COUNTY OF CLARE, MICHIGAN

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2005

Prepared by:
Randolph D. Terronez, County Administrator

CLARE COUNTY, MICHIGAN

Comprehensive Annual Financial Report
Year Ended September 30, 2005

Prepared by:
Administrator's Office

Randolph D. Terronez
County Administrator

Clare County, Michigan

Comprehensive Annual Financial Report
Year Ended September 30, 2005

TABLE OF CONTENTS

	PAGE
INTRODUCTORY SECTION	
Letter of Transmittal	i-v
List of County Officials	vi
Organizational Chart	vii
FINANCIAL SECTION	
INDEPENDENT AUDITOR'S REPORT	viii-ix
MANAGEMENT'S DISCUSSION AND ANALYSIS	x-xx
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	10
Statement of Cash Flows - Proprietary Funds	11
Statement of Net Assets - Fiduciary Funds	12
Combining Statement of Net Assets - Component Units	13-14
Statement of Activities - Component Units	15
Notes to Financial Statements	
Note A: Summary of Significant Accounting Policies	16-24
Note B: Cash, Cash Equivalents, and Investments	24-26
Note C: Interfund Transfers	27
Note D: Interfund Receivables and Payables	27
Note E: Advances Receivable and Payable	27
Note F: Capital Assets	28-30
Note G: Long-term Debt	30-33
Note H: Employee Retirement System	34-38
Note I: Post-employment Health Care Benefits	38
Note J: Risk Management	39-41
Note K: Contingent Liabilities	41
Note L: Prepaid Insurance	41
Note M: Excess of Expenditures over Appropriations	41-42
Note N: Fund Balance Reserves and Designations	42-43
Note O: Property Taxes and Taxes Receivable	43-44
Note P: Restricted Net Assets	44
Note Q: Federal Financial Assistance	45
Note R: Fund Deficits	45

Clare County, Michigan

Comprehensive Annual Financial Report
Year Ended September 30, 2005

TABLE OF CONTENTS - CONTINUED

	PAGE
FINANCIAL SECTION - CONCLUDED	
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	46-48
Budgetary Comparison Schedule - Expenditures and Other Financing Uses by Activity	49-51
GYPSY MOTH FUND	
Budgetary Comparison Schedule	52
HOUSING COMMISSION	
Budgetary Comparison Schedule	53
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds - Fund Descriptions	54-55
Combining Balance Sheet - Nonmajor Governmental Funds	56-61
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	62-67
Schedule of Revenues, Expenditures, and Changes in Fund Balances by Fund - Budget and Actual - Nonmajor Special Revenue Funds	68-77
Agency Funds - Fund Descriptions	78
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	79
Schedule of Changes in Assets and Liabilities - Agency Funds	80
COMPONENT UNIT FUNDS	
DRAINAGE DISTRICTS	
Combining Balance Sheet	81-82
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	84-85
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	86
BOARD OF PUBLIC WORKS	
Combining Balance Sheet	87
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	89
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	90
ECONOMIC DEVELOPMENT CORPORATION	
Balance Sheet	91
Statement of Revenues, Expenditures, and Changes in Fund Balance	92
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	93-94

Clare County, Michigan

Comprehensive Annual Financial Report
Year Ended September 30, 2005

TABLE OF CONTENTS - CONCLUDED

	PAGE
STATISTICAL SECTION (UNAUDITED)	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
General Governmental Expenditures by Function	95
General Governmental Revenues by Source	96
Property Tax Levies and Collections	97
Taxable Property Valuations	98
Property Tax Rates - Direct and Overlapping Governments	99
Special Assessment Levies and Collections	100
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	101
Computation of Legal Debt Margin	102
Computation of Direct and Overlapping Debt	103
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Expenditures	104
Demographic Statistics	105
Property Value and Construction	106
Principal Taxpayers	107
Miscellaneous Statistical Data	108-109

INTRODUCTORY SECTION

CLARE COUNTY BOARD OF COMMISSIONERS

225 West Main Street, P.O. Box 438 Harrison, MI 48625
Ph: (989) 539-7436 Fax (989) 539-2588

District 1: JORDON LOCKMILLER District 2: LYNN GRIM District 3: ROBERT KRAINIK II
District 4: FORREST MEEK District 5: JULIE MURPHY District 6: KAREN LIPOVSKY District 7: JAMES GELIOS

March 31, 2005

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

The Office of County Administrator is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the County of Clare, Michigan for the fiscal year ended September 30, 2005.

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

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

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

THE REPORTING ENTITY AND ITS SERVICES

Location

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

The County of Clare does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

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

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

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

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

Services Provided

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

The annual budget serves as the foundation for the Clare County's financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 46 as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 52, or other supplementary information (for nonmajor funds), starting on page 68.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

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

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

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

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

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

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

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

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

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

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

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

Clare County's tax base has grown steadily in the last few years and is a sign of the strong economy. From 2004 to 2005, the County's taxable value increased from $816.5 million to $866.7 million, a 6.1% increase.

However, Clare County does have its challenges. Unemployment in Clare County is historically above the statewide average. In 2004, Clare County's unemployment rate stood at 12.3% while the State was at 7.6%. In 2005, Clare County's unemployment rate improved to 9.3% while the state figure was 7.3%.

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

Long-term Financial Planning

The Clare County Board of Commissioners recognizes the need for long-term planning by annually holding a series of planning sessions that result in the County's Strategic Plan. The 2004-2005 Plan recognized the importance of the human resource base of the County organization and addressed issue affecting the employee workforce.

Cash Management Policies and Practices

The County maintains depository accounts with four (4) banks and two (2) investment firms. The County holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by County officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the County's investment policy. The ending balance of the County's investment portfolio for fiscal year 2005 was approximately $2,252,130. The overall portfolio provided $246,938 in investment income.

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

MAJOR INITIATIVES

Property Tax Shift-State Revenue Sharing

State legislation was enacted to shift the County's property tax collection timing from a December to a July basis. By advancing the collection of county property taxes, counties are receiving a one-time windfall that is set-aside in a reserved fund and withdrawals are allowed up to the annual amounts that the state would have sent counties under the state revenue sharing formula. The legislation allowed the state to pause its payment of revenue sharing funds to counties that resulted in a significant budgetary lightening in light of the state's severe financial situation.

Scrap Tire Clean Up

The County completed the clean up of two of state's largest abandoned scrap tire sites located in Freeman Township. The two sites contained over four (4) million tires that became a health hazard insofar as mosquito and rodent infestation. The sites have been the subject of several Michigan Department of Environmental Quality (MDEQ) scrap tire cleanup grant awards that totaled nearly $2 million through 2005.

Technology

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

Central Dispatch/E9-1-1 Improvements

Financed through a special voter approved millage of 0.35 mills over a five-year period, construction was started on an approximately $600,000 addition to the existing Sheriff's Department to house the emergency dispatch operations previously housed in a small office in the existing Sheriff's Department. The project also involved updating the various dispatch and communications equipment that is projected to cost an additional $300,000 with funding to come from the aforementioned millage.

Employee Health Insurance Cost Reductions

From 2001 to 2005, employee health insurance premiums have skyrocketed an average of 29% for family coverage. In order to reduce the costs impact, for the second consecutive year Clare County bid out its employee health insurance package in 2005. During the bid analysis, it was determined that the County could save in the area of aggregate stop loss coverage. In order to cost shift a portion of the significant employee health insurance costs experienced in recent years, union contracts were negotiated that provided increased employee co-pays and deductibles. The County continues to review all aspects of employee health insurance in order to realize cost containment.

Northern Oaks Landfill Royalty Overpayment

The County under a 20-year agreement with Waste Management, owner of the Northern Oaks landfill calls for a volume-based fee schedule that is tied to a consumer price index (CPI). The calculation of the CPI was incorrectly calculated. This error resulted in the County being overpaid by approximately $220,000. Ordinarily the royalty payment to the County is in the area of $440,000. In order to resolve the overpayment the FY 2005 payment from Waste Management was decreased by the amount overpaid and thus dramatically affected the County's revenue.

Sheriff's Department Road Patrol Car Replacement Policy

The Sheriff's Department road patrol cars had in excess of 250,000 miles prior to their replacement while law enforcement standards called for the need for replacement at 180,000. After a two-year phase-in, Clare County was able to develop a replacement schedule whereby patrol cars are replaced at 180,000 in 2005.

McRae Murder Re-Trial

A State Supreme Court ruling overturned the murder conviction from the 1980's. Originally convicted of murder dating to the 1980's, Clare County incurred costs in 2004 and 2005 totaling nearly $83,000. This issue highlighted the vulnerability of county government as being heavily invested in justice system costs and the need to maintain adequate fund reserves.

OTHER INFORMATION

Independent Audit

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

Awards and Acknowledgments

Clare County is submitting for the first time its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program for the fiscal year ended September 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Respectfully submitted,

Randolph D. Terronez
County Administrator

CLARE COUNTY

BOARD OF COMMISSIONERS

Karen Lipovsky
Chairperson

Jordon Lockmiller
Lynn Grim
Robert Krainik II

Forrest Meek
Julie Murphy
Jim Gelios

COURT JUDGES

Gary J. Allen
District Judge

Thomas Evans
Circuit Judge

Thomas P. McLaughlin
Probate Judge

OTHER ELECTED OFFICIALS

Carol A. McAulay
Clerk/Register of Deeds
and Abstracts

Paul Lapham
Surveyor

Jeffery Goyt
Sheriff

Shane Haskin
Drain Commissioner

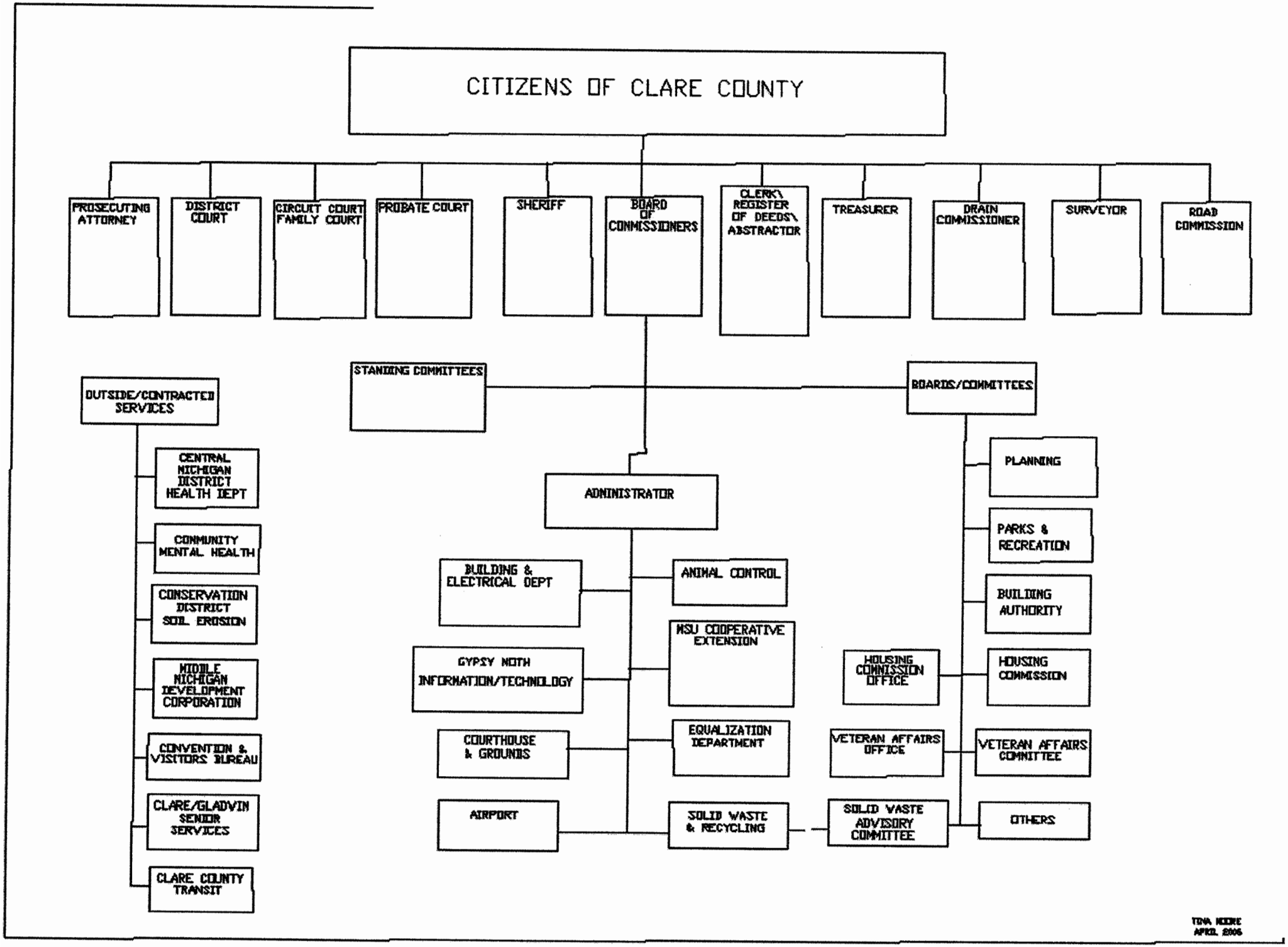
Lois A. Chinn
Treasurer

Norman Gage
Prosecuting Attorney

APPOINTED

Randy Terronez
County Administrator

Tracy L. Byard
Administrative Assistant


CITIZENS OF CLARE COUNTY
PROSECUTING ATTORNEY
DISTRICT COURT
CIRCUIT COURT FAMILY COURT
PROBATE COURT
SHERIFF
BOARD OF COMMISSIONERS
CLERK\ REGISTER OF DEEDS\ ABSTRACTOR
TREASURER
DRAIN COMMISSIONER
SURVEYOR
ROAD COMMISSION
STANDING COMMITTEES
BOARDS/COMMITTEES
OUTSIDE/CONTRACTED SERVICES
CENTRAL MICHIGAN DISTRICT HEALTH DEPT
COMMUNITY MENTAL HEALTH
CONSERVATION DISTRICT SOIL EROSION
MIDDLE MICHIGAN DEVELOPMENT CORPORATION
CONVENTION & VISITORS BUREAU
CLARE/GLADWIN SENIOR SERVICES
CLARE COUNTY TRANSIT
ADMINISTRATOR
BUILDING & ELECTRICAL DEPT
ANIMAL CONTROL
MSU COOPERATIVE EXTENSION
GYPSY MOTH INFORMATION/TECHNOLOGY
COURTHOUSE & GROUNDS
EQUALIZATION DEPARTMENT
AIRPORT
SOLID WASTE & RECYCLING
SOLID WASTE ADVISORY COMMITTEE
HOUSING COMMISSION OFFICE
VETERAN AFFAIRS OFFICE
PLANNING
PARKS & RECREATION
BUILDING AUTHORITY
HOUSING COMMISSION
VETERAN AFFAIRS COMMITTEE
OTHERS
TINA MOORE
APRIL 2006

FINANCIAL SECTION

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

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Clare County
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan, as of and for the year ended September 30, 2005, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clare County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Road Commission, which represents 90% and 97%, respectively of the total assets and revenues of the component units and the Public Transit Corporation, which represents 33% and 84%, respectively of the total assets and revenues of the business-type funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission and Public Transit Corporation, 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 provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan, as of September 30, 2005, 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 December 8, 2005 on our consideration of Clare County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 8, 2005

As management of the County of Clare, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2005. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by $15,160,592 (*net assets*). Of this amount, $9,823,816 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The primary government's total net assets increased by $951,479. This increase was largely due to growth in property taxes and a shift of the levy from winter to summer.

- As of the close of the current fiscal year, the County of Clare's governmental activities reported ending net assets of $7,723,965, an increase of $643,410 in comparison with the prior year. Approximately 52 percent of this total amount, $4,049,611, is available for spending at the government's discretion (*unrestricted net assets*).

- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was $1,328,176, or approximately 11 percent of total general fund expenditures (Total Expenditures and Other Financing Uses).

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

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

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

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

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

The County of Clare maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Gypsy Moth and Housing Commission funds, each of which is considered to be a major fund. Data for the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. The County maintains both of the two different types of proprietary funds: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax, public transit and inmate commissary operations. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. Clare County uses an internal service fund to account for the resources used to provide health care to employees and their families and retirees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund, since two (2) of the three (3) funds are considered major funds.

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

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County of Clare's budgetary comparison schedules.

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

Government-Wide Financial Analysis

The government-wide financial statements focus on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's assets exceeded its liabilities by $7,723,965 at September 30, 2005.

Clare County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and other assets	$ 7,923,467	$ 7,170,699	$ 5,856,077	$ 6,214,289	$ 13,779,544	$ 13,384,988
Capital assets	3,622,092	3,696,704	1,662,422	1,035,536	5,284,514	4,732,240
Total assets	11,545,559	10,867,403	7,518,499	7,249,825	19,064,058	18,117,228
Liabilities						
Current	1,610,982	1,153,739	81,872	121,267	1,692,584	1,275,006
Noncurrent	2,210,612	2,633,109	-	-	2,210,612	2,633,109
Total liabilities	3,821,594	3,786,848	81,872	121,267	3,903,466	3,908,115
Net Assets						
Invested in capital assets- net of related debt	1,330,227	856,704	1,662,422	1,035,536	2,992,699	1,892,240
Restricted	2,344,077	3,022,536	-	-	2,344,077	3,022,536
Unrestricted	4,049,611	3,201,315	5,774,205	6,093,022	9,823,816	9,294,337
Total net assets	**$ 7,723,965**	**$ 7,080,555**	**$ 7,436,627**	**$ 7,128,558**	**$ 15,160,592**	**$ 14,209,113**

Clare County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenue:						
Charges for services	$ 4,250,570	$ 4,764,659	$ 621,959	$ 597,308	$ 4,872,529	$ 5,361,967
Operating grants & contributions	2,345,859	2,882,549	583,088	601,680	2,928,947	3,484,229
Capital grants and contributions	59,827	166,110	878,652	76,639	938,479	242,749
General revenues:						
Property taxes	5,902,411	4,407,811	210,795	201,698	6,113,206	4,609,509
Other	690,493	1,276,781	88,920	56,382	779,413	1,333,163
Transfers	641,103	650,000	(641,103)	(650,000)	-	-
Total revenues	13,890,263	14,147,910	1,742,311	883,707	15,632,574	15,031,617
Expenses						
General government	4,465,951	4,120,702	-	-	4,465,951	4,120,702
Public safety	5,148,818	4,943,791	-	-	5,148,818	4,943,791
Public works	68,317	29,779	-	-	68,317	29,779
Health and welfare	2,213,698	2,650,836	-	-	2,213,698	2,650,836
Comm. and Econ Development	657,649	816,054	-	-	657,649	816,054
Recreation and Culture	25,821	14,372	-	-	25,821	14,372
Other	533,573	666,398	-	-	533,573	666,398
Interest on long-term debt	133,026	175,237	-	-	133,026	175,237
Business-type activities	-	-	1,434,242	1,350,374	1,434,242	1,350,374
Total expenses	13,246,853	13,417,169	1,434,242	1,350,374	14,681,095	14,767,543
Increase in net assets	643,410	730,741	308,069	(466,667)	951,479	264,074
Net assets, beginning of year	7,080,555	6,538,124	7,128,558	7,595,225	14,209,113	14,133,349
Prior period adjustment	-	(188,310)	-	-	-	(188,310)
Net assets, end of year	**$ 7,723,965**	**$ 7,080,555**	**$ 7,436,627**	**$ 7,128,558**	**$ 15,160,592**	**$ 14,209,113**

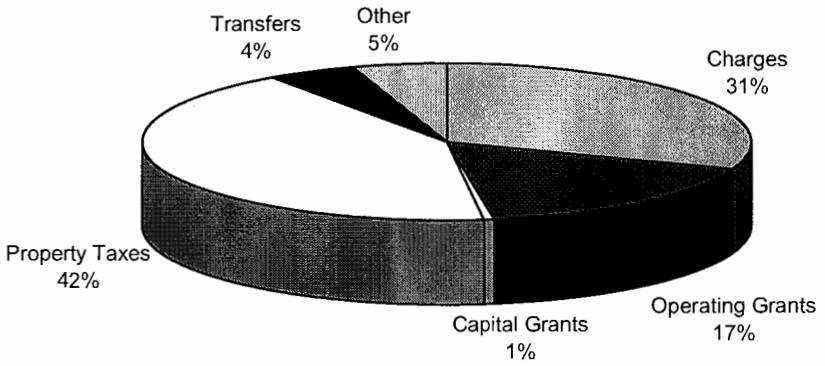
The largest portion of the County's net assets, $9,823,816 (65 percent) represents *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

An additional portion of the County's net assets, $2,992,699 (20 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of $2,344,077 (15 percent) represents resources that are subject to external restrictions on how they may be used.

