

Clinton County, Michigan

FINANCIAL STATEMENTS

December 31, 2004

Clinton County, Michigan

December 31, 2004

BOARD OF COMMISSIONERS

John Arehart	Chairperson
Larry Martin	Vice-Chairperson
David Pohl	Commissioner
Mary Rademacher	Commissioner
Claude Vail	Commissioner
Robert Showers	Commissioner
Virginia Zeeb	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Ryan Wood	Administrator
Tina Ward	Treasurer
Diane Zuker	Clerk
Carol Wooley	Register of Deeds
Thomas O'Bryant	Drain Commissioner
Charles Sherman	Prosecuting Attorney
Wayne Kangas	Sheriff
Lisa Sullivan	Probate Court Judge
Richard Wells	District Court Judge
Randy Tahvonen	Circuit Court Judge
Jeffrey Martlew	Circuit Court Judge

Clinton County, Michigan

TABLE OF CONTENTS

December 31, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-ii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iii-xi
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Assets - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9-10
Statement of Net Assets - Fiduciary Funds	11
Statement of Changes in Net Assets - Fiduciary Funds	12
Combining Statement of Net Assets - Component Unit Funds	13
Statement of Activities - Component Unit Funds	14
Notes to Financial Statements	15-46
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	46-47
Budgetary Comparison Schedule - Expenditures and Other Financing Uses by Activity	48-50
REVENUE SHARING RESERVE FUND	
Budgetary Comparison Schedule	51
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	52-56
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	59-61
Combining Statement of Net Assets - Nonmajor Enterprise Funds	62
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	63
Combining Statement of Cash Flows - Nonmajor Enterprise Funds	64
Combining Statement of Net Assets - Internal Service Funds	65-66
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets - Internal Service Funds	67-68

Clinton County, Michigan

TABLE OF CONTENTS - CONTINUED

December 31, 2004

	<u>Page</u>
OTHER SUPPLEMENTARY INFORMATION - CONTINUED	
Combining Statement of Cash Flows - Internal Service Funds	69-70
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	71
COMPONENT UNIT FUNDS	
DRAINAGE DISTRICTS	
Combining Balance Sheet	72-73
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75-76
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	77
DEPARTMENT OF PUBLIC WORKS	
Combining Balance Sheet	78-80
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	82-84
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	85
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	86-87

Principals

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

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Clinton County
St. Johns, 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 Clinton County, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clinton 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 Clinton County Road Commission, which represents 62% and 86%, respectively of the total assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

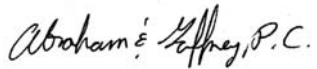
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the 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 Clinton County, Michigan as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 9, 2005 on our consideration of Clinton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Clinton 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. The 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.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2005

Ryan L. Wood
County Administrator

Craig Longnecker
Deputy Administrator



Michael Kelterborn
Accountant

100 E. State Street, Suite 2100
St. Johns, Michigan 48879
(989) 224-5120 • Fax: (989) 224-5102

Management's Discussion and Analysis

As management of Clinton County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2004. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative office.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$38.3 million (*net assets*). Of this amount, approximately \$16.6 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$5.7 million, or 17.5 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$15.7 million, an increase of approximately \$3.5 million or 29.1 percent over the prior year. Of this total, approximately \$9.3 million or 59.1 per cent is *available for spending (unreserved and undesignated fund balance)*, however, the major portion of this amount (approximately \$5.8 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$3.5 million, an amount equal to 19.9 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt (excluding drain notes), including that of the Drain Commission and Department of Public Works component units, decreased by a net of \$1,070,000 or 3.9 percent during the current fiscal year. New bond issues included \$980,000 issued by the County Drain Commission.

Overview of the Financial Statements

The County's basic financial statements comprise 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 a broad overview of the County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County 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.

Both of the government-wide financial statements distinguish functions of Clinton County 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*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural functions. The business-type activities primarily represent the administration of the delinquent property tax system and the building code enforcement program.

The government-wide financial statements include not only the County itself (known as the *primary government*), but also three legally separate entities: the Clinton County Road Commission, the County Drain Commissioner, and the Department of Public Works. Financial information for the *component units* is reported separately from the financial information presented for the primary government itself.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, 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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

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. 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 *governmental funds* and *governmental activities*.

The County maintains 24 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, and Revenue Sharing Reserve funds, each of which is considered to be a major fund. Data from the other 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.

The County adopts an annual appropriated budget for its General, special revenue, debt service, capital projects, internal service, and enterprise funds. A budgetary comparison schedule has been provided herein to demonstrate compliance with the County General fund budget.

Proprietary funds. The County maintains two types of proprietary funds: enterprise and internal service. *Enterprise funds* report the same functions as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Delinquent Tax Revolving fund which is considered to be a major fund. Data from the other nonmajor enterprise funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor enterprise funds is provided in the form of combining statements elsewhere in this report.

Internal service funds account for and allocate costs internally among the County's various functions. The County uses 9 internal service funds to account for the following functions: management information services, postage, telecommunications, vehicle purchases, drain equipment and supplies, and employee benefits. Because these services predominantly benefit governmental functions, they have been included within *governmental activities* in the government-wide financial statements.

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 own programs

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 other supplementary information, including combining statements of the nonmajor governmental funds and internal service funds information.

Government-wide Financial Analysis

Statement of Net Assets

Clinton County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Assets						
Current assets	\$25,529,685	\$26,879,125	\$10,758,881	\$10,793,313	\$36,288,566	\$37,672,438
Non-current assets	25,371,747	26,249,246	7,200	70,397	25,378,947	26,319,643
Total assets	50,901,432	53,128,371	10,766,081	10,863,710	61,667,513	63,992,081
Liabilities						
Current	12,518,068	9,937,318	11,875	15,437	12,529,943	9,952,755
Non-current	16,711,477	15,740,016	-	-	16,711,477	15,740,016
Total liabilities	29,229,545	25,677,334	11,875	15,437	29,241,420	25,692,771
Net Assets						
Invested in capital assets- net of related debt	7,554,094	9,884,246	7,200	70,397	7,561,294	9,954,643
Restricted	9,070,174	11,781,775	-	-	9,070,174	11,781,775
Unrestricted	5,047,619	5,785,016	10,747,006	10,777,876	15,794,625	16,562,892
Total net assets	\$21,671,887	\$27,451,037	\$10,754,206	\$10,848,273	\$32,426,093	\$ 38,299,310

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of Clinton County, assets exceeded liabilities by approximately \$38.3 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$32.4 million, even when considering that the creation of the new Revenue Sharing Reserve fund (described in detail under the section headed "Financial Analysis of the Government's Funds") explains \$3.2 million of this increase.

The County's net assets include approximately \$10.0 million capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$11.8 million. The remaining balance of unrestricted net assets (\$16.6 million or 43.2 percent) may be used to meet the government's ongoing obligations.

Comparing the amounts reported for 2004 to the prior year, the significant reduction in current liabilities reflects the phase-in of the Revenue Sharing Reserve Fund. With the implementation of this program, approximately \$3.7 million from the 2004 property tax levy that would have previously been offset by a "deferred revenue" liability (because it was not available until the subsequent year's budget), is now recognized in 2004 as revenue in the Revenue Sharing Reserve Fund. In 2004, therefore, there is no offsetting deferred revenue liability associated with this amount as there was in the prior year.

Also, when comparing amounts reported for 2004 to the prior year, the reduction in non-current liabilities reflects that bond principal payments, exceeded new debt issues by \$960,000 and reduced overall outstanding bond principal.

Statement of Activities

Clinton County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2003	2004	2003	2004	2003	2004
Revenues						
Program revenue:						
Charges for services	\$6,198,947	\$6,143,966	\$541,434	\$827,217	\$6,750,130	\$6,971,183
Operating grants and contributions	2,468,008	2,834,255	-	-	2,468,008	2,834,255
Capital grants and contributions	25,000	-	-	-	25,000	-
General revenues:						
Property taxes	9,149,768	13,443,872	-	-	9,149,768	13,443,872
State Revenue Sharing	1,298,755	739,098	-	-	1,298,755	739,098
Investment earnings	362,235	283,701	209,664	163,354	562,150	447,055
911 Surcharge	1,413,087	1,471,273	-	-	1,413,087	1,471,273
Miscellaneous	1,009	5,665	-	-	1,009	5,665
Transfers	762,875	551,340	(762,875)	(551,340)	-	-
Total revenues	21,679,684	25,473,170	(11,777)	439,231	21,667,907	25,912,401
Expenses						
General government	8,700,132	9,020,497	-	-	8,700,132	9,020,497
Public safety	6,443,942	6,973,167	-	-	6,443,942	6,973,167
Public works	359,898	390,925	-	-	359,898	390,925
Health and welfare	1,497,871	1,714,360	-	-	1,497,871	1,714,360
Comm and Econ Development	866,079	647,608	-	-	866,079	647,608
Recreation and Culture	18,515	21,825	-	-	18,515	21,825
Other	305,985	359,158	-	-	305,985	359,158
Interest on long-term debt	781,138	751,649	-	-	781,138	751,649
Delinquent tax collection and other						
Business-type activities			132,466	345,164	132,466	345,164
Total expenses	18,973,560	19,879,189	132,466	345,164	19,106,026	20,224,353
Increase in net assets	2,706,124	5,593,981	(144,243)	94,067	2,561,881	5,688,048
Net assets, beginning of year	18,908,213	21,671,887	10,898,449	10,754,206	29,806,662	32,426,093
Prior period adjustment	57,550	185,169	-	-	57,550	185,169
Net assets, end of year	\$21,671,887	\$27,451,037	\$10,754,206	\$10,848,273	\$32,426,093	\$38,299,310

The preceding table shows that the net assets of governmental activities increased by approximately \$5.7 million or 17.5 percent during 2004 as compared to approximately \$2.6 million in the prior year. As noted above, the creation of the Revenue Sharing Reserve fund explains the major reason for this increase.

Business-type Activities

Net assets of the County's business-type activities increased by approximately \$100,000. Net assets of the Delinquent Tax fund decreased by approximately \$100,000 while net assets of the other non-major enterprise funds increased by approximately \$200,000. Transfers of approximately \$300,000 to the Jail Debt Service fund and \$300,000 to the Public Improvement fund offset income before transfers of some \$500,000 in the Delinquent Tax fund. The increase in net assets of non-major enterprise funds is attributable to the increase occurring in the Building fund, which was a newly established fund in 2004. Previously this activity was accounted for in the General Fund.

Financial Analysis of the Government's Funds

As noted earlier, the County 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. As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$15.7 million. This represents an increase of approximately \$3.5 million in comparison with the prior year. However, \$3.2 million of this increase is explained by the first year phase-in of the new Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing for a portion of the current year and full replacement in future years.

Approximately \$9.3 million or 59.1 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending. However approximately \$5.8 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$5.3 million), or is *designated* to support capital and other projects (approximately \$1.1 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$5.5 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$3.5 million, an amount equal to 19.9 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$700,000 during the current fiscal year, and compares favorably with the approximately \$300,000 decrease in the General Fund balance reported during the prior year. This increase is largely due to expenditure savings achieved through an effective system of budgetary control. (See subsequent section entitled "General Fund Budgetary Highlights").

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$3.2 million. As indicated above this newly established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the first year of a three year phase-in (less the current year draw of approximately \$490,000) that will ultimately provide deposits totaling approximately \$11.2 million to this fund. The balance in this fund is projected to be exhausted in year 2013 or 2014 at which time the County is to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund budget of \$17.4 million was revised to \$18.4 million; however, actual expenditures totaled only \$17.7 million for a net savings of approximately \$700,000 or 3.8 percent under the revised budget. Expenditure savings came from several departments. Most of the expenditure overruns consisted of court legal costs and vehicle related expenses in the Sheriff's budget that were offset by savings in other areas.

Actual revenues came in at just over 18.4 million or within .5 percent of the revised budget. The newly established Revenue Sharing Reserve Fund covered the loss in State Revenue Sharing while additional revenues that supported the revised budget consisted mainly of revenue derived from Jail and Court operations. This additional revenue allowed for year-end General Fund appropriations totaling \$800,000. These appropriations funded capital improvements, debt service and internal service fund requirements.

Appropriations for capital improvements include:

\$400,000	Public Improvement Fund for Fairground improvements
\$100,000	MIS Fund for scheduled automation projects
\$ 20,000	Vehicle Fund for vehicle purchases
<u>\$ 30,000</u>	Telephone Fund for phone system upgrades
\$550,000	Total capital items

Appropriations to debt service and internal service funds include:

\$120,000	Jail and Courthouse Debt Funds to achieve target fund balances
\$100,000	Retirement Fund to reduce accrued unfunded liability
<u>\$ 30,000</u>	Workers Compensation Fund to maintain an adequate fund balance
\$250,000	Total other funds
<u>\$800,000</u>	Grand Total

Capital Asset and Debt Administration

Capital assets. As of December 31, 2004, the County's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities, amounted to approximately \$26.2 million and \$18.9 million for the Drain Commission component unit. (These capital assets do not include those of the separately audited Road Commission component unit). This investment in capital assets includes land, buildings and improvements, construction in progress, vehicles, machinery and equipment. For the Drain Commission, capital assets include drainage districts system infrastructure.

The net increase in the County's investment in capital assets for the primary government in the current fiscal year amounted to approximately \$2.4 million, or 9.9 percent. This increase is due mainly to completion of the Jail Expansion project, construction of a new Maintenance Facility, and acquisition of additional Fairgrounds property.

Clinton County's Capital Assets

(net of depreciation)

	Primary Government	Drain Commission Component Unit
Land and land improvements	\$ 725,719	\$ -
Buildings and improvements	20,986,322	-
Furniture, fixtures, and equipment	2,674,019	-
Vehicles	500,928	-
Construction in progress	1,302,655	78,274
Infrastructure	<u>-</u>	<u>18,774,952</u>
Total	<u>\$ 26,189,643</u>	<u>\$ 18,853,226</u>

The 2005 Major Capital Improvements Budget totals \$1,545,000. The County has no plans to issue additional debt to finance any of these improvements, but rather has budgeted this amount from current reserves.

Long-term debt. At the end of the current fiscal year, the County Primary Government and its Drain Commission and Department of Public Works component units had total general obligation bonds outstanding of \$26,240,000. (This amount does not include the debt of the separately audited Road Commission component unit). All of the bonds are backed by the County's full faith and credit.

Clinton County's Bond Indebtedness

	Primary Government	Drain Commission and DPW Component Units	Total
General obligation bonds	\$ 16,235,000	\$ 10,005,000	\$ 26,240,000

The net decrease in the County's total general obligation bonded debt was \$1,070,000 or 3.9 percent during the current fiscal year. New bond issues in FY 2004 included those issued by the County Drain Commission for \$980,000 for the Edwards Inter-county Drain project.

Standard and Poor's bond rating remained at "A+" for both general obligation unlimited and limited tax bonds.

