

**Clinton County, Michigan**  
**FINANCIAL STATEMENTS**  
**December 31, 2003**

Clinton County, Michigan

December 31, 2003

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Randy Tahvonen	Circuit Court Judge
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Clinton County, Michigan

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clinton County, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clinton County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clinton County Road Commission, which represents 61% and 82%, respectively of the total assets and revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the Road Commission, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

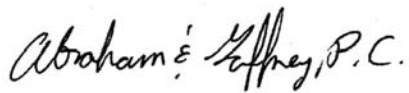
In our opinion, based on our audit and the audit of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clinton County, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued a report dated March 12, 2004 on our consideration of Clinton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 11 and 57 through 61 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Clinton County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 12, 2004

## Management's Discussion and Analysis

As management of the *County of Clinton*, 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, 2003. 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 \$32,426,093 (*net assets*). Of this amount, \$15,794,625 (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by \$2,561,881, or 8.8 percent.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of \$12,159,416, an increase of \$2,558,926 or 26.7 percent over the prior year. Of this total, 39.7 percent or \$4,822,663 is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*); however, in excess of one-third of this amount is subject to spending restrictions.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was \$3,045,226, an amount equal to 16.8 percent of total General Fund expenditures (including operating transfers).
- The Primary government's total net bonded debt increased by \$1,695,000 or 10.9 percent during the current fiscal year. The Primary government's new bond issues included \$2,500,000 for the Jail Expansion project.

### 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.

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 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, and Jail Construction Funds, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.



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

**Proprietary funds.** The County maintains two types of proprietary funds. *Enterprise 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.

The County maintains *internal service funds* to 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

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. In the case of the County of Clinton, assets exceeded liabilities by \$32,426,093 at the close of the fiscal year.

*Note: Because this is the first year of implementation of the Governmental Accounting Standards Board Statement 34 Reporting Model, the following tables present only current year data. In future years, comparative analysis of government-wide data will be presented.*

### County of Clinton's Net Assets

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$25,529,685	\$10,758,881	\$36,288,566
Non-current assets	\$25,371,747	\$7,200	\$25,378,947
<b>Total assets</b>	<b>\$50,901,432</b>	<b>\$10,766,081</b>	<b>\$61,667,513</b>
Liabilities			
Current	\$12,518,068	\$11,875	\$12,529,943
Non-current	\$16,711,477	\$0	\$16,711,477
<b>Total liabilities</b>	<b>\$29,229,545</b>	<b>\$11,875</b>	<b>\$29,241,420</b>
Net assets:			
Invested in capital assets, net of related debt	\$7,554,094	\$7,200	\$7,561,294
Restricted	\$9,070,174	\$0	\$9,070,174
Unrestricted	\$5,047,619	\$10,747,006	\$15,794,625
<b>Total net assets</b>	<b>\$21,671,887</b>	<b>\$10,754,206</b>	<b>\$32,426,093</b>

The County's net assets include \$7,561,294 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 \$9,070,174. The remaining balance of *unrestricted net assets* (\$15,794,625 or 48.7 percent) may be used to meet the government's ongoing obligations.

Statement of Activities

County of Clinton's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
<b>Revenues</b>			
Program revenue:			
Charges for services	\$6,198,947	\$541,434	\$6,750,130
Operating grants and contributions	\$2,468,008	\$0	\$2,468,008
Capital grants and contributions	\$25,000	\$0	\$25,000
General revenues:			
Property taxes	\$9,149,768	\$0	\$9,149,768
State Revenue Sharing	\$1,298,755		\$1,298,755
Investment earnings	\$362,235	\$209,664	\$562,150
911 Surcharge	\$1,413,087	\$0	\$1,413,087
Miscellaneous	\$1,009	\$0	\$1,009
Transfers	\$762,875	\$(762,875)	\$0
Total revenues	\$21,679,684	\$(11,777)	\$21,667,907
<b>Expenses</b>			
General government	\$8,700,132	\$0	\$8,700,132
Public safety	\$6,443,942	\$0	\$6,443,942
Public works	\$359,898	\$0	\$359,898
Health and welfare	\$1,497,871	\$0	\$1,497,871
Community and Economic Development	\$866,079	\$0	\$866,079
Recreation and Culture	\$18,515	\$0	\$18,515
Other	\$305,985	\$0	\$305,985
Interest on long-term debt	\$781,138	\$0	\$781,138
Delinquent tax collection and other Business-type activities		\$132,466	\$132,466
Total expenses	\$18,973,560	\$132,466	\$19,106,026
Increase in net assets	\$2,706,124	\$(144,243)	\$2,561,881
Net assets, beginning of year	\$18,908,213	\$10,898,449	\$29,806,662
Prior period adjustment	\$57,550	\$0	\$57,550
<b>Net assets, end of year</b>	<b>\$21,671,887</b>	<b>\$10,754,206</b>	<b>\$32,426,093</b>

**Governmental Activities**

The preceding table shows that the net assets of governmental activities increased by \$2,706,124 during 2003. On the revenue side, the General Fund contribution to this increase consisted of additional revenue from the Register of Deeds, Jail, Courts and other sources offset by decreases in state revenue sharing and lower interest revenue, for a net increase totaling \$1,088,786. On the

expenditure side, the General Fund experienced over \$456,651 in contingency and net expenditure savings from several departments. These two sources account for in excess of \$1,500,000 of the increase in net assets.

Other funds that made significant contributions to the increase in net assets included the Central Dispatch Fund with a net increase of over \$400,000. Remaining contributions came from other funds including Childcare, Waste Management and the Register of Deeds Automation Fund. The increase in governmental net assets also reflects a transfer from the Delinquent Tax Fund of \$475,000 for the jail expansion project.