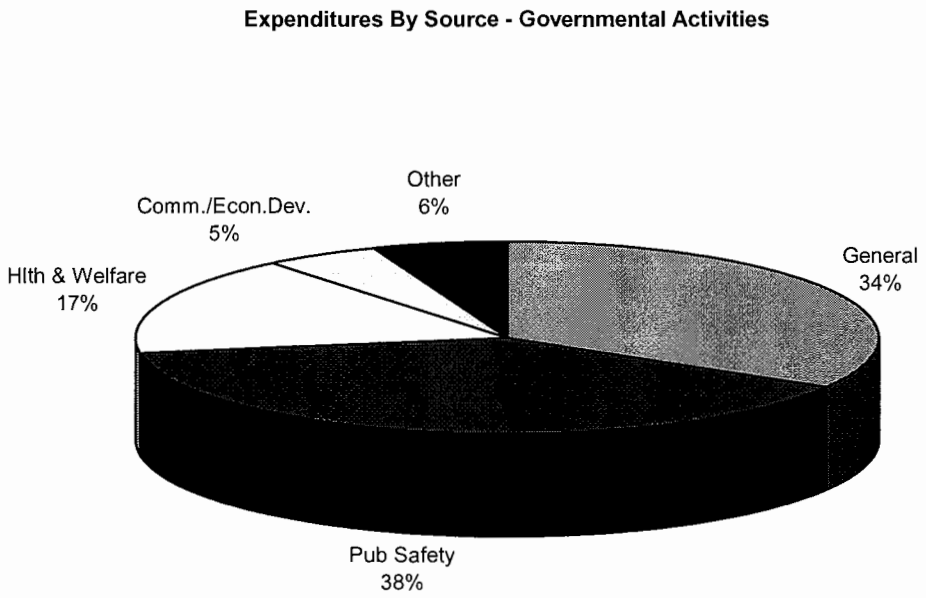
At the end of the current fiscal year, the County is able to report positive balances in all three categories (invested in capital assets-net of related debt, restricted and unrestricted) of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Revenue By Source - Governmental Activities



The primary government's net assets increased by $951,479 during the current fiscal year. This increase is attributable to growth in property taxes and an increase in capital grants and contributions that were received.

Governmental activities. Governmental activities increased the County's net assets by $643,410, accounting for 68 percent of the total growth in the net assets of the primary government.



Business-type activities. Business type activities increased the County's net assets by $308,069. This increase is primarily due to Delinquent Tax operating transfers (to the General Fund) exceeding the annual earnings and higher than anticipated transit activity. The delinquent tax revolving fund transferred $641,103 to the General Fund.

Financial Analysis of the County's Funds

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

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

At September 30, 2005, the County's governmental funds reported combined ending fund balances of $5,459,377, an increase of $268,052. This was primarily due to increases in grant funding in the nonmajor funds and property taxes. Of the fund balance amount, $4,261,960 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was $1,328,176, with a total fund balance of $1,937,456. Unreserved fund balance represents approximately 11 percent of total general fund expenditures (Total Expenditures and Other Financing Uses). The fund balance of the County's general fund decreased by $187,480 during the current fiscal year. This is primarily attributable to decreases in grant funding and interest and rents and other revenue areas and significant increases in employee health insurance.

The county Gypsy Moth fund had a total fund balance of $1,150,744 as a result of continued low gypsy moth infestation.

The county Housing Commission had an ending fund balance of $498,502, all of which was unreserved.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Net assets of the enterprise funds at year-end amounted to $7,436,627. The unrestricted portion of those net assets amounts to $5,774,205. The enterprise funds had an increase in net assets for the year of $308,069.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS

As the County completed the fiscal year 2005, its governmental funds reported combined fund balances of $5,459,377, an increase of $268,052 or 5.2%. The net changes are summarized in the following chart:

FINANCIAL ANALYSIS OF MAJOR AND NONMAJOR FUNDS

	General	Gypsy Moth	Housing Commission	Nonmajor Governmental	Total
Fund Balance 9/30/05	$1,937,456	$1,150,724	$498,502	$1,872,695	$5,459,377
Fund Balance 9/30/04	$2,124,936	$1,145,392	$692,372	$1,228,625	$5,191,325
Net Change	$(187,480)	$5,332	$(193,870)	$644,070	$268,052
%	-8.8%	0.1%	-28.0%	52.4%	5.2%

The General Fund balance decreased by $(187,480) or 8.8%. This was due to a one-time Landfill royalty revenue adjustment that resulted in landfill royalty payments approximately $220,000 less than prior years, a murder re-trial that cost the County nearly $80,000 and continued health care and pension costs increases. The Gypsy Moth Fund balance increased $5,332 or 0.1% due to minimal Gypsy Moth suppression activities. The Housing Commission fund balance decreased by $193,870 or 28.0% due to the office using past program income to provide housing service to Clare County clients. The combined nonmajor funds increased by $644,070 or 52.4% due to the transfer of additional property tax funds to the Revenue Sharing Reserve Fund.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 7 percent increase, ($668,438 increase in appropriations). The increase was primarily attributed to additional transfers in.

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in an 8 percent increase, ($814,160 increase in appropriations).

Overall during the year, general fund revenues (revenue and other financing sources) exceeded budgetary estimates by $862,561 or 8%. A significant variance was noted in the area of property taxes due to the shifting of the County's levy from winter to summer tax. Expenditures (expenditures and other financing uses) were more than budgetary estimates overall ($417,158 or 4%). The greatest variance pertains to the transfer of additional property tax revenue to the Revenue Sharing Reserve Fund. This resulted in an actual decrease in fund balance of $187,480 as compared to budgeted (anticipated) use of fund balance of $632,883.

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

Gypsy Moth Fund Budgetary Highlights

There were no differences between the original and final amended budgets for revenue (revenue and other financing sources).

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 0.1% increase, or $990. The amount represents the County's Central Service Cost Plan Indirect Costs for the fund and the County's policy to reimburse General Fund costs for non-General Fund activities.

Gypsy Moth Fund revenues (revenue and other financing sources) were below the budgetary estimates by $181,539 or 88%. This was due to no spraying conducted as a result of lack of the moth infestation. Consequently, no State grant reimbursement was made. Additionally, property tax revenue was down due to the expiration of the noted tax levy.

Gypsy Moth Fund expenditures (expenditures and other financing uses) were below the budgetary estimates by $82,937 or 87.0%. As noted above, there was not any spray program conducted and results in lower expense activity.

As previously noted, fund balance grew 0.1% or $5,332. The County had been levying a millage of 0.25 but discontinued in FY 2005 as a result in the lack of gypsy moth infestation. Sufficient funds exist in the Gypsy Moth Fund to undertake several years of suppression activity.

Housing Commission Fund Budgetary Highlights

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

Housing Commission Fund revenues (revenue and other financing sources) were below the budgetary estimates by $358,990 or 58.4%. This was due to lower grant reimbursements and loan activity.

Housing Commission Fund expenditures (expenditures and other financing uses) were below the budgetary estimates by $165,120 or 26.9%. As noted above, there was less caseload activity.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2005, amounted to $3,622,092, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicular equipment. The total decrease in the County's investment in capital assets for the current fiscal year was approximately 2 percent.

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

Land and improvements	$ 108,325
Construction in progress	133,290
Buildings and improvements	2,966,340
Machinery and equipment	213,987
Vehicular equipment	200,150
Total	$ 3,622,092

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

Long-term debt. Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the primary government had total debt outstanding of $2,652,126.

OUTSTANDING DEBT AS OF SEPTEMBER 30, 2005

	Oct. 1, 2004	Additions	Deletions	Sept. 30, 2005
Primary Government				
Government Activities				
Direct County Obligations	$ 2,840,000	$ -	$ (445,000)	$ 2,395,000
Accumulated Comp. Absences	204,223	52,903	-	257,126
Total Primary Government	3,044,223	52,903	(445,000)	2,652,126
Component Units				
Road Commission				
Direct County Obligations	1,430,000	-	(390,000)	1,040,000
Loans Payable	110,872	-	(12,239)	98,633
Accumulated Comp. Absences	164,187	10,638	-	174,825
Board of Public Works				
Water & Sewer Bonds	2,280,000	-	(300,000)	1,980,000
Drainage Districts				
Loans Payable	19,861	6,369	(19,861)	6,369
Drain Bonds & Notes	208,062	-	(40,350)	167,713
Total Component Units	4,212,982	17,007	(762,450)	3,467,540
Total Reporting Entity	$ 7,257,205	$ 69,910	$ (1,207,450)	$ 6,119,666
Debt Limit (10% of SEV)				$ 126,757,970
Available Statutory Debt Limit				$ 121,344,033

The primary government's total debt decreased by $392,097 (13 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (State Equalized Value). The current debt limitation for the County is $126,757,970, which is significantly in excess of the County's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's 2006 budget:

- Property tax revenues are projected to increase 5 percent in 2006.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreased state funding.
- Health insurance costs will continue to escalate.

Highlights of the 2006 budget are as follows:

- After the two prior fiscal years of position reductions, Clare County did not implement position reductions.
- The County budgeted a contingency of $224,369 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures.
- The adopted 2006 budget is $824 (0%) more than the Amended 2005 budget.

During the current fiscal year, unreserved fund balance in the general fund decreased to $1,328,176. The general rule of thumb is that fund balances can be used to help government weather bad times, but should not be used as a means of funding routine operations. The County increased its dependence on fund balance, from $73,969 in 2004 to $187,480 in 2005, a 240% increase. For the 2006 budget, the County plans to reduce reliance upon fund balance in the general fund.

Contacting the County's Management

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

BASIC FINANCIAL STATEMENTS

Clare County, Michigan

STATEMENT OF NET ASSETS

September 30, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,129,702	$ 2,997,368	$ 7,127,070	$ 799,831
Investments	1,126,601	1,125,529	2,252,130	-
Receivables	1,284,735	1,825,095	3,109,830	1,334,808
Inventories	-	-	-0-	347,798
Due from other governmental units	861,641	48,983	910,624	-
Prepaids	151,636	125,069	276,705	-
Current portion of lease receivable	-	-	-0-	327,157
Internal balances	265,967	(265,967)	-0-	-
Total current assets	7,820,282	5,856,077	13,676,359	2,809,594
Noncurrent assets				
Lease receivable	-	-	-0-	1,690,000
Advances to other governmental units	103,185	-	103,185	-
Capital assets not being depreciated	241,615	-	241,615	175,220
Capital assets being depreciated, net	3,380,477	1,662,422	5,042,899	27,410,818
Total noncurrent assets	3,725,277	1,662,422	5,387,699	29,276,038
TOTAL ASSETS	11,545,559	7,518,499	19,064,058	32,085,632
LIABILITIES				
Current liabilities				
Accounts payable	669,675	15,202	684,877	347,856
Accrued wages	196,538	-	196,538	-
Other accrued liabilities	25,371	66,670	92,041	40,285
Due to other governmental units	30,908	-	30,908	-
Deferred revenue	196,976	-	196,976	8,352
Current portion of compensated absences	21,514	-	21,514	189,606
Current portion of long-term debt	470,000	-	470,000	736,894
Total current liabilities	1,610,982	81,872	1,692,854	1,322,993
Noncurrent liabilities				
Advance from State	50,000	-	50,000	-
Advances from other governmental units	-	-	-0-	110,685
Compensated absences	235,612	-	235,612	174,825
Noncurrent portion of long-term debt	1,925,000	-	1,925,000	2,555,821
Total noncurrent liabilities	2,210,612	-0-	2,210,612	2,841,331
TOTAL LIABILITIES	3,821,594	81,872	3,903,466	4,164,324
NET ASSETS				
Invested in capital assets, net of related debt	1,330,277	1,662,422	2,992,699	26,098,103
Restricted for				
Other purposes	2,344,077	-	2,344,077	1,572,923
Unrestricted	4,049,611	5,774,205	9,823,816	250,282
TOTAL NET ASSETS	$ 7,723,965	$ 7,436,627	$ 15,160,592	$ 27,921,308

See accompanying notes to financial statements.

Clare County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
General government	$ 4,465,951	$ 1,366,105	$ 1,054,206	$ -	$ (2,045,640)	$ -	$ (2,045,640)	$ -
Public safety	5,148,818	2,527,050	434,927	59,827	(2,127,014)	-	(2,127,014)	-
Public works	68,317	50	3,515	-	(64,752)	-	(64,752)	-
Health and welfare	2,213,698	248,260	583,529	-	(1,381,909)	-	(1,381,909)	-
Community and economic development	657,649	48,133	269,682	-	(339,834)	-	(339,834)	-
Recreation and cultural	25,821	-	-	-	(25,821)	-	(25,821)	-
Other	533,573	60,972	-	-	(472,601)	-	(472,601)	-
Interest on long-term debt	133,026	-	-	-	(133,026)	-	(133,026)	-
Total governmental activities	13,246,853	4,250,570	2,345,859	59,827	(6,590,597)	-0-	(6,590,597)	-0-
Business-type activities								
Delinquent tax revolving	-	280,089	-	-	-	280,089	280,089	-
Transit corporation	1,406,680	315,539	583,088	878,652	-	370,599	370,599	-
Jail commissary	27,562	26,331	-	-	-	(1,231)	(1,231)	-
Total business-type activities	1,434,242	621,959	583,088	878,652	-0-	649,457	649,457	-0-
Total primary government	$ 14,681,095	$ 4,872,529	$ 2,928,947	$ 938,479	(6,590,597)	649,457	(5,941,140)	-0-
Component units								
Road Commission	$ 5,420,715	$ 1,017,265	$ 3,874,106	$ 2,101,390	-	-	-0-	1,572,046
Drainage Districts	105,905	-	17,083	34,032	-	-	-0-	(54,790)
Board of Public Works	96,590	-	-	96,290	-	-	-0-	(300)
Total component units	$ 5,623,210	$ 1,017,265	$ 3,891,189	$ 2,231,712	-0-	-0-	-0-	1,516,956
General revenues								
Property taxes					5,902,411	210,795	6,113,206	-
Other taxes					62,263	-	62,263	-
Investment earnings					139,268	83,370	222,638	24,300
Other					488,962	5,550	494,512	-
Transfers					641,103	(641,103)	-0-	-
Total general revenues and transfers					7,234,007	(341,388)	6,892,619	24,300
Change in net assets					643,410	308,069	951,479	1,541,256
Net assets, beginning of the year					7,080,555	7,128,558	14,209,113	26,380,052
Net assets, end of the year					$ 7,723,965	$ 7,436,627	$ 15,160,592	$ 27,921,308

See accompanying notes to financial statements.

Clare County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2005

	General	Gypsy Moth	Housing Commission
ASSETS			
Cash and cash equivalents	$ 1,028,859	$ 1,151,078	$ 516,546
Investments	-	-	-
Accounts receivable	-	-	-
Notes receivable	-	-	1,284,425
Due from other governmental units			
Federal/State	338,064	-	-
Local	383,845	-	-
Due from other funds	265,967	-	-
Advances to other governmental units	103,185	-	-
Advances to other funds	272,613	-	-
TOTAL ASSETS	$ 2,392,533	$ 1,151,078	$ 1,800,971
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 202,137	$ 61	$ 16,264
Accrued wages	172,032	293	1,780
Due to other governmental units - Federal/State	30,908	-	-
Deferred revenue	50,000	-	1,284,425
Advance from State	-	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	455,077	354	1,302,469
FUND BALANCES			
Reserved for			
Advances	375,798	-	-
Family counseling	28,482	-	-
Jail bond	205,000	-	-
Debt service	-	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in			
General fund	1,328,176	-	-
Special revenue funds	-	1,150,724	498,502
TOTAL FUND BALANCES	1,937,456	1,150,724	498,502
TOTAL LIABILITIES AND FUND BALANCES	$ 2,392,533	$ 1,151,078	$ 1,800,971

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
$ 1,248,614	$ 3,945,097
1,126,601	1,126,601
310	310
-	1,284,425
121,601	459,665
16,573	400,418
-	265,967
-	103,185
-	272,613
$ 2,513,699	$ 7,858,281
$ 451,213	$ 669,675
22,433	196,538
-	30,908
94,745	1,429,170
50,000	50,000
22,613	22,613
641,004	2,398,904
-	375,798
-	28,482
-	205,000
1,063	1,063
587,074	587,074
-	1,328,176
1,284,558	2,933,784
1,872,695	5,459,377
$ 2,513,699	$ 7,858,281

Clare County, Michigan

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

September 30, 2005

Total fund balance - governmental funds		$ 5,459,377
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 7,942,220	
Accumulated depreciation is	(4,320,128)	
Capital assets, net		3,622,092
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Net assets of governmental activities accounted for in Internal Service Funds		2,716
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		
Deferred revenue		1,317,277
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:		
Direct County obligations	2,395,000	
Accrued interest payable	25,371	
Compensated absences	257,126	
		(2,677,497)
Net assets of governmental activities		$ 7,723,965

See accompanying notes to financial statements.

