</b>	<b>20,848</b>
Excess of Revenue Over (Under)											
Expenditures	(17,069)	(28,149)	(18,497)	(21,328)	4,692	189,257	(6,994)	(10,874)	1,390	2,338	4,904
Other Financing Sources (Uses)											
Interfund Transfers In	5,000		306,250								
Interfund Transfers (Out)											
<b>Total Other Financing Sources (Uses)</b>	<b>5,000</b>	<b>-</b>	<b>306,250</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(12,069)</b>	<b>(28,149)</b>	<b>287,753</b>	<b>(21,328)</b>	<b>4,692</b>	<b>189,257</b>	<b>(6,994)</b>	<b>(10,874)</b>	<b>1,390</b>	<b>2,338</b>	<b>4,904</b>
Fund Balance--October 1, 2009	15,684	39,133	35,901	81,142	172,660	214,525	8,510	17,220	1,778	3,539	25,903
<b>Fund Balance--September 30, 2010</b>	<b>\$ 3,615</b>	<b>\$ 10,984</b>	<b>\$ 323,654</b>	<b>\$ 59,814</b>	<b>\$ 177,352</b>	<b>\$ 403,782</b>	<b>\$ 1,516</b>	<b>\$ 6,346</b>	<b>\$ 3,168</b>	<b>\$ 5,877</b>	<b>\$ 30,807</b>

**CLARE COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2010**

**EXHIBIT N  
(CONTINUED)**

	<b>SPECIAL REVENUE FUNDS</b>								
	Community Development Escrow	Enterprise Community	Brownfield Redevelopment Authority EPA Grant	EECBG Grant	Revenue Sharing Reserve	Senior Services	Department of Human Services	Child Care Probate	Child Care DHS
Revenues									
Taxes						\$ 499,278			
Licenses and Permits									
Federal Grants	\$ 130,235	\$ 268,410	\$ 20,765			199,756			
State Grants				\$ 113,284				\$ 135,512	\$ 51,021
Charges for Services									
Fines and Forfeits									
Interest and Rentals					\$ 6,883	281			
Other	<u>63,920</u>					<u>229,621</u>	<u>\$ 190,297</u>		
Total Revenues	<u>194,155</u>	<u>268,410</u>	<u>20,765</u>	<u>113,284</u>	<u>6,883</u>	<u>928,936</u>	<u>190,297</u>	<u>135,512</u>	<u>51,021</u>
Expenditures									
General Government									
Public Safety									
Public Works			20,765						
Health and Welfare						862,960	188,947	326,167	115,123
Community and Economic Development	172,957	268,410		113,284					
Recreation and Cultural									
Capital Outlay									
Principal									
Interest and Fees									
Total Expenditures	<u>172,957</u>	<u>268,410</u>	<u>20,765</u>	<u>113,284</u>	<u>-</u>	<u>862,960</u>	<u>188,947</u>	<u>326,167</u>	<u>115,123</u>
Excess of Revenue Over (Under)									
Expenditures	<u>21,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,883</u>	<u>65,976</u>	<u>1,350</u>	<u>(190,655)</u>	<u>(64,102)</u>
Other Financing Sources (Uses)									
Interfund Transfers In							5,000	150,000	50,000
Interfund Transfers (Out)					(592,450)				
Total Other Financing Sources (Uses)		<u>-</u>	<u>-</u>	<u>-</u>	<u>(592,450)</u>	<u>-</u>	<u>5,000</u>	<u>150,000</u>	<u>50,000</u>
Net Change in Fund Balances	21,198	-	-	-	(585,567)	65,976	6,350	(40,655)	(14,102)
Fund Balance--October 1, 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>
Fund Balance--September 30, 2010	<u>\$ 87,757</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 160,242</u>	<u>\$ 51,376</u>	<u>\$ 21,828</u>	<u>\$ 46,070</u>

**CLARE COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
For the Fiscal Year Ended September 30, 2010**

**EXHIBIT N  
(CONTINUED)**

	<u>SPECIAL REVENUE FUNDS</u>			<u>DEBT SERVICE FUNDS</u>				<u>CAPITAL PROJECT FUNDS</u>			
	Soldiers and Sailors Relief	Veterans Trust	Airport	Jail Building Debt	Building Authority Refunding Debt	Brownfield Debt	USDA Loan Debt	Animal Shelter Construction	County Building Renovation	Brownfield Redevelopment Authority	Total
Revenues											
Taxes										\$ 4,528	\$ 868,406
Licenses and Permits											137,262
Federal Grants									\$ 9,000		882,134
State Grants		\$ 6,500								5,500	475,968
Charges for Services											234,297
Fines and Forfeits											22,635
Interest and Rentals			\$ 4,119					\$ 5,303			18,427
Other	\$ 510										511,138
<b>Total Revenues</b>	<b>510</b>	<b>6,500</b>	<b>4,119</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,303</b>	<b>9,000</b>	<b>10,028</b>	<b>3,150,267</b>
Expenditures											
General Government											367,069
Public Safety											705,013
Public Works			11,400					10,422	4,490		32,165
Health and Welfare	6,837	7,039									1,507,073
Community and Economic Development											575,499
Recreation and Cultural											18,414
Capital Outlay											9,442
Principal					65,000	91,954	7,000				163,954
Interest and Fees					41,526		3,094				44,620
<b>Total Expenditures</b>	<b>6,837</b>	<b>7,039</b>	<b>11,400</b>	<b>-</b>	<b>106,526</b>	<b>91,954</b>	<b>10,094</b>	<b>10,422</b>	<b>4,490</b>	<b>-</b>	<b>3,423,249</b>
Excess of Revenue Over (Under)											
Expenditures	(6,327)	(539)	(7,281)	-	(106,526)	(91,954)	(10,094)	(5,119)	4,510	10,028	(272,982)
Other Financing Sources (Uses)											
Interfund Transfers In	10,000				106,083	91,954	10,094				734,381
Interfund Transfers (Out)				(15)						(91,954)	(684,419)
<b>Total Other Financing Sources (Uses)</b>	<b>10,000</b>	<b>-</b>	<b>-</b>	<b>(15)</b>	<b>106,083</b>	<b>91,954</b>	<b>10,094</b>	<b>-</b>	<b>-</b>	<b>(91,954)</b>	<b>49,962</b>
<b>Net Change in Fund Balances</b>	<b>3,673</b>	<b>(539)</b>	<b>(7,281)</b>	<b>(15)</b>	<b>(443)</b>	<b>-</b>	<b>-</b>	<b>(5,119)</b>	<b>4,510</b>	<b>(81,926)</b>	<b>(223,020)</b>
Fund Balance--October 1, 2009	2,390	2,762	17,156	15	443	-	-	302,147	(3,376)	95,913	1,947,518
<b>Fund Balance--September 30, 2010</b>	<b>\$ 6,063</b>	<b>\$ 2,223</b>	<b>\$ 9,875</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 297,028</b>	<b>\$ 1,134</b>	<b>\$ 13,987</b>	<b>\$ 1,724,498</b>