### **Business-type Activities**

Net assets of the County's business-type activities decreased \$144,243. This decrease in net assets reflects the above mentioned transfer from the Delinquent Tax Fund of \$475,000 to the jail expansion project plus an additional transfer of \$290,000 to the Jail Debt Retirement Fund. This decrease in net assets is also affected by decreased interest earnings and revenues in connection with the administration of the delinquent tax program.

### **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. In particular, *unreserved fund balance* serves as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$12,159,416, an increase of \$2,558,926 in comparison with the prior year. Approximately 39.7 percent of this total amount (\$4,822,663) constitutes *unreserved/undesignated fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (\$4,840,297), or is *designated* to support capital and other projects (\$2,496,456).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was \$4,708,617, while, the unreserved/undesignated fund balance of the General Fund was \$3,045,226, an amount equal to 16.8 percent of total General Fund expenditures. This portion of General Fund unreserved/undesignated fund balance is consistent with standards issued by the Governmental Finance Officers Association.

The fund balance of the County's General Fund decreased by \$291,563 during the current fiscal year. Actual General Fund revenues exceeded the amount originally budgeted by \$1,088,786. This amount plus expenditure savings totaling \$456,651 provided a total of \$1,545,437 available at year-end. These funds supported appropriation transfers totaling \$1,037,000 for capital needs. The remainder of \$508,437 was used to offset an appropriation transfer of \$800,000 for future debt service requirements, resulting in the \$291,563 reduction in fund balance.

The Jail Construction Fund has a total fund balance of \$303,456, which increased by \$426,682 from the deficit position of \$123,226 in the prior year. This increase reflects the inflow of \$2,500,000 in Bond proceeds, and transfer of \$475,000 from the Delinquent Tax Fund, offset by current year construction costs as this project nears completion.

### **General Fund Budgetary Highlights**

The original General Fund expenditure budget of \$16,785,825 was revised to \$18,695,687 for an increase of \$1,380,349 or 8.2 percent.

The revised budget was supported by a positive net revenue variance of \$1,088,786, (not used to offset other revenue shortfalls) or 6.5 percent. Additional revenue included increases in revenue derived from the Register of Deeds, Jail and Court operations. Reductions in the revenue budget included state revenue sharing and interest revenue.

The revised budget was also supported by net expenditure savings of \$456,651 or 3.2 percent. Expenditure savings came from several departments, including contingency. Most of the expenditure budget overruns consisted of court legal costs and inmate health services. This amount, when combined with additional revenue provided \$1,545,437 in support of year-end general fund appropriations totaling \$1,837,000.

As previously referenced, these appropriations supported capital improvements and debt service needs. The capital improvements include an additional \$805,000 to the Public Improvement Fund for a new maintenance facility building, an additional \$140,000 to the MIS Fund for various automation projects, an additional \$72,000 to the Vehicle Fund for Building and Zoning vehicles, and an additional \$20,000 to the Telephone Fund for phone system upgrades. The appropriation for debt service supported a transfer of an additional \$800,000 from the General Fund-reserve for debt service to the Courthouse Debt Service Fund.

### **Capital Asset and Debt Administration**

**Capital assets.** As of December 31, 2003, the County's investment in capital assets, net of accumulated depreciation, for its governmental and business type activities, amounted to \$24,756,294 and \$16,289,064 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 district system infrastructure. The net increase in the County's investment in capital assets for the primary government in the current fiscal year amounted to \$2,783,840, less a net increase of \$997,022 in accumulated depreciation, for a net increase of \$1,786,818 or 7.8 percent, and is due mainly to the Jail Expansion project.

**County of Clinton's Capital Assets**  
(net of depreciation)

	<u>Primary Government</u>	<u>Drain Commission Component Unit</u>
Land and land improvements	\$ 448,968	\$ -
Buildings and improvements	18,503,038	-
Furniture, Fixtures, and equipment	2,674,723	-
Vehicles	408,874	-
Construction in Progress	2,720,691	487,346
Infrastructure	-	<u>15,801,718</u>
Total	<u>\$ 24,756,294</u>	<u>\$ 16,289,064</u>

The County's FY 2004 Budget includes \$805,000 toward a new Maintenance Facility Building. The County has no plans to issue additional debt to finance this project, but rather has budgeted this amount from current reserves.

**Long-term debt.** At the end of the current year, the County Primary Government and its Drain Commission and Department of Public Works component units had total general obligation bonds outstanding of \$27,310,000. (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.

**County of Clinton's Bonded Indebtedness**

	<u>Primary Government</u>	<u>Drain Commission and DPW Component Units</u>	<u>Total</u>
General obligation bonds	\$17,195,000	\$10,115,000	\$27,310,000

The net increase in the County's total general obligation bonded debt was \$1,645,000 or 10.6 percent during the current fiscal year. New bond issues in FY 2003 included \$2,500,000 for the Jail Expansion project and those issued by the County Drain Commission for \$875,000 for the Loesch project.

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

Additionally, the Clinton County Drain Commissioner has long-term notes payable totaling \$1,047,500 at December 31, 2003 for which it has pledged its full faith and credit. The balance on these notes payable increased by \$296,950 or 39.6 percent.

The County's outstanding general obligation debt is well within the current debt limitation of \$218,546,485 (10 percent of total assessed valuation).

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

The following factors were considered in preparing the County's budget for the 2004 fiscal year:

- The uncertainty over the State's economy will likely result in additional decreases in state funding.
- Continued growth in new home construction will generate increased property tax revenue to help cover inflationary cost increases.
- Healthcare costs will continue to escalate at a rate higher than inflation and require continued cost containment measures.
- The unemployment rate for the County was 4.1 percent for 2003, an increase from a rate of 3.2 percent a year ago. Still, this compares favorably to the state's average unemployment rate of 6.6 percent, and the national average rate of 5.6 percent.

