



# Clinton County, Michigan

## Financial Statements

December 31, 2005

Clinton County, Michigan  
December 31, 2005

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
Phil Hanses	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**

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# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

## INDEPENDENT AUDITORS' REPORT

March 15, 2006

Board of Commissioners  
Clinton County  
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Clinton County, Michigan**, as of and for the year ended December 31, 2005, 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 Road Commission Component Unit, which represents 63.3% and 91.7% respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, is based 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Clinton County, Michigan**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Revenue Sharing Reserve, and Public Improvement governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated March 15, 2006, on our consideration of **Clinton County, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages iii-xi, is not a required part of the basic financial statements but is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Clinton County, Michigan's** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

Ryan L. Wood  
County Administrator

Craig Longnecker  
Deputy Administrator



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## 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, 2005. 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 \$45.2 million (*net assets*). Of this amount, approximately \$18.1 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$6.6 million, or 17.3 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 \$21.1 million, an increase of approximately \$5.3 million or 33.7 percent over the prior year. Of this total, approximately \$12.5 million or 59.3 percent is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*), however, the major portion of this amount (approximately \$8.6 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 \$3.9 million, an amount equal to 19.4 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 \$2,075,000 or 7.9 percent during the current fiscal year.

### 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 25 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, Public Improvement, 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 statement 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	
	2004	2005	2004	2005	2004	2005
<b>Assets</b>						
Current assets	\$26,879,125	\$29,181,700	\$10,793,313	\$11,341,943	\$37,672,438	\$40,523,643
Non-current assets	26,249,246	25,851,056	70,397	56,678	26,319,643	25,907,734
Total assets	53,128,371	55,032,756	10,863,710	11,398,621	63,992,081	66,431,377
<b>Liabilities</b>						
Current	9,937,318	6,684,871	15,437	18,317	9,952,755	6,703,188
Non-current	15,740,016	14,530,751	-	-	15,740,016	14,530,751
Total liabilities	25,677,334	21,215,622	15,437	18,317	25,692,771	21,233,939
<b>Net Assets</b>						
Invested in capital assets- net of related debt	9,884,246	10,226,859	70,397	56,678	9,954,643	10,283,537
Restricted	11,781,775	16,793,446	-	-	11,781,775	16,793,446
Unrestricted	5,785,016	6,796,829	10,777,876	11,323,626	16,562,892	18,120,455
Total net assets	<b>\$27,451,037</b>	<b>\$33,817,134</b>	<b>\$10,848,273</b>	<b>\$11,380,304</b>	<b>\$38,299,310</b>	<b>\$45,197,438</b>

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 \$45.2 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$38.3 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 \$2.7 million of this increase.

The County's net assets include approximately \$10.3 million in 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 \$16.8 million. The remaining balance of unrestricted net assets (\$18.1 million or 40.1 percent) may be used to meet the government's ongoing obligations.

Comparing the amounts reported for 2005 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 December 2005 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 2005 as revenue in the Revenue Sharing Reserve Fund.

Statement of Activities

**Clinton County's Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2004	2005	2004	2005	2004	2005
<b>Revenues</b>						
Program revenue:						
Charges for services	\$6,143,966	\$6,143,524	\$827,217	\$1,171,137	\$6,971,183	\$7,314,661
Operating grants and contributions	2,834,255	3,129,577	-	-	2,834,255	3,129,577
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	13,443,872	15,139,456	-	-	13,443,872	15,139,456
State Revenue Sharing	739,098	186,653	-	-	739,098	186,653
Investment earnings	283,701	597,841	163,354	212,078	447,055	809,919
911 Surcharge	1,471,273	1,312,389	-	-	1,471,273	1,312,389
Miscellaneous	5,665	6,120	-	-	5,665	6,120
Transfers	551,340	331,988	(551,340)	(331,988)	-	-
<b>Total revenues</b>	<b>25,473,170</b>	<b>26,847,548</b>	<b>439,231</b>	<b>1,051,227</b>	<b>25,912,401</b>	<b>27,898,775</b>
<b>Expenses</b>						
General government	9,020,497	9,221,826	-	-	9,020,497	9,211,826
Public safety	6,973,167	7,458,911	-	-	6,973,167	7,458,911
Public works	390,925	399,048	-	-	390,925	399,048
Health and welfare	1,714,360	1,961,119	-	-	1,714,360	1,961,119
Comm and Econ Development	647,608	614,392	-	-	647,608	614,392
Recreation and Culture	21,825	41,612	-	-	21,825	41,612
Other	359,158	349,739	-	-	359,158	349,739
Interest on long-term debt	751,649	711,883	-	-	751,649	711,883
Delinquent tax collection and other Business-type activities			345,164	519,196	345,164	519,196
<b>Total expenses</b>	<b>19,879,189</b>	<b>20,758,530</b>	<b>345,164</b>	<b>519,196</b>	<b>20,224,353</b>	<b>21,277,726</b>
Increase in net assets	5,593,981	6,089,018	94,067	532,031	5,688,048	6,621,049
Net assets, beginning of year	21,671,887	27,451,037	10,754,206	10,848,273	32,426,093	38,299,310
Prior period adjustment	185,169	277,079	-	-	185,169	277,079
<b>Net assets, end of year</b>	<b>\$27,451,037</b>	<b>\$33,817,134</b>	<b>\$10,848,273</b>	<b>\$11,380,304</b>	<b>\$38,299,310</b>	<b>\$45,197,438</b>

The preceding table shows that the net assets of governmental activities increased by approximately \$6.1 million or 22.2 percent during 2005 as compared to approximately \$5.6 million in the prior year. As noted above, the creation of the Revenue Sharing Reserve fund and the shifting of the recognition of property tax revenue explains \$2.7 million of this increase.

## **Business-type Activities**

Net assets of the County's business-type activities increased by approximately \$530,000. Net assets of the Delinquent Tax fund increased by approximately \$230,000 while net assets of the other non-major enterprise funds increased by approximately \$300,000. The increase in net assets of non-major enterprise funds is attributable to the increase in the Building 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. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$21.1 million. This represents an increase of approximately \$5.3 million in comparison with the prior year. However, over half or \$2.7 million of this increase is explained by the second year phase-in of the Revenue Sharing Reserve, which provides an alternative to the elimination of State Revenue Sharing. The majority of the other half consists of funds set aside for capital projects.

Approximately \$12.5 million or 59.3 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. However approximately \$8.6 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 \$5.6 million), or is *designated* to support capital and other projects (approximately \$2.9 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 \$6 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$3.9 million, an amount equal to 19.4 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 \$400,000 during the current fiscal year, and compares favorably with the approximately \$700,000 increase 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 \$6 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 second year of a three year phase-in. The balance in this fund is projected to be exhausted in the year 2013 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 \$18.3 million was revised to \$20.5 million; however, actual expenditures totaled only \$20 million for a net savings of approximately \$500,000 or 2.6 percent under the revised budget. Expenditure savings came from several departments. Most of the expenditure overruns consisted of court legal costs and health services for the jail and were offset by savings in other areas.

Actual revenues came in at \$20.4 million or just under the revised budget. The 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. Additional revenue and expenditure savings allowed for year-end General Fund appropriations totaling \$1.9 million. These appropriations funded capital improvements, debt service and internal service fund requirements.

Appropriations for capital improvements include:

\$1,694,952	Public Improvement Fund for Fairground improvements
<u>\$ 34,634</u>	Telephone Fund for phone system upgrades
\$1,729,586	Total capital items

Appropriations to debt service and internal service funds:

\$ 100,000	Courthouse Debt Fund to achieve target fund balance
<u>\$ 100,000</u>	Retirement Fund to reduce accrued unfunded liability
\$ 200,000	Total other funds
<u>\$1,929,586</u>	Grand Total

## Capital Asset and Debt Administration

**Capital assets.** As of December 31, 2005, the County's investment in capital assets, net of accumulated depreciation, totaled \$25.5 million for its governmental and business type activities, and \$19.1 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 decrease in capital assets for the primary government in the current fiscal year amounted to approximately \$680,000 or 2.6 percent and is due mainly to depreciation.

## Clinton County's Capital Assets

(net of depreciation)

	<u>Primary Government</u>	<u>Drain Commission Component Unit</u>
Land and land improvements	\$ 752,268	\$ -
Buildings and improvements	21,705,246	-
Furniture, fixtures, and equipment	2,586,872	-
Vehicles	431,251	-
Construction in progress	32,900	312,240
Infrastructure	<u>-</u>	<u>18,793,743</u>
Total	<u>\$ 25,508,537</u>	<u>\$ 19,105,983</u>

The 2006 Major Capital Improvements Budget totals \$9.8 million. Even though the County intends to issue 2.2 million in bonds to cover the cost of the new health department not covered by the sale of the old building, the refunding and retirement of existing debt will allow for a net decrease in primary government debt obligations.

Additional information regarding the County's capital assets can be found in Note III. C. of the financial statements.

**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 \$24,165,000. (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

	<u>Primary Government</u>	<u>Drain Commission and DPW Component Units</u>	<u>Total</u>
General obligation bonds	\$ 15,225,000	\$ 8,940,000	\$ 24,165,000

The net decrease in the County's total general obligation bonded debt was \$2,075,000 or 7.9 percent during the current fiscal year.

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 \$401,750 at December 31, 2005 for which it has pledged its full faith and credit. The balance on these notes payable decreased by \$22,750 or .5 percent. The County (primary government) also has accrued compensated absences at December 31, 2005 of \$978,386.

The County's outstanding general obligation debt is well within its current debt limitation of \$275,431,900 (10 percent of total assessed valuation).

Additional information regarding the County's long-term debt can be found in Note III. E. of the financial statements.

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

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

- 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.
- While slowed, growth in new 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 5.0% for 2005, an increase from a rate of 4.5% a year ago. Still, this compares favorably to the state's average unemployment rate of 6.7%, and the national average rate of 5.1%.

Highlights of the 2006 budget are as follows:

Major Capital Improvements totaling \$9.8 million  
Ordinary Capital Improvements totaling \$347,230  
Continuation of the personnel hiring freeze  
General fund contingency of 1.4%

### **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, 2005

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,663,605	\$ 4,796,392	\$ 11,459,997	\$ 4,237,183
Investments	13,355,509	5,418,169	18,773,678	1,475,000
Receivables	8,081,919	1,119,786	9,201,705	903,611
Due from other governmental units	989,660	-	989,660	1,185,956
Internal balances	514	(514)	-	-
Inventory	7,822	8,110	15,932	367,816
Prepaid expenses	82,671	-	82,671	18,153
Current portion of lease receivable	-	-	-	755,469
Total current assets	29,181,700	11,341,943	40,523,643	8,943,188
Noncurrent assets				
Cash - restricted	-	-	-	33,597
Special assessments receivable	-	-	-	3,381,606
Net pension asset	269,197	-	269,197	-
Advance to component unit	130,000	-	130,000	-
Lease receivable	-	-	-	4,855,000
Capital assets, net	25,451,859	56,678	25,508,537	68,429,250
Total noncurrent assets	25,851,056	56,678	25,907,734	76,699,453
TOTAL ASSETS	55,032,756	11,398,621	66,431,377	85,642,641
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	485,380	11,068	496,448	299,293
Accrued liabilities	304,692	7,249	311,941	140,706
Due to other governmental units	-	-	-	97,367
Unearned revenue	4,222,164	-	4,222,164	-
Notes payable	-	-	-	315,000
Current portion of compensated absences	617,635	-	617,635	-
Current portion of long-term debt	1,055,000	-	1,055,000	1,262,750
Total current liabilities	6,684,871	18,317	6,703,188	2,115,116
Noncurrent liabilities				
Advance from primary government	-	-	-	130,000
Advances from State	-	-	-	340,623
Noncurrent portion of compensated absences	360,751	-	360,751	633,164
Noncurrent portion of long-term debt	14,170,000	-	14,170,000	8,094,000
Total noncurrent liabilities	14,530,751	-	14,530,751	9,197,787
TOTAL LIABILITIES	21,215,622	18,317	21,233,939	11,312,903
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	10,226,859	56,678	10,283,537	64,312,500
Restricted for:				
Public safety	1,385,990	-	1,385,990	-
Debt service	3,382,681	-	3,382,681	1,120,343
Revenue sharing	5,954,197	-	5,954,197	-
Public improvement	2,968,417	-	2,968,417	-
Other purposes	3,102,161	-	3,102,161	8,896,895
Unrestricted	6,796,829	11,323,626	18,120,455	-
TOTAL NET ASSETS	\$ 33,817,134	\$ 11,380,304	\$ 45,197,438	\$ 74,329,738

See accompanying notes to financial statements.