Additionally, the Clinton County Drain Commissioner has long-term notes payable totaling \$424,500 at December 31, 2004 for which the County has pledged its full faith and credit. The balance on these notes payable decreased by \$623,000 or 59.5 percent. The County (primary government) also has accrued compensated absences at December 31, 2004 of \$1,079,817.

The County's outstanding general obligation debt is well within its current debt limitation of \$245,237,452 (10 percent of total assessed valuation).

Economic Factors and Next Year's Budgets and Rates

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

- The County Tax Allocation Proposal was supported by County residents.
- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of State funding.
- Continued growth in new home construction will generate increased property tax revenue to help cover inflationary cost increases.
- Healthcare costs, as well as childcare costs, will continue to escalate at a rate higher than inflation and require continued cost containment measures.
- The unemployment rate for the County was 4.5% for 2004, an increase from a rate of 4.1% a year ago. Still, this compares favorably to the State's average unemployment rate of 6.8%, and the national average rate of 5.5%.

Highlights of the 2005 budget are as follows:

Major Capital Improvements totaling \$1,545,000
Ordinary Capital Improvements totaling \$328,570
Continuation of the personnel hiring freeze
General fund contingency of 1.3%

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Clinton County Administrative Services-Office of Accounting
100 East State Street, Suite 2700
St Johns, Michigan, 48879

BASIC FINANCIAL STATEMENTS

Clinton County, Michigan

STATEMENT OF NET ASSETS

December 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 8,346,130	\$ 5,657,210	\$ 14,003,340	\$ 3,709,350
Investments	5,889,637	3,999,301	9,888,938	1,529,673
Receivables	11,414,217	1,130,153	12,544,370	4,860,649
Due from other governmental units	1,130,795	-	1,130,795	1,188,932
Internal balances	384	(384)	-0-	-
Inventory	15,624	7,033	22,657	411,080
Prepaid expenses	82,338	-	82,338	11,729
Current portion of lease receivable	-	-	-0-	717,231
Total current assets	26,879,125	10,793,313	37,672,438	12,428,644
Noncurrent assets				
Cash - restricted	-	-	-0-	4,350
Advance to component unit	130,000	-	130,000	(130,000)
Lease receivable	-	-	-0-	5,555,000
Capital assets, net	26,119,246	70,397	26,189,643	66,617,316
Total noncurrent assets	26,249,246	70,397	26,319,643	72,046,666
TOTAL ASSETS	53,128,371	10,863,710	63,992,081	84,475,310
LIABILITIES				
Current liabilities				
Accounts payable	630,494	9,070	639,564	90,798
Accrued liabilities	311,212	6,367	317,579	442,886
Due to other governmental units	-	-	-0-	133,088
Deferred revenue	7,420,811	-	7,420,811	-
Notes payable	-	-	-0-	249,300
Current portion of compensated absences	564,801	-	564,801	-
Current portion of long-term debt	1,010,000	-	1,010,000	1,295,950
Total current liabilities	9,937,318	15,437	9,952,755	2,212,022
Noncurrent liabilities				
Advances from State	-	-	-0-	384,243
Noncurrent portion of compensated absences	515,016	-	515,016	589,155
Noncurrent portion of long-term debt	15,225,000	-	15,225,000	9,156,050
Total noncurrent liabilities	15,740,016	-0-	15,740,016	10,129,448
TOTAL LIABILITIES	25,677,334	15,437	25,692,771	12,341,470
NET ASSETS				
Invested in capital assets, net of related debt	9,884,246	70,397	9,954,643	62,126,016
Restricted for:				
Public safety	1,101,432	-	1,101,432	-
Capital improvement	1,339,843	-	1,339,843	-
Debt service	3,180,903	-	3,180,903	949,852
Revenue sharing	3,243,785	-	3,243,785	-
Other purposes	2,915,812	-	2,915,812	9,057,972
Unrestricted	5,785,016	10,777,876	16,562,892	-
TOTAL NET ASSETS	\$ 27,451,037	\$ 10,848,273	\$ 38,299,310	\$ 72,133,840

See accompanying notes to financial statements.

Clinton County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities								
General government	\$ 9,020,497	\$ 3,725,620	\$ 1,627,207	\$ -	\$ (3,667,670)	\$ -	\$ (3,667,670)	\$ -
Public safety	6,973,167	1,864,547	545,404	-	(4,563,216)	-	(4,563,216)	-
Public works	390,925	350,067	812	-	(40,046)	-	(40,046)	-
Health and welfare	1,714,360	61,690	408,445	-	(1,244,225)	-	(1,244,225)	-
Community and economic development	647,608	142,042	247,225	-	(258,341)	-	(258,341)	-
Recreation and cultural	21,825	-	5,162	-	(16,663)	-	(16,663)	-
Other	359,158	-	-	-	(359,158)	-	(359,158)	-
Interest on long-term debt	751,649	-	-	-	(751,649)	-	(751,649)	-
Total governmental activities	19,879,189	6,143,966	2,834,255	-0-	(10,900,968)	-0-	(10,900,968)	-0-
Business-type activities:								
Delinquent tax	14,208	383,697	-	-	-	369,489	369,489	-
Other	330,956	443,520	-	-	-	112,564	112,564	-
Total business-type activities	345,164	827,217	-0-	-0-	-0-	482,053	482,053	-0-
Total primary government	<u>\$ 20,224,353</u>	<u>\$ 6,971,183</u>	<u>\$ 2,834,255</u>	<u>\$ -0-</u>	(10,900,968)	482,053	(10,418,915)	-0-
Component units:								
Drainage Districts	236,263	295,667	-	1,466,549	-	-	-0-	1,525,953
Department of Public Works	489,146	-	339,519	-	-	-	-0-	(149,627)
Road Commission	10,117,399	1,494,785	6,406,289	5,025,475	-	-	-0-	2,809,150
Total component units	<u>\$ 10,842,808</u>	<u>\$ 1,790,452</u>	<u>\$ 6,745,808</u>	<u>\$ 6,492,024</u>	-0-	-0-	-0-	4,185,476
General revenues:								
Property taxes					13,443,872	-	13,443,872	-
State shared revenue					739,098	-	739,098	-
Investment earnings					283,701	163,354	447,055	80,269
911 Surcharge					1,471,273	-	1,471,273	-
Gain on equipment disposal					-	-	-0-	71,517
Miscellaneous					5,665	-	5,665	-
Transfers					551,340	(551,340)	-0-	-
Total general revenues and transfers					16,494,949	(387,986)	16,106,963	151,786
Change in net assets					5,593,981	94,067	5,688,048	4,337,262
Net assets, beginning of the year					21,671,887	10,754,206	32,426,093	65,860,666
Prior period adjustments					185,169	-	185,169	1,935,912
Net assets, end of the year					<u>\$ 27,451,037</u>	<u>\$ 10,848,273</u>	<u>\$ 38,299,310</u>	<u>\$ 72,133,840</u>

See accompanying notes to financial statements.

Clinton County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2004

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,357,841	\$ -	\$ 4,775,042	\$ 6,132,883
Investments	2,906,334	-	2,044,037	4,950,371
Receivables				
Taxes				
Current	7,420,811	3,734,728	-	11,155,539
Delinquent	27,464	-	155	27,619
Accounts	24,279	-	130,658	154,937
Interest	25,521	-	16,579	42,100
Due from other funds	560,391	-	-	560,391
Due from other governmental units				
Federal/State	443,633	-	389,263	832,896
Local	297,899	-	-	297,899
Advance to other funds	125,000	-	-	125,000
Advance to component unit	130,000	-	-	130,000
	<u>\$ 13,319,173</u>	<u>\$ 3,734,728</u>	<u>\$ 7,355,734</u>	<u>\$ 24,409,635</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 248,739	\$ -	\$ 221,697	\$ 470,436
Accrued liabilities	141,413	-	25,666	167,079
Due to other funds	21,971	490,943	52,590	565,504
Deferred revenue	7,420,811	-	-	7,420,811
Advances from other funds	-	-	93,000	93,000
	<u>7,832,934</u>	<u>490,943</u>	<u>392,953</u>	<u>8,716,830</u>
FUND BALANCES				
Reserved for:				
Perpetual care	-	-	3,850	3,850
Advances to other funds and component unit	255,000	-	-	255,000
Planning and economic development	75,000	-	-	75,000
Family counseling	8,801	-	-	8,801
Sick and vacation pay	1,079,817	-	-	1,079,817
Employee reclassification	150,000	-	-	150,000
Retro pay	150,000	-	-	150,000
Debt service	250,000	-	3,317,191	3,567,191
Unreserved				
Designated for capital improvement	-	-	1,132,076	1,132,076
Undesignated, reported in:				
General fund	3,517,621	-	-	3,517,621
Special revenue funds	-	3,243,785	2,509,664	5,753,449
	<u>5,486,239</u>	<u>3,243,785</u>	<u>6,962,781</u>	<u>15,692,805</u>
TOTAL FUND BALANCES	<u>5,486,239</u>	<u>3,243,785</u>	<u>6,962,781</u>	<u>15,692,805</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 13,319,173</u>	<u>\$ 3,734,728</u>	<u>\$ 7,355,734</u>	<u>\$ 24,409,635</u>

See accompanying notes to financial statements.

Clinton County, Michigan

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

December 31, 2004

Total fund balance - governmental funds \$ 15,692,805

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	\$ 31,700,269	
Accumulated depreciation is	<u>(5,581,023)</u>	
Capital assets, net		26,119,246

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	4,117,147	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(1,027,056)</u>	
		3,090,091

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	16,235,000	
Accrued interest payable	136,288	
Compensated absences	<u>1,079,817</u>	
		<u>(17,451,105)</u>

Net assets of governmental activities \$ 27,451,037

See accompanying notes to financial statements.

Clinton County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 9,709,661	\$ 3,734,728	\$ -	\$ 13,444,389
Licenses and permits	396,897	-	-	396,897
Intergovernmental	2,337,849	-	1,083,953	3,421,802
Charges for services	4,299,632	-	2,059,738	6,359,370
Fines and forfeits	-	-	24,669	24,669
Interest and rents	224,687	-	50,173	274,860
Other	944,427	-	35,507	979,934
TOTAL REVENUES	17,913,153	3,734,728	3,254,040	24,901,921
EXPENDITURES				
Current				
General government	7,176,449	-	942,363	8,118,812
Public safety	5,150,934	-	1,529,807	6,680,741
Public works	69,419	-	311,940	381,359
Health and welfare	856,821	-	850,001	1,706,822
Community and economic development	624,135	-	-	624,135
Recreation and cultural	16,228	-	5,162	21,390
Other	358,507	-	-	358,507
Capital outlay	-	-	1,627,803	1,627,803
Debt service	-	-	1,720,391	1,720,391
TOTAL EXPENDITURES	14,252,493	-0-	6,987,467	21,239,960
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,660,660	3,734,728	(3,733,427)	3,661,961
OTHER FINANCING SOURCES (USES)				
Operating transfers in	493,443	-	3,247,909	3,741,352
Operating transfers out	(3,449,891)	(490,943)	(2,500)	(3,943,334)
TOTAL OTHER FINANCING SOURCES (USES)	(2,956,448)	(490,943)	3,245,409	(201,982)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	704,212	3,243,785	(488,018)	3,459,979
Fund balances, beginning of year	4,708,617	-	7,450,799	12,159,416
Prior period adjustment	73,410	-	-	73,410
Fund balances, end of year	\$ 5,486,239	\$ 3,243,785	\$ 6,962,781	\$ 15,692,805

See accompanying notes to financial statements.

Clinton County, Michigan

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

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ 3,459,979**

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	\$ 2,484,833	
Depreciation expense	<u>(1,172,854)</u>	
Excess of capital outlay over depreciation expense		1,311,979

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	109,557	
Capital assets transactions of Internal Service Funds included in the total above	(445,541)	
Depreciation expense of Internal Service Funds included in the total above	<u>240,700</u>	
		(95,284)

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		960,000
----------------------------	--	---------

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	8,742	
(Increase) in accrued compensated absences	<u>(51,435)</u>	
		<u>(42,693)</u>

Change in net assets of governmental activities **\$ 5,593,981**

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,504,939	\$ 152,271	\$ 5,657,210	\$ 2,213,247
Investments	3,999,301	-	3,999,301	939,266
Accounts receivable	819	1,377	2,196	30,016
Interest receivable	18,062	-	18,062	4,006
Delinquent taxes receivable	1,109,895	-	1,109,895	-
Inventory	-	7,033	7,033	15,624
Prepaid expenses	-	-	-0-	82,338
Due from other funds	-	-	-0-	26,886
Total current assets	10,633,016	160,681	10,793,697	3,311,383
Noncurrent assets				
Advances to other funds	-	-	-0-	3,000
Capital assets, net	6,300	64,097	70,397	1,027,056
Total noncurrent assets	6,300	64,097	70,397	1,030,056
TOTAL ASSETS	10,639,316	224,778	10,864,094	4,341,439
LIABILITIES				
Current liabilities				
Accounts payable	3,436	5,634	9,070	160,058
Accrued liabilities	436	5,931	6,367	7,845
Advances from other funds	-	-	-0-	35,000
Due to other funds	-	384	384	21,389
TOTAL LIABILITIES	3,872	11,949	15,821	224,292
NET ASSETS				
Invested in capital assets, net of related debt	6,300	64,097	70,397	1,030,056
Restricted for employee benefits	-	-	-0-	1,702,696
Unrestricted	10,629,144	148,732	10,777,876	1,384,395
TOTAL NET ASSETS	\$ 10,635,444	\$ 212,829	\$ 10,848,273	\$ 4,117,147

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2004

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 383,697	\$ -	\$ 383,697	\$ -
Charges for services	-	324,073	324,073	2,567,035
Sales	-	109,635	109,635	-
Rent	-	8,875	8,875	-
Other	-	937	937	160,601
TOTAL OPERATING REVENUES	383,697	443,520	827,217	2,727,636
OPERATING EXPENSES				
Personal services and fringes	-	111,084	111,084	2,848,925
Supplies	3,379	131,458	134,837	70,572
Contracted services	-	34,651	34,651	50,033
Depreciation	900	-	900	240,700
Other	9,929	53,763	63,692	160,522
TOTAL OPERATING EXPENSES	14,208	330,956	345,164	3,370,752
OPERATING INCOME (LOSS)	369,489	112,564	482,053	(643,116)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	360,503	-	360,503	19,909
Loss on sale of capital assets	-	-	-0-	(20,558)
Net decrease in fair value of investments	(197,149)	-	(197,149)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	163,354	-0-	163,354	(649)
INCOME (LOSS) BEFORE TRANSFERS	532,843	112,564	645,407	(643,765)
TRANSFERS IN (OUT)				
Transfers in	-	75,895	75,895	827,092
Transfers out	(627,235)	-	(627,235)	(73,770)
TOTAL TRANSFERS	(627,235)	75,895	(551,340)	753,322
CHANGE IN NET ASSETS	(94,392)	188,459	94,067	109,557
Net assets, beginning of year	10,729,836	24,370	10,754,206	4,007,590
Net assets, end of year	<u>\$ 10,635,444</u>	<u>\$ 212,829</u>	<u>\$ 10,848,273</u>	<u>\$ 4,117,147</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 224,131	\$ 442,527	\$ 666,658	\$ 2,938,385
Cash paid to suppliers	(12,460)	(327,036)	(339,496)	(498,715)
Cash paid for employee benefits	-	-	-0-	(2,848,925)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	211,671	115,491	327,162	(409,255)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(64,097)	(64,097)	(445,541)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	75,895	75,895	827,092
Transfers out	(627,235)	-	(627,235)	(73,770)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(627,235)	75,895	(551,340)	753,322
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(3,999,301)	-	(3,999,301)	(939,266)
Maturity of investments	4,357,356	-	4,357,356	978,857
Proceeds from sale of capital assets	-	-	-0-	33,028
Interest revenue	360,503	-	360,503	19,909
Net decrease in fair value of investments	(197,149)	-	(197,149)	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	521,409	-0-	521,409	92,528
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	105,845	127,289	233,134	(8,946)
Cash and cash equivalents, beginning of year	5,399,094	24,982	5,424,076	2,222,193
Cash and cash equivalents, end of year	<u>\$ 5,504,939</u>	<u>\$ 152,271</u>	<u>\$ 5,657,210</u>	<u>\$ 2,213,247</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2004