Clare County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2005

	General	Gypsy Moth	Housing Commission
REVENUES			
Taxes	$ 5,422,696	$ 133	$ -
Licenses and permits	73,839	-	-
Intergovernmental	1,667,316	-	83,474
Charges for services	2,654,631	-	576
Fines and forfeits	30,766	-	-
Interest and rents	385,847	25,028	19,726
Other	234,601	-	151,427
TOTAL REVENUES	10,469,696	25,161	255,203
EXPENDITURES			
Current			
General government	3,783,937	12,829	-
Public safety	4,353,356	-	-
Public works	55,529	-	-
Health and welfare	591,047	-	-
Community and economic development	42,487	-	449,073
Recreation and cultural	-	-	-
Other	533,573	-	-
Debt service	-	-	-
Capital outlay	206,023	-	-
TOTAL EXPENDITURES	9,565,952	12,829	449,073
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	903,744	12,332	(193,870)
OTHER FINANCING SOURCES (USES)			
Transfers in	1,167,652	-	-
Transfers out	(2,258,876)	(7,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,091,224)	(7,000)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(187,480)	5,332	(193,870)
Fund balances, beginning of year	2,124,936	1,145,392	692,372
Fund balances, end of year	$ 1,937,456	$ 1,150,724	$ 498,502

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
$ 656,481	$ 6,079,310
160,342	234,181
1,009,874	2,760,664
349,487	3,004,694
5,995	36,761
20,380	450,981
248,984	635,012
2,451,543	13,201,603
416,170	4,212,936
563,081	4,916,437
12,803	68,332
1,623,147	2,214,194
166,241	657,801
25,828	25,828
-	533,573
585,626	585,626
153,904	359,927
3,546,800	13,574,654
(1,095,257)	(373,051)
2,301,876	3,469,528
(562,549)	(2,828,425)
1,739,327	641,103
644,070	268,052
1,228,625	5,191,325
$ 1,872,695	$ 5,459,377

Clare County, Michigan

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

Year Ended September 30, 2005

Net change in fund balances - total governmental funds		$ 268,052
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 281,084	
Depreciation expense	(355,696)	
Excess of depreciation expense over capital outlay		(74,612)
Revenues earned but not available for current expenditures are not reported as revenues in the funds. In the current period, these amounts were:		47,557
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Increase in net assets of internal service funds		2,716
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Long-term debt principal retirement		445,000
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable	7,600	
(Increase) in accrued compensated absences	(52,903)	
		(45,303)
Change in net assets of governmental activities		$ 643,410

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2005

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
ASSETS					
Current assets					
Cash and cash equivalents	$ 2,281,544	$ 709,840	$ 5,984	$ 2,997,368	$ 184,605
Investments	1,125,529	-	-	1,125,529	-
Receivables					
Accounts	-	20,252	50	20,302	-
Interest	-	-	-	-0-	-
Delinquent taxes	1,804,793	-	-	1,804,793	-
Due from other governmental units	2	47,398	1,583	48,983	1,558
Prepaids	-	125,069	-	125,069	151,636
Total current assets	5,211,868	902,559	7,617	6,122,044	337,799
Noncurrent assets					
Capital assets being depreciated, net	-	1,662,422	-	1,662,422	-
TOTAL ASSETS	5,211,868	2,564,981	7,617	7,784,466	337,799
LIABILITIES					
Current liabilities					
Accounts payable	-	13,597	1,605	15,202	-
Other accrued liabilities	-	66,670	-	66,670	-
Due to other funds	265,967	-	-	265,967	-
Deferred revenue	-	-	-	-0-	85,083
Advance from other funds	-	-	-	-0-	250,000
TOTAL LIABILITIES	265,967	80,267	1,605	347,839	335,083
NET ASSETS					
Invested in capital assets	-	1,662,422	-	1,662,422	-
Unrestricted	4,945,901	822,292	6,012	5,774,205	2,716
TOTAL NET ASSETS	$ 4,945,901	$ 2,484,714	$ 6,012	$ 7,436,627	$ 2,716

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

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

Year Ended September 30, 2005

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
OPERATING REVENUES					
Charges for services	$ 33,461	$ 315,539	$ 26,331	$ 375,331	$ 1,282,378
Interest and penalties on delinquent taxes	246,628	-	-	246,628	-
TOTAL OPERATING REVENUES	280,089	315,539	26,331	621,959	1,282,378
OPERATING EXPENSES					
Administrative	-	196,664	-	196,664	-
Health Insurance	-	-	-	-0-	1,279,662
Operations	-	1,030,406	-	1,030,406	-
Maintenance	-	179,610	-	179,610	-
Supplies	-	-	27,562	27,562	-
TOTAL OPERATING EXPENSES	-0-	1,406,680	27,562	1,434,242	1,279,662
OPERATING INCOME (LOSS)	280,089	(1,091,141)	(1,231)	(812,283)	2,716
NONOPERATING REVENUES					
Intergovernmental	-	1,461,740	-	1,461,740	-
Property taxes	-	210,795	-	210,795	-
Interest revenue	70,407	12,963	-	83,370	-
Other	3,552	1,998	-	5,550	-
TOTAL NONOPERATING REVENUES	73,959	1,687,496	-0-	1,761,455	-0-
INCOME (LOSS) BEFORE TRANSFERS	354,048	596,355	(1,231)	949,172	2,716
TRANSFERS OUT	(641,103)	-	-	(641,103)	-
CHANGE IN NET ASSETS	(287,055)	596,355	(1,231)	308,069	2,716
Net assets, beginning of year	5,232,956	1,888,359	7,243	7,128,558	-
Net assets, end of year	$ 4,945,901	$ 2,484,714	$ 6,012	$ 7,436,627	$ 2,716

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2005

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Fund (Health Insurance)
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	$ 33,461	$ 315,134	$ 24,748	$ 373,343	$ 1,255,511
Cash paid to suppliers	-	(327,506)	(27,672)	(355,178)	-
Cash paid for employee services and benefits	-	(845,073)	-	(845,073)	(1,307,690)
Interest on delinquent taxes	138,447	-	-	138,447	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	171,908	(857,445)	(2,924)	(688,461)	(52,179)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(641,103)	-	-	(641,103)	-
Other income	3,552	2,543	-	6,095	-
State/Federal grants	-	571,890	-	571,890	-
Property taxes	-	210,795	-	210,795	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(637,551)	785,228	-	147,677	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital assistance grants	-	902,460	-	902,460	-
Acquisition and construction of capital assets	-	(900,272)	-	(900,272)	-
Sale of capital assets	-	100	-	100	-
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	2,288	-0-	2,288	-0-
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	493,617	758,606	-	1,252,223	-
Interest revenue	70,407	12,963	-	83,370	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	564,024	771,569	-0-	1,335,593	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,381	701,640	(2,924)	797,097	(52,179)
Cash and cash equivalents, beginning of year	2,183,163	8,200	8,908	2,200,271	236,784
Cash and cash equivalents, end of year	$ 2,281,544	$ 709,840	$ 5,984	$ 2,997,368	$ 184,605
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	$ 280,089	$ (1,091,141)	$ (1,231)	$ (812,283)	$ 2,716
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	-	273,386	-	273,386	-
(Increase) decrease in receivables	(384,033)	(405)	-	(384,438)	1,633
(Increase) decrease in due from other governmental units	9,885	-	(1,583)	8,302	(1,558)
(Increase) in prepaids	-	-	-	-0-	(28,028)
(Decrease) in accounts payable	-	(5,478)	(110)	(5,588)	-
(Decrease) in other accrued liabilities	-	(27,213)	-	(27,213)	-
Increase in due to other funds	265,967	-	-	265,967	-
(Decrease) in accrued compensated absences	-	(6,594)	-	(6,594)	-
(Decrease) in deferred revenue	-	-	-	-0-	(26,942)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 171,908	$ (857,445)	$ (2,924)	$ (688,461)	$ (52,179)

See accompanying notes to financial statements.

Clare County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2005

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 2,172,492
Investments	20,501
Due from others	467
TOTAL ASSETS	$ 2,193,460
LIABILITIES	
Due to other governmental units	
Federal/State	$ 2,036,318
Local	47,361
Due to individuals and agencies	109,781
TOTAL LIABILITIES	$ 2,193,460

See accompanying notes to financial statements.

Clare County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2005

	Road Commission	Drainage Districts	Board of Public Works
ASSETS			
Current assets			
Cash and cash equivalents	$ 615,988	$ 181,290	$ 428
Receivables	1,142,955	191,853	-
Inventories	347,798	-	-
Current portion of lease receivable	-	-	327,157
Total current assets	2,106,741	373,143	327,585
Noncurrent assets			
Lease receivable	-	-	1,690,000
Capital assets, not being depreciated	175,220	-	-
Capital assets, net	26,601,726	809,092	-
Total noncurrent assets	26,776,946	809,092	1,690,000
TOTAL ASSETS	28,883,687	1,182,235	2,017,585
LIABILITIES			
Current liabilities			
Accounts payable	344,607	3,249	-
Accrued interest payable	-	3,128	37,157
Deferred revenue	-	8,352	-
Current portion of long-term debt	403,096	43,798	290,000
Total current liabilities	747,703	58,527	327,157
Noncurrent liabilities			
Advances from other governmental units	-	110,685	-
Advance from State	189,606	-	-
Noncurrent portion of compensated absences	174,825	-	-
Noncurrent portion of long-term debt	735,537	130,284	1,690,000
Total noncurrent liabilities	1,099,968	240,969	1,690,000
TOTAL LIABILITIES	1,847,671	299,496	2,017,157
NET ASSETS			
Invested in capital assets, net of related debt	25,463,093	635,010	-
Restricted for other purposes	1,572,923	-	-
Unrestricted	-	247,729	428
TOTAL NET ASSETS	$ 27,036,016	$ 882,739	$ 428

See accompanying notes to financial statements.

Economic Development Corporation	Total Component Units
$ 2,125	$ 799,831
-	1,334,808
-	347,798
-	327,157
2,125	2,809,594
-	1,690,000
-	175,220
-	27,410,818
-0-	29,276,038
2,125	32,085,632
-	347,856
-	40,285
-	8,352
-	736,894
-0-	1,133,387
-	110,685
-	189,606
-	174,825
-	2,555,821
-	3,030,937
-0-	4,164,324
-	26,098,103
-	1,572,923
2,125	250,282
$ 2,125	$ 27,921,308

Clare County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental activities					
Drainage Districts	$ 105,905	$ -	$ 17,083	$ 34,032	$ (54,790)
Board of Public Works	96,590	-	-	96,290	(300)
Economic Development Corportation	-	-	-	-	-0-
Road Commission	5,420,715	1,017,265	3,874,106	2,101,390	1,572,046
TOTALS	$ 5,623,210	$ 1,017,265	$ 3,891,189	$ 2,231,712	1,516,956
General revenues					
Investment earnings					24,300
CHANGE IN NET ASSETS					1,541,256
Net assets, beginning of year					26,380,052
Net assets, end of year					$ 27,921,308

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1. Reporting Entity

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

2. Blended Component Units

Building Authority

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

Public Transit Corporation

The Clare County Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not legally separate, but is administered by an eight (8) member Board elected by a majority of the seated Board members present and voting. The Transit Corporation Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transit Corporation taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transit Corporation Fund. A copy of the Corporation's audited financial statements can be obtained at their administrative offices.

Clare County Housing Commission

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

Enterprise Community

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units

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

Clare County Road Commission

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

Clare County Economic Development Corporation

The Clare County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) member Board of Directors appointed by the Clare County Board of Commissioners. The EDC may not issue debt without the County's approval. Financial statements for EDC are presented as part of Other Supplementary Information and are not audited separately.

Clare County Drainage Districts

Pursuant to the Drain Code of 1953, the Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner may issue debt or levy a tax as authorized by the Drain Code without the approval of the County Board of Commissioners. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Clare County Department of Public Works

Pursuant to MCL 123.732, the County of Clare entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County of Clare. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Clare County Board of Commissioners. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

4. Jointly Governed Organizations

Central Michigan District Health Department

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Jointly Governed Organizations - concluded

Central Michigan District Health Department - concluded

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the District total population and valuation. Member counties' percentages of the net operating budget for the year of 2005 were:

Clare	16.85%	Isabella	28.50%
Gladwin	14.36%	Osceola	12.92%
Arenac	9.94%	Roscommon	17.43%

Clare County's appropriation to the District Health Department for the year ended September 30, 2005 was $203,514, which included $12,687 cigarette tax. A copy of the Department's audited financial statements can be obtained at their administrative offices.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Service Board consists of the Counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2005, the actual County contribution percentages were:

Clare	12.35%	Mecosta	14.83%
Gladwin	8.13%	Midland	36.13%
Isabella	19.22%	Osceola	9.34%

Clare County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2005 was $139,000. A copy of the Department's audited financial statements can be obtained at their administrative offices.

5. Related Organizations

Clare-Gladwin Services for the Aging (CGSA)

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

Budgets are approved by the County and the Clare-Gladwin Services for the Aging. The amount provided to CGSA by Clare County for the year ended September 30, 2005 was $428,280.

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

Clare County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's Board is composed of one member appointed by the Board of Commissioners from each of the participating counties. The County's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the year ended September 30, 2005, the County passed through $57,749.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

FUND FINANCIAL STATEMENTS

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

The major funds of the County are:

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

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

c. The Housing Commission Fund accounts for grant revenue and contributions reserved for the improvement of housing within the County.

d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

e. The Transit Corporation Fund accounts for resources used to provide transportation services for the people of Clare County, particularly the elderly and handicapped, coordinated through a central dispatch center using a combination of demand-response and reserve trips.

7. Measurement Focus

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Measurement Focus - concluded

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

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

8. Basis of Accounting

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

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

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

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

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

9. Budgets and Budgetary Accounting

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

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget document presents information by fund, function, department and line items. The budget is adopted at the department and total fund level for the General Fund and Special Revenue Funds, respectively, and control is exercised at the line item level for all budgeted funds. The County Board of Commissioners monitors and amends the budgets as necessary. The County Administrator is authorized to transfer amounts between accounts.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Budgets and Budgetary Accounting - concluded

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

a. Prior to July 1, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Budget and Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.

b. A Public Hearing is held to obtain taxpayers' comments.

c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.

d. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

e. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

f. The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its general appropriations act.

10. Cash and Cash Equivalents

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

11. Investments

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

12. Receivables

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

13. Inventories

Inventories consisting of equipment parts and supplies of $185,321 and road materials of $162,477 are stated at cost based on the first in - first out method. Inventory items are charged to equipment repairs and operations, and to road construction and maintenance as used.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Prepaids

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

15. Compensated Absences

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

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

16. Deferred Revenue

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

17. Interfund Transactions

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

18. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

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

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Capital Assets - concluded

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

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

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

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

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the forth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Clare County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the statement of net assets.

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

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

19. Long-Term Obligations

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

20. Internal Service Fund

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

21. Federal Programs

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

22. Comparative Data

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

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

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

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Deposits

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

As of September 30, 2005, the carrying amounts and bank balance for each type of bank account are as follows:

ACCOUNT TYPE	Carrying Amount	Bank Balance
PRIMARY GOVERNMENT		
Checking	$ 4,138,921	$ 3,533,331
Savings	60,252	60,252
Certificates of deposit	2,252,130	2,250,835
Total primary government	6,451,303	5,844,418
FIDUCIARY FUNDS		
Checking	2,157,909	2,245,003
Certificates of deposit	20,501	20,501
Total fiduciary funds	3,178,410	2,265,504
COMPONENT UNITS		
Checking	164,912	165,512
Savings	262,495	500,447
Total component units	427,407	665,959
TOTAL REPORTING ENTITY	$ 9,057,120	$ 8,775,881

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2005, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for $689,530 and the amount of $8,086,351 was uninsured and uncollateralized.

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

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

Investments

As of September 30, 2005, the County had the following investments:

INVESTMENT TYPE	Carrying Amount	Market Value	Moody's Rating	Weighted Average Maturity
Uncategorized pooled investments				
MBIA - Michigan Class	$ 43,061	$ 593,061	Not Rated	40 days
Federated U.S. Treas. Cash #632	204,610	204,610	Not Rated	16 days
Municipal Investment Fund	1,798,459	1,857,061	Not Rated	< 90 days
Public Funds Investment Trust	1,184,300	1,184,300	Aaa	< 60 days
Government Op MM Fund	77,524	77,524	Aaa	38 days
	$ 3,307,954	$ 3,916,856		

Differences between carrying amounts and market value are due to various transactions that have been recorded in the County's books but have not been reflected in bank balances as of September 30, 2005.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). Rating information for the County's investments is presented in the table above.

Interest rate risk

The County has not adopted a policy that indicates how the County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by limiting the weighted average maturity of its investment portfolio to less than a given period of time.

Concentration of credit risk

The County has not adopted a policy that indicates how the County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2005:

	Primary Government	Fiduciary Funds	Component Units	Reporting Entity
Cash and cash equivalents	$ 7,127,070	$ 2,172,492	$ 799,831	$10,099,393
Investments	2,252,130	20,501	-	2,272,631
	$ 9,379,200	$ 2,192,993	$ 799,831	$12,372,024

The primary government cash and cash equivalents captions on the financial statements include $6,950 in imprest cash.

