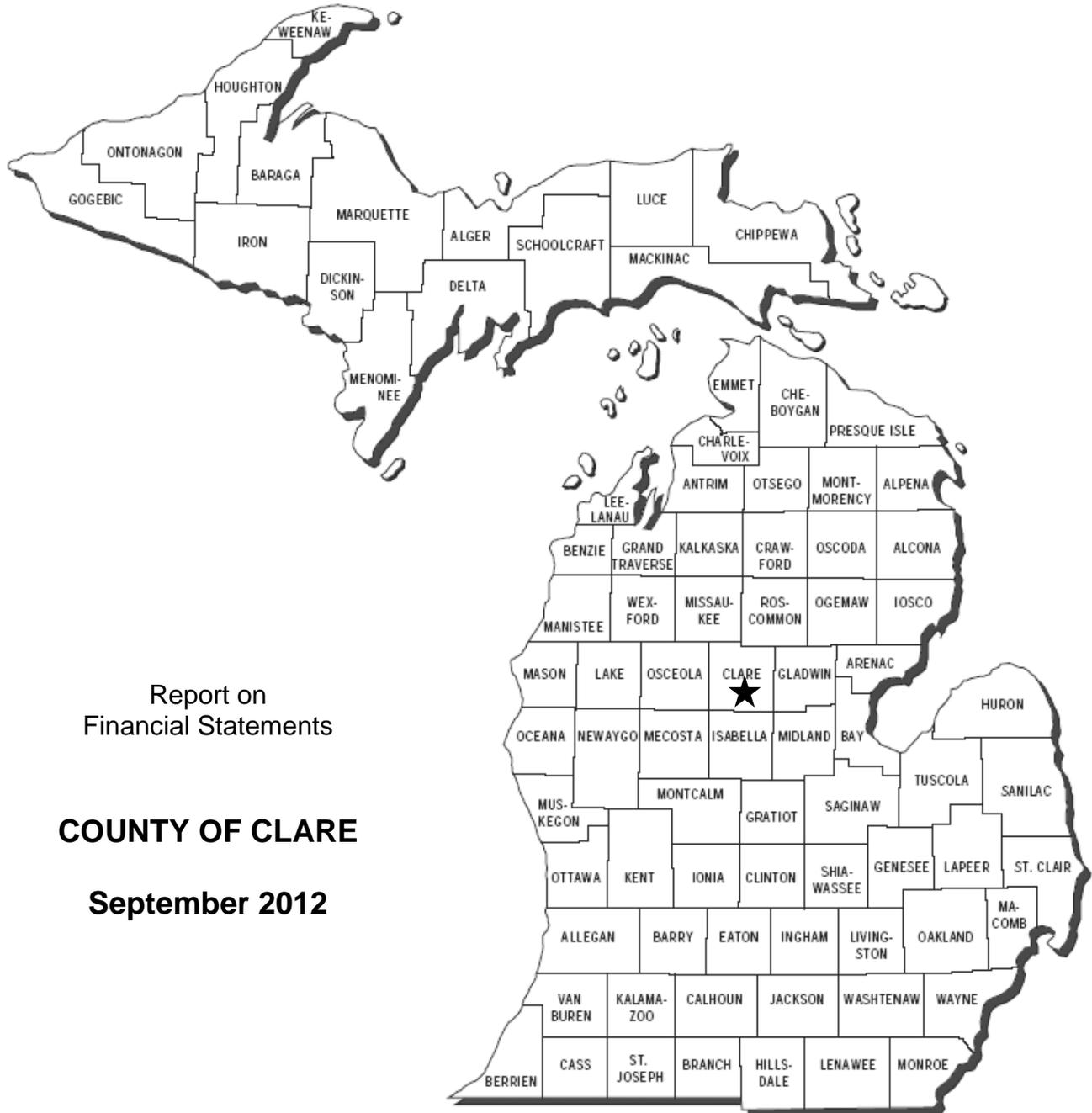


STATE OF MICHIGAN

Rick Snyder, Governor

DEPARTMENT OF TREASURY

Andy Dillon, State Treasurer



Report on
Financial Statements

COUNTY OF CLARE

September 2012

CLARE COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Donald David
Chairperson

Jim Gelios
Lynn Grim
Leonard Strouse

Jerome Burger
Karen Lipovsky
Jack Kleinhardt

COURT JUDGES

Thomas Evans
Circuit Judge

Roy Mienk
Circuit Judge

Joshua Farrell
District Judge

Thomas P. McLaughlin
Probate Judge

OTHER ELECTED OFFICIALS

Pamela Mayfield
Clerk/Register of Deeds
and Abstractor

Paul Lapham
Surveyor

John Wilson
Sheriff

Carl J. Parks
Drain Commissioner

Jenny Beemer-Fritzinger
Treasurer

Michelle Ambrozaitis
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Michael Duggan
Chairperson

Richard Haynak

Eddy Garver

COUNTY POPULATION--2010

30,926

STATE EQUALIZED VALUATION--2012

\$1,226,125,817



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

March 29, 2013

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, 2012, which collectively comprise the County of Clare's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County of Clare'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 47% and 56%, respectively, of the assets and revenues of the business-type funds. We did not audit the financial statements of the Clare County Road Commission (special revenue component unit) which represents 97% and 99%, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amount 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 of Clare as

of September 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2013 on our consideration of the County of Clare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards 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 of Clare's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual non-major fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual non-major fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



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

CLARE COUNTY

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COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2012

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, 2012. 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, 2012

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

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2012

The County as a Whole

The County's net assets for the governmental funds decreased \$197,530 or 2% from the prior fiscal year for the governmental activities. The County's net assets for the business-type activities decreased \$380,018 or 2% 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> 2011 | <u>Governmental Activities</u> 2012 | <u>Difference</u> | <u>Percent</u> |
|-----------------------------------|--|--|---------------------|----------------|
| Other Assets | \$ 6,894,286 | \$ 6,720,207 | \$ (174,079) | -3% |
| Capital Assets | 4,280,036 | 4,368,812 | 88,776 | 2% |
| Total Assets | <u>11,174,322</u> | <u>11,089,019</u> | <u>(85,303)</u> | <u>-1%</u> |
| Long-Term Liabilities Outstanding | 1,513,885 | 1,510,093 | (3,792) | 0% |
| Other Liabilities | 409,844 | 525,862 | 116,018 | 28% |
| Total Liabilities | <u>1,923,729</u> | <u>2,035,955</u> | <u>112,226</u> | <u>6%</u> |
| Net Assets | | | | |
| Invested in Capital Assets | | | | |
| Net of Related Debt | 3,372,206 | 3,360,809 | (11,397) | 0% |
| Restricted | 4,477,086 | 4,411,516 | (65,570) | -1% |
| Unrestricted | 1,401,302 | 1,280,739 | (120,563) | -9% |
| Total Net Assets | <u>\$ 9,250,594</u> | <u>\$ 9,053,064</u> | <u>\$ (197,530)</u> | <u>-2%</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, charges or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. All assets as such (except for 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, 2012

A portion of the County's net assets in the amount of \$3,360,809 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, \$4,411,516, represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$1,280,739 represents "unrestricted net assets" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2012 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.

| | <u>Business-Type Activities</u> <u>2011</u> | <u>Business-Type Activities</u> <u>2012</u> | <u>Difference</u> | <u>Percent</u> |
|----------------------------|--|--|---------------------|----------------|
| Other Assets | \$ 8,647,318 | \$ 8,598,007 | \$ (49,311) | -1% |
| Capital Assets | <u>5,166,103</u> | <u>4,891,720</u> | <u>(274,383)</u> | <u>-5%</u> |
| Total Assets | <u>13,813,421</u> | <u>13,489,727</u> | <u>(323,694)</u> | <u>-2%</u> |
| Other Liabilities | <u>74,284</u> | <u>130,608</u> | <u>56,324</u> | <u>76%</u> |
| Total Liabilities | <u>74,284</u> | <u>130,608</u> | <u>56,324</u> | <u>76%</u> |
| Net Assets | | | | |
| Invested in Capital Assets | 5,166,103 | 4,891,720 | (274,383) | -5% |
| Unrestricted | <u>8,573,034</u> | <u>8,467,399</u> | <u>(105,635)</u> | <u>-1%</u> |
| Total Net Assets | <u>\$ 13,739,137</u> | <u>\$ 13,359,119</u> | <u>\$ (380,018)</u> | <u>-3%</u> |

COUNTY OF CLARE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012**

The following table shows the changes of the net assets for the fiscal years ended September 30, 2011 and September 30, 2012:

| | Governmental Activities <u>2011</u> | Governmental Activities <u>2012</u> | Difference | Percent |
|---|---|---|---------------------|-------------|
| Program Revenues | | | | |
| Charges for Services | \$ 2,678,851 | \$ 2,890,484 | \$ 211,633 | 8% |
| Operating Grants and Contributions | 2,926,174 | 2,953,062 | 26,888 | 1% |
| Capital Grants and Contributions | - | 45,000 | 45,000 | 100% |
| General Revenues | | | | |
| Property Taxes | 5,907,400 | 6,479,459 | 572,059 | 10% |
| Unrestricted Investment Earnings | 21,534 | 36,932 | 15,398 | 72% |
| Other Revenues | 1,076,016 | 1,177,878 | 101,862 | 9% |
| Total Revenues | <u>12,609,975</u> | <u>13,582,815</u> | <u>972,840</u> | <u>8%</u> |
| Program Expenses | | | | |
| General Government | 4,521,389 | 4,427,508 | (93,881) | -2% |
| Public Safety | 5,587,999 | 5,670,276 | 82,277 | 1% |
| Public Works | 77,076 | 25,271 | (51,805) | -67% |
| Health and Welfare | 2,076,436 | 2,115,861 | 39,425 | 2% |
| Community and Economic Development | 279,964 | 297,161 | 17,197 | 6% |
| Recreation and Culture | 18,150 | 18,279 | 129 | 1% |
| Other | 1,342,239 | 1,222,071 | (120,168) | -9% |
| Interest on Long-Term Debt | 51,483 | 72,216 | 20,733 | 40% |
| Total Expenses | <u>13,954,736</u> | <u>13,848,643</u> | <u>(106,093)</u> | <u>-1%</u> |
| Increase (Decrease) in Net Assets Before Transfers | (1,344,761) | (265,828) | 1,078,933 | 80% |
| Transfers In (Out) | <u>173,971</u> | <u>68,299</u> | <u>(105,672)</u> | <u>-61%</u> |
| Change in Net Assets | (1,170,790) | (197,529) | 973,261 | 83% |
| Beginning Net Assets | <u>10,421,384</u> | <u>9,250,594</u> | <u>(1,170,790)</u> | <u>-11%</u> |
| Ending Net Assets | <u>\$ 9,250,594</u> | <u>\$ 9,053,065</u> | <u>\$ (197,529)</u> | <u>-2%</u> |

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Year Ended September 30, 2012

The County's total governmental revenues increased \$972,840 or 8%. This was due to an increase in property tax revenue and charges for services. Expenses decreased \$106,093 or 1% as the general government reduced overall expenses.

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.

COUNTY OF CLARE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012**

Business-Type Activities

The County's business-type activities consist of the Delinquent Tax Fund, the Transit Fund, the Tax Foreclosure Fund, as well as the Lank Bank Authority Fund, the Tax Anticipation Fund, and the Jail Commissary Fund. The County's net assets for business-type activities decreased during 2012 by \$380,018 or by 3% from the prior fiscal year. This was due largely to a decrease in capital grants and contributions.

| | <u>Business-Type Activities 2011</u> | <u>Business-Type Activities 2012</u> | <u>Difference</u> | <u>Percent</u> |
|---|--|--|---------------------|----------------|
| Program Revenues | | | | |
| Charges for Services | \$ 1,630,529 | \$ 1,556,882 | \$ (73,647) | -5% |
| Operating Grants and Contributions | 871,934 | 803,532 | (68,402) | -8% |
| Capital Grants and Contributions | 795,778 | 104,444 | (691,334) | -87% |
| General Revenues | | | | |
| Property Taxes | 302,939 | 305,553 | 2,614 | 1% |
| Unrestricted Investment Earnings | 41,553 | 37,168 | (4,385) | -11% |
| Total Revenues | <u>3,642,733</u> | <u>2,807,579</u> | <u>(835,154)</u> | <u>-23%</u> |
| Program Expenses | | | | |
| Delinquent Tax Fund | 371,787 | 410,599 | 38,812 | 10% |
| Tax Foreclosure Fund | 12,499 | 14,654 | 2,155 | 17% |
| Public Transit | 2,044,514 | 2,039,310 | (5,204) | 0% |
| Nonmajor Enterprise | 73,210 | 105,320 | 32,110 | 44% |
| Total Expenses | <u>2,502,010</u> | <u>2,569,883</u> | <u>67,873</u> | <u>3%</u> |
| Increase in Net Assets Before Transfers | 1,140,723 | 237,696 | (903,027) | -79% |
| Transfers | <u>(173,971)</u> | <u>(617,714)</u> | <u>(443,743)</u> | <u>255%</u> |
| Increase (Decrease) in Net Assets | 966,752 | (380,018) | (1,346,770) | -139% |
| Beginning Net Assets | <u>12,772,385</u> | <u>13,739,137</u> | <u>966,752</u> | <u>8%</u> |
| Ending Net Assets | <u>\$ 13,739,137</u> | <u>\$ 13,359,119</u> | <u>\$ (380,018)</u> | <u>-3%</u> |

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012

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 2012 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.

Capital Assets

At the end of the fiscal year 2012, the County's governmental activities had invested \$4,285,626, net of accumulated depreciation, in a broad range of capital assets (refer to the table below). Depreciation charges for the fiscal year totaled \$592,696. At the end of fiscal year 2012, the County's business-type activities had invested \$4,891,720, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for the fiscal year totaled \$439,738.

| | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Land | \$ 108,326 | \$ 108,326 | | | \$ 108,326 | \$ 108,326 |
| Building and Improvements | 3,121,437 | 3,071,292 | \$ 3,899,861 | \$ 3,787,818 | 7,021,298 | 6,859,110 |
| Vehicles | 308,752 | 582 | 1,194,085 | 984,292 | 1,502,837 | 984,874 |
| Furniture and Equipment | 741,521 | 754,426 | 72,157 | 59,901 | 813,678 | 814,327 |
| Construction in Progress | | | | 59,709 | | 59,709 |
| Total | <u>\$ 4,280,036</u> | <u>\$ 3,934,626</u> | <u>\$ 5,166,103</u> | <u>\$ 4,891,720</u> | <u>\$ 9,446,139</u> | <u>\$ 8,826,346</u> |

The most significant impact on capital assets during the year resulted from an increase in vehicles in the governmental activities and a decrease in vehicles in the business-type activities.

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012

Long-Term Debt

The County's long-term debt and other long-term obligations may be summarized as follows:

| | Governmental Activities | |
|-------------------------------|----------------------------|---------------------|
| | 2011 | 2012 |
| Note - Building | | |
| Boilers | | \$ 86,485 |
| Building Authority | | |
| Bonds | \$ 730,000 | 695,000 |
| Equipment Lease | | |
| Copy Machines | 116,830 | 89,333 |
| Brownfield Redevelopment Loan | | |
| Note - Building | | |
| Roof | 61,000 | 54,000 |
| Compensated Absences | 345,377 | 323,874 |
| Total | <u>\$ 1,414,728</u> | <u>\$ 1,394,033</u> |

During the year, the County refunded the Building Authority Bonds and obtained a new note for three new boilers for the Courthouse.

General Fund Budgetary Highlights

Over the course of the year, the County Board amended the budget to take into account events during the year. During the fiscal year, the County's General Fund revenue budget increased \$687,212 or 6% above the original budget. Actual General Fund revenue and other financing sources totaled \$10,899,567, which was \$160,283 lower than the final amended budget. The largest variance was charges for services in which the actual revenue came in \$211,585 lower than the final budget.

During the fiscal year, the County's expenditure budget increased \$48,373 or less than 1% above the original budget. Actual General Fund expenditures and other financing uses totaled \$10,991,444, which was \$220,600 under the final amended budget. The largest variance was in capital outlay that was \$150,337, more than the final budget.

Capital Asset and Debt Administration

At the end of fiscal year 2012, the County (primary government) had \$4,285,627 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 building improvements (boilers

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012

for the courthouse), public safety equipment and vehicles for the Sheriff's Department. These additions totaled \$598,286.

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 \$1,394,033 which includes vested employee benefits of \$323,874.

Economic Factors and Next Year's Budgets and Rates

The major issues being addressed in the 2013 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, 2012

EXHIBIT A

| | PRIMARY GOVERNMENT | | | |
|---|------------------------------------|-------------------------------------|----------------------|----------------------------|
| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Units</u> |
| <u>ASSETS</u> | | | | |
| Current Assets | | | | |
| Cash and Bank Deposits | \$ 2,962,961 | \$ 4,255,959 | \$ 7,218,920 | \$ 2,968,905 |
| Investments | 297,585 | 1,408,160 | 1,705,745 | 272,036 |
| Receivables | | | | |
| Summer Taxes | 961,568 | - | 961,568 | - |
| Taxes--Delinquent | | 2,645,327 | 2,645,327 | - |
| Accounts | 372,821 | 40,857 | 413,678 | 3,908 |
| Loans | 1,727,586 | - | 1,727,586 | - |
| Due From Federal Government | 58,676 | 30,395 | 89,071 | - |
| Due From State | 211,072 | - | 211,072 | 667,546 |
| Due From Local Units of Governments | | | | |
| Due Within One Year | 127,938 | 14,370 | 142,308 | 77,263 |
| Special Assessments Receivable | | | | |
| Due Within One Year | - | - | - | 34,074 |
| Prepaid Expenses | - | 2,870 | 2,870 | - |
| Cash on Deposit With Agent | - | 200,069 | 200,069 | - |
| Inventories | - | - | - | 375,145 |
| Total Current Assets | <u>6,720,207</u> | <u>8,598,007</u> | <u>15,318,214</u> | <u>4,398,877</u> |
| Noncurrent Assets | | | | |
| Capital Assets--Net of Accumulated Depreciation | 4,285,627 | 4,891,720 | 9,177,347 | 28,611,010 |
| Long-Term Advances to | | | | |
| Other Funds--Component Units | 83,185 | - | 83,185 | - |
| Total Noncurrent Assets | <u>4,368,812</u> | <u>4,891,720</u> | <u>9,260,532</u> | <u>28,611,010</u> |
| Total Assets | <u>\$ 11,089,019</u> | <u>\$ 13,489,727</u> | <u>\$ 24,578,746</u> | <u>\$ 33,009,887</u> |

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2012

EXHIBIT A
(CONTINUED)

| | PRIMARY GOVERNMENT | | | Component Units |
|--|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| <u>LIABILITIES AND NET ASSETS</u> | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 398,785 | \$ 74,438 | \$ 473,223 | \$ 210,630 |
| Accrued Liabilities | 127,077 | 31,647 | 158,724 | |
| Total Current Liabilities | <u>525,862</u> | <u>106,085</u> | <u>631,947</u> | <u>210,630</u> |
| Long-Term Liabilities | | | | |
| Advances From State | 25,000 | - | 25,000 | 240,725 |
| Long-Term Advances From Other Funds--Primary Government | - | - | - | 83,184 |
| Brownfield Redevelopment Loan Payable | | | | |
| Due Within One Year | 13,273 | - | 13,273 | - |
| Due In More Than One Year | 132,068 | - | 132,068 | - |
| Bonds Payable | | | | |
| Due Within One Year | 99,000 | - | 99,000 | - |
| Due In More Than One Year | 596,000 | - | 596,000 | - |
| Notes Payable | | | | |
| Due Within One Year | 8,000 | - | 8,000 | 15,503 |
| Due In More Than One Year | 46,000 | - | 46,000 | 15,508 |
| Installment Purchase Agreements Payable | | | | |
| Due Within One Year | 49,403 | - | 49,403 | - |
| Due in More Than One Year | 126,415 | - | 126,415 | - |
| Vested Employee Benefits Payable | 323,874 | 24,523 | 348,397 | 201,581 |
| Post-Employment Benefit Liabilities | 74,687 | - | 74,687 | 1,044,109 |
| Total Noncurrent Liabilities | <u>1,493,720</u> | <u>24,523</u> | <u>1,518,243</u> | <u>1,600,610</u> |
| Total Liabilities | <u>2,019,582</u> | <u>130,608</u> | <u>2,150,190</u> | <u>1,811,240</u> |
| Net Assets | | | | |
| Investment in Capital Assets--Net of Related Debt | 3,360,809 | 4,891,720 | 8,252,529 | 28,579,999 |
| Restricted | 4,411,516 | - | 4,411,516 | 2,618,648 |
| Unrestricted | 1,297,112 | 8,467,399 | 9,764,511 | - |
| Total Net Assets | <u>\$ 9,069,437</u> | <u>\$ 13,359,119</u> | <u>\$ 22,428,556</u> | <u>\$ 31,198,647</u> |