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 369,489	\$ 112,564	\$ 482,053	\$ (643,116)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	900	-	900	240,700
(Increase) in receivables	(159,566)	(1,377)	(160,943)	(10,411)
(Increase) in prepaid expenses	-	-	-0-	(9,003)
Decrease in due from other funds	-	-	-0-	230,163
(Increase) decrease in inventory	-	1,206	1,206	(9,566)
Increase (decrease) in accounts payable	577	(567)	10	25,807
Increase (decrease) in due to other funds	-	384	384	(230,610)
Increase (decrease) in accrued liabilities	271	3,281	3,552	(3,219)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 211,671	\$ 115,491	\$ 327,162	\$ (409,255)

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	Post- Employment Healthcare	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 147,458	\$ 1,546,640
Investments	2,136,371	-
	<u>\$ 2,283,829</u>	<u>\$ 1,546,640</u>
TOTAL ASSETS		
LIABILITIES		
Undistributed collections payable	\$ -	\$ 838,468
Due to other governmental units		
Federal/State	-	200,269
Local	-	222,062
Due to individuals and agencies	-	285,841
	<u>-0-</u>	<u>\$ 1,546,640</u>
TOTAL LIABILITIES		
NET ASSETS		
Restricted for trust activities	<u>\$ 2,283,829</u>	

See accompanying notes to financial statements.

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2004

	<u>Post- Employment Healthcare</u>
ADDITIONS	
Charges for services	\$ 320,975
Interest	90,736
Net increase in fair value of investments	<u>34,025</u>
TOTAL ADDITIONS	445,736
DEDUCTIONS	
Retiree benefits	<u>303,917</u>
TOTAL CHANGE IN NET ASSETS	141,819
Net assets, beginning of year	<u>2,142,010</u>
Net assets, end of year	<u><u>\$ 2,283,829</u></u>

See accompanying notes to financial statements.

Clinton County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Department of Public Works	Drainage Districts	Road Commission	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ -	\$ 829,288	\$ 2,880,062	\$ 3,709,350
Investments	-	1,529,673	-	1,529,673
Accrued interest receivable	-	5,021	-	5,021
Accounts receivable	-	21,484	36,861	58,345
Due from other governmental units	-	-	1,188,932	1,188,932
Special assessments receivable	-	4,797,283	-	4,797,283
Inventory	-	-	411,080	411,080
Prepaid expense	-	-	11,729	11,729
Current portion of lease receivable	717,231	-	-	717,231
Total current assets	717,231	7,182,749	4,528,664	12,428,644
Noncurrent assets				
Cash - restricted	-	4,350	-	4,350
Lease receivable	5,555,000	-	-	5,555,000
Capital assets, net	-	18,853,226	47,764,090	66,617,316
Total noncurrent assets	5,555,000	18,857,576	47,764,090	72,176,666
TOTAL ASSETS	6,272,231	26,040,325	52,292,754	84,605,310
LIABILITIES				
Current liabilities				
Accounts payable	-	26,442	64,356	90,798
Accrued liabilities	-	27,475	329,511	356,986
Accrued interest payable	62,231	23,669	-	85,900
Due to other governmental units	-	-	133,088	133,088
Notes payable	-	249,300	-	249,300
Current portion of long-term debt	655,000	633,450	7,500	1,295,950
Total current liabilities	717,231	960,336	534,455	2,212,022
Noncurrent liabilities				
Advances from primary government	-	130,000	-	130,000
Advances from State	-	-	384,243	384,243
Noncurrent portion of compensated absences	-	-	589,155	589,155
Noncurrent portion of long-term debt	5,555,000	3,586,050	15,000	9,156,050
Total noncurrent liabilities	5,555,000	3,716,050	988,398	10,259,448
TOTAL LIABILITIES	6,272,231	4,676,386	1,522,853	12,471,470
NET ASSETS				
Invested in capital assets, net of related debt	-	14,384,426	47,741,590	62,126,016
Restricted for:				
Other purposes	-	6,029,661	3,028,311	9,057,972
Debt service	-	949,852	-	949,852
TOTAL NET ASSETS	\$ -0-	\$ 21,363,939	\$ 50,769,901	\$ 72,133,840

See accompanying notes to financial statements.

Clinton County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Drainage Districts	\$ 236,263	\$ 295,667	\$ -	\$ 1,466,549	\$ 1,525,953
Department of Public Works	489,146	-	339,519	-	(149,627)
Road Commission	10,117,399	1,494,785	6,406,289	5,025,475	2,809,150
TOTALS	\$ 10,842,808	\$ 1,790,452	\$ 6,745,808	\$ 6,492,024	4,185,476
General revenues					
Investment earnings					80,269
Gain on equipment disposal					71,517
Total general revenues					151,786
Change in net assets					4,337,262
Net assets, beginning of year					65,860,666
Prior period adjustments					1,935,912
Net assets, end of year					\$ 72,133,840

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Clinton, Michigan was incorporated in 1839 and covers an area of approximately 571 square miles with the County seat located in the City of St. Johns. The County operates under an elected Board of Commissioners and provides services to its more than 64,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. Education is provided to citizens through fifteen (15) local School Districts and seven (7) Intermediate School Districts. The School Districts are separate governmental entities whose financial statements are not included herein in accordance with the National Council on Governmental Accounting (NCGA) Statement 3.

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 (GASB) 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 No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Clinton County (primary government) and its component units, except as noted below. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, 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 government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

The Clinton County Building Authority is governed by a three (3) member Board appointed by the County Board of Commissioners. Its sole purpose is to finance and construct the County's public buildings. It is reported in the Debt Service and Capital Projects fund categories.

3. Discretely Presented Component Units

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

The Clinton County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the Clinton County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office.

The Clinton County Department of Public Works (DPW) is a five (5) member Board comprised of the Drain Commissioner and four (4) members appointed by the County Board of Commissioners. The DPW Board establishes policy and reviews operations of the DPW for the County Board of Commissioners. The DPW has the responsibility of administering the various public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Department of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Discretely Presented Component Units - continued

The Clinton County Drainage Districts come under the jurisdiction of the Clinton County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Municipal Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$300,000 require County authorization and are backed by the full faith and credit of the County.

4. Joint Ventures

Mid-Michigan District Health Department - The County is a member of the Mid-Michigan District Health Department, which is a joint venture between Clinton, Montcalm, and Gratiot counties. Each unit appoints two (2) of the six (6) members to the governing Board. The Department has responsibility for preparing the annual budget (which is approved by each County) and to carry out all activities of the Department.

Clinton County is responsible to fund approximately 40% of the required local contribution to cover operational costs. For the year ended December 31, 2004, the County contributed \$368,397 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is discretely presented in the Montcalm County Financial Statements.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2004, are available at the Department's administrative offices. As of December 31, 2004, the Department had total net assets of \$1,143,973.

5. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no on-going financial interest or responsibility.

Tri-County Regional Planning Commission - The Commission services Ingham, Eaton, and Clinton Counties. The Commission's membership includes the Counties of Ingham, Eaton, and Clinton, the Cities of Lansing and East Lansing, Delta and Meridian Townships, and the Michigan Department of Transportation. Also included by right are the County Road Commissions and Transit Authorities, making a total of nineteen (19) voting members.

The Commission must adopt a proposed budget at its February meeting and submit the same to the Board of Commissioners of the three (3) Counties it serves and to the Lansing City Council with its request for allocation of funds. Each government unit contributes one-quarter of the total annual budget. For the year ended December 31, 2004, the County's contribution to the Commission was \$41,351.

Tri-County Office on Aging - The organization provides comprehensive services to older individuals residing in Ingham, Eaton, and Clinton Counties. Operating revenues are derived from Federal, State, and local governments as well as fees for services. The Tri-County Office on Aging is governed by a thirteen (13) member Board appointed by the Board of Commissioners of the three (3) Counties it services. For the year ended December 31, 2004, the County's contribution to the Commission was \$34,776.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Jointly Governed Organizations - continued

Capital Area Michigan Works! - Clinton County, in conjunction with three (3) other Counties, has entered into an agreement, which created the Capital Area Michigan Works! The Organization's Board is composed of 12 members, of which one (1) is appointed by Clinton County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to appropriate use of the funds.

Tri-County Community Mental Health - The Board provides comprehensive mental health services to Ingham, Eaton, and Clinton Counties. Operation revenues are derived from Federal, State, and local governments as well as from fees for services. The Tri-County Community Mental Health is governed by a twelve (12) member Board appointed by the Board of Commissioners of the three (3) Counties it services. For the year ended December 31, 2004, the County's contribution to the Commission was \$211,260.

Mid-South Substance Abuse Commission - Clinton County, in conjunction with five (5) other Counties, has entered into an agreement that created the Mid-South Substance Abuse Commission. This Organization's Board is composed of fifteen (15) members, of which one (1) is appointed by Clinton County. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. Also, if the Commission were to need additional operating funds, the County would be responsible to contribute a portion based on the percentage of Board membership (currently 7%). For the year ended December 31, 2004, the County passed through \$66,060 and was not required to make any additional appropriation.

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 non-fiduciary 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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

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 for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

7. Measurement Focus

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

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

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

8. Basis of Accounting

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

All governmental 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"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, 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 funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Basis of Accounting - continued

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. 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 balance in the pooled cash accounts is 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 temporary investments in certificates of deposit, and U.S. Government Securities with a maturity from date of purchase of 90 days or less.

10. Restricted Cash

The County restricted cash is for Drain capital improvements projects.

11. Investments

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

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and State shared revenues, and accounts receivable related to charges for services, interest receivable and other amounts owed to the County at year-end.

13. Inventories

Inventories of the Central Stores (Internal Service) and Jail Commissary (Enterprise) Funds consist of miscellaneous consumer products on hand for resale, which are stated at the lower of first-in, first-out cost or market. Road Commission inventory items are charged to road construction and maintenance, equipment repairs and operations, as used.

14. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Clinton County Drain Commission for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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:

Buildings and improvements	20 - 50 years
Equipment	3 - 25 years
Vehicles	4 - 15 years
Drain infrastructure	75 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Clinton County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Schedule C equipment has no minimum cost, however. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. During 2004, the Clinton County Road Commission has capitalized the current year's infrastructure and has also reported the retroactive cost for major infrastructure in the Statement of Net Assets for periods ending June 30, 1980.

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

Buildings	30 - 50 years
Road equipment	5 - 8 years
Shop equipment	10 years
Engineering equipment	4 - 10 years
Office equipment	4 - 10 years
Infrastructure - roads	5 - 30 years
Infrastructure - bridges	12 - 50 years

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

16. Advances to Other Funds/Component Units

Long-term advances from certain funds to other funds or component units are made to finance new activities during their initial operations and to finance capital acquisitions. For the governmental fund types, fund balance is reserved for the amount of advances made to other funds to reflect the fund balance not currently available for expenditure.

17. Interfund Transactions

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

Internal Service Funds record charges for services to all County departments and funds as operating revenue. All County funds record these payments to the Internal Service Funds as operating expenditures/expenses.

18. 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.

19. Accrued Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused compensated absences under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested compensated absences earned as of December 31, 2004, including related payroll taxes, are recorded in the government-wide financial statements.

20. Deferred Revenue

Deferred revenue recorded in the General Fund consists of the 2004 tax levy that was levied in 2004 and will be collected in 2004 and is not available for current year expenditures. Drainage Districts consists of amounts related to long-term special assessment tax receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

21. Budgets and Budgetary Accounting

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 September 1, the County Administrator prepares and submits the proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to October 31, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue. Budgetary transfers between \$2,500 and \$10,000 are not permitted without Finance Committee approval and transfers of greater than \$10,000 are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level.
- e. The County employs encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material to the original appropriations that were adopted.

22. Comparative Data

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

23. 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.

NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT

The County utilizes pooled cash accounts for approximately twenty-one funds. Cash overdrafts of individual funds as of December 31, 2004, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$(1,040,494)	\$ 2,398,334	\$ 1,357,841
Act 302 Training	(4,257)	-	(4,257)
	<u>\$(1,044,751)</u>	<u>\$ 2,398,334</u>	<u>\$ 1,353,583</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 46 funds. The County's pooled cash accounts consist of a common checking account and mutual funds.

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

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit, mutual funds, commercial paper, and U.S. Government Securities are held separately 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 and other direct 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 State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- 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. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) 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 December 31, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 2,222,000	\$ 2,512,632
Savings accounts	1,534,989	1,419,967
Money market	5,817,951	6,080,972
Certificates of deposit	<u>7,528,399</u>	<u>7,528,399</u>
Total primary government	17,103,339	17,541,970

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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

As of December 31, 2004, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
COMPONENT UNITS		
Checking	\$ 987,779	\$ 1,060,908
Money market	793,005	793,030
Certificates of deposit	<u>3,462,489</u>	<u>3,462,488</u>
Total component units	5,243,273	5,316,426
FIDUCIARY FUNDS		
Checking	474,650	494,295
Money market	<u>1,219,448</u>	<u>1,219,449</u>
Total fiduciary funds	<u>1,694,098</u>	<u>1,713,744</u>
TOTAL REPORTING ENTITY	<u>\$ 24,040,710</u>	<u>\$ 24,572,140</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2004, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$2,212,716 and the amount of \$22,359,424 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.