Clinton County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

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	\$ 9,221,826	\$ 3,855,713	\$ 1,628,475	\$ -	\$ (3,737,638)	\$ -	\$ (3,737,638)	\$ -
Public safety	7,458,911	1,837,662	723,309	-	(4,897,940)	-	(4,897,940)	-
Public works	399,048	342,694	-	-	(56,354)	-	(56,354)	-
Health and welfare	1,961,119	51,033	487,909	-	(1,422,177)	-	(1,422,177)	-
Community and economic development	614,392	56,422	284,781	-	(273,189)	-	(273,189)	-
Recreation and cultural	41,612	-	5,103	-	(36,509)	-	(36,509)	-
Other	349,739	-	-	-	(349,739)	-	(349,739)	-
Interest on long-term debt	711,883	-	-	-	(711,883)	-	(711,883)	-
Total governmental activities	20,758,530	6,143,524	3,129,577	-	(11,485,429)	-	(11,485,429)	-
Business-type activities:								
Delinquent tax	17,755	370,217	-	-	-	352,462	352,462	-
Other	501,441	800,920	-	-	-	299,479	299,479	-
Total business-type activities	519,196	1,171,137	-	-	-	651,941	651,941	-
Total primary government	<u>\$ 21,277,726</u>	<u>\$ 7,314,661</u>	<u>\$ 3,129,577</u>	<u>\$ -</u>	(11,485,429)	651,941	(10,833,488)	-
Component units:								
Drainage Districts	781,038	143,354	-	705,088	-	-	-	67,404
Department of Public Works	302,232	-	302,232	-	-	-	-	-
Road Commission	11,272,536	1,535,675	6,153,612	5,601,593	-	-	-	2,018,344
Total component units	<u>\$ 12,355,806</u>	<u>\$ 1,679,029</u>	<u>\$ 6,455,844</u>	<u>\$ 6,306,681</u>	-	-	-	2,085,748
General revenues:								
Property taxes					15,139,456	-	15,139,456	-
State shared revenue					186,653	-	186,653	-
Investment earnings					597,841	212,078	809,919	138,241
911 Surcharge					1,312,389	-	1,312,389	-
Gain on equipment disposal					-	-	-	79,579
Loss on infrastructure removal					-	-	-	(107,670)
Miscellaneous					6,120	-	6,120	-
Transfers					331,988	(331,988)	-	-
Total general revenues and transfers					17,574,447	(119,910)	17,454,537	110,150
Change in net assets					6,089,018	532,031	6,621,049	2,195,898
Net assets, beginning of the year					27,451,037	10,848,273	38,299,310	72,133,840
Prior period adjustments					277,079	-	277,079	-
Net assets, end of the year					<u>\$ 33,817,134</u>	<u>\$ 11,380,304</u>	<u>\$ 45,197,438</u>	<u>\$ 74,329,738</u>

See accompanying notes to financial statements.

## **FUND FINANCIAL STATEMENTS**

## Clinton County, Michigan

## GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

	General	Revenue Sharing Reserve	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ 794,423	\$ 3,467,814	\$ 4,262,237
Investments	9,471,923	495,625	-	2,584,135	12,551,683
Receivables				-	
Taxes					
Current	4,058,945	3,734,729	-	-	7,793,674
Delinquent	33,291	-	-	151	33,442
Accounts	11,864	-	-	118,721	130,585
Interest	65,723	4,023	-	26,087	95,833
Due from other funds	18,332	1,719,820	2,164,612	-	3,902,764
Due from other governmental units					
Federal/State	449,084	-	-	293,691	742,775
Local	246,885	-	-	-	246,885
Advance to other funds	164,000	-	-	-	164,000
Advance to component unit	130,000	-	-	-	130,000
<b>TOTAL ASSETS</b>	<b>\$ 14,650,047</b>	<b>\$ 5,954,197</b>	<b>\$ 2,959,035</b>	<b>\$ 6,490,599</b>	<b>\$ 30,053,878</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 181,662	\$ -	\$ 9,440	\$ 150,624	\$ 341,726
Accrued liabilities	146,341	-	-	27,057	173,398
Due to other funds	3,909,747	-	-	10,652	3,920,399
Deferred revenue	4,424,822	-	-	-	4,424,822
Advances from other funds	-	-	-	132,000	132,000
<b>TOTAL LIABILITIES</b>	<b>8,662,572</b>	<b>-</b>	<b>9,440</b>	<b>320,333</b>	<b>8,992,345</b>
<b>FUND BALANCES</b>					
Reserved for:					
Perpetual care	-	-	-	3,850	3,850
Advances to other funds and component unit	294,000	-	-	-	294,000
Planning and economic development	75,000	-	-	-	75,000
Family counseling	15,879	-	-	-	15,879
Sick and vacation pay	978,386	-	-	-	978,386
Employee reclassification	150,000	-	-	-	150,000
Retro pay	150,000	-	-	-	150,000
Debt service	450,000	-	-	3,509,568	3,959,568
Unreserved					
Designated for capital improvement	-	-	2,928,200	18,822	2,947,022
Undesignated, reported in:					
General fund	3,874,210	-	-	-	3,874,210
Special revenue funds	-	5,954,197	21,395	2,638,026	8,613,618
<b>TOTAL FUND BALANCES</b>	<b>5,987,475</b>	<b>5,954,197</b>	<b>2,949,595</b>	<b>6,170,266</b>	<b>21,061,533</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,650,047</b>	<b>\$ 5,954,197</b>	<b>\$ 2,959,035</b>	<b>\$ 6,490,599</b>	<b>\$ 30,053,878</b>

See accompanying notes to financial statements.

Clinton County, Michigan

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

December 31, 2005

**Total fund balance - governmental funds** \$ 21,061,533

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	\$ 31,953,075	
Accumulated depreciation is	<u>(6,501,216)</u>	
Capital assets, net		25,451,859

Other long-term assets are not available to pay for current period expenditures and, therefore, are either deferred or otherwise not recorded in the funds.

Net pension asset		269,197
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Certain revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statements but recognized under full accrual

Deferred revenue on taxes receivable		202,658
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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	4,150,390	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(988,230)</u>	
		3,162,160

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	15,225,000	
Accrued interest payable	126,887	
Compensated absences	<u>978,386</u>	
		<u>(16,330,273)</u>

**Net assets of governmental activities** \$ 33,817,134

See accompanying notes to financial statements.

## Clinton County, Michigan

## Governmental Funds

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

Year Ended December 31, 2005

	General	Revenue Sharing Reserve	Public Improvement	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 11,201,467	\$ 3,734,729	\$ -	\$ -	\$ 14,936,196
Licenses and permits	323,332	-	-	-	323,332
Intergovernmental	2,064,967	-	-	1,091,169	3,156,136
Charges for services	4,347,258	-	-	1,870,419	6,217,677
Fines and forfeits	-	-	-	47,980	47,980
Interest and rents	393,226	60,762	-	117,643	571,631
Other	1,000,573	-	6,903	16,940	1,024,416
<b>TOTAL REVENUES</b>	<b>19,330,823</b>	<b>3,795,491</b>	<b>6,903</b>	<b>3,144,151</b>	<b>26,277,368</b>
<b>EXPENDITURES</b>					
Current					
General government	7,485,619	-	-	921,770	8,407,389
Public safety	5,700,300	-	-	1,222,061	6,922,361
Public works	63,204	-	-	345,953	409,157
Health and welfare	810,953	-	-	1,151,202	1,962,155
Community and economic development	586,908	-	-	-	586,908
Recreation and cultural	35,844	-	-	5,103	40,947
Other	355,154	-	-	-	355,154
Capital outlay	-	-	271,457	-	271,457
Debt service	-	-	-	1,731,284	1,731,284
<b>TOTAL EXPENDITURES</b>	<b>15,037,982</b>	<b>-</b>	<b>271,457</b>	<b>5,377,373</b>	<b>20,686,812</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,292,841</b>	<b>3,795,491</b>	<b>(264,554)</b>	<b>(2,233,222)</b>	<b>5,590,556</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,095,079	-	1,937,882	2,780,550	5,813,511
Transfers out	(4,974,409)	(1,085,079)	(60,000)	(3,576)	(6,123,064)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,879,330)</b>	<b>(1,085,079)</b>	<b>1,877,882</b>	<b>2,776,974</b>	<b>(309,553)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>413,511</b>	<b>2,710,412</b>	<b>1,613,328</b>	<b>543,752</b>	<b>5,281,003</b>
Fund balances, beginning of year	5,486,239	3,243,785	1,336,267	5,626,514	15,692,805
Prior period adjustment	87,725	-	-	-	87,725
Fund balances, end of year	<u>\$ 5,987,475</u>	<u>\$ 5,954,197</u>	<u>\$ 2,949,595</u>	<u>\$ 6,170,266</u>	<u>\$ 21,061,533</u>

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, 2005

**Net change in fund balances - total governmental funds** \$ 5,281,003

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	\$ 760,884	
Depreciation expense	<u>(1,385,953)</u>	
Excess of depreciation expense over capital outlay		(625,069)

Pension contributions are reported as expenditures in governmental funds, but additional contributions increase the net pension asset in the statement of net assets.		79,843
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Revenues in the statement of activities that do not provide current resources are not reported as fund revenues.		202,658
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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	33,243	
Capital assets transactions of Internal Service Funds included in the total above	(364,633)	
Depreciation expense of Internal Service Funds included in the total above	<u>361,141</u>	
		29,751

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		1,010,000
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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	9,401	
Decrease in accrued compensated absences	<u>101,431</u>	
		<u>110,832</u>

**Change in net assets of governmental activities** \$ 6,089,018

See accompanying notes to financial statements.

## Clinton County, Michigan

## General Fund

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 11,148,217	\$ 11,368,217	\$ 11,201,467	\$ (166,750)
Licenses and permits	220,057	320,805	323,332	2,527
Intergovernmental	1,366,382	2,063,302	2,064,967	1,665
Charges for services	3,431,490	4,317,596	4,347,258	29,662
Interest and rents	260,000	360,000	393,226	33,226
Other	953,335	978,321	1,000,573	22,252
<b>TOTAL REVENUES</b>	<b>17,379,481</b>	<b>19,408,241</b>	<b>19,330,823</b>	<b>(77,418)</b>
<b>EXPENDITURES</b>				
Current				
General government	7,881,834	7,879,984	7,485,619	394,365
Public safety	5,302,937	5,771,250	5,700,300	70,950
Public works	77,059	67,318	63,204	4,114
Health and welfare	763,185	814,245	810,953	3,292
Community and economic development	594,565	600,907	586,908	13,999
Recreation and cultural	42,841	42,841	35,844	6,997
Other	594,637	395,025	355,154	39,871
<b>TOTAL EXPENDITURES</b>	<b>15,257,058</b>	<b>15,571,570</b>	<b>15,037,982</b>	<b>533,588</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,122,423</b>	<b>3,836,671</b>	<b>4,292,841</b>	<b>456,170</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	912,400	1,137,738	1,095,079	(42,659)
Transfers out	(3,034,823)	(4,974,409)	(4,974,409)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,122,423)</b>	<b>(3,836,671)</b>	<b>(3,879,330)</b>	<b>(42,659)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>413,511</b>	<b>413,511</b>
Fund balances, beginning of year	5,486,239	5,486,239	5,486,239	-
Prior period adjustment	87,725	87,725	87,725	-
Fund balances, end of year	<b>\$ 5,573,964</b>	<b>\$ 5,573,964</b>	<b>\$ 5,987,475</b>	<b>\$ 413,511</b>

See accompanying notes to financial statements.



Clinton County, Michigan

Revenue Sharing Reserve Fund

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

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 900,000	\$ 3,734,729	\$ 3,734,729	\$ -
Interest	-	-	60,762	60,762
TOTAL REVENUES	900,000	3,734,729	3,795,491	60,762
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	900,000	3,734,729	3,795,491	60,762
OTHER FINANCING USES				
Transfer in	-	(2,649,650)	-	2,649,650
Transfer out	(900,000)	(1,085,079)	(1,085,079)	-
TOTAL OTHER FINANCING SOURCES (USES)	(900,000)	(3,734,729)	(1,085,079)	2,649,650
NET CHANGE IN FUND BALANCE	-	-	2,710,412	2,710,412
Fund balance, beginning of year	3,243,785	3,243,785	3,243,785	-
Fund balance, end of year	\$ 3,243,785	\$ 3,243,785	\$ 5,954,197	\$ 2,710,412

See accompanying notes to financial statements.