**CLARE COUNTY  
 COMBINING STATEMENT OF NET ASSETS  
 NON-MAJOR ENTERPRISE FUNDS  
 September 30, 2010**

**EXHIBIT O**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Non-Major Funds
	<u>Land Bank Authority</u>	<u>Tax Anticipation</u>	<u>Jail Commissary</u>	
<b><u>ASSETS</u></b>				
Current Assets				
Cash and Cash Equivalents	\$ 41,732		\$ 61,893	\$ 103,625
Accounts Receivable			313	313
Total Current Assets	<u>41,732</u>	<u>-</u>	<u>62,206</u>	<u>103,938</u>
Total Assets	<u>\$ 41,732</u>	<u>\$ -</u>	<u>\$ 62,206</u>	<u>\$ 103,938</u>
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts Payable			\$ 4,910	\$ 4,910
Total Current Liabilities	<u>-</u>	<u>-</u>	<u>4,910</u>	<u>4,910</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>4,910</u>	<u>4,910</u>
<b><u>NET ASSETS</u></b>				
Unrestricted	<u>41,732</u>		<u>57,296</u>	<u>99,028</u>
Total Net Assets	<u>\$ 41,732</u>	<u>\$ -</u>	<u>\$ 57,296</u>	<u>\$ 99,028</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT P**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Non-Major Enterprise Funds
	<u>Land Bank Authority</u>	<u>Tax Anticipation</u>	<u>Jail Commissary</u>	
Operating Revenues				
Charges for Services	<u>\$ 12,445</u>	<u>                    </u>	<u>\$ 129,059</u>	<u>\$ 141,504</u>
Total Operating Revenues	<u>12,445</u>	<u>-</u>	<u>129,059</u>	<u>141,504</u>
Operating Expenses				
Contractual Services	713			713
Materials and Supplies	<u>                    </u>	<u>                    </u>	<u>69,259</u>	<u>69,259</u>
Total Operating Expenses	<u>713</u>	<u>-</u>	<u>69,259</u>	<u>69,972</u>
Operating Income (Loss)	<u>11,732</u>	<u>-</u>	<u>59,800</u>	<u>71,532</u>
Nonoperating Revenues (Expenses)				
Interest Earned on Investments		\$ 1,372		1,372
Interest Expense	<u>                    </u>	<u>(20,653)</u>	<u>                    </u>	<u>(20,653)</u>
Total Nonoperating Revenues (Expenses)	<u>                    </u>	<u>(19,281)</u>	<u>                    </u>	<u>(19,281)</u>
Interfund Transfers				
Transfers In (Out)	30,000	19,281	(29,185)	20,096
Change in Net Assets	41,732	-	30,615	72,347
Total Net Assets--October 1, 2009	<u>-</u>	<u>-</u>	<u>26,681</u>	<u>26,681</u>
Total Net Assets--September 30, 2010	<u>\$ 41,732</u>	<u>\$ -</u>	<u>\$ 57,296</u>	<u>\$ 99,028</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT Q**

	<b>BUSINESS-TYPE ACTIVITIES</b>			Total Enterprise Funds
	<u>Land Bank Authority</u>	<u>Tax Anticipation</u>	<u>Jail Commissary</u>	
Cash Flows From Operating Activities				
Cash Received From Customers	\$ 12,445		\$ 130,414	\$ 142,859
Cash Payments to Suppliers for Goods and Services	<u>(713)</u>		<u>(69,114)</u>	<u>(69,827)</u>
Net Cash Provided by Operating Activities	<u>11,732</u>	<u>-</u>	<u>61,300</u>	<u>73,032</u>
Cash Flows From Noncapital Financing Activities				
Due from Other Funds			1,675	1,675
Transfers In (Out)	<u>30,000</u>	<u>\$ 19,281</u>	<u>(29,185)</u>	<u>20,096</u>
Net Cash Provided by Noncapital Financing Activities	<u>30,000</u>	<u>19,281</u>	<u>(27,510)</u>	<u>21,771</u>
Cash Flows From Investing Activities				
Interest Earned		1,372		1,372
Interest Expense		<u>(20,653)</u>		<u>(20,653)</u>
Net Cash Provided by Investing Activities	<u>-</u>	<u>(19,281)</u>	<u>-</u>	<u>(19,281)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	41,732	-	33,790	75,522
Cash and Cash Equivalents at Beginning of Year			<u>28,103</u>	<u>28,103</u>
Cash and Cash Equivalents at End of Year	<u>\$ 41,732</u>	<u>\$ -</u>	<u>\$ 61,893</u>	<u>\$ 103,625</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income (Loss)	\$ 11,732	\$ -	\$ 59,800	\$ 71,532
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
(Increase) Decrease in Accounts Receivable			1,355	1,355
Increase (Decrease) in Accounts Payable			<u>145</u>	<u>145</u>
Net Cash Provided by Operating Activities	<u>\$ 11,732</u>	<u>\$ -</u>	<u>\$ 61,300</u>	<u>\$ 73,032</u>

**CLARE COUNTY  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
September 30, 2010**

**EXHIBIT R**

	<b><u>INTERNAL SERVICE FUNDS</u></b>		
	<b><u>Technology Fund</u></b>	<b><u>Health Insurance Fund</u></b>	<b><u>Total Non-Major Funds</u></b>
<b><u>ASSETS</u></b>			
Current Assets			
Cash and Cash Equivalents	\$ 16,256	\$ 75,900	\$ 92,156
Accounts Receivable		4,705	4,705
Total Current Assets	<u>16,256</u>	<u>80,605</u>	<u>96,861</u>
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	<u>5,747</u>		<u>5,747</u>
Total Noncurrent Assets	<u>5,747</u>	<u>-</u>	<u>5,747</u>
Total Assets	<u><u>\$ 22,003</u></u>	<u><u>\$ 80,605</u></u>	<u><u>\$ 102,608</u></u>
<b><u>LIABILITIES</u></b>			
Current Liabilities			
Accounts Payable		<u>\$ 1,451</u>	<u>\$ 1,451</u>
Total Current Liabilities	<u>-</u>	<u>1,451</u>	<u>1,451</u>
<b><u>NET ASSETS</u></b>			
Invested in Capital Assets	5,747		5,747
Unrestricted	<u>16,256</u>	<u>79,154</u>	<u>95,410</u>
Total Net Assets	<u><u>\$ 22,003</u></u>	<u><u>\$ 79,154</u></u>	<u><u>\$ 101,157</u></u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN NET ASSETS--INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT S**

	Technology Fund	Health Insurance Fund	Total Internal Service Funds
	<u>          </u>	<u>          </u>	<u>          </u>
Operating Revenues			
Charges for Services	\$ 16,299		\$ 16,299
Other		\$ 83,188	83,188
	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Revenues	<u>16,299</u>	<u>83,188</u>	<u>99,487</u>
Operating Expenses			
Contracted Services	12,679		12,679
Supplies	2,732		2,732
Health Insurance		352,254	352,254
Depreciation	1,421		1,421
	<u>          </u>	<u>          </u>	<u>          </u>
Total Operating Expenses	<u>16,832</u>	<u>352,254</u>	<u>369,086</u>
Operating Income (Loss)	<u>(533)</u>	<u>(269,066)</u>	<u>(269,599)</u>
Income (Loss) Before Contributions and Transfers	<u>(533)</u>	<u>(269,066)</u>	<u>(269,599)</u>
Interfund Transfers			
Transfers In	<u>20,000</u>	<u>150,000</u>	<u>170,000</u>
Change in Net Assets	19,467	(119,066)	(99,599)
Total Net Assets--October 1, 2009	<u>2,536</u>	<u>198,220</u>	<u>200,756</u>
Total Net Assets--September 30, 2010	<u><u>\$ 22,003</u></u>	<u><u>\$ 79,154</u></u>	<u><u>\$ 101,157</u></u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT T**

	Technology Fund	Health Insurance Fund	Total Funds
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 16,299	\$ 80,849	\$ 97,148
Cash Payments For Employees Benefits	<u>(15,411)</u>	<u>(351,099)</u>	<u>(366,510)</u>
Net Cash Provided by Operating Activities	<u>888</u>	<u>(270,250)</u>	<u>(269,362)</u>
Cash Flows From Noncapital Financing Activities			
Transfers In (Out)	<u>20,000</u>	<u>150,000</u>	<u>170,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>20,000</u>	<u>150,000</u>	<u>170,000</u>
Cash Flows From Capital and Related Financing Activities			
Capital Assets Purchased	<u>(7,168)</u>		<u>(7,168)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(7,168)</u>	<u>-</u>	<u>(7,168)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,720	(120,250)	(106,530)
Cash and Cash Equivalents at Beginning of Year	<u>2,536</u>	<u>196,150</u>	<u>198,686</u>
Cash and Cash Equivalents at End of Year	<u>\$ 16,256</u>	<u>\$ 75,900</u>	<u>\$ 92,156</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ (533)	\$ (269,066)	\$ (269,599)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	1,421		1,421
(Increase) Decrease in Accounts Receivable		(2,339)	(2,339)
Increase (Decrease) in Accounts Payable		<u>1,155</u>	<u>1,155</u>
Net Cash Provided by Operating Activities	<u>\$ 888</u>	<u>\$ (270,250)</u>	<u>\$ (269,362)</u>