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

**CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended September 30, 2012**

EXHIBIT B

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>PROGRAM REVENUES</u> | | |
|------------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General Government | \$ 4,415,159 | \$ 1,297,465 | \$ 758,183 | \$ - |
| Public Safety | 5,666,252 | 1,575,524 | 860,097 | 45,000 |
| Public Works | 25,271 | - | 11,533 | - |
| Health and Welfare | 2,115,861 | 2,286 | 1,037,935 | - |
| Community and Economic Development | 297,161 | 15,209 | 285,314 | - |
| Recreation and Culture | 18,280 | - | - | - |
| Other | 1,830,423 | - | - | - |
| Interest on Long-Term Debt | 72,216 | - | - | - |
| Total Governmental Activities | <u>14,440,622</u> | <u>2,890,484</u> | <u>2,953,062</u> | <u>45,000</u> |
| Business-Type Activities | | | | |
| Delinquent Tax Revolving | - | 424,525 | - | - |
| Tax Foreclosure | 410,599 | 645,114 | - | - |
| Interest Expense | 14,654 | - | - | - |
| Public Transit | 2,039,310 | 391,935 | 803,532 | 104,444 |
| Non-Major Enterprise | 46,384 | 95,308 | - | - |
| Total Business-Type Activities | <u>2,510,947</u> | <u>1,556,882</u> | <u>803,532</u> | <u>104,444</u> |
| Total Primary Government | <u>\$ 16,951,569</u> | <u>\$ 4,447,366</u> | <u>\$ 3,756,594</u> | <u>\$ 149,444</u> |
| Component Units | | | | |
| Road Commission | \$ 6,227,880 | \$ 1,762,768 | \$ 3,622,930 | \$ 143,395 |
| Interest on Long-Term Debt | | | | |
| Department of Public Works | | | | |
| Interest on Long-Term Debt | 33,796 | - | 33,796 | - |
| Drain Fund | 50,114 | 15,598 | 22 | - |
| Interest on Long-Term Debt | 2,094 | - | - | - |
| Total Component Units | <u>\$ 6,313,884</u> | <u>\$ 1,778,366</u> | <u>\$ 3,656,748</u> | <u>\$ 143,395</u> |

CLARE COUNTY
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 For the Fiscal Year Ended September 30, 2012

EXHIBIT B
 (CONTINUED)

| NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS | | | | |
|--|------------------------------------|-------------------------------------|-----------------------|----------------------------|
| PRIMARY GOVERNMENT | | | | |
| <u>Functions/Programs</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> | <u>Component Units</u> |
| Primary Government | | | | |
| Governmental Activities | | | | |
| General Government | \$ (2,359,511) | \$ - | \$ (2,359,511) | \$ - |
| Public Safety | (3,185,630) | - | (3,185,630) | - |
| Public Works | (13,738) | - | (13,738) | - |
| Health and Welfare | (1,075,640) | - | (1,075,640) | - |
| Community and Economic Development | 3,362 | - | 3,362 | - |
| Recreation and Culture | (18,280) | - | (18,280) | - |
| Other | (1,830,423) | - | (1,830,423) | - |
| Interest on Long-Term Debt | (72,216) | - | (72,216) | - |
| Total Governmental Activities | <u>(8,552,076)</u> | <u>\$ -</u> | <u>(8,552,076)</u> | <u>\$ -</u> |
| Business-Type Activities | | | | |
| Delinquent Tax Revolving | - | 424,525 | 424,525 | - |
| Tax Foreclosure | - | 219,861 | 219,861 | - |
| Interest Expense | | | | |
| Public Transit | - | (739,399) | (739,399) | - |
| Jail Commissary | - | 48,924 | 48,924 | - |
| Total Business-Type Activities | <u>-</u> | <u>(46,089)</u> | <u>(46,089)</u> | <u>-</u> |
| Total Primary Government | <u>\$ (8,552,076)</u> | <u>\$ (46,089)</u> | <u>\$ (8,598,165)</u> | <u>\$ -</u> |
| Component Units | | | | |
| Road Commission | \$ - | \$ - | \$ - | \$ (698,787) |
| Interest on Long-Term Debt | - | - | - | - |
| Department of Public Works | | | | |
| Interest on Long-Term Debt | - | - | - | - |
| Drain Fund | - | - | - | (34,494) |
| Interest on Long-Term Debt | - | - | - | (2,094) |
| Total Component Units | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (735,375)</u> |
| General Revenues | | | | |
| Property Taxes | \$ 6,479,459 | \$ 305,553 | \$ 6,785,012 | \$ - |
| State-Shared Revenues | 488,933 | - | 488,933 | - |
| Unrestricted Investment Earnings | 36,932 | 37,168 | 74,100 | 11,282 |
| Rentals | 77,670 | - | 77,670 | - |
| Royalties | 350,439 | - | 350,439 | - |
| Gain on Equipment Disposal | | | | 4,380 |
| Other | 260,836 | - | 260,836 | - |
| Transfers | 676,650 | (676,650) | - | - |
| Total General Revenues--Special Items and Transfers | <u>8,370,919</u> | <u>(333,929)</u> | <u>8,036,990</u> | <u>15,662</u> |
| Change in Net Assets | (181,157) | (380,018) | (561,175) | (719,713) |
| Net Assets--Beginning | <u>9,250,594</u> | <u>13,739,137</u> | <u>22,989,731</u> | <u>31,918,360</u> |
| Net Assets--Ending | <u>\$ 9,069,437</u> | <u>\$ 13,359,119</u> | <u>\$ 22,428,556</u> | <u>\$ 31,198,647</u> |

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

**CLARE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET ASSETS
September 30, 2012**

EXHIBIT C

| <u>ASSETS</u> | General | Gypsy Moth | Non-Major Governmental Funds | Total Governmental Funds |
|---|--------------------|-------------------|------------------------------------|--------------------------------|
| Cash and Bank Deposits | \$ 486,862 | \$ 949,374 | \$ 1,526,725 | \$ 2,962,961 |
| Investments | 266,792 | - | 30,793 | 297,585 |
| Receivables | | | | |
| Summer Taxes | 961,568 | - | - | 961,568 |
| Accounts | 340,489 | - | 32,332 | 372,821 |
| Loans | | | 1,727,586 | 1,727,586 |
| Due From Federal Government | 58,676 | - | - | 58,676 |
| Due From State | 75,906 | - | 135,166 | 211,072 |
| Due From Local Units | 61,970 | - | 65,968 | 127,938 |
| Due From Other Funds | 6,000 | - | - | 6,000 |
| Long-Term Advances to Other Funds--Component Units | 83,185 | - | - | 83,185 |
| Total Assets | <u>\$2,341,448</u> | <u>\$ 949,374</u> | <u>\$ 3,518,570</u> | <u>\$ 6,809,392</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 291,609 | \$ 800 | \$ 106,376 | \$ 398,785 |
| Accrued Liabilities | 102,688 | 1,144 | 23,245 | 127,077 |
| Due to General Fund | | | 6,000 | 6,000 |
| Long-Term Advances From State | - | - | 25,000 | 25,000 |
| Deferred Revenue | 547,186 | - | 1,727,586 | 2,274,772 |
| Total Liabilities | <u>941,483</u> | <u>1,944</u> | <u>1,888,207</u> | <u>2,831,634</u> |
| Fund Equity | | | | |
| Fund Balances | | | | |
| Restricted | 106,137 | 947,430 | 1,630,363 | 2,683,930 |
| Unassigned | 1,293,828 | - | - | 1,293,828 |
| Total Fund Equity | <u>1,399,965</u> | <u>947,430</u> | <u>1,630,363</u> | <u>3,977,758</u> |
| Total Liabilities and Fund Equity | <u>\$2,341,448</u> | <u>\$ 949,374</u> | <u>\$ 3,518,570</u> | <u>\$ 6,809,392</u> |
| Fund Balance--Total Governmental Funds | | | | \$ 3,977,758 |

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. | 4,285,627 |
| Revenues that do not provide current financial resources are not reported as revenue in the funds. | 2,274,772 |
| Certain liabilities, such as bonds payable, compensated absences and other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. | <u>(1,468,720)</u> |
| Total Net Assets | <u>\$ 9,069,437</u> |

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

CLARE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Fiscal Year Ended September 30, 2012

EXHIBIT D

| | General | Gypsy Moth | Non-Major Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------|------------------------------------|--------------------------------|
| Revenues | | | | |
| Taxes and Penalties | \$ 5,077,052 | \$ - | \$ 855,221 | \$ 5,932,273 |
| Licenses and Permits | 90,829 | - | 147,448 | 238,277 |
| Federal Grants | 218,894 | - | 744,219 | 963,113 |
| State Grants | 1,205,900 | - | 478,637 | 1,684,537 |
| Contributions From Local Units | 439,581 | - | - | 439,581 |
| Charges for Services | 2,352,623 | - | 235,839 | 2,588,462 |
| Fines and Forfeits | 21,922 | - | 44,261 | 66,183 |
| Interest and Rentals | 442,077 | 4,746 | 29,947 | 476,770 |
| Other Revenue | 248,098 | - | 392,486 | 640,584 |
| Total Revenues | <u>10,096,976</u> | <u>4,746</u> | <u>2,928,058</u> | <u>13,029,780</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 3,896,904 | 99,093 | 321,643 | 4,317,640 |
| Public Safety | 4,453,517 | - | 744,255 | 5,197,772 |
| Public Works | 2,844 | - | 17,655 | 20,499 |
| Health and Welfare | 576,670 | - | 1,540,565 | 2,117,235 |
| Community and Economic Development | 22,500 | - | 274,661 | 297,161 |
| Recreation and Culture | 18,279 | - | - | 18,279 |
| Other | 1,222,072 | - | - | 1,222,072 |
| Capital Outlay | 380,288 | - | 217,999 | 598,287 |
| Debt Service | | | | |
| Principal | 45,048 | - | 98,180 | 143,228 |
| Interest and Fiscal Fees | 10,915 | - | 61,301 | 72,216 |
| Total Expenditures | <u>10,629,037</u> | <u>99,093</u> | <u>3,276,259</u> | <u>14,004,389</u> |
| Excess of Revenues Over (Under) Expenditures | (532,061) | (94,347) | (348,201) | (974,609) |
| Other Financing Sources (Uses) | | | | |
| Installment Purchase/Lease Proceeds | 104,037 | - | - | 104,037 |
| Proceeds of Refunding Bonds | - | - | 695,000 | 695,000 |
| Payment to Refunded Bond Escrow Agent | - | - | (655,000) | (655,000) |
| Interfund Transfers In | 698,554 | - | 347,753 | 1,046,307 |
| Interfund Transfers (Out) | (362,407) | - | (7,250) | (369,657) |
| Total Other Financing Sources (Uses) | <u>440,184</u> | <u>-</u> | <u>380,503</u> | <u>820,687</u> |
| Net Change in Fund Balances | <u>(91,877)</u> | <u>(94,347)</u> | <u>32,302</u> | <u>(153,922)</u> |
| Fund Balance (Deficit)--October 1, 2011 | <u>1,491,845</u> | <u>1,041,778</u> | <u>1,598,061</u> | <u>4,131,684</u> |
| Fund Balance (Deficit)--September 30, 2012 | <u>\$ 1,399,968</u> | <u>\$ 947,431</u> | <u>\$ 1,630,363</u> | <u>\$ 3,977,763</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, 2012

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ (153,922)

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 | 598,287 |
| Deduct--Depreciation Expense | (592,696) |

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

| | |
|--|---------|
| Housing Commission--Loans Paid Out During 2012 | 5,849 |
| Property Taxes | 547,186 |

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 | 192,201 |
| Less--New Loan Proceeds | (799,037) |

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 | 21,503 |
| Net (Increase) in Other Post-Employment Benefits | <u>(529)</u> |

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (181,157)

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

CLARE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2012

EXHIBIT E

BUSINESS-TYPE ACTIVITIES
ENTERPRISE FUNDS

| <u>ASSETS</u> | <u>Delinquent Tax Revolving</u> | <u>Tax Foreclosure</u> | <u>Public Transit</u> | <u>Non-Major Enterprise Funds</u> | <u>Total Enterprise Funds</u> |
|--|---|----------------------------|---------------------------|---|---------------------------------------|
| Current Assets | | | | | |
| Cash and Bank Deposits | \$ 1,997,832 | \$ 1,002,685 | \$ 1,128,495 | \$ 126,947 | \$ 4,255,959 |
| Investments | 1,408,160 | - | - | - | 1,408,160 |
| Receivables | | | | | |
| Taxes--Delinquent | 2,645,327 | - | - | - | 2,645,327 |
| Accounts | - | 11,301 | 25,065 | 4,491 | 40,857 |
| Due From Federal Government | - | - | 30,395 | - | 30,395 |
| Due From Local Units | 14,370 | - | - | - | 14,370 |
| Prepaid Expenses | - | - | 2,870 | - | 2,870 |
| Cash on Deposit With Agent | - | - | 200,069 | - | 200,069 |
| Total Current Assets | <u>6,065,689</u> | <u>1,013,986</u> | <u>1,386,894</u> | <u>131,438</u> | <u>8,598,007</u> |
| Noncurrent Assets | | | | | |
| Capital Assets--Net of Accumulated Depreciation | - | - | 4,891,720 | - | 4,891,720 |
| Total Noncurrent Assets | <u>-</u> | <u>-</u> | <u>4,891,720</u> | <u>-</u> | <u>4,891,720</u> |
| Total Assets | <u>\$ 6,065,689</u> | <u>\$ 1,013,986</u> | <u>\$ 6,278,614</u> | <u>\$ 131,438</u> | <u>\$ 13,489,727</u> |
| <u>LIABILITIES</u> | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | \$ 337 | \$ - | \$ 71,865 | \$ 2,236 | \$ 74,438 |
| Accrued Liabilities | - | - | 31,647 | - | 31,647 |
| Total Current Liabilities | <u>337</u> | <u>-</u> | <u>103,512</u> | <u>2,236</u> | <u>106,085</u> |
| Noncurrent Liabilities | | | | | |
| Accrued Compensated Absences | - | - | 24,523 | - | 24,523 |
| Total Noncurrent Liabilities | <u>-</u> | <u>-</u> | <u>24,523</u> | <u>-</u> | <u>24,523</u> |
| Total Liabilities | <u>337</u> | <u>-</u> | <u>128,035</u> | <u>2,236</u> | <u>130,608</u> |
| <u>NET ASSETS</u> | | | | | |
| Invested in Capital Assets--Net of Related Debt | - | - | 4,891,720 | - | 4,891,720 |
| Unrestricted | 6,065,352 | 1,013,986 | 1,258,859 | 129,202 | 8,467,399 |
| Total Net Assets | <u>\$ 6,065,352</u> | <u>\$ 1,013,986</u> | <u>\$ 6,150,579</u> | <u>\$ 129,202</u> | <u>\$ 13,359,119</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, 2012

EXHIBIT F

| | BUSINESS-TYPE ACTIVITIES | | | | |
|---|---------------------------------|---------------------|---------------------|----------------------------------|------------------------------|
| | ENTERPRISE FUNDS | | | | |
| | Delinquent Tax Revolving | Tax Foreclosure | Public Transit | Non-Major Enterprise Funds | Total Enterprise Funds |
| Operating Revenues | | | | | |
| Charges for Services | \$ - | \$ 645,114 | \$ 391,935 | \$ 95,308 | \$ 1,132,357 |
| Interest on Delinquent Taxes | 424,525 | - | - | - | 424,525 |
| Total Operating Revenues | 424,525 | 645,114 | 391,935 | 95,308 | 1,556,882 |
| Operating Expenses | | | | | |
| Administrative | - | 410,599 | 304,646 | 70 | 715,315 |
| Operations | - | - | 1,509,834 | - | 1,509,834 |
| Maintenance | - | - | 224,830 | - | 224,830 |
| Materials and Supplies | - | - | - | 46,314 | 46,314 |
| Depreciation | - | - | - | - | - |
| Total Operating Expenses | - | 410,599 | 2,039,310 | 46,384 | 2,496,293 |
| Operating Income (Loss) | 424,525 | 234,515 | (1,647,375) | 48,924 | (939,411) |
| Nonoperating Revenues (Expenses) | | | | | |
| Intergovernmental | - | - | 796,036 | - | 796,036 |
| Property Taxes | - | - | 305,553 | - | 305,553 |
| Interest Earned on Investments | 27,278 | 3,615 | 6,274 | - | 37,167 |
| Interest Expense | - | - | - | (14,654) | (14,654) |
| Other | - | - | 7,496 | - | 7,496 |
| Total Nonoperating Revenues (Expenses) | 27,278 | 3,615 | 1,115,359 | (14,654) | 1,131,598 |
| Income (Loss) Before Contributions and Transfers | 451,803 | 238,130 | (532,016) | 34,270 | 192,187 |
| Capital Contributions | - | - | 104,444 | - | 104,444 |
| Interfund Transfers | | | | | |
| Transfers In | - | - | - | 14,654 | 14,654 |
| Transfers (Out) | (400,000) | (232,368) | - | (58,936) | (691,304) |
| Change in Net Assets | 51,803 | 5,762 | (427,572) | (10,012) | (380,019) |
| Total Net Assets--October 1, 2011 | 6,013,549 | 1,008,224 | 6,578,151 | 139,213 | 13,739,137 |
| Restatement to Net Assets (Note R) | | | | | |
| Restated Net Assets--October 1, 2011 | 6,013,549 | 1,008,224 | 6,578,151 | 139,213 | 13,739,137 |
| Total Net Assets--September 30, 2012 | \$ 6,065,352 | \$ 1,013,986 | \$ 6,150,579 | \$ 129,201 | \$ 13,359,118 |