Clinton County, Michigan

Public Improvement Fund

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

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Other	\$ -	\$ -	\$ 6,903	\$ 6,903
EXPENDITURES				
Capital outlay	105,070	385,025	271,457	113,568
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(105,070)	(385,025)	(264,554)	120,471
OTHER FINANCING USES				
Transfer in	115,070	445,025	1,937,882	1,492,857
Transfer out	(10,000)	(60,000)	(60,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	105,070	385,025	1,877,882	1,492,857
NET CHANGE IN FUND BALANCE	-	-	1,613,328	1,613,328
Fund balance, beginning of year	1,336,267	1,336,267	1,336,267	-
Fund balance, end of year	<u>\$ 1,336,267</u>	<u>\$ 1,336,267</u>	<u>\$ 2,949,595</u>	<u>\$ 1,613,328</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 4,328,483	\$ 467,909	\$ 4,796,392	\$ 2,401,368
Investments	5,418,169	-	5,418,169	803,826
Accounts receivable	680	2,147	2,827	20,516
Interest receivable	55,886	-	55,886	7,869
Delinquent taxes receivable	1,061,073	-	1,061,073	-
Inventory	-	8,110	8,110	7,822
Prepaid expenses	-	-	-	82,671
Due from other funds	-	-	-	30,609
Total current assets	10,864,291	478,166	11,342,457	3,354,681
Noncurrent assets				
Advances to other funds	-	-	-	3,000
Capital assets, net	5,400	51,278	56,678	988,230
Total noncurrent assets	5,400	51,278	56,678	991,230
<b>TOTAL ASSETS</b>	<b>10,869,691</b>	<b>529,444</b>	<b>11,399,135</b>	<b>4,345,911</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	3,424	7,644	11,068	143,654
Accrued liabilities	396	6,853	7,249	4,407
Advances from other funds	-	-	-	35,000
Due to other funds	-	514	514	12,460
<b>TOTAL LIABILITIES</b>	<b>3,820</b>	<b>15,011</b>	<b>18,831</b>	<b>195,521</b>
<b>NET ASSETS</b>				
Invested in capital assets	5,400	51,278	56,678	988,230
Restricted for employee benefits	-	-	-	1,830,396
Unrestricted	10,860,471	463,155	11,323,626	1,331,764
<b>TOTAL NET ASSETS</b>	<b>\$ 10,865,871</b>	<b>\$ 514,433</b>	<b>\$ 11,380,304</b>	<b>\$ 4,150,390</b>

See accompanying notes to financial statements.

## Clinton County, Michigan

## Proprietary Funds

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

Year Ended December 31, 2005

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 370,217	\$ -	\$ 370,217	\$ -
Charges for services	-	677,788	677,788	2,949,603
Sales	-	108,315	108,315	-
Rent	-	13,552	13,552	-
Other	-	1,265	1,265	184,044
<b>TOTAL OPERATING REVENUES</b>	<b>370,217</b>	<b>800,920</b>	<b>1,171,137</b>	<b>3,133,647</b>
OPERATING EXPENSES				
Personal services and fringes	-	195,734	195,734	3,071,084
Supplies	6,807	133,507	140,314	70,054
Contracted services	3,600	95,424	99,024	57,446
Depreciation	900	12,819	13,719	361,141
Other	6,448	63,957	70,405	195,817
<b>TOTAL OPERATING EXPENSES</b>	<b>17,755</b>	<b>501,441</b>	<b>519,196</b>	<b>3,755,542</b>
<b>OPERATING INCOME (LOSS)</b>	<b>352,462</b>	<b>299,479</b>	<b>651,941</b>	<b>(621,895)</b>
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	413,327	-	413,327	37,151
Loss on sale of capital assets	-	-	-	(23,554)
Net decrease in fair value of investments	(201,249)	-	(201,249)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>212,078</b>	<b>-</b>	<b>212,078</b>	<b>13,597</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>564,540</b>	<b>299,479</b>	<b>864,019</b>	<b>(608,298)</b>
TRANSFERS				
Transfers in	-	2,125	2,125	641,541
Transfers out	(334,113)	-	(334,113)	-
<b>TOTAL TRANSFERS</b>	<b>(334,113)</b>	<b>2,125</b>	<b>(331,988)</b>	<b>641,541</b>
<b>CHANGE IN NET ASSETS</b>	<b>230,427</b>	<b>301,604</b>	<b>532,031</b>	<b>33,243</b>
Net assets, beginning of year	10,635,444	212,829	10,848,273	4,117,147
Net assets, end of year	<u>\$ 10,865,871</u>	<u>\$ 514,433</u>	<u>\$ 11,380,304</u>	<u>\$ 4,150,390</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 381,354	\$ 800,279	\$ 1,181,633	\$ 3,135,228
Cash paid to suppliers	(16,907)	(486,766)	(503,673)	(344,286)
Cash paid for employee benefits	-	-	-	(3,071,084)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>364,447</u>	<u>313,513</u>	<u>677,960</u>	<u>(280,142)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	-	-	-	18,764
Capital purchases	-	-	-	(364,633)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(345,869)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	2,125	2,125	641,541
Transfers out	(334,113)	-	(334,113)	-
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>(334,113)</u>	<u>2,125</u>	<u>(331,988)</u>	<u>641,541</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(5,418,169)	-	(5,418,169)	(803,826)
Maturity of investments	3,999,301	-	3,999,301	939,266
Interest revenue	413,327	-	413,327	37,151
Net decrease in fair value of investments	(201,249)	-	(201,249)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>(1,206,790)</u>	<u>-</u>	<u>(1,206,790)</u>	<u>172,591</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(1,176,456)</u>	<u>315,638</u>	<u>(860,818)</u>	<u>188,121</u>
Cash and cash equivalents, beginning of year	<u>5,504,939</u>	<u>152,271</u>	<u>5,657,210</u>	<u>2,213,247</u>
Cash and cash equivalents, end of year	<u>\$ 4,328,483</u>	<u>\$ 467,909</u>	<u>\$ 4,796,392</u>	<u>\$ 2,401,368</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

	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)	\$ 352,462	\$ 299,479	\$ 651,941	\$ (621,895)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	900	12,819	13,719	361,141
(Increase) in receivables	11,137	(770)	10,367	5,637
(Increase) in prepaid expenses	-	-	-	(333)
Decrease in due from other funds	-	-	-	(3,723)
(Increase) decrease in inventory	-	(1,077)	(1,077)	7,802
Increase (decrease) in accounts payable	(12)	2,011	1,999	(16,404)
Increase (decrease) in due to other funds	-	129	129	(8,929)
Increase (decrease) in accrued liabilities	(40)	922	882	(3,438)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 364,447</b>	<b>\$ 313,513</b>	<b>\$ 677,960</b>	<b>\$ (280,142)</b>

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Post- Employment Healthcare	Agency Funds
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 69,994	\$ 867,576
Investments	2,364,082	-
	<u>2,434,076</u>	<u>\$ 867,576</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Undistributed collections payable	-	\$ 122,217
Due to other governmental units		
Federal/State	-	226,831
Local	-	239,920
Due to individuals and agencies	-	278,608
	<u>-</u>	<u>\$ 867,576</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Restricted for trust activities	<u>\$ 2,434,076</u>	

See accompanying notes to financial statements.

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2005

	<u>Post- Employment Healthcare</u>
ADDITIONS	
Contributions	\$ 323,789
Interest	230,776
Net decrease in fair value of investments	<u>(111,237)</u>
TOTAL ADDITIONS	443,328
DEDUCTIONS	
Retiree benefits	<u>293,081</u>
TOTAL CHANGE IN NET ASSETS	150,247
Net assets, beginning of year	<u>2,283,829</u>
Net assets, end of year	<u><u>\$ 2,434,076</u></u>

See accompanying notes to financial statements.



## Clinton County, Michigan

## Component Units

## STATEMENT OF NET ASSETS

December 31, 2005

	Drainage Districts	Department of Public Works	Road Commission	Total Component Units
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 922,317	\$ -	\$ 3,314,866	\$ 4,237,183
Investments	1,475,000	-	-	1,475,000
Accrued interest receivable	9,590	-	-	9,590
Accounts receivable	15,313	-	18,933	34,246
Due from other governmental units	-	-	1,185,956	1,185,956
Special assessments receivable	859,775	-	-	859,775
Inventory	-	-	367,816	367,816
Prepaid expense	-	-	18,153	18,153
Current portion of lease receivable	-	755,469	-	755,469
Total current assets	3,281,995	755,469	4,905,724	8,943,188
Noncurrent assets				
Cash - restricted	33,597	-	-	33,597
Special assessments receivable	3,381,606	-	-	3,381,606
Lease receivable	-	4,855,000	-	4,855,000
Capital assets, net	19,105,983	-	49,323,267	68,429,250
Total noncurrent assets	22,521,186	4,855,000	49,323,267	76,699,453
<b>TOTAL ASSETS</b>	<b>25,803,181</b>	<b>5,610,469</b>	<b>54,228,991</b>	<b>85,642,641</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	48,397	-	250,896	299,293
Accrued liabilities	17,516	-	54,173	71,689
Accrued interest payable	13,548	55,469	-	69,017
Due to other governmental units	-	-	97,367	97,367
Notes payable	315,000	-	-	315,000
Current portion of long-term debt	555,250	700,000	7,500	1,262,750
Total current liabilities	949,711	755,469	409,936	2,115,116
Noncurrent liabilities				
Advances from primary government	130,000	-	-	130,000
Advances from State	-	-	340,623	340,623
Noncurrent portion of compensated absences	-	-	633,164	633,164
Noncurrent portion of long-term debt	3,231,500	4,855,000	7,500	8,094,000
Total noncurrent liabilities	3,361,500	4,855,000	981,287	9,197,787
<b>TOTAL LIABILITIES</b>	<b>4,311,211</b>	<b>5,610,469</b>	<b>1,391,223</b>	<b>11,312,903</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	15,004,233	-	49,308,267	64,312,500
Restricted for:				
Other purposes	5,367,394	-	3,529,501	8,896,895
Debt service	1,120,343	-	-	1,120,343
<b>TOTAL NET ASSETS</b>	<b>\$ 21,491,970</b>	<b>\$ -</b>	<b>\$ 52,837,768</b>	<b>\$ 74,329,738</b>

See accompanying notes to financial statements.

Clinton County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

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	\$ 781,038	\$ 143,354	\$ -	\$ 705,088	\$ 67,404
Department of Public Works	302,232	-	302,232	-	-
Road Commission	11,272,536	1,535,675	6,153,612	5,601,593	2,018,344
<b>TOTALS</b>	<b>\$12,355,806</b>	<b>\$ 1,679,029</b>	<b>\$ 6,455,844</b>	<b>\$ 6,306,681</b>	<b>\$ 2,085,748</b>

	Component Units			
	Drainage Districts	Department of Public Works	Road Commission	Total
Changes in net assets				
Net (expense) revenue	\$ 67,404	\$ -	\$ 2,018,344	\$ 2,085,748
General revenues				
Investment earnings	60,627	-	77,614	138,241
Gain on equipment disposal	-	-	79,579	79,579
Loss on infrastructure removal	-	-	(107,670)	(107,670)
Total general revenues	60,627	-	49,523	110,150
Change in net assets	128,031	-	2,067,867	2,195,898
Net assets, beginning of year	21,363,939	-	50,769,901	72,133,840
Net assets, end of year	\$21,491,970	\$ -	\$ 52,837,768	\$ 74,329,738

See accompanying notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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### I. 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 68,800 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.

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.

#### A. 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 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.

#### **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.

#### **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, license plate fees 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. In addition, the Road Commission 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.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

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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.

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 each year on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance or establishment 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 the existence and operation of a drain. 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.

**Joint Venture**

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 36% of the required local contribution to cover operational costs. For the year ended December 31, 2005, the County contributed \$380,431 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, 2005, are available at the Department's administrative offices. As of December 31, 2005, the Department had total net assets of \$1,110,247.

**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.

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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 an equal share of the total annual budget. For the year ended December 31, 2005, the County's contribution to the Commission was \$57,142.

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, 2005, the County's contribution to the Commission was \$34,776.

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, 2005, the County's contribution to the Commission was \$212,306.

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 10%). For the year ended December 31, 2005, the County passed through \$73,088 and was not required to make any additional appropriation.

### **B. 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.

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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.

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.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental and fiduciary fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or within one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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The major funds of the County are:

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.

The *revenue sharing reserve fund* was established in 2004 to account for the shift of State Revenue Sharing dollars from State to local funding.

The *public improvement fund* accounts for the collection and distribution of monies earmarked for various public improvement projects.

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.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY**

**1. 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. The County restricted cash is for Drain capital improvements projects.

**2. 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.



# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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### 3. 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.

### 4. INVENTORY

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.

### 5. 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.

### 6. ADVANCES

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.

### 7. 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.

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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 2005, 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 after 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

### 8. 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 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.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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**9. 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.

**10. 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, 2005, including related payroll taxes, are recorded in the government-wide financial statements.

**11. DEFERRED REVENUE**

Deferred revenue recorded in the General Fund consists of the 2005 tax levy that was levied in 2005 and will be collected in 2006 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.

**12. 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.

**13. 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.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. 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:

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

- 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.