Highlights of the 2004 budget are as follows:

- Major Capital Improvements of \$805,000 (designated for a new maintenance facility)
- Ordinary Capital Improvements totaling \$384,280
- 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, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 6,798,356	\$ 5,424,076	\$ 12,222,432	\$ 1,767,841
Investments	7,812,213	4,357,356	12,169,569	1,986,101
Receivables	9,937,081	969,210	10,906,291	4,702,498
Due from other governmental units	902,642	-	902,642	1,339,605
Inventory	6,058	8,239	14,297	356,600
Prepaid expenses	73,335	-	73,335	127,162
Current portion of lease receivable	-	-	-0-	800,171
Total current assets	25,529,685	10,758,881	36,288,566	11,079,978
Non-current assets				
Cash - restricted	492,653	-	492,653	693,004
Advance to component unit	130,000	-	130,000	-
Lease receivable	-	-	-0-	6,210,000
Capital assets, net	24,749,094	7,200	24,756,294	61,182,491
Total non-current assets	25,371,747	7,200	25,378,947	68,085,495
TOTAL ASSETS	50,901,432	10,766,081	61,667,513	79,165,473
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	724,057	9,060	733,117	349,411
Other accrued liabilities	568,222	2,815	571,037	300,328
Due to other governmental units	-	-	-0-	159,913
Deferred revenue	9,713,884	-	9,713,884	-
Notes payable	-	-	-0-	281,500
Current portion of compensated absences	551,905	-	551,905	-
Current portion of long-term debt	960,000	-	960,000	1,760,000
Total current liabilities	12,518,068	11,875	12,529,943	2,851,152
Non-current liabilities				
Advances from primary government	-	-	-0-	130,000
Advances from State	-	-	-0-	310,545
Non-current portion of compensated absences	476,477	-	476,477	580,610
Non-current portion of long-term debt	16,235,000	-	16,235,000	9,432,500
Total non-current liabilities	16,711,477	-0-	16,711,477	10,453,655
TOTAL LIABILITIES	29,229,545	11,875	29,241,420	13,304,807
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	7,554,094	7,200	7,561,294	57,403,059
Restricted for:				
Public safety	609,525	-	609,525	-
Capital improvement	2,524,716	-	2,524,716	149,570
Debt service	3,028,026	-	3,028,026	802,686
Other purposes	2,907,907	-	2,907,907	7,505,351
Unrestricted	5,047,619	10,747,006	15,794,625	-
TOTAL NET ASSETS	\$ 21,671,887	\$10,754,206	\$ 32,426,093	\$ 65,860,666

See accompanying notes to financial statements.

Clinton County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

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	\$ 8,700,132	\$ 3,857,295	\$ 1,462,248	\$ -	\$ (3,380,589)	\$ -	\$ (3,380,589)	\$ -
Public safety	6,443,942	1,516,700	366,529	25,000	(4,535,713)	-	(4,535,713)	-
Public works	359,898	336,598	6,337	-	(16,963)	-	(16,963)	-
Health and welfare	1,497,871	56,099	350,348	-	(1,091,424)	-	(1,091,424)	-
Community and economic development	866,079	432,255	277,916	-	(155,908)	-	(155,908)	-
Recreation and cultural	18,515	-	4,630	-	(13,885)	-	(13,885)	-
Other	305,985	-	-	-	(305,985)	-	(305,985)	-
Interest on long-term debt	781,138	-	-	-	(781,138)	-	(781,138)	-
Total governmental activities	18,973,560	6,198,947	2,468,008	25,000	(10,281,605)	-0-	(10,281,605)	-0-
Business-type activities:								
Delinquent tax	12,545	419,535	-	-	-	406,990	406,990	-
Other	119,921	121,899	-	-	-	1,978	1,978	-
Total business-type activities	132,466	541,434	-	-0-	-0-	408,968	408,968	-0-
Total primary government	\$ 19,106,026	\$ 6,740,381	\$ 2,468,008	\$ 25,000	(10,281,605)	408,968	(9,872,637)	-0-
Component units:								
Drainage Districts	662,879	133,438	-	1,313,286	-	-	-0-	783,845
Department of Public Works	411,774	-	1,040,687	-	-	-	-0-	628,913
Road Commission	9,655,773	1,399,705	6,830,538	3,182,100	-	-	-0-	1,756,570
Total component units	\$ 10,730,426	\$ 1,533,143	\$ 7,871,225	\$ 4,495,386	-0-	-0-	-0-	3,169,328
General revenues:								
Property taxes					9,149,768	-	9,149,768	-
State shared revenue					1,298,755	-	1,298,755	-
Investment earnings					362,235	209,664	571,899	51,976
911 Surcharge					1,413,087	-	1,413,087	-
Gain on equipment disposal					-	-	-0-	37,943
Miscellaneous					1,009	-	1,009	-
Transfers					762,875	(762,875)	-0-	-
Total general revenues and transfers					12,987,729	(553,211)	12,434,518	89,919
Change in net assets					2,706,124	(144,243)	2,561,881	3,259,247
Net assets, beginning of the year					18,908,213	10,898,449	29,806,662	62,601,419
Prior period adjustment					57,550	-	57,550	-
Net assets, end of the year					\$ 21,671,887	\$ 10,754,206	\$ 32,426,093	\$ 65,860,666

See accompanying notes to financial statements.