NOTE C: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Gypsy Moth Fund	$ 7,000
Delinquent Tax Revolving Fund	641,103
Nonmajor governmental funds	519,549
Total transfers to General Fund	$ 1,167,652
Transfers to nonmajor governmental funds from:	
General Fund	$ 2,258,876
Nonmajor governmental funds	43,000
	$ 2,301,876
Transfers to component unit funds from:	
Other component unit funds	$ 4,827

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at September 30, 2005:

Primary Government	
Due to General Fund from:	
Delinquent Tax Revolving	$ 265,967
Component Unit	
Due to component unit funds from:	
Other component unit funds	$ 29,593

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the governmental funds and also between the primary government and other governmental units at September 30, 2005:

Advances from General Fund to:	
Nonmajor governmental funds (Friend of the Court)	$ 22,613
Internal service fund	250,000
	$ 272,613
Advances from General Fund to:	
Other governmental units (Drainage Districts)	$ 103,185

NOTE F: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2005 was as follows:

Primary Government

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 108,325	$ -	$ -	$ 108,325
Construction in progress	-	133,290	-	133,290
Subtotal	108,325	133,290	-0-	241,615
Capital assets, being depreciated:				
Buildings and improvements	5,646,893	-	-	5,646,893
Vehicles	1,069,142	28,032	-	1,097,174
Furniture and other assets	865,091	119,762	(28,315)	956,538
Total capital assets, being depreciated	7,581,126	147,794	(28,315)	7,700,605
Less accumulated depreciation for:				
Buildings and improvements	(2,523,942)	(156,611)	-	(2,680,553)
Vehicles	(791,277)	(105,747)	-	(897,024)
Furniture and other assets	(677,528)	(93,338)	28,315	(742,551)
Total accumulated depreciation	(3,992,747)	(355,696)	28,315	(4,320,128)
Total capital assets being depreciated, net	3,588,379	(207,902)	-0-	3,380,477
Governmental activities capital assets, net	$ 3,696,704	$(74,612)	$ -0-	$ 3,622,092

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	$ 122,213
Public safety	233,483
Total Governmental Activities	$ 355,696

NOTE F: CAPITAL ASSETS - CONTINUED

Transit Corporation - Blended Component Unit

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	$ 732,556	$ 2,463	$ -	$ 735,019
Vehicles	1,530,756	879,444	-	2,410,200
Shop equipment	75,747	1,308	(1,762)	75,293
Office furniture and equipment	82,465	17,057	-	99,522
Total capital assets	2,421,524	900,272	(1,762)	3,320,034
Less accumulated depreciation	(1,385,988)	(273,386)	1,762	(1,657,612)
Total capital assets being depreciated, net	$ 1,035,536	$ 626,886	$ -0-	$ 1,662,422

Discretely Presented Component Units

Component Unit - Drainage Districts				
Capital assets, being depreciated:				
Drains	$ 996,582	$ -	$ -	$ 996,582
Lake levels	168,415	-	-	168,415
Subtotal	1,164,997	-0-	-0-	1,164,997
Less accumulated depreciation for:				
Drains	(278,423)	(30,855)	-	(309,278)
Lake levels	(43,126)	(3,501)	-	(46,627)
Subtotal	(321,549)	(34,356)	-0-	(355,905)
Total capital assets being depreciated, net	$ 843,448	$(34,356)	$ -0-	$ 809,092
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and improvements	$ 175,220	$ -	$ -	$ 175,220
Capital assets being depreciated				
Buildings	986,476	4,786	-	991,262
Road Equipment	5,230,981	446,502	-	5,677,483
Shop Equipment	120,967	1,130	-	122,097
Office Equipment	120,277	1,814	24,295	97,796
Engineer's Equipment	24,627	10,223	-	34,850
Yard and Storage Equipment	78,572	24,091	-	102,663
Infrastructure - Bridges	5,604,835	124,249	-	5,729,084
Infrastructure - Roads	30,150,831	3,150,177	-	33,301,008
Total	42,317,566	3,672,972	24,295	46,056,243

NOTE F: CAPITAL ASSETS - CONCLUDED

Discretely Presented
Component Units - concluded

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005
Component Unit -				
Road Commission - concluded				
Less accumulated depreciation				
Buildings	$ 627,885	$ 26,177	$ -	$ 654,062
Road Equipment	4,084,585	429,857	-	4,514,442
Shop Equipment	89,894	5,366	-	95,260
Office Equipment	85,899	7,993	24,295	69,597
Engineer's Equipment	22,276	611	-	22,887
Yard and Storage Equipment	51,288	4,393	-	55,681
Infrastructure - Bridges	1,464,675	156,074	-	1,620,749
Infrastructure - Roads	10,830,018	1,591,821	-	12,421,839
Total	17,256,520	2,222,292	24,295	19,454,517
Net capital assets being depreciated	25,061,046	1,540,680	-0-	26,601,726
Total Net Capital Assets	$25,236,266	$ 1,540,680	$ -0-	$26,776,946

NOTE G: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2005:

PRIMARY GOVERNMENT

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005	Amounts Due Within One Year
Primary Government					
Municipal Purchase Notes	$ 1,680,000	$ -	$(390,000)	$ 1,290,000	$ 410,000
Building Authority Refunding Bonds	1,160,000	-	(55,000)	1,105,000	60,000
Accumulated compensated absences	204,223	52,903	-	257,126	21,514
TOTAL PRIMARY GOVERNEMENT	$ 3,044,223	$ 52,903	$(445,000)	$ 2,652,126	$ 491,514

COMPONENT UNITS

Road Commission					
General Obligation Bonds	$ 1,430,000	$ -	$(390,000)	$ 1,040,000	$ 390,000
Installment purchase agreement	110,872	-	(12,239)	98,633	13,096
Accumulated sick and vacation	164,187	10,638	-	174,825	-
	1,705,059	10,638	(402,239)	1,313,458	403,096

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS - CONCLUDED

	Balance Oct. 1, 2004	Additions	Deletions	Balance Sept. 30, 2005	Amounts Due Within One Year
Board of Public Works					
Sewer system #4	$ 490,000	$ -	$(25,000)	$ 465,000	$ 20,000
Water supply system #1	445,000	-	(20,000)	425,000	25,000
Sewage disposal system #3 refunding	1,345,000	-	(255,000)	1,090,000	245,000
	2,280,000	-0-	(300,000)	1,980,000	290,000
Drainage Districts					
Installment loan	19,861	-	(19,861)	-0-	-
Promissory note	-	6,369	-	6,369	6,369
Note payable - Walker	2,921	-	(2,921)	-0-	-
Note payable - Bertha Lake Drain	157,142	-	(31,429)	125,713	31,429
Note payable - Ross Drain	48,000	-	(6,000)	42,000	6,000
	227,924	6,369	(60,211)	174,082	43,798
TOTAL COMPONENT UNITS	4,212,983	17,007	(762,450)	3,467,540	736,894
TOTAL REPORTING ENTITY	$ 7,257,206	$ 69,910	$(1,207,450)	$ 6,119,666	$ 1,228,408

PRIMARY GOVERNMENT

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

Bonds payable at September 30, 2005, is as follows:

$2,965,000 1997 Municipal Purchase Notes dated October 1, 1997, due in annual principal installments ranging from $410,000 to $450,000 through July 1, 2008, with interest at 5.10 percent, payable semi-annually.	$ 1,290,000
$1,250,000 1998 Building Authority Refunding Bonds dated April 1, 1998, due in annual principal installments ranging from $60,000 to $110,000 through February 1, 2019, with interest ranging from 4.40 to 5.05 percent, payable semi-annually.	1,105,000
	$ 2,395,000

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to $257,126 for vacation and sick at September 30, 2005. Of this amount, $21,514 has been recorded as a current liability and $235,612 has been recorded as a noncurrent liability.

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

NOTE G: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

General Obligation Bonds

The general obligation bonds payable is made up of bonds issued on July 24, 1996, June 1, 1998, September 16, 1999, October 4, 2000, and April 1, 2002 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of $5,000 with rates varying from 4.1 to 7.625 percent. The bonds mature in $50,000 increments annually over a 10 year period.

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

COMPONENT UNIT - DEPARTMENT OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

$630,000 Sewage Disposal System #4 Bonds dated November 1, 1996, due in annual principal installments ranging from $20,000 to $35,000 through May 1, 2022, with interest ranging from 5.00 to 5.85 percent, payable semi-annually.	$ 465,000
$575,000 Water Supply System #1 Bonds dated November 1, 1996, due in annual principal installments ranging from $15,000 to $35,000 through May 1, 2022, with interest ranging from 5.00 to 5.85 percent, payable semi-annually.	425,000
$1,810,000 Sewage Disposal System #3 Refunding Bonds dated March 28, 2002, due in annual principal installments ranging from $245,000 to $320,000 through November 1, 2008, with interest ranging from 3.30 to 4.125 percent, payable semi-annually.	1,090,000
	$ 1,980,000

COMPONENT UNIT - DRAINS

Promissory Note

$25,000 Little Tobacco Intercounty Drain dated April 12, 2005, due at maturity on April 12, 2006, with interest of 4.420 percent, payable at maturity.	$ 6,369

Long-Term Debt Note Payable Agreements

$220,000 Bertha Lake Drain Note dated November 9, 2001, due in annual installments of $31,429 through May 1, 2009, with interest of 4.95 percent, payable annually.	$ 125,713
$60,000 Ross Drain Note dated September 18, 2002, due in annual installments of $6,000 through July 1, 2012, with interest of 5.10 percent, payable annually.	42,000
	$ 167,713

NOTE G: LONG-TERM DEBT - CONCLUDED

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

	Governmental Activities	
	Direct County Obligations	
Year Ending September 30,	Principal	Interest
2006	$ 470,000	$ 128,485
2007	485,000	104,775
2008	510,000	79,995
2009	65,000	53,855
2010	65,000	50,375
2011-2015	310,000	192,435
2016-2019	490,000	50,935
	$ 2,395,000	$ 660,855

	Component Units					
	Road Commission Bonds Payable		Board of Public Works Water and Sewer Bonds		Drainage Districts Drain Notes	
Year Ending Sept. 30,	Principal	Interest	Principal	Interest	Principal	Interest
2006	$ 403,096	$ 49,669	$ 290,000	$ 85,645	$ 37,429	$ 8,365
2007	354,012	36,428	300,000	77,297	37,429	6,503
2008	194,993	20,242	315,000	61,573	37,428	4,654
2009	106,043	10,492	365,000	47,195	37,428	2,780
2010	60,489	1,511	45,000	38,364	6,000	918
2011-2015	20,000	4,955	250,000	152,413	11,999	919
2016-2020	-	-	285,000	79,273	-	-
2021-2022	-	-	130,000	7,589	-	-
	$ 1,138,633	$ 123,297	$ 1,980,000	$ 549,349	$ 167,713	$ 24,139

On April 1, 1998, the County defeased a portion of the 1994 General Obligation Building Authority Bonds, which are due and payable February 1, 1999 through February 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued General Obligation Building Authority Refunding Bonds in the amount of $1,250,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2005, bonds due and payable February 1, 2006 through February 1, 2019 for the 1994 G.O. Building Authority Bonds in the amount of $755,000 are considered defeased.

On March 28, 2002, the County defeased a portion of the 1988 Sewage Disposal System No. 3 Bonds, which are due and payable November 1, 2002 through November 1, 2008. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued Sewage Disposal System No. 3 Refunding Bonds in the amount of $1,810,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2005, bonds due and payable November 1, 2005 through November 1, 2008 for the 1988 Sewage Disposal System No. 3 Bonds in the amount of $1,150,000 are considered defeased.

NOTE H: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

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

Normal Retirement:

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

Deferred Retirement:

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

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

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

Funding Policy

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

Annual Pension Cost

For the year ended September 30, 2005 the County's annual pension cost of $190,429 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	2002	2003	2004
Actuarial value of assets	$ 9,408,781	$ 9,918,912	$10,495,823
Actuarial accrued liability (AAL) (entry age)	8,907,231	9,726,118	11,292,428
Unfunded (overfunded) AAL	(501,550)	(192,794)	796,605
Funded ratio	106%	102%	93%
Covered payroll	3,549,933	3,611,478	4,022,625
UAAL as a percentage of covered payroll	0%	0%	20%

	Year Ended September 30,		
	2003	2004	2005
Annual pension cost	$ 79,452	$ 116,456	$ 190,429
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

Blended Component Unit

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

Profit Sharing Plan and Trust 401(k)

The Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(k) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2005, there were six plan members. Employees may at their option, defer up to 10% of their gross income. The Transit Corporation will match the employee's contribution at the rate of ¼ of the employee's contribution, up to a maximum of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed $2,199 during the fiscal year and employees contributed $5,455. Plan provisions and contributions requirements are established and may be amended by the Clare County Transit Corporation Board. The Plan is administered by Plan Administrators, Inc. of DePere, Wisconsin.

SIMPLE Section 408(p)

The Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (the "SIMPLE"), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2005, there were five plan members. The Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to $2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed $2,702 during the current fiscal year and employees contributed $4,028. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board of Directors. The Plan has no administrator.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Plan Description

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

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

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, which includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 49817.

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

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

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2004. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0 percent, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5 percent annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2004 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONCLUDED

GASB Statement No. 25 Information (as of 12/31/04)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	$ 5,293,004
Terminated employees not yet receiving benefits	-
Current Employees:	
Accumulated employee contributions including allocated investment income	728,309
Employer financed	2,137,789
Total actuarial accrued liability	8,159,102
Net assets available for benefits, at actuarial value (Market value is $7,467,888)	7,650,590
Unfunded (overfunded) actuarial accrued liability	$ 508,512

GASB Statement No. 27 Information (as of 12/31/04)

Fiscal Year Beginning January 1, 2006	
Annual required contributions	$ 110,880
Amortization factor used - Underfunded liabilities (30 years)	0.053632
Amortization factor used - Overfunded liabilities (10 years)	0.119963

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	$ 45,864	100 %	$ -0-
2003	52,644	100	-0-
2004	110,880	100	-0-

NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/02	$ 7,340,240	$ 6,961,821	$(1,378,419)	105 %	$ 1,283,058	- %
12/31/03	7,519,456	7,536,470	17,014	100	1,234,382	1
12/31/04	7,650,590	8,159,102	508,512	94	1,279,896	40

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

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation. Adoption of Benefit P-S 50%, B-4 80% maximum reflected in 2002 valuation.

NOTE I: POST-EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

The County provides certain post-employment health and dental care benefits per contractual agreement. The health care benefits may be continued after retirement or termination by the individual paying the majority of the premiums, in advance, to the County Clerk's office. The net cost for retirees incurred for the year ended September 30, 2005, was $188,946. During 2005, there were 32 individuals covered under this agreement.

Component Unit - Road Commission

In addition to the pension benefits described in Note G, the Road Commission provides post-employment health care benefits to all employees who retire from the Road Commission on or after attaining age 60 with ten (10) or more years of service; or, those who retire under a valid disability claim who have reached age 60. The health care benefits consist of the Road Commission paying the monthly health insurance until the recipient reaches the age of 65. The costs of retirees' health care benefits are recognized as expenditures as claims are paid. For the fiscal year ended September 30, 2005, those costs totaled $79,875.

Upcoming Reporting Change

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

NOTE J: RISK MANAGEMENT

Primary Government, except for Transit Corporation

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

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

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

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

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

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

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

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

NOTE J: RISK MANAGEMENT - CONTINUED

Primary Government, except for Transit Corporation - concluded

At September 30, 2005, the County had reserves for reported claims of $23,082 on deposit with the Authority.

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

Clare County is self insured for health insurance through Blue Cross/Blue Shield of Michigan (BCBSM). Under the terms of the agreement between the County and BCBSM, the County is responsible for the first $50,000 of health care costs of each employee contract. Claims in excess of $50,000 are covered by Stop Loss coverage purchased through BCBSM. As of September 30, 2005, Clare County also purchased Aggregate Stop Loss through BCBSM on the total amount of claims with an attachment point of $9,741 per contract. This coverage was discontinued as of October 1, 2005. The County averages 135 employee contracts throughout the year. Aggregate Stop Loss coverage would be provided to the County when the total amount of claim costs exceeds $1,315,035 (135 X $9,741).

Transit Corporation

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

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

Road Commission (Component Unit)

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

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

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

NOTE J: RISK MANAGEMENT - CONCLUDED

Road Commission (Component Unit) - concluded

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

During the year ended September 30, 2005 and the previous two (2) years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE K: CONTINGENT LIABILITIES

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

NOTE L: PREPAID INSURANCE

Clare County Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to $25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of $125,069 with the pool, which is recorded as prepaid insurance as of September 30, 2005.

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

PRIMARY GOVERNMENT

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

During the year ended September 30, 2005, the County incurred expenditures in the General Fund and five (5) Special Revenue Funds in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
General government			
Soil conservation	$ 27,800	$ 29,256	$ 1,456
Public guardian	31,249	31,276	27
Probate court juvenile	159,454	159,705	251
Health and welfare			
Contagious disease	1,165	1,503	338
Transfers out	1,206,534	2,258,876	1,052,342

NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED

PRIMARY GOVERNMENT - CONCLUDED

	Amounts Appropriated	Amounts Expended	Variance
Special Revenue Funds			
911 Service	$ 383,734	$ 386,838	$ 3,104
Law Library	3,500	3,977	477
Revenue Sharing Reserve	321,338	640,887	319,549
Council on Aging	429,031	429,951	920
Social Welfare	223,500	244,573	21,073

COMPONENT UNIT - ROAD COMMISSION

Public Act 621 of 1978, section 18 (l), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the twelve months ended September 30, 2005 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
Primary Road			
Heavy maintenance	$ 1,500,000	$ 1,905,181	$(405,181)
State Trunkline			
Maintenance	850,000	885,686	(35,686)
Nonmaintenance	-	117,574	(117,574)
Equipment expense - net	(75,000)	(60,951)	(14,049)
Administrative expense - net	274,000	308,112	(34,112)
Long-Term Debt	400,000	402,239	(2,239)

The Road Commission does not use encumbrances for budgetary purposes. During the twelve months ended September 30, 2005, the Road Commissioners made one amendment to the General Operating Fund Budget.

NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS

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

NOTE N: FUND BALANCE RESERVES AND DESIGNATIONS - CONCLUDED

The following are the various fund balance reserves as of September 30, 2005:

PRIMARY GOVERNMENT	
General Fund	
Reserved for advances	
Friend of the Court Fund	$ 22,613
Health Insurance Fund	250,000
Other governmental units	103,185
	375,798
Reserved for family counseling	28,482
Reserved for jail bond	205,000
	$ 609,280
Nonmajor governmental funds	
Reserved for debt service	$ 1,063
Reserved for capital projects	
Public Building and Improvement Fund	92,424
Animal Shelter Improvement Fund	368,215
Jail Construction Improvement Fund	126,435
	587,074
	$ 588,137
COMPONENT UNITS	
Board of Public Works	
Reserved for debt service	$ 428

The following is the various fund balance designations as of September 30, 2005:

COMPONENT UNITS	
Drainage Districts	
Designated for capital projects	$ 59,004

NOTE O: PROPERTY TAXES AND TAXES RECEIVABLE

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

Beginning with the 2004 tax levy, the state has mandated the creation of a Revenue Sharing Reserve Fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As a part of this process, the County's tax levy is shifting over the next three years from winter to summer.

NOTE O: PROPERTY TAXES AND TAXES RECEIVABLE - CONCLUDED

The County's Winter 2004 and Summer 2005 ad valorem taxes were levied and collectible on December 1, 2004 and July 1, 2005, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2004 and Summer 2005 tax levies have been recognized as revenue in the current fiscal year. The 2004 taxable value of Clare County amounted to $816,509,604 on which ad valorem taxes levied for County general operating purposes consisted of 4.7797 mills. For the year ended September 30, 2005, the County levied 0.4577 mills for the Council on Aging, 0.3500 mills for the Jail Building Debt. The Clare County Transit Corporation levied 0.2606 mills for transportation services.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2005. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2005:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for	
Other purposes	
Drug law enforcement	$ 11,770
Local corrections officers	9,153
Public building and improvements	92,424
911 service	87,731
Law library	1,508
Council on Aging	124,050
Animal shelter	368,215
Gypsy moth	1,150,724
Housing Commission	498,502
	$ 2,344,077
COMPONENT UNITS	
Restricted for	
Other purposes	
County roads	$ 1,572,923

NOTE Q: FEDERAL FINANCIAL ASSISTANCE

COMPONENT UNIT - ROAD COMMISSION

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. However, only the federal financial assistance applicable to negotiated account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation.