During the year ended December 31, 2005, the County incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated as follows:

	<u>Appropriations</u>	<u>Actual</u>	<u>Variance</u>
<b>SPECIAL REVENUE FUNDS:</b>			
Corrections Training			
Public safety	\$ -	\$ 2,477	\$ 2,477
Drug Forfeiture			
Public safety	23,000	23,121	121

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS 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 and portions of the Component Unit 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 and Component Units.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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A reconciliation of cash, pooled investments and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

	<b><u>Carrying Amount</u></b>
Government-wide Financial Statement Captions:	
Primary Government:	
Cash	\$ 11,459,997
Investments	18,773,678
Component Units:	
Cash	4,237,183
Cash-Restricted	33,597
Investments	1,475,000
Fiduciary Fund Financial Statement Captions:	
Cash	937,570
Investments	<u>2,364,082</u>
 Total	 <u>\$ 39,281,107</u>
 Deposits and Investments:	
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 24,915,441
Investments:	
U.S. agencies	7,030,061
Commercial paper	453,166
Investment funds	2,703,203
Corporate bonds	110,470
Money market accounts	4,065,966
Cash on hand	<u>2,800</u>
 Total	 <u>\$ 39,281,107</u>

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

	<u>Investment Maturities (In Years)</u>					<u>Credit Rating Range</u>	
	Fair Value	Less Than 1	1-5	6-10	More Than 10	Standard & Poors	Moody's Investor's Services
U.S. Agencies	\$ 7,030,061	\$ 3,071,668	\$ 3,958,393	\$ -	\$ -	AAA	Aaa
Corporate bonds	110,470	-	10,192	100,278	-	-	A1-AA3
Commercial paper	453,166	453,166	-	-	-	A-1	P-1
	<u>\$ 7,593,697</u>	<u>\$ 3,524,834</u>	<u>\$ 3,968,585</u>	<u>\$ 100,278</u>	<u>\$ -</u>		

The County's investments include investment funds, which are not rated. These funds include equity and bond funds invested with Fifth Third Bank for the Post Retirement Healthcare Trust and investment in an MBIA-Class investment fund as part of the pooled investments.

***Statutory Authority***

State statutes authorize the County to invest in:

- a. Bond, securities, other direct obligations and repurchase agreements 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 qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The County's investment policy allows for all of these types of investments.

At December 31, 2005, the County held three investments that did not conform to the investment guidelines set forth by the State of Michigan. These investments have been subsequently sold.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**Investment and deposit risk**

*Interest Rate Risk.* State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year end.

*Credit Risk.* State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment type are identified above for investments held at year end.

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end \$22,762,727 of the County's bank balance of \$24,962,727 was exposed to custodial credit risk because it was uninsured and uncollateralized.

*Custodial Credit Risk – Investments.* For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. However, the County's investment policy states the County Treasurer shall diversify his/her investments by institution, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. Of the above money market investments the County has a custodial credit risk exposure of \$3,810,833 because the related securities are uninsured, unregistered and held by the government's brokerage firm which is also the counterparty for these particular securities.

*Concentration of Credit Risk.* State law limits allowable investments but does not limit concentration of credit risk as identified above. The County's investment policy states that the County Treasurer shall diversify his/her investments by security type, in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. All investments held at year end are reported above.

**B. RECEIVABLES**

Receivables in the primary government and component units are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Component Units</u>
Taxes	\$ 7,827,116	\$ 1,061,073	\$ -
Special assessments, current	-	-	859,775
Accounts	151,101	2,827	34,246
Interest	<u>103,702</u>	<u>55,886</u>	<u>9,590</u>
Total	<u>\$ 8,081,919</u>	<u>\$ 1,119,786</u>	<u>\$ 903,611</u>

**Clinton County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	<u>\$ 202,658</u>	<u>\$ 4,222,164</u>

**C. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land and improvements	\$ 725,719	\$ 26,549	\$ -	\$ 752,268
Construction in progress	<u>1,302,655</u>	<u>32,900</u>	<u>(1,302,655)</u>	<u>32,900</u>
Total capital assets not being depreciated	<u>2,028,374</u>	<u>59,449</u>	<u>(1,302,655)</u>	<u>785,168</u>
Capital assets being depreciated:				
Buildings and improvements	23,895,381	1,317,609	-	25,212,990
Furniture, fixtures and equipment	4,848,091	520,587	(330,156)	5,038,522
Vehicles	<u>928,423</u>	<u>165,894</u>	<u>(177,922)</u>	<u>916,395</u>
Total capital assets being depreciated	<u>29,671,895</u>	<u>2,004,090</u>	<u>(508,078)</u>	<u>31,167,907</u>
Less accumulated depreciation				
Buildings and improvements	(2,909,059)	(598,685)	-	(3,507,744)
Furniture, fixtures and equipment	(2,214,142)	(606,834)	330,156	(2,490,820)
Vehicles	<u>(457,822)</u>	<u>(180,434)</u>	<u>135,604</u>	<u>(502,652)</u>
Total accumulated depreciation	<u>(5,581,023)</u>	<u>(1,385,953)</u>	<u>465,760</u>	<u>(6,501,216)</u>
Total capital assets being depreciated, net	<u>24,090,872</u>	<u>618,137</u>	<u>(42,318)</u>	<u>24,666,691</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 26,119,246</u>	<u>\$ 677,586</u>	<u>\$(1,344,973)</u>	<u>\$ 25,451,859</u>



**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

<b>Business-type activities</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets being depreciated:				
Furniture, fixtures and equipment	42,770	-	-	42,770
Vehicles	<u>30,327</u>	<u>-</u>	<u>-</u>	<u>30,327</u>
Total capital assets being depreciated	<u>73,097</u>	<u>-</u>	<u>-</u>	<u>73,097</u>
Less accumulated depreciation				
Furniture, fixtures and equipment	(2,700)	(900)	-	(3,600)
Vehicles	<u>-</u>	<u>(12,819)</u>	<u>-</u>	<u>(12,819)</u>
Total accumulated depreciation	<u>(2,700)</u>	<u>(13,719)</u>	<u>-</u>	<u>(16,419)</u>
Total capital assets being depreciated, net	<u>70,397</u>	<u>(13,719)</u>	<u>-</u>	<u>56,678</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 70,397</u>	<u>\$ (13,719)</u>	<u>\$ -</u>	<u>\$ 56,678</u>

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

<b>Governmental activities:</b>	
General government	\$ 580,984
Public safety	442,078
Health and welfare	1,750
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>361,141</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 1,385,953</u></b>
<b>Business-type activities:</b>	
Delinquent tax revolving	\$ 900
Building department	<u>12,819</u>
<b>Total depreciation expense – business-type activities</b>	<b><u>\$ 13,719</u></b>

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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**Discretely presented component units**

Activity for the Drainage Districts for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Drainage Districts</b>				
Capital assets not being depreciated:				
Construction in progress	\$ 78,274	\$ 233,966	\$ -	\$ 312,240
Capital assets being depreciated:				
Infrastructure	21,002,991	291,830	-	21,294,821
Less accumulated depreciation				
Infrastructure	<u>(2,228,039)</u>	<u>(273,039)</u>	<u>-</u>	<u>(2,501,078)</u>
Total capital assets being depreciated, net	<u>18,774,952</u>	<u>18,791</u>	<u>-</u>	<u>18,793,743</u>
<b>Drainage Districts capital assets, net</b>	<u>\$ 18,853,226</u>	<u>\$ 252,757</u>	<u>\$ -</u>	<u>\$ 19,105,983</u>

**Clinton County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

Activity for the Road Commission for the year ended December 31, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Road Commission</b>				
Capital assets not being depreciated:				
Land	\$ 283,750	\$ -	\$ -	\$ 283,750
Infrastructure				
land/right-of-way	582,825	232,727	-	815,552
land improvements	<u>4,188,540</u>	<u>795,594</u>	-	<u>4,984,134</u>
Total capital assets not being depreciated	<u>5,055,115</u>	<u>1,028,321</u>	-	<u>6,083,436</u>
Capital assets being depreciated:				
Buildings	1,735,798	-	-	1,735,798
Road equipment	5,240,216	556,394	(389,805)	5,406,805
Shop equipment	69,165	3,395	-	72,560
Office equipment	105,512	9,050	(9,900)	104,662
Engineer's equipment	22,684	-	-	22,684
Yard equipment	10,207	-	-	10,207
Depletable assets	63,115	-	-	63,115
Infrastructure – bridges	23,512,935	33,063	-	23,545,998
Infrastructure – roads	44,517,172	4,122,341	(2,443,456)	46,196,057
Infrastructure – signals	<u>64,532</u>	<u>165,120</u>	-	<u>229,652</u>
Total capital assets being depreciated	<u>75,341,336</u>	<u>4,889,363</u>	<u>(2,843,161)</u>	<u>77,387,538</u>
Less accumulated depreciation				
Buildings	(826,666)	(44,986)	-	(871,652)
Road equipment	(3,883,299)	(572,859)	383,850	(4,072,308)
Shop equipment	(44,815)	(3,891)	-	(48,706)
Office equipment	(70,112)	(16,181)	7,977	(78,316)
Engineer's equipment	(18,845)	(691)	-	(19,536)
Yard equipment	(766)	(1,021)	-	(1,787)
Reserve for depletable assets	(40,473)	-	-	(40,473)
Infrastructure – bridges	(10,997,849)	(466,252)	-	(11,464,101)
Infrastructure – roads	(16,741,597)	(3,136,763)	2,335,785	(17,542,575)
Infrastructure – signals	<u>(7,940)</u>	<u>(313)</u>	-	<u>(8,253)</u>
Total accumulated depreciation	<u>(32,632,362)</u>	<u>(4,242,957)</u>	<u>2,727,612</u>	<u>(34,147,707)</u>
Total capital assets being depreciated, net	<u>42,708,974</u>	<u>646,406</u>	<u>(115,549)</u>	<u>43,239,831</u>
<b>Road Commission capital assets, net</b>	<u>\$ 47,764,089</u>	<u>\$1,674,727</u>	<u>\$ (115,549)</u>	<u>\$ 49,323,267</u>

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**D. INTERFUND RECEIVABLES, PAYABLES AND 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.

Interfund receivables and payables as of December 31, 2005 are as follows:

Due to:	Due from:				Total
	General	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ 6,500	\$ -	\$ 11,832	\$ 18,332
Revenue Sharing Reserve	1,719,820	-	-	-	1,719,820
Public Improvement	2,164,612	-	-	-	2,164,612
Internal Service	<u>25,315</u>	<u>4,152</u>	<u>514</u>	<u>628</u>	<u>30,609</u>
<b>Total</b>	<b><u>\$ 3,909,747</u></b>	<b><u>\$ 10,652</u></b>	<b><u>\$ 514</u></b>	<b><u>\$ 12,460</u></b>	<b><u>\$ 3,933,373</u></b>

Interfund receivables and payables are primarily for short-term financing of certain operations.

Long-term advances as of December 31, 2005 are as follows:

Advance from General Fund to:	
Nonmajor governmental funds	\$ 129,000
Internal service funds	35,000
Component unit - Drainage Districts	<u>130,000</u>
	<u>\$ 294,000</u>
Advance from internal service funds to:	
Nonmajor governmental funds	<u>\$ 3,000</u>

The advances from the General Fund to Drainage Districts were for working capital and the remaining advances are to finance operations.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Interfund transfers as of December 31, 2005 are as follows:

Transfer to:	Transfer From:					Total
	General	Revenue Sharing Reserve	Public Improvement	Nonmajor Governmental	Delinquent Tax	
General	\$ -	\$1,085,079	\$ 10,000	\$ -	\$ -	\$ 1,095,079
Public Improvement	1,937,882	-	-	-	-	1,937,882
Nonmajor Governmental	2,392,861	-	50,000	3,576	334,113	2,780,550
Nonmajor Enterprise Internal Service	2,125	-	-	-	-	2,125
	641,541	-	-	-	-	641,541
<b>Total</b>	<b><u>\$ 4,974,409</u></b>	<b><u>\$1,085,079</u></b>	<b><u>\$ 60,000</u></b>	<b><u>\$ 3,576</u></b>	<b><u>\$ 334,113</u></b>	<b><u>\$ 6,457,177</u></b>

Interfund transfers include transfer of unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds, in accordance with budgetary authorizations; and, transfer of revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. In addition, the Revenue Sharing Reserve Fund has transferred the allowable spending amount specified by the State for the State revenue sharing fund in compliance with Public Act 357 of 2004.