As of December 31, 2004 the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Primary Government		
Insured or registered for which the securities are held by the County's agent in the County's name -		
U.S. Treasury Bills	\$ 307,084	\$ 307,084
U.S. Treasury Strips	1,931,981	1,931,981
U.S. Government Securities	<u>2,517,909</u>	<u>2,517,526</u>
	4,756,974	4,756,591
Uncategorized pooled investment funds	2,029,465	2,029,465
Uncategorized pooled investment funds - Fiduciary	<u>2,136,371</u>	<u>2,128,012</u>
	<u>4,165,836</u>	<u>4,157,477</u>
	<u>\$ 8,922,810</u>	<u>\$ 8,914,068</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

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

The investments in U.S. Treasury Securities are not insured but are backed by the full faith and credit of the Federal Government.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2004:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$14,003,340	\$ 3,709,350	\$ 1,694,098	\$19,406,788
Cash - restricted	-	4,350	-	4,350
Investments	<u>9,888,938</u>	<u>1,529,673</u>	<u>2,136,371</u>	<u>13,554,982</u>
	<u>\$23,892,278</u>	<u>\$ 5,243,373</u>	<u>\$ 3,830,469</u>	<u>\$32,966,120</u>

The primary government cash and cash equivalents caption on the combined balance sheet include \$2,500 in imprest cash. The component unit cash and cash equivalents caption include \$100 of imprest cash.

NOTE D: 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 and internal service funds, enterprise funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	\$ 2,500
Revenue sharing reserve	<u>490,943</u>
Total transfers to general fund from other funds	<u>\$ 493,443</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 2,620,674
Delinquent Tax Revolving	<u>627,235</u>
Total transfers to nonmajor governmental funds	<u>\$ 3,247,909</u>
Transfers to nonmajor enterprise funds from:	
General Fund	\$ 2,125
Internal service funds	<u>73,770</u>
Total transfers to nonmajor enterprise funds	<u>\$ 75,895</u>
Transfer to internal service funds from:	
General Fund	<u>\$ 827,092</u>
Transfer to component unit funds from:	
Component units	<u>\$ 726,320</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE E: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables related to the primary government at December 31, 2004:

Due to General Fund from:		
Revenue Sharing Reserve Fund		\$ 490,943
Nonmajor governmental funds		49,004
Internal service funds		<u>20,444</u>
		<u>\$ 560,391</u>
Due to internal service funds from:		
General Fund		\$ 21,971
Nonmajor governmental funds		3,586
Nonmajor enterprise funds		384
Internal service funds		<u>945</u>
		<u>\$ 26,885</u>

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.

The following schedule details interfund receivables and payables between the component units at December 31, 2004:

Due to component unit funds from:		
Component unit funds		<u>\$ 123,359</u>

NOTE F: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable between the primary government and component units at December 31, 2004:

Advance to General Fund from:		
Nonmajor governmental funds		\$ 90,000
Internal service funds		35,000
Component unit - Drainage Districts		<u>130,000</u>
		<u>\$ 255,000</u>
Advance to internal service funds from:		
Nonmajor governmental funds		<u>\$ 3,000</u>

The advances from the General Fund to Drainage Districts were for working capital and the remainder of the advances is to finance operations.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

Primary Government

	Restated Balance Jan. 1, 2004	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2004
Governmental activities				
Capital assets not being depreciated				
Land and improvements	\$ 448,968	\$ 276,751	\$ -	\$ 725,719
Construction in progress	<u>2,720,691</u>	<u>1,302,655</u>	<u>(2,720,691)</u>	<u>1,302,655</u>
Subtotal	3,169,659	1,579,406	(2,720,691)	2,028,374
Capital assets being depreciated				
Buildings and improvements	20,873,842	3,021,539	-	23,895,381
Furniture, fixtures, and equipment	4,458,345	400,393	(10,647)	4,848,091
Vehicles	<u>820,913</u>	<u>204,186</u>	<u>(96,676)</u>	<u>928,423</u>
Subtotal	26,153,100	3,626,118	(107,323)	29,671,895
Less accumulated depreciation				
Buildings and improvements	(2,370,804)	(538,255)	-	(2,909,059)
Furniture, fixtures, and equipment	(1,679,063)	(545,726)	10,647	(2,214,142)
Vehicles	<u>(412,039)</u>	<u>(88,873)</u>	<u>43,090</u>	<u>(457,822)</u>
Subtotal	<u>(4,461,906)</u>	<u>(1,172,854)</u>	<u>53,737</u>	<u>(5,581,023)</u>
Net capital assets being depreciated	<u>21,691,194</u>	<u>2,453,264</u>	<u>(53,586)</u>	<u>24,090,872</u>
Capital assets, net	<u>\$24,860,853</u>	<u>\$ 4,032,670</u>	<u>\$(2,774,277)</u>	<u>\$26,119,246</u>
Business-type activities				
Furniture, fixtures, and equipment	\$ 9,000	\$ 33,770	\$ -	\$ 42,770
Vehicles	<u>-</u>	<u>30,327</u>	<u>-</u>	<u>30,327</u>
Totals at historical cost	9,000	64,097	-0-	73,097
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	<u>(1,800)</u>	<u>(900)</u>	<u>-</u>	<u>(2,700)</u>
Capital assets, net	<u>\$ 7,200</u>	<u>\$ 63,197</u>	<u>\$ -0-</u>	<u>\$ 70,397</u>

Management has elected to begin depreciation on capital asset additions for business-type activities in the year following that in which the assets were put in service.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Primary Government - continued

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

Governmental Activities:	
General government	\$ 813,143
Public safety	357,961
Health and welfare	<u>1,750</u>
	1,172,854
Business-type Activities:	
Delinquent tax revolving	<u>900</u>
	<u>\$ 1,173,754</u>

Component Units

	Restated Balance <u>Jan. 1, 2004</u>	Additions/ <u>Reclassifications</u>	Deletions/ <u>Reclassifications</u>	Balance <u>Dec. 31, 2004</u>
Component Unit - Drainage Districts				
Drain infrastructure	\$18,765,881	\$ 2,237,110	\$ -	\$21,002,991
Construction in progress (not depreciated)	<u>487,346</u>	<u>45,134</u>	<u>(454,206)</u>	<u>78,274</u>
	19,253,227	2,282,244	(454,206)	21,081,265
Less accumulated depreciation for:				
Drain infrastructure	<u>(1,997,610)</u>	<u>(230,429)</u>	<u>-</u>	<u>(2,228,039)</u>
Capital assets, net	<u>\$17,255,617</u>	<u>\$ 2,051,815</u>	<u>\$(454,206)</u>	<u>\$18,853,226</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 283,750	\$ -	\$ -	\$ 283,750
Infrastructure - land/right-of-way	440,046	142,779	-	582,825
Infrastructure - land improvements	<u>3,825,675</u>	<u>362,865</u>	<u>-</u>	<u>4,188,540</u>
Total assets not being depreciated	<u>4,549,471</u>	<u>505,644</u>	<u>-0-</u>	<u>5,055,115</u>
Capital assets being depreciated				
Buildings	1,735,798	-	-	1,735,798
Road equipment	5,070,177	641,485	(471,446)	5,240,216
Shop equipment	65,976	3,189	-	69,165
Office equipment	116,001	5,810	(16,298)	105,513
Engineer's equipment	24,745	1,790	(3,851)	22,684
Yard equipment	-	10,207	-	10,207
Depletable assets	63,115	-	-	63,115
Infrastructure - bridges	23,017,584	602,047	(106,696)	23,512,935
Infrastructure - roads	43,845,181	4,264,031	(3,592,040)	44,517,172
Infrastructure - traffic signals	<u>40,785</u>	<u>23,747</u>	<u>-</u>	<u>64,532</u>
Total assets being depreciated	<u>73,979,362</u>	<u>5,552,306</u>	<u>(4,190,331)</u>	<u>75,341,337</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE G: CAPITAL ASSETS - CONTINUED

Component Units - continued

	Restated Balance Jan. 1, 2004	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2004
Component Unit - Road Commission - continued				
Less accumulated depreciation				
Buildings	\$(781,680)	\$(44,986)	\$ -	\$(826,666)
Road equipment	(3,422,335)	(924,912)	463,948	(3,883,299)
Shop equipment	(41,016)	(3,799)	-	(44,815)
Office equipment	(69,282)	(16,660)	15,830	(70,112)
Engineer's equipment	(22,017)	(679)	3,851	(18,845)
Yard equipment	-	(766)	-	(766)
Reserve for depletable assets	(40,473)	-	-	(40,473)
Infrastructure - bridges	(10,562,013)	(542,532)	106,696	(10,997,849)
Infrastructure - roads	(17,719,606)	(2,614,031)	3,592,040	(16,741,597)
Infrastructure - traffic signals	(7,627)	(313)	-	(7,940)
Total accumulated depreciation	<u>(32,666,049)</u>	<u>(4,148,678)</u>	<u>4,182,365</u>	<u>(32,632,362)</u>
Net capital assets being depreciated	<u>41,313,313</u>	<u>5,552,306</u>	<u>(4,156,644)</u>	<u>42,708,975</u>
Capital assets, net	<u>\$45,862,784</u>	<u>\$ 6,057,950</u>	<u>\$(4,156,644)</u>	<u>\$47,764,090</u>

Depreciation expense of \$4,148,678 is included on the Component Unit Funds Statement of Activities under the Road Commission caption.

NOTE H: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2004:

	Balance Jan. 1, 2004	Additions	Deletions	Balance Dec. 31, 2004	Amount due within one year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct county obligations	\$17,195,000	\$ -	\$ 960,000	\$16,235,000	\$ 1,010,000
Accrued compensated absences	<u>1,028,382</u>	<u>51,435</u>	<u>-</u>	<u>1,079,817</u>	<u>564,801</u>
TOTAL PRIMARY GOVERNMENT	18,223,382	51,435	960,000	17,314,817	1,574,801
COMPONENT UNITS					
Department of Public Works					
Water and sewer bonds	6,940,000	-	730,000	6,210,000	655,000
Drainage Districts					
Drain bonds and notes	4,222,500	1,019,500	1,022,500	4,219,500	633,450
Road Commission					
Installment purchase contract	30,000	-	7,500	22,500	7,500
Accrued employee benefits	<u>580,610</u>	<u>8,545</u>	<u>-</u>	<u>589,155</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>11,773,110</u>	<u>1,028,045</u>	<u>1,760,000</u>	<u>11,041,155</u>	<u>1,295,950</u>
TOTAL REPORTING ENTITY	<u>\$29,996,492</u>	<u>\$ 1,079,480</u>	<u>\$ 2,720,000</u>	<u>\$28,355,972</u>	<u>\$ 2,870,751</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portions) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations

The Clinton County Board of Commissioners is party to two (2) long-term lease agreements for rental of the Jail and the Courthouse from the Clinton County Building Authority. The lease agreements stipulate that the annual rental be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2004, are as follows:

\$3,230,000 Building Authority Refunding Bonds, Series 1993-1, dated December 1, 1993, due in annual installments ranging from \$320,000 to \$380,000 through September 1, 2008, with interest ranging from 4.9 to 5.2 percent, payable semi-annually.	\$ 1,395,000
\$4,450,000 Building Authority Jail Construction Bonds, Series 1990-1, dated September 1, 1993, due in an annual installment of \$415,000 on September 1, 2009, with interest of 5.0 percent, payable semi-annually. The balance of these bonds was refunded through the above bond issue except for the final payment, which was not callable and is still outstanding.	415,000
\$2,500,000 Building Authority Jail Construction Bonds, Series 2003, dated February 1, 2003, due in annual installments ranging from \$125,000 to \$225,000 through May 2018, with interest ranging from 2.25 to 4.125 percent, payable semi-annually.	2,380,000
\$14,500,000 Building Authority Courthouse Building Bonds, Series 1999, dated January 1, 1999, due in annual installments ranging from \$565,000 to \$1,095,000 through May 1, 2019, with interest ranging from 4.0 to 5.0 percent, payable semi-annually.	<u>12,045,000</u>
Total Direct County Obligations	<u>\$ 16,235,000</u>

Accrued 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 \$360,894 and \$718,923 for vacation and sick, respectively, at December 31, 2004. Of the \$1,079,817 total liability, \$564,801 has been reported as a current liability and \$515,016 has been reported as a noncurrent liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - ROAD COMMISSION

Accrued Employee Benefit Payable

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation, sick leave and longevity 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 \$150,299, \$325,840, and \$113,016 for vacation, sick and longevity, respectively, at December 31, 2004. This amount, \$589,155, has been reported as a noncurrent liability.

Installment Purchase Contract

Installment purchase contract was entered into for aggregate sand and gravel, due in annual installments of \$7,500 through 2007, with interest of 8 percent payable annually. \$ 22,500

COMPONENT UNIT - DEPARTMENT OF PUBLIC WORKS

Indirect County Obligations - Water and Sewer Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water and sewer system bonds. These projects are administered by the Clinton County Drain Commission for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds.

Bonds payable at December 31, 2004, per respective construction projects serviced from the Component Unit Debt Service Funds of the Department of Public Works are as follows:

\$3,550,000 Bath Township Sanitary Sewage Disposal System Bonds dated November 1, 1973, due in annual installments of \$100,000 to \$175,000 through November 1, 2013, with interest of 4.0 to 5.75 percent, payable semi-annually.	\$ 1,175,000
\$1,400,000 Clinton County Sanitary Sewage Disposal System Bonds, Series A, dated August 1, 1978, due in annual installments of \$100,000 through May 1, 2007, with interest of 6.5 percent, payable semi-annually.	300,000
\$750,000 Clinton County Sanitary Sewage Disposal System Bonds, Series B, dated August 1, 1978, due in annual installments of \$50,000 through May 1, 2007, with interest of 6.5 percent, payable semi-annually.	150,000
\$450,000 Dewitt Township Water System Bonds dated July 25, 1995, due in annual installments ranging from \$20,000 to \$40,000 through May 1, 2015, with interest ranging from 5.0 to 7.0 percent, payable semi-annually.	320,000
\$290,000 Bingham Township Sewer System Bonds dated June 1, 1987, due in annual installments of \$20,000 through October 1, 2007, with interest ranging from 7.30 to 7.40 percent, payable semi-annually.	60,000
\$430,000 Bingham Township Sewer System Bonds dated August 28, 1990, due in annual installments ranging from \$20,000 to \$25,000 through October 1, 2010, with interest of 2.0 percent, payable semi-annually.	135,000

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DEPARTMENT OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water and Sewer Bonds - continued

\$1,140,000 Dewitt Township/City of Dewitt Water Supply System Bonds dated April 1, 1991, due in annual installments ranging from \$115,000 to \$125,000 through May 1, 2006, with interest of 5.5 percent, payable semi-annually.	\$ 240,000
\$3,055,000 Bingham Township Sanitary Sewage Project Bonds dated June 2, 1999, due in annual installment of \$155,000 to \$160,000 through May 1, 2019 with interest of 4.25 to 5.0 percent, payable semi-annually.	2,385,000
\$995,000 Watertown Township Sanitary Sewage Project Bonds dated June 29, 2000, due in annual installments of \$50,000 to \$60,000 through March 1, 2020, with interest of 5.1 to 7.5 percent, payable semi-annually.	945,000
\$600,000 Bath Township Sanitary Sewer Project Bonds dated January 1, 2001, due in annual installments ranging from \$25,000 to \$45,000 through May 1, 2019, with interest ranging from 4.5 to 5.2 percent, payable semi-annually.	<u>500,000</u>
	<u>\$ 6,210,000</u>