Clinton County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2003

	General	Jail Construction	Other Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ (952,517)	\$ -	\$ 5,528,680	\$ 4,576,163
Cash - restricted	-	492,653	-	492,653
Investments	5,313,047	-	1,520,309	6,833,356
Receivables				
Taxes				
Current	9,683,974	-	-	9,683,974
Delinquent	22,679	-	158	22,837
Accounts	16,341	-	138,934	155,275
Interest	36,868	-	14,516	51,384
Due from other funds	96,194	-	-	96,194
Due from other governmental units				
Federal/State	294,840	-	287,510	582,350
Local	320,292	-	-	320,292
Advance to other funds	125,000	-	-	125,000
Advance to component unit	130,000	-	-	130,000
<b>TOTAL ASSETS</b>	<b>\$ 15,086,718</b>	<b>\$ 492,653</b>	<b>\$ 7,490,107</b>	<b>\$ 23,069,478</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 262,231	\$ 189,197	\$ 138,378	\$ 589,806
Accrued liabilities	353,311	-	58,817	412,128
Due to other funds	48,675	-	52,569	101,244
Deferred revenue	9,713,884	-	-	9,713,884
Advances from other funds	-	-	93,000	93,000
<b>TOTAL LIABILITIES</b>	<b>10,378,101</b>	<b>189,197</b>	<b>342,764</b>	<b>10,910,062</b>
<b>FUND BALANCES</b>				
Reserved for:				
Perpetual care	-	-	3,850	3,850
Advances to other funds and component units	255,000	-	-	255,000
Planning and economic development	75,000	-	-	75,000
Family counseling	5,009	-	-	5,009
Sick and vacation pay	1,028,382	-	-	1,028,382
Employee reclassification	150,000	-	-	150,000
Retro pay	150,000	-	-	150,000
Debt service	-	-	3,173,056	3,173,056
Unreserved				
Designated for capital improvement	-	303,456	2,193,000	2,496,456
Undesignated, reported in:				
General fund	3,045,226	-	-	3,045,226
Special revenue funds	-	-	1,777,437	1,777,437
<b>TOTAL FUND BALANCES</b>	<b>4,708,617</b>	<b>303,456</b>	<b>7,147,343</b>	<b>12,159,416</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 15,086,718</b>	<b>\$ 492,653</b>	<b>\$ 7,490,107</b>	<b>\$ 23,069,478</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, 2003

**Total fund balance - governmental funds** \$ 12,159,416

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	\$ 29,195,242	
Accumulated depreciation is	<u>(4,446,148)</u>	
Capital assets, net		24,749,094

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	4,007,590	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(875,801)</u>	
		3,131,789

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	17,195,000	
Accrued interest payable	145,030	
Compensated absences	<u>1,028,382</u>	
		<u>(18,368,412)</u>

**Net assets of governmental activities** \$ 21,671,887

See accompanying notes to financial statements.

## Clinton County, Michigan

## Governmental Funds

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

Year Ended December 31, 2003

	General	Jail Construction	Other Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 9,151,509	\$ -	\$ -	\$ 9,151,509
Licenses and permits	543,183	-	-	543,183
Intergovernmental	2,706,711	-	912,109	3,618,820
Charges for services	4,222,072	-	1,984,741	6,206,813
Fines and forfeits	-	-	38,227	38,227
Interest and rents	289,546	23,206	37,457	350,209
Other	955,090	-	28,273	983,363
<b>TOTAL REVENUES</b>	<b>17,868,111</b>	<b>23,206</b>	<b>3,000,807</b>	<b>20,892,124</b>
<b>EXPENDITURES</b>				
Current				
General government	6,726,374	-	904,405	7,630,779
Public safety	4,922,399	2,548,996	1,103,838	8,575,233
Public works	62,638	-	287,375	350,013
Health and welfare	906,071	-	584,556	1,490,627
Community and economic development	812,360	-	40,000	852,360
Recreation and cultural	13,094	-	4,630	17,724
Other	305,985	-	-	305,985
Capital outlay	-	-	106,199	106,199
Debt service	-	-	1,579,871	1,579,871
<b>TOTAL EXPENDITURES</b>	<b>13,748,921</b>	<b>2,548,996</b>	<b>4,610,874</b>	<b>20,908,791</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,119,190</b>	<b>(2,525,790)</b>	<b>(1,610,067)</b>	<b>(16,667)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	6,500	475,000	3,982,824	4,464,324
Operating transfers out	(4,417,253)	-	(6,500)	(4,423,753)
Bond proceeds	-	2,500,000	-	2,500,000
Bond discount	-	(22,528)	-	(22,528)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,410,753)</b>	<b>2,952,472</b>	<b>3,976,324</b>	<b>2,518,043</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>(291,563)</b>	<b>426,682</b>	<b>2,366,257</b>	<b>2,501,376</b>
Fund balances (deficit), beginning of year	5,000,180	(123,226)	4,723,536	9,600,490
Prior period adjustment	-	-	57,550	57,550
<b>Fund balances, end of year</b>	<b>\$ 4,708,617</b>	<b>\$ 303,456</b>	<b>\$ 7,147,343</b>	<b>\$ 12,159,416</b>

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, 2003

**Net change in fund balances - total governmental funds** **\$ 2,501,376**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 2,712,800	
Depreciation expense	<u>(1,142,666)</u>	
Excess of capital outlay over depreciation expense		1,570,134

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	125,225	
Depreciation expense of Internal Service Funds included in the total above	<u>224,474</u>	
		349,699

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	805,000	
Bond proceeds	(2,500,000)	
Bond discount	<u>22,528</u>	
		(1,672,472)

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	(6,267)	
(Increase) in accrued compensated absences	<u>(36,346)</u>	
		<u>(42,613)</u>