The federal aid secondary revenue of $626,891 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors paid for and administered by the Michigan Department of Transportation.

NOTE R: CONTRACTUAL COMMITMENTS

The County has entered into a contract relating to Central Dispatch addition project that was not completed at September 30, 2005. The total contractual commitment outstanding at September 30, 2005 totaled $432,423. The County levied an additional millage in 2004 to fund the improvements which will be financed with available fund equity.

REQUIRED SUPPLEMENTARY INFORMATION

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	$ 3,908,670	$ 3,919,110	$ 5,247,844	$ 1,328,734
Payments in lieu of taxes	5,500	6,404	4,470	(1,934)
Mobile home park taxes	700	3,476	3,713	237
Tax reverted lands	500	500	-	(500)
Other taxes	51,212	52,049	52,032	(17)
Administrative fees	115,000	115,000	114,637	(363)
Total taxes	4,081,582	4,096,539	5,422,696	1,326,157
Licenses and permits				
Dog licenses	67,000	71,643	58,032	(13,611)
Marriage license fees	4,900	4,900	4,430	(470)
Gun permits	6,500	7,206	7,082	(124)
Other permits	4,000	4,000	4,295	295
Total licenses and permits	82,400	87,749	73,839	(13,910)
Intergovernmental - Federal/State				
Soil erosion and sedimentation	25,000	25,000	22,297	(2,703)
Bullet proof vest	1,025	1,025	-	(1,025)
Homeland security	12,936	243,659	239,217	(4,442)
MMCC security	-	26,090	25,489	(601)
Single business tax	50,000	-	-	-0-
Michigan justice training	5,000	5,000	6,689	1,689
Siren project	-	23,000	23,000	-0-
Remonumentation grant	36,725	107,965	118,882	10,917
Revenue sharing - per capita	280,000	-	-	-0-
Snowmobile grant	6,375	10,718	4,734	(5,984)
Byrne grant	-	39,466	18,683	(20,783)
Secondary road patrol	65,000	73,660	37,611	(36,049)
Food stamp fraud grant	300	300	2,700	2,400
Prosecutor - CRP	48,860	48,860	48,723	(137)
Caseflow assistance grant	6,000	6,000	8,562	2,562
Victims' Rights	30,000	30,000	-	(30,000)
Juvenile Incentive Block grant	20,247	48,000	39,221	(8,779)
Probate court judge salary	93,207	101,241	108,293	7,052
Judges salary standardization	75,444	75,444	69,348	(6,096)
Court equity	210,000	227,245	227,245	-0-
Liquor law enforcement	11,000	11,000	12,238	1,238
Michigan Works grant	-	52,147	55,086	2,939
Off-road vehicle	12,930	12,930	5,283	(7,647)
Convention facility tax	105,000	115,497	115,497	-0-
Juvenile officer grant	27,317	27,317	27,317	-0-

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Intergovernmental - Federal/State - concluded				
Cigarette tax	$ 20,000	$ 20,000	$ 19,536	$ (464)
Marine safety grant	11,037	11,037	23,665	12,628
Other	800	12,604	3,994	(8,610)
Total intergovernmental - Federal/State	1,154,203	1,355,205	1,263,310	(91,895)
Intergovernmental - local				
School safety	68,946	68,946	68,946	-0-
Law enforcement	357,014	381,572	311,260	(70,312)
Siren project	-	9,218	23,800	14,582
Total intergovernmental - local	425,960	459,736	404,006	(55,730)
Charges for services				
Circuit Court costs	47,620	47,620	40,197	(7,423)
District Court costs	326,500	326,500	373,589	47,089
Probate/family court	26,000	26,000	38,096	12,096
Care of prisoners	1,583,500	1,640,567	1,476,371	(164,196)
Treasurer	5,000	5,000	3,770	(1,230)
Real estate transfer tax	105,000	105,000	106,799	1,799
Clerk	43,000	43,000	47,660	4,660
Register of deeds	233,314	233,314	248,051	14,737
Court attorney fees	86,500	86,500	89,553	3,053
Sheriff department	32,000	32,000	32,096	96
Jail	11,000	11,000	10,956	(44)
Inmate work release	13,000	13,000	6,160	(6,840)
Preliminary breath test fees	15,000	15,000	17,335	2,335
Public guardian services	25,000	25,000	27,438	2,438
Telephone commissions	88,000	88,000	63,149	(24,851)
Drug screening and tether	10,500	12,900	6,920	(5,980)
Equalization	56,006	56,006	20,164	(35,842)
Central services	27,856	27,856	27,856	-0-
Animal control	16,110	16,110	15,736	(374)
Miscellaneous services	7,195	7,270	2,735	(4,535)
Total charges for services	2,758,101	2,817,643	2,654,631	(163,012)
Fines and forfeits				
District Court	10,000	10,000	11,555	1,555
Ordinance fines	9,000	9,000	13,516	4,516
Circuit Court	1,000	1,000	5,695	4,695
Total fines and forfeits	20,000	20,000	30,766	10,766

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONCLUDED				
Interest and rents				
Investment earnings	$ 20,000	$ 20,000	$ 82,676	$ 62,676
Royalties	455,000	455,000	220,348	(234,652)
Rental fees	65,000	65,000	82,823	17,823
Total interest and rents	540,000	540,000	385,847	(154,153)
Other				
Reimbursements - workers' compensation	10,000	10,000	20,028	10,028
Reimbursements - inmate medical	33,000	63,000	65,309	2,309
Reimbursements - insurance	10,000	10,000	306	(9,694)
Reimbursements - retirees insurance	230,000	-	-	-0-
Reimbursements - elections	20,000	20,000	29,824	9,824
Reimbursements - jury fees	2,000	3,080	4,777	1,697
Reimbursements - courts	69,000	69,000	51,624	(17,376)
Reimbursements - Prosecutor	-	-	781	781
Reimbursements - Administrator	-	-	898	898
Reimbursements - Treasurer	2,300	2,300	2,197	(103)
Reimbursements - Sheriff	5,000	5,000	4,152	(848)
Reimbursements - restitution	-	-	485	485
Reimbursements - jail	1,000	1,000	1,684	684
Reimbursements - tax collect bond	2,100	2,100	1,605	(495)
Reimbursements - postage	11,600	11,600	15,295	3,695
Reimbursements - Register of Deeds	-	-	34	34
Reimbursements - other	-	359	3,014	2,655
Sale of capital assets	-	-	5,458	5,458
Donations - general	-	28,734	27,130	(1,604)
Total other	396,000	226,173	234,601	8,428
TOTAL REVENUES	9,458,246	9,603,045	10,469,696	866,651
OTHER FINANCING SOURCES				
Transfers in				
Delinquent tax revolving	641,103	641,103	641,103	-0-
Enterprise community	-	4,090	-	(4,090)
Revenue sharing reserve	-	519,549	519,549	-0-
Gypsy moth	7,000	7,000	7,000	-0-
TOTAL OTHER FINANCING SOURCES	648,103	1,171,742	1,167,652	(4,090)
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 10,106,349	$ 10,774,787	$ 11,637,348	$ 862,561

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	$ 127,503	$ 132,288	$ 107,574	$ 24,714
County administrator	134,464	140,387	134,049	6,338
Elections	108,550	111,546	77,642	33,904
Clerk	254,695	302,050	269,451	32,599
Equalization	160,881	205,218	184,886	20,332
Prosecutor	313,669	366,675	362,642	4,033
Register of Deeds	242,120	257,349	236,545	20,804
Abstract department	38,009	38,237	35,459	2,778
Record copying and mailing	77,375	77,375	76,334	1,041
Professional services	72,500	74,802	68,575	6,227
Survey and remonumentation	40,489	111,874	111,830	44
Treasurer	165,445	174,441	155,606	18,835
Cooperative extension service	93,138	102,185	82,360	19,825
Data processing	101,558	55,805	46,006	9,799
Building authority	374	374	-	374
Courthouse and grounds	225,617	264,857	250,148	14,709
Drain commissioner	82,244	86,488	82,190	4,298
Soil conservation	27,800	27,800	29,256	(1,456)
Circuit Court	218,945	257,521	254,923	2,598
Circuit Court probation	5,200	5,200	3,235	1,965
Public guardian	29,626	31,249	31,276	(27)
District Court	492,279	624,820	618,146	6,674
Michigan Works employment grant	-	57,655	55,265	2,390
Probate Court	349,739	356,726	350,120	6,606
Probate Court juvenile	153,380	159,454	159,705	(251)
Family counseling	1,500	1,500	200	1,300
Jury board	723	723	514	209
Total general government	3,517,823	4,024,599	3,783,937	240,662
Public safety				
Sheriff	1,200,263	1,349,467	1,339,842	9,625
School safety	66,950	71,518	55,946	15,572
Marine safety	35,704	36,730	10,583	26,147
Jail	1,882,605	2,047,065	2,005,580	41,485
City and township contracts	379,431	394,305	310,764	83,541
Emergency preparedness	66,246	296,728	288,886	7,842
Bayanet grant	-	60,842	44,584	16,258
Off road grant	12,930	13,346	3,888	9,458
MMCC Security	-	27,796	25,036	2,760
Snowmobile grant	8,500	10,630	4,670	5,960
Secondary road patrol	76,160	78,592	63,282	15,310
Animal control	166,154	214,136	200,295	13,841
Total public safety	3,894,943	4,601,155	4,353,356	247,799

Clare County, Michigan

General Fund

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONCLUDED				
Public works				
Board of public works	$ 408	$ 408	$ 140	$ 268
Solid waste	68,547	68,055	33,388	34,667
Drains	-	17,083	17,083	-0-
Drain at large	4,880	4,919	4,918	1
Total public works	73,835	90,465	55,529	34,936
Health and welfare				
Central Michigan District Health Department	211,000	211,000	203,514	7,486
Contagious disease	1,165	1,165	1,503	(338)
Community Mental Health	139,000	139,000	139,000	-0-
Medical examiner	48,292	64,411	60,160	4,251
Veteran's affairs	87,823	94,510	89,900	4,610
Juvenile incentive	16,491	47,600	39,221	8,379
Substance Abuse Council	52,500	57,749	57,749	-0-
Total health and welfare	556,271	615,435	591,047	24,388
Community economic and development				
Plat board	113	113	-	113
Middle Michigan Development	20,000	20,000	20,000	-0-
Convention and visitors bureau	1,500	1,500	1,500	-0-
Planning commission	14,477	24,477	20,987	3,490
Total community economic and development	36,090	46,090	42,487	3,603
Other				
Contingency	482,248	-	-	-0-
Insurance and bonds	770,450	601,117	533,573	67,544
Total other	1,252,698	601,117	533,573	67,544
Capital outlay	119,965	222,275	206,023	16,252
TOTAL EXPENDITURES	9,451,625	10,201,136	9,565,952	635,184

Clare County, Michigan

General Fund

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
OTHER FINANCING USES				
Transfers out				
Parks and recreation	$ -	$ 5,355	$ 5,355	$ -0-
Revenue sharing reserve	-	-	1,132,437	(1,132,437)
Social welfare	10,000	10,000	10,000	-0-
Soldiers and sailors relief	18,150	15,250	15,250	-0-
Friend of the court	29,255	44,224	5,000	39,224
Child care probate	350,000	350,000	350,000	-0-
Jail building debt	475,590	475,590	475,590	-0-
Building authority refunding bond	110,037	110,037	109,736	301
Child care DHS	60,000	60,000	60,000	-0-
911 service	88,853	132,908	92,339	40,569
Scrap tire	-	3,170	3,169	1
TOTAL OTHER FINANCING USES	1,141,885	1,206,534	2,258,876	(1,052,342)
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 10,593,510	$ 11,407,670	$ 11,824,828	$ (417,158)

Clare County, Michigan

Gypsy Moth Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 170,700	$ 170,700	$ 133	$ (170,567)
Intergovernmental - Federal/State	30,000	30,000	-	(30,000)
Interest	6,000	6,000	25,028	19,028
TOTAL REVENUES	206,700	206,700	25,161	(181,539)
EXPENDITURES				
Current				
General government	110,441	111,431	12,829	98,602
EXCESS OF REVENUES OVER EXPENDITURES	96,259	95,269	12,332	(82,937)
OTHER FINANCING USES				
Transfers out	(7,000)	(7,000)	(7,000)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	89,259	88,269	5,332	(82,937)
Fund balance, beginning of year	1,145,392	1,145,392	1,145,392	-0-
Fund balance, end of year	$ 1,234,651	$ 1,233,661	$ 1,150,724	$ (82,937)

Clare County, Michigan

Housing Commission

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - Federal/State	$ 279,825	$ 279,825	$ 83,474	$ (196,351)
Charges for services	14,550	14,550	576	(13,974)
Interest and rents	22,993	22,993	19,726	(3,267)
Other	296,825	296,825	151,427	(145,398)
TOTAL REVENUES	614,193	614,193	255,203	(358,990)
EXPENDITURES				
Current				
Community and economic development	614,193	614,193	449,073	165,120
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(193,870)	(193,870)
Fund balance, beginning of year	692,372	692,372	692,372	-0-
Fund balance, end of year	$ 692,372	$ 692,372	$ 498,502	$ (193,870)

OTHER SUPPLEMENTARY INFORMATION

Nonmajor Governmental Funds
Fund Descriptions

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

Revenue Sharing Reserve (285) - This Fund is used to account for the shift of State Revenue Sharing dollars from State to local funding. Resources are being accumulated in this fund over a three (3) year period and will be used for general government purposes on a schedule stipulated by the State.

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

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

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

SPECIAL REVENUE FUNDS - CONCLUDED

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

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

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

Airport (295) - This Fund is used to account for revenues and expenditures for maintenance, operation and construction of the County's airport operations. Rental income is the primary revenue source.

DEBT SERVICE FUNDS

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

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

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

CAPITAL PROJECT FUNDS

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

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

Jail Construction (466) - This Fund is used to account for financial resources to be used for the acquisition, construction, and maintenance of the current jail facilities and new Central Dispatch addition.

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2005

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
ASSETS			
Cash and cash equivalents	$ 92,864	$ 12,161	$ 41,535
Investments	-	-	-
Accounts receivable	-	-	300
Due from other governmental units			
Federal/State	-	2,844	49,891
Local	-	-	-
TOTAL ASSETS	$ 92,864	$ 15,005	$ 91,726
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 789	$ -	$ 5,740
Accrued wages	-	-	7,922
Deferred revenue	60,225	-	-
Advance from State	-	-	-
Advances from other funds	-	-	22,613
TOTAL LIABILITIES	61,014	-0-	36,275
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in Special revenue funds	31,850	15,005	55,451
TOTAL FUND BALANCES	31,850	15,005	55,451
TOTAL LIABILITIES AND FUND BALANCES	$ 92,864	$ 15,005	$ 91,726

Revenue				
Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
$ 92,424	$ 76,920	$ 122,186	$ 60,412	$ 10,672
-	-	-	-	-
-	-	-	-	10
-	-	-	27,835	-
-	-	-	16,573	-
$ 92,424	$ 76,920	$ 122,186	$ 104,820	$ 10,682
$ -	$ 1,520	$ 200	$ 7,122	$ 1,529
-	4,544	-	9,967	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	6,064	200	17,089	1,529
-	-	-	-	-
92,424	-	-	-	-
-	70,856	121,986	87,731	9,153
92,424	70,856	121,986	87,731	9,153
$ 92,424	$ 76,920	$ 122,186	$ 104,820	$ 10,682

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2005

	Special		
	Drug Law Enforcement	Law Library	Enterprise Community
ASSETS			
Cash and cash equivalents	$ 11,770	$ 1,830	$ 32,602
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 11,770	$ 1,830	$ 32,602
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ 322	$ -
Accrued wages	-	-	-
Deferred revenue	-	-	32,602
Advance from State	-	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	-0-	322	32,602
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in			
Special revenue funds	11,770	1,508	-
TOTAL FUND BALANCES	11,770	1,508	-0-
TOTAL LIABILITIES AND FUND BALANCES	$ 11,770	$ 1,830	$ 32,602

Revenue					
Scrap Tire Grant	Revenue Sharing Reserve	Council on Aging	Social Welfare	Child Care Probate	Child Care DHS
$ 3,000	$ -	$ 231,120	$ 82,274	$ 141,037	$ 37,232
-	701,601	-	-	-	-
-	-	-	-	-	-
-	-	-	28,486	12,545	-
-	-	-	-	-	-
$ 3,000	$ 701,601	$ 231,120	$ 110,760	$ 153,582	$ 37,232
$ 3,000	$ 207,646	$ 107,070	$ 22,594	$ 20,427	$ 47
-	-	-	-	-	-
-	-	-	1,918	-	-
-	-	-	50,000	-	-
-	-	-	-	-	-
3,000	207,646	107,070	74,512	20,427	47
-	-	-	-	-	-
-	-	-	-	-	-
-	493,955	124,050	36,248	133,155	37,185
-0-	493,955	124,050	36,248	133,155	37,185
$ 3,000	$ 701,601	$ 231,120	$ 110,760	$ 153,582	$ 37,232

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2005

	Special Revenue		
	Soldiers & Sailors Relief	Veterans Trust	Airport
ASSETS			
Cash and cash equivalents	$ 24,125	$ 1,113	$ 31,084
Investments	-	-	-
Accounts receivable	-	-	-
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 24,125	$ 1,113	$ 31,084
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 1,289	$ -	$ 378
Accrued wages	-	-	-
Deferred revenue	-	-	-
Advance from State	-	-	-
Advances from other funds	-	-	-
TOTAL LIABILITIES	1,289	-0-	378
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in Special revenue funds	22,836	1,113	30,706
TOTAL FUND BALANCES	22,836	1,113	30,706
TOTAL LIABILITIES AND FUND BALANCES	$ 24,125	$ 1,113	$ 31,084

Debt Service		Capital Projects		
Jail Building	Building Authority Refunding Debt	Animal Shelter Improvement	Jail Construction	Total Nonmajor Governmental Funds
$ 15	$ 1,048	$ 68,684	$ 72,506	$ 1,248,614
-	-	300,000	125,000	1,126,601
-	-	-	-	310
-	-	-	-	121,601
-	-	-	-	16,573
$ 15	$ 1,048	$ 368,684	$ 197,506	$ 2,513,699
$ -	$ -	$ 469	$ 71,071	$ 451,213
-	-	-	-	22,433
-	-	-	-	94,745
-	-	-	-	50,000
-	-	-	-	22,613
-0-	-0-	469	71,071	641,004
15	1,048	-	-	1,063
-	-	368,215	126,435	587,074
-	-	-	-	1,284,558
15	1,048	368,215	126,435	1,872,695
$ 15	$ 1,048	$ 368,684	$ 197,506	$ 2,513,699