Advance Refunding - Prior

On February 1, 1999, the Bath Charter Township, through the County Department of Public Works (DPW) defeased the entire outstanding balance, \$1,020,000 of the Clinton County Water Project Bonds - Bath Township (original issue \$1,170,000) which were due and payable May 1, 2000 through May 1, 2014. 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 township, working through the DPW, sold their water system to the Lansing Board of Water and Light (BWL). As part of the agreement between the DPW, the Township, and the BWL, the BWL was required to set sufficient funds aside in an escrow account to cover future debt principal and interest payments related to this bond issue. The BWL set aside \$1,070,488 to fund the escrow amounts to pay the future debt payments, which based on BWL legal council calculations will be sufficient. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2004, bonds due and payable May 1, 2002 through May 1, 2014 for the Clinton County Water Project Bonds - Bath Township in the amount of \$650,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Indirect County Obligations - Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit as collateral for the following drain bonds and notes. These projects are administered by the Clinton County Drain Commission for various local drainage districts. The Drain bonds and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Indirect County Obligations - Drain Bonds and Notes - continued

Bonds and notes payable and amounts due to other local governments at December 31, 2004, per respective Drain projects serviced from the Capital Projects Funds of the Component Unit Drainage Districts are as follows:

\$2,065,000 Hayworth and Extension Drain Bonds dated February 1, 1999, due in annual installments of \$175,000 through June 1, 2011, with interest of 3.8 to 4.35 percent, payable semi-annually.	\$ 1,225,000
\$995,000 John Voltz Drain District Bonds dated December 1, 2001, due in annual installments of \$100,000 through June 1, 2012, with interest ranging from 3.25 to 4.3 percent, payable semi-annually.	800,000
\$875,000 Loesch Drain Bonds dated September 1, 2003, due in annual installments ranging from \$85,000 to \$90,000 through June 1, 2013, with interest ranging from 2.3 to 4.3 percent, payable semi-annually.	790,000
\$980,000 Edwards Drain Bonds dated May 1, 2004, due in annual installments ranging from \$50,000 to \$75,000 through June 1, 2019, with interest ranging from 2.75 to 4.70 percent, payable semi-annually.	980,000
Various drain notes due in various annual installments and interest rates through 2008.	<u>424,500</u>
	<u>\$ 4,219,500</u>

Annual requirements to pay debt principal and interest outstanding are as follows:

Primary Government

Direct County Obligations

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 1,010,000	\$ 721,286
2006	1,055,000	679,326
2007	1,115,000	634,451
2008	1,170,000	585,801
2009	1,250,000	532,968
2010-2014	4,795,000	1,970,966
2015-2019	<u>5,840,000</u>	<u>717,640</u>
	<u>\$16,235,000</u>	<u>\$ 5,842,438</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE H: LONG-TERM DEBT - CONTINUED

Component Units

<u>Year</u>	<u>Road Commission Installment Purchase Contract</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 7,500	\$ 1,800
2006	7,500	1,200
2007	<u>7,500</u>	<u>600</u>
	<u>\$ 22,500</u>	<u>\$ 3,600</u>

Indirect County Obligations

<u>Year Ending December 31,</u>	<u>Department of Public Works Water and Sewer Bonds</u>		<u>Drainage Districts Drain Bonds and Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 655,000	\$ 305,805	\$ 633,450	\$ 150,879
2006	700,000	269,562	546,050	131,345
2007	585,000	234,813	465,200	113,095
2008	425,000	207,928	419,800	96,627
2009	425,000	187,068	415,000	80,843
2010-2014	2,020,000	616,769	1,365,000	170,849
2015-2019	1,340,000	188,505	375,000	42,938
2020	<u>60,000</u>	<u>1,755</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,210,000</u>	<u>\$ 2,012,205</u>	<u>\$ 4,219,500</u>	<u>\$ 786,576</u>

NOTE I: SHORT-TERM DEBT

During the year ended December 31, 2004, the County issued \$174,300 of short-term drain notes and repaid \$206,500 in short-term drain notes outstanding at the beginning of the year. The notes are used for the purpose of constructing and repairing drains within the County.

	<u>Balance Jan. 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Dec. 31, 2004</u>
Short-term drain notes	<u>\$ 281,500</u>	<u>\$ 174,300</u>	<u>\$ 206,500</u>	<u>\$ 249,300</u>

NOTE J: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

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

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:

Union:

Age 55 with 20 or more years of credited service
Age 60 with 10 or more years of credited service
Mandatory Retirement: None

Non-union:

Age 55 with 30 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 County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 6.59% to 13.77% as a percentage of annual covered payrolls and varies by the participating employee groups. These contributions are funded by the County on behalf of plan members. In addition, certain employee bargaining groups have negotiated benefits whereby the participating members are required to contribute to the Plan. These participation levels range from 2% to 6.7% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost

For the year ended December 31, 2004 the County's annual pension cost of \$976,901 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

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

Three (3) year trend information

	Year Ended December 31,		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial value of assets	\$ 16,886,588	\$ 17,518,680	\$ 19,128,275
Actuarial accrued liability (AAL) (entry age)	20,602,473	22,451,644	25,849,644
Unfunded AAL	3,715,915	4,932,964	6,721,369
Funded ratio	82%	78%	74%
Covered payroll	6,686,157	6,907,625	7,364,139
UAAL as a percentage of covered payroll	56%	71%	91%
Annual pension cost	778,417	842,653	976,901
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC), with a maximum benefit of 80% of the FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Public Act 156 of 1951 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. Based on the 2001 actuarial valuation, the 2003 rate for general-union/AFL-CIO, administrative salary and administrative hourly employees was 6.35%, 9.89% and 11.34%, respectively, of annual compensation. For 2004, the actuarial valuation was based on the 2002 rate for general-union/AFL-CIO, administrative salary and administrative hourly employees, which was 6.88%, 10.91% and 8.35%, respectively, of annual compensation. Each member is required to contribute 3% of their annual compensation and 3% was paid by the employees for both years.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Annual Pension Cost

During the calendar year ended December 31, 2004, the Road Commission's contributions totaled \$201,109 and the employee contributions totaled \$74,330, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002 and 3% employee share. The amount paid in 2003 was \$181,186 for the employer contribution and \$72,087 for the employee contributions, and was made in accordance with the actuarial valuation of the plan as of December 31, 2001. 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.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 156,875	100%	\$ -0-
2002	208,823	100%	-0-
2003	253,273	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/01	\$ 9,147,542	\$ 9,639,404	\$ 491,862	95%	\$ 2,232,686	22%
12/31/02	9,095,478	9,872,236	776,758	92%	2,335,984	33%
12/31/03	9,474,982	10,688,081	1,213,099	89%	2,401,406	51%

NOTE K: DEFERRED COMPENSATION PLAN - ROAD COMMISSION

The Clinton County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with PEBSCO. The assets of the plans were held in a trust, custodial account or annuity contract described in IRS Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian thereof for the exclusive benefit of the participants and beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time to the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32 requirements, plan balances and activities are not reflected in the Road Commission's financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE L: CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs that 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 M: RISK MANAGEMENT

The County is self-insured for prescription drugs, vision, dental, and disability benefits. Each participating fund of the County makes payments to the respective self-insurance Internal Service Fund. These payments are accounted for as fringe benefit charges in the paying fund and charges for services in the receiving fund.

The County is completely self-insured for dental, vision, and prescription drug benefits. The plan covers all enrolled employees. The Dental Plan basically provides reimbursements for dental costs up to a maximum \$1,200 per covered person per year for certain expenses and a lifetime maximum of \$1,500 per covered person for other expenses. See plan for percentages of coverage for types of expenses. The Vision Plan provides enrollees coverage for the cost on an annual vision exam and up to \$130 for corrective lenses and frames. Certain co-pays apply. The Prescription Drug Plan provides enrollees coverage for prescription drugs. Certain minimum and maximum co-pays apply. For all three plans, an independent administrator is contracted for claims review and processing.

The County is completely self-insured for disability benefits. The plan covers all employees. The Disability Benefits Plan basically provide benefits of current wages up to a maximum of \$350 per week for applicable sheriff's department employees and assistant prosecutors and up to a maximum of \$250 for all other applicable County employees, for a period not to exceed 52 weeks. The program is administered by an independent administrator that furnishes claims review and processing.

The County also participates in a pool, the Michigan 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.

The County is a voluntary member of the Michigan Municipal Risk Management 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 Clinton 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:

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE M: RISK MANAGEMENT - CONTINUED

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	30,000
Property coverage	10,000

The limit of insurance for general and auto liability was \$15,000,000. The property damage blanket limit of insurance at December 31, 2004 was \$36,178,133.

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

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

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Clinton 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 \$218,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$218,000 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 Clinton County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2004, the County had funds on deposit of \$611,639 with the Authority and reserves for reported claims of \$41,560.

ROAD COMMISSION - COMPONENT UNIT

The Road Commission 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 Road Commission has purchased commercial insurance for medical benefits' claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE M: RISK MANAGEMENT - CONTINUED

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

The Michigan County Road Commission Self-Insurance Pool Program (Pool) operates as a common risk sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason, the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. On December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next February.

Although the County's 2004 ad valorem tax is levied and collectible by December 1, 2004, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

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 part of this process, the County's tax levy will be shifting over the next three years from winter to summer.

Taxable values are established annually by the local municipalities and are equalized by the County based on State statutes at an estimated percentage of the current market value. Real and personal property in Clinton County for the 2004 levy had a taxable value of \$1,921,281,111 on which ad valorem taxes levied for County general operating purposes was 5.8 mills.

Taxes are collected by the various tax collecting units from the date of the levy and remitted to the County through the Trust and Agency Fund for distribution to the General Fund. The property taxes levied December 1 are accrued as current tax receivable with the appropriate deferral, and are budgeted as revenue in the subsequent year in the General and Regular Drain Funds.

The delinquent taxes receivable represents unpaid real property taxes in the Delinquent Tax Revolving Fund and unpaid personal property taxes in the General and Central Dispatch (Special Revenue) Funds.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records corresponding delinquent taxes receivable.

NOTE O: POST-EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In addition to providing pension benefits, the County provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the County's employees may become eligible for those benefits when they reach twenty (20) years of service. Under this program the County pays \$367 per month for each eligible employee and out-of-area eligible employee under age 65, and \$335 per month for each eligible employee and out-of-area eligible employee age 65 or older.

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE O: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

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

In 2002 the County established a trust fund (the Trust) for the purpose of providing retiree health care benefits under County policy. Based on an actuarially determined liability and funding schedule, it is the County's intention to fund the Trust at a rate of 2.9% of payroll over the next five years at which time another actuarial valuation will be done. On establishment of the Trust the County made a transfer of assets in the amount of \$1,842,539 to cover costs of current retirees' health benefits and also those of employees eligible to retire within one year.

The Trust is being funded based on 165 employees and retirees. Contributions required and made during the year were made in the amount of \$312,984. As of December 31, 2004 there was \$2,275,470 of net assets available for benefits. The total actuarially determined liability for these benefits is \$4,917,251 and the total unfunded liability was \$2,234,749 at December 21, 2000 based on the initial contribution made to the Trust. The County has chosen to fund the Trust based on assumptions of 6% annual cost increases for benefits and a 7% return on investments.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses, in accordance with the agreement between the Road Commission management and the American Federation of State, County, and Municipal employees, AFL-CIO. If the retired employee wishes to purchase full family coverage, he shall pay the difference between the two-person and the full family rate. This provision applies to employees who retire after January 1, 1975 and who qualify under the MERS retirement program. Upon death of the retired employee, the Road Commission agrees to continue the above stated hospitalization insurance for the surviving spouse. Expenditures are recognized on a pay as you go basis as premiums come due. During 2004, 42 retirees and/or spouses were eligible for benefits, and \$280,482 was recognized for post-employment health insurance.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently release 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 December 31, 2007.

NOTE P: FEDERAL GRANTS - ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$1,466,259 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit.

During the calendar year ended December 31, 2004, the Road Commission did not receive any Federal grants for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not required to be performed for the calendar year ended December 31, 2004 by the Road Commission auditors. If a single audit had been performed it would have been issued under a separate cover and those funds would be excluded from the County's single audit.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE Q: FUND EQUITY RESERVES AND DESIGNATIONS

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

The following are the various fund balance reserves as of December 31, 2004:

PRIMARY GOVERNMENT	
General Fund	
Reserved for	
Advances to other funds and component units	\$ 255,000
Vacation and sick pay	1,079,817
Employee reclassification	150,000
Planning and economic development	75,000
Family counseling	8,801
Retro pay	150,000
Debt service	<u>250,000</u>
	1,968,618
Nonmajor governmental funds	
Reserved for debt service	3,317,191
Reserved for perpetual care	<u>3,850</u>
	5,289,659
TOTAL PRIMARY GOVERNMENT	
COMPONENT UNITS	
Drainage Districts	
Reserved for debt service	<u>973,521</u>
	\$ <u>6,263,180</u>

The following are fund balance designations as of December 31, 2004:

PRIMARY GOVERNMENT	
Nonmajor governmental funds	
Designated for capital improvement	\$ 1,132,076
COMPONENT UNITS	
Drainage Districts	
Designated for capital expenditures	<u>1,967,232</u>
	\$ <u>3,099,308</u>

The County has recorded various reserves and designations of net assets in the proprietary funds that reflect management's plans for use of those funds. Since reserves and designations are not appropriate for presentation on the face of the applicable statements of net assets, the reserves and designations are listed here.

The following is the net asset reserve as of December 31, 2004:

Internal Service Funds	
Reserved for employee benefits	\$ <u>1,702,696</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE Q: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED

The following are the various net asset designations as of December 31, 2004:

PRIMARY GOVERNMENT

Delinquent Tax Revolving Fund	
Designated for capital improvements and projects	\$ 5,200,000
Designated for retiree health insurance	1,000,000
Designated for debt service	<u>2,902,438</u>
	<u>\$ 9,102,438</u>

NOTE R: 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 December 31, 2004:

PRIMARY GOVERNMENT

Governmental activities	
Restricted for	
Public safety	
911 central dispatch	\$ 1,024,150
Corrections training	15,520
Drug forfeiture	20,449
Probation enhancement	22,450
Community corrections	8,120
Act 302 training	<u>10,743</u>
	<u>\$ 1,101,432</u>
Capital improvements	<u>\$ 1,339,843</u>
Debt service (net of accrued interest)	<u>\$ 3,180,903</u>
Revenue Sharing	<u>\$ 3,243,785</u>
Other purposes	
Family counseling	\$ 8,801
Friend of the Court	157,621
Waste management	202,419
Register of Deeds automation	73,977
Budget stabilization	200,000
Law library	18,736
Economic development	102,767
Child care	441,202
Soldiers and sailors	2,156
Veteran trust	997
Homestead property tax exemption	590
Cemetery perpetual care	3,850
Employee benefits	<u>1,702,696</u>
	<u>\$ 2,915,812</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE R: RESTRICTED NET ASSETS - CONTINUED

COMPONENT UNITS	
Road Commission	
Restricted for County roads	<u>\$ 3,028,311</u>
Drainage Districts	
Restricted for debt service (net of accrued interest)	<u>\$ 949,852</u>
Restricted for other purposes	
Drain projects	<u>\$ 6,029,661</u>

NOTE S: FLEXIBLE BENEFITS PLAN

In April 1990 the County implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Code. The plan is available to all employees who have completed 120 days of full-time employment with the County and normally work not less than 20 hours per week for the County and normally are scheduled to work at least six months during the plan year. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to dependent care benefits, medical expense reimbursement benefits or medical benefits. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by Weyco, Inc., a third party administrator.