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, 2012

EXHIBIT G

| | BUSINESS-TYPE ACTIVITIES | | | | |
|--|---------------------------------|---------------------|-----------------------|----------------------------------|------------------------------|
| | ENTERPRISE FUNDS | | | | |
| | Delinquent Tax Revolving | Tax Foreclosure | Public Transit | Non-Major Enterprise Funds | Total Enterprise Funds |
| Cash Flows From Operating Activities | | | | | |
| Cash Received From Customers | \$ - | \$ 645,400 | \$ 394,989 | \$ 93,794 | \$ 1,134,183 |
| Interest on Delinquent Taxes | 424,526 | - | - | - | 424,526 |
| Delinquent Taxes Collected | (2,682,849) | - | - | - | (2,682,849) |
| Delinquent Taxes Purchased | 2,639,570 | - | - | - | 2,639,570 |
| Cash Payments to Employees for Services and Benefits | - | - | (1,007,979) | - | (1,007,979) |
| Cash Payments to Suppliers for Goods and Services | - | (411,576) | (498,541) | (45,188) | (955,305) |
| Net Cash Provided by Operating Activities | <u>381,247</u> | <u>233,824</u> | <u>(1,111,531)</u> | <u>48,606</u> | <u>(447,854)</u> |
| Cash Flows From Noncapital Financing Activities | | | | | |
| State Grants | - | - | 796,036 | - | 796,036 |
| Property Tax | - | - | 305,553 | - | 305,553 |
| Due to Other Governmental Units | (8,079) | - | - | - | (8,079) |
| Other | - | - | 7,496 | - | 7,496 |
| Long-Term Advances | - | - | - | - | - |
| Transfers In (Out) | (400,000) | (232,368) | - | (44,282) | (676,650) |
| Net Cash Provided by Noncapital Financing Activities | <u>(408,079)</u> | <u>(232,368)</u> | <u>1,109,085</u> | <u>(44,282)</u> | <u>424,356</u> |
| Cash Flows From Capital and Related Financing Activities | | | | | |
| Capital Assistance Grants | - | - | 123,692 | - | 123,692 |
| Capital Assets Purchased | - | - | (165,356) | - | (165,356) |
| Net Cash Provided by Capital and Related Financing Activities | <u>-</u> | <u>-</u> | <u>(41,664)</u> | <u>-</u> | <u>(41,664)</u> |
| Cash Flows From Investing Activities | | | | | |
| Interest on Cash Equivalents | 27,278 | 3,615 | 6,274 | - | 37,167 |
| Interest Expense | - | - | - | (14,654) | (14,654) |
| Sale or (Purchase) of Investments | 100,830 | 405,371 | (46,177) | - | 460,024 |
| Net Cash Provided by Investing Activities | <u>128,108</u> | <u>408,986</u> | <u>(39,903)</u> | <u>(14,654)</u> | <u>482,537</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 101,276 | 410,442 | (84,013) | (10,330) | 417,375 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,876,473</u> | <u>592,243</u> | <u>588,941</u> | <u>137,277</u> | <u>3,194,934</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,977,749</u> | <u>\$ 1,002,685</u> | <u>\$ 504,928</u> | <u>\$ 126,947</u> | <u>\$ 3,612,309</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | | | |
| Operating Income (Loss) | \$ 424,525 | \$ 234,515 | \$ (1,647,375) | \$ 48,925 | \$ (939,410) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | | |
| Depreciation Expense | - | - | 439,738 | - | 439,738 |
| (Increase) Decrease in Delinquent Taxes Receivable | (38,812) | - | - | - | (38,812) |
| (Increase) Decrease in Accounts Receivable | (4,467) | 286 | 3,054 | (1,514) | (2,641) |
| (Increase) Decrease in Prepaid Insurance | - | - | 28,868 | - | 28,868 |
| Increase (Decrease) in Accounts Payable | - | (977) | 67,147 | 1,196 | 67,366 |
| Increase (Decrease) in Accrued Wages Payable | - | - | (432) | - | (432) |
| Increase (Decrease) in Accrued Paid Time Off | - | - | (2,531) | - | (2,531) |
| Net Cash Provided by Operating Activities | <u>\$ 381,246</u> | <u>\$ 233,824</u> | <u>\$ (1,111,531)</u> | <u>\$ 48,607</u> | <u>\$ (447,854)</u> |

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

**CLARE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
September 30, 2012**

EXHIBIT H

| | <u>Agency Funds</u> |
|--|-------------------------|
| <u>ASSETS</u> | |
| | \$ 3,057,751 |
| Cash and Bank Deposits | <u>161,148</u> |
| Investments | |
| | <u>\$ 3,218,899</u> |
| Total Assets | |
| <u>LIABILITIES AND FUND BALANCE</u> | |
| Liabilities | |
| Due to State of Michigan | \$ 2,900,581 |
| Undistributed Penal Fines and Interest | 201,130 |
| Other Liabilities | <u>117,188</u> |
| | <u>\$ 3,218,899</u> |
| Total Liabilities | |

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

**CLARE COUNTY
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2012**

EXHIBIT I

| <u>ASSETS</u> | Road Commission | Department of Public Works | Drain Commission | Total |
|---|---------------------|----------------------------------|---------------------|----------------------|
| Current Assets | | | | |
| Cash | \$ 2,857,185 | \$ - | \$ 111,720 | \$ 2,968,905 |
| Investments | 250,308 | - | 21,728 | 272,036 |
| Accounts Receivable | 3,908 | - | - | 3,908 |
| Due From State | 667,546 | - | - | 667,546 |
| Due From Local Units of Government | | | | |
| Due Within One Year | 77,263 | - | - | 77,263 |
| Special Assessments Receivable | | | | |
| Due Within One Year | - | - | 34,074 | 34,074 |
| Inventories | 375,145 | - | - | 375,145 |
| Total Current Assets | <u>4,231,355</u> | <u>-</u> | <u>167,522</u> | <u>4,398,877</u> |
| Noncurrent Assets | | | | |
| Capital Assets (Net of Accumulated Depreciation) | 27,856,250 | - | 754,760 | 28,611,010 |
| Total Noncurrent Assets | <u>27,856,250</u> | <u>-</u> | <u>754,760</u> | <u>28,611,010</u> |
| Total Assets | <u>\$32,087,605</u> | <u>\$ -</u> | <u>\$ 922,282</u> | <u>\$ 33,009,887</u> |
| <u>LIABILITIES</u> | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 207,801 | \$ - | \$ 2,829 | \$ 210,630 |
| Total Current Liabilities | <u>207,801</u> | <u>-</u> | <u>2,829</u> | <u>210,630</u> |
| Noncurrent Liabilities | | | | |
| Advances From State of Michigan | 240,725 | - | - | 240,725 |
| Long-Term Advances From | - | - | - | - |
| Primary Government | - | - | 83,184 | 83,184 |
| Notes Payable--Due Within One Year | - | - | 15,503 | 15,503 |
| Notes Payable--Due In More Than One Year | - | - | 15,508 | 15,508 |
| Vested Employee Benefits Payable | 201,581 | - | - | 201,581 |
| Post Employment Benefit Liabilities | 1,044,109 | - | - | 1,044,109 |
| Total Noncurrent Liabilities | <u>1,486,415</u> | <u>-</u> | <u>114,195</u> | <u>1,600,610</u> |
| Total Liabilities | <u>1,694,216</u> | <u>-</u> | <u>117,024</u> | <u>1,811,240</u> |
| <u>NET ASSETS</u> | | | | |
| Invested in Capital Assets--Net of Related Debt Restricted for | 27,856,250 | - | 723,749 | 28,579,999 |
| County Roads | 2,537,139 | - | - | 2,537,139 |
| Capital Projects | - | - | 81,509 | 81,509 |
| Total Net Assets | <u>\$30,393,389</u> | <u>\$ -</u> | <u>\$ 805,258</u> | <u>\$ 31,198,647</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, 2012

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 | Department of Public Works | Drain Commission | Total |
| Road Commission | | | | | | | | |
| Public Works | \$ 6,227,880 | \$ 1,762,768 | \$ 3,622,930 | \$ 143,395 | \$ (698,787) | - | - | \$ (698,787) |
| Interest on Related Debt | - | - | - | - | - | - | - | - |
| Total Road Commission | <u>6,227,880</u> | <u>1,762,768</u> | <u>3,622,930</u> | <u>143,395</u> | <u>(698,787)</u> | <u>-</u> | <u>-</u> | <u>(698,787)</u> |
| Department of Public Works | | | | | | | | |
| Public Works | | | | | | | | |
| Interest on Related Debt | <u>33,796</u> | <u>-</u> | <u>33,796</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Department of Public Works | <u>33,796</u> | <u>-</u> | <u>33,796</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Drain Commission | | | | | | | | |
| Public Works | 50,114 | 15,598 | 22 | - | - | - | (34,494) | (34,494) |
| Interest on Related Debt | <u>2,094</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,094)</u> | <u>(2,094)</u> |
| Total Drain Commission | <u>\$ 52,208</u> | <u>\$ 15,598</u> | <u>\$ 22</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>(36,588)</u> | <u>(36,588)</u> |
| | | | General Revenues | | | | | |
| | | | Interest | | 11,282 | - | - | 11,282 |
| | | | Gain on Equipment Disposal | | <u>4,380</u> | <u>-</u> | <u>-</u> | <u>4,380</u> |
| | | | Total General Revenues | | <u>15,662</u> | <u>-</u> | <u>-</u> | <u>15,662</u> |
| | | | Change in Net Assets | | (683,125) | - | (36,588) | (719,713) |
| | | | Net Assets--Beginning of Year | | <u>31,076,514</u> | <u>-</u> | <u>841,846</u> | <u>31,918,360</u> |
| | | | Net Assets--End of Year | | <u>\$ 30,393,389</u> | <u>\$ -</u> | <u>\$ 805,258</u> | <u>\$ 31,198,647</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, 2012

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

BLENDED COMPONENT UNITS

Building Authority

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

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, 2012

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

DISCRETELY PRESENTED COMPONENT UNITS

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

Each discretely presented component unit is reported in a separate column in the Component Unit's Statement of Net 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 Laws (MCL) 224.1, is governed by an elected 3-member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the County, as approved by the County electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

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 V-1 through V-4).

Clare County Department of Public Works

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

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

Administrative Offices

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

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

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

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

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

JOINTLY GOVERNED ORGANIZATIONS

Central Michigan District Health Department

Clare, Gladwin, Arenac, Isabella, Osceola and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County. The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2012 were:

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

The County's appropriation to the District Health Department for the fiscal year ended September 30, 2012 was \$212,036, which included cigarette tax of \$1,995.

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, 2012, the actual County contribution percentages were:

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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

The County's appropriation to Central Michigan Community Mental Health Services for the fiscal year ended September 30, 2012 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, 2012, the County passed through \$78,830.

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 interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

The County reports the following major governmental funds:

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

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

The 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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

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

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

Additionally, the County reports the following fund types:

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

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

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

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

Deposits and Investments

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

Receivables and Payables

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

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

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 \$245,967 and road materials of \$129,178 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

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.

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

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

Capital Assets--Transit (Blended Component Unit)

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

Capital Assets--Road Commission (Component Unit)

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

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

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

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).

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

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

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

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

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

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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

Use of Estimates

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

Other Financing Sources (Uses)

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

Fund Balance Classifications

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

Non-spendable Fund Balances

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

Restricted Fund Balances

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

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

Special Revenue Funds

- Friend of Court Fund - This fund is used to account for revenues for Friend of the Court activities as required by Acts 294, 295, 296, 297, and 298 PA 1982, as amended.
- Building Department - This fund is used to account for revenues earmarked by law for building construction code enforcement activities within the city.
- Register of Deeds Automation - This fund is used for funds set aside under provisions of Public Act 698 of 2002 (MCL 600.2568). The fund was created for upgrading technology in the Register of Deeds' Office under the Revised Judicature Act of 1961.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

- 911 Service – This fund is used to account for earmarked revenue for 911 services under the provisions of Public Act 29 of 1994.
- Local Corrections Officers – This fund is used to account for the earmarked fees established under Public Act 124 of 2003 to provide for the training of local corrections officers.
- Drug Law Enforcement – This fund is used to account for revenue from seized property involved in the violation of controlled substances statutes, Act 135 PA 1985.
- ORV Ordinance – This fund is used to account for the fines used to enforce off road vehicle laws.
- Law Library – This fund is used to account for revenue that is a specified portion of the penal fines collected each year by the county courts. The fund is required by MCL 600.4851.
- Community Development – This fund is used to account for the program income and administrative fees received for the administration of the Housing Commission.
- Community Development Escrow – This fund is used to account for the Federal and State grants received to provide low income housing programs for county residents.
- Brownfield Redevelopment Authority EPA Grant – This fund is used to account for the revenues received from grants as established under the Brownfield Redevelopment Financing Act.
- Senior Services – This fund is used to account for the extra voted millage, Federal and state grants, and other income directly related to the operations of the county's senior center.
- Department of Human Services – This fund is used to account for the revenue from transfers in from the general fund, state and federal grants, and refunds/reimbursements. The fund is required by MCL 400.73a.
- Child Care Probate – This fund is used to account for revenue relating to the probate court from transfers in from the general fund and state grants. The fund is required by MCL 400.117a.
- Child Care DHS – This fund is used to account for revenue relating to the Department of Human Services from transfers in from the general fund and state grants. The fund is required by MCL 400.117a.
- Soldiers and Sailors Relief – This fund is used account for transfers from the General Fund for soldiers and sailors relief activities. The fund is required by MCL 35.21.
- Veterans Trust – This fund is used to account for the revenues from the distribution by the State Department of Military Affairs from the State Veterans' Trust Fund as required by MCL 35.607.
- Airport – This fund is used to account for the revenues received from the airport. It is classified as a special revenue fund because of the limited usage of the assets of the fund.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

Debt Service Funds

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

Capital Project Funds

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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

- Drain Commission--Lake Level Fund – This fund is used to account for revenue from special assessments and bond or note proceeds to account for the construction and maintenance of lake level projects. The Lake Level Fund is permitted by Act 451 PA 1994, as amended.
- Drain Commission--Lake Level Revolving Fund - The Revolving Lake Level Fund is used to account for money advanced from the county general fund for engineering, surveys and other preliminary costs of new lake level projects and maintenance work on established lake level districts. The Revolving Lake Level Fund is reimbursed from the Lake Level Fund as special assessments are collected. The Revolving Lake Level Fund is permitted by Act 451 PA 1994, as amended.

Unassigned Fund Balance

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

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

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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 | | | |
| Health and Welfare | \$ 555,836 | \$ 576,670 | \$ (20,834) |
| Capital Outlay | 229,951 | 380,288 | (150,337) |

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

NOTE C--CASH DEPOSITS AND INVESTMENTS

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

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

The County's deposits and investments at September 30, 2012, as required by the Governmental Accounting Standards Board (GASB) Statement No. 40, are report in the basic financial statements as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Fiduciary Funds</u> | <u>Total Primary Government</u> | <u>Component Units</u> |
|----------------------------|------------------------------------|-------------------------------------|----------------------------|---|----------------------------|
| Cash and Bank Deposits | \$ 2,962,961 | \$ 4,255,959 | \$ 3,057,751 | \$ 10,276,671 | \$ 2,968,905 |
| Investments | 297,585 | 1,408,160 | 161,148 | 1,866,893 | 272,036 |
| Cash on Deposit With Agent | - | 200,069 | - | 200,069 | - |
| Total | <u>\$ 3,260,546</u> | <u>\$ 5,864,188</u> | <u>\$ 3,218,899</u> | <u>\$ 12,343,633</u> | <u>\$ 3,240,941</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The breakdown between deposits and investments, are as follows:

| | <u>Primary Government</u> | <u>Component Units</u> |
|---|-------------------------------|----------------------------|
| Bank Deposits (Checking and Savings Accounts, Certificates of Deposit) | \$ 10,219,941 | \$ 2,968,655 |
| Investments in Securities, Mutual Funds and Similar Vehicles | 1,866,893 | 272,036 |
| Petty Cash and Cash on Hand | 56,730 | 250 |
| Cash on Deposit With Agent | <u>200,069</u> | <u>-</u> |
| Total | <u>\$ 12,343,633</u> | <u>\$ 3,240,941</u> |

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

Custodial Credit Risk

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

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

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

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

At September 30, 2012, the bank balance of the primary government's deposits is \$13,179,802, of which \$1,850,076 is covered by federal depository insurance and \$11,002,950 was uncollateralized with securities held by the County's agent in the County's name. The component units' deposits had a bank balance of \$2,856,832 of which \$703,851 was covered by federal depository insurance and \$2,227,350 was uncollateralized with securities held by the County's agent in the County's name.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

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, 2012, common cash investments were not exposed to custodial credit risk.

Credit Risk

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

| Investment Type | Rated Debt Investments | | | | |
|-------------------------------------|------------------------|---------------|--------------------|---------------|--------------------|
| | Fair Value | Credit Rating | Rating Institution | Credit Rating | Rating Institution |
| Municipal Investment Funds | \$ 377,875 | A-1 | S&P | P-1 | Moody's |
| Money Market Funds | 385,104 | AAA | S&P | | |
| Money Market /Government Securities | 1,103,915 | A-1 | S&P | P-1 | Moody's |
| Municipal Investment Funds | 250,307 | Unrated | | | |
| Total | \$ 2,117,201 | | | | |
| Municipal Investment Funds | \$ 21,728 | A-1 | S&P | P-1 | Moody's |
| Total | \$ 21,728 | | | | |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

NOTE C--CASH DEPOSITS 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, 2012, 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 2012 taxable valuation of \$1,021,114,900 in the summer of 2012. The total levy amounted to \$4,788,083. At September 30, 2012 the taxes receivable for the summer taxes is \$961,568. 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, 2012, for the summer property taxes is \$547,186.

Current Winter Property Taxes

Most County extra voted property taxes are levied on each December 1 on the taxable valuation of property located in the County as of the preceding December 31. The County's 2011 ad valorem tax is levied and collectible on December 1, 2011, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of County operations.

The 2011 taxable valuation of the County amounted to \$1,022,980,484 on which ad valorem taxes of .4800 mills for Senior Citizens, .3000 mills for Transit Service, and .3500 for 911 Services. The 2011 current tax levied included \$490,371 for Senior Citizens, \$305,553 for Transit Services, and \$357,568 for 911 Services. These taxes will be recorded as revenue on County records in and for the year of 2012.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE D--PROPERTY TAXES (Continued)

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,639,571 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2012. There were also homestead denial receivables in the amount of \$5,758. The delinquent real property taxes and homestead receivables may be summarized as follows:

| | |
|-----------------------------------|---------------------|
| 2011 | \$ 2,095,017 |
| 2010 | 495,404 |
| 2009 | 29,274 |
| 2008 | 12,137 |
| 2007 | 5,305 |
| 2006 | 838 |
| 2005 | 324 |
| 2004 | 820 |
| 2003 | <u>452</u> |
| Total Delinquent Taxes Receivable | <u>\$ 2,639,571</u> |
| Total Homestead Denial Receivable | <u>\$ 5,758</u> |
| Total Taxes Receivable | <u>\$ 2,645,329</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE E--RECEIVABLES

Receivables--Primary Government

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

| | <u>Governmental Funds</u> | | <u>Business-Type Funds</u> | | | |
|----------------------|---------------------------|---|--|-------------------------------------|---------------------------|---|
| | <u>General Fund</u> | <u>Non-Major Governmental Funds</u> | <u>Delinquent Tax Revolving Fund</u> | <u>Tax Foreclosure Fund</u> | <u>Public Transit</u> | <u>Non-Major Enterprise Funds</u> |
| Taxes | \$ 961,568 | \$ - | \$ 2,645,327 | \$ - | \$ - | \$ - |
| Accounts | 340,489 | 32,332 | - | 11,301 | 25,065 | 4,491 |
| Notes | - | 1,727,586 | - | - | - | - |
| Due From Federal | 58,676 | - | - | - | 30,395 | - |
| Due From State | 75,906 | 135,166 | - | - | - | - |
| Due From Local Units | 61,970 | 65,968 | 14,370 | - | - | - |
| Total Receivables | <u>\$ 1,498,609</u> | <u>\$ 1,961,052</u> | <u>\$ 2,659,697</u> | <u>\$ 11,301</u> | <u>\$ 55,460</u> | <u>\$ 4,491</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 \$34,074 at September 30, 2012. 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, 2012

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>Beginning Balance 10/01/11</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance 09/30/12</u> |
|--|---|------------------|------------------|--|
| Capital Assets Not Being Depreciated | | | | |
| Land | \$ 108,326 | \$ - | \$ - | \$ 108,326 |
| Total Capital Assets Not Being Depreciated | <u>108,326</u> | <u>-</u> | <u>-</u> | <u>108,326</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings and Improvements | 6,610,553 | 104,037 | - | 6,714,590 |
| Vehicles | 1,055,894 | 177,475 | 282,261 | 951,108 |
| Furniture and Equipment | 2,256,664 | 316,774 | - | 2,573,438 |
| Total Capital Assets Being Depreciated | <u>9,923,111</u> | <u>598,286</u> | <u>282,261</u> | <u>10,239,136</u> |
| Less Accumulated Depreciation for | | | | |
| Buildings and Improvements | 3,489,116 | 154,182 | - | 3,643,298 |
| Vehicles | 747,142 | 134,645 | 282,261 | 599,526 |
| Furniture and Equipment | 1,515,143 | 303,869 | - | 1,819,012 |
| Total Accumulated Depreciation | <u>5,751,401</u> | <u>592,696</u> | <u>282,261</u> | <u>6,061,836</u> |
| Net Capital Assets Being Depreciated | <u>4,171,710</u> | <u>5,590</u> | <u>-</u> | <u>4,177,300</u> |
| Governmental Activities Capital Total Capital Assets--Net of Depreciation | <u>\$ 4,280,036</u> | <u>\$ 5,590</u> | <u>\$ -</u> | <u>\$ 4,285,626</u> |