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2005

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
REVENUES			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	8,669	240,104
Charges for services	-	-	29,173
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	-0-	8,669	269,277
EXPENDITURES			
Current			
General government	-	8,743	272,049
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	25,828	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	25,828	8,743	272,049
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,828)	(74)	(2,772)
OTHER FINANCING SOURCES (USES)			
Transfers in	25,355	-	5,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	25,355	-0-	5,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(473)	(74)	2,228
Fund balances, beginning of year	32,323	15,079	53,223
Fund balances, end of year	$ 31,850	$ 15,005	$ 55,451

Revenue				
Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
$ -	$ -	$ -	$ 67	$ -
-	160,342	-	-	-
-	-	-	-	-
-	-	58,410	255,914	5,990
-	-	-	-	-
1,832	-	1,701	-	-
-	-	-	-	-
1,832	160,342	60,111	255,981	5,990
-	-	9,768	-	-
-	172,794	-	386,838	1,529
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
11,039	-	-	-	-
11,039	172,794	9,768	386,838	1,529
(9,207)	(12,452)	50,343	(130,857)	4,461
-	-	-	115,339	-
-	-	-	-	-
-0-	-0-	-0-	115,339	-0-
(9,207)	(12,452)	50,343	(15,518)	4,461
101,631	83,308	71,643	103,249	4,692
$ 92,424	$ 70,856	$ 121,986	$ 87,731	$ 9,153

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2005

	Special		
	Drug Law Enforcement	Law Library	Enterprise Community
REVENUES			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	186,241
Charges for services	-	-	-
Fines and forfeits	2,495	3,500	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	2,495	3,500	186,241
EXPENDITURES			
Current			
General government	-	3,977	-
Public safety	814	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	166,241
Recreation and cultural	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	814	3,977	166,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,681	(477)	20,000
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	(20,000)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	(20,000)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	1,681	(477)	-0-
Fund balances, beginning of year	10,089	1,985	-
Fund balances, end of year	$ 11,770	$ 1,508	$ -0-

Revenue					
Scrap Tire Grant	Revenue Sharing Reserve	Council on Aging	Social Welfare	Child Care Probate	Child Care DHS
$ -	$ -	$ 372,466	$ -	$ -	$ -
-	-	-	-	-	-
341,277	-	-	-	156,004	75,413
-	-	-	-	-	-
-	-	-	-	-	-
-	2,405	3,588	-	-	-
-	-	-	248,260	724	-
341,277	2,405	376,054	248,260	156,728	75,413
-	121,338	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
344,446	-	429,951	244,573	469,955	124,686
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
344,446	121,338	429,951	244,573	469,955	124,686
(3,169)	(118,933)	(53,897)	3,687	(313,227)	(49,273)
3,169	1,132,437	-	10,000	350,000	60,000
-	(519,549)	-	-	-	-
3,169	612,888	-0-	10,000	350,000	60,000
-0-	493,955	(53,897)	13,687	36,773	10,727
-	-	177,947	22,561	96,382	26,458
$ -0-	$ 493,955	$ 124,050	$ 36,248	$ 133,155	$ 37,185

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2005

	Special Revenue		
	Soldiers & Sailors Relief	Veterans Trust	Airport
REVENUES			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	2,166	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	8,610
Other	-	-	-
TOTAL REVENUES	-0-	2,166	8,610
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	12,803
Health and welfare	7,467	2,069	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	7,467	2,069	12,803
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,467)	97	(4,193)
OTHER FINANCING SOURCES (USES)			
Transfers in	15,250	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	15,250	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	7,783	97	(4,193)
Fund balances, beginning of year	15,053	1,016	34,899
Fund balances, end of year	$ 22,836	$ 1,113	$ 30,706

Debt Service		Capital Projects		
Jail Building	Building Authority Refunding Debt	Animal Shelter Improvement	Jail Construction	Total Nonmajor Governmental Funds
$ -	$ -	$ 117	$ 283,831	$ 656,481
-	-	-	-	160,342
-	-	-	-	1,009,874
-	-	-	-	349,487
-	-	-	-	5,995
-	-	2,244	-	20,380
-	-	-	-	248,984
-0-	-0-	2,361	283,831	2,451,543
-	-	295	-	416,170
-	-	-	1,106	563,081
-	-	-	-	12,803
-	-	-	-	1,623,147
-	-	-	-	166,241
-	-	-	-	25,828
475,590	110,036	-	-	585,626
-	-	9,575	133,290	153,904
475,590	110,036	9,870	134,396	3,546,800
(475,590)	(110,036)	(7,509)	149,435	(1,095,257)
475,590	109,736	-	-	2,301,876
-	-	-	(23,000)	(562,549)
475,590	109,736	-0-	(23,000)	1,739,327
-0-	(300)	(7,509)	126,435	644,070
15	1,348	375,724	-	1,228,625
$ 15	$ 1,048	$ 368,215	$ 126,435	$ 1,872,695

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks and Recreation				
REVENUES				
Intergovernmental				
Local	$ -	$ 54,775	$ -	$ (54,775)
Charges for services	190	24,485	-	(24,485)
Other	-	9,330	-	(9,330)
TOTAL REVENUES	190	88,590	-0-	(88,590)
EXPENDITURES				
Current				
Recreation and cultural	45,854	134,254	25,828	108,426
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(45,664)	(45,664)	(25,828)	19,836
OTHER FINANCING SOURCES				
Transfers in	25,355	25,355	25,355	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(20,309)	(20,309)	(473)	19,836
Fund balance, beginning of year	32,323	32,323	32,323	-0-
Fund balance, end of year	$ 12,014	$ 12,014	$ 31,850	$ 19,836
Friend of the Court Medical Grant				
REVENUES				
Intergovernmental - Federal/State	$ 17,332	$ 17,332	$ 8,669	$ (8,663)
EXPENDITURES				
Current				
General government	17,332	17,332	8,743	8,589
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(74)	(74)
Fund balance, beginning of year	15,079	15,079	15,079	-0-
Fund balance, end of year	$ 15,079	$ 15,079	$ 15,005	$ (74)

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Friend of the Court				
REVENUES				
Intergovernmental - Federal/State	$ 197,269	$ 216,658	$ 240,104	$ 23,446
Charges for services	26,100	26,100	29,173	3,073
TOTAL REVENUES	223,369	242,758	269,277	26,519
EXPENDITURES				
Current				
General government	252,624	286,982	272,049	14,933
EXCESS OF REVENUES (UNDER) EXPENDITURES	(29,255)	(44,224)	(2,772)	41,452
OTHER FINANCING SOURCES				
Transfers in	29,255	42,942	5,000	(37,942)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	(1,282)	2,228	3,510
Fund balance, beginning of year	53,223	53,223	53,223	-0-
Fund balance, end of year	$ 53,223	$ 51,941	$ 55,451	$ 3,510
Public Building and Improvement				
REVENUES				
Interest	$ 3,000	$ 3,000	$ 1,832	$ (1,168)
EXPENDITURES				
Capital outlay	4,897	13,897	11,039	2,858
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,897)	(10,897)	(9,207)	1,690
Fund balance, beginning of year	101,631	101,631	101,631	-0-
Fund balance, end of year	$ 99,734	$ 90,734	$ 92,424	$ 1,690

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Building Department				
REVENUES				
Licenses and permits	$ 198,457	$ 198,457	$ 160,342	$ (38,115)
EXPENDITURES				
Current				
Public safety	203,921	208,359	172,794	35,565
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,464)	(9,902)	(12,452)	(2,550)
Fund balance, beginning of year	83,308	83,308	83,308	-0-
Fund balance, end of year	$ 77,844	$ 73,406	$ 70,856	$ (2,550)
Register of Deeds Automation				
REVENUES				
Charges for services	$ 60,000	$ 60,000	$ 58,410	$ (1,590)
Interest	500	500	1,701	1,201
TOTAL REVENUES	60,500	60,500	60,111	(389)
EXPENDITURES				
Current				
General government	115,260	123,260	9,768	113,492
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(54,760)	(62,760)	50,343	113,103
Fund balance, beginning of year	71,643	71,643	71,643	-0-
Fund balance, end of year	$ 16,883	$ 8,883	$ 121,986	$ 113,103

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
	911 Service			
REVENUES				
Charges for services	$ 283,000	$ 283,000	$ 255,914	$ (27,086)
Taxes	-	-	67	67
TOTAL REVENUES	283,000	283,000	255,981	(27,019)
EXPENDITURES				
Current				
Public safety	371,853	383,734	386,838	(3,104)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(88,853)	(100,734)	(130,857)	(30,123)
OTHER FINANCING SOURCES				
Transfers in	88,853	101,404	115,339	13,935
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-0-	670	(15,518)	(16,188)
Fund balance, beginning of year	103,249	103,249	103,249	-0-
Fund balance, end of year	$ 103,249	$ 103,919	$ 87,731	$ (16,188)
	Local Corrections Officers Training			
REVENUES				
Charges for services	$ 4,320	$ 4,320	$ 5,990	$ 1,670
EXPENDITURES				
Current				
Public safety	4,320	4,320	1,529	2,791
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	4,461	4,461
Fund balance, beginning of year	4,692	4,692	4,692	-0-
Fund balance, end of year	$ 4,692	$ 4,692	$ 9,153	$ 4,461

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Drug Law Enforcement				
REVENUES				
Fines and forfeits	$ 2,000	$ 2,000	$ 2,495	$ 495
EXPENDITURES				
Current				
Public safety	2,000	2,000	814	1,186
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	1,681	1,681
Fund balance, beginning of year	10,089	10,089	10,089	-0-
Fund balance, end of year	$ 10,089	$ 10,089	$ 11,770	$ 1,681
Law Library				
REVENUES				
Fines and forfeits	$ 3,500	$ 3,500	$ 3,500	$ -0-
EXPENDITURES				
Current				
General government	3,500	3,500	3,977	(477)
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(477)	(477)
Fund balance, beginning of year	1,985	1,985	1,985	-0-
Fund balance, end of year	$ 1,985	$ 1,985	$ 1,508	$ (477)

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Enterprise Community				
REVENUES				
Intergovernmental - Federal	$ 498,900	$ 498,900	$ 186,241	$ (312,659)
EXPENDITURES				
Current				
Community and economic development	478,900	478,900	166,241	312,659
EXCESS OF REVENUES OVER EXPENDITURES	20,000	20,000	20,000	-0-
OTHER FINANCING USES				
Transfers out	(20,000)	(20,000)	(20,000)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	$ -0-	$ -0-	$ -0-	$ -0-
Scrap Tire Grant				
REVENUES				
Intergovernmental - State	$ -	$ 819,585	$ 341,277	$ (478,308)
EXPENDITURES				
Current				
Health and welfare	-	819,585	344,446	475,139
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(3,169)	(3,169)
OTHER FINANCING SOURCES				
Transfers in	-	-	3,169	3,169
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	$ -0-	$ -0-	$ -0-	$ -0-

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue Sharing Reserve				
REVENUES				
Interest	$ -	$ -	$ 2,405	$ 2,405
EXPENDITURES				
Current				
General government	-	121,338	121,338	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	(121,338)	(118,933)	2,405
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,132,437	1,132,437	-0-
Transfers out	-	(200,000)	(519,549)	(319,549)
TOTAL OTHER FINANCING SOURCES (USES)	-0-	932,437	612,888	(319,549)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	811,099	493,955	(317,144)
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	$ -0-	$ 811,099	$ 493,955	$ (317,144)
Council on Aging				
REVENUES				
Taxes	$ 361,091	$ 361,091	$ 372,466	$ 11,375
Interest	2,449	2,449	3,588	1,139
TOTAL REVENUES	363,540	363,540	376,054	12,514
EXPENDITURES				
Current				
Health and welfare	429,031	429,031	429,951	(920)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(65,491)	(65,491)	(53,897)	11,594
Fund balance, beginning of year	177,947	177,947	177,947	-0-
Fund balance, end of year	$ 112,456	$ 112,456	$ 124,050	$ 11,594

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Social Welfare				
REVENUES				
Other	$ 213,500	$ 213,500	$ 248,260	$ 34,760
EXPENDITURES				
Current				
Health and welfare	223,500	223,500	244,573	(21,073)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	3,687	13,687
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	10,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	13,687	13,687
Fund balance, beginning of year	22,561	22,561	22,561	-0-
Fund balance, end of year	$ 22,561	$ 22,561	$ 36,248	$ 13,687
Child Care Probate				
REVENUES				
Intergovernmental - State	$ 45,000	$ 143,192	$ 156,004	$ 12,812
Other	2,500	2,500	724	(1,776)
TOTAL REVENUES	47,500	145,692	156,728	11,036
EXPENDITURES				
Current				
Health and welfare	447,500	633,652	469,955	163,697
EXCESS OF REVENUES (UNDER) EXPENDITURES	(400,000)	(487,960)	(313,227)	174,733
OTHER FINANCING SOURCES				
Transfers in	350,000	350,000	350,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(50,000)	(137,960)	36,773	174,733
Fund balance, beginning of year	96,382	96,382	96,382	-0-
Fund balance, end of year	$ 46,382	$ (41,578)	$ 133,155	$ 174,733

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Child Care DHS				
REVENUES				
Intergovernmental - State	$ 87,000	$ 87,000	$ 75,413	$ (11,587)
EXPENDITURES				
Current				
Health and welfare	197,000	197,000	124,686	72,314
EXCESS OF REVENUES (UNDER) EXPENDITURES	(110,000)	(110,000)	(49,273)	60,727
OTHER FINANCING SOURCES				
Transfers in	60,000	60,000	60,000	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	(50,000)	(50,000)	10,727	60,727
Fund balance, beginning of year	26,458	26,458	26,458	-0-
Fund balance, end of year	$ (23,542)	$ (23,542)	$ 37,185	$ 60,727
Soldiers & Sailors Relief				
REVENUES	$ -	$ -	$ -	$ -0-
EXPENDITURES				
Current				
Health and welfare	18,150	18,150	7,467	10,683
EXCESS OF REVENUES (UNDER) EXPENDITURES	(18,150)	(18,150)	(7,467)	10,683
OTHER FINANCING SOURCES				
Transfers in	18,150	18,150	15,250	(2,900)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	-0-	-0-	7,783	7,783
Fund balance, beginning of year	15,053	15,053	15,053	-0-
Fund balance, end of year	$ 15,053	$ 15,053	$ 22,836	$ 7,783

Clare County, Michigan

Nonmajor Special Revenue Funds

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

Year Ended September 30, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
	Veterans Trust			
REVENUES				
Intergovernmental - State	$ 4,104	$ 4,104	$ 2,166	$ (1,938)
EXPENDITURES				
Current				
Health and welfare	4,704	4,704	2,069	2,635
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(600)	(600)	97	697
Fund balance, beginning of year	1,016	1,016	1,016	-0-
Fund balance, end of year	$ 416	$ 416	$ 1,113	$ 697
	Airport			
REVENUES				
Intergovernmental - State	$ -	$ 2,045	$ -	$ (2,045)
Interest and rents	9,030	9,030	8,610	(420)
TOTAL REVENUES	9,030	11,075	8,610	(2,465)
EXPENDITURES				
Current				
Public works	22,284	24,329	12,803	11,526
EXCESS OF REVENUES (UNDER) EXPENDITURES	(13,254)	(13,254)	(4,193)	9,061
Fund balance, beginning of year	34,899	34,899	34,899	-0-
Fund balance, end of year	$ 21,645	$ 21,645	$ 30,706	$ 9,061

Agency Funds
Fund Descriptions

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

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

Library (721) - This Fund was established under Act 236 of 1961 to account for monies from District Court fines, which are received monthly for operations of the County's libraries.

Clare County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2005

	Agency Funds		
	Trust and Agency	Library	Total
ASSETS			
Cash and cash equivalents	$ 2,125,720	$ 46,772	$ 2,172,492
Investments	20,501	-	20,501
Due from others	467	-	467
TOTAL ASSETS	$ 2,146,688	$ 46,772	$ 2,193,460
LIABILITIES			
Due to other governmental units			
Federal/State	$ 2,036,318	$ -	$ 2,036,318
Local	589	46,772	47,361
Due to individuals and agencies	109,781	-	109,781
TOTAL LIABILITIES	$ 2,146,688	$ 46,772	$ 2,193,460

Clare County, Michigan

Agency Funds

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2005

	Balance October 1, 2004	Additions	Deductions	Balance September 30, 2005
All Agency Funds				
ASSETS				
Cash and cash equivalents	$ 1,620,328	$ 19,014,456	$ 18,462,292	$ 2,172,492
Investments	20,501	-	-	20,501
Due from others	6	197,476	197,015	467
TOTAL ASSETS	$ 1,640,835	$ 19,211,932	$ 18,659,307	$ 2,193,460
LIABILITIES				
Due to other governmental units				
Federal/State	$ 1,414,351	$ 7,363,812	$ 6,741,845	$ 2,036,318
Local	40,607	328,173	321,419	47,361
Due to individuals and agencies	185,877	11,519,947	11,596,043	109,781
TOTAL LIABILITIES	$ 1,640,835	$ 19,211,932	$ 18,659,307	$ 2,193,460
Trust and Agency Fund				
ASSETS				
Cash and cash equivalents	$ 1,580,052	$ 18,692,945	$ 18,147,277	$ 2,125,720
Investments	20,501	-	-	20,501
Due from others	6	197,476	197,015	467
TOTAL ASSETS	$ 1,600,559	$ 18,890,421	$ 18,344,292	$ 2,146,688
LIABILITIES				
Due to other governmental units				
Federal/State	$ 1,414,351	$ 7,363,812	$ 6,741,845	$ 2,036,318
Local	331	6,662	6,404	589
Due to individuals and agencies	185,877	11,519,947	11,596,043	109,781
TOTAL LIABILITIES	$ 1,600,559	$ 18,890,421	$ 18,344,292	$ 2,146,688
Library Fund				
ASSETS				
Cash and cash equivalents	$ 40,276	$ 321,511	$ 315,015	$ 46,772
LIABILITIES				
Due to other governmental units				
Local	$ 40,276	$ 321,511	$ 315,015	$ 46,772

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2005

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
ASSETS				
Cash and cash equivalents	$ 72,427	$ 11,504	$ 35,219	$ 42,088
Due from other funds	-	18,191	-	11,402
Special assessments receivable	191,853	-	-	-
TOTAL ASSETS	$ 264,280	$ 29,695	$ 35,219	$ 53,490
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 1,077	$ -	$ 2,120	$ -
Advances from other governmental units	7,500	29,695	-	53,490
Deferred revenue	200,205	-	-	-
Due to other funds	18,191	-	11,402	-
TOTAL LIABILITIES	226,973	29,695	13,522	53,490
FUND BALANCES				
Designated for capital projects	37,307	-	21,697	-
TOTAL LIABILITIES AND FUND BALANCES	$ 264,280	$ 29,695	$ 35,219	$ 53,490

Projects	
Lake Improvement Revolving	Total
$ 20,052	$ 181,290
-	29,593
-	191,853
$ 20,052	$ 402,736