NOTE T: BUILDING AND ZONING FINANCIAL INFORMATION

The County elected to report the financial activities of certain building and zoning activities in the general fund. The following is the required information as it relates to this department for the activity for the period January 1, 2004 to April 30, 2004 in the general fund. The County created a separate Enterprise Fund (Building Department) to account for building and zoning from May 1, 2004 to December 31, 2004.

REVENUES	
Code enforcement	\$ 106,001
EXPENDITURES	
Personal services and fringes	2,241
Contractual services	116,059
Other	2,074
Administrative charges	<u>15,286</u>
TOTAL EXPENDITURES	<u>134,760</u>
EXCESS OF EXPENDITURES (OVER) REVENUES	<u>\$(29,659)</u>

NOTE U: CONTRACTUAL COMMITMENTS

The County has entered into a contract for the construction of a new maintenance facility building. This project was funded by an appropriation of \$1.5 million from the Public Improvement Fund. The amount of the contractual commitments outstanding as of December 31, 2004 was \$76,029 for which the County is expected to have adequate fund equity and local revenues available to cover these commitments.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE V: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the period, which was the result of the correction of accounting errors. These adjustments were reported as a change to beginning net assets or fund balance, as applicable. The effect on operations and other affected balances for the current and prior period are as follows:

	December 31,		
	<u>2004</u>	<u>2003</u>	<u>Description</u>
PRIMARY GOVERNMENT			
General Fund			
Due from State	\$ -	\$ 73,410	Correct understated
Revenue over (under) expenses	-	73,410	due from State
Fund balance - beginning	73,410	-	
Governmental activities			
Capital assets, net	-	111,759	Correct understated
Change in net assets	-	111,759	capital assets, net
Net assets - beginning	111,759	-	
COMPONENT UNIT			
Road Commission			
Capital assets, net	-	969,359	Correct understated
Change in net assets	-	969,359	capital assets, net
Net assets - beginning	969,359	-	
Drainage Districts			
Capital assets, net	-	966,553	Correct understated
Change in net assets	-	966,553	capital assets, net
Net assets - beginning	966,553	-	

REQUIRED SUPPLEMENTARY INFORMATION

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 9,715,934	\$ 9,715,934	\$ 9,694,155	\$ (21,779)
Mobile home park taxes	12,000	12,000	13,336	1,336
Other tax revenue	3,040	3,040	2,170	(870)
Total taxes	9,730,974	9,730,974	9,709,661	(21,313)
Licenses and permits				
Dog licenses	153,116	153,116	163,765	10,649
Other licenses and permits	14,500	14,500	19,181	4,681
Building and planning permits	315,000	130,006	141,906	11,900
Soil erosion	10,000	52,070	72,045	19,975
Total licenses and permits	492,616	349,692	396,897	47,205
Intergovernmental - Federal/State				
CRP - Prosecuting Attorney	75,000	75,000	75,124	124
Juvenile grant	-	9,712	7,192	(2,520)
Employment service	46,037	92,278	93,285	1,007
Support incentive	15,000	88,966	88,966	-0-
Sheriff - LLEBG	56,875	57,600	57,416	(184)
Sheriff - local DARE	18,957	18,957	21,355	2,398
Strong family/safe child	37,778	47,417	37,477	(9,940)
Housing grant	206,250	136,646	136,646	-0-
Liquor license	5,000	5,000	5,623	623
Liquor convention facility	125,000	132,119	132,119	-0-
Revenue sharing - inventory	55,203	55,203	51,677	(3,526)
Victims' Rights	55,100	55,100	50,102	(4,998)
Drivers license restoration	500	500	312	(188)
Revenue sharing - per capita	950,000	518,063	518,063	-0-
Probate court judge salary	94,195	94,195	93,470	(725)
Circuit court judge	91,448	91,448	91,448	-0-
District court judge	45,724	45,724	45,724	-0-
Probate court judge	45,724	45,724	53,747	8,023
Juvenile court director	27,317	27,317	27,317	-0-
District court state aid	10,000	15,647	15,647	-0-
Cigarette tax	30,000	37,239	37,239	-0-
Marine safety	3,033	4,365	3,273	(1,092)
Prosecuting Attorney Food Stamp	-	-	1,350	1,350
Homeland security	-	141,212	134,894	(6,318)
PA 345	49,408	100,788	101,288	500
Court equity	250,000	288,726	288,726	-0-
Road Patrol	93,248	112,445	113,473	1,028
Highway safety	-	14,752	13,382	(1,370)

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Intergovernmental - Federal/State - continued				
Emergency management	\$ 18,274	\$ 18,274	\$ 28,937	\$ 10,663
Other	4,000	4,000	12,577	8,577
Total intergovernmental - Federal/State	2,409,071	2,334,417	2,337,849	3,432
Charges for services				
Sheriff	59,076	64,076	61,681	(2,395)
Treasurer fees	7,900	7,900	12,478	4,578
Drain commissioner	1,000	1,000	1,956	956
Friend of the Court service fees	35,000	45,000	43,652	(1,348)
District court	1,408,000	1,580,000	1,568,579	(11,421)
Probation - juvenile	6,000	6,000	4,025	(1,975)
Clerk	143,337	182,337	182,861	524
Register of deeds	771,200	799,200	790,079	(9,121)
Tax processing	37,400	37,400	43,365	5,965
Probate Court	20,000	20,000	26,579	6,579
Planning department	-	-	575	575
Care of prisoners	1,117,500	1,529,500	1,563,802	34,302
Total charges for services	3,606,413	4,272,413	4,299,632	27,219
Interest and rents				
Interest	300,000	250,000	213,618	(36,382)
Rents	12,250	12,250	11,069	(1,181)
Total interest and rents	312,250	262,250	224,687	(37,563)
Other				
Contributions	15,000	15,000	15,331	331
Reimbursements - indirect costs	512,105	548,914	548,925	11
Reimbursements - other	343,978	343,978	379,212	35,234
Other	1,000	1,000	959	(41)
Total other	872,083	908,892	944,427	35,535
TOTAL REVENUES	17,423,407	17,858,638	17,913,153	54,515
OTHER FINANCING SOURCES				
Operating transfers from other funds	3,400	496,843	493,443	(3,400)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 17,426,807	\$ 18,355,481	\$ 18,406,596	\$ 51,115

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES				
General government				
Board of Commissioners	\$ 294,086	\$ 350,252	\$ 258,547	\$ 91,705
Circuit Court	450,637	446,637	405,123	41,514
District Court	921,017	946,017	941,554	4,463
Probate Court	900,168	1,019,980	1,003,714	16,266
Family counseling	12,400	12,400	8,056	4,344
Jury board	8,990	8,990	4,025	4,965
Adult probation	5,818	5,818	4,879	939
County Administrator	366,305	366,305	357,874	8,431
Accounting	219,198	219,198	206,949	12,249
Elections	73,344	73,344	68,546	4,798
Clerk	365,360	367,860	341,031	26,829
Equalization	223,237	234,449	227,033	7,416
Prosecuting Attorney	816,438	816,438	793,449	22,989
Microfilming	76,275	76,275	62,008	14,267
Register of Deeds	238,169	238,169	234,760	3,409
County survey and remonumentation	49,408	100,788	100,788	-0-
Record copying	42,500	42,500	29,899	12,601
Treasurer	243,286	252,831	241,958	10,873
Tax processing	37,400	33,688	26,374	7,314
Cooperative extension	308,829	321,324	321,321	3
Courthouse and grounds	1,167,245	1,200,045	1,007,231	192,814
Drain commissioner	522,245	571,015	489,988	81,027
Soil conservation	22,000	22,000	22,000	-0-
Other	20,000	20,000	19,342	658
Total general government	7,384,355	7,746,323	7,176,449	569,874
Public safety				
Sheriff - general	2,120,605	2,170,605	2,155,737	14,868
Sheriff - DARE	75,832	76,557	76,555	2
Highway safety	-	14,752	14,751	1
Marine safety	3,033	4,365	4,364	1
Secondary road patrol	93,248	112,445	112,443	2
Metro squad	57,188	7,188	5,731	1,457
Jail	2,460,179	2,460,179	2,407,834	52,345
Emergency services	78,463	221,675	213,654	8,021
Animal control	150,790	159,892	159,865	27
Total public safety	5,039,338	5,227,658	5,150,934	76,724

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public works				
Drains at large	\$ 60,000	\$ 60,000	\$ 59,492	\$ 508
Department of public works	10,720	10,720	9,927	793
Total public works	70,720	70,720	69,419	1,301
Health and welfare				
Contagious disease	8,000	8,000	3,114	4,886
Tri-county aging consortium	34,776	34,776	34,776	-0-
Social services appropriation	89,000	89,000	89,000	-0-
Substance abuse appropriation	62,500	66,060	66,060	-0-
Medical examiner	55,881	59,138	59,138	-0-
District health department	360,244	368,398	368,397	1
Mental health	220,133	220,133	211,260	8,873
Veterans burials	25,076	25,076	25,076	-0-
Total health and welfare	855,610	870,581	856,821	13,760
Community and economic development				
MSHDA housing	206,250	136,646	136,646	-0-
Planning department	518,994	376,501	352,311	24,190
Plat board	2,116	2,116	1,549	567
Zoning board	3,406	3,406	-	3,406
Construction board	1,175	1,175	-	1,175
Tri-county regional planning commission	37,272	41,372	41,351	21
Employment services	46,037	92,278	92,278	-0-
Total community and economic development	815,250	653,494	624,135	29,359
Recreation and culture				
Parks and recreation	16,325	16,828	16,228	600
Other				
Insurance and bonds	327,260	327,260	317,066	10,194
Other	245,558	50,276	41,441	8,835
Total other	572,818	377,536	358,507	19,029
TOTAL EXPENDITURES	14,754,416	14,963,140	14,252,493	710,647

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of court	\$ 322,000	\$ 292,000	\$ 292,000	-0-
Law library fund	14,000	14,000	14,000	-0-
Central telephone	14,500	44,500	44,500	-0-
MIS	360,742	460,742	460,742	-0-
Building Authority Funds	1,375,757	1,495,757	1,495,757	-0-
Public Improvement Fund	45,310	445,310	445,310	-0-
County Vehicles Fund	171,850	191,850	191,850	-0-
Community Corrections Fund	-	7,500	7,500	-0-
Child Care Fund	365,107	365,107	365,107	-0-
Soldiers and Sailors Relief Fund	1,000	1,000	1,000	-0-
Insurance	-	130,000	130,000	-0-
4-H Fair	2,125	2,125	2,125	-0-
TOTAL OTHER FINANCING USES	2,672,391	3,449,891	3,449,891	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 17,426,807	\$ 18,413,031	\$ 17,702,384	\$ 710,647

Clinton County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ -	\$ 3,734,729	\$ 3,734,728	\$ (1)
EXPENDITURES	-	-	-	-0-
EXCESS OF REVENUES OVER EXPENDITURES	-0-	3,734,729	3,734,728	(1)
OTHER FINANCING USES				
Operating transfer out	-	(490,943)	(490,943)	-0-
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	-0-	3,243,786	3,243,785	(1)
Fund balance, beginning of year	-	-	-	-0-
Fund balance, end of year	\$ -0-	\$ 3,243,786	\$ 3,243,785	\$ (1)

OTHER SUPPLEMENTARY INFORMATION

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2004

	Special			
	Friend of the Court	Waste Management	Public Improvement	Register of Deeds Automation
ASSETS				
Cash and cash equivalents	\$ 116,964	\$ 198,375	\$ 1,396,222	\$ 79,586
Investments	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	23,501	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	146,527	-	-	-
TOTAL ASSETS	\$ 263,491	\$ 221,876	\$ 1,396,222	\$ 79,586
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,645	\$ 17,613	\$ 59,955	\$ 5,576
Accrued payroll	8,903	1,575	-	29
Due to other funds	1,322	269	-	4
Advances from other funds	93,000	-	-	-
TOTAL LIABILITIES	105,870	19,457	59,955	5,609
FUND BALANCES				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	1,128,500	-
Undesignated, reported in:				
Special revenue funds	157,621	202,419	207,767	73,977
TOTAL FUND BALANCES	157,621	202,419	1,336,267	73,977
TOTAL LIABILITIES AND FUND BALANCES	\$ 263,491	\$ 221,876	\$ 1,396,222	\$ 79,586

Revenue

Budget Stabilization	911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library
\$ 200,000	\$ 903,259	\$ 15,520	\$ 20,526	\$ 19,627	\$ -
-	-	-	-	-	-
-	155	-	-	-	-
-	107,157	-	-	-	-
-	-	-	-	-	-
-	32,604	-	-	-	-
<u>\$ 200,000</u>	<u>\$ 1,043,175</u>	<u>\$ 15,520</u>	<u>\$ 20,526</u>	<u>\$ 19,627</u>	<u>\$ -0-</u>
\$ -	\$ 6,388	\$ -	\$ 77	\$ 891	\$ -
-	11,274	-	-	-	-
-	1,363	-	-	-	-
-	-	-	-	-	-
-0-	19,025	-0-	77	891	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
200,000	1,024,150	15,520	20,449	18,736	-
200,000	1,024,150	15,520	20,449	18,736	-0-
<u>\$ 200,000</u>	<u>\$ 1,043,175</u>	<u>\$ 15,520</u>	<u>\$ 20,526</u>	<u>\$ 19,627</u>	<u>\$ -0-</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	Special			
	Probation Enhancement	Economic Development	Community Corrections	Act 302 Training
ASSETS				
Cash and cash equivalents	\$ 22,450	\$ 102,767	\$ 2,495	\$ (4,257)
Investments	-	-	-	-
Receivables				-
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	-	-	17,471	63,460
TOTAL ASSETS	\$ 22,450	\$ 102,767	\$ 19,966	\$ 59,203
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 817	\$ 48,460
Accrued payroll	-	-	831	-
Due to other funds	-	-	10,198	-
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	-0-	-0-	11,846	48,460
FUND BALANCES				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	22,450	102,767	8,120	10,743
TOTAL FUND BALANCES	22,450	102,767	8,120	10,743
TOTAL LIABILITIES AND FUND BALANCES	\$ 22,450	\$ 102,767	\$ 19,966	\$ 59,203