**Clinton County, Michigan**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

**E. LONG-TERM DEBT**

**Changes in 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, 2005:

	<b>Balance January 1, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31, 2005</b>	<b>Due Within One Year</b>
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Direct county obligations	\$ 16,235,000	\$ -	\$(1,010,000)	\$ 15,225,000	\$ 1,055,000
Accrued compensated absences	<u>1,079,817</u>	<u>400,212</u>	<u>(501,643)</u>	<u>978,386</u>	<u>617,635</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>17,314,817</u>	<u>400,212</u>	<u>(1,511,643)</u>	<u>16,203,386</u>	<u>1,672,635</u>
<b>COMPONENT UNITS</b>					
Department of Public Works:					
Water and sewer bonds	6,210,000	-	(655,000)	5,555,000	700,000
Drainage Districts:					
Drain bonds and notes	4,219,500	200,700	(633,450)	3,786,750	555,250
Road Commission:					
Installment purchase contract	22,500	-	(7,500)	15,000	7,500
Accrued employee benefits	<u>589,155</u>	<u>44,009</u>	<u>-</u>	<u>633,164</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS</b>	<u>11,041,155</u>	<u>244,709</u>	<u>(1,295,950)</u>	<u>9,989,914</u>	<u>1,262,750</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 28,355,972</u>	<u>\$ 644,921</u>	<u>\$(2,807,593)</u>	<u>\$ 26,193,300</u>	<u>\$ 2,890,385</u>

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.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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Bonds payable at December 31, 2005, are as follows:

\$4,035,000 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.	\$ 1,075,000
\$415,000 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.	2,255,000
\$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>11,480,000</u>
Total Direct County Obligations	<u>\$ 15,225,000</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 \$378,038 and \$600,348 for vacation and sick, respectively, at December 31, 2005. Of the \$978,386 total liability, \$617,635 has been reported as a current liability and \$360,751 has been reported as a noncurrent liability.

For the governmental activities, compensated absences are generally liquidated by the general fund and certain special revenue funds.

**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 \$154,241, \$349,429, and \$129,494 for vacation, sick and longevity, respectively, at December 31, 2005. This amount, \$633,164, has been reported as a noncurrent liability.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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. \$ 15,000

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, 2005, 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.	\$ 1,075,000
\$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.	200,000
\$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.	100,000
\$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.	300,000
\$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.	40,000
\$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.	115,000
\$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.	125,000



**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

COMPONENT UNIT – DEPARTMENT OF PUBLIC WORKS – CONTINUED

Indirect County Obligations - Water and Sewer Bonds

\$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.	2,230,000
\$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.	895,000
\$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>475,000</u>
Total Indirect County Obligations - Water and Sewer Bonds	<u>\$ 5,555,000</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, 2005, bonds due and payable May 1, 2002 through May 1, 2014 for the Clinton County Water Project Bonds - Bath Township in the amount of \$585,000 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. The Edwards Drain Bond was issued jointly with Eaton County, with Clinton County acting as the treasurer of the project. Clinton County is reimbursed by Eaton County for 23% of the annual debt service requirements.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

Indirect County Obligations – Drain Bonds and Notes – continued

Bonds and notes payable and amounts due to other local governments at December 31, 2005, 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.	\$ 1,050,000
\$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.	700,000
\$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.	705,000
\$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.	930,000
Various drain notes due in various annual installments and interest rates through 2008.	<u>401,750</u>
<b>Total Indirect County Obligations – Drain Bonds and Notes</b>	<b><u>\$ 3,786,750</u></b>

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

**Primary Government**

Direct County Obligations

Year Ending December 31,	Principal	Interest
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	870,000	476,260
2011-2015	5,035,000	1,751,195
2016-2020	<u>4,730,000</u>	<u>461,151</u>
<b>Total</b>	<b><u>\$ 15,225,000</u></b>	<b><u>\$ 5,121,152</u></b>

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**Component Units**

Road Commission Installment Purchase Contract				
Year	Principal	Interest		
2006	\$ 7,500	\$ 1,200		
2007	7,500	600		
Total	\$ 15,000	\$ 1,800		

  

Indirect County Obligations				
Year Ending December 31,	Department of Public Works Water and Sewer Bonds		Drainage Districts Drain Bonds and Notes	
	Principal	Interest	Principal	Interest
2006	\$ 700,000	\$ 269,560	\$ 555,250	\$ 135,968
2007	585,000	234,813	498,700	121,341
2008	425,000	207,928	441,800	103,601
2009	425,000	187,068	432,000	86,896
2010	425,000	165,935	437,000	69,812
2011-2015	1,890,000	516,260	1,105,000	151,863
2016-2020	1,105,000	124,835	317,000	28,432
Total	\$ 5,555,000	\$ 1,706,398	\$ 3,786,750	\$ 697,911

**F. SHORT-TERM DEBT**

During the year ended December 31, 2005, the County issued \$480,000 of short-term drain notes and repaid \$414,300 in short-term drain notes. The notes are used for the purpose of constructing and repairing drains within the County.

	Balance Jan. 1, 2005	Additions	Deletions	Balance Dec. 31, 2005
Short-term drain notes	\$ 249,300	\$ 480,000	\$ 414,300	\$ 315,000

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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**IV. OTHER INFORMATION**

**A: 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 and part-time County employees who work 20 hours or more per week are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

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

Normal Retirement:

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.

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2005**

Funding Policy

The County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 7.63% to 14.25% 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 and Net Pension Obligation

The County's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ 1,208,618
Less: Interest on net pension asset	(15,148)
Plus: Adjustment to annual required contribution	<u>35,306</u>
Annual pension cost	1,228,776
Contributions made	<u>1,308,618</u>
(Increase) in net pension asset	(79,842)
Net pension (asset), beginning of year	<u>(189,354)</u>
Net pension (asset), end of year	<u>\$ (269,197)</u>

The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2003, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 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.

Three Year Trend Information for GASB Statement No. 27

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2003	\$ 856,994	112%	\$ 100,000
2004	1,131,007	108%	189,354
2005	1,228,776	106%	269,197

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/02	\$22,451,644	\$ 17,518,680	\$4,932,964	78%	\$6,907,625	71%
12/31/03	25,849,644	19,128,275	6,721,369	74%	7,364,139	91%
12/31/04	28,426,707	20,754,444	7,672,263	73%	8,076,746	95%

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, nonduty-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 5-year averaging for office and road union and 3-year averaging for administrative, with a maximum benefit of 80% of the FAC. Administrative retirees have a benefit 'E' plan allowing for a 2% annual increase. The most recent period for which actuarial data was available was for the year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851; MCL 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.

#### Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. Based on the 2002 actuarial valuation, the 2004 rate for general-union/AFLCIO, administrative salary and administrative hourly employees was 6.88%, 10.91% and 8.35%, respectively, of annual compensation. For 2005, the actuarial valuation was based on the 2003 rate for general union/AFLCIO, administrative salary and administrative hourly employees which was 7.55%, 12.40% and 7.43%, respectively, of annual compensation. Each member is required to contribute 3% of his or her annual compensation and 3% was paid by the employees for both years.

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

### Annual Pension Cost

During the year ended December 31, 2005, the Road Commission's contributions totaled \$224,418 and the employee contributions totaled \$74,327, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003 and 3% employee share. The Road Commission was required to contribute \$216,096 based upon the 2003 actuarial report. 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.

Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

### Three Year Trend Information for GASB Statement No. 27

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2002	\$ 208,823	100%	\$ 0
2003	254,222	100%	0
2004	275,439	100%	0

### Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/04	9,824,701	11,443,164	1,618,463	86%	2,411,623	67%

## Clinton County, Michigan

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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#### **B. 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 PEBSO. 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.

#### **C. 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.

#### **D. 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 full-time employees with the exception of elected officials. 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.



# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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:

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

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that 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.

## Clinton County, Michigan

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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 \$225,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$225,000 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.

#### 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.

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.

#### **E. PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each July 1<sup>st</sup> and Dec 1<sup>st</sup> through 2007 on the taxable valuation of property located in the County as of the preceding December 31. On July or December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next September or February, respectively.

Although the County's 2005 ad valorem tax is levied and collectible by December 1, 2005, 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.

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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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 2005 levy had a taxable value of \$2,080,730,196 on which ad valorem taxes levied for County general operating purposes was 5.7489 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.

### **F. 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 and 60 years of age. Under this program the County pays \$398 per month for each eligible employee and out-of-area eligible employee under age 65, and \$350 per month for each eligible employee and out-of-area eligible employee age 65 or older.

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 through 2006. Future years will be determined by the 2005 actuarial valuation. 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 \$323,789. As of December 31, 2005 there was \$2,434,076 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.

## Clinton County, Michigan

### NOTES TO FINANCIAL STATEMENTS

December 31, 2005

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#### 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 – Office Union employees must retire with a minimum of 25 years of service and age 55 to be eligible for Road Commission paid health insurance for the retiree and spouse. 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. For administrative employees, the Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses. If an employee dies with 20 years service time, the spouse is covered. Expenditures are recognized on a pay as you go basis as premiums come due. During 2005, 42 retirees and/or spouses were eligible for benefits, and \$434,678 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, 2008.

#### G. 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, 2005, the Federal aid received and expended by the Road Commission was \$712,875 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, 2005, 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, 2005 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.

#### H. FUND EQUITY DESIGNATIONS

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

# Clinton County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

The following are the various net asset designations as of December 31, 2005:

Delinquent Tax Revolving Fund	
Designated for animal shelter project	\$ 1,000,000
Designated for retirement unfunded liability	2,500,000
Designated for retiree health insurance	1,000,000
Designated for property tax settlements	4,000,000
Designated for jail renovation	<u>2,100,000</u>
Total	<u>\$10,600,000</u>

### I. 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, 2005:

#### PRIMARY GOVERNMENT

##### Governmental Activities

###### Restricted for:

###### Public safety

911 central dispatch	\$ 1,286,213
Corrections training	32,983
Drug forfeiture	24,578
Probation enhancement	25,100
Community corrections	9,259
Act 302 training	<u>7,857</u>

\$ 1,385,990

Debt Service (net of accrued interest) \$ 3,382,681

Revenue Sharing \$ 5,954,197

Public Improvement \$ 2,968,417

###### Other Purposes:

Family counseling	\$ 15,879
Friend of the Court	151,833
Waste management	199,160
Register of Deeds automation	117,269
Budget stabilization	200,000
Law library	24,454
Economic development	104,975
Child care	449,357
Soldiers and sailors	2,430
Veteran trust	1,208
Homestead property tax exemption	1,350
Cemetery perpetual care	3,850
Employee benefits	<u>1,830,396</u>

\$ 3,102,161

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

COMPONENT UNITS

Road Commission			
Restricted for County roads		<u>\$ 3,529,501</u>	
 Drainage Districts			
Restricted for debt service (net of accrued interest)		<u>\$ 1,120,343</u>	
 Restricted for other purposes			
Drain projects		<u>\$ 5,367,394</u>	

**J. 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.

**K. CONTRACTUAL COMMITMENTS**

The County has entered into a contract for the renovation and construction of various buildings for the fairgrounds. The amount of the contractual commitments outstanding as of December 31, 2005 was \$2,644,300 for which the County is expected to have adequate fund equity and local revenues available to cover these commitments. Additionally, the Drainage Districts have entered into two contracts for the construction of the Aldercreek Intercounty Drain and the Lainsburg Branch No. 1 Intercounty Drain. The amount of the contractual commitments outstanding as of December 31, 2005 were \$123,174 and \$86,176 respectively.

**L. RESTATEMENTS**

Within the General Fund and Governmental Activities for the year ended December 31, 2005, fund balance and net assets were restated for federal incentive payments revenue for fiscal year 2003 not previously recorded. Additionally, net assets for the Governmental Activities were restated for the County's net pension asset not previously recorded. The restatements had the following effect on fund balance and net assets.

	<u>General Fund</u>
Beginning fund balance, as previously reported	\$ 5,486,239
Adjustment	<u>87,725</u>
Beginning fund balance, as restated	<u>\$ 5,573,964</u>

**Clinton County, Michigan**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

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	<u>Governmental Activities</u>
Beginning net assets, as previously reported	\$ 27,451,037
Adjustment for incentive payment revenue	87,725
Adjustment for net pension asset	<u>189,354</u>
Beginning net assets, as restated	<u>\$ 27,728,116</u>

**M. SUBSEQUENT EVENTS**

In March of 2006, the County issued general obligation bonds in the amount of \$2,200,000 to finance the construction of a new Health Department Building.

In March of 2006, the County issued Building Authority refunding bonds in the amount of \$7,060,000 to refund the 1999 Building Authority Courthouse Bonds.