**CLARE COUNTY  
 COMBINING STATEMENT OF FIDUCIARY  
 NET ASSETS--AGENCY FUNDS  
 September 30, 2010**

**EXHIBIT U**

	<u>General Agency</u>	<u>Library (Penal Fines) Fund</u>	<u>Total</u>
<b><u>ASSETS</u></b>			
Cash	\$3,232,466	\$ 57,747	\$ 3,290,213
Investments		73,315	73,315
Due From Other Agencies	<u>2,234</u>		<u>2,234</u>
Total Assets	<u><u>\$3,234,700</u></u>	<u><u>\$ 131,062</u></u>	<u><u>\$ 3,365,762</u></u>
<b><u>LIABILITIES AND FUND BALANCE</u></b>			
Liabilities			
Due to State of Michigan	\$2,399,930		\$ 2,399,930
Undistributed Penal Fines and Interest		\$ 131,062	131,062
Other Liabilities	<u>834,770</u>		<u>834,770</u>
Total Liabilities	<u><u>\$3,234,700</u></u>	<u><u>\$ 131,062</u></u>	<u><u>\$ 3,365,762</u></u>

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT V**

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Taxes and Penalties				
Current Property Taxes	\$ 4,859,888	\$ 4,859,888	\$ 4,830,500	\$ (29,388)
Unpaid Personal Property Taxes	18,000	18,000	15,039	(2,961)
Trailer Taxes	2,600	2,600	2,038	(562)
Swampland Tax	41,600	41,600	36,635	(4,965)
Commercial Forest Reserve	21	21	19	(2)
Industrial Facility Tax	30,000	30,000	18,750	(11,250)
Payments-in-Lieu of Taxes	8,200	10,285	8,289	(1,996)
Property Tax Administration Fees	145,000	180,000	154,686	(25,314)
<b>Total Taxes and Penalties</b>	<b>5,105,309</b>	<b>5,142,394</b>	<b>5,065,956</b>	<b>(76,438)</b>
Licenses and Permits				
Marriage Licenses	1,000	1,300	1,195	(105)
Marriage Licenses--Family Counseling	3,000	8,000	3,225	(4,775)
Dog Licenses	50,000	50,000	47,856	(2,144)
Pistol Permits	12,000	12,500	11,959	(541)
Soil Erosion and Sedimentation Permits	24,224	24,224	22,590	(1,634)
Explosives Permits	6	6	2	(4)
<b>Total Licenses and Permits</b>	<b>90,230</b>	<b>96,030</b>	<b>86,827</b>	<b>(9,203)</b>
Federal Grants				
DOJ-Byrne-Bayonet	-	250	11,986	11,736
DOJ-Byrne-Paperless Booking Grant	-	27,691	17,488	(10,203)
DOJ-Byrne-Assistance Grant	-	14,040	14,040	-
Highway Safety Communities Project Grant	10,000	10,000	7,602	(2,398)
Hazardous Materials Emergency Planning Grant	625	625	-	(625)
Homeland Security Planning	-	2,275	62,449	60,174
Public Guardian Services	-	3,500	3,010	(490)
USDA Grant--Dive Equipment	134,090	134,090	-	(134,090)
Bullet Proof Vest Program	-	-	1,593	1,593
Marine Safety Program	10,000	10,000	8,351	(1,649)
Foster Care - Title IV-E	-	40,537	11,687	(28,850)
Cooperative Reimbursement Program--Prosecuting Attorney	55,506	55,506	24,979	(30,527)
<b>Total Federal Grants</b>	<b>210,221</b>	<b>298,514</b>	<b>163,185</b>	<b>(135,329)</b>
State Grants				
Probate Judges' Salary	101,700	101,700	103,253	1,553
Judges' Salary Standardization	100,592	100,592	100,283	(309)
State Court Equity Fund	207,000	207,000	182,018	(24,982)
Secondary Road Patrol	57,008	57,008	60,003	2,995
Livery Inspections--Sheriff	100	560	460	(100)
Special Dive Equipment Grant	-	3,450	-	(3,450)
State Aid Caseflow Assistance	15,000	15,338	15,338	0
State Snowmobile Grant	1,500	5,093	4,478	(615)
Judicial Network Project	450	450	355	(95)
Michigan Justice Training	4,000	4,000	2,766	(1,234)
Off-Road Vehicle Safety Education	7,400	16,200	3,000	(13,200)
Juvenile Accountability Incentive Block Grant	250	2,250	-	(2,250)
Juvenile Officer Grant	27,317	27,317	27,317	(0)
Food Stamp Fraud	1,000	14,784	1,620	(13,164)
Victims Rights Grant	30,460	31,910	36,222	4,312
State Cigarette Tax	2,876	7,782	-	(7,782)
Convention Facilities Liquor Tax	142,777	142,777	139,010	(3,767)
Remonumentation	49,254	49,254	25,688	(23,566)
Juror Compensation	780	8,090	5,390	(2,700)
Liquor Law Enforcement	2,500	6,890	6,867	(23)
Voter Registration	600	600	575	(25)
<b>Total State Grants</b>	<b>752,564</b>	<b>803,044</b>	<b>714,643</b>	<b>(88,401)</b>

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

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

	<b>BUDGETED AMOUNTS</b>		<b>Actual</b>	<b>Variance With Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
Contributions From Local Units				
Liquor Law Enforcement--Townships	3,100	3,100	385	(2,715)
Law Enforcement Contracts				
Lincoln Township	131,765	131,765	136,273	4,508
City of Harrison	164,000	164,000	135,830	(28,170)
Village of Farwell	36,061	53,872	47,767	(6,105)
Hayes Township	42,491	48,072	42,417	(5,655)
Redding Township	5,547	5,547	4,244	(1,303)
Grant Township	18,029	18,029	17,793	(236)
School Safety Match				
Harrison	38,500	38,500	37,000	(1,500)
Farwell	33,743	33,743	32,088	(1,655)
Total Contributions From Local Units	473,236	496,628	453,797	(42,831)
Charges for Services				
Circuit Court Costs	80,000	93,400	92,424	(976)
District Court Costs	300,000	330,000	360,425	30,425
Circuit Court Services	15,760	15,760	15,061	(699)
Public Guardian Services	15,000	19,000	17,400	(1,600)
Probate Court Services	25,000	25,000	20,638	(4,362)
Clerk Services	51,500	51,520	48,591	(2,929)
Partnerships and Assumed Names	3,500	3,500	2,610	(890)
Partnerships and Assumed Names	35,000	35,000	13,908	(21,092)
Equalization Department Services				
Nongovernmental	4,000	11,500	11,514	14
Local Units	50,000	69,600	66,593	(3,007)
Register of Deeds Services	177,960	178,060	146,948	(31,112)
Abstract Department Services	5,025	5,025	3,760	(1,265)
Treasurer Services	5,500	5,500	4,370	(1,130)
Sheriff Services	12,500	12,500	19,280	6,780
Preliminary Breath Test Fees	15,000	15,000	9,425	(5,575)
Animal Control Services	12,000	11,662	11,484	(178)
District Court Attorney Fees	90,000	140,000	135,008	(4,992)
Probate Court Attorney Fees	1,000	1,000	315	(685)
Real Estate Transfer Tax	75,000	75,000	52,652	(22,348)
25% Child Care Fund Collection Fees	-	185	156	(29)
Abstract Department Use of Tract Book	50,000	50,000	47,671	(2,329)
Prosecutor OWI Cases	100	1,370	1,526	156
District Court Assessment and Evaluation Fees	28,000	31,500	30,948	(552)
District Court Bond Costs	12,000	14,000	13,165	(835)
District Court Civil Fees	77,000	77,250	92,960	15,710
Sheriff Service of Papers	35,483	52,483	60,397	7,914
Animal Adoption Fees	6,000	6,000	4,525	(1,475)
Record Copying	7,508	8,358	7,575	(783)
Jail Fees	10,000	10,000	12,051	2,051
Transporting Prisoners	16,500	33,700	36,616	2,916
Housing of Inmates--Other Counties	1,170,000	1,170,000	1,353,937	183,937
Housing of Inmates--State Detainees	8,023	16,023	14,660	(1,363)
Housing of Inmates--Diverted Felons	41,608	38,608	13,509	(25,099)
Weekend Lodging--Jail	12,500	12,500	7,398	(5,102)
Inmates Room and Board	8,000	14,000	16,203	2,203