Revenue				Debt Service	
Child Care	Soldiers and Sailors	Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse
\$ 433,326	\$ 2,591	\$ 997	\$ 590	\$ 257,979	\$ 1,002,446
-	-	-	-	1,030,681	1,009,506
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	14,492	2,087
129,201	-	-	-	-	-
<u>\$ 562,527</u>	<u>\$ 2,591</u>	<u>\$ 997</u>	<u>\$ 590</u>	<u>\$ 1,303,152</u>	<u>\$ 2,014,039</u>
\$ 78,837	435	\$ -	\$ -	\$ -	\$ -
3,054	-	-	-	-	-
39,434	-	-	-	-	-
-	-	-	-	-	-
121,325	435	-0-	-0-	-0-	-0-
-	-	-	-	-	-
-	-	-	-	1,303,152	2,014,039
-	-	-	-	-	-
441,202	2,156	997	590	-	-
441,202	2,156	997	590	1,303,152	2,014,039
<u>\$ 562,527</u>	<u>\$ 2,591</u>	<u>\$ 997</u>	<u>\$ 590</u>	<u>\$ 1,303,152</u>	<u>\$ 2,014,039</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2004

	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total</u>
	Jail	Cemetery	Nonmajor
	Construction	Perpetual	Governmental
		Care	Funds
ASSETS			
Cash and cash equivalents	\$ 3,576	\$ 3	\$ 4,775,042
Investments	-	3,850	2,044,037
Receivables			
Taxes	-	-	155
Accounts	-	-	130,658
Interest	-	-	16,579
Due from other governmental units - Federal/State	-	-	389,263
TOTAL ASSETS	<u><u>\$ 3,576</u></u>	<u><u>\$ 3,853</u></u>	<u><u>\$ 7,355,734</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 3	\$ 221,697
Accrued payroll	-	-	25,666
Due to other funds	-	-	52,590
Advances from other funds	-	-	93,000
TOTAL LIABILITIES	-0-	3	392,953
FUND BALANCES			
Reserved for			
Perpetual care	-	3,850	3,850
Debt service	-	-	3,317,191
Unreserved			
Designated for capital improvement	3,576	-	1,132,076
Undesignated, reported in:			
Special revenue funds	-	-	2,509,664
TOTAL FUND BALANCES	<u><u>3,576</u></u>	<u><u>3,850</u></u>	<u><u>6,962,781</u></u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,576</u></u>	<u><u>\$ 3,853</u></u>	<u><u>\$ 7,355,734</u></u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2004

	Special			
	Friend of the Court	Waste Management	Public Improvement	Register of Deeds Automation
REVENUES				
Intergovernmental - Federal/State	\$ 518,916	\$ -	\$ -	\$ -
Charges for services	29,232	350,067	-	113,900
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	254
Other	-	812	-	-
TOTAL REVENUES	548,148	350,879	-0-	114,154
EXPENDITURES				
Current				
General government	813,387	-	-	114,357
Public safety	-	-	-	-
Public works	-	311,940	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	1,627,803	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	813,387	311,940	1,627,803	114,357
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(265,239)	38,939	(1,627,803)	(203)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	292,000	-	745,310	-
Operating transfers out	-	-	(2,500)	-
TOTAL OTHER FINANCING SOURCES (USES)	292,000	-0-	742,810	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	26,761	38,939	(884,993)	(203)
Fund balances, beginning of year	130,860	163,480	2,221,260	74,180
Fund balances, end of year	<u>\$ 157,621</u>	<u>\$ 202,419</u>	<u>\$ 1,336,267</u>	<u>\$ 73,977</u>

Revenue

Budget Stabilization	911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library
\$ -	\$ -	\$ -	\$ 1,750	\$ -	\$ -
-	1,488,103	16,746	-	-	-
-	-	-	3,510	6,500	5,162
-	4,740	-	61	-	-
-	33,299	-	-	-	-
-0-	1,526,142	16,746	5,321	6,500	5,162
-	-	-	-	13,019	-
-	1,040,412	2,116	10,032	-	-
-	-	-	-	-	-
-	-	-	-	-	5,162
-	-	-	-	-	-
-	-	-	-	-	-
-0-	1,040,412	2,116	10,032	13,019	5,162
-	485,730	14,630	(4,711)	(6,519)	-0-
-	-	-	-	14,000	-
-	-	-	-	-	-
-0-	-0-	-0-	-0-	14,000	-0-
-0-	485,730	14,630	(4,711)	7,481	-0-
200,000	538,420	890	25,160	11,255	-
<u>\$ 200,000</u>	<u>\$ 1,024,150</u>	<u>\$ 15,520</u>	<u>\$ 20,449</u>	<u>\$ 18,736</u>	<u>\$ -0-</u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2004

	Special			
	Probation Enhancement	Economic Development	Community Corrections	Act 302 Training
REVENUES				
Intergovernmental - Federal/State	\$ -	\$ -	\$ 85,975	\$ 69,663
Charges for services	-	-	-	-
Fines and forfeits	9,497	-	-	-
Interest and rents	-	994	22	-
Other	-	10	-	-
TOTAL REVENUES	9,497	1,004	85,997	69,663
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	13,642	-	94,296	68,461
Public works	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	13,642	-0-	94,296	68,461
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,145)	1,004	(8,299)	1,202
OTHER FINANCING SOURCES (USES)				
Operating transfers in	-	-	7,500	-
Operating transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	7,500	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(4,145)	1,004	(799)	1,202
Fund balances, beginning of year	26,595	101,763	8,919	9,541
Fund balances, end of year	<u>\$ 22,450</u>	<u>\$ 102,767</u>	<u>\$ 8,120</u>	<u>\$ 10,743</u>

Revenue				Debt Service	
Child Care	Soldiers and Sailors	Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse
\$ 403,185	\$ -	\$ 4,464	\$ -	\$ -	\$ -
61,690	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	20,290	22,844
796	-	-	590	-	-
465,671	-0-	4,464	590	20,290	22,844
-	-	-	-	1,300	300
-	-	-	-	-	-
-	-	-	-	-	-
845,972	435	3,594	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	610,019	1,110,372
845,972	435	3,594	-0-	611,319	1,110,672
(380,301)	(435)	870	590	(591,029)	(1,087,828)
365,107	1,000	-	-	621,619	1,201,373
-	-	-	-	-	-
365,107	1,000	-0-	-0-	621,619	1,201,373
(15,194)	565	870	590	30,590	113,545
456,396	1,591	127	-	1,272,562	1,900,494
<u>\$ 441,202</u>	<u>\$ 2,156</u>	<u>\$ 997</u>	<u>\$ 590</u>	<u>\$ 1,303,152</u>	<u>\$ 2,014,039</u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2004

	<u>Capital Projects</u>	<u>Permanent</u>	Total
	Jail	Cemetery	Nonmajor
	Construction	Perpetual	Governmental
		Care	Funds
REVENUES			
Intergovernmental - Federal/State	\$ -	\$ -	\$ 1,083,953
Charges for services	-	-	2,059,738
Fines and forfeits	-	-	24,669
Interest and rents	968	-	50,173
Other	-	-	35,507
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	968	-0-	3,254,040
EXPENDITURES			
Current			
General government	-	-	942,363
Public safety	300,848	-	1,529,807
Public works	-	-	311,940
Health and welfare	-	-	850,001
Recreation and cultural	-	-	5,162
Capital outlay	-	-	1,627,803
Debt service	-	-	1,720,391
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	300,848	-0-	6,987,467
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(299,880)	-0-	(3,733,427)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	3,247,909
Operating transfers out	-	-	(2,500)
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	3,245,409
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(299,880)	-0-	(488,018)
Fund balances, beginning of year	<hr/>	<hr/>	<hr/>
	303,456	3,850	7,450,799
Fund balances, end of year	<hr/>	<hr/>	<hr/>
	\$ 3,576	\$ 3,850	\$ 6,962,781

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Jail Commissary	Building Department	County Extension Community Center	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,333	\$ 130,949	\$ 7,989	\$ 152,271
Accounts receivable	-	1,377	-	1,377
Inventory	7,033	-	-	7,033
Total current assets	20,366	132,326	7,989	160,681
Noncurrent assets				
Capital assets, net	-	64,097	-	64,097
TOTAL ASSETS	20,366	196,423	7,989	224,778
LIABILITIES				
Current liabilities				
Accounts payable	3,691	1,322	621	5,634
Accrued liabilities	-	3,081	2,850	5,931
Due to other funds	-	384	-	384
TOTAL LIABILITIES	3,691	4,787	3,471	11,949
NET ASSETS				
Invested in capital assets, net of related debt	-	64,097	-	64,097
Unrestricted	16,675	127,539	4,518	148,732
TOTAL NET ASSETS	\$ 16,675	\$ 191,636	\$ 4,518	\$ 212,829

Clinton County, Michigan

Nonmajor Enterprise Funds

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

Year Ended December 31, 2004

	<u>Jail Commissary</u>	<u>Building Department</u>	<u>Community Extension Community Center</u>	<u>Total</u>
OPERATING REVENUES				
Sales	\$ 109,635	\$ -	\$ -	\$ 109,635
Rent	-	-	8,875	8,875
Building and trade permits	-	324,073	-	324,073
Other revenue	-	47	890	937
	<u>109,635</u>	<u>324,120</u>	<u>9,765</u>	<u>443,520</u>
OPERATING EXPENSES				
Personal services and fringes	-	111,084	-	111,084
Operating supplies	111,422	6,756	13,280	131,458
Contracted services	-	34,651	-	34,651
Other	-	53,763	-	53,763
	<u>111,422</u>	<u>206,254</u>	<u>13,280</u>	<u>330,956</u>
OPERATING INCOME (LOSS)	(1,787)	117,866	(3,515)	112,564
TRANSFERS IN				
Transfers in	-	73,770	2,125	75,895
	<u>-</u>	<u>73,770</u>	<u>2,125</u>	<u>75,895</u>
CHANGE IN NET ASSETS	(1,787)	191,636	(1,390)	188,459
Net assets, beginning of year	<u>18,462</u>	<u>-</u>	<u>5,908</u>	<u>24,370</u>
Net assets, end of year	<u><u>\$ 16,675</u></u>	<u><u>\$ 191,636</u></u>	<u><u>\$ 4,518</u></u>	<u><u>\$ 212,829</u></u>

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Jail Commissary	Building Department	County Extension Community Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 109,635	\$ 323,127	\$ 9,765	\$ 442,527
Cash paid to suppliers	(111,884)	(201,851)	(13,301)	(327,036)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(2,249)	121,276	(3,536)	115,491
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(64,097)	-	(64,097)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	73,770	2,125	75,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,249)	130,949	(1,411)	127,289
Cash and cash equivalents, beginning of year	15,582	-	9,400	24,982
Cash and cash equivalents, end of year	<u>\$ 13,333</u>	<u>\$ 130,949</u>	<u>\$ 7,989</u>	<u>\$ 152,271</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (1,787)	\$ 117,866	\$ (3,515)	\$ 112,564
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
(Increase) in receivables	-	(1,377)	-	(1,377)
Decrease in inventory	1206	-	-	1,206
Increase (decrease) in accounts payable	(1,668)	1,322	(221)	(567)
Increase in accrued liabilities	-	3,081	200	3,281
Increase due to other funds	-	384	-	384
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (2,249)</u>	<u>\$ 121,276</u>	<u>\$ (3,536)</u>	<u>\$ 115,491</u>

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2004

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
ASSETS				
Current assets				
Cash and cash equivalents	\$ 9,221	\$ 129,751	\$ 846,372	\$ 169,018
Investments	-	-	-	-
Accounts receivable	267	65	29,684	-
Interest receivable	-	-	-	-
Inventory	15,624	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	50	-	-
	<u>25,112</u>	<u>129,866</u>	<u>876,056</u>	<u>169,018</u>
Total current assets				
Noncurrent assets				
Advances to other funds	-	-	3,000	-
Capital assets				
Equipment and vehicles	-	259,116	978,697	121,032
Less: Accumulated depreciation	-	(153,784)	(491,468)	(58,636)
	<u>-0-</u>	<u>105,332</u>	<u>490,229</u>	<u>62,396</u>
Total noncurrent assets				
TOTAL ASSETS				
	<u>25,112</u>	<u>235,198</u>	<u>1,366,285</u>	<u>231,414</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	7,225	19,772	965
Accrued liabilities	-	-	2,815	-
Advances from other funds	25,000	-	-	10,000
Due to other funds	-	-	466	20,444
	<u>25,000</u>	<u>7,225</u>	<u>23,053</u>	<u>31,409</u>
TOTAL LIABILITIES				
NET ASSETS				
Invested in capital assets, net	-	105,332	490,229	62,396
Restricted for employee benefits	-	-	-	-
Unrestricted	112	122,641	853,003	137,609
	<u>112</u>	<u>122,641</u>	<u>853,003</u>	<u>137,609</u>
TOTAL NET ASSETS				
	<u>\$ 112</u>	<u>\$ 227,973</u>	<u>\$ 1,343,232</u>	<u>\$ 200,005</u>

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ 296,529	\$ 312,773	\$ 209,910	\$ 135,724	\$ 103,949	\$ 2,213,247
-	-	782,676	-	156,590	939,266
-	-	-	-	-	30,016
-	-	3,156	-	850	4,006
-	-	-	-	-	15,624
-	-	82,338	-	-	82,338
-	19,910	4,593	297	2,036	26,886
<u>296,529</u>	<u>332,683</u>	<u>1,082,673</u>	<u>136,021</u>	<u>263,425</u>	<u>3,311,383</u>
-	-	-	-	-	3,000
670,280	-	-	-	-	2,029,125
(298,181)	-	-	-	-	(1,002,069)
<u>372,099</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,030,056</u>
668,628	332,683	1,082,673	136,021	263,425	4,341,439
25,499	100,000	6,597	-	-	160,058
-	-	5,030	-	-	7,845
-	-	-	-	-	35,000
-	-	479	-	-	21,389
<u>25,499</u>	<u>100,000</u>	<u>12,106</u>	<u>-0-</u>	<u>-0-</u>	<u>224,292</u>
372,099	-	-	-	-	1,030,056
-	232,683	1,070,567	136,021	263,425	1,702,696
271,030	-	-	-	-	1,384,395
<u>\$ 643,129</u>	<u>\$ 232,683</u>	<u>\$ 1,070,567</u>	<u>\$ 136,021</u>	<u>\$ 263,425</u>	<u>\$ 4,117,147</u>