## **SUPPLEMENTARY INFORMATION**



## Clinton County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
Current and delinquent property taxes	\$ 11,133,217	\$ 11,353,217	\$ 11,185,210	\$ (168,007)
Mobile home park taxes	12,000	12,000	13,772	1,772
Other tax revenue	3,000	3,000	2,485	(515)
<b>Total taxes</b>	<b>11,148,217</b>	<b>11,368,217</b>	<b>11,201,467</b>	<b>(166,750)</b>
<b>Licenses and permits</b>				
Dog licenses	107,500	137,500	139,164	1,664
Other licenses and permits	14,500	14,500	17,649	3,149
Building and planning permits	30,000	55,000	55,725	725
Soil erosion	68,057	113,805	110,794	(3,011)
<b>Total licenses and permits</b>	<b>220,057</b>	<b>320,805</b>	<b>323,332</b>	<b>2,527</b>
<b>Intergovernmental - Federal/State</b>				
CRP - Prosecuting Attorney	75,000	75,000	85,445	10,445
Juvenile grant	9,712	13,869	9,333	(4,536)
Employment service	46,037	92,074	91,914	(160)
Support incentive	15,000	78,767	78,767	-
Sheriff - LLEBG	55,333	40,636	40,636	-
Sheriff - local DARE	-	14,697	19,199	4,502
Strong family/safe child	60,371	44,796	31,991	(12,805)
Housing grant	206,250	172,618	172,616	(2)
Liquor license	5,000	6,485	6,485	-
Liquor convention facility	120,000	146,176	146,176	-
Victims' Rights	56,300	57,837	52,128	(5,709)
Drivers license restoration	-	-	52	52
Probate court judge salary	94,195	94,195	94,195	-
Circuit court judge	91,448	91,448	91,448	-
District court judge	45,724	45,724	45,724	-
Probate court judge	45,724	45,724	55,228	9,504
Juvenile court director	27,317	27,317	27,317	-
District court state aid	13,000	16,915	16,915	-
Cigarette tax	30,000	40,477	40,477	-
Marine safety	3,033	4,748	3,533	(1,215)
Prosecuting Attorney Food Stamp	-	1,890	1,890	-
Homeland security	-	379,219	373,521	(5,698)
PA 345	65,725	110,230	110,225	(5)
Court equity	175,000	278,182	278,182	-
Road Patrol	97,213	120,278	118,496	(1,782)
Highway safety	-	35,000	34,151	(849)

## Clinton County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Intergovernmental - Federal/State - continued				
Emergency management	\$ 25,000	\$ 25,000	\$ 29,044	\$ 4,044
Other	4,000	4,000	9,879	5,879
Total intergovernmental - Federal/State	1,366,382	2,063,302	2,064,967	1,665
Charges for services				
Sheriff	52,390	52,390	66,426	14,036
Treasurer fees	7,200	13,806	16,964	3,158
Drain commissioner	1,000	1,000	2,261	1,261
Friend of the Court service fees	35,000	45,000	43,405	(1,595)
District court	1,327,000	1,704,000	1,696,993	(7,007)
Probation - juvenile	6,000	6,000	3,325	(2,675)
Clerk	143,500	191,500	196,654	5,154
Register of deeds	671,200	738,200	731,633	(6,567)
Tax processing	30,700	32,700	20,822	(11,878)
Probate Court	20,000	25,000	25,595	595
Planning department	-	-	614	614
Care of prisoners	1,137,500	1,508,000	1,542,566	34,566
Total charges for services	3,431,490	4,317,596	4,347,258	29,662
Interest and rents				
Interest	250,000	350,000	382,286	32,286
Rents	10,000	10,000	10,940	940
Total interest and rents	260,000	360,000	393,226	33,226
Other				
Contributions	15,000	15,000	17,048	2,048
Sale of equipment	-	-	819	819
Reimbursements - indirect costs	594,177	594,177	594,184	7
Reimbursements - other	344,158	363,494	382,890	19,396
Other	-	5,650	5,632	(18)
Total other	953,335	978,321	1,000,573	22,252
TOTAL REVENUES	17,379,481	19,408,241	19,330,823	(77,418)
<b>OTHER FINANCING SOURCES</b>				
Transfers from other funds	912,400	1,137,738	1,095,079	(42,659)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 18,291,881	\$ 20,545,979	\$ 20,425,902	\$ (120,077)

## Clinton County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Board of commissioners	\$ 298,524	\$ 313,474	\$ 292,782	\$ 20,692
Circuit court	465,668	442,406	421,925	20,481
District court	989,271	989,271	939,447	49,824
Probate court	973,141	1,068,327	1,040,056	28,271
Family counseling	12,400	12,400	5,947	6,453
Jury board	9,253	9,253	3,997	5,256
Adult probation	5,350	5,350	4,499	851
County administrator	396,549	396,549	391,315	5,234
Accounting	229,931	209,931	190,523	19,408
Elections	14,751	77,751	70,347	7,404
Clerk	380,133	380,133	357,783	22,350
Equalization	248,734	248,734	244,698	4,036
Prosecuting attorney	860,426	856,963	827,037	29,926
Microfilming	80,027	80,027	63,999	16,028
Register of deeds	258,698	258,698	249,968	8,730
County survey and remonumentation	65,725	110,230	110,230	-
Record copying	42,500	32,500	27,182	5,318
Treasurer	259,740	259,740	250,939	8,801
Tax processing	30,700	32,700	19,764	12,936
Cooperative extension	332,850	343,407	335,447	7,960
Courthouse and grounds	1,261,684	1,111,684	1,056,110	55,574
Drain commissioner	623,779	564,918	528,232	36,686
Soil conservation	22,000	55,218	33,072	22,146
Other	20,000	20,320	20,320	-
Total general government	7,881,834	7,879,984	7,485,619	394,365
Public safety				
Sheriff - general	2,257,409	2,283,827	2,268,736	15,091
Sheriff - DARE	55,333	55,333	54,182	1,151
Highway safety	-	35,000	34,151	849
Marine safety	3,033	4,748	4,747	1
Secondary road patrol	97,213	120,278	120,277	1
Metro squad	58,607	8,607	1,419	7,188
Jail	2,587,028	2,638,028	2,599,291	38,737
Emergency services	84,846	464,065	456,134	7,931
Animal control	159,468	161,364	161,363	1
Total public safety	5,302,937	5,771,250	5,700,300	70,950

## Clinton County, Michigan

## General Fund

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

Year Ended December 31, 2005

EXPENDITURES - CONTINUED	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works				
Drains at large	\$ 66,000	\$ 51,000	\$ 50,438	\$ 562
Department of public works	11,059	16,318	12,766	3,552
Total public works	77,059	67,318	63,204	4,114
Health and welfare				
Contagious disease	8,000	4,000	1,610	2,390
Tri-county aging consortium	34,776	34,776	34,776	-
Building stronger community council	-	31,000	31,000	-
Substance abuse appropriation	60,000	73,088	73,088	-
Medical examiner	55,894	56,849	56,849	-
District health department	370,416	380,432	380,431	1
Mental health	212,306	212,307	212,306	1
Veterans burials	21,793	21,793	20,893	900
Total health and welfare	763,185	814,245	810,953	3,292
Community and economic development				
MSHDA housing	206,250	172,618	172,617	1
Planning department	282,323	272,323	264,096	8,227
Plat board	2,169	2,169	1,130	1,039
Zoning board	3,406	3,406	-	3,406
Construction board	1,175	1,175	-	1,175
Tri-county regional planning commission	53,205	57,142	57,142	-
Employment services	46,037	92,074	91,923	151
Total community and economic development	594,565	600,907	586,908	13,999
Recreation and culture				
Parks and recreation	42,841	42,841	35,844	6,997
Other				
Insurance and bonds	342,566	347,979	347,979	-
Other	252,071	47,046	7,175	39,871
Total other	594,637	395,025	355,154	39,871
TOTAL EXPENDITURES	15,257,058	15,571,570	15,037,982	533,588

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
Friend of the Court	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Law Library Fund	14,000	14,000	14,000	-
Central Telephone	14,500	49,134	49,134	-
MIS	383,107	383,107	383,107	-
Building Authority Funds	1,379,273	1,479,273	1,479,273	-
Public Improvement Fund	242,930	1,937,882	1,937,882	-
County Vehicles Fund	109,300	109,300	109,300	-
Community Corrections Fund	-	10,000	10,000	-
Child Care Fund	588,588	588,588	588,588	-
Soldiers and Sailors Relief Fund	1,000	1,000	1,000	-
Insurance	-	100,000	100,000	-
4-H Fair	2,125	2,125	2,125	-
TOTAL OTHER FINANCING USES	<u>3,034,823</u>	<u>4,974,409</u>	<u>4,974,409</u>	<u>-</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES	<u>\$ 18,291,881</u>	<u>\$ 20,545,979</u>	<u>\$ 20,012,391</u>	<u>\$ 533,588</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2005

	Special			
	Friend of the Court	Waste Management	Register of Deeds Automation	Budget Stabilization
<b>ASSETS</b>				
Cash and cash equivalents	\$ 155,949	\$ 192,996	\$ 125,910	\$ 200,000
Investments	-	-	-	-
Receivables				
Taxes	-	-	-	-
Accounts	-	23,699	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	102,133	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 258,082</b>	<b>\$ 216,695</b>	<b>\$ 125,910</b>	<b>\$ 200,000</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,280	\$ 15,289	\$ 8,641	\$ -
Accrued payroll	9,438	1,889	-	-
Due to other funds	1,531	357	-	-
Advances from other funds	93,000	-	-	-
<b>TOTAL LIABILITIES</b>	<b>106,249</b>	<b>17,535</b>	<b>8,641</b>	<b>-</b>
<b>FUND BALANCES</b>				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	151,833	199,160	117,269	200,000
<b>TOTAL FUND BALANCES</b>	<b>151,833</b>	<b>199,160</b>	<b>117,269</b>	<b>200,000</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 258,082</b>	<b>\$ 216,695</b>	<b>\$ 125,910</b>	<b>\$ 200,000</b>

Revenue

911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement	Economic Development
\$ 1,176,031	\$ 33,063	\$ 24,904	\$ 25,699	\$ -	\$ 25,100	\$ 104,975
-	-	-	-	-	-	-
151	-	-	-	-	-	-
95,022	-	-	-	-	-	-
-	-	-	-	-	-	-
36,248	-	-	-	-	-	-
<u>\$ 1,307,452</u>	<u>\$ 33,063</u>	<u>\$ 24,904</u>	<u>\$ 25,699</u>	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 104,975</u>
\$ 8,006	\$ 80	\$ 326	\$ 1,245	\$ -	\$ -	\$ -
11,639	-	-	-	-	-	-
1,594	-	-	-	-	-	-
-	-	-	-	-	-	-
21,239	80	326	1,245	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,286,213	32,983	24,578	24,454	-	25,100	104,975
<u>1,286,213</u>	<u>32,983</u>	<u>24,578</u>	<u>24,454</u>	<u>-</u>	<u>25,100</u>	<u>104,975</u>
<u>\$ 1,307,452</u>	<u>\$ 33,063</u>	<u>\$ 24,904</u>	<u>\$ 25,699</u>	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 104,975</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	Special			
	Community Corrections	Act 302 Training	Child Care	Soldiers and Sailors
<b>ASSETS</b>				
Cash and cash equivalents	\$ 251	\$ 8,317	\$ 430,875	\$ 2,856
Investments	-	-	-	-
Receivables	-	-	-	-
Taxes	-	-	-	-
Accounts	-	-	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	17,643	-	137,667	-
<b>TOTAL ASSETS</b>	<b>\$ 17,894</b>	<b>\$ 8,317</b>	<b>\$ 568,542</b>	<b>\$ 2,856</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,118	\$ 460	\$ 76,441	426
Accrued payroll	855	-	3,236	-
Due to other funds	6,662	-	508	-
Advances from other funds	-	-	39,000	-
<b>TOTAL LIABILITIES</b>	<b>8,635</b>	<b>460</b>	<b>119,185</b>	<b>426</b>
<b>FUND BALANCES</b>				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	9,259	7,857	449,357	2,430
<b>TOTAL FUND BALANCES</b>	<b>9,259</b>	<b>7,857</b>	<b>449,357</b>	<b>2,430</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 17,894</b>	<b>\$ 8,317</b>	<b>\$ 568,542</b>	<b>\$ 2,856</b>



Revenue		Debt Service		Capital Projects	
Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse	Jail Construction	Health Department Construction
\$ 1,208	\$ 1,350	\$ 296,365	\$ 606,831	\$ -	\$ 55,134
-	-	1,032,272	1,548,013	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	14,159	11,928	-	-
-	-	-	-	-	-
<u>\$ 1,208</u>	<u>\$ 1,350</u>	<u>\$ 1,342,796</u>	<u>\$ 2,166,772</u>	<u>\$ -</u>	<u>\$ 55,134</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,312
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	36,312
-	-	-	-	-	-
-	-	1,342,796	2,166,772	-	-
-	-	-	-	-	18,822
<u>1,208</u>	<u>1,350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,208</u>	<u>1,350</u>	<u>1,342,796</u>	<u>2,166,772</u>	<u>-</u>	<u>18,822</u>
<u>\$ 1,208</u>	<u>\$ 1,350</u>	<u>\$ 1,342,796</u>	<u>\$ 2,166,772</u>	<u>\$ -</u>	<u>\$ 55,134</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2005

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ -	\$ 3,467,814
Investments	3,850	2,584,135
Receivables		
Taxes	-	151
Accounts	-	118,721
Interest	-	26,087
Due from other governmental units - Federal/State	-	293,691
	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><b>\$ 3,850</b></u>	<u><b>\$ 6,490,599</b></u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 150,624
Accrued payroll	-	27,057
Due to other funds	-	10,652
Advances from other funds	-	132,000
	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>320,333</b>
<b>FUND BALANCES</b>		
Reserved for		
Perpetual care	3,850	3,850
Debt service	-	3,509,568
Unreserved		
Designated for capital improvement		18,822
Undesignated, reported in:		
Special revenue funds	-	2,638,026
	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u><b>3,850</b></u>	<u><b>6,170,266</b></u>
<b>TOTAL LIABILITIES         AND FUND BALANCES</b>	<u><b>\$ 3,850</b></u>	<u><b>\$ 6,490,599</b></u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2005