**CLARE COUNTY**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

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

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Charges for Services (Continued)				
Inmates Work Release	4,531	7,531	6,743	(788)
Inmates Incentive	1,200	12,200	11,400	(800)
Pay Phone Commissions	120,852	92,777	33,624	(59,153)
Vending Machine Commissions	2,500	2,500	1,950	(550)
Sale of Confiscated Property	1,000	2,700	2,599	(101)
Circuit Court Sex Offender Program	200	370	320	(50)
<b>Total Charges for Services</b>	<b>2,586,750</b>	<b>2,752,082</b>	<b>2,802,339</b>	<b>50,257</b>
Fines and Forfeits				
Circuit Court Bond Forfeitures	2,000	3,000	2,781	(219)
District Court Bond Forfeitures	8,500	8,500	(15,150)	(23,650)
Ordinance Fines and Costs	12,000	12,000	9,572	(2,428)
<b>Total Fines and Forfeits</b>	<b>22,500</b>	<b>23,500</b>	<b>(2,797)</b>	<b>(26,297)</b>
Interest and Rents				
Interest Earned	65,010	65,010	25,345	(39,665)
Rent	80,000	80,000	77,710	(2,290)
Royalties--Landfill	303,000	303,000	338,269	35,269
<b>Total Interest and Rents</b>	<b>448,010</b>	<b>448,010</b>	<b>441,324</b>	<b>(6,686)</b>
Other Revenues				
Sale of Fixed Assets	500	3,200	(2,804)	(6,004)
Contributions From Private Sources	32,000	37,600	25,366	(12,234)
Reimbursements				
Insurance	1,500	1,500	697	(803)
Tax Collection Bond	4,200	4,200	-	(4,200)
Bench Warrants	2,600	2,600	3,350	750
Township Tax Notice Postage	5,000	5,000	4,250	(750)
Postage	10,000	10,000	8,334	(1,666)
Workers' Compensation	14,000	14,000	1,150	(12,850)
Inmate Medical	40,000	40,000	11,267	(28,733)
Other	58,446	46,434	2,072	(44,362)
Gladwin County				
Circuit Court	500	500	-	(500)
District Court	32,000	32,000	37,543	5,543
Probate Court	33,000	33,000	32,387	(613)
<b>Total Other Revenues</b>	<b>233,746</b>	<b>230,034</b>	<b>123,612</b>	<b>(106,422)</b>
<b>Total Revenue</b>	<b>9,922,566</b>	<b>10,290,236</b>	<b>9,848,886</b>	<b>(441,350)</b>
Other Financing Sources				
Installment/Lease Purchase Proceeds	-	-	146,550	146,550
Interfund Transfers In				
Gypsy Moth	-	2,141	2,140	(1)
Public Building and Improvement Fund	8,680	8,680	-	(8,680)
Revenue Sharing Reserve	588,000	592,451	592,450	(1)
Jail Commissary	-	-	29,185	29,185
Tax Foreclosure	25,000	100,000	100,000	-
<b>Total Other Financing Sources</b>	<b>621,680</b>	<b>703,272</b>	<b>870,325</b>	<b>167,053</b>
<b>Total Revenues and Other Financing Sources</b>	<b>\$ 10,544,246</b>	<b>\$ 10,993,508</b>	<b>\$ 10,719,211</b>	<b>\$ (274,297)</b>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT W**

	<b>BUDGETED AMOUNTS</b>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> Positive (Negative)
General Government				
Board of Commissioners	\$ 106,033	\$ 110,779	\$ 106,757	\$ 4,022
Circuit Court	367,246	406,937	373,369	33,568
District Court	674,829	684,467	662,672	21,795
Public Guardian	35,813	35,813	35,704	109
Probate Court	510,583	512,350	489,184	23,166
Circuit Court Probation	3,300	3,300	2,593	707
Family Counseling	1,200	1,200	1,200	-
Jury Board	825	1,086	611	475
Administrator	200,171	208,727	202,415	6,312
Elections	62,000	62,844	77,150	(14,306)
Clerk	245,244	254,431	243,625	10,806
Equalization Department	180,353	180,708	167,243	13,465
Prosecuting Attorney	423,397	438,318	412,194	26,124
Register of Deeds	181,456	182,302	172,838	9,464
Abstract Department	47,076	47,076	44,411	2,665
Surveyor	4,323	4,507	4,214	293
Remonumentation	49,254	49,254	25,821	23,433
Treasurer	211,798	213,989	201,358	12,631
Cooperative Extension Service	83,078	86,485	82,262	4,223
Information Technology	54,535	66,487	61,866	4,621
Building Authority	250	250	-	250
Courthouse and Grounds	224,770	239,446	215,782	23,664
Drain Commissioner	80,310	82,445	80,992	1,453
Soil Conservation	3,000	3,000	3,000	-
Soil Erosion and Sedimentation	24,224	24,224	24,224	-
Record Copying	31,500	41,300	43,127	(1,827)
Mailing	70,951	91,501	90,630	871
Professional Services	38,500	35,500	33,300	2,200
Plat Board	150	50	-	50
<b>Total General Government</b>	<b>3,916,169</b>	<b>4,068,775</b>	<b>3,858,542</b>	<b>210,233</b>
Public Safety				
Sheriff	1,373,719	1,480,893	1,437,713	43,180
DOJ Edward Byrne Grant	-	27,691	18,037	9,654
School Safety	77,244	77,244	57,277	19,967
Sheriff--City of Harrison	155,136	170,286	148,331	21,955
Sheriff--Lincoln Township	142,351	149,744	123,840	25,904
Sheriff--Village of Farwell	36,068	55,204	49,122	6,082
Sheriff--Redding Township	5,547	5,547	3,806	1,741
Sheriff--Grant Township	18,029	18,029	15,555	2,474
Sheriff--Hayes Township	42,491	48,322	39,883	8,439
Marine Safety Program	10,000	10,676	11,649	(973)
Secondary Road Patrol	78,518	81,124	59,266	21,858
Off-Road Vehicle Grant	7,400	16,200	4,034	12,166
Snowmobile Safety Program	1,500	8,543	3,956	4,587