Clinton County, Michigan

Internal Service Funds

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

Year Ended December 31, 2004

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
OPERATING REVENUES				
Charges for services	\$ 58,704	\$ 67,279	\$ 11,516	\$ 37,608
Other	-	-	-	24,362
TOTAL OPERATING REVENUES	58,704	67,279	11,516	61,970
OPERATING EXPENSES				
Personal services and fringes	-	-	172,096	-
Supplies	58,738	-	3,967	7,867
Contracted services	-	-	22,671	-
Depreciation	-	15,563	143,350	14,691
Other	-	69,562	24,332	35,077
TOTAL OPERATING EXPENSES	58,738	85,125	366,416	57,635
OPERATING INCOME (LOSS)	(34)	(17,846)	(354,900)	4,335
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	-	-	-
Loss on sale of capital assets	-	-	-	(437)
TOTAL NONOPERATING REVENUES (EXPENSES)	-0-	-0-	-0-	(437)
INCOME (LOSS) BEFORE TRANSFERS	(34)	(17,846)	(354,900)	3,898
TRANSFERS IN (OUT)				
Transfers in	-	44,500	460,742	-
Transfers out	-	-	(37,770)	-
TOTAL TRANSFERS	-0-	44,500	422,972	-0-
CHANGE IN NET ASSETS	(34)	26,654	68,072	3,898
Net assets, beginning of year	146	201,319	1,275,160	196,107
Net assets, end of year	\$ 112	\$ 227,973	\$ 1,343,232	\$ 200,005

County Vehicles	Employee Retirement	Insurance	Unemployment	Workers Compensation	Total
\$ -	\$ 1,093,875	\$ 1,298,053	\$ -	\$ -	\$ 2,567,035
28,951	-	-	7,936	99,352	160,601
28,951	1,093,875	1,298,053	7,936	99,352	2,727,636
-	1,234,453	1,297,131	5,077	140,168	2,848,925
-	-	-	-	-	70,572
-	-	27,362	-	-	50,033
67,096	-	-	-	-	240,700
29,917	-	1,634	-	-	160,522
97,013	1,234,453	1,326,127	5,077	140,168	3,370,752
(68,062)	(140,578)	(28,074)	2,859	(40,816)	(643,116)
-	2,442	13,341	977	3,149	19,909
(20,121)	-	-	-	-	(20,558)
(20,121)	2,442	13,341	977	3,149	(649)
(88,183)	(138,136)	(14,733)	3,836	(37,667)	(643,765)
191,850	100,000	-	-	30,000	827,092
(36,000)	-	-	-	-	(73,770)
155,850	100,000	-0-	-0-	30,000	753,322
67,667	(38,136)	(14,733)	3,836	(7,667)	109,557
575,462	270,819	1,085,300	132,185	271,092	4,007,590
\$ 643,129	\$ 232,683	\$ 1,070,567	\$ 136,021	\$ 263,425	\$ 4,117,147

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2004

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ 58,437	\$ 67,164	\$ 2,369	\$ 61,970
Cash paid to suppliers	(68,304)	(67,512)	(56,697)	(72,239)
Cash paid for employee benefits	-	-	(172,096)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(9,867)	(348)	(226,424)	(10,269)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(44,067)	(197,288)	(6,508)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	44,500	460,742	-
Transfers out	-	-	(37,770)	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-0-	44,500	422,972	-0-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	-
Maturity of investments	-	-	-	-
Proceeds from sale of capital assets	-	-	-	2,052
Interest revenue	-	-	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-0-	-0-	-0-	2,052
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,867)	85	(740)	(14,725)
Cash and cash equivalents, beginning of year	19,088	129,666	847,112	183,743
Cash and cash equivalents, end of year	<u>\$ 9,221</u>	<u>\$ 129,751</u>	<u>\$ 846,372</u>	<u>\$ 169,018</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (34)	\$ (17,846)	\$ (354,900)	\$ 4,335
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	15,563	143,350	14,691
(Increase) decrease in receivables	(267)	(65)	(9,147)	-
(Increase) in prepaid expenses	-	-	-	-
(Increase) decrease in due from other funds	-	(50)	-	-
(Increase) in inventory	(9,566)	-	-	-
Increase (decrease) in accounts payable	-	2,050	(689)	955
Increase (decrease) in accrued liabilities	-	-	(4,389)	-
Increase (decrease) due to other funds	-	-	(649)	(30,250)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (9,867)</u>	<u>\$ (348)</u>	<u>\$ (226,424)</u>	<u>\$ (10,269)</u>

County Vehicles	Employee Retirement	Insurance	Unemployment	Workers Compensation	Total
\$ 28,951 (4,418) -	\$ 1,317,617 - (1,234,453)	\$ 1,293,736 (29,545) (1,297,131)	\$ 7,997 - (5,077)	\$ 100,144 (200,000) (140,168)	\$ 2,938,385 (498,715) (2,848,925)
24,533	83,164	(32,940)	2,920	(240,024)	(409,255)
(197,678)	-	-	-	-	(445,541)
191,850 (36,000)	100,000 -	- -	- -	30,000 -	827,092 (73,770)
155,850	100,000	-0-	-0-	30,000	753,322
-	-	(782,676)	-	(156,590)	(939,266)
-	-	772,261	-	206,596	978,857
30,976	-	-	-	-	33,028
-	2,442	13,341	977	3,149	19,909
30,976	2,442	2,926	977	53,155	92,528
13,681	185,606	(30,014)	3,897	(156,869)	(8,946)
282,848	127,167	239,924	131,827	260,818	2,222,193
<u>\$ 296,529</u>	<u>\$ 312,773</u>	<u>\$ 209,910</u>	<u>\$ 135,724</u>	<u>\$ 103,949</u>	<u>\$ 2,213,247</u>
\$ (68,062)	\$ (140,578)	\$ (28,074)	\$ 2,859	\$ (40,816)	\$ (643,116)
67,096	-	-	-	-	240,700
-	-	(1,020)	-	88	(10,411)
-	-	(9,003)	-	-	(9,003)
-	223,742	5,706	61	704	230,163
-	-	-	-	-	(9,566)
25,499	-	(2,008)	-	-	25,807
-	-	1,170	-	-	(3,219)
-	-	289	-	(200,000)	(230,610)
<u>\$ 24,533</u>	<u>\$ 83,164</u>	<u>\$ (32,940)</u>	<u>\$ 2,920</u>	<u>\$ (240,024)</u>	<u>\$ (409,255)</u>

Clinton County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2004

	<u>Agency funds</u>		
	<u>Trust and Agency</u>	<u>Library</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 1,324,578</u>	<u>\$ 222,062</u>	<u>\$ 1,546,640</u>
LIABILITIES			
Undistributed collections payable	\$ 838,468	\$ -	\$ 838,468
Due to other governmental units			
Federal/State	200,269	-	200,269
Local		222,062	222,062
Due to individuals and agencies	<u>285,841</u>	<u>-</u>	<u>285,841</u>
TOTAL LIABILITIES	<u>\$ 1,324,578</u>	<u>\$ 222,062</u>	<u>\$ 1,546,640</u>

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2004

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
ASSETS			
Cash and cash equivalents	\$ 274,238	\$ 514,417	\$ 14,512
Cash - restricted	-	4,350	-
Investments	162,960	1,366,713	-
Accrued interest receivable	402	4,619	-
Accounts receivable	-	21,484	-
Special assessments receivable	4,364,508	432,775	-
Due from other funds	-	-	123,359
TOTAL ASSETS	\$ 4,802,108	\$ 2,344,358	\$ 137,871
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 18,571	\$ 7,871
Accrued liabilities	15,458	12,017	-
Due to other funds	-	123,359	-
Advances from primary government	-	-	130,000
Deferred revenue	3,813,129	-	-
Notes payable	-	249,300	-
TOTAL LIABILITIES	3,828,587	403,247	137,871
FUND BALANCES			
Fund balances			
Reserved for debt service	973,521	-	-
Unreserved			
Designated for capital expenditures	-	1,941,111	-
TOTAL FUND BALANCES	973,521	1,941,111	-0-
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,802,108	\$ 2,344,358	\$ 137,871

<u>Projects</u>	
<u>Revolving</u>	
<u>Drain</u>	
<u>Maintenance</u>	<u>Total</u>
\$ 26,121	\$ 829,288
-	4,350
-	1,529,673
-	5,021
-	21,484
-	4,797,283
-	123,359
<u>\$ 26,121</u>	<u>\$ 7,310,458</u>
\$ -	\$ 26,442
-	27,475
-	123,359
-	130,000
-	3,813,129
-	249,300
-0-	4,369,705
-	973,521
<u>26,121</u>	<u>1,967,232</u>
<u>26,121</u>	<u>2,940,753</u>
<u>\$ 26,121</u>	<u>\$ 7,310,458</u>

Clinton County, Michigan

Component Unit Funds

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

December 31, 2004

Total fund balance - governmental funds \$ 2,940,753

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	\$ 21,081,265	
Accumulated depreciation is	<u>(2,228,039)</u>	
Capital assets, net		18,853,226

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

Deferred revenue		3,813,129
------------------	--	-----------

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	4,219,500	
Accrued interest payable	<u>23,669</u>	
		<u>(4,243,169)</u>

Net assets of governmental activities \$ 21,363,939

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2004

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
REVENUES			
Charges for services	\$ -	\$ 261,497	\$ -
Interest	6,322	28,244	-
Other			
Special assessments	598,523	580,659	-
Miscellaneous	-	34,170	-
TOTAL REVENUES	604,845	904,570	-0-
EXPENDITURES			
Capital outlay	-	1,652,654	-
Debt service			
Principal	1,022,500	-	-
Interest and fiscal charges	158,416	5,019	-
TOTAL EXPENDITURES	1,180,916	1,657,673	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(576,071)	(753,103)	-0-
OTHER FINANCING SOURCES (USES)			
Transfer in from component units	726,320	-	-
Transfer out to component units	-	(726,320)	-
Bond and note proceeds	-	1,019,500	-
Bond discount	-	(14,700)	-
TOTAL OTHER FINANCING SOURCES (USES)	726,320	278,480	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	150,249	(474,623)	-0-
Fund balances, beginning of year	823,272	2,415,734	-
Fund balances, end of year	<u>\$ 973,521</u>	<u>\$ 1,941,111</u>	<u>\$ -0-</u>

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ -	\$ 261,497
934	35,500
-	1,179,182
-	34,170
934	1,510,349
-	1,652,654
-	1,022,500
-	163,435
-0-	2,838,589
934	(1,328,240)
-	726,320
-	(726,320)
-	1,019,500
-	(14,700)
-0-	1,004,800
934	(323,440)
25,187	3,264,193
<u>\$ 26,121</u>	<u>\$ 2,940,753</u>

Clinton 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 December 31, 2004

Net change in fund balances - total governmental funds \$ (323,440)

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	\$ 1,369,818	
Contributed capital outlay	458,220	
Depreciation expense	<u>(230,429)</u>	
Excess of capital outlay over depreciation expense		1,597,609

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 287,367

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 proceeds	\$ (1,019,500)	
Bond and note principal retirements	<u>1,022,500</u>	
		3,000

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:

(Increase) in accrued interest payable	<u>(3,083)</u>
--	----------------

Change in net assets of governmental activities \$ 1,561,453

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS

December 31, 2004

	Debt			
	Bath Township #4	Dewitt Charter Township #7A & #7B	Watertown Charter Township #8	Dewitt Charter Township #13
ASSETS	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FUND BALANCES Unreserved	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Service

<u>City of Dewitt/ Dewitt Charter Township #11</u>	<u>Bingham Township #6</u>	<u>Bingham Township #10</u>	<u>Bingham Township #14</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS - CONTINUED

December 31, 2004

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
ASSETS				
Cash and cash equivalents	\$ -0-	\$ -0-	\$ -0-	\$ -0-
FUND BALANCES				
Fund balances				
Unreserved				
Designated for capital expenditures	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Clinton County, Michigan

Component Unit Funds

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

December 31, 2004

Total fund balance - governmental funds \$ -0-

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	6,272,231
------------------	-----------

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	\$ 62,231	
Bonds payable	<u>6,210,000</u>	
		<u>(6,272,231)</u>

Net assets of governmental activities \$ -0-

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2004

	Debt			
	Bath Township #4	Dewitt Charter Township #7A & #7B	Watertown Charter Township #8	Dewitt Charter Township #13
REVENUES				
Intergovernmental - local	\$ 167,750	\$ 184,780	\$ 82,610	\$ 40,115
Interest	-	-	-	-
TOTAL REVENUES	167,750	184,780	82,610	40,115
EXPENDITURES				
Public works	-	-	-	-
Debt service				
Principal	100,000	150,000	80,000	20,000
Interest and fiscal charges	67,750	34,780	2,610	20,115
TOTAL EXPENDITURES	167,750	184,780	82,610	40,115
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Service

City of Dewitt/ Dewitt Charter Township #11	Bingham Township #6	Bingham Township #10	Bingham Township #14
\$ 121,587	\$ 26,400	\$ 28,200	\$ 271,291
-	-	-	-
121,587	26,400	28,200	271,291
-	-	-	-
105,000	20,000	25,000	155,000
16,587	6,400	3,200	116,291
121,587	26,400	28,200	271,291
-0-	-0-	-0-	-0-
-	-	-	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2004

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
REVENUES				
Intergovernmental - local	\$ 104,843	\$ 49,883	\$ -	\$ 1,077,459
Interest	-	-	57	57
TOTAL REVENUES	104,843	49,883	57	1,077,516
EXPENDITURES				
Public works	-	-	149,627	149,627
Debt service				
Principal	50,000	25,000	-	730,000
Interest and fiscal charges	54,843	24,883	-	347,459
TOTAL EXPENDITURES	104,843	49,883	149,627	1,227,086
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(149,570)	(149,570)
Fund balances, beginning of year	-	-	149,570	149,570
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Clinton 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 - DEPARTMENT OF PUBLIC WORKS

Year Ended December 31, 2004

Net change in fund balances - total governmental funds **\$ (149,570)**

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

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 retirement	730,000
---------------------------	---------

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

Decrease in accrued interest payable	7,940	
Decrease in lease receivables	<u>(737,940)</u>	
		<u>(730,000)</u>

Change in net assets of governmental activities **\$ (149,570)**

Principals

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

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

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
Clinton County
St. Johns, Michigan

We have audited the basic financial statements of Clinton County as of and for the year ended December 31, 2004, and have issued our report thereon dated March 9, 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 Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2005

Principals

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

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

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

To the Board of Commissioners
of Clinton County
St. Johns, Michigan

We have audited the financial statements of Clinton County, Michigan for the year ended December 31, 2004, and have issued our report thereon dated March 9, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated February 26, 2002, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Clinton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Clinton County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on Clinton County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Clinton County's compliance with those requirements.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Clinton County, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2004. We noted no transactions entered into by Clinton County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Clinton County's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by Clinton County, either individually or in the aggregate, indicate matters that could have a significant effect on Clinton County's financial reporting process.

Disagreements with Management

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

Consultations with Other Independent Accountants

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

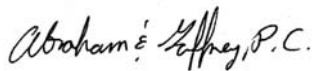
Issues Discussed Prior to Retention of Independent Auditors

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

Difficulties Encountered in Performing the Audit

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

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



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 9, 2005