$ 52	$ 3,249
20,000	110,685
-	200,205
-	29,593
20,052	343,732
-	59,004
$ 20,052	$ 402,736

Clare County, Michigan

Component Unit Funds

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

September 30, 2005

Total fund balance - governmental funds		$ 59,004
Amounts reported for the governmental activities in the statement of net assets are different because:		
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:		
Deferred revenue		191,853
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 1,164,997	
Accumulated depreciation is	(355,905)	
Capital assets, net		809,092
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds and loans payable	174,082	
Accrued interest payable	3,128	
		(177,210)
Net assets of governmental activities		$ 882,739

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2005

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
REVENUES				
Intergovernmental - local	$ -	$ -	$ 17,083	$ -
Interest	395	-	-	-
Other				
Special assessments	50,320	-	17,279	-
TOTAL REVENUES	50,715	-0-	34,362	-0-
EXPENDITURES				
Current				
Public works	19,256	-	24,835	-
Debt service				
Principal redemption	60,211	-	-	-
Interest and fees	9,697	-	-	-
TOTAL EXPENDITURES	89,164	-0-	24,835	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,449)	-0-	9,527	-0-
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(4,827)	-	-	-
Note proceeds	6,369	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(36,907)	-0-	9,527	-0-
Fund balances, beginning of year	74,214	-	12,170	-
Fund balances, end of year	$ 37,307	$ -0-	$ 21,697	$ -0-

Projects Lake Improvement Revolving	Total
$ -	$ 17,083
-	395
14,088	81,687
14,088	99,165
18,915	63,006
-	60,211
-	9,697
18,915	132,914
(4,827)	(33,749)
4,827	4,827
-	(4,827)
-	6,369
-0-	(27,380)
-	86,384
$ -0-	$ 59,004

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2005

Net change in fund balances - total governmental funds		$ (27,380)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(47,655)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense		(34,356)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Debt principal retirements	60,211	
Note proceeds	(6,369)	
		53,842
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease in accrued interest payable		1,154
Change in net assets of governmental activities		$ (54,395)

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2005

	Debt Service			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
ASSETS				
Cash and cash equivalents	$ -	$ 428	$ -	$ 428
FUND BALANCES				
Reserved for				
Debt service	$ -	$ 428	$ -	$ 428

Clare County, Michigan

Component Unit Funds

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

September 30, 2005

Total fund balance - governmental funds		$ 428
Amounts reported for the governmental activities in the statement of net assets are different because:		
Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:		
Lease receivable		2,017,157
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued interest payable	$ 37,157	
Direct county obligations	1,980,000	
		(2,017,157)
Net assets of governmental activities		$ 428

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2005

	Debt Service			
	Clare Water #1	Clare Sewer Refunding Bonds - 2002	Clare Sewer #4	Total
REVENUES				
Intergovernmental - local	$ 43,913	$ 301,139	$ 51,238	$ 396,290
Interest	-	6	-	6
TOTAL REVENUES	43,913	301,145	51,238	396,296
EXPENDITURES				
Debt service				
Principal	20,000	255,000	25,000	300,000
Interest and fiscal charges	24,063	46,139	26,388	96,590
TOTAL EXPENDITURES	44,063	301,139	51,388	396,590
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(150)	6	(150)	(294)
Fund balances, beginning of year	150	422	150	722
Fund balances, end of year	$ -0-	$ 428	$ -0-	$ 428

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2005

Net change in fund balances - total governmental funds	$ (294)
Amounts reported for governmental activities in the statement of activities are different because:	
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year in which the debt was incurred.	(300,000)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:	
Bond principal retirements	300,000
Change in net assets of governmental activities	$ (294)

Clare County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

September 30, 2005

	Special Revenue
ASSETS	
Current assets	
Cash	$ 2,125
FUND BALANCE	
Unreserved - Undesignated	$ 2,125

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of September 30, 2005.

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2005

	Special Revenue
REVENUES	$ -
EXPENDITURES	-
EXCESS OF REVENUES OVER EXPENDITURES	-0-
Fund balance, beginning of year	2,125
Fund balance, end of year	$ 2,125

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended September 30, 2005.

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

To the Board of Commissioners
Clare County
Harrison, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan as of and for the year ended September 30, 2005, and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clare County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clare County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We noted the following reportable condition:

2005-1 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted one (1) bank account that is not recorded in the County's general ledger. The account is an Inmate/Commissary account maintained at the jail. The balance in this account was not considered to be material to the financial statements. A similar issue was noted and reported in our audit comments last year.

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

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

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

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management and the Board of Commissioners of Clare County in a separate letter dated December 8, 2005.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 8, 2005

STATISTICAL SECTION (UNAUDITED)

Clare County, Michigan

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

1996-2005
(Unaudited)

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health and Welfare	Community and Economic Development	Recreation and Cultural	Other	Debt Service	Capital Projects	Total
1996	$ 63,964	$ 1,064,854	$ 1,219,130	$ 1,699,575	$ 4,439,823	$ 1,905,696	$ -	$ -	$ 1,481,579	$ 426,158	$ 1,359,675	$ 13,660,454
1997	77,198	1,022,343	1,155,262	1,823,239	4,960,879	1,788,745	-	-	1,674,332	565,264	2,144,167	15,211,429
1998	72,434	1,188,595	1,247,681	2,220,491	5,515,986	1,774,560	-	-	268,755	779,938	3,084,697	16,153,137
1999	114,987	1,320,633	1,384,477	2,979,695	6,075,206	1,827,203	-	-	1,038,215	1,231,923	851,152	16,823,491
2000	80,804	1,081,527	1,267,843	2,601,159	4,333,875	1,484,289	-	-	545,492	1,007,512	851,703	13,254,204
2001	105,730	1,498,836	1,695,748	3,738,949	6,160,015	2,119,658	-	-	509,250	1,363,736	2,142,541	19,334,463
2002	107,351	1,579,598	1,849,737	4,122,461	6,538,730	2,651,823	-	11,101	651,847	1,355,174	838,557	19,706,379
2003	-	-	3,926,897	4,411,586	4,530,654	2,236,266	461,805	18,784	587,904	1,399,540	184,719	17,758,155
2004	-	-	3,965,833	4,717,208	6,051,381	2,650,836	816,054	14,372	666,398	1,569,903	480,206	20,932,191
2005	-	-	4,212,936	4,916,437	6,995,735	2,214,194	657,801	25,828	533,573	1,526,574	374,076	21,457,154

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

Clare County, Michigan

GENERAL GOVERNMENTAL REVENUES BY SOURCE

1996-2005
(Unaudited)

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental	Charges For Services	Fines and Forfeits	Interest and Rents	Other Revenue	Total
1996	$ 2,955,477	$ 149,834	$ 5,633,570	$ 1,708,775	$ 22,009	$ 552,866	$ 742,773	$ 11,765,304
1997	3,069,465	167,592	6,866,752	1,992,135	20,802	642,006	837,977	13,596,729
1998	3,321,161	188,842	7,129,351	1,980,536	20,086	810,760	768,066	14,218,802
1999	3,474,402	195,573	7,466,678	3,046,661	35,353	693,771	745,293	15,657,731
2000	3,631,247	164,551	5,828,614	2,808,873	27,658	569,834	666,588	13,697,365
2001	4,462,973	201,591	8,511,726	3,576,362	45,184	818,213	681,368	18,297,417
2002	4,188,464	195,279	9,051,798	3,678,727	33,524	703,241	728,626	18,579,659
2003	4,536,083	209,815	3,210,620	3,022,048	24,170	625,193	6,973,715	18,601,644
2004	4,588,011	252,890	9,980,302	3,763,132	22,147	589,189	1,284,365	20,480,036
2005	6,079,310	234,181	9,149,533	4,014,240	36,761	475,282	724,418	20,713,725

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

Clare County, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS

1996-2005
(Unaudited)

Fiscal Year	General	Senior Citizens	Animal Shelter	Gypsy Moth	Jail Debt	County Transit	Total Tax Levy	Total Tax Collections	Percent Collected
1996	5.0753	0.4429	-	-	-	0.2768	$ 3,041,917	$ 2,909,525	95.65%
1997	5.0753	0.4800	0.2500	-	-	0.2768	3,286,288	3,034,825	92.35%
1998	5.0753	0.4800	0.2500	-	-	0.2768	3,445,309	3,293,288	95.59%
1999	5.0251	0.4752	0.2475	-	-	0.2768	3,633,761	3,451,670	94.99%
2000	5.0251	0.4752	0.2475	-	-	0.2741	3,641,039	3,618,044	99.37%
2001	5.0110	0.4800	0.2468	1.0000	-	0.2733	4,475,732	4,428,028	98.93%
2002	4.9749	0.4765	0.2450	0.2500	-	0.2713	4,177,252	4,176,429	99.98%
2003	4.9236	0.4715	0.2474	0.2500	-	0.2685	4,447,471	4,445,226	99.95%
2004	4.8339	0.4629	0.2411	0.2500	-	0.2636	4,614,614	4,613,830	99.98%
2005	4.7797	0.4577	-	-	0.3500	0.2606	6,114,346	6,115,253 (4)	100.01%

Notes:
(1) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.
(2) Levies in mills.
(3) Source: Clare County Basic Financial Statements.
(4) Includes collection of delinquent property taxes.

Clare County, Michigan

TAXABLE PROPERTY VALUATIONS

1996-2005
(Unaudited)

Fiscal Year	Real Property		Personal Property		Total	
	Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value
1996	$ 462,881,449	$ 463,827,499	$ 99,511,728	$ 99,511,728	$ 562,393,177	$ 563,339,227
1997	502,980,573	502,597,898	91,212,031	91,212,031	594,192,604	593,809,929
1998	552,712,301	552,711,559	89,769,290	89,769,290	642,481,591	642,480,849
1999	622,579,420	622,728,651	98,866,796	98,866,796	721,446,216	721,595,447
2000	700,052,833	700,052,833	99,839,053	99,839,053	799,891,886	799,891,886
2001	787,923,583	787,923,583	96,352,424	96,352,424	884,276,007	884,276,007
2002	932,291,110	932,291,110	94,416,687	94,416,687	1,026,707,797	1,026,707,797
2003	1,013,419,548	1,013,419,548	94,699,370	94,699,370	1,108,118,918	1,108,118,918
2004	1,084,054,636	1,084,054,636	98,149,304	98,149,304	1,182,203,940	1,182,203,940
2005	1,167,276,109	1,167,276,109	100,303,586	100,303,586	1,267,579,695	1,267,579,695

Notes:
(1) Information taken from Clare County Equalization Reports.
(2) Ad valorem tax only, therefore, excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

Clare County, Michigan

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

1996-2005
(Unaudited)

Fiscal Year	Clare County						
	General	Senior Citizens	Animal Shelter	Gypsy Moth	Jail Debt	County Transit	Total
1996	5.0753	0.4429	-	-	-	0.2768	5.7950
1997	5.0753	0.4800	0.2500	-	-	0.2768	6.0821
1998	5.0753	0.4800	0.2500	-	-	0.2768	6.0821
1999	5.0251	0.4752	0.2475	-	-	0.2768	6.0246
2000	5.0251	0.4752	0.2475	-	-	0.2741	6.0219
2001	5.0110	0.4800	0.2468	1.0000	-	0.2733	7.0111
2002	4.9749	0.4765	0.2450	0.2500	-	0.2713	6.2177
2003	4.9236	0.4715	0.2474	0.2500	-	0.2685	6.1610
2004	4.8339	0.4629	0.2411	0.2500	-	0.2636	6.0515
2005	4.7797	0.4577	-	-	0.3500	0.2606	5.8480

Notes:
(1) Table in mills.
(2) Source: Tax Warrants issued by Equalization Department.

Clare County, Michigan

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS

1996-2005
(Unaudited)

Fiscal Year	Special Assessment Levied	Special Assessment Collection
1996	$ 14,164	$ 14,164
1997	13,791	10,687
1998	35,743	35,742
1999	47,152	46,899
2000	56,770	56,765
2001	42,306	42,287
2002	123,528	122,945
2003	77,084	61,956
2004	69,858	59,998
2005	63,627	60,221

Notes:
(1) Information taken from Drain Office reports.

Clare County, Michigan

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

1996-2005
(Unaudited)

Fiscal Year	Population	Equalized Value [3]	Gross Bonded Debt [4]	Bonded Debt Service Funds Available [4]	Net General Bonded Debt	Net Debt to Equalized Value	Net Debt Per Capita
1996	24,952 [1]	$ 563,339,227	$ 5,650,000	$ 135	$ 5,649,865	1.00%	$ 226
1997	24,952 [1]	593,809,929	6,120,000	145	6,119,855	1.03%	245
1998	24,952 [1]	642,480,849	6,845,000	1,698	6,843,302	1.07%	274
1999	24,952 [1]	721,595,447	6,680,000	84,700	6,595,300	0.91%	264
2000	24,952 [1]	799,891,886	6,145,000	1,764	6,143,236	0.77%	246
2001	31,252 [2]	884,276,007	6,173,000	1,716	6,171,284	0.70%	197
2002	31,252 [2]	1,026,707,797	6,530,000	1,716	6,528,284	0.64%	209
2003	31,252 [2]	1,108,118,918	5,610,000	1,798	5,608,202	0.51%	179
2004	31,252 [2]	1,182,203,940	6,550,000	1,363	6,548,637	0.55%	210
2005	31,252 [2]	1,267,579,695	5,415,000	1,063	5,413,937	0.43%	173

Note:
(1) Source: 1990 Census Report.
(2) Source: 2000 Census Report.
(3) Source: Information taken from Clare County Equalization Reports.
(4) Source: Clare County Basic Financial Statements.

Clare County, Michigan

COMPUTATION OF LEGAL DEBT MARGIN

September 30, 2005
(Unaudited)

State equalized value		$ 1,267,579,695
Debt limit 10% of equalized value		126,757,970
Amount of Debt Applicable to Debt Limit		
Total bonded debt	$ 5,415,000	
Less:		
Assets available for debt retirement	1,063	
Total amount of debt applicable to debt limit		5,413,937
Legal debt margin		$ 121,344,033

Note:
(1) Adjusted to State Equalized Equivalent.

Clare County, Michigan

COMPUTATION OF DIRECT AND OVERLAPPING DEBT

September 30, 2005
(Unaudited)

	Net Bonded Debt Outstanding [1]	Estimated Percent Applicable	Direct and Estimated Overlapping Bonded Debt
Direct:			
County at large	$ 5,413,937	100%	$ 5,413,937
Overlapping:			
School districts (8)	72,020,000	51%	36,343,178
Cities and villages (2)	4,384,000	92%	4,003,375
Mid Michigan Community College	830,000	51%	420,727
Total overlapping debt	77,234,000		40,767,280
Grand Total	$ 82,647,937		$ 46,181,217

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

Clare County, Michigan

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

1996-2005
(Unaudited)

Fiscal Year	Principal	Fees and Interest	Total Debt Service	Total General Expenditures [1]	Ratio
1996	$ 196,145	$ 230,013	$ 426,158	$ 13,660,454	3.12%
1997	258,722	306,542	565,264	15,211,429	3.72%
1998	343,613	436,325	779,938	16,153,137	4.83%
1999	743,542	488,381	1,231,923	16,823,491	7.32%
2000	602,343	405,169	1,007,512	13,254,204	7.60%
2001	879,611	484,125	1,363,736	19,334,463	7.05%
2002	932,051	423,123	1,355,174	19,706,379	6.88%
2003	961,053	438,487	1,399,540	17,758,155	7.88%
2004	1,198,528	371,375	1,569,903	20,932,191	7.50%
2005	1,207,450	319,124	1,526,574	21,457,154	7.11%

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

Clare County, Michigan

DEMOGRAPHIC STATISTICS

1996-2005
(Unaudited)

Fiscal Year	Population	Labor Force [3]	Unemployment Rate [3]
1996	24,952 [1]	10,025	7.7%
1997	24,952 [1]	10,125	7.1%
1998	24,952 [1]	10,675	9.0%
1999	24,952 [1]	10,800	6.2%
2000	24,952 [1]	11,150	7.7%
2001	31,252 [2]	10,750	8.9%
2002	31,252 [2]	10,650	9.0%
2003	31,252 [2]	11,450	11.1%
2004	31,252 [2]	11,700	12.3%
2005	31,252 [2]	13,875	9.3%

Notes:
(1) Source: 1990 Census Report.
(2) Source: 2000 Census Report.
(3) Source: Michigan Department of Career Development.

Clare County, Michigan

PROPERTY VALUE AND CONSTRUCTION

1996-2005
(Unaudited)

Fiscal Year	Commercial Construction True Value	Industrial Construction True Value	Residential Construction True Value	State Equalized Value
1996	$ 37,661,850	$ 5,736,288	$ 360,277,365	$ 563,339,227
1997	39,813,468	6,615,549	378,775,359	593,809,929
1998	42,067,570	6,643,200	404,129,887	642,480,849
1999	43,633,426	6,901,927	429,537,379	721,595,447
2000	45,512,193	7,505,397	458,897,300	799,891,886
2001	48,798,082	7,691,462	496,340,857	884,276,007
2002	52,614,140	7,701,283	538,460,939	1,026,707,797
2003	57,364,031	7,890,373	575,674,745	1,108,118,918
2004	57,822,483	8,055,005	618,218,643	1,182,203,940
2005	59,557,157	8,296,655	636,765,202	1,267,579,695

Notes:
(1) Information taken from Clare County Equalization Reports.

Clare County, Michigan

PRINCIPAL TAXPAYERS

September 30, 2005
(Unaudited)

Taxpayer	Nature of Business	2005 Taxable Value	Percent of Total Assessed Valuation
Consumers Energy	Utility	$ 42,838,289	3.38%
Great Lakes Gas Transmission	Gas pipeline	21,617,397	1.71%
ANR Pipeline & Mid Michigan Gas Storage	Gas pipeline	11,708,678	0.92%
Renosol	Automotive components	4,870,994	0.38%
Michigan Consolidated Gas Company	Utility	4,499,048	0.35%
R&R Real Estate & Stageright	Real estate	4,294,941	0.34%
Federal Broach & Machine	Metalworking	3,316,410	0.26%
Doherty Hotel Inc.	Hospitality services	2,758,909	0.22%
Chodaka LLC	Architecture	2,054,918	0.16%
Holiday Inn Express	Hospitality services	1,323,373	0.10%
Total assessed value of ten largest taxpayers		99,282,957	7.83%
Total assessed value of other taxpayers		1,168,296,738	92.17%
Total assessed value of all taxpayers		$ 1,267,579,695	100.00%

Note:
(1) Information taken from Clare County Equalization Reports.

Clare County, Michigan

MISCELLANEOUS STATISTICAL DATA

September 30, 2005
(Unaudited)

Date of Incorporation: January, 1871

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

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

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

Area: 576 square miles

Police Protection:

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

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

Education:

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

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

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

Population:

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

Age:

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

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

Housing:

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

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

MISCELLANEOUS STATISTICAL DATA - CONCLUDED

September 30, 2005
(Unaudited)

Poverty:

In 2003 (most recent available), 5,003 persons in Clare County were below the poverty line, decreasing from 5,815 persons in 1990.