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

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

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Public Safety (Continued)				
Off-Road Vehicle Safety Education Grant	250	2,250	1,575	675
Jail and Turnkey	1,988,979	2,030,560	2,055,121	(24,561)
Court Security	70,856	97,769	99,184	(1,415)
Local Emergency Planning Committee	5,700	8,720	1,565	7,155
Office of Emergency Management	53,987	54,752	53,752	1,000
Animal Control	194,267	199,018	183,416	15,602
Total Public Safety	<u>4,262,042</u>	<u>4,542,572</u>	<u>4,367,082</u>	<u>175,490</u>
Public Works				
Department of Public Works	200	400	75	325
Solid Waste Planning	-	7,697	7,696	1
Drain-at-Large Assessments	3,485	3,485	3,452	33
Total Public Works	<u>3,685</u>	<u>11,582</u>	<u>11,223</u>	<u>359</u>
Health and Welfare				
Central Michigan District Health Department	217,628	217,628	211,909	5,719
Contagious Diseases	1,200	1,200	603	597
Substance Abuse	72,000	72,000	68,218	3,782
Medical Examiners	70,000	70,000	54,901	15,099
Central Michigan Mental Health Services	139,000	139,000	139,000	-
Veterans Burials	31,653	30,471	10,500	19,971
Office of Veterans Affairs	59,855	60,355	51,797	8,558
Total Health and Welfare	<u>591,336</u>	<u>590,654</u>	<u>536,928</u>	<u>53,726</u>
Community and Economic Development				
Boundry Commission	1,000	1,000	-	1,000
Middle Michigan Development	22,500	22,500	22,500	-
Total Community and Economic Development	<u>23,500</u>	<u>23,500</u>	<u>22,500</u>	<u>1,000</u>
Other				
Insurance and Bonds				
Workers Compensation	75,500	65,500	34,027	31,473
Liability	275,000	294,114	294,114	-
Unemployment	25,000	105,886	96,696	9,190
Employee Retirement	325,700	345,847	344,680	1,167
Litigations--Attorney Fees	24,000	41,335	35,121	6,214
Professional Services--Studies and Reports	10,000	10,000	10,000	-
Miscellaneous	1,700	3,700	2,087	1,613
Contingency	100,000	57,455	-	57,455
Total Other	<u>836,900</u>	<u>923,837</u>	<u>816,725</u>	<u>107,112</u>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY**  
**BUDGET AND ACTUAL--GENERAL FUND**  
**For the Fiscal Year Ended September 30, 2010**

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

	<b>BUDGETED AMOUNTS</b>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Capital Outlay				
New Equipment				
Circuit Court	25,000	25,000	-	25,000
District Court	-	12,500	-	12,500
Probate Court	375	375	-	375
Equalization	10,000	10,000	10,000	-
Prosecutor	-	1,446	-	1,446
Cooperative Extension	1,500	1,500	-	1,500
Mailing Department	-	-	104,701	(104,701)
Sheriff--Vehicles	223,483	181,534	184,456	(2,922)
Jail	-	-	48,278	(48,278)
Emergency Management	-	-	44,547	(44,547)
Veteran's Affairs	-	682	-	682
Total Capital Outlay	<u>260,358</u>	<u>233,037</u>	<u>391,982</u>	<u>(158,945)</u>
Debt Service				
Principal	-	-	48,629	(48,629)
Interest	-	-	4,790	(4,790)
Total Debt Service	<u>-</u>	<u>-</u>	<u>53,419</u>	<u>(53,419)</u>
Total Expenditures	<u>9,893,990</u>	<u>10,393,957</u>	<u>10,058,401</u>	<u>335,556</u>
Other Financing Uses				
Interfund Transfers (Out)--Primary Government				
Parks and Recreation Fund	9,734	9,734	5,000	4,734
Public Building and Improvement Fund	2,250	306,250	306,250	-
Department of Human Services Fund	10,000	10,000	5,000	5,000
Child Care Probate Fund	275,000	255,000	150,000	105,000
Child Care DHS Fund	50,000	50,000	50,000	-
Soldiers and Sailors Relief Fund	10,000	10,000	10,000	-
Building Authority Refunding Debt Fund	106,527	106,527	106,083	444
Building Renovation Fund	10,094	10,094	10,094	-
Technology Fund	-	20,000	20,000	-
Delinquent Tax Revolving Fund	-	39,500	19,281	20,219
Health Insurance Fund	-	150,000	150,000	-
Trust and Agency Fund	-	20,000	-	20,000
Total Other Financing Uses--Primary Government	<u>473,605</u>	<u>987,105</u>	<u>831,708</u>	<u>155,397</u>
Total Expenditures and Other Financing Uses	<u>\$ 10,367,595</u>	<u>\$ 11,381,062</u>	<u>\$ 10,890,109</u>	<u>\$ 490,953</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF NET ASSETS**  
**DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT**  
**September 30, 2010**

**EXHIBIT X-1**

	<b>DEBT SERVICE</b>			
	<u>Clare Water #1</u>	<u>Clare Sewer #3 Refunding Bonds - 2002</u>	<u>Clare Sewer #4</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current Assets				
Due From Local Units of Government				
Due Within One Year	\$ 15,000	\$ 35,000	-	\$ 50,000
Total Current Assets	<u>15,000</u>	<u>35,000</u>	<u>-</u>	<u>50,000</u>
Total Assets	<u>15,000</u>	<u>35,000</u>	<u>-</u>	<u>50,000</u>
Noncurrent Assets				
Due From Local Units of Government				
Due in More Than One Year	285,000	330,000	-	615,000
Total Noncurrent Assets	<u>285,000</u>	<u>330,000</u>	<u>-</u>	<u>615,000</u>
Total Assets	<u>\$ 300,000</u>	<u>\$ 365,000</u>	<u>\$ -</u>	<u>\$ 665,000</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	15,000	35,000	-	50,000
Bonds Payable--Due in More Than One Year	285,000	330,000	-	615,000
Total Noncurrent Liabilities	<u>300,000</u>	<u>365,000</u>	<u>-</u>	<u>665,000</u>
Total Liabilities	<u>300,000</u>	<u>365,000</u>	<u>-</u>	<u>665,000</u>
<b><u>NET ASSETS</u></b>				
Restricted for Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CLARE COUNTY  
 COMBINING STATEMENT OF ACTIVITIES  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 For the Fiscal Year Ended September 30, 2010**

**EXHIBIT X-2**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			
	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Clare Water #1 Debt				
Interest on Related Debt	\$ 17,804		\$ 17,804	\$ -
Total Clare Water #1 Debt	17,804	-	17,804	-
Clare Sewer #3 Refunding Bonds 2002 Debt				
Interest on Related Debt	21,160		21,160	-
Total Clare Sewer #3 Refunding Bonds 2002 Debt	21,160	-	21,160	-
Clare Sewer #4 Debt				
Interest on Related Debt	-		(178)	(178)
Total Clare Sewer #4 Debt	\$ -	\$ -	\$ (178)	\$ (178)
				Change in Net Assets
				\$ (178)
				Net Assets--Beginning of Year
				178
				Net Assets--End of Year
				\$ -

**CLARE COUNTY  
 COMBINING BALANCE SHEET  
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT  
 GOVERNMENTAL FUNDS  
 September 30, 2010**

**EXHIBIT X-3**

	<u>DEBT SERVICE</u>			
	<u>Clare Water #1</u>	<u>Clare Sewer #3 Refunding Bonds - 2002</u>	<u>Clare Sewer #4</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Due From Local Units of Government	<u>\$ 300,000</u>	<u>\$ 365,000</u>	<u>          </u>	<u>\$ 665,000</u>
Total Assets	<u><u>\$ 300,000</u></u>	<u><u>\$ 365,000</u></u>	<u><u>          </u></u>	<u><u>\$ 665,000</u></u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>				
Liabilities				
Deferred Revenue	<u>\$ 300,000</u>	<u>\$ 365,000</u>	<u>          </u>	<u>\$ 665,000</u>
Total Liabilities	<u>300,000</u>	<u>365,000</u>	<u>          </u>	<u>665,000</u>
Fund Equity				
Fund Balance				
Designated for Debt Service	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Total Fund Equity	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
Total Liabilities and Fund Equity	<u><u>\$ 300,000</u></u>	<u><u>\$ 365,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 665,000</u></u>
Fund Balance--Total Governmental Funds				\$ -
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				665,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				<u>(665,000)</u>
Total Net Assets				<u><u>\$ -</u></u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS**  
**COMPONENT UNIT--GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT X-4**