	Special			
	Friend of the Court	Waste Management	Register of Deeds Automation	Budget Stabilization
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ 515,548	\$ -	\$ -	\$ -
Charges for services	21,968	342,694	105,565	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	261	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>537,516</b>	<b>342,694</b>	<b>105,826</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
General government	843,304	-	62,534	-
Public safety	-	-	-	-
Public works	-	345,953	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>843,304</b>	<b>345,953</b>	<b>62,534</b>	<b>-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(305,788)</b>	<b>(3,259)</b>	<b>43,292</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	300,000	-	-	-
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>300,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(5,788)</b>	<b>(3,259)</b>	<b>43,292</b>	<b>-</b>
Fund balances, beginning of year	157,621	202,419	73,977	200,000
Fund balances, end of year	<u>\$ 151,833</u>	<u>\$ 199,160</u>	<u>\$ 117,269</u>	<u>\$ 200,000</u>

Revenue

911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement	Economic Development
\$ -	\$ -	\$ 295	\$ -	\$ -	\$ -	\$ -
1,329,219	19,940	-	-	-	-	-
-	-	26,917	6,500	5,103	9,460	-
7,153	-	38	-	-	-	2,208
16,180	-	-	-	-	-	-
1,352,552	19,940	27,250	6,500	5,103	9,460	2,208
-	-	-	14,782	-	-	-
1,090,489	2,477	23,121	-	-	6,810	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,103	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,090,489	2,477	23,121	14,782	5,103	6,810	-
262,063	17,463	4,129	(8,282)	-	2,650	2,208
-	-	-	14,000	-	-	-
-	-	-	-	-	-	-
-	-	-	14,000	-	-	-
262,063	17,463	4,129	5,718	-	2,650	2,208
1,024,150	15,520	20,449	18,736	-	22,450	102,767
<u>\$ 1,286,213</u>	<u>\$ 32,983</u>	<u>\$ 24,578</u>	<u>\$ 24,454</u>	<u>\$ -</u>	<u>\$ 25,100</u>	<u>\$ 104,975</u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2005

	Special			
	Community Corrections	Act 302 Training	Child Care	Soldiers and Sailors
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ 81,113	\$ 6,304	\$ 484,424	\$ -
Charges for services	-	-	51,033	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	-
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>81,113</b>	<b>6,304</b>	<b>535,457</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	89,974	9,190	-	-
Public works	-	-	-	-
Health and welfare	-	-	1,115,890	726
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>89,974</b>	<b>9,190</b>	<b>1,115,890</b>	<b>726</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(8,861)</b>	<b>(2,886)</b>	<b>(580,433)</b>	<b>(726)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	10,000	-	588,588	1,000
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>10,000</b>	<b>-</b>	<b>588,588</b>	<b>1,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,139</b>	<b>(2,886)</b>	<b>8,155</b>	<b>274</b>
Fund balances, beginning of year	8,120	10,743	441,202	2,156
Fund balances, end of year	<u>\$ 9,259</u>	<u>\$ 7,857</u>	<u>\$ 449,357</u>	<u>\$ 2,430</u>

Revenue		Debt Service		Capital Projects	
Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse	Jail Construction	Health Department Construction
\$ 3,485	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	45,817	62,032	-	134
-	760	-	-	-	-
3,485	760	45,817	62,032	-	134
-	-	850	300	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,274	-	-	-	-	31,312
-	-	-	-	-	-
-	-	-	-	-	-
-	-	618,012	1,113,272	-	-
3,274	-	618,862	1,113,572	-	31,312
211	760	(573,045)	(1,051,540)	-	(31,178)
-	-	612,689	1,204,273	-	50,000
-	-	-	-	(3,576)	-
-	-	612,689	1,204,273	(3,576)	50,000
211	760	39,644	152,733	(3,576)	18,822
997	590	1,303,152	2,014,039	3,576	-
\$ 1,208	\$ 1,350	\$ 1,342,796	\$ 2,166,772	\$ -	\$ 18,822

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2005

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
<b>REVENUES</b>		
Intergovernmental - Federal/State	\$ -	\$ 1,091,169
Charges for services	-	1,870,419
Fines and forfeits	-	47,980
Interest and rents	-	117,643
Other	-	16,940
	<u>-</u>	<u>3,144,151</u>
<b>TOTAL REVENUES</b>		
<b>EXPENDITURES</b>		
Current		
General government	-	921,770
Public safety	-	1,222,061
Public works	-	345,953
Health and welfare	-	1,151,202
Recreation and cultural	-	5,103
Debt service	-	1,731,284
	<u>-</u>	<u>5,377,373</u>
<b>TOTAL EXPENDITURES</b>		
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>		
	-	(2,233,222)
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	2,780,550
Transfers out	-	(3,576)
	<u>-</u>	<u>2,776,974</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>		
<b>NET CHANGE IN FUND BALANCES</b>		
	-	543,752
Fund balances, beginning of year	<u>3,850</u>	<u>5,626,514</u>
Fund balances, end of year	<u>\$ 3,850</u>	<u>\$ 6,170,266</u>

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Jail Commissary	Building Department	County Extension Community Center	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 10,724	\$ 447,056	\$ 10,129	\$ 467,909
Accounts receivable	-	2,147	-	2,147
Inventory	8,110	-	-	8,110
	<u>18,834</u>	<u>449,203</u>	<u>10,129</u>	<u>478,166</u>
Total current assets				
Noncurrent assets				
Capital assets, net	-	51,278	-	51,278
	<u>-</u>	<u>51,278</u>	<u>-</u>	<u>51,278</u>
TOTAL ASSETS				
	<u>18,834</u>	<u>500,481</u>	<u>10,129</u>	<u>529,444</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	6,057	1,432	155	7,644
Accrued liabilities	-	4,503	2,350	6,853
Due to other funds	-	514	-	514
	<u>6,057</u>	<u>6,449</u>	<u>2,505</u>	<u>15,011</u>
TOTAL LIABILITIES				
	<u>6,057</u>	<u>6,449</u>	<u>2,505</u>	<u>15,011</u>
<b>NET ASSETS</b>				
Invested in capital assets	-	51,278	-	51,278
Unrestricted	12,777	442,754	7,624	463,155
	<u>12,777</u>	<u>442,754</u>	<u>7,624</u>	<u>463,155</u>
TOTAL NET ASSETS				
	<u>\$ 12,777</u>	<u>\$ 494,032</u>	<u>\$ 7,624</u>	<u>\$ 514,433</u>



Clinton County, Michigan

Nonmajor Enterprise Funds

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

Year Ended December 31, 2005

	Jail Commissary	Building Department	Community Extension Community Center	Total
<b>OPERATING REVENUES</b>				
Sales	\$ 108,315	\$ -	\$ -	\$ 108,315
Rent	-	-	13,552	13,552
Building and trade permits	-	677,788	-	677,788
Other revenue	-	-	1,265	1,265
<b>TOTAL OPERATING REVENUES</b>	<b>108,315</b>	<b>677,788</b>	<b>14,817</b>	<b>800,920</b>
<b>OPERATING EXPENSES</b>				
Personal services and fringes	-	195,734	-	195,734
Operating supplies	112,213	7,458	13,836	133,507
Contracted services	-	95,424	-	95,424
Depreciation	-	12,819	-	12,819
Other	-	63,957	-	63,957
<b>TOTAL OPERATING EXPENSES</b>	<b>112,213</b>	<b>375,392</b>	<b>13,836</b>	<b>501,441</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(3,898)</b>	<b>302,396</b>	<b>981</b>	<b>299,479</b>
<b>TRANSFERS</b>				
Transfers in	-	-	2,125	2,125
<b>CHANGE IN NET ASSETS</b>	<b>(3,898)</b>	<b>302,396</b>	<b>3,106</b>	<b>301,604</b>
Net assets, beginning of year	16,675	191,636	4,518	212,829
<b>Net assets, end of year</b>	<b>\$ 12,777</b>	<b>\$ 494,032</b>	<b>\$ 7,624</b>	<b>\$ 514,433</b>

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Jail Commissary	Building Department	County Extension Community Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 108,315	\$ 677,147	\$ 14,817	\$ 800,279
Cash paid to suppliers	(110,924)	(361,040)	(14,802)	(486,766)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(2,609)</b>	<b>316,107</b>	<b>15</b>	<b>313,513</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	-	2,125	2,125
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,609)</b>	<b>316,107</b>	<b>2,140</b>	<b>315,638</b>
Cash and cash equivalents, beginning of year	13,333	130,949	7,989	152,271
Cash and cash equivalents, end of year	<u>\$ 10,724</u>	<u>\$ 447,056</u>	<u>\$ 10,129</u>	<u>\$ 467,909</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (3,898)	\$ 302,396	\$ 981	\$ 299,479
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	12,819	-	12,819
(Increase) in receivables	-	(770)	-	(770)
(Increase) in inventory	(1077)	-	-	(1,077)
Increase (decrease) in accounts payable	2,366	111	(466)	2,011
Increase (decrease) in accrued liabilities	-	1,422	(500)	922
Increase due to other funds	-	129	-	129
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u><b>\$ (2,609)</b></u>	<u><b>\$ 316,107</b></u>	<u><b>\$ 15</b></u>	<u><b>\$ 313,513</b></u>

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 17,176	\$ 179,460	\$ 778,854	\$ 153,233
Investments	-	-	-	-
Accounts receivable	176	30	20,310	-
Interest receivable	-	-	-	-
Inventory	7,822	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<b>Total current assets</b>	<b>25,174</b>	<b>179,490</b>	<b>799,164</b>	<b>153,233</b>
Noncurrent assets				
Advances to other funds	-	-	3,000	-
Capital assets				
Equipment and vehicles	-	254,326	979,196	129,558
Less: Accumulated depreciation	-	(173,370)	(464,398)	(60,207)
<b>Total noncurrent assets</b>	<b>-</b>	<b>80,956</b>	<b>517,798</b>	<b>69,351</b>
<b>TOTAL ASSETS</b>	<b>25,174</b>	<b>260,446</b>	<b>1,316,962</b>	<b>222,584</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	-	4,359	19,025	6,317
Accrued liabilities	-	-	3,284	-
Advances from other funds	25,000	-	-	10,000
Due to other funds	-	-	544	11,832
<b>TOTAL LIABILITIES</b>	<b>25,000</b>	<b>4,359</b>	<b>22,853</b>	<b>28,149</b>
<b>NET ASSETS</b>				
Invested in capital assets	-	80,956	514,798	69,351
Restricted for employee benefits	-	-	-	-
Unrestricted	174	175,131	779,311	125,084
<b>TOTAL NET ASSETS</b>	<b>\$ 174</b>	<b>\$ 256,087</b>	<b>\$ 1,294,109</b>	<b>\$ 194,435</b>

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ 252,064	\$ 316,962	\$ 298,860	\$ 138,780	\$ 265,979	\$ 2,401,368
-	-	803,826	-	-	803,826
-	-	-	-	-	20,516
-	-	7,240	-	629	7,869
-	-	-	-	-	7,822
-	-	82,671	-	-	82,671
-	22,839	4,444	621	2,705	30,609
<u>252,064</u>	<u>339,801</u>	<u>1,197,041</u>	<u>139,401</u>	<u>269,313</u>	<u>3,354,681</u>
-	-	-	-	-	3,000
664,559	-	-	-	-	2,027,639
<u>(341,434)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,039,409)</u>
<u>323,125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,230</u>
575,189	339,801	1,197,041	139,401	269,313	4,345,911
-	100,000	8,644	-	5,309	143,654
-	-	1,123	-	-	4,407
-	-	-	-	-	35,000
-	-	84	-	-	12,460
<u>-</u>	<u>100,000</u>	<u>9,851</u>	<u>-</u>	<u>5,309</u>	<u>195,521</u>
323,125	-	-	-	-	988,230
-	239,801	1,187,190	139,401	264,004	1,830,396
<u>252,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,331,764</u>
<u>\$ 575,189</u>	<u>\$ 239,801</u>	<u>\$ 1,187,190</u>	<u>\$ 139,401</u>	<u>\$ 264,004</u>	<u>\$ 4,150,390</u>