**Change in net assets of governmental activities** **\$ 2,706,124**

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2003

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Other Non-major Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 5,399,094	\$ 24,982	\$ 5,424,076	\$ 2,222,193
Investments	4,357,356	-	4,357,356	978,857
Accounts receivable	979	-	979	20,537
Interest receivable	28,617	-	28,617	3,074
Delinquent taxes receivable	939,614	-	939,614	-
Inventory	-	8,239	8,239	6,058
Prepaid expenses	-	-	-0-	73,335
Due from other funds	-	-	-0-	257,049
Total current assets	10,725,660	33,221	10,758,881	3,561,103
Non-current assets				
Advances to other funds	-	-	-	3,000
Capital assets, net	7,200	-	7,200	875,801
Total non-current assets	7,200	-0-	7,200	878,801
<b>TOTAL ASSETS</b>	<b>10,732,860</b>	<b>33,221</b>	<b>10,766,081</b>	<b>4,439,904</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	2,859	6,201	9,060	134,251
Accrued liabilities	165	2,650	2,815	11,064
Advances from other funds	-	-	-0-	35,000
Due to other funds	-	-	-0-	251,999
<b>TOTAL LIABILITIES</b>	<b>3,024</b>	<b>8,851</b>	<b>11,875</b>	<b>432,314</b>
<b>NET ASSETS</b>				
Reserved for potential losses	-	-	-0-	1,488,577
Reserved for employee benefits	-	-	-0-	270,819
Unrestricted - designated	10,723,134	-	10,723,134	-
Unrestricted - undesignated	6,702	24,370	31,072	2,248,194
<b>TOTAL NET ASSETS</b>	<b>\$ 10,729,836</b>	<b>\$ 24,370</b>	<b>\$ 10,754,206</b>	<b>\$ 4,007,590</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, 2003

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Other Non-major Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>				
Interest and penalties on delinquent taxes	\$ 419,535	\$ -	\$ 419,535	\$ -
Charges for services	-	-	-	2,287,952
Sales	-	106,161	106,161	-
Rent	-	14,885	14,885	-
Other	-	853	853	128,990
<b>TOTAL OPERATING REVENUES</b>	<b>419,535</b>	<b>121,899</b>	<b>541,434</b>	<b>2,416,942</b>
<b>OPERATING EXPENSES</b>				
Personal services and fringes	-	-	-0-	2,552,656
Supplies	3,756	119,921	123,677	61,780
Contracted services	-	-	-0-	57,829
Depreciation	900	-	900	224,474
Miscellaneous	7,889	-	7,889	141,354
<b>TOTAL OPERATING EXPENSES</b>	<b>12,545</b>	<b>119,921</b>	<b>132,466</b>	<b>3,038,093</b>
<b>OPERATING INCOME (LOSS)</b>	<b>406,990</b>	<b>1,978</b>	<b>408,968</b>	<b>(621,151)</b>
<b>NON-OPERATING REVENUES</b>				
Interest revenue	401,825	-	401,825	24,685
Loss on sale of assets	-	-	-0-	(613)
Net decrease in fair value of investments	(192,161)	-	(192,161)	-
<b>TOTAL NON-OPERATING REVENUES</b>	<b>209,664</b>	<b>-0-</b>	<b>209,664</b>	<b>24,072</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>616,654</b>	<b>1,978</b>	<b>618,632</b>	<b>(597,079)</b>
<b>TRANSFERS IN (OUT)</b>				
Transfers in	-	2,125	2,125	972,304
Transfers out	(765,000)	-	(765,000)	(250,000)
<b>TOTAL TRANSFERS</b>	<b>(765,000)</b>	<b>2,125</b>	<b>(762,875)</b>	<b>722,304</b>
<b>CHANGE IN NET ASSETS</b>	<b>(148,346)</b>	<b>4,103</b>	<b>(144,243)</b>	<b>125,225</b>
Net assets, beginning of year	10,878,182	20,267	10,898,449	3,882,365
Net assets, end of year	<u>\$ 10,729,836</u>	<u>\$ 24,370</u>	<u>\$ 10,754,206</u>	<u>\$ 4,007,590</u>

See accompanying notes to financial statements.



Clinton County, Michigan  
Proprietary Funds  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2003

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Other Non-major Enterprise Funds	Total	Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	\$ 744,626	\$ 121,899	\$ 866,525	\$ 2,107,830
Cash paid to suppliers	(14,698)	(119,998)	(134,696)	(88,960)
Cash paid for employee benefits	-	-	-0-	(2,552,656)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>729,928</b>	<b>1,901</b>	<b>731,829</b>	<b>(533,786)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital purchases	-	-	-0-	(228,472)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	2,125	2,125	972,304
Transfers out	(765,000)	-	(765,000)	(250,000)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>(765,000)</b>	<b>2,125</b>	<b>(762,875)</b>	<b>722,304</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	(4,357,356)	-	(4,357,356)	(978,857)
Maturity of investments	5,512,495	-	5,512,495	1,222,489
Proceeds from sale of capital assets	-	-	-0-	5,051
Interest revenue	401,825	-	401,825	24,685
Net decrease in fair value of investments	(192,161)	-	(192,161)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>1,364,803</b>	<b>-0-</b>	<b>1,364,803</b>	<b>273,368</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>1,329,731</b>	<b>4,026</b>	<b>1,333,757</b>	<b>233,414</b>
Cash and cash equivalents, beginning of year	4,069,363	20,956	4,090,319	1,963,785
Cash and cash equivalents, end of year	<u>\$ 5,399,094</u>	<u>\$ 24,982</u>	<u>\$ 5,424,076</u>	<u>\$ 2,197,199</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2003

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Other Non-major Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 406,990	\$ 1,978	\$ 408,968	\$ (621,151)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities				
Depreciation	900	-	900	224,474
Decrease in receivables	175,091	-	175,091	3,444
(Increase) in prepaid expenses	-	-	-0-	(73,335)
(Increase) in due from other funds	-	-	-0-	(214,227)
Decrease in advances to others	150,000	-	150,000	-
(Increase) decrease in inventory	-	(893)	(893)	5,780
Increase (decrease) in accounts payable	(2,981)	966	(2,015)	(50,007)
Increase in due to other funds	-	-	-0-	212,829
Increase (decrease) in accrued liabilities	(72)	(150)	(222)	3,401
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 729,928</u>	<u>\$ 1,901</u>	<u>\$ 731,829</u>	<u>\$ (508,792)</u>