	<u>DEBT SERVICE</u>			<u>Total</u>
	<u>Clare Water #1</u>	<u>Clare Sewer #3 Refunding Bonds - 2002</u>	<u>Clare Sewer #4</u>	
Revenues				
Contributions From Local Units	\$ 42,804	\$ 41,160	\$ (178)	\$ 83,786
Total Revenues	<u>42,804</u>	<u>41,160</u>	<u>(178)</u>	<u>83,786</u>
Expenditures				
Debt Service				
Principal	25,000	20,000	-	45,000
Interest and Fiscal Fees	<u>17,804</u>	<u>21,160</u>	<u>-</u>	<u>38,964</u>
Total Expenditures	<u>42,804</u>	<u>41,160</u>	<u>-</u>	<u>83,964</u>
Excess of Revenues Over (Under)				
Expenditures	<u>-</u>	<u>-</u>	<u>(178)</u>	<u>(178)</u>
Fund Balance--October 1, 2009	<u>-</u>	<u>-</u>	<u>178</u>	<u>178</u>
Fund Balance--September 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ (178)
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.	(45,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	<u>45,000</u>
Change in Net Assets of Governmental Activities	<u>\$ (178)</u>

**CLARE COUNTY  
COMBINING STATEMENT OF NET ASSETS  
DRAIN COMPONENT UNIT  
September 30, 2010**

**EXHIBIT Y-1**

	<b>CAPITAL PROJECTS</b>				Total
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	
<b><u>ASSETS</u></b>					
Current Assets					
Cash	\$ 31,995	\$ 15,840	\$ 24,308	\$ 47,540	\$ 119,683
Investments	22,518				22,518
Special Assessments Receivable Due Within One Year	19,837				19,837
Total Current Assets	<u>74,350</u>	<u>15,840</u>	<u>24,308</u>	<u>47,540</u>	<u>162,038</u>
Noncurrent Assets					
Special Assessments Receivable Due in More Than One Year	62,454				62,454
Capital Assets--Net of Accumulated Depreciation	667,692		121,443		789,135
Total Noncurrent Assets	<u>730,146</u>	<u>-</u>	<u>121,443</u>	<u>-</u>	<u>851,589</u>
Total Assets	<u>\$ 804,496</u>	<u>\$ 15,840</u>	<u>\$ 145,751</u>	<u>\$ 47,540</u>	<u>\$ 1,013,627</u>
<b><u>LIABILITIES</u></b>					
Liabilities					
Current Liabilities					
Accounts Payable	\$ 725		\$ 745		\$ 1,470
Total Current Liabilities	<u>725</u>	<u>-</u>	<u>745</u>	<u>\$ -</u>	<u>1,470</u>
Noncurrent Liabilities					
Long-Term Advances From Primary Government		29,695		53,490	83,185
Assessments Collected in Advance	210				210
Notes Payable--Due Within One Year	21,503				21,503
Notes Payable--Due in More Than One Year	52,519				52,519
Total Noncurrent Liabilities	<u>74,232</u>	<u>29,695</u>	<u>-</u>	<u>53,490</u>	<u>157,417</u>
Total Liabilities	<u>74,957</u>	<u>29,695</u>	<u>745</u>	<u>53,490</u>	<u>158,887</u>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets--Net of Related Debt	593,670		121,443		715,113
Restricted for Capital Projects	135,869	(13,855)	23,563	(5,950)	139,627
Total Net Assets	<u>\$ 729,539</u>	<u>\$ (13,855)</u>	<u>\$ 145,006</u>	<u>\$ (5,950)</u>	<u>\$ 854,740</u>

**CLARE COUNTY  
 COMBINING STATEMENT OF ACTIVITIES  
 DRAIN COMPONENT UNIT  
 For the Fiscal Year Ended September 30, 2010**

**EXHIBIT Y-2**

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Drain				
Governmental Activities				
Public Works	\$ 33,147	\$ 89,118	\$ 75	\$ 56,046
Interest on Related Debt	3,973			(3,973)
Total Drain	<u>37,120</u>	<u>89,118</u>	<u>75</u>	<u>52,073</u>
Drain Revolving				
Governmental Activities				
Public Works				
Total Drain Revolving	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Lake Level				
Governmental Activities				
Public Works	8,797	7,382	-	(1,415)
Total Lake Level	<u>8,797</u>	<u>7,382</u>	<u>-</u>	<u>(1,415)</u>
Lake Level Revolving				
Governmental Activities				
Public Works				-
Total Lake Level Revolving	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
				Change in Net Assets \$ 50,658
				Net Assets--Beginning of Year <u>804,082</u>
				Net Assets--End of Year <u>\$ 854,740</u>

**CLARE COUNTY  
COMBINING BALANCE SHEET  
DRAIN--COMPONENT UNIT  
GOVERNMENTAL FUNDS  
September 30, 2010**

**EXHIBIT Y-3**

	<u>CAPITAL PROJECTS</u>				
	<u>Drain</u>	<u>Drain Revolving</u>	<u>Lake Level</u>	<u>Lake Level Revolving</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
Cash	\$ 31,995	\$ 15,840	\$ 24,308	\$ 47,540	\$ 119,683
Investments	22,518				22,518
Special Assessments Receivable	82,291				82,291
Due From Other Funds--Component Units		13,855		5,950	19,805
Total Assets	<u>\$ 136,804</u>	<u>\$ 29,695</u>	<u>\$ 24,308</u>	<u>\$ 53,490</u>	<u>\$ 244,297</u>
<b><u>LIABILITIES AND FUND EQUITY</u></b>					
Liabilities					
Accounts Payable	\$ 725		\$ 745		\$ 1,470
Due to Other Funds--Component Units	13,855		5,950		19,805
Long-Term Advances From Primary Government		\$ 29,695		\$ 53,490	83,185
Assessments Collected in Advance	210				210
Deferred Revenue	82,291				82,291
Total Liabilities	<u>97,081</u>	<u>29,695</u>	<u>6,695</u>	<u>53,490</u>	<u>186,961</u>
Fund Equity					
Fund Balance Reserved For Capital Projects	39,723		17,613		57,336
Total Fund Equity	<u>39,723</u>	<u>-</u>	<u>17,613</u>	<u>-</u>	<u>57,336</u>
Total Liabilities and Fund Equity	<u>\$ 136,804</u>	<u>\$ 29,695</u>	<u>\$ 24,308</u>	<u>\$ 53,490</u>	<u>\$ 244,297</u>
Fund Balance--Total Governmental Funds					\$ 57,336

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.	789,135
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.	82,291
Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(74,022)</u>
Total Net Assets	<u>\$ 854,740</u>

**CLARE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT**  
**GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended September 30, 2010**

**EXHIBIT Y-4**

	<b>CAPITAL PROJECTS</b>				
	<u>Drain</u>	<u>Drain Revolving</u>	<u>Lake Level</u>	<u>Lake Level Revolving</u>	<u>Total</u>
Revenues					
Interest and Rentals	\$ 75				\$ 75
Special Assessments	26,664		\$ 7,382		34,046
Total Revenues	<u>26,739</u>	<u>\$ -</u>	<u>7,382</u>	<u>\$ -</u>	<u>34,121</u>
Expenditures					
Current					
Public Works	15,177		4,953		20,130
Capital Outlay	13,815		5,050		18,865
Debt Service					
Principal	21,506				21,506
Interest on Related Debt	3,973				3,973
Total Expenditures	<u>54,471</u>	<u>-</u>	<u>10,003</u>	<u>-</u>	<u>64,474</u>
Excess of Revenues Over (Under)					
Expenditures	<u>(27,732)</u>	<u>-</u>	<u>(2,621)</u>	<u>-</u>	<u>(30,353)</u>
Fund Balance (Deficit)--October 1, 2009	<u>67,455</u>	<u>-</u>	<u>20,234</u>	<u>-</u>	<u>87,689</u>
Fund Balance (Deficit)--September 30, 2010	<u>\$ 39,723</u>	<u>\$ -</u>	<u>\$ 17,613</u>	<u>\$ -</u>	<u>\$ 57,336</u>