## Clinton County, Michigan

## Internal Service Funds

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

Year Ended December 31, 2005

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>OPERATING REVENUES</b>				
Charges for services	\$ 64,166	\$ 68,342	\$ 28,287	\$ 38,902
Other	-	243	-	19,024
<b>TOTAL OPERATING REVENUES</b>	<b>64,166</b>	<b>68,585</b>	<b>28,287</b>	<b>57,926</b>
<b>OPERATING EXPENSES</b>				
Personal services and fringes	-	-	183,558	-
Supplies	64,104	-	5,104	846
Contracted services	-	962	29,076	-
Depreciation	-	24,376	179,012	13,747
Other	-	64,267	63,767	44,937
<b>TOTAL OPERATING EXPENSES</b>	<b>64,104</b>	<b>89,605</b>	<b>460,517</b>	<b>59,530</b>
<b>OPERATING INCOME (LOSS)</b>	<b>62</b>	<b>(21,020)</b>	<b>(432,230)</b>	<b>(1,604)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest revenue	-	-	-	-
Loss on sale of capital assets	-	-	-	(3,966)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,966)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>62</b>	<b>(21,020)</b>	<b>(432,230)</b>	<b>(5,570)</b>
<b>TRANSFERS</b>				
Transfers in	-	49,134	383,107	-
<b>CHANGE IN NET ASSETS</b>	<b>62</b>	<b>28,114</b>	<b>(49,123)</b>	<b>(5,570)</b>
Net assets, beginning of year	112	227,973	1,343,232	200,005
Net assets, end of year	<u>\$ 174</u>	<u>\$ 256,087</u>	<u>\$ 1,294,109</u>	<u>\$ 194,435</u>

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ -	\$ 1,228,334	\$ 1,521,572	\$ -	\$ -	\$ 2,949,603
<u>2,797</u>	<u>-</u>	<u>-</u>	<u>16,661</u>	<u>145,319</u>	<u>184,044</u>
2,797	1,228,334	1,521,572	16,661	145,319	3,133,647
-	1,323,820	1,398,646	14,263	150,797	3,071,084
-	-	-	-	-	70,054
-	-	27,408	-	-	57,446
144,006	-	-	-	-	361,141
<u>16,443</u>	<u>-</u>	<u>6,403</u>	<u>-</u>	<u>-</u>	<u>195,817</u>
<u>160,449</u>	<u>1,323,820</u>	<u>1,432,457</u>	<u>14,263</u>	<u>150,797</u>	<u>3,755,542</u>
(157,652)	(95,486)	89,115	2,398	(5,478)	(621,895)
-	2,604	27,508	982	6,057	37,151
<u>(19,588)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(23,554)</u>
<u>(19,588)</u>	<u>2,604</u>	<u>27,508</u>	<u>982</u>	<u>6,057</u>	<u>13,597</u>
(177,240)	(92,882)	116,623	3,380	579	(608,298)
<u>109,300</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,541</u>
(67,940)	7,118	116,623	3,380	579	33,243
<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>
<u>\$ 575,189</u>	<u>\$ 239,801</u>	<u>\$ 1,187,190</u>	<u>\$ 139,401</u>	<u>\$ 264,004</u>	<u>\$ 4,150,390</u>

## Clinton County, Michigan

## Internal Service Funds

## COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from users	\$ 64,257	\$ 68,670	\$ 37,661	\$ 57,926
Cash paid to suppliers	(56,302)	(68,095)	(98,147)	(49,043)
Cash paid for employee benefits	-	-	(183,558)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>7,955</b>	<b>575</b>	<b>(244,044)</b>	<b>8,883</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from sale of capital assets	-	-	-	4,152
Capital purchases	-	-	(206,581)	(28,820)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>(206,581)</b>	<b>(24,668)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	49,134	383,107	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	-	-
Maturity of investments	-	-	-	-
Interest revenue	-	-	-	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>7,955</b>	<b>49,709</b>	<b>(67,518)</b>	<b>(15,785)</b>
Cash and cash equivalents, beginning of year	9,221	129,751	846,372	169,018
Cash and cash equivalents, end of year	<u>\$ 17,176</u>	<u>\$ 179,460</u>	<u>\$ 778,854</u>	<u>\$ 153,233</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 62	\$ (21,020)	\$ (432,230)	\$ (1,604)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	24,376	179,012	13,747
(Increase) decrease in receivables	91	35	9,374	-
(Increase) in prepaid expenses	-	-	-	-
(Increase) decrease in due from other funds	-	50	-	-
(Increase) decrease in inventory	7,802	-	-	-
Increase (decrease) in accounts payable	-	(2,866)	(747)	5,352
Increase (decrease) in accrued liabilities	-	-	469	-
Increase (decrease) due to other funds	-	-	78	(8,612)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 7,955</b>	<b>\$ 575</b>	<b>\$ (244,044)</b>	<b>\$ 8,883</b>

County Vehicles	Employee Retirement	Insurance	Unemployment	Workers Compensation	Total
\$ 2,797	\$ 1,225,405	\$ 1,517,304	\$ 16,337	\$ 144,871	\$ 3,135,228
(41,942)	-	(36,066)	-	5,309	(344,286)
-	(1,323,820)	(1,398,646)	(14,263)	(150,797)	(3,071,084)
(39,145)	(98,415)	82,592	2,074	(617)	(280,142)
14,612	-	-	-	-	18,764
(129,232)	-	-	-	-	(364,633)
(114,620)	-	-	-	-	(345,869)
109,300	100,000	-	-	-	641,541
-	-	(803,826)	-	-	(803,826)
-	-	782,676	-	156,590	939,266
-	2,604	27,508	982	6,057	37,151
-	2,604	6,358	982	162,647	172,591
(44,465)	4,189	88,950	3,056	162,030	188,121
296,529	312,773	209,910	135,724	103,949	2,213,247
<u>\$ 252,064</u>	<u>\$ 316,962</u>	<u>\$ 298,860</u>	<u>\$ 138,780</u>	<u>\$ 265,979</u>	<u>\$ 2,401,368</u>
\$ (157,652)	\$ (95,486)	\$ 89,115	\$ 2,398	\$ (5,478)	\$ (621,895)
144,006	-	-	-	-	361,141
-	-	(4,084)	-	221	5,637
-	-	(333)	-	-	(333)
-	(2,929)	149	(324)	(669)	(3,723)
-	-	-	-	-	7,802
(25,499)	-	2,047	-	5,309	(16,404)
-	-	(3,907)	-	-	(3,438)
-	-	(395)	-	-	(8,929)
<u>\$ (39,145)</u>	<u>\$ (98,415)</u>	<u>\$ 82,592</u>	<u>\$ 2,074</u>	<u>\$ (617)</u>	<u>\$ (280,142)</u>



Clinton County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

	<u>Agency funds</u>		
	<u>Trust and Agency</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 627,656</u>	<u>\$ 239,920</u>	<u>\$ 867,576</u>
<b>LIABILITIES</b>			
Undistributed collections payable	\$ 122,217	\$ -	\$ 122,217
Due to other governmental units			
Federal/State	226,831	-	226,831
Local	-	239,920	239,920
Due to individuals and agencies	<u>278,608</u>	<u>-</u>	<u>278,608</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 627,656</u>	<u>\$ 239,920</u>	<u>\$ 867,576</u>

Clinton County, Michigan

Component Units

BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2005

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
<b>ASSETS</b>			
Cash and cash equivalents	\$ 477,764	\$ 417,826	\$ 19,834
Cash - restricted	-	33,597	-
Investments	175,000	1,300,000	-
Accrued interest receivable	690	8,900	-
Accounts receivable	-	15,313	-
Special assessments receivable	3,862,043	379,338	-
Due from other funds	-	-	113,872
	-	-	113,872
TOTAL ASSETS	\$ 4,515,497	\$ 2,154,974	\$ 133,706
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 44,691	\$ 3,706
Accrued liabilities	-	17,516	-
Due to other funds	-	134,737	-
Advances from primary government	-	-	130,000
Deferred revenue	3,381,606	-	-
Notes payable	-	315,000	-
	-	315,000	-
TOTAL LIABILITIES	3,381,606	511,944	133,706
<b>FUND BALANCES</b>			
Fund balances			
Reserved for debt service	1,133,891	-	-
Unreserved			
Designated for capital expenditures	-	1,643,030	-
	-	1,643,030	-
TOTAL FUND BALANCES	1,133,891	1,643,030	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,515,497	\$ 2,154,974	\$ 133,706

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ 6,893	\$ 922,317
-	33,597
-	1,475,000
-	9,590
-	15,313
-	4,241,381
20,865	134,737
<u>\$ 27,758</u>	<u>\$ 6,831,935</u>
\$ -	\$ 48,397
-	17,516
-	134,737
-	130,000
-	3,381,606
-	315,000
-	4,027,256
-	1,133,891
27,758	1,670,788
27,758	2,804,679
<u>\$ 27,758</u>	<u>\$ 6,831,935</u>

Clinton County, Michigan

Component Units

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

December 31, 2005

**Total fund balance - governmental funds** \$ 2,804,679

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	\$ 21,607,061	
Accumulated depreciation is	<u>(2,501,078)</u>	
Capital assets, net		19,105,983

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

Deferred revenue		3,381,606
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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	3,786,750	
Accrued interest payable	<u>13,548</u>	
		<u>(3,800,298)</u>

**Net assets of governmental activities** \$ 21,491,970

## Clinton County, Michigan

## Component Units

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

Year Ended December 31, 2005

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
REVENUES			
Charges for services	\$ -	\$ 96,461	\$ -
Interest	16,849	42,141	-
Other			
Special assessments	651,960	484,651	-
Miscellaneous	-	46,893	-
TOTAL REVENUES	668,809	670,146	-
EXPENDITURES			
Capital outlay	-	900,374	-
Debt service			
Principal	633,450	-	-
Interest and fiscal charges	136,329	7,213	-
TOTAL EXPENDITURES	769,779	907,587	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(100,970)	(237,441)	-
OTHER FINANCING SOURCES (USES)			
Transfer in from component units	261,340	-	-
Transfer out to component units	-	(261,340)	-
Bond and note proceeds	-	200,700	-
TOTAL OTHER FINANCING SOURCES (USES)	261,340	(60,640)	-
NET CHANGE IN FUND BALANCES	160,370	(298,081)	-
Fund balances, beginning of year	973,521	1,941,111	-
Fund balances, end of year	<u>\$ 1,133,891</u>	<u>\$ 1,643,030</u>	<u>\$ -</u>

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ -	\$ 96,461
1,637	60,627
-	1,136,611
-	46,893
<u>1,637</u>	<u>1,340,592</u>
-	900,374
-	633,450
-	143,542
<u>-</u>	<u>1,677,366</u>
1,637	(336,774)
-	261,340
-	(261,340)
-	200,700
<u>-</u>	<u>200,700</u>
1,637	(136,074)
<u>26,121</u>	<u>2,940,753</u>
<u>\$ 27,758</u>	<u>\$ 2,804,679</u>

Clinton County, Michigan

Component Units

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, 2005

**Net change in fund balances - total governmental funds** \$ (136,074)

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	\$ 525,796	
Depreciation expense	<u>(273,039)</u>	
Excess of capital outlay over depreciation expense		252,757

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (431,523)

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	\$ (200,700)	
Bond and note principal retirements	<u>633,450</u>	
		432,750

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>10,121</u>
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**Change in net assets of governmental activities** \$ 128,031

Clinton County, Michigan

Component Units

BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS

December 31, 2005

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



Service

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

Clinton County, Michigan

Component Units

BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS - CONTINUED

December 31, 2005

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

Clinton County, Michigan

Component Units

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

December 31, 2005

**Total fund balance - governmental funds** \$ -

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 5,610,469

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	\$ 55,469	
Bonds payable	<u>5,555,000</u>	
		<u>(5,610,469)</u>

**Net assets of governmental activities** \$ -

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2005

	Debt			
	Bath Township #4	Dewitt Charter Township #7A & #7B	Watertown Charter Township #8	Dewitt Charter Township #13
REVENUES				
Intergovernmental - local	\$ 162,100	\$ 175,015	\$ -	\$ 39,010
TOTAL REVENUES	162,100	175,015	-	39,010
EXPENDITURES				
Debt service				
Principal	100,000	150,000	-	20,000
Interest and fiscal charges	62,100	25,015	-	19,010
TOTAL EXPENDITURES	162,100	175,015	-	39,010
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

Service

City of Dewitt/ Dewitt Charter Township #11	Bingham Township #6	Bingham Township #10	Bingham Township #14
\$ 125,538	\$ 24,940	\$ 22,700	\$ 264,704
125,538	24,940	22,700	264,704
115,000	20,000	20,000	155,000
10,538	4,940	2,700	109,704
125,538	24,940	22,700	264,704
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2005

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
REVENUES				
Intergovernmental - local	\$ 101,230	\$ 48,757	\$ -	\$ 963,994
TOTAL REVENUES	101,230	48,757	-	963,994
EXPENDITURES				
Debt service				
Principal	50,000	25,000	-	655,000
Interest and fiscal charges	51,230	23,757	-	308,994
TOTAL EXPENDITURES	101,230	48,757	-	963,994
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

Clinton County, Michigan

Component Units

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, 2005

**Net change in fund balances - total governmental funds** \$ -

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	655,000
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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	6,762	
Decrease in lease receivables	<u>(661,762)</u>	
		<u>(655,000)</u>

**Change in net assets of governmental activities** \$ -