Clinton County, Michigan  
 Fiduciary Funds  
 STATEMENT OF NET ASSETS  
 December 31, 2003

	Post- Employment Healthcare	Agency Funds
<b>ASSETS</b>		
Cash	\$ 112,053	\$ 1,858,336
Investments	2,029,957	-
<b>TOTAL ASSETS</b>	<b>\$ 2,142,010</b>	<b>\$ 1,858,336</b>
<b>LIABILITIES</b>		
Undistributed collections payable	\$ -	\$ 1,126,802
Due to other governmental units		
Federal/State	-	205,368
Local	-	260,961
Due to individuals and agencies	-	265,205
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>\$ 1,858,336</b>
<b>NET ASSETS</b>		
Restricted for trust activities	<b>\$ 2,142,010</b>	

See accompanying notes to financial statements.

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2003

	<u>Post- Employment Healthcare</u>
ADDITIONS	
Charges for services	\$ 298,687
Interest	31,571
Net increase in fair value of investments	<u>338,375</u>
TOTAL ADDITIONS	668,633
DEDUCTIONS	
Retiree benefits	<u>247,900</u>
TOTAL CHANGE IN NET ASSETS	420,733
Net assets, beginning of year	<u>1,721,277</u>
Net assets, end of year	<u><u>\$ 2,142,010</u></u>

See accompanying notes to financial statements.

## Clinton County, Michigan

## Component Unit Funds

## COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Department of Public Works	Drainage Districts	Road Commission	Total Component Units
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 149,570	\$ 570,286	\$ 1,047,985	\$ 1,767,841
Investments	-	1,520,417	465,684	1,986,101
Accrued interest receivable	-	4,588	-	4,588
Accounts receivable	-	12,292	24,549	36,841
Due from other governmental units	-	-	1,339,605	1,339,605
Special assessments receivable	-	4,661,069	-	4,661,069
Inventory	-	-	356,600	356,600
Prepaid expense	-	-	127,162	127,162
Current portion of lease receivable	800,171	-	-	800,171
Total current assets	949,741	6,768,652	3,361,585	11,079,978
Non-current assets				
Cash - restricted	-	693,004	-	693,004
Lease receivable	6,210,000	-	-	6,210,000
Capital assets, net	-	16,289,064	44,893,427	61,182,491
Total non-current assets	6,210,000	16,982,068	44,893,427	68,085,495
<b>TOTAL ASSETS</b>	<b>7,159,741</b>	<b>23,750,720</b>	<b>48,255,012</b>	<b>79,165,473</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	-	208,312	141,099	349,411
Accrued liabilities	-	51,889	157,682	209,571
Accrued interest payable	70,171	20,586	-	90,757
Due to other governmental units	-	-	159,913	159,913
Notes payable	-	281,500	-	281,500
Current portion of long-term debt	730,000	1,022,500	7,500	1,760,000
Total current liabilities	800,171	1,584,787	466,194	2,851,152
Non-current liabilities				
Advances from primary government	-	130,000	-	130,000
Advances from State	-	-	310,545	310,545
Non-current portion of compensated absences	-	-	580,610	580,610
Non-current portion of long-term debt	6,210,000	3,200,000	22,500	9,432,500
Total non-current liabilities	6,210,000	3,330,000	913,655	10,453,655
<b>TOTAL LIABILITIES</b>	<b>7,010,171</b>	<b>4,914,787</b>	<b>1,379,849</b>	<b>13,304,807</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	-	12,539,632	44,863,427	57,403,059
Restricted for:				
Other purposes	-	5,493,615	2,011,736	7,505,351
Capital improvement	149,570	-	-	149,570
Debt service	-	802,686	-	802,686
<b>TOTAL NET ASSETS</b>	<b>\$ 149,570</b>	<b>\$ 18,835,933</b>	<b>\$ 46,875,163</b>	<b>\$ 65,860,666</b>

See accompanying notes to financial statements.

Clinton County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Drainage Districts	\$ 662,879	\$ 133,438	\$ -	\$ 1,313,286	\$ 783,845
Department of Public Works	411,774	-	1,040,687	-	628,913
Road Commission	9,655,773	1,399,705	6,830,538	3,182,100	1,756,570
<b>TOTALS</b>	<b>\$ 10,730,426</b>	<b>\$ 1,533,143</b>	<b>\$ 7,871,225</b>	<b>\$ 4,495,386</b>	<b>3,169,328</b>
General revenues:					
Investment earnings					51,976
Gain on equipment disposal					37,943
Total general revenues					89,919
<b>CHANGE IN NET ASSETS</b>					<b>3,259,247</b>
Net assets, beginning of year					62,601,419
Net assets, end of year					<b>\$ 65,860,666</b>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

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

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Clinton County (primary government) and its component units, except as noted below. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

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

3. Discretely Presented Component Units

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

3. Discretely Presented Component Units - continued

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

4. Joint Ventures

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

Clinton County is responsible to fund approximately 40% of the required local contribution to cover operational costs. For the year ended December 31, 2003, the County contributed \$359,151 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 September 30, 2003, are available at the Department's administrative offices. As of September 30, 2003, the Department had total net assets of \$1,040,407.

5. Jointly Governed Organizations

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

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

The Commission must adopt a proposed budget at its February meeting and submit the same to the Board of Commissioners of the three (3) Counties it serves and to the Lansing City Council with its request for allocation of funds. Each government unit contributes one-quarter of the total annual budget. For the year ended December 31, 2003, the County's contribution to the Commission was \$36,458.

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, 2003, the County's contribution to the Commission was \$33,763.



NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

5. Jointly Governed Organizations - continued

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

Tri-County Community Mental Health - The Board provides comprehensive mental health services to Ingham, Eaton, and Clinton Counties. Operation revenues are derived from Federal, State, and local governments as well as from fees for services. The Tri-County Community Mental Health is governed by a twelve (12) member Board appointed by the Board of Commissioners of the three (3) Counties it services. For the year ended December 31, 2003, the County's contribution to the Commission was \$227,195.

Mid-South Substance Abuse Commission - Clinton County, in conjunction with five (5) other Counties, has entered into an agreement that created the Mid-South Substance Abuse Commission. This Organization's Board is composed of fifteen (15) members, of which one (1) is appointed by Clinton County. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. Also, if the Commission were to need additional operating funds, the County would be responsible to contribute a portion based on the percentage of Board membership (currently 7%). For the year ended December 31, 2003, the County passed through \$64,541 and was not required to make any additional appropriation.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

6. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Jail Construction Fund is used to account for financial resources to be used for the construction of new jail facilities.
- c. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

7. Measurement Focus

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

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

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

8. Basis of Accounting

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

8. Basis of Accounting - continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, commercial paper, and U.S. Government Securities with a maturity from date of purchase of 90 days or less.

10. Restricted Cash

The County restricted cash is for Jail Construction and Drain capital improvements projects.

11. Investments

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

12. Receivables

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

13. Inventories

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

14. Lease Receivable

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

15. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

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

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

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by Clinton County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. 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 2003, the Clinton County Road Commission has capitalized the current year's infrastructure and has also reported the retroactive cost for major infrastructure in the Statement of Net Assets for periods ending June 30, 1980.

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

16. Advances to Other Funds/Component Units

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

17. Interfund Transactions

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

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

18. Long-Term Obligations

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

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

19. Accrued Compensated Absences

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

Vested compensated absences earned as of December 31, 2003, including related payroll taxes, is recorded in the government-wide financial statements.

20. Deferred Revenue

Deferred revenue recorded in the General Fund consists of the 2004 tax levy that was levied in 2003 and will be collected in 2004 and are 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.

21. Budgets and Budgetary Accounting

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

21. Budgets and Budgetary Accounting - continued

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

22. Comparative Data

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

23. Federal Programs

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

24. Accounting Change

As of January 1, 2003, the County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the County's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the statement of net assets include assets in the amount of \$24,818,923, which was previously reported in the General Fixed Assets Account Group. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets. This amount is restated from the prior year to reflect the correction of an error in the previous amount.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

24. Accounting Change - continued

- Long-term obligations reported on the statement of net assets include \$16,492,036, which was previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for approximately twenty-one funds. Cash overdrafts of individual funds as of December 31, 2003, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$( 1,258,942 )	\$ 306,425	\$( 952,517 )

**NOTE C: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

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

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

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

- d. United States government or Federal agency obligation repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

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

As of December 31, 2003, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking	\$ 7,173,855	\$ 8,343,396
Savings accounts	2,025,925	1,185,925
Money market	1,075,863	1,065,051
Certificates of deposit	<u>7,720,395</u>	<u>7,720,395</u>
Total primary government	17,996,038	18,314,767
<b>COMPONENT UNITS</b>		
Checking	2,058,385	2,153,075
Money market	263,016	263,016
Certificates of deposit	<u>1,520,417</u>	<u>1,520,417</u>
Total component units	3,841,818	3,936,508
<b>FIDUCIARY FUNDS</b>		
Checking	483,086	523,181
Money market	1,152,858	1,152,858
Certificate of deposit	<u>334,445</u>	<u>334,445</u>
Total fiduciary funds	<u>1,970,389</u>	<u>2,010,484</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$ 23,808,245</u>	<u>\$ 24,261,759</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2003, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,889,376 and the amount of \$22,372,383 was uninsured and uncollateralized.

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



Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

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

As of December 31, 2003 the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Primary Government		
Insured or registered for which the securities are held by the County's agent in the County's name -		
U.S. Treasury Bills	\$ 670,025	\$ 670,025
U.S. Treasury Strips	2,300,748	2,300,748
U.S. Government Securities	<u>2,718,337</u>	<u>2,718,337</u>
	5,689,110	5,689,110
Uncategorized pooled investment funds	1,196,906	1,196,906
Uncategorized pooled investment funds - Fiduciary	<u>2,029,957</u>	<u>2,029,957</u>
	<u>3,226,863</u>	<u>3,226,863</u>
	<u>\$ 8,915,973</u>	<u>\$ 8,915,973</u>
Component Units		
Insured or registered for which the securities are held by the County's agent in the County's name -		
U.S. Treasury Bills	\$ 268,895	\$ 268,895
U.S. Government Securities	<u>336,133</u>	<u>336,133</u>
	<u>\$ 605,028</u>	<u>\$ 605,028</u>

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

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$12,222,432	\$ 1,767,841	\$ 1,970,389	\$15,960,662
Cash - restricted	492,653	693,004	-	1,185,657
Investments	<u>12,169,569</u>	<u>1,986,101</u>	<u>2,029,957</u>	<u>16,185,627</u>
	<u>\$24,884,654</u>	<u>\$ 4,446,946</u>	<u>\$ 4,000,346</u>	<u>\$33,331,946</u>

The primary government cash and cash equivalents caption on the combined balance sheet includes \$2,600 in imprest cash. The component unit cash and cash equivalents caption includes \$100 of imprest cash. The restricted cash of \$1,185,657 was being held by the County for Jail and Drain Capital improvement projects.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE D: INTERFUND TRANSFERS**