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

Net Change in Fund Balances--Total Governmental Funds	\$ (30,353)
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.	(2,949)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	21,506
The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities.	<u>62,454</u>
Change in Net Assets of Governmental Activities	<u>\$ 50,658</u>

**CLARE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)**  
**For the Fiscal Year Ended September 30, 2010**

**SCHEDULE 1**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Grantor Number	Revenue Recognized	Federal Expenditures
<b>PRIMARY GOVERNMENT</b>				
US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT				
Office of Rural Development--Direct				
Rural Housing Preservation Grant	10.433	Grant #41and 51	\$ 10,453	\$ 10,453
Office of Rural Housing Service--Direct				
Community Facilities Grant				
Building Roof Project--Grant	10.766	(3)	9,000	(5)
Prisoner Transport/Patrol Vehicles	10.766	(3)		(5) 40,000
Office of Rural Development--Direct				
Rural Business Enterprise Grant	10.769	RSB FY2008	69,200	69,200
Rural Business Enterprise Grant	10.769	RSB FY2009	15,800	15,800
Lead Base Paint Training	10.769	(3)	10,678	10,678
Office of Community Development--Direct				
Enterprise Community	10.772	(3)	268,410	268,410
<b>TOTAL US DEPARTMENT OF AGRICULTURE</b>			<u>383,541</u>	<u>414,541</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed Through Michigan Department of Consumer and Industry Services				
Community Development Block Grant	14.228	MSC-2009-0761-HOA	18,982	18,982
<b>TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>18,982</u>	<u>18,982</u>
US DEPARTMENT OF JUSTICE				
Office of Michigan Department of State Police--Direct				
Bulletproof Vest Partnership Program--FY 2009	16.607	(3)	1,593	(5)
Bulletproof Vest Partnership Program--FY 2010	16.607	(3)		(5) 2,048
Edward Byrne Memorial Justice Assistance Grants	16.738	2009-DJ-BX-0086	26,026	26,026
American Recovery and Reinvestment Act--Justice Assistance Grant	16.804	2009-SB-B9-2008	17,488	17,488
<b>TOTAL US DEPARTMENT OF JUSTICE</b>			<u>45,107</u>	<u>45,562</u>
US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY				
Office of Environmental Protection Agency--Direct				
Brownfield Assessment Cooperative Agreement	66.814	BF-00E45701	20,765	20,765
<b>TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</b>			<u>20,765</u>	<u>20,765</u>
US DEPARTMENT OF ENERGY, LABOR & ECONOMIC GROWTH				
Office of Energy, Labor & Economic Growth--Direct				
Energy Efficiency & Conservation Block Grant Program	81.128	BES-10-118	113,284	113,284
<b>TOTAL US DEPARTMENT OF ENERGY, LABOR &amp; ECONOMIC GROWTH</b>			<u>113,284</u>	<u>113,284</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Office of Michigan Department of Human Services--Passed Through				
Region VII Area Agency on Aging				
C-1 Congregate Meals	93.045	(3)	41,110	41,110
C-2 Home Delivered Meals	93.045	(3)	43,601	43,601
Title IIIB Case Coordination	93.044	(3)	21,673	21,673
Title IIIB Senior Center Staffing	93.044	(3)	6,619	6,619
Title IIIB Personal Care	93.044	(3)	1,893	1,893
Title IIIB Homemaker	93.044	(3)	5,570	5,570
Title IIIB Respite	93.044	(3)	1,735	1,735
Title IIIE Caregiver Training	93.052	(3)	11,991	11,991
Title IIID Disease Prevention/Health Promotion	93.043	(3)	5,000	5,000
Title IIIE Supplemental Funds	93.052	(3)	2,373	(5) 3,765
Title IIIE Kinship Care Funds	93.052	(3)	650	(5) 1,078
NSIP Congregate	93.053	(3)	13,591	13,591
NSIP Home Delivered Meals	93.053	(3)	27,510	27,510
ARRA Congregate Meals	93.707	(3)	3,770	(5) 10,363
ARRA Home Delivered Meals	93.705	(3)	3,199	(5) 4,490
ARRA ADM Congregate	93.707	(3)	(5)	1,028
ARRA ADM Home Delivered Meals	93.705	(3)	(5)	506
Title IIIB POS CM Personal Care	93.044	(3)	56	56
Title IIIB POS CM Homemaking	93.044	(3)	383	383
POS Waiver	93.778	(3)	9,031	9,031
Office of Michigan Department of Human Services--Passed Through/Direct				
Child Support Enforcement (Title IV-D)				
Friend of the Court--Performance Incentive Programs	93.563	CS/FOC-09-18001	42,933	(4)
Friend of the Court	93.563	CS/FOC-09-18001	18,436	(5)
Friend of the Court	93.563	CS/FOC-10-18001	191,234	(5) 215,087
Prosecuting Attorney	93.563	CS/PA-09-18002	2,916	(5)
Prosecuting Attorney	93.563	CS/PA-10-18002	22,063	(5) 26,714
Foster Care - Title IV-E	93.658	PROFC-10-18001	11,687	(5) 12,165
Public Guardian Services	93.667	Guard 09-18001	3,010	3,010
<b>TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>492,034</u>	<u>467,969</u>
US DEPARTMENT OF HOMELAND SECURITY				
Passed Through Michigan Department of Natural Resources				
Boating Safety Financial Assistance--Marine Safety Program 2009	97.012	(3)	8,351	(5)
Boating Safety Financial Assistance--Marine Safety Program 2010	97.012	(3)		(5) 11,160
Passed Through Michigan Department of State Police				
Public Safety Interoperable Communications (PSIC)				
PSIC Competitive Project R6-02	11.555	2007-GS-H7-0043	1,364	1,364
Office of Michigan Department of State Police--Direct				
Emergency Management Performance Grant	97.042	(3)	1,116	(5)
Emergency Management Performance Grant	97.042	2010-EP-00-0002	6,486	(5) 8,727
Passed Through Western Michigan Shoreline Regional				
Development Commission			4,694	
Homeland Security Grant Program	97.067	(3)	4,549	
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<u>62,449</u>	<u>(5) 64,314</u>
<b>TOTAL US DEPARTMENT OF HOMELAND SECURITY</b>			<u>89,009</u>	<u>85,565</u>
<b>TOTAL PRIMARY GOVERNMENT</b>			<u>\$ 1,162,722</u>	<u>\$ 1,166,668</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, 2010

- 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 2010, the Road Commission received and expended \$1,435,840 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..



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 22, 2011

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

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

Dear Commissioners:

We have audited 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, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 22, 2011. 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 opinions 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 internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of

findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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

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 Schedule of Findings and Questioned Costs to be significant deficiencies listed as Findings 2008-1, 2009-5, 2010-1, and 2010-2.

#### 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 2007-9, 2010-3, 2010-4, and 2010-5.

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



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

March 22, 2011

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

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

Dear Commissioners:

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, 2010. 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 2010 year audit. Our audit, described below, did not include the operations of the Clare County Transit Corporation (enterprise fund), which received \$3,659,074 in Federal awards which is not included in the schedule during the fiscal year ended September 30, 2010 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 \$1,435,840 in Federal awards, is not included in the schedule for the fiscal year ended September 30, 2010 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

County of Clare  
March 22, 2011

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, 2010.

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, 2010

**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
16.804	ARRA Justice Assistance Grant
93.044, 93.045, 93.053, 93.705, 93.707	Senior Center Cluster
93.563	Child Support Enforcement (Title IV-D)

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

Auditee qualified as low-risk auditee?                           Yes      ✓   No

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**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 Tracy Byard, Clare County Administrator, 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, 2010

**Section II--Financial Statement Findings**

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 test work, 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 Tracy Byard, 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.