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

| | <u>Amount</u> |
|---|-------------------|
| Governmental Activities | |
| General Government | \$ 143,166 |
| Public Safety | 442,433 |
| Health and Welfare | 2,325 |
| Public Works | 4,772 |
| Total Depreciation--Governmental Activities | <u>\$ 592,696</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE F--CAPITAL ASSETS (Continued)

| <u>Business-Type Activity--Public Transit</u> | <u>Beginning Balance 10/1/11</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance 09/30/12</u> |
|---|--------------------------------------|------------------|------------------|------------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Construction in Progress | \$ - | \$ 59,709 | \$ - | \$ 59,709 |
| Total Capital Assets Not Being Depreciated | - | 59,709 | - | 59,709 |
| Capital Assets Being Depreciated | | | | |
| Operating Facility | 4,594,033 | - | - | 4,594,033 |
| Vehicles | 2,692,291 | 105,647 | 52,684 | 2,745,254 |
| Shop Equipment | 141,640 | - | 6,400 | 135,240 |
| Office Furniture and Equipment | 108,255 | - | 1,548 | 106,707 |
| Total Capital Assets Being Depreciated | 7,536,219 | 105,647 | 60,632 | 7,581,234 |
| Less: Accumulated Depreciation for | | | | |
| Operating Facility | 694,172 | 112,043 | - | 806,215 |
| Vehicles | 1,498,205 | 315,441 | 52,684 | 1,760,962 |
| Shop Equipment | 82,592 | 6,281 | 6,400 | 82,473 |
| Office Furniture and Equipment | 95,148 | 5,973 | 1,548 | 99,573 |
| Total Accumulated Depreciation | 2,370,117 | 439,738 | 60,632 | 2,749,223 |
| Net Capital Assets Being Depreciated | 5,166,102 | (334,091) | - | 4,832,011 |
| Total Capital Assets--Net of Depreciation | \$ 5,166,102 | \$ (274,382) | \$ - | \$ 4,891,720 |

Depreciation expense of \$439,738 was charged to business-type programs of the primary government.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE F--CAPITAL ASSETS (Continued)

Component Units

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

| | Beginning Balance 10/01/11 | Increases | Decreases | Ending Balances 09/30/12 |
|--|----------------------------------|---------------------|---------------|--------------------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Improvements | \$ 187,883 | \$ - | \$ - | \$ 187,883 |
| Total Capital Assets Not Being Depreciated | <u>187,883</u> | <u>-</u> | <u>-</u> | <u>187,883</u> |
| Capital Assets Being Depreciated | | | | |
| Buildings | 1,168,594 | 5,475 | - | 1,174,069 |
| Road Equipment | 6,029,828 | 544,833 | 62,508 | 6,512,153 |
| Shop Equipment | 155,485 | 9,202 | - | 164,687 |
| Office Equipment | 109,104 | 399 | - | 109,503 |
| Engineers' Equipment | 40,846 | - | - | 40,846 |
| Yard and Storage | 150,406 | - | - | 150,406 |
| Infrastructure--Bridges | 10,654,902 | 12,175 | - | 10,667,077 |
| Infrastructure--Roads | 42,455,812 | 1,140,859 | - | 43,596,671 |
| Total Capital Assets Being Depreciated | <u>60,764,977</u> | <u>1,712,943</u> | <u>62,508</u> | <u>62,415,412</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | 878,379 | 35,139 | - | 913,518 |
| Road Equipment | 4,880,533 | 378,135 | 62,508 | 5,196,160 |
| Shop Equipment | 128,952 | 6,065 | - | 135,017 |
| Office Equipment | 84,733 | 3,603 | - | 88,336 |
| Engineers' Equipment | 34,524 | 1,545 | - | 36,069 |
| Yard and Storage | 102,272 | 7,529 | - | 109,801 |
| Infrastructure--Bridges | 2,631,207 | 231,003 | - | 2,862,210 |
| Infrastructure--Roads | 23,425,226 | 1,980,708 | - | 25,405,934 |
| Total Accumulated Depreciation | <u>32,165,826</u> | <u>2,643,727</u> | <u>62,508</u> | <u>34,747,045</u> |
| Net Capital Assets Being Depreciated | <u>28,599,151</u> | <u>(930,784)</u> | <u>-</u> | <u>27,668,367</u> |
| Total Net Capital Assets | <u>\$ 28,787,034</u> | <u>\$ (930,784)</u> | <u>\$ -</u> | <u>\$ 27,856,250</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

| <u>Drain Commission</u> | <u>Beginning Balance 10/01/11</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance 09/30/12</u> |
|--|---|--------------------|------------------|--|
| Capital Assets Being Depreciated | | | | |
| Infrastructure | | | | |
| Drains | \$ 1,062,932 | \$ 8,491 | \$ - | \$ 1,071,423 |
| Lake Levels | 185,983 | 950 | - | 186,933 |
| Total Capital Assets Being Depreciated | <u>1,248,915</u> | <u>9,441</u> | <u>-</u> | <u>1,258,356</u> |
| Less Accumulated Depreciation for | | | | |
| Infrastructure | | | | |
| Drains | 413,210 | 18,139 | - | 431,349 |
| Lake Levels | 68,384 | 3,863 | - | 72,247 |
| Total Accumulated Depreciation | <u>481,594</u> | <u>22,002</u> | <u>-</u> | <u>503,596</u> |
| Net Capital Assets Being Depreciated | <u>767,321</u> | <u>(11,443)</u> | <u>-</u> | <u>754,760</u> |
| Drain Commission--Component Unit | | | | |
| Total Net Capital Assets | <u>\$ 767,321</u> | <u>\$ (11,443)</u> | <u>\$ -</u> | <u>\$ 754,760</u> |

The depreciation expense for the year was \$22,002 and was charged to the Drain Commission operations.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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> |
|----------------------------------|--------------------------------------|------------------|
| 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 | \$ 698,554 | General Fund | \$ 362,407 |
| Non-Major Governmental | 347,753 | Non-Major Governmental | 7,250 |
| Non-Major Enterprise | 14,654 | Delinquent tax Revolving | 400,000 |
| | | Tax Foreclosure | 232,368 |
| | | Non-Major Enterprise | <u>58,936</u> |
| Total Transfers | <u>\$ 1,060,961</u> | | <u>\$ 1,060,961</u> |

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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:

| | | | | | |
|---|---------------------|-------------------|---------------------|---------------------|-------------------|
| 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse | \$ 730,000 | \$ - | \$ (730,000) | \$ - | \$ - |
| County Building Authority 2012 Refunding Bonds with interest ranging from 0.55% to 1.85% for the purpose of refunding the 1998 Refunding Bonds at an economic gain. | - | 695,000 | - | 695,000 | 99,000 |
| Clare County equipment lease-purchase agreement payable to Team Financial Group, Inc. for copy machines | 116,830 | - | (27,497) | 89,333 | 29,508 |
| Gateway Refrigeration note for three boilers for courthouse at a rate of 4% | - | 86,485 | - | 86,485 | 19,895 |
| Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project | 161,521 | - | (16,180) | 145,341 | 13,273 |
| Clare County for Building Roof USDA note payable at 4.125% | 61,000 | - | (7,000) | 54,000 | 8,000 |
| Vested Employee Benefits Payable | <u>345,377</u> | <u>-</u> | <u>(21,503)</u> | <u>323,874</u> | <u>-</u> |
| Total Primary Government | <u>\$ 1,414,728</u> | <u>\$ 781,485</u> | <u>\$ (802,180)</u> | <u>\$ 1,394,033</u> | <u>\$ 169,676</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE H--LONG-TERM DEBT (Continued)

Discretely Presented Component Units

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

| <u>County Road Commission</u> | <u>Balance</u> <u>10/01/11</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance</u> <u>09/30/12</u> | <u>Due Within</u> <u>One Year</u> |
|-------------------------------|-----------------------------------|------------------|---------------------|-----------------------------------|--------------------------------------|
| Vested Employee Benefits | \$ 212,993 | \$ - | \$ (11,412) | \$ 201,581 | \$ - |
| Totals | <u>\$ 212,993</u> | <u>\$ -</u> | <u>\$ (11,412)</u> | <u>\$ 201,581</u> | <u>\$ -</u> |

| | <u>Balance</u> <u>10/01/11</u> | <u>Additions</u> | <u>(Reductions)</u> | <u>Balance</u> <u>09/30/12</u> | <u>Due Within</u> <u>One Year</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 | \$ 330,000 | \$ - | \$ (330,000) | \$ - | \$ - |
| 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>285,000</u> | <u>-</u> | <u>(285,000)</u> | <u>-</u> | <u>-</u> |
| Total DPW Component Unit Long-Term Debt | <u>\$ 615,000</u> | <u>\$ -</u> | <u>\$ (615,000)</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>Drain Component Unit</u> | | | | | |
| Note Payable for Leitner Drain at 3.95 % | \$ 46,517 | \$ - | \$ (15,506) | \$ 31,011 | \$ 15,505 |
| Note Payable for Ross Drain at 5.1% | <u>6,000</u> | <u>-</u> | <u>(6,000)</u> | <u>-</u> | <u>-</u> |
| Total Drain Component Unit Long-Term Debt | <u>\$ 52,517</u> | <u>\$ -</u> | <u>\$ (21,506)</u> | <u>\$ 31,011</u> | <u>\$ 15,505</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements

| Year | Primary Govt.--Governmental Activities | | | Discrete Component Units | | |
|-----------|--|------------------|---------------------|--------------------------|-----------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2013 | \$ 169,676 | \$ 22,991 | \$ 192,667 | \$ 15,505 | \$ 1,837 | \$ 17,342 |
| 2014 | 170,910 | 17,981 | 188,891 | 15,506 | 1,225 | 16,731 |
| 2015 | 171,517 | 13,346 | 184,863 | - | - | - |
| 2016 | 140,513 | 9,745 | 150,258 | - | - | - |
| 2017 | 123,276 | 7,141 | 130,417 | - | - | - |
| 2018-2022 | 294,266 | 8,865 | 303,131 | - | - | - |
| Total | <u>\$ 1,070,158</u> | <u>\$ 80,069</u> | <u>\$ 1,150,227</u> | <u>\$ 31,011</u> | <u>\$ 3,062</u> | <u>\$ 34,073</u> |

Annual Principal and Interest Requirements--Primary Government

The annual requirements to pay the principal and interest on the primary government of the County's direct general long-term debt obligations outstanding at September 30, 2012, are as follows:

Building Authority Refunding Bonds

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE H--LONG-TERM DEBT (Continued)

Principal and interest payments for the 2012 building authority refunding bonds are as follows:

| <u>Year</u> | <u>Principal February</u> | <u>Interest</u> | | <u>Annual Total</u> |
|-------------|-------------------------------|-------------------|------------------|-------------------------|
| | | <u>February 1</u> | <u>August 1</u> | |
| 2013 | \$ 99,000 | \$ 5,232 | \$ 4,149 | \$ 108,381 |
| 2014 | 97,000 | 4,149 | 3,785 | 104,934 |
| 2015 | 99,000 | 3,785 | 3,266 | 106,051 |
| 2016 | 95,000 | 3,266 | 2,624 | 100,890 |
| 2017 | 97,000 | 2,624 | 1,873 | 101,497 |
| 2018-2019 | <u>208,000</u> | <u>2,844</u> | <u>971</u> | <u>211,815</u> |
| | <u>\$ 695,000</u> | <u>\$ 21,900</u> | <u>\$ 16,668</u> | <u>\$ 733,568</u> |

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Annual Total</u> |
|-------------|------------------|-----------------|-------------------------|
| 2013 | \$ 29,508 | \$ 5,379 | \$ 34,887 |
| 2014 | 31,666 | 3,221 | 34,887 |
| 2015 | <u>28,158</u> | <u>913</u> | <u>29,071</u> |
| | <u>\$ 89,332</u> | <u>\$ 9,513</u> | <u>\$ 98,845</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE H--LONG-TERM DEBT (Continued)

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Annual Total</u> |
|-------------|-------------------|------------------|-------------------------|
| 2013 | \$ 13,273 | \$ 2,907 | \$ 16,180 |
| 2014 | 13,539 | 2,641 | 16,180 |
| 2015 | 13,810 | 2,371 | 16,181 |
| 2016 | 14,086 | 2,094 | 16,180 |
| 2017 | 14,368 | 1,813 | 16,181 |
| 2018-2022 | <u>76,265</u> | <u>4,636</u> | <u>80,901</u> |
| | <u>\$ 145,341</u> | <u>\$ 16,462</u> | <u>\$ 161,803</u> |

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

| <u>Year</u> | <u>Principal July 1</u> | <u>Interest</u> | <u>Annual Total</u> |
|-------------|-----------------------------|-----------------|-------------------------|
| 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 | <u>10,000</u> | <u>413</u> | <u>10,413</u> |
| | <u>\$ 54,000</u> | <u>\$ 8,128</u> | <u>\$ 62,128</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE H--LONG-TERM DEBT (Continued)

Note Payable with Gateway Refrigeration for the purpose of three new boilers for the County building. The note was entered into in 2012 payable at an annual interest rate of 4%. Principal and interest requirements over the life of the note are as follows:

| <u>Year</u> | <u>Principal July 1</u> | <u>Interest</u> | <u>Annual Total</u> |
|-------------|-----------------------------|-----------------|-------------------------|
| 2013 | \$ 19,895 | \$ 3,097 | \$ 22,992 |
| 2014 | 20,705 | 2,287 | 22,992 |
| 2015 | 21,549 | 1,443 | 22,992 |
| 2016 | 22,427 | 565 | 22,992 |
| 2017 | <u>1,909</u> | <u>6</u> | <u>1,915</u> |
| | <u>\$ 86,485</u> | <u>\$ 7,398</u> | <u>\$ 93,883</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> |
|-------------|------------------------------|-----------------------------|-------------------------|
| 2013 | \$ 15,505 | \$ 1,837 | \$ 17,342 |
| 2014 | <u>15,506</u> | <u>1,225</u> | <u>16,731</u> |
| | <u>\$ 31,011</u> | <u>\$ 3,062</u> | <u>\$ 34,073</u> |

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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, 2012, 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 | \$ 27,156 | \$ 46,868 | \$ 437 | \$ 74,461 |
| Courts | 26,670 | 3,935 | - | 30,605 |
| Sheriff Department | <u>102,257</u> | <u>85,230</u> | <u>31,321</u> | <u>218,808</u> |
| Total Primary Government | <u>\$ 156,083</u> | <u>\$ 136,033</u> | <u>\$ 31,758</u> | <u>\$ 323,874</u> |
| Component Unit | | | | |
| Road Commission | <u>\$ 67,254</u> | <u>\$ 134,327</u> | <u>\$ -</u> | <u>\$ 201,581</u> |

An accrued liability of \$24,523 for compensated absences of the County Transit Corporation is recorded in the financial statements of the Transit Fund.

Vacation and Sick Leave Policies

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

Vacation Leave

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

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

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

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE I--COMPENSATED ABSENCES (Continued)

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

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

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

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

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

For straight time worked, including paid leave but not overtime, 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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE I--COMPENSATED ABSENCES (Continued)

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

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

Road Commission (component unit) post-1987 employees earn four hours sick leave per month, and pre-1987 employees earn eight hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full. Sick leave for 2012 amounted to \$134,327.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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, 2011.

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining units which required employees to contribute 3% of the first \$4,200 of annual compensation and 5% of compensation over \$4,200 for the Sheriff's Department, 4.7% for the General UAW Units 111 and UAW (units 1 and 2), and 4.5% for the elected officials. The County's pension contributions were 10.31%, 6.14%, 7.59%, and 6.76% of the covered payroll at December 31, 2011, for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Annual Pension Cost

During the calendar year ended December 31, 2011, the County's contributions totaling \$595,445 (\$365,050 for employer and \$230,395 for employees) were made in accordance with annual required contribution requirements determined as part of an actuarial valuation at December 31, 2011. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 28 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retire-

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

ment) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

| Year Ended December 31 | Employer Annual Pension Cost (APC) | Employee Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---------------------------|---|---|-------------------------------------|------------------------------|
| 2011 | \$ 365,050 | \$ 230,395 | 100% | \$0 |
| 2010 | 359,328 | 235,813 | 100% | 0 |
| 2009 | 311,481 | 225,909 | 100% | 0 |

Required Supplementary Information for GASB Statement No. 27

| Actuarial Valuation December 31 | (1) Actuarial Value of Assets | (2) Actuarial Accrued Liability (AAL) | (3) Overfunded (Unfunded) AAL (UAAL) (1) - (2) | (4) Funded Ratio (1) / (2) | (5) Covered Payroll | (6) UAAL as a % of Covered Payroll |
|---------------------------------------|--|---|--|-------------------------------------|---------------------------|--|
| 2011 | \$ 14,109,811 | \$ 17,568,100 | \$ (3,458,289) | 80% | \$ 4,883,521 | 71% |
| 2010 | 13,797,052 | 16,258,978 | (2,461,926) | 85% | 4,960,637 | 50% |
| 2009 | 13,332,207 | 14,857,236 | (1,525,029) | 90% | 4,866,846 | 31% |

Employee Pension Plan--Transit Corporation

Profit Sharing Plan and Trust 401(K)

The Clare County Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(K) Profit Sharing Plan and Trust. The benefit to which a participant is entitled is the benefit that can be paid from a participant's account. The participant's account consists of amounts contributed to the plan for the participant plus investment earnings.

At September 30, 2012, there were three plan participants. Employees may at their option, defer up to 10% of their gross income, not to exceed amounts established by the Internal Revenue Code. The Transit Corporation matches the employees' contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 2% of the employee's total compensation. During the year ended September 30, 2012, the Transit Corporation contributed \$2,242 and employees contributed \$3,291 to the plan. Plan provisions and contribution requirements are established and may be amended by the Transit Corporation Board.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

SIMPLE Section 408(p)

The Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (SIMPLE), effective February 18, 1999. The benefit to which a participant is entitled is the benefit that can be paid from a participant's account. The participant's account consists of amounts contributed to the plan for the participant plus investment earnings. At September 30, 2012, there were two plan members. The Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. During the year ended September 30, 2012, the Transit Corporation contributed \$2,093 and employees contributed \$2,655 to the plan. Plan provisions and contribution requirements are established and may be amended by the Transit Corporation Board.