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

Labor Force:

Where Clare County Residents Work

County residents who worked in their own county:

	2000	1990	1980
Number	6,535	5,511	3,778
Percent	57.4	70.7	63.4

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

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

County residents who worked outside of Michigan:

Number	71	67	21
Percent	.6	.9	.4

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

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

Household Income:

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

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

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

Note:

Information compiled by County Administrator's office from available documentation as well as U.S. Census data.

Clare County, Michigan

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS (FEDERAL AWARDS)

September 30, 2005

Clare County, Michigan

TABLE OF CONTENTS

September 30, 2005

	Page
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	1-2
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	3-4
Notes to Schedule of Expenditures of Federal Awards	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	6-7
SCHEDULE OF FINDINGS	8
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	9

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

To the Board of Commissioners
of Clare County
Harrison, Michigan

Compliance

We have audited the compliance of Clare County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to the major Federal programs for the year ended September 30, 2005. Clare County's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major Federal programs are the responsibility of Clare County's management. Our responsibility is to express an opinion on Clare County's compliance based on our audit.

Clare County's basic financial statements include the operations of the Clare County Road Commission, which received $626,891 in federal awards during the year ended September 30, 2005, and the Clare County Transit Corporation, which received $842,160 in federal awards during the year ended September 30, 2005. Our audit described below did not include the operations of the Clare County Road Commission or the Clare County Transit Corporation because the component units have engaged other auditors to perform separate audits in accordance with OMB Circular A-133 or were not required to be audited in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major Federal programs occurred. An audit includes examining, on a test basis, evidence about Clare County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clare County's compliance with those requirements.

In our opinion, Clare County complied, in all material respects, with the requirements referred to above that are applicable to the major Federal programs for the year ending September 30, 2005.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to the major Federal programs being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2005, and have issued our report thereon dated December 8, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clare County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 8, 2005

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year Revenues	Current Year Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Office of Rural Development (Direct Programs)				
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	1921000559	$ 55,428	$ 55,428
Empowerment Zones Program [c]	10.772	N/A	186,241	186,241
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Housing Development Authority				
Community Development Block Grant (CDBG) Program				
State's Program	14.228			
CDBG Housing Grant Program		MSC-2005-0761-HOA	28,046	28,046
U.S. DEPARTMENT OF JUSTICE				
Office of Justice Programs				
Passed through Michigan Department of Human Services				
Juvenile Accountability Incentive Block Grant [d]	16.523			
03/04		JABGN-04-18001	14,520	14,520
04/05		JABGN-05-18001	20,779	20,779
			35,299	35,299
Passed through Michigan State Police				
Byrne Formula Grant Program	16.579	ODCP-70909-5-04-B	11,218	11,218
Local Law Enforcement Block Grants Program	16.592	ODCP-83057-1-04-L	7,465	7,465
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Career Development and Region VIIB Michigan Works				
Temporary Assistance for Needy Families	93.558	N/A	55,086	55,086
Passed through Michigan Department of Human Services				
Child Support Enforcement (Title IV-D) [c]	93.563			
Cooperative Reimbursement [a]				
Friend of the Court - 04/05		CS/FOC-05-18001	179,222	179,222
Cooperative Reimbursement [a]				
Prosecuting Attorney - 04/05		CS/PA-05-18002	47,234	47,234

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

Year Ended September 30, 2005

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year Revenues	Current Year Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Human Services - continued				
Child Support Enforcement (Title IV-D) [c]	93.563			
Cooperative Reimbursement [a]				
Medical Support Collection				
Friend of the Court - 04/05		CS/MED-05-18001	$ 7,391	$ 7,391
Title IV-D Incentive Payments [b]				
2005 Regular		N/A	32,370	32,370
			266,217	266,217
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan State Police				
State Domestic Preparedness Equipment Support Program	97.004			
SHGP Program		N/A	218,318	218,318
2003 SHSGP Exercise Grant		N/A	7,872	7,872
			226,190	226,190
Emergency Management Performance Grant	97.067	N/A	13,027	13,027
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 884,217	$ 884,217

Clare County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2005

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

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

(a) Reimbursement of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal, except for the Medical Support Collection portion which is 34% State funded.

(b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.

(c) Denotes program tested as "major program".

(d) The amounts reported represent the Federal portion of the respective amounts based on 90% of eligible expenditures for the grant.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the September 30, 2005 basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/State Revenue	Less State Revenue	Federal Expenditures
PRIMARY GOVERNMENT			
GENERAL FUND			
Prosecutor - CRP	$ 48,723	$(1,489)	$ 47,234
Homeland Security	239,217	-	239,217
Michigan Works Grant	55,086	-	55,086
Juvenile Incentive Block Grant	39,221	(3,922)	35,299
Byrne Grant	18,683	-	18,683
Other programs	862,380	(862,380)	-0-
TOTAL GENERAL FUND	1,263,310	(867,791)	395,519
SPECIAL REVENUE FUNDS			
Friend of the Court	240,104	(28,512)	211,592
Friend of the Court Medical Grant	8,669	(1,278)	7,391
Housing Commission	83,474	-	83,474
Enterprise Community	186,241	-	186,241
Other funds	574,860	(574,860)	-0-
TOTAL SPECIAL REVENUE FUNDS	1,093,348	(604,650)	488,698
TOTAL PRIMARY GOVERNMENT	$ 2,356,658	$(1,472,441)	$ 884,217

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

To the Board of Commissioners
Clare County
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan as of and for the year ended September 30, 2005, and have issued our report thereon dated December 8, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clare County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clare County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management and the Board of Commissioners of Clare County, Michigan in a separate letter dated December 8, 2005.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 8, 2005

Clare County, Michigan

SCHEDULE OF FINDINGS

Year Ended September 30, 2005

SUMMARY OF AUDITOR'S RESULTS

An unqualified opinion was issued on the basic financial statements. There was one (1) reportable condition disclosed by the audit of the basic financial statements, as discussed below. We noted no instances of noncompliance with laws, regulations, contracts, and grants that could have a direct and material effect on the basic financial statements.

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

The major programs tested to cover 50 percent of the total Federal expenditures was the Child Support Enforcement (Title IV-D) (CFDA 93.563) and the Empowerment Zone Program (CFDA 10.772) programs. Total Federal expenditures for the year ended September 30, 2005 for the major programs were $452,458, which is approximately 51 percent of total Federal expenditures. It was determined that the County did not qualify as a low-risk auditee.

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

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Control Over the Financial Statements.

2005-1 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted one (1) bank account that is not recorded in the County's general ledger. The account is an Inmate/Commissary account maintained at the jail. The balance in this account was not considered to be material to the financial statements. A similar issue was noted and reported in our prior year audit comments, however the prior finding is considered partially resolved and the remaining portion of the finding presented as new.

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

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

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

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

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

None

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

None

Clare County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2005

FINDINGS/NONCOMPLIANCE

Reportable Conditions Related to Internal Controls Over the Financial Statements.

97-2 BANK RECONCILEMENT - FRIEND OF THE COURT

Other auditors have cited in the past that the Friend of the Court did not reconcile its bank account on a timely basis. The bank account in question was closed during the fiscal year ended September 30, 2005 and the issue is therefore considered to be resolved.

2004-1 BANK RECONCILIATIONS

During the course of our prior year audit, it was noted that the County had not reconciled the pooled cash bank account to the general ledger in a timely manner. The reconciling of these amounts to the general ledger was not performed until March of 2005. It was noted that various general ledger posting errors and unrecorded transactions had not been properly accounted for until the reconciliation was complete. This finding was corrected before the issuance of the prior audit and was not observed for the current year audit and is therefore considered to be resolved.

2004-2 BANK ACCOUNTS NOT RECORDED

During the course of our prior year audit, we noted two (2) bank accounts that are not recorded in the County's general ledger. One (1) account is a Trust and Agency account for the Friend of the Court and the other account is an Inmate/Commissary account maintained at the jail. The balances in these accounts were not considered to be material to the financial statements. We have noted that one (1) of the accounts was closed in June of 2005 and the other account still has not been recorded in the County's general ledger.

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

None

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

None

Principals
Dale J. Abraham, CPA
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MANAGEMENT LETTER

To the Board of Commissioners
of Clare County
Harrison, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Clare County, Michigan for the year ended September 30, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Repeat management letter comments should be addressed.

   During the course of our audit, we reviewed the progress that Clare County has made in implementing improvements that we recommended or suggested in our annual internal control and management letters to the Board of Commissioners for the prior year. Our prior year internal control letter contained two (2) findings, one (1) of which has been corrected and the other has been partially corrected. Our prior year management letter contained eight (8) suggestions for improvement, six (6) of which were not addressed by management, one (1) of which was partially addressed, and one (1) of which was addressed.

   We are required, as the County's auditors, to submit an Auditing Procedures Report (APR) to the Michigan Department of Treasury each year to disclose to them certain results of our audit. The APR changes from time to time. One of the changes that has been proposed is to require auditors to inform Treasury on the APR if there were repeat management letter comments. If the proposed changes to the APR are implemented, we would be required to disclose to Treasury that our management letter suggestions and internal control letter recommendations have generally not been implemented by Clare County's management.

   Following is a list of issues that were communicated in the prior year but have not been addressed:

   a. The Inmate Trust/Jail Commissary bank account maintained at the jail is not recorded in the County's general ledger. The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County. This issue has been noted and reported in the County's Single Audit as a material weakness in internal control.

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

   b. The County has not developed or implemented a policy concerning conflict of interest as part of the policy manual. Formal policies provide employees with a clearer understanding of the organization's expectations.

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

c. Information needed to compile the audit report for Federal and State grant programs is located in several different offices throughout the courthouse. Instituting a central location for all grant related information would facilitate the audit process and allow easier access to this information for management purposes.

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

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

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

e. As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. This issue has also been noted for the current year.

   It is a violation of Michigan Public Act 621 of 1978, as amended, for the County to incur expenditures in excess of the amounts appropriated.

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

f. We noted that amounts that had been paid and collected in advance in the Health Insurance Fund had been recorded as current revenues and expenditures in that fund, causing an apparent deficit. We inquired of the County Administration and were informed that these amounts had been received into and paid out from that fund before year end but that these amounts related to October health insurance and should have been recorded as deferred revenue and prepaid insurance, respectively. These adjustments were made and are reflected in the September 30, 2005 financial statements; however these adjustments were calculated by the auditors and not by the County. This analysis should be part of the County's year end procedures and needs to be completed before the audit commences.

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

g. The Clare County Road Commission is an entity that is audited separately but is included in the County's basic financial statements as part of the reporting entity. The timely receipt of these audits is essential to the County being able to meet the requirements of the Michigan Department of Treasury and the Government Finance Officer's Association's Certificate of Excellence in Financial Reporting program. This year, the Road Commission's draft audit report was not received by the County's auditors until March 9, 2006. The Road Commission's final audit report was not received by the County's auditors until April 3, 2006.

   We suggest that the County work with the Road Commission and their auditors to ensure that the audit is available in future years no later than January 15th following the September 30th year end.

2. <u>The County Board should amend the County's investment policy to address the disclosure requirements of GASB Statement No. 40</u>.

For the fiscal year ended September 30, 2005, the Governmental Accounting Standards Board (GASB) issued a new policy that became effective related to investment risk (GASB 40). During the course of our audit and through discussions with management, it was noted that the County's investment policy did not address some of the new requirements of GASB Statement No. 40. Deposit and investment resources often represent significant assets of the County's funds. These resources are necessary for the delivery of the County's services and programs, or to carry out its fiduciary responsibilities. Effective for the year ended September 30, 2005, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the County's ability to provide services and meet its obligations as they become due.

We suggest the County Board of Commissioners review their current investment policy and make the necessary amendments to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Such policies are required to be disclosed in the notes to the County's financial statements by GASB Statement No. 40.

3. A reconciliation of trust and agency liability accounts to supporting documentation should be performed.

During the course of our audit it was noted that the inmate trust account had not been reconciled to the appropriate subsidiary ledger. The bank account consists partially of balances that are due to inmates with the remainder being County funds arising from the jail commissary. The portion of this bank account pertaining to inmate balances has not been reconciled to supporting documentation such as amounts due to individual inmates.

We suggest the inmate trust account be reconciled monthly, and any necessary adjustments be made through County funds.

4. The County should record all investments at their fair market value.

During the course of our audit it was noted that the County's investments are recorded at historical cost, meaning that accrued interest for the County's investments is not being recorded in the general ledger. Generally Accepted Accounting Principles require that investments be reported at fair market value, which includes the recording of investment income or gains/losses in the financial statements. These amounts are not reflected in the County's financial statements as they were not considered to be material to those statements.

We suggest that the County's investments be recorded at fair market value. All investments should be analyzed on a monthly basis and any accrued interest or gains/losses should be recorded in the general ledger.

5. The County should review and revise Special Revenue Fund budgets as necessary.

During the course of our audit, we noted that the Child Care Probate Fund and the Child Care DHS Fund had budgeted fund deficits at September 30, 2005 of $41,578 and $23,542 respectively. Through discussions with management, we determined that this was caused by budget amendments being adopted for expenditures without adopting corresponding budget amendments for revenues.

We suggest the County monitor Special Revenue Fund budgets and amend the budgets as necessary throughout the year.

6. The County should monitor overall budgetary progress in the General and Special Revenue Funds.

During the course of our audit, we noted variances between budgeted amounts and actual amounts received or expended that indicate management does not review overall budget progress but focuses instead on line item budgeting. Our conversations with various department heads indicated that some of those department heads have different understandings of the legal level of budgetary control that is adopted in the County's appropriated budget.

Some examples of items we have noted include:

- Tax revenue of $170,000 was budgeted in the Gypsy Moth fund but the levy expired last year.
- The Gypsy Moth Fund budgeted $111,431 in expenditures but spent $12,829.
- The Register of Deeds Automation Fund budgeted $123,260 but spent only $9,768.
- Budgets were similarly unexpended in the Enterprise Community Fund, Scrap Tire Grant, Revenue Sharing Reserve, Child Care Probate, and Housing Commission.
- Charges for Services revenue in the Parks and Recreation Fund were originally budgeted at $190 and were amended to $24,485 but the actual revenue was $770.
- Expenditures in the Parks and Recreation Fund was originally budgeted at $45,854 and amended to $134,254 but actual expenditures were $25,828.
- As noted in comment number 5, two funds were budgeted to end the year in a deficit (though neither one did).
- Wide variations were noted in many General Fund categories on the Budgetary Comparison Schedule.

Within any given fiscal year, a large number of line-item budgetary transfers are made by the County Clerk's office after being approved by County Administration and the Board of Commissioners. We are also aware that some department heads within the County believe that the line-item budget adopted by the Board of Commissioners carries the authority of law, as opposed to the activity-level budget legally adopted in the General Fund and the total fund budget legally adopted in the Special Revenue Funds. The legally adopted budget is explained in Note A (Item #9) to the financial statements and the accompanying Budgetary Comparison Schedules are prepared to show this level of budgetary control.

The line-item budget that is used by County department heads for day-to-day informational purposes is adopted as a management tool, not as the legally adopted budget of the County. While processing a certain number of adjustments to these amounts is a matter of an individual department head's judgment, those adjustments should not need to be approved by County Administration or the Board of Commissioners as long as the changes do not violate the legally adopted budget.

We believe that the emphasis management places on not exceeding expenditure budgets for individual line items takes away from their ability to monitor overall budgetary progress and results in conditions like those listed above being presented in the County's financial statements.

We suggest the County Board of Commissioners clarify the level of budgetary control that it expects to be followed by management and work with management to develop budget amendment procedures that do not place such a burden on limited resources. We further suggest that management begin to take a more overall view of the budget process and work to identify areas where budgets should be amended or additional services provided to satisfy the budgeted amounts.

7. The County should comply with Community Development Block Grant (CDBG) requirements.

During the course of our audit, we noted that the County is currently in negotiations with the Michigan State Housing Development Authority (MSHDA) regarding amounts the County has on deposit and whether those funds are available to fund the general operations of the Housing Commission or if it is program income that must be expended as directed by MSHDA. The grantor requires that these funds retain their Federal character and be spent on or committed to allowable projects down to a balance of available funds under $5,000 before any further draws are allowed on grant funds. The Housing Commission reported a fund balance of $498,502 as of September 30, 2005. The portion of that amount that would be subject to the $5,000 requirement is the subject of ongoing negotiations.

The Housing Commission is currently not being allowed to access CDBG funds until it comes in compliance with grant requirements. The grant requirements currently being violated are:

- Program income must be reported monthly in MSHDA's online system (OPAL).
- Program income must be fully accounted for in the County's Single Audit. This information has not been presented in the Single Audit because no agreement has been reached with MSHDA as to the amount of program income that exists.

We suggest that the County reach an agreement with MSHDA on the amount of program income that it is holding and report this income and monthly activity in accordance with grant requirements. We further suggest that the County develop a strategy for expending these funds in the manner expected by the grantor so that future access to grant funds may be allowed.

8. The County Parks and Recreation department should track grant progress as of each fiscal year end.

During the course of our audit, we noted that the Parks and Recreation department has received two grants from private foundations that were given to support development and marketing of the recreational and natural resources. The grantors remitted the entire grant amount to the County in advance of any expenditures, though the funds were intended to be expended over a 30-month period beginning October 1, 2004. The grants were received and recorded as revenue in the County's unadjusted general ledger for the fiscal year ended September 30, 2005 even though only a small portion of the funds were expended as of that date.

Under these circumstances the recording of deferred revenue is the appropriate accounting treatment. We inquired of the Parks and Recreation department and were informed that no documentation was available that would show the status of funds expended through September 30, 2005. The amount of deferred revenue recorded in the financial statements is based on an amount suggested by the auditors from available information and recorded by the County in the form of a journal entry.

We suggest that in future years the Parks and Recreation department provide an accounting of grant funds expended as of the end of each fiscal year pertaining to those grants. This accounting should be provided to the County Treasurer so that it may be recorded in the County's general ledger.

9. The County should reconcile department balances and provide a single point of contact for analytical review.

During the course of our audit, we reconciled the outside accounting records of two County departments to the general ledger for presentation in the financial statements. The Family Independence Agency and Housing Commission departments both maintain accounting records that provide information required to be presented in the financial statements, but this information is not available in the summarized information available from the Treasurer. As a result, reconciliations must be prepared between the two sets of records for financial statement purposes.

Additionally, we noted during our audit that the required analytical review procedures are difficult to complete because so many different County departments need to be contacted. Obtaining information from these departments is time consuming and not an efficient use of audit time.

We suggest that the County reconcile these department records to the general ledger in the future as well as provide a single point of contact for analytical review. This will ensure that the audit is conducted efficiently and in a cost effective manner.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated December 8, 2005.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 8, 2005