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, 2010

**Section II--Financial Statement Findings**

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

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

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Section II--Financial Statement Findings**

SIGNIFICANT DEFICIENCIES (Continued)

Jail Inmate Bank Reconciliation

*Finding 2010-1*

*Condition:* The September 30, 2010 jail inmate bank account was not reconciled as of February 2011.

*Cause:* An overall lack of internal control in the Sheriff's office related to the reconciliation of the jail inmate bank account. There was a new kiosk in the Sheriff's office as well as new staff assigned to reconcile the account.

*Effect:* The board of commissioners or jail inmates cannot have a true picture of cash available for disbursements, nor monitor its budget as revenues and expenses may be misstated.

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

*Recommendation:* We strongly recommend that all bank accounts be reconciled monthly with the accounting records and that all bank accounts be recorded in the county's records. The activity in the bank should reconcile to the general ledger and provide a means to correct errors in posting. The county must be able to determine how much money each fund has in a particular bank and/or investment account.

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

Administrative Asst. Haskin and Sgt. Smith are to resolve pending problems with our JMS program and Kiosk machines so the account can be accurately reconciled and up to date. A monthly record will be kept on file and readily available for our next audit.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2010

**Section II--Financial Statement Findings**

SIGNIFICANT DEFICIENCIES (Continued)

Insufficient Information on Copier Lease

*Finding 2010-2*

*Condition:* The County entered into a copier lease on July 8, 2010. The amortization schedule provided by the County showed the total amount financed as \$146,549.86. The listing of copiers received from the County showed the total value of the copiers as \$104,701.29. The County has a previous copier lease with an outstanding balance of \$14,192.69 that was “rolled into” the new copier lease, however, the County was not able to reconcile/support the amount financed to the value of the copiers leased (including the old copier lease).

*Criteria:* In order to have strong internal controls, management must be able to support all transactions that the County enters into. Unsupported transactions show a lack of internal controls.

*Cause:* It appears to be a lack of internal controls and communication between the County and the leasing company entering into the lease agreement.

*Effect:* The effect is that the County is unable to provide accurate accounting of the amount borrowed for copiers.

*Recommendation:* We recommend that the County analyze the situation and reconcile the amount financed to the value of the copiers leased (including the old copier lease).

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

The County will analyze the situation with our leasing company and reconcile the amount financed with the value of the copiers leased, which will also include the old copier lease.

NONCOMPLIANCE WITH STATE STATUTES

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

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

*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.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Section II--Financial Statement Findings**

NONCOMPLIANCE WITH STATE STATUTES (Continued)

The County's 2010 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 2010 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

During the fiscal year ended September 30, 2010, 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			
Capital Outlay	\$ 233,037	\$ 391,982	\$ (158,945)
Debt Service	-	53,419	(53,419)
EECBG Grant Fund			
General Government	108,282	113,284	(5,002)
Child Care Fund			
Health and Welfare	113,000	115,123	(2,123)

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

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

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

*Directive:* We direct the County's chief administrative officer (administrator), the boards and commissions, and administrative personnel responsible for administering the activities of the various funds of the County to develop budgetary control procedures for the general fund and special revenue funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each County department head be responsible for monitoring the budgetary status 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, 2010

**Section II--Financial Statement Findings**

NONCOMPLIANCE WITH STATE STATUTES (Continued)

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

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

Violation of Open Meetings Act

*Finding 2010-3*

*Condition:* We found that there were no notations of any kind of a closed Board session on February 17, 2010; however, the March 3, 2010 minutes had approval of a February 17, 2010 closed session. We also found that there was not a reason stated for a closed session on May 5, 2010.

*Cause:* Lack of appropriate procedures to comply with the Open Meetings Act.

*Effect:* The effect of this noncompliance is that the public or anyone that reads the board minutes will not know if a 2/3 vote of the members agreed to go into a closed session and the public will not know the reason for the closed session.

*Criteria:* MCL 15.267 section 7 of the Open Meetings Act states: "A 2/3 roll call vote of members elected or appointed and serving is required to call a closed session, except for the closed sessions permitted under section 8(a), (b), (c), (g), (i), and (j). The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the meeting at which the vote is taken.

*Directive:* We direct the county to consistently record the vote of members to go into a closed session and to consistently record the purpose of its closed sessions.

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

Action has been put in place for the above recommendation to be followed on a regular basis.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Section II--Financial Statement Findings**

OTHER MATTERS

Computer Password Security

*Finding 2010-4*

*Condition:* We noted in review of the internal controls over the JMS Computer System in the District Court offices that there is not sufficient security over passwords.

*Cause:* Inadequate internal controls over password security.

*Effect:* Without adequate security, passwords do not keep information secure and unauthorized transactions can not be traced easily to the originator.

*Criteria:* General computer controls relate to the County's overall computer environment.

*Recommendation:* We recommend that the District Court establish and maintain secure passwords for the JMS computer system.

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

Measures will be put in place to establish and maintain secure passwords for the JMS Computer System in the District Court office.

Internal Service Fund

*Finding 2010-5*

*Condition:* The Health Insurance Fund no longer meets the definition of an internal service fund as it is no longer charging other departments and funds for health insurance expenses.

*Criteria:* The Uniform Chart of Accounts defines Internal Service Funds as funds used to finance, administer, and account for the financing of goods and services provided by one department or agency to other department or agencies of the governmental unit or to other governmental units on a cost reimbursement basis.

*Cause:* The County changed its accounting procedures at the start of the fiscal year when it changed its health insurance plan to pay the bill directly from the applicable department and funds instead of the Health Insurance Fund.

*Effect:* The County is not appropriately reporting the remaining activities charged to the Health Insurance Fund.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Section II--Financial Statement Findings**

OTHER MATTERS (Continued)

*Recommendation:* We recommend that the County close the Health Insurance Fund immediately and transfer all remaining assets to the General Fund. The remaining revenues and expenditures that were posted to the Health Insurance Fund that are not able to be allocated to specific departments and funds should be accounted for as their own activities in the General Fund.

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

The above recommendation will be followed through.

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

There were no findings related to single audit compliance.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Summary Schedule of Prior Year Audit Findings**

MATERIAL WEAKNESSES

Administrator--Capital Assets

*Finding 2007-5*

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

*Current Year Status:* This is an on-going issue. This issue was carried forward as a current year deficiency.

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 test work, there were many grant documents that were not readily available. After auditor follow-up, all documents were obtained.

*Current Year Status:* This is an on-going issue. This issue was carried forward as a current year deficiency.

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.

*Current Year Status:* This issue has been corrected. The Pubic Guardian is making timely deposits with the County Treasurer.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Summary Schedule of Prior Year Audit Findings**

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).

*Current Year Status:* 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.

*Current Year Status:* This issue has been corrected. There are now appropriate controls in place.

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.

*Current Year Status:* This issue has been corrected. The Public Guardian is being compensated according to the contract.

Preparation of Financial Statements in Accordance with GAAP

*Finding 2009-5*

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

*Current Year Status:* This is an on-going issue. This issue was carried forward as a current year deficiency.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Summary Schedule of Prior Year Audit Findings**

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.

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

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.

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

NONCOMPLIANCE WITH STATE STATUTES

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

*Current Year Status:* This issue has been corrected. There are no fund deficits as of September 30, 2010.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Fiscal Year Ended September 30, 2010

**Summary Schedule of Prior Year Audit Findings**

Board of Commissioners--Expenditures in Excess of Appropriations

*Finding 2007-9*

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

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



RICK SNYDER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

ANDY DILLON  
STATE TREASURER

March 22, 2011

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

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the fiscal year ended September 30, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 22, 2011. 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 May 20, 2010, 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 October 27, 2010.

#### 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, 2010. 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 22, 2011.

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