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION

Plan Description

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

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

MERS was established in 1946 under Public Act 135 of 1945 and granted independence from the State of Michigan pursuant to Public Act 220 of 1996, effective August 15, 1996. MERS is administered under the provisions of Public Act 427 of 1984, as amended. MERS issues a financial report available to the public that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at: 1134 Municipal Way, Lansing, Michigan 48917.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5% of the member's five-year final average compensation. The system also provides death and disability benefits which are established by State statute.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

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

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2011. 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, 2011, actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB Statement No. 25 Information (as of 12/31/11)

| | |
|---|----------------------------|
| Actuarial Accrued Liability | |
| Retirees and Beneficiaries Currently Receiving Benefits | \$ 6,310,275 |
| Terminated Employees Not Yet Receiving Benefits | 162,262 |
| Non-Vested Terminated Employees | 3,994 |
| Current Employees | |
| Accumulated Employee Contributions Including | |
| Allocated Investment Income | |
| Employer Financed | <u>3,218,594</u> |
| Total Actuarial Accrued Liability | 9,695,125 |
| Net Assets Available for Benefits, at Actuarial Value | |
| (Market Value is \$6,231,538) | <u>7,514,082</u> |
| Unfunded (Overfunded) Actuarial Accrued Liability | <u><u>\$ 2,181,043</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, 2011 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

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

of payroll over a period of 28 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year Trend Information for GASB Statement No. 27

| <u>Year Ended December 31</u> | <u>Annual Pension Cost (APC)</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation</u> |
|---------------------------------------|--|--|---------------------------------------|
| 2009 | \$ 154,608 | 100% | \$0 |
| 2010 | 179,532 | 100% | 0 |
| 2011 | 201,945 | 100% | 0 |

Required Supplementary Information for GASB Statement No. 27

| | (1) | (2) | (3) | (4) | (5) | (6) |
|--|--|--|---|---------------------------------------|----------------------------|---|
| <u>Actuarial Valuation December 31</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Overfunded (Unfunded) AAL (UAAL) (1) - (2)</u> | <u>Funded Ratio (1) / (2)</u> | <u>Covered Payroll</u> | <u>UAAL as a % of Covered Payroll</u> |
| 2009 | \$ 7,796,706 | \$ 9,088,579 | \$ (1,291,873) | 86% | \$ 1,291,873 | 105% |
| 2010 | 7,633,299 | 9,417,696 | (1,784,397) | 81% | 1,191,639 | 150% |
| 2011 | 7,514,082 | 9,695,125 | (2,181,043) | 78% | 1,187,749 | 184% |

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

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

NOTE M--OTHER POST-EMPLOYMENT BENEFITS

Primary Government

Plan Description

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

Funding Policy

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

The healthcare benefits may be continued after retirement or termination by the individual paying from \$100 to \$200, depending on their number of years of service, their portion of the premiums, in advance, to the County clerk's office. The net cost for retirees incurred for the fiscal year ended September 30, 2012 was \$20,156. During 2012, 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, 2012, the County has estimated the cost of providing retiree healthcare benefits through the alternative measurement method valuation as of December 31, 2011. 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, 2012

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

| | |
|---|------------------|
| Annual Required Contribution (ARC) | \$ 18,983 |
| Interest on Beginning of Year Net OPEB Obligation | 2,966 |
| ARC Adjustment | <u>(3,120)</u> |
| Annual OPEB Cost | 18,829 |
| Amounts Contributed | |
| Payments of Current Premiums | (18,300) |
| Increase in Net OPEB Obligation | 529 |
| Net OPEB Obligation--Beginning of Year | <u>74,158</u> |
| Net OPEB Obligation--End of Year | <u>\$ 74,687</u> |

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

| <u>Year Ended</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percentage of ARC Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|---|--------------------------------|--|------------------------------------|
| 12/31/2009 | \$ 61,320 | \$ 35,951 | 54.36% | \$ 25,369 |
| 12/31/2010 | 62,580 | 45,169 | 72.18% | 17,411 |
| 12/31/2011 | 18,829 | 18,300 | 97.19% | 529 |

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 funded status of the Plan was as of December 31, 2011, the most recent actuarial valuation of the assets was 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> |
|---|--|--|--|-------------------------|----------------------------|---|
| 12/31/11 | \$ - | \$ 186,852 | \$ 185,852 | 0% | \$ - | \$ - |

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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

Component Unit--Road Commission

Plan Description

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

Funding Policy

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

Funding Progress

For the fiscal year ended September 30, 2012, the Road Commission has determined an estimated cost of providing post-employment benefits through the alternative measurement method of calculation as of September 30, 2012. 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, 2012

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

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

| | |
|---|----------------------------|
| Annual Required Contribution | \$ 287,725 |
| Interest on Beginning of Year Net OPEB Obligation | <u>31,771</u> |
| Annual OPEB Cost | 319,496 |
| Amounts Contributed | |
| Payments of Current Premiums | (69,660) |
| Increase in Net OPEB Obligation | 249,836 |
| Net OPEB Obligation--Beginning of Year | <u>794,273</u> |
| Net OPEB Obligation--End of Year | <u><u>\$ 1,044,109</u></u> |

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the fiscal year ended September 30, 2012, were as follows:

| <u>Year Ended</u> | <u>Annual Required Contribution</u> | <u>Actual Contribution</u> | <u>Percentage of ARC Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|---|--------------------------------|--|------------------------------------|
| 9/30/2010 | \$ 332,387 | \$ 59,116 | 17.79% | \$ 273,271 |
| 9/30/2011 | 343,298 | 63,743 | 18.57% | 279,555 |
| 9/30/2012 | 319,496 | 69,660 | 21.80% | 249,836 |

The current funding progress of the plan as of September 30, 2012, 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> |
|---|--|--|--|-------------------------|----------------------------|---|
| 09/30/10 | \$ - | \$ 2,190,905 | \$ 2,190,905 | 0% | \$ 1,374,933 | 159% |
| 09/30/11 | - | 2,198,461 | 2,198,461 | 0% | 1,399,014 | 157% |
| 09/30/12 | - | 2,196,514 | 2,196,514 | 0% | 1,291,792 | 170% |

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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.

The County is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the County's self-insured retention (SIR). If a covered loss exceeds the Authority's limits, all further payments for such loss are the sole obligation

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS
For the Fiscal Year Ended September 30, 2012

NOTE N--RISK MANAGEMENT (Continued)

of the County. If for any reason, the Authority's resources available to pay losses are depleted, the payment of all unpaid losses of the County is the sole obligation of the County. The County's self-insured retentions are as follows:

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

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

Transit Corporation

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

The Transit Corporation participates in the Michigan Transit Insurance Pool (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.

Road Commission (Component Unit)

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

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

NOTE N--RISK MANAGEMENT (Continued)

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

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

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

During the fiscal year ended September 30, 2012, 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.

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.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

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 Grant revenue of \$143,395 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.

NOTE R--UPCOMING REPORTING CHANGE

In November 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The County is currently evaluating the impact this standard will have on the financial statements when adopted during the County's 2012-2013 fiscal year-end.

In June 2011, the Governmental Accounting Standards Board issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement No. 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The County will need to implement the standard beginning with fiscal year ending September 30, 2013.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended September 30, 2012

NOTE R--UPCOMING REPORTING CHANGE (Continued)

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the County as of fiscal year 2013-2014.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately-issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain non-employer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the County, this standard will be adopted for the 2014-2015 fiscal year.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The County is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the 2015-2016 fiscal year.

CLARE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT K

| | BUDGETED AMOUNTS | | | Variance With Final Budget Positive (Negative) |
|---|-------------------------|-------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Revenues | | | | |
| Taxes and Penalties | \$ 5,102,137 | \$ 5,104,819 | \$ 5,077,052 | \$ (27,767) |
| Licenses and Permits | 85,692 | 98,825 | 90,829 | (7,996) |
| Federal Grants | 185,593 | 166,897 | 218,894 | 51,997 |
| State Grants | 1,230,202 | 1,201,773 | 1,205,900 | 4,127 |
| Contributions From Local Units | 477,896 | 490,748 | 439,581 | (51,167) |
| Charges for Services | 2,313,683 | 2,564,208 | 2,352,623 | (211,585) |
| Fines and Forfeits | 19,500 | 23,000 | 21,922 | (1,078) |
| Interest and Rentals | 453,000 | 435,000 | 442,077 | 7,077 |
| Other Revenue | 202,335 | 251,043 | 248,098 | (2,945) |
| Total Revenues | <u>10,070,038</u> | <u>10,336,313</u> | <u>10,096,976</u> | <u>(239,337)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | 3,830,324 | 3,952,949 | 3,896,904 | 56,045 |
| Public Safety | 4,571,645 | 4,621,554 | 4,453,517 | 168,037 |
| Public Works | 10,775 | 2,971 | 2,844 | 127 |
| Health and Welfare | 548,975 | 555,836 | 576,670 | (20,834) |
| Community and Economic Development | 22,500 | 22,500 | 22,500 | - |
| Recreational and Cultural | - | 19,734 | 18,279 | 1,455 |
| Other | 1,484,205 | 1,302,398 | 1,222,072 | 80,326 |
| Capital Outlay | 173,000 | 229,951 | 380,288 | (150,337) |
| Debt Service | 69,529 | 88,679 | 55,963 | 32,716 |
| Total Expenditures | <u>10,710,953</u> | <u>10,796,573</u> | <u>10,629,037</u> | <u>167,536</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(640,915)</u> | <u>(460,259)</u> | <u>(532,061)</u> | <u>(71,801)</u> |
| Other Financing Sources (Uses) | | | | |
| Installment Purchase/Lease Proceeds | | | 104,037 | 104,037 |
| Interfund Transfers In | 302,600 | 723,537 | 698,554 | (24,983) |
| Interfund Transfers (Out) | <u>(452,718)</u> | <u>(415,471)</u> | <u>(362,407)</u> | <u>53,064</u> |
| Total Other Financing Sources (Uses) | <u>(150,118)</u> | <u>308,066</u> | <u>440,184</u> | <u>132,118</u> |
| Net Change in Fund Balances | (791,033) | (152,193) | (91,877) | 60,317 |
| Fund Balance--October 1, 2011 | <u>811,045</u> | <u>157,089</u> | <u>1,491,845</u> | <u>1,334,756</u> |
| Fund Balance--September 30, 2012 | <u>\$ 20,012</u> | <u>\$ 4,895</u> | <u>\$ 1,399,968</u> | <u>\$ 1,395,073</u> |

**CLARE COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GYPSY MOTH--MAJOR SPECIAL REVENUE FUND
For the Fiscal Year Ended September 30, 2012**

EXHIBIT L

| | <u>BUDGETED AMOUNTS</u> | | | Variance With |
|---|--------------------------------|-------------------|-------------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Final Budget Positive (Negative) |
| Revenues | | | | |
| Interest and Rentals | <u>\$ 2,050</u> | <u>\$ 5,050</u> | <u>\$ 4,746</u> | <u>\$ (304)</u> |
| Total Revenues | <u>2,050.0</u> | <u>5,050</u> | <u>4,746</u> | <u>(304)</u> |
| Expenditures | | | | |
| Current | | | | |
| General Government | <u>202,710</u> | <u>202,710</u> | <u>99,093</u> | <u>103,617</u> |
| Total Expenditures | <u>202,710</u> | <u>202,710</u> | <u>99,093</u> | <u>103,617</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(200,660)</u> | <u>(197,660)</u> | <u>(94,347)</u> | <u>103,313</u> |
| Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses | (200,660) | (197,660) | (94,347) | 103,313 |
| Fund Balance--October 1, 2011 | <u>1,049,119</u> | <u>1,046,119</u> | <u>1,041,778</u> | <u>(4,341)</u> |
| Fund Balance--September 30, 2012 | <u>\$ 848,459</u> | <u>\$ 848,459</u> | <u>\$ 947,431</u> | <u>\$ 98,972</u> |

CLARE COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2012

EXHIBIT M

| | Friend of the Court | Building Department | Register of Deeds Automation | 911 Service | Local Corrections Officers | Drug Law Enforcement | ORV Ordinance | OWI Forfeiture | Clare-Gladwin Recovery Court | Law Library | Community Development | Community Development Escrow |
|---|------------------------|------------------------|------------------------------------|-------------------|----------------------------------|-------------------------|------------------|-------------------|------------------------------------|------------------|--------------------------|------------------------------------|
| <u>ASSETS</u> | | | | | | | | | | | | |
| Cash | \$ 825 | \$ 45,308 | \$ 221,143 | \$ 487,852 | \$ 3,425 | \$ 9,678 | \$ 1,985 | \$ 14,416 | \$ 2,185 | \$ 10,996 | \$ 40,704 | \$ 108,823 |
| Investments | - | - | - | - | - | - | - | - | - | - | - | - |
| Accounts Receivable | - | - | - | 32,272 | 60 | - | - | - | - | - | - | - |
| Loans Receivable | - | - | - | - | - | - | - | - | - | - | 5,849 | 1,721,737 |
| Due From State of Michigan | 38,608 | - | - | 45,062 | - | - | - | - | 5,105 | - | - | - |
| Due From Other Agencies | - | - | - | - | - | - | - | - | - | - | - | 5,975 |
| Total Assets | <u>\$ 39,433</u> | <u>\$ 45,308</u> | <u>\$ 221,143</u> | <u>\$ 565,186</u> | <u>\$ 3,485</u> | <u>\$ 9,678</u> | <u>\$ 1,985</u> | <u>\$ 14,416</u> | <u>\$ 7,290</u> | <u>\$ 10,996</u> | <u>\$ 46,553</u> | <u>\$ 1,836,535</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | | | | | | |
| Accounts Payable | \$ 1,734 | \$ 5,605 | \$ - | \$ 54,552 | \$ - | \$ 169 | \$ - | \$ 1,056 | \$ - | \$ 257 | \$ - | \$ 8,381 |
| Accrued Liabilities | 4,531 | 1,093 | - | 8,464 | - | - | - | - | 301 | - | 400 | - |
| Due to General Fund | 6,000 | - | - | - | - | - | - | - | - | - | - | - |
| Advances From State | - | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - | - | - | - | - | - | 5,849 | 1,721,737 |
| Total Liabilities | <u>12,265</u> | <u>6,698</u> | <u>-</u> | <u>63,016</u> | <u>-</u> | <u>169</u> | <u>-</u> | <u>1,056</u> | <u>301</u> | <u>257</u> | <u>6,249</u> | <u>1,730,118</u> |
| Fund Balance--Restricted | <u>27,168</u> | <u>38,610</u> | <u>221,143</u> | <u>502,170</u> | <u>3,485</u> | <u>9,509</u> | <u>1,985</u> | <u>13,360</u> | <u>6,989</u> | <u>10,739</u> | <u>40,304</u> | <u>106,417</u> |
| Total Liabilities and Fund Balances | <u>\$ 39,433</u> | <u>\$ 45,308</u> | <u>\$ 221,143</u> | <u>\$ 565,186</u> | <u>\$ 3,485</u> | <u>\$ 9,678</u> | <u>\$ 1,985</u> | <u>\$ 14,416</u> | <u>\$ 7,290</u> | <u>\$ 10,996</u> | <u>\$ 46,553</u> | <u>\$ 1,836,535</u> |

CLARE COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2012

EXHIBIT M
 (CONTINUED)

SPECIAL REVENUE FUNDS

| | Brownfield Redevelopment Authority EPA Grant | Senior Services | Department of Human Services | Child Care Probate | Child Care DHS | Soldiers and Sailors Relief | Veterans Trust | Airport |
|---|---|--------------------|------------------------------------|--------------------------|----------------------|--------------------------------------|-------------------|---------------|
| <u>ASSETS</u> | | | | | | | | |
| Cash | \$ - | \$ 135,632 | \$ 57,150 | \$ 25,149 | \$ 36,829 | \$ 10,997 | \$ 1,411 | \$ 654 |
| Investments | - | - | - | - | - | - | - | - |
| Accounts Receivable | - | - | - | - | - | - | - | - |
| Loans Receivable | - | - | - | - | - | - | - | - |
| Due From State of Michigan | 1,800 | - | 14,029 | 30,562 | - | - | - | - |
| Due From Other Agencies | - | 59,843 | - | - | - | - | - | 150 |
| Total Assets | <u>\$ 1,800</u> | <u>\$ 195,475</u> | <u>\$ 71,179</u> | <u>\$ 55,711</u> | <u>\$ 36,829</u> | <u>\$ 10,997</u> | <u>\$ 1,411</u> | <u>\$ 804</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | | |
| Accounts Payable | \$ 1,800 | \$ 14,244 | \$ - | \$ 10,776 | \$ 875 | \$ 489 | \$ - | \$ 457 |
| Accrued Liabilities | - | 8,456 | - | - | - | - | - | - |
| Due to General Fund | - | - | - | - | - | - | - | - |
| Advances From State | - | - | 25,000 | - | - | - | - | - |
| Deferred Revenue | - | - | - | - | - | - | - | - |
| Total Liabilities | <u>1,800</u> | <u>22,700</u> | <u>25,000</u> | <u>10,776</u> | <u>875</u> | <u>489</u> | <u>-</u> | <u>457</u> |
| Fund Balance--Restricted | <u>-</u> | <u>172,775</u> | <u>46,179</u> | <u>44,935</u> | <u>35,954</u> | <u>10,508</u> | <u>1,411</u> | <u>347</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,800</u> | <u>\$ 195,475</u> | <u>\$ 71,179</u> | <u>\$ 55,711</u> | <u>\$ 36,829</u> | <u>\$ 10,997</u> | <u>\$ 1,411</u> | <u>\$ 804</u> |

CLARE COUNTY
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 September 30, 2012

EXHIBIT M
 (CONTINUED)

| | <u>DEBT SERVICE FUNDS</u> | | | <u>CAPITAL PROJECT FUNDS</u> | | | <u>Total</u> |
|---|--|------------------------|-----------------------|--|------------------------------------|---|---------------------|
| | <u>Building Authority Refunding Debt</u> | <u>Brownfield Debt</u> | <u>USDA Loan Debt</u> | <u>Public Building and Improvement</u> | <u>Animal Shelter Construction</u> | <u>Brownfield Redevelopment Authority</u> | |
| <u>ASSETS</u> | | | | | | | |
| Cash | \$ 753 | \$ - | \$ - | \$ 2,480 | \$ 276,152 | \$ 32,178 | \$ 1,526,725 |
| Investments | - | - | - | 30,793 | - | - | 30,793 |
| Accounts Receivable | - | - | - | - | - | - | 32,332 |
| Loans Receivable | - | - | - | - | - | - | 1,727,586 |
| Due From State of Michigan | - | - | - | - | - | - | 135,166 |
| Due From Other Agencies | - | - | - | - | - | - | 65,968 |
| Total Assets | <u>\$ 753</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,273</u> | <u>\$ 276,152</u> | <u>\$ 32,178</u> | <u>\$ 3,518,570</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | |
| Accounts Payable | \$ - | \$ - | \$ - | \$ - | \$ 5,981 | \$ - | \$ 106,376 |
| Accrued Liabilities | - | - | - | - | - | - | 23,245 |
| Due to General Fund | - | - | - | - | - | - | 6,000 |
| Advances From State | - | - | - | - | - | - | 25,000 |
| Deferred Revenue | - | - | - | - | - | - | 1,727,586 |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,981</u> | <u>-</u> | <u>1,888,207</u> |
| Fund Balance--Restricted | <u>753</u> | <u>-</u> | <u>-</u> | <u>33,273</u> | <u>270,171</u> | <u>32,178</u> | <u>1,630,363</u> |
| Total Liabilities and Fund Balances | <u>\$ 753</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 33,273</u> | <u>\$ 276,152</u> | <u>\$ 32,178</u> | <u>\$ 3,518,570</u> |

CLARE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2012

EXHIBIT N

SPECIAL REVENUE FUNDS

| | Friend of Court | Building Department | Register of Deeds Automation | 911 Service | Local Corrections Officers | Drug Law Enforcement | ORV Ordinance | OWI Forfeiture | Clare-Gladwin Recovery Court | Law Library | Community Development | Community Development Escrow |
|---|--------------------|------------------------|------------------------------------|-------------------|----------------------------------|-------------------------|------------------|-------------------|------------------------------------|------------------|--------------------------|------------------------------------|
| Revenues | | | | | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 357,568 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | - | 147,448 | - | - | - | - | - | - | - | - | - | - |
| Federal Grants | 217,521 | - | - | 24,020 | - | - | - | - | - | - | - | 190,927 |
| State Grants | 22,896 | - | - | 167,231 | - | - | - | - | 13,154 | - | - | - |
| Charges for Services | 31,318 | 270 | 49,505 | 137,251 | - | - | - | - | - | - | - | 15,209 |
| Fines and Forfeits | - | - | - | - | 9,970 | 4,950 | 4,325 | 19,766 | - | 5,250 | - | - |
| Interest and Rentals | - | - | 541 | - | - | - | - | - | - | - | - | 6,031 |
| Other | - | - | - | - | - | 4,000 | - | - | 6,300 | - | 48,892 | 39,646 |
| Total Revenues | 271,735 | 147,718 | 50,046 | 686,070 | 9,970 | 8,950 | 4,325 | 19,766 | 19,454 | 5,250 | 48,892 | 251,813 |
| Expenditures | | | | | | | | | | | | |
| General Government | 301,579 | - | 17,253 | - | - | - | - | - | - | 2,811 | - | - |
| Public Safety | - | 151,163 | - | 535,642 | 9,636 | 4,476 | 2,162 | 6,406 | 18,465 | - | - | - |
| Public Works | - | - | - | - | - | - | - | - | - | - | - | - |
| Health and Welfare | - | - | - | - | - | - | - | - | - | - | - | - |
| Community and Economic Development | - | - | - | - | - | - | - | - | - | - | 35,348 | 239,313 |
| Capital Outlay | - | - | - | 191,342 | - | 8,757 | - | - | - | - | - | - |
| Principal | - | - | - | - | - | - | - | - | - | - | - | - |
| Interest and Fees | - | - | - | - | - | - | - | - | - | - | - | - |
| Total Expenditures | 301,579 | 151,163 | 17,253 | 726,984 | 9,636 | 13,233 | 2,162 | 6,406 | 18,465 | 2,811 | 35,348 | 239,313 |
| Excess of Revenue Over (Under) | | | | | | | | | | | | |
| Expenditures | (29,844) | (3,445) | 32,793 | (40,914) | 334 | (4,283) | 2,163 | 13,360 | 989 | 2,439 | 13,544 | 12,500 |
| Other Financing Sources (Uses) | | | | | | | | | | | | |
| Proceeds of Refunding Bonds | - | - | - | - | - | - | - | - | - | - | - | - |
| Payments to Refunded Bond Escrow Agent | - | - | - | - | - | - | - | - | - | - | - | - |
| Interfund Transfers In | 29,402 | - | - | 10,000 | - | - | - | - | 6,000 | - | - | - |
| Interfund Transfers (Out) | - | - | - | - | - | (2,450) | (4,800) | - | - | - | - | - |
| Total Other Financing Sources (Uses) | 29,402 | - | - | 10,000 | - | (2,450) | (4,800) | - | 6,000 | - | - | - |
| Net Change in Fund Balances | (442) | (3,445) | 32,793 | (30,914) | 334 | (6,733) | (2,637) | 13,360 | 6,989 | 2,439 | 13,544 | 12,500 |
| Fund Balance--October 1, 2011 | 27,610 | 42,055 | 188,350 | 533,084 | 3,151 | 16,242 | 4,622 | - | - | 8,300 | 26,760 | 93,917 |
| Fund Balance--September 30, 2012 | \$ 27,168 | \$ 38,610 | \$ 221,143 | \$ 502,170 | \$ 3,485 | \$ 9,509 | \$ 1,985 | \$ 13,360 | \$ 6,989 | \$ 10,739 | \$ 40,304 | \$ 106,417 |

CLARE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2012

EXHIBIT N
 (CONTINUED)

| | SPECIAL REVENUE FUNDS | | | | | | | |
|---|---|--------------------|------------------------------------|--------------------------|----------------------|--------------------------------------|-------------------|----------------|
| | Brownfield Redevelopment Authority EPA Grant | Senior Services | Department of Human Services | Child Care Probate | Child Care DHS | Soldiers and Sailors Relief | Veterans Trust | Airport |
| Revenues | | | | | | | | |
| Taxes | \$ - | \$ 490,371 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and Permits | | | | | | | | |
| Federal Grants | 7,240 | 304,511 | | | | | | |
| State Grants | | 19,576 | | 177,784 | 72,707 | | 5,289 | |
| Charges for Services | | | | 2,286 | | | | |
| Fines and Forfeits | | | | | | | | |
| Interest and Rentals | | | | | | | | 4,293 |
| Other | | 84,366 | \$ 208,287 | | | 995 | | |
| Total Revenues | 7,240 | 898,824 | 208,287 | 180,070 | 72,707 | 995 | 5,289 | 4,293 |
| Expenditures | | | | | | | | |
| General Government | | | | | | | | |
| Public Safety | | | | | | | | |
| Public Works | 7,240 | | | | | | | 10,415 |
| Health and Welfare | | 911,396 | 213,208 | 239,137 | 161,797 | 9,989 | 5,038 | |
| Community and Economic Development | | | | | | | | |
| Capital Outlay | | 17,900 | | | | | | |
| Principal | | | | | | | | |
| Interest and Fees | | | | | | | | |
| Total Expenditures | 7,240 | 929,296 | 213,208 | 239,137 | 161,797 | 9,989 | 5,038 | 10,415 |
| Excess of Revenue Over (Under) | | | | | | | | |
| Expenditures | - | (30,472) | (4,921) | (59,067) | (89,090) | (8,994) | 251 | (6,122) |
| Other Financing Sources (Uses) | | | | | | | | |
| Proceeds of Refunding Bonds | - | - | - | - | - | - | - | - |
| Payments to Refunded Bond Excrow Agent | - | - | - | - | - | - | - | - |
| Interfund Transfers In | - | - | 5,000 | 100,000 | 80,000 | 10,000 | - | 4,050 |
| Interfund Transfers (Out) | - | - | - | - | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | 5,000 | 100,000 | 80,000 | 10,000 | - | 4,050 |
| Net Change in Fund Balances | - | (30,472) | 79 | 40,933 | (9,090) | 1,006 | 251 | (2,072) |
| Fund Balance--October 1, 2011 | - | 203,247 | 46,100 | 4,002 | 45,044 | 9,502 | 1,160 | 2,419 |
| Fund Balance--September 30, 2012 | \$ - | \$ 172,775 | \$ 46,179 | \$ 44,935 | \$ 35,954 | \$ 10,508 | \$ 1,411 | \$ 347 |

CLARE COUNTY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 For the Fiscal Year Ended September 30, 2012

EXHIBIT N
 (CONTINUED)

| | DEBT SERVICE FUNDS | | | CAPITAL PROJECT FUNDS | | | Total |
|--|-----------------------------------|-----------------|----------------|---------------------------------|-----------------------------|------------------------------------|--------------|
| | Building Authority Refunding Debt | Brownfield Debt | USDA Loan Debt | Public Building and Improvement | Animal Shelter Construction | Brownfield Redevelopment Authority | |
| Revenues | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 7,282 | \$ 855,221 |
| Licenses and Permits | - | - | - | - | - | - | 147,448 |
| Federal Grants | - | - | - | - | - | - | 744,219 |
| State Grants | - | - | - | - | - | - | 478,637 |
| Charges for Services | - | - | - | - | - | - | 235,839 |
| Fines and Forfeits | - | - | - | - | - | - | 44,261 |
| Interest and Rentals | 753 | 16,180 | - | 31 | 2,118 | - | 29,947 |
| Other | - | - | - | - | - | - | 392,486 |
| Total Revenues | 753 | 16,180 | - | 31 | 2,118 | 7,282 | 2,928,058 |
| Expenditures | | | | | | | |
| General Government | - | - | - | - | - | - | 321,643 |
| Public Safety | - | - | - | - | 16,305 | - | 744,255 |
| Public Works | - | - | - | - | - | - | 17,655 |
| Health and Welfare | - | - | - | - | - | - | 1,540,565 |
| Community and Economic Development | - | - | - | - | - | - | 274,661 |
| Capital Outlay | - | - | - | - | - | - | 217,999 |
| Principal | 75,000 | 16,180 | 7,000 | - | - | - | 98,180 |
| Interest and Fees | 58,785 | - | 2,516 | - | - | - | 61,301 |
| Total Expenditures | 133,785 | 16,180 | 9,516 | - | 16,305 | - | 3,276,259 |
| Excess of Revenue Over (Under) | | | | | | | |
| Expenditures | (133,032) | - | (9,516) | 31 | (14,187) | 7,282 | (348,201) |
| Other Financing Sources (Uses) | | | | | | | |
| Proceeds of Refunding Bonds | 695,000 | - | - | - | - | - | 695,000 |
| Payments to Refunded Bond Escrow Agent | (655,000) | - | - | - | - | - | (655,000) |
| Interfund Transfers In | 93,785 | - | 9,516 | - | - | - | 347,753 |
| Interfund Transfers (Out) | - | - | - | - | - | - | (7,250) |
| Total Other Financing Sources (Uses) | 133,785 | - | 9,516 | - | - | - | 380,503 |
| Net Change in Fund Balances | 753 | - | - | 31 | (14,187) | 7,282 | 32,302 |
| Fund Balance--October 1, 2011 | - | - | - | 33,242 | 284,358 | 24,896 | 1,598,061 |
| Fund Balance--September 30, 2012 | \$ 753 | \$ - | \$ - | \$ 33,273 | \$ 270,171 | \$ 32,178 | \$ 1,630,363 |

**CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
September 30, 2012**

EXHIBIT O

| | BUSINESS-TYPE ACTIVITIES | | | Total Non-Major Funds |
|---------------------------|---------------------------------|-----------------------------|----------------------------|-----------------------------|
| | <u>Land Bank Authority</u> | <u>Tax Anticipation</u> | <u>Jail Commissary</u> | |
| <u>ASSETS</u> | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 40,562 | \$ - | \$ 86,385 | \$ 126,947 |
| Accounts Receivable | - | - | 4,491 | 4,491 |
| Total Current Assets | <u>40,562</u> | <u>-</u> | <u>90,876</u> | <u>131,438</u> |
| Total Assets | <u>\$ 40,562</u> | <u>\$ -</u> | <u>\$ 90,876</u> | <u>\$ 131,438</u> |
| <u>LIABILITIES</u> | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ - | \$ - | \$ 2,236 | \$ 2,236 |
| Total Current Liabilities | <u>-</u> | <u>-</u> | <u>2,236</u> | <u>2,236</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>2,236</u> | <u>2,236</u> |
| <u>NET ASSETS</u> | | | | |
| Unrestricted | <u>40,562</u> | <u>-</u> | <u>88,640</u> | <u>129,202</u> |
| Total Net Assets | <u>\$ 40,562</u> | <u>\$ -</u> | <u>\$ 88,640</u> | <u>\$ 129,202</u> |

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2012

EXHIBIT P

| | BUSINESS-TYPE ACTIVITIES | | | Total Non-Major Enterprise Funds |
|---|---------------------------------|-----------------------------|----------------------------|---|
| | <u>Land Bank Authority</u> | <u>Tax Anticipation</u> | <u>Jail Commissary</u> | |
| Operating Revenues | | | | |
| Charges for Services | <u>\$ 17</u> | <u>\$ -</u> | <u>\$ 95,291</u> | <u>\$ 95,308</u> |
| Total Operating Revenues | <u>17</u> | <u>-</u> | <u>95,291</u> | <u>95,308</u> |
| Operating Expenses | | | | |
| Contractual Services | <u>70</u> | <u>-</u> | <u>-</u> | <u>70</u> |
| Materials and Supplies | <u>-</u> | <u>-</u> | <u>46,313</u> | <u>46,313</u> |
| Total Operating Expenses | <u>70</u> | <u>-</u> | <u>46,313</u> | <u>46,383</u> |
| Operating Income (Loss) | <u>(53)</u> | <u>-</u> | <u>48,978</u> | <u>48,925</u> |
| Nonoperating Revenues (Expenses) | | | | |
| Interest Expense | <u>-</u> | <u>\$(14,654)</u> | <u>-</u> | <u>(14,654)</u> |
| Total Nonoperating Revenues (Expenses) | <u>-</u> | <u>(14,654)</u> | <u>-</u> | <u>(14,654)</u> |
| Interfund Transfers | | | | |
| Transfers In (Out) | <u>-</u> | <u>14,654</u> | <u>(58,936)</u> | <u>(44,282)</u> |
| Change in Net Assets | <u>(53)</u> | <u>-</u> | <u>(9,958)</u> | <u>(10,011)</u> |
| Total Net Assets--October 1, 2011 | <u>40,615</u> | <u>-</u> | <u>98,598</u> | <u>139,213</u> |
| Total Net Assets--September 30, 2012 | <u><u>\$ 40,562</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 88,640</u></u> | <u><u>\$ 129,202</u></u> |

CLARE COUNTY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Fiscal Year Ended September 30, 2012

EXHIBIT Q

| | BUSINESS-TYPE ACTIVITIES | | | 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 | \$ 17 | \$ - | \$ 93,777 | \$ 93,794 |
| Cash Payments to Suppliers for Goods and Services | <u>(70)</u> | <u>-</u> | <u>(45,118)</u> | <u>(45,188)</u> |
| Net Cash Provided by Operating Activities | <u>(53)</u> | <u>-</u> | <u>48,659</u> | <u>48,606</u> |
| Cash Flows From Noncapital Financing Activities | | | | |
| Transfers In (Out) | <u>-</u> | <u>14,654</u> | <u>(58,936)</u> | <u>(44,282)</u> |
| Net Cash Provided by Noncapital Financing Activities | <u>-</u> | <u>14,654</u> | <u>(58,936)</u> | <u>(44,282)</u> |
| Cash Flows From Investing Activities | | | | |
| Interest Expense | <u>-</u> | <u>(14,654)</u> | <u>-</u> | <u>(14,654)</u> |
| Net Cash Provided by Investing Activities | <u>-</u> | <u>(14,654)</u> | <u>-</u> | <u>(14,654)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | (53) | - | (10,277) | (10,330) |
| Cash and Cash Equivalents at Beginning of Year | <u>40,615</u> | <u>-</u> | <u>96,662</u> | <u>137,277</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 40,562</u> | <u>\$ -</u> | <u>\$ 86,385</u> | <u>\$ 126,947</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | | | | |
| Operating Income (Loss) | \$ (53) | \$ - | \$ 48,978 | \$ 48,925 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | | | |
| (Increase) Decrease in Accounts Receivable | - | - | (1,514) | (1,514) |
| Increase (Decrease) in Accounts Payable | <u>-</u> | <u>-</u> | <u>1,196</u> | <u>1,196</u> |
| Net Cash Provided by Operating Activities | <u>\$ (53)</u> | <u>\$ -</u> | <u>\$ 48,660</u> | <u>\$ 48,607</u> |

CLARE COUNTY
COMBINING STATEMENT OF FIDUCIARY
NET ASSETS--AGENCY FUNDS
September 30, 2012

EXHIBIT R

| | <u>General Agency</u> | <u>Library (Penal Fines) Fund</u> | <u>Total</u> |
|--|---------------------------|---|---------------------|
| <u>ASSETS</u> | | | |
| Cash | \$ 3,017,769 | \$ 39,982 | \$ 3,057,751 |
| Investments | <u>-</u> | <u>161,148</u> | <u>161,148</u> |
| Total Assets | <u>\$ 3,017,769</u> | <u>\$ 201,130</u> | <u>\$ 3,218,899</u> |
| <u>LIABILITIES AND FUND BALANCE</u> | | | |
| Liabilities | | | |
| Due to State of Michigan | \$ 2,900,581 | \$ - | \$ 2,900,581 |
| Undistributed Penal Fines and Interest | - | 201,130 | 201,130 |
| Other Liabilities | <u>117,188</u> | <u>-</u> | <u>117,188</u> |
| Total Liabilities | <u>\$ 3,017,769</u> | <u>\$ 201,130</u> | <u>\$ 3,218,899</u> |

CLARE COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT S

| | BUDGETED AMOUNTS | | | Variance With Final Budget Positive (Negative) |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Taxes and Penalties | | | | |
| Current Property Taxes | \$ 4,850,000 | \$ 4,850,000 | \$ 4,830,651 | \$ (19,349) |
| Unpaid Personal Property Taxes | 18,000 | 18,000 | 14,108 | (3,892) |
| Trailer Taxes | 2,500 | 2,500 | 1,712 | (788) |
| Swampland Tax | 37,000 | 39,441 | 39,441 | - |
| Commercial Forest Reserve | 37 | 37 | 37 | - |
| Industrial Facility Tax | 25,000 | 25,000 | 23,952 | (1,048) |
| Payments-in-Lieu of Taxes | 9,600 | 9,841 | 9,841 | - |
| Property Tax Administration Fees | 160,000 | 160,000 | 157,310 | (2,690) |
| Total Taxes and Penalties | 5,102,137 | 5,104,819 | 5,077,052 | (27,767) |
| Licenses and Permits | | | | |
| Marriage Licenses | 1,220 | 1,220 | 1,125 | (95) |
| Marriage Licenses--Family Counseling | 3,300 | 3,300 | 3,045 | (255) |
| Dog Licenses | 50,000 | 50,000 | 46,508 | (3,492) |
| Pistol Permits | 12,900 | 14,300 | 14,068 | (232) |
| Soil Erosion and Sedimentation Permits | 18,267 | 30,000 | 26,082 | (3,918) |
| Explosives Permits | 5 | 5 | 1 | (4) |
| Total Licenses and Permits | 85,692 | 98,825 | 90,829 | (7,996) |
| Federal Grants | | | | |
| DOJ-Byrne-Bayonet | 28,309 | 28,309 | 26,039 | (2,270) |
| Emergency Management Performance Grant | 10,000 | 10,000 | 9,168 | (832) |
| Hazardous Materials Emergency Planning Grant | 100 | 100 | - | (100) |
| Homeland Security Planning | 28,000 | 31,000 | 71,735 | 40,735 |
| USDA Grant--Sheriff Vehicles | - | 30,000 | 45,000 | 15,000 |
| Public Guardian Services | 2,200 | 3,010 | 3,185 | 175 |
| Bullet Proof Vest Program | 1,137 | 1,137 | 2,191 | 1,054 |
| Marine Safety Program | 8,447 | 9,850 | 9,705 | (145) |
| Foster Care - Title IV-E | 64,968 | 12,500 | 14,001 | 1,501 |
| Cooperative Reimbursement Program--Prosecuting Attorney | 42,432 | 40,991 | 37,870 | (3,121) |
| Total Federal Grants | 185,593 | 166,897 | 218,894 | 51,997 |
| State Grants | | | | |
| Probate Judges' Salary | 101,700 | 94,195 | 102,241 | 8,046 |
| Judges' Salary Standardization | 100,592 | 100,592 | 100,345 | (247) |
| State Court Equity Fund | 182,000 | 166,172 | 166,172 | - |
| Secondary Road Patrol | 47,790 | 47,790 | 47,790 | - |
| Livery Inspections--Sheriff | 100 | 100 | 80 | (20) |
| State Aid Caseload Assistance | 16,000 | 11,469 | 11,469 | 0 |
| State Snowmobile Grant | 5,883 | 6,560 | 4,860 | (1,700) |
| Judicial Network Project | 675 | 712 | 712 | - |
| Michigan Justice Training | 6,519 | 5,396 | 5,396 | - |
| Off-Road Vehicle Enforcement | 3,500 | 5,960 | 5,000 | (960) |
| Off-Road Vehicle Safety Education | 2,250 | 2,250 | 3,660 | 1,410 |
| Juvenile Officer Grant | 27,317 | 27,317 | 27,317 | - |
| Food Stamp Fraud | 1,500 | 1,500 | 1,260 | (240) |
| Victims Rights Grant | 29,500 | 29,500 | 25,584 | (3,916) |
| State Cigarette Tax | - | 1,995 | 1,995 | - |
| Convention Facilities Liquor Tax | 149,136 | 149,136 | 162,425 | 13,289 |
| Revenue Sharing | 489,010 | 488,933 | 488,933 | - |
| Remonumentation | 36,400 | 36,176 | 36,177 | 1 |
| Juror Compensation | 7,830 | 7,420 | 7,420 | - |
| Liquor Law Enforcement | 7,000 | 7,000 | 6,448 | (552) |
| Election | 15,000 | 11,000 | - | (11,000) |
| Voter Registration | 500 | 600 | 616 | 16 |
| Total State Grants | 1,230,202 | 1,201,773 | 1,205,900 | 4,127 |

CLARE COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT S
(CONTINUED)

| | BUDGETED AMOUNTS | | | Variance With Final Budget Positive (Negative) |
|---|-------------------------|----------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Contributions From Local Units | | | | |
| Liquor Law Enforcement--Townships | 3,000 | 3,000 | 385 | (2,615) |
| Law Enforcement Contracts | | | | |
| Lincoln Township | 125,800 | 125,800 | 115,607 | (10,193) |
| City of Harrison | 163,000 | 163,000 | 137,241 | (25,759) |
| Village of Farwell | 46,000 | 46,000 | 27,879 | (18,121) |
| Hayes Township | 49,688 | 49,688 | 56,809 | 7,121 |
| Redding Township | 4,562 | 4,562 | 5,081 | 519 |
| Grant Township | 16,758 | 22,758 | 20,639 | (2,119) |
| Weighmaster Contract | - | 6,852 | 6,852 | - |
| School Safety Match | | | | |
| Harrison | 37,000 | 37,000 | 37,000 | - |
| Farwell | 32,088 | 32,088 | 32,088 | - |
| Total Contributions From Local Units | <u>477,896</u> | <u>490,748</u> | <u>439,581</u> | <u>(51,167)</u> |
| Charges for Services | | | | |
| Circuit Court Costs | 100,000 | 130,000 | 121,738 | (8,262) |
| District Court Costs | 356,000 | 316,000 | 303,816 | (12,184) |
| Circuit Court Services | 14,010 | 15,510 | 14,679 | (831) |
| Public Guardian Services | 15,000 | 15,000 | 12,595 | (2,405) |
| Probate Court Services | 21,000 | 28,500 | 26,918 | (1,582) |
| Administrative Services | 100 | 100 | 24 | (76) |
| Clerk Services | 47,000 | 54,450 | 52,352 | (2,098) |
| Partnerships and Assumed Names | 3,000 | 3,000 | 2,680 | (320) |
| Equalization Department Services | | | | |
| Nongovernmental | 11,500 | 11,500 | 10,238 | (1,262) |
| Local Units | 60,800 | 64,800 | 59,878 | (4,922) |
| Election Services | - | 22,003 | 22,003 | - |
| Planning Committee Services | - | 900 | 790 | (110) |
| Register of Deeds Services | 196,148 | 162,922 | 158,952 | (3,970) |
| Treasurer Services | 5,000 | 11,000 | 9,975 | (1,025) |
| Sheriff Services | 12,500 | 12,500 | 11,869 | (631) |
| Preliminary Breath Test Fees | 9,000 | 10,000 | 10,745 | 745 |
| Drain Services | 3,500 | 3,500 | 3,351 | (149) |
| Animal Control Services | 9,500 | 9,500 | 9,304 | (196) |
| District Court Attorney Fees | 137,595 | 122,595 | 117,138 | (5,457) |
| Probate Court Attorney Fees | 750 | 900 | 840 | (60) |
| Real Estate Transfer Tax | 50,882 | 60,000 | 57,542 | (2,458) |
| 25% Child Care Fund Collection Fees | 765 | 915 | 762 | (153) |
| Abstract Department Mailing Fees | 20 | 20 | 5 | (15) |
| Abstract Department Use of Tract Book | 43,245 | 43,245 | 34,560 | (8,685) |
| Abstract Title Searches | 2,493 | 5,400 | 5,104 | (296) |
| Prosecutor OWI Cases | 1,300 | 2,900 | 2,563 | (337) |
| PAAC/PAAM Victim Rights | - | 1,000 | 500 | (500) |
| District Court Assessment and Evaluation Fees | 31,402 | 32,500 | 31,181 | (1,319) |
| District Court Bond Costs | 13,000 | 13,000 | 11,108 | (1,892) |
| District Court Civil Fees | 84,183 | 92,000 | 97,538 | 5,538 |
| Sheriff Service of Papers | 50,000 | 50,000 | 52,908 | 2,908 |
| Animal Adoption Fees | 5,800 | 8,500 | 6,102 | (2,398) |
| Record Copying | 6,200 | 6,200 | 3,519 | (2,681) |
| Jail Fees | 4,000 | 5,200 | 4,078 | (1,122) |
| Transportation of Prisoners | 30,000 | 18,000 | 15,472 | (2,528) |
| Housing of Inmates--Other Counties | 875,000 | 1,066,798 | 911,304 | (155,494) |
| Housing of Inmates--State Detainees | 13,000 | 16,000 | 15,856 | (144) |
| Housing of Inmates--Diverted Felons | 50,000 | 55,000 | 41,520 | (13,480) |
| Weekend Lodging--Jail | 7,500 | 8,000 | 8,550 | 550 |
| Inmates Room and Board | 14,790 | 18,000 | 16,492 | (1,508) |

CLARE COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT S
(CONTINUED)

| | BUDGETED AMOUNTS | | | Variance With Final Budget Positive (Negative) |
|---|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Charges for Services (Continued) | | | | |
| Inmates Work Release | 6,700 | 6,700 | 7,040 | 340 |
| Pay Phone Commissions | 9,000 | 50,000 | 62,735 | 12,735 |
| Vending Machine Commissions | 2,000 | 2,000 | 1,416 | (584) |
| Salvage Inspections | - | - | 12,225 | 12,225 |
| Cobra Services | 6,900 | 4,900 | 2,300 | (2,600) |
| Salvage Sales | 3,000 | 3,000 | 138 | (2,862) |
| Circuit Court Sex Offender Program | 100 | 250 | 220 | (30) |
| Total Charges for Services | 2,313,683 | 2,564,208 | 2,352,623 | (211,585) |
| Fines and Forfeits | | | | |
| Circuit Court Bond Forfeitures | 4,500 | 6,000 | 5,965 | (35) |
| District Court Bond Forfeitures | 6,500 | 6,500 | 5,350 | (1,150) |
| Ordinance Fines and Costs | 8,500 | 10,500 | 10,607 | 107 |
| Total Fines and Forfeits | 19,500 | 23,000 | 21,922 | (1,078) |
| Interest and Rents | | | | |
| Interest Earned | 35,000 | 17,000 | 13,968 | (3,032) |
| Rent | 80,000 | 80,000 | 77,670 | (2,330) |
| Royalties--Landfill | 338,000 | 338,000 | 350,439 | 12,439 |
| Total Interest and Rents | 453,000 | 435,000 | 442,077 | 7,077 |
| Other Revenues | | | | |
| Contributions From Private Sources | 38,195 | 40,285 | 55,086 | 14,801 |
| Reimbursements | | | | |
| Insurance | 650 | 650 | 465 | (185) |
| Bench Warrants | 50 | 50 | - | (50) |
| Township Tax Notice Postage | 4,500 | 6,543 | 6,294 | (249) |
| Postage | 9,000 | 20,000 | 17,303 | (2,697) |
| Workers' Compensation | 2,000 | 2,000 | - | (2,000) |
| Inmate Medical | 17,000 | 4,000 | 786 | (3,214) |
| Gladwin County | | | | |
| Circuit Court | 700 | 900 | 900 | - |
| District Court | 32,000 | 38,000 | 39,718 | 1,718 |
| Probate Court | 32,715 | 37,715 | 37,526 | (189) |
| Restitution | 6,500 | 6,500 | 2,187 | (4,313) |
| Health Insurance | 51,400 | 71,000 | 64,802 | (6,198) |
| Other | 7,425 | 23,200 | 23,062 | (138) |
| Over and Short | 200 | 200 | (31) | (231) |
| Total Other Revenues | 202,335 | 251,043 | 248,098 | (2,945) |
| Total Revenue | 10,070,038 | 10,336,313 | 10,096,976 | (239,337) |
| Other Financing Sources | | | | |
| Installment Purchase/Lease Proceeds | - | - | 104,037 | 104,037 |
| Interfund Transfers In | | | | |
| Jail Commissary Fund | - | 83,460 | 58,936 | (24,524) |
| Drug Law Fund | 2,600 | 5,050 | 2,450 | (2,600) |
| Jail Commissary | - | 5,026 | 4,800 | (226) |
| Delinquent Tax Revolving Fund | 200,000 | 400,000 | 400,000 | - |
| Tax Foreclosure | 100,000 | 230,000 | 232,368 | 2,368 |
| Total Other Financing Sources | 302,600 | 723,537 | 802,591 | 79,054 |
| Total Revenues and Other Financing Sources | \$ 10,372,638 | \$ 11,059,850 | \$ 10,899,567 | \$ (160,283) |

CLARE COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT T

| | BUDGETED AMOUNTS | | | Variance With |
|---------------------------------|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> Positive (Negative) |
| General Government | | | | |
| Board of Commissioners | \$ 102,407 | \$ 103,378 | \$ 102,765 | \$ 613 |
| Circuit Court | 371,796 | 371,248 | 361,681 | 9,567 |
| District Court | 625,508 | 627,260 | 627,319 | (59) |
| Public Guardian | 36,065 | 36,065 | 35,884 | 181 |
| Probate Court | 469,167 | 495,440 | 487,100 | 8,340 |
| Circuit Court Probation | 2,800 | 2,800 | 1,373 | 1,427 |
| Family Counseling | 1,500 | 1,500 | 800 | 700 |
| Jury Board | 1,060 | 1,060 | 825 | 235 |
| Administrator | 216,407 | 161,061 | 157,034 | 4,027 |
| Elections | 105,089 | 105,589 | 105,143 | 446 |
| Clerk | 248,769 | 331,434 | 309,107 | 22,327 |
| Equalization Department | 165,685 | 165,685 | 163,393 | 2,292 |
| Prosecuting Attorney | 436,176 | 437,899 | 425,184 | 12,715 |
| Register of Deeds | 174,392 | 174,627 | 174,627 | - |
| Abstract Department | 45,316 | 46,233 | 44,786 | 1,447 |
| Surveyor | 4,533 | 4,533 | 4,052 | 481 |
| Remonumentation | 36,400 | 36,400 | 36,203 | 197 |
| Treasurer | 208,515 | 215,515 | 213,389 | 2,126 |
| Cooperative Extension Service | 61,806 | 68,177 | 68,075 | 102 |
| Information Technology | 76,053 | 109,040 | 113,020 | (3,980) |
| Building Authority | 150 | 150 | - | 150 |
| Courthouse and Grounds | 205,316 | 217,015 | 214,773 | 2,242 |
| Drain Commissioner | 84,303 | 84,303 | 84,074 | 229 |
| Soil Conservation | 3,000 | 3,000 | 3,000 | - |
| Soil Erosion and Sedimentation | 18,267 | 24,767 | 26,612 | (1,845) |
| Record Copying | 21,300 | 21,300 | 31,649 | (10,349) |
| Mailing | 66,350 | 65,276 | 63,636 | 1,640 |
| Professional Services | 42,044 | 42,044 | 41,400 | 644 |
| Plat Board | 150 | 150 | - | 150 |
| Total General Government | 3,830,324 | 3,952,949 | 3,896,904 | 56,045 |
| Public Safety | | | | |
| Sheriff | 1,532,623 | 1,519,024 | 1,466,798 | 52,226 |
| DOJ Edward Byrne Grant | 56,617 | 62,798 | 54,535 | 8,263 |
| School Safety | 80,387 | 80,387 | 70,448 | 9,939 |
| Sheriff--City of Harrison | 139,572 | 139,572 | 125,850 | 13,722 |
| Sheriff--Lincoln Township | 141,665 | 140,801 | 116,503 | 24,298 |
| Sheriff--Village of Farwell | 49,622 | 49,622 | 31,792 | 17,830 |
| Sheriff--Redding Township | 4,562 | 5,426 | 4,816 | 610 |
| Sheriff--Grant Township | 16,758 | 16,758 | 16,385 | 373 |
| Sheriff--Hayes Township | 49,688 | 62,788 | 56,132 | 6,656 |
| Marine Safety Program | 8,447 | 9,850 | 9,860 | (10) |
| Secondary Road Patrol | 81,170 | 81,170 | 64,049 | 17,121 |
| Off-Road Vehicle Grant | - | 5,000 | 4,838 | 162 |
| Snowmobile Safety Program | 5,883 | 6,560 | 5,194 | 1,366 |

CLARE COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT T
(CONTINUED)

| | BUDGETED AMOUNTS | | | Variance With |
|---|-------------------------|------------------|------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
| Public Safety (Continued) | | | | |
| Off-Road Vehicle Safety Education Grant | 3,150 | 3,150 | 1,408 | 1,742 |
| Jail and Turnkey | 2,048,621 | 2,076,182 | 2,058,557 | 17,625 |
| Court Security | 96,102 | 101,402 | 99,105 | 2,297 |
| Local Emergency Planning Committee | 2,920 | 2,920 | 2,565 | 355 |
| Office of Emergency Management | 57,633 | 61,383 | 108,620 | (47,237) |
| Animal Control | 196,225 | 196,761 | 156,062 | 40,699 |
| Total Public Safety | <u>4,571,645</u> | <u>4,621,554</u> | <u>4,453,517</u> | <u>168,037</u> |
| Public Works | | | | |
| Solid Waste Planning | 7,904 | 100 | - | 100 |
| Drain-at-Large Assessments | 2,871 | 2,871 | 2,844 | 27 |
| Total Public Works | <u>10,775</u> | <u>2,971</u> | <u>2,844</u> | <u>127</u> |
| Health and Welfare | | | | |
| Central Michigan District Health Department | 206,628 | 212,037 | 212,036 | 1 |
| Contagious Diseases | 1,200 | 1,200 | 569 | 631 |
| Substance Abuse | 66,064 | 53,564 | 78,830 | (25,266) |
| Medical Examiners | 65,434 | 79,386 | 84,310 | (4,924) |
| Central Michigan Mental Health Services | 139,000 | 139,000 | 139,000 | - |
| Veterans Burials | 16,200 | 16,200 | 11,000 | 5,200 |
| Office of Veterans Affairs | 54,449 | 54,449 | 50,925 | 3,524 |
| Total Health and Welfare | <u>548,975</u> | <u>555,836</u> | <u>576,670</u> | <u>(20,834)</u> |
| Community and Economic Development | | | | |
| Middle Michigan Development | 22,500 | 22,500 | 22,500 | - |
| Total Community and Economic Development | <u>22,500</u> | <u>22,500</u> | <u>22,500</u> | <u>-</u> |
| Recreational and Cultural | | | | |
| Parks and Recreation | - | 19,734 | 18,279 | 1,455 |
| Total Recreational and Cultural | <u>-</u> | <u>19,734</u> | <u>18,279</u> | <u>1,455</u> |
| Other | | | | |
| Insurance and Bonds | | | | |
| Workers Compensation | 48,137 | 50,814 | 51,523 | (709) |
| Liability | 300,097 | 298,597 | 224,081 | 74,516 |
| Health Insurance Reimbursements | 459,246 | 490,070 | 497,546 | (7,476) |
| Unemployment | 70,550 | 48,658 | 37,546 | 11,112 |
| Employee Retirement | 346,275 | 355,010 | 357,267 | (2,257) |
| Litigations--Attorney Fees | 47,000 | 38,000 | 33,516 | 4,484 |
| Professional Services--Studies and Reports | 8,000 | 8,000 | 8,000 | - |
| Tax Appeals Adjustments | 1,200 | 11,850 | 11,850 | - |
| Other | 3,700 | 2,921 | 743 | 2,178 |
| Contingency | 200,000 | (1,522) | - | (1,522) |
| Total Other | <u>1,484,205</u> | <u>1,302,398</u> | <u>1,222,072</u> | <u>80,326</u> |

CLARE COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Fiscal Year Ended September 30, 2012

EXHIBIT T
(CONTINUED)

| | BUDGETED AMOUNTS | | | Variance With Final Budget Positive (Negative) |
|--|-------------------------|----------------------|----------------------|---|
| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | |
| Capital Outlay | | | | |
| New Equipment | | | | |
| Circuit Court | - | - | 13,908 | (13,908) |
| District Court | - | - | 7,649 | (7,649) |
| Computers | 68,000 | 49,402 | 45,060 | 4,342 |
| Building and Grounds | - | - | 104,037 | (104,037) |
| Sheriff | - | 7,250 | 31,650 | (24,400) |
| Sheriff--Vehicles | 105,000 | 129,600 | 135,176 | (5,576) |
| Emergency Management | - | 5,500 | - | 5,500 |
| Jail | - | 38,199 | 42,808 | (4,609) |
| Total Capital Outlay | <u>173,000</u> | <u>229,951</u> | <u>380,288</u> | <u>(150,337)</u> |
| Debt Service | | | | |
| Principal | 53,084 | 68,405 | 45,048 | 23,357 |
| Interest | <u>16,445</u> | <u>20,274</u> | <u>10,915</u> | <u>9,359</u> |
| Total Debt Service | <u>69,529</u> | <u>88,679</u> | <u>55,963</u> | <u>32,716</u> |
| Total Expenditures | <u>10,710,953</u> | <u>10,796,573</u> | <u>10,629,037</u> | <u>167,536</u> |
| Other Financing Uses | | | | |
| Interfund Transfers (Out)--Primary Government | | | | |
| Parks and Recreation Fund | 19,734 | - | - | - |
| Friend of Court Fund | 29,402 | 29,402 | 29,402 | - |
| 911 Service Fund | - | 10,000 | 10,000 | - |
| Clare-Gladwin Recovery Court Fund | - | 6,000 | 6,000 | - |
| Department of Human Services Fund | 5,000 | 5,000 | 5,000 | - |
| Child Care Probate Fund | 150,000 | 126,611 | 100,000 | 26,611 |
| Child Care DHS Fund | 80,000 | 80,000 | 80,000 | - |
| Soldiers and Sailors Relief Fund | 10,000 | 10,000 | 10,000 | - |
| Airport Fund | - | 4,050 | 4,050 | - |
| Building Authority Refunding Debt Fund | 109,890 | 109,890 | 93,785 | 16,105 |
| Building Renovation Fund | 9,516 | 9,518 | 9,516 | - |
| Technology Fund | 14,176 | - | - | - |
| Delinquent Tax Revolving Fund | <u>25,000</u> | <u>25,000</u> | <u>14,654</u> | <u>10,346</u> |
| Total Other Financing Uses--Primary Government | <u>452,718</u> | <u>415,471</u> | <u>362,407</u> | <u>53,064</u> |
| Total Expenditures and Other Financing Uses | <u>\$ 11,163,671</u> | <u>\$ 11,212,044</u> | <u>\$ 10,991,444</u> | <u>\$ 220,600</u> |

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
September 30, 2012

EXHIBIT U-1

| | DEBT SERVICE | | |
|--|---------------------------|--|--------------|
| | <u>Clare Water #1</u> | <u>Clare Sewer #3 Refunding Bonds - 2002</u> | <u>Total</u> |
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Due From Local Units of Government | | | |
| Due Within One Year | \$ - | \$ - | \$ - |
| Total Current Assets | - | - | - |
| Total Assets | - | - | - |
| Noncurrent Assets | | | |
| Due From Local Units of Government | | | |
| Due in More Than One Year | - | - | - |
| Total Noncurrent Assets | - | - | - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>LIABILITIES</u> | | | |
| Total Current Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Noncurrent Liabilities | | | |
| Bonds Payable--Due Within One Year | - | - | - |
| Bonds Payable--Due in More Than One Year | - | - | - |
| Total Noncurrent Liabilities | - | - | - |
| Total Liabilities | - | - | - |
| <u>NET ASSETS</u> | | | |
| Restricted for Debt Service | - | - | - |
| Total Net Assets | <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, 2012**

EXHIBIT U-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 | <u>\$ 15,818</u> | <u>\$ -</u> | <u>\$ 15,818</u> | <u>\$ -</u> |
| Total Clare Water #1 Debt | <u>15,818</u> | <u>-</u> | <u>15,818</u> | <u>-</u> |
| Clare Sewer #3 Refunding Bonds 2002 Debt | | | | |
| Interest on Related Debt | <u>17,978</u> | <u>-</u> | <u>17,978</u> | <u>-</u> |
| Total Clare Sewer #3 Refunding Bonds 2002 Debt | <u>\$ 17,978</u> | <u>\$ -</u> | <u>\$ 17,978</u> | <u>\$ -</u> |
| | | | | |
| | | | | Change in Net Assets |
| | | | | \$ - |
| | | | | Net Assets--Beginning of Year |
| | | | | <u>-</u> |
| | | | | Net Assets--End of Year |
| | | | | <u>\$ -</u> |

**CLARE COUNTY
 COMBINING BALANCE SHEET
 DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
 GOVERNMENTAL FUNDS
 September 30, 2012**

EXHIBIT U-3

| | <u>DEBT SERVICE</u> | | |
|---|----------------------------|--|--------------|
| | <u>Clare Water #1</u> | <u>Clare Sewer #3 Refunding Bonds - 2002</u> | <u>Total</u> |
| <u>ASSETS</u> | | | |
| Due From Local Units of Government | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities | | | |
| Deferred Revenue | \$ - | \$ - | \$ - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Equity | | | |
| Fund Balance--Restricted | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Fund Equity | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Liabilities and Fund Equity | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Fund Balance--Total Governmental Funds | | | \$ - |
| Amounts reported for governmental activities in the Statement of Net Assets are different because: | | | |
| Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds. | | | - |
| Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | <u>-</u> |
| Total Net Assets | | | <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, 2012

EXHIBIT U-4

| | <u>DEBT SERVICE</u> | | <u>Total</u> |
|----------------------------------|---------------------------|--|--------------------|
| | <u>Clare Water #1</u> | <u>Clare Sewer #3 Refunding Bonds - 2002</u> | |
| Revenues | | | |
| Contributions From Local Units | <u>\$ 320,818</u> | <u>\$ 347,978</u> | <u>\$ 668,796</u> |
| Total Revenues | <u>320,818</u> | <u>347,978</u> | <u>668,796</u> |
| Expenditures | | | |
| Debt Service | | | |
| Principal | 305,000 | 330,000 | 635,000 |
| Interest and Fiscal Fees | <u>15,818</u> | <u>17,978</u> | <u>33,796</u> |
| Total Expenditures | <u>320,818</u> | <u>347,978</u> | <u>668,796</u> |
| Excess of Revenues Over (Under) | | | |
| Expenditures | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance--October 1, 2011 | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance--September 30, 2012 | <u><u>\$ -</u></u> | <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 | \$ - |
| City contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred. | (635,000) |
| Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets. | <u>635,000</u> |
| Change in Net Assets of Governmental Activities | <u><u>\$ -</u></u> |

**CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DRAIN COMPONENT UNIT
September 30, 2012**

EXHIBIT V-1

| | CAPITAL PROJECTS | | | | Total |
|---|-------------------------|--------------------|-------------------|-------------------------|-------------------|
| | Drain | Drain Revolving | Lake Level | Lake Level Revolving | |
| <u>ASSETS</u> | | | | | |
| Current Assets | | | | | |
| Cash | \$ 23,789 | \$ 20,475 | \$ 19,124 | \$ 48,332 | \$ 111,720 |
| Investments | 21,728 | - | - | - | 21,728 |
| Special Assessments Receivable Due Within One Year | 34,074 | - | - | - | 34,074 |
| Total Current Assets | 79,591 | 20,475 | 19,124 | 48,332 | 167,522 |
| Noncurrent Assets | | | | | |
| Capital Assets--Net of Accumulated Depreciation | 640,074 | - | 114,686 | - | 754,760 |
| Total Noncurrent Assets | 640,074 | - | 114,686 | - | 754,760 |
| Total Assets | <u>\$ 719,665</u> | <u>\$ 20,475</u> | <u>\$ 133,810</u> | <u>\$ 48,332</u> | <u>\$ 922,282</u> |
| <u>LIABILITIES</u> | | | | | |
| Liabilities | | | | | |
| Current Liabilities | | | | | |
| Accounts Payable | \$ 1,058 | \$ - | \$ 1,771 | \$ - | \$ 2,829 |
| Total Current Liabilities | 1,058 | - | 1,771 | - | 2,829 |
| Noncurrent Liabilities | | | | | |
| Long-Term Advances From Primary Government | - | 29,695 | - | 53,489 | 83,184 |
| Notes Payable--Due Within One Year | 15,503 | - | - | - | 15,503 |
| Notes Payable--Due in More Than One Year | 15,508 | - | - | - | 15,508 |
| Total Noncurrent Liabilities | 31,011 | 29,695 | - | 53,489 | 114,195 |
| Total Liabilities | 32,069 | 29,695 | 1,771 | 53,489 | 117,024 |
| <u>NET ASSETS</u> | | | | | |
| Invested in Capital Assets--Net of Related Debt | | | | | |
| | 609,063 | - | 114,686 | - | 723,749 |
| Restricted for Capital Projects | 78,533 | (9,220) | 17,353 | (5,157) | 81,509 |
| Total Net Assets | <u>\$ 687,596</u> | <u>\$ (9,220)</u> | <u>\$ 132,039</u> | <u>\$ (5,157)</u> | <u>\$ 805,258</u> |

**CLARE COUNTY
 COMBINING STATEMENT OF ACTIVITIES
 DRAIN COMPONENT UNIT
 For the Fiscal Year Ended September 30, 2012**

EXHIBIT V-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 | \$ 27,410 | \$ 1,535 | \$ 22 | \$ (25,853) |
| Interest on Related Debt | 2,094 | - | - | (2,094) |
| Total Drain | <u>29,504</u> | <u>1,535</u> | <u>22</u> | <u>(27,947)</u> |
| Drain Revolving | | | | |
| Governmental Activities | | | | |
| Public Works | - | - | - | - |
| Total Drain Revolving | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Lake Level | | | | |
| Governmental Activities | | | | |
| Public Works | 22,704 | 14,063 | - | (8,641) |
| Total Lake Level | <u>22,704</u> | <u>14,063</u> | <u>-</u> | <u>(8,641)</u> |
| Lake Level Revolving | | | | |
| Governmental Activities | | | | |
| Public Works | - | - | - | - |
| Total Lake Level Revolving | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| | | | | Change in Net Assets |
| | | | | \$ (36,588) |
| | | | | Net Assets--Beginning of Year |
| | | | | <u>841,846</u> |
| | | | | Net Assets--End of Year |
| | | | | <u>\$ 805,258</u> |

CLARE COUNTY
 COMBINING BALANCE SHEET
 DRAIN--COMPONENT UNIT
 GOVERNMENTAL FUNDS
 September 30, 2012

EXHIBIT V-3

| | <u>CAPITAL PROJECTS</u> | | | | <u>Total</u> |
|---|-------------------------|----------------------------|-----------------------|-------------------------------------|-------------------|
| | <u>Drain</u> | <u>Drain Revolving</u> | <u>Lake Level</u> | <u>Lake Level Revolving</u> | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 23,789 | \$ 20,475 | \$ 19,124 | \$ 48,332 | \$ 111,720 |
| Investments | 21,728 | - | - | - | 21,728 |
| Special Assessments Receivable | 34,074 | - | - | - | 34,074 |
| Due From Other Funds--Component Units | - | 9,220 | - | 5,157 | 14,377 |
| Total Assets | <u>\$ 79,591</u> | <u>\$ 29,695</u> | <u>\$ 19,124</u> | <u>\$ 53,489</u> | <u>\$ 181,899</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | | |
| Liabilities | | | | | |
| Accounts Payable | \$ 1,058 | \$ - | \$ 1,771 | \$ - | \$ 2,829 |
| Due to Other Funds--Component Units | 9,220 | - | 5,157 | - | 14,377 |
| Long-Term Advances From Primary Government | - | 29,695 | - | \$ 53,489 | 83,184 |
| Deferred Revenue | 34,074 | - | - | - | 34,074 |
| Total Liabilities | <u>44,352</u> | <u>29,695</u> | <u>6,928</u> | <u>53,489</u> | <u>134,464</u> |
| Fund Equity | | | | | |
| Fund Balance--Restricted | <u>35,239</u> | <u>-</u> | <u>12,196</u> | <u>-</u> | <u>47,435</u> |
| Total Fund Equity | <u>35,239</u> | <u>-</u> | <u>12,196</u> | <u>-</u> | <u>47,435</u> |
| Total Liabilities and Fund Equity | <u>\$ 79,591</u> | <u>\$ 29,695</u> | <u>\$ 19,124</u> | <u>\$ 53,489</u> | <u>\$ 181,899</u> |
| Fund Balance--Total Governmental Funds | | | | | \$ 47,435 |
| 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. | | | | | 754,760 |
| 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. | | | | | 34,074 |
| Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | | <u>(31,011)</u> |
| Total Net Assets | | | | | <u>\$ 805,258</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, 2012

EXHIBIT V-4

| | CAPITAL PROJECTS | | | | Total |
|--|-------------------------|----------------------------|-----------------------|-------------------------------------|------------------|
| | Drain | Drain Revolving | Lake Level | Lake Level Revolving | |
| Revenues | | | | | |
| Interest and Rentals | \$ 22 | \$ - | \$ - | \$ - | \$ 22 |
| Special Assessments | 26,104 | - | 14,063 | - | 40,167 |
| Total Revenues | 26,126 | - | 14,063 | - | 40,189 |
| Expenditures | | | | | |
| Current | | | | | |
| Public Works | 9,271 | - | 18,841 | - | 28,112 |
| Debt Service | | | | | |
| Principal | 21,503 | - | - | - | 21,503 |
| Interest on Related Debt | 2,094 | - | - | - | 2,094 |
| Total Expenditures | 32,868 | - | 18,841 | - | 51,709 |
| Excess of Revenues Over (Under) | | | | | |
| Expenditures | (6,742) | - | (4,778) | - | (11,520) |
| Fund Balance (Deficit)--October 1, 2011 | 41,980 | - | 16,974 | - | 58,954 |
| Fund Balance (Deficit)--September 30, 2012 | <u>\$ 35,238</u> | <u>\$ -</u> | <u>\$ 12,196</u> | <u>\$ -</u> | <u>\$ 47,434</u> |

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

| | |
|--|--------------------|
| Net Change in Fund Balances--Total Governmental Funds | \$ (11,520) |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Net Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. | (22,002) |
| Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets. | 21,503 |
| 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>(24,569)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (36,588)</u> |

CLARE COUNTY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)
 For the Fiscal Year Ended September 30, 2012

SCHEDULE 1

| Federal Grantor/Pass-Through Grantor/Program Title | CFDA Number | Grantor Number | Revenue Recognized | Federal Expenditures |
|--|-------------|-------------------|--------------------|----------------------|
| PRIMARY GOVERNMENT | | | | |
| US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT | | | | |
| Office of Rural Development--Direct | | | | |
| Rural Housing Preservation Grant | 10.433 | Grant #51 | \$ 26,953 | \$ 26,953 |
| Office of Rural Housing Service--Direct | | | | |
| Community Facilities Grant | | | | |
| Patrol Vehicles #1, #2, #3 - 2010 | 10.766 | (3) | 45,000 | 45,000 |
| TOTAL US DEPARTMENT OF AGRICULTURE | | | 71,953 | 71,953 |
| 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 | 163,974 | 163,974 |
| TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | 163,974 | 163,974 |
| US DEPARTMENT OF JUSTICE | | | | |
| Office of Michigan Department of State Police--Direct | | | | |
| Bulletproof Vest Partnership Program--FY 2012 | 16.607 | (3) | 2,191 | 2,191 |
| Edward Byrne Memorial Justice Assistance Grants | 16.738 | 2011-DJ-BX-2440 | 26,039 | 26,039 |
| TOTAL US DEPARTMENT OF JUSTICE | | | 28,230 | 28,230 |
| US DEPARTMENT OF TRANSPORTATION | | | | |
| Office of Michigan Department of State Police--Direct | | | | |
| National Highway Traffic Safety Administration-Enhance 911 Grant Program | 20.615 | NHTSA 20080142 | 24,020 | 24,020 |
| TOTAL US DEPARTMENT OF TRANSPORTATION | | | 24,020 | 24,020 |
| US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY | | | | |
| Office of Environmental Protection Agency--Direct | | | | |
| Brownfield Assessment Cooperative Agreement | 66.814 | BF-00E45701 | 7,240 | 7,240 |
| TOTAL US DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY | | | 7,240 | 7,240 |
| 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) | 28,949 | 28,949 |
| C-2 Home Delivered Meals | 93.045 | (3) | 50,873 | 50,873 |
| Title IIIB Case Coordination | 93.044 | (3) | 21,673 | 21,673 |
| Title IIIB Senior Center Staffing | 93.044 | (3) | 5,676 | 5,676 |
| Title IIIB Personal Care | 93.044 | (3) | 1,992 | 1,992 |
| Title IIIB Homemaker | 93.044 | (3) | 5,990 | 5,990 |
| Title IIIB Respite | 93.044 | (3) | 1,265 | 1,265 |
| Title IIIE Caregiver Training | 93.052 | (3) | 12,553 | 12,553 |
| Title IIID Disease Prevention/Health Promotion | 93.043 | (3) | 5,000 | 5,000 |
| Title IIID Evidence Based Program | 93.043 | (3) | 185 | 185 |
| Title IIID Medication Management | 93.043 | (3) | 415 | 415 |
| Title IIIE Supplemental Funds | 93.052 | (3) | 2,333 | 2,333 |
| Title IIIE Kinship Care Funds | 93.052 | (3) | 1,053 | 1,053 |
| NSIP Congregate | 93.053 | (3) | 11,111 | 11,111 |
| NSIP Home Delivered Meals | 93.053 | (3) | 35,084 | 35,084 |
| Title IIIB POS CM Personal Care | 93.044 | (3) | 106 | 106 |
| Title IIIB POS CM Homemaking | 93.044 | (3) | 313 | 313 |
| POS Waiver | 93.778 | (3) | 11,553 | 11,553 |
| MIPPA 2 | 93.779 | (3) | 200 | 200 |
| Office of Michigan Department of Human Services--Passed Through/Direct | | | | |
| Child Support Enforcement (Title IV-D) | | | | |
| Friend of the Court--Performance Incentive Programs | 93.563 | CS/FOC-10-18001 | 32,326 (4) | - |
| Friend of the Court--FY 12 | 93.563 | CS/FOC-10-18001 | 185,195 | 185,195 |
| Prosecuting Attorney--FY 12 | 93.563 | CS/PA-10-18002 | 37,870 | 37,870 |
| Foster Care - Title IV-E | 93.658 | PROFC-11-18001 | 14,001 | 14,001 |
| Public Guardian Services | 93.667 | Guard 12-18001 | 3,185 | 3,185 |
| TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | 468,901 | 436,575 |
| US DEPARTMENT OF HOMELAND SECURITY | | | | |
| Passed Through Michigan Department of Natural Resources | | | | |
| Boating Safety Financial Assistance--Marine Safety Program 2012 | 97.012 | (3) | 9,705 | 9,705 |
| Office of Michigan Department of State Police--Direct | | | | |
| Emergency Management Performance Grant | 97.042 | EMW-2012-EP-00033 | 9,168 | 9,168 |
| Passed Through Western Michigan Shoreline Regional | | | | |
| Development Commission | | | | |
| Homeland Security Grant Program | 97.067 | (3) | 71,735 | 71,735 |
| TOTAL US DEPARTMENT OF HOMELAND SECURITY | | | 90,608 | 90,608 |
| TOTAL PRIMARY GOVERNMENT | | | \$ 854,926 | \$ 822,600 |

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, 2012

- 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 portion, while the balance is administered by the Michigan Department of Transportation. During 2012, the Road Commission received and expended \$143,395 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 29, 2013

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 the County of Clare as of and for the fiscal year ended September 30, 2012, which collectively comprise the County of Clare's basic financial statements and have issued our report thereon dated March 29, 2013. 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 Clare 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 of Clare'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 of Clare's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Clare'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 of Clare's financial statements will not be prevented, or detected and corrected on a timely basis. We consider certain deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness listed as Finding 2007-5.

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 2009-5, 2010-1, and 2012-1.

Compliance and Other Matters

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

The County of Clare's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County of Clare'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 of Clare, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

March 29, 2013

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, 2012. The County of Clare'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 of Clare's management. Our responsibility is to express an opinion on the County of Clare's compliance based on our audit.

The County of Clare'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 2012 year audit. Our audit, described below, did not include the operations of the Clare County Transit Corporation (enterprise fund), which received \$320,601 in Federal awards which is not included in the schedule during the fiscal year ended September 30, 2012, 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 \$143,395 in Federal awards, is not included in the schedule for the fiscal year ended September 30, 2012, 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 of Clare's compliance with those requirements and performing such other procedures as we considered necessary in the

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

In our opinion, the County of Clare 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, 2012.

Internal Control Over Compliance--The management of the County of Clare 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 of Clare'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 of Clare'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 of Clare's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County of Clare'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 of Clare, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

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> |
|--|---|
| 97.067 | Homeland Security Grant Program |
| 93.044, 93.045, 93.053, 93.705, 93.707 | Senior Center Cluster |
| 93.563 | Child Support Enforcement (Title IV-D) |

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

Auditee qualified as low-risk auditee? Yes ✓ No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Fiscal Year Ended September 30, 2012

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 the capital outlay activity as well as items that should have been capitalized were not recorded in the capital outlay activity, which lead to proposed adjustments. There were improvements from the previous year; however, there were several material items that were not included on the asset list.

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

Cause: The cause of this finding is unknown.

Recommendation: We recommend that the County maintain its capital asset listing throughout the year and that it be periodically reviewed to ensure that the capital outlay is properly posted for all governmental funds (the general fund, special revenue funds, and capital project funds), disposals are updated, and related depreciation is calculated.

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section II--Financial Statement Findings

SIGNIFICANT DEFICIENCIES

Preparation of Financial Statements in Accordance with GAAP

Finding 2009-5

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

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

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

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

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section II--Financial Statement Findings

SIGNIFICANT DEFICIENCIES (continued)

Jail Inmate Bank Reconciliation

Finding 2010-1

Condition: The Clare County Sheriff Department could not provide the September 30, 2012, Jail Inmate bank account reconciliation. This finding has been repeated for the third year.

Cause: An overall lack of internal control in the Sheriff's office related to the reconciliation of the Jail Inmate bank account. Staff indicated that the September 30, 2012, Jail Inmate bank account reconciliation was completed in a timely basis, however, the actual reconciliation was not provided. Ample opportunity was given to have the reconciliation provided. It was stated that the reconciliation was subsequently packed away for storage; however the reconciliation could not be found. Opportunity was given to re-create the reconciliation, however, it was still not provided by March 2013.

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 John Wilson, Clare County Sheriff, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-7166.

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section II--Financial Statement Findings

SIGNIFICANT DEFICIENCIES (continued)

Jail Inmate Bank Account Shortage

Finding 2012-1

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

Criteria: The Uniform Accounting Procedures Manual for Local Units of Government in Michigan states that the internal control procedures must be adopted to protect resources against waste, misappropriation, and inefficiency. It is also important to safeguard cash and other assets of the local government and those assets of inmates.

Cause: The cause of this finding is unknown.

Effect: The Board of Commissioners and/or jail inmates may not have a true picture of cash available for disbursements, nor monitor its budget as amounts may be misstated. In addition, since it appears that the Jail Inmate bank account is short \$1,585, then there are potentially inmates that are short funds.

Recommendation: We recommend that the County Sheriff Department adjust procedures to ensure that there is verification of deposits and accurate bank reconciliations with appropriate supervisory approval. We also recommend that the County Sheriff Department reconcile the Jail Inmate bank account to determine the details of the shortage and make sure that all inmates' accounts are accurate.

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

The Clare County Sheriff Department has adjusted the process for depositing inmate monies in a timely fashion in the event, that a person is prevented from being able to make a same day deposit. Safe will also be checked more frequently so no further oversights will happen, per Undersheriff Miedzianowski.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section II--Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES

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

Board of Commissioners--Expenditures in Excess of Appropriations

Finding 2007-9

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

The County's 2012 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 2012 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

During the fiscal year ended September 30, 2012, 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 | | | |
| Health and Welfare | \$ 555,836 | \$ 576,670 | \$ (20,834) |
| Capital Outlay | 229,951 | 380,288 | (150,334) |

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section II--Financial Statement Findings

NONCOMPLIANCE WITH STATE STATUTES (continued)

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Section III--Federal Award Findings and Questioned Costs

There were no findings related to single audit compliance.

Summary Schedule of Prior Year Audit Findings

MATERIAL WEAKNESSES

Administrator--Capital Assets

Finding 2007-5

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

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

SIGNIFICANT DEFICIENCIES

Preparation of Financial Statements in Accordance with GAAP

Finding 2009-5

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

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

Lack of Complete Purchasing Policy

Finding 2011-1

Condition: In our test of disbursements, we reviewed the specific purchasing requirements and procedures at the County and found that they are unclear, often leading County employees to try to determine what the official purchasing policies and procedures really are.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended September 30, 2012

Summary Schedule of Prior Year Audit Findings

Some specific concerns with the current purchasing process include the following:

- 1) The dollar thresholds for competitive pricing requirements for the purchase of goods.
- 2) Contract requirements for service purchases.
- 3) How to handle purchase orders when projects require more than one vendor.
- 4) How to make the process “real-time” and not referring to possibly “outdated” reports for approval.
- 5) How to handle specific related party purchases, such as bidding and competitive pricing guidelines in which there is a conflict of interest.

Current Year Status: This finding was corrected.

Jail Inmate Bank Reconciliation

Finding 2010-1

Condition: The September 30, 2011, jail inmate bank account was not reconciled as of March 2012.

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

NONCOMPLIANCE WITH STATE STATUTES

Board of Commissioners--Expenditures in Excess of Appropriations

Finding 2007-9

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

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

OTHER MATTERS

Security for the District Court Petty Cash

Finding 2011-2

Condition: We found that in the District Court there is not sufficient security for the general cash box used to make change for the four clerks. While the amounts that the general cash box has been off have certainly not been material, it is a sign that better controls should be in place.

Current Year Status: This finding was corrected.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

March 29, 2013

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

RE: Report to Those Charged With Governance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Clare as of and for the fiscal year ended September 30, 2012, which collectively comprise the County of Clare's basic financial statements and have issued our report thereon dated March 29, 2013. 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 of Clare. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning internal control. We also considered internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Clare's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Clare's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major Federal

programs for the purpose of expressing an opinion on the County of Clare's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Clare's compliance with those requirements.

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

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on December 18, 2012.

Significant Accounting Policies

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. During the fiscal year, the County implemented Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions to enhance the usefulness of the fund balance information. The changes implemented by the County of Clare are explained in the Notes to the financial statements. We noted no transactions entered into by the County of Clare during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

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

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreements With Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 29, 2013.

Management Consultations With Other Independent Accountants

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

Other Audit Findings or Issues

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

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



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