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

<u>Fund</u>	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers from Component Units</u>	<u>Transfers to Component Units</u>
Primary Government				
General	\$ 6,500	\$ 4,417,253	\$ -	\$ -
Jail Construction	475,000	-	-	-
Non-major governmental funds	3,982,824	6,500	-	-
Delinquent tax revolving	-	765,000	-	-
Non-major enterprise funds	2,125	-	-	-
Internal service funds	972,304	250,000	-	-
Component Units				
Drainage Districts	-	-	<u>382,899</u>	<u>382,899</u>
	<u>\$ 5,438,753</u>	<u>\$ 5,438,753</u>	<u>\$ 382,899</u>	<u>\$ 382,899</u>

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details the primary government and component unit interfund receivables and payables at December 31, 2003:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government		
General fund	\$ 96,194	\$ 48,675
Non-major governmental funds	-	52,569
Internal service funds	257,049	251,999
Component Units		
Drainage Districts	<u>129,428</u>	<u>129,428</u>
	<u>\$ 482,671</u>	<u>\$ 482,671</u>

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details primary government advances to and from other funds at December 31, 2003:

Fund	Primary Government		Component Units	
	Advance To	Advance From	Advance To Component Units	Advance From Component Units
Primary Government				
General	\$ 125,000	\$ -	\$ 130,000	\$ -
Non-major governmental funds	-	93,000	-	-
Internal service funds	3,000	35,000	-	-
Component Units				
Drainage Districts	-	-	-	130,000
	<u>\$ 128,000</u>	<u>\$ 128,000</u>	<u>\$ 130,000</u>	<u>\$ 130,000</u>

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

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

**Primary Government**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
<b>Governmental activities</b>				
Land and improvements	\$ 448,968	\$ -	\$ -	\$ 448,968
Buildings and improvements	20,864,542	9,300	-	20,873,842
Furniture, fixtures, and equipment	4,235,546	239,170	( 143,888 )	4,330,828
Vehicles	723,891	110,566	( 13,544 )	820,913
Construction in progress	138,455	2,582,236	-	2,720,691
Totals at historical cost	26,411,402	2,941,272	( 157,432 )	29,195,242
Less accumulated depreciation for:				
Buildings and improvements	( 1,832,921 )	( 537,883 )	-	( 2,370,804 )
Furniture, fixtures, and equipment	( 1,301,181 )	( 500,789 )	138,665	( 1,663,305 )
Vehicles	( 315,924 )	( 103,994 )	7,879	( 412,039 )
Total accumulated depreciation	<u>( 3,450,026 )</u>	<u>( 1,142,666 )</u>	<u>146,544</u>	<u>( 4,446,148 )</u>
Capital assets, net	<u>\$22,961,376</u>	<u>\$ 1,798,606</u>	<u>\$ ( 10,888 )</u>	<u>\$24,749,094</u>
<b>Business-type activities</b>				
Furniture, fixtures, and equipment	\$ 9,000	\$ -	\$ -	\$ 9,000
Less accumulated depreciation for:				
Furniture, fixtures, and equipment	( 900 )	( 900 )	-	( 1,800 )
Capital assets, net	<u>\$ 8,100</u>	<u>\$ ( 900 )</u>	<u>\$ -0-</u>	<u>\$ 7,200</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

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

Governmental Activities:		
General government	\$	778,908
Public safety		355,500
Public works		2,775
Health and welfare		1,946
Community and economic development		3,241
Recreation and cultural		<u>296</u>
		1,142,666
Business-type Activities:		
Delinquent tax revolving		<u>900</u>
		<u>\$ 1,143,566</u>

**Component Units**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Component Unit - Drainage Districts				
Drain infrastructure	\$17,182,758	\$ 542,586	\$ -	\$17,725,344
Construction in progress	<u>-</u>	<u>487,346</u>	<u>-</u>	<u>487,346</u>
	17,182,758	1,029,932	-0-	18,212,690
Less accumulated depreciation for:				
Drain infrastructure	<u>( 1,700,250 )</u>	<u>( 223,376 )</u>	<u>-</u>	<u>( 1,923,626 )</u>
Capital assets, net	<u>\$15,482,508</u>	<u>\$ 806,556</u>	<u>\$ -0-</u>	<u>\$16,289,064</u>
Component Unit - Road Commission				
Capital assets not being depreciated				
Land	\$ 283,750	\$ -	\$ -	\$ 283,750
Infrastructure - land/right-of-way	202,650	237,396	-	440,046
Infrastructure - land improvements	<u>3,398,404</u>	<u>427,271</u>	<u>-</u>	<u>3,825,675</u>
Total assets not being depreciated	3,884,804	664,667	-0-	4,549,471
Capital assets being depreciated				
Buildings	1,713,439	22,359	-	1,735,798
Road equipment	4,725,701	541,335	( 196,859 )	5,070,177
Shop equipment	62,991	8,267	( 5,282 )	65,976
Office equipment	130,910	6,808	( 21,717 )	116,001
Engineer's equipment	49,709	-	( 24,964 )	24,745
Depletable assets	63,115	-	-	63,115
Infrastructure - bridges	21,842,873	153,504	( 99,319 )	21,897,058
Infrastructure - roads	42,311,055	3,774,538	( 2,240,412 )	43,845,181
Infrastructure - traffic signals	<u>11,700</u>	<u>29,085</u>	<u>-</u>	<u>40,785</u>
Total assets being depreciated	70,911,493	4,535,896	( 2,588,553 )	72,858,836

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Less accumulated depreciation				
Building	\$( 730,760 )	\$( 50,920 )	\$ -	\$( 781,680 )
Road equipment	( 3,372,686 )	( 202,332 )	152,683	( 3,422,335 )
Shop equipment	( 40,892 )	( 5,406 )	5,282	( 41,016 )
Office equipment	( 73,662 )	( 14,724 )	19,104	( 69,282 )
Engineer's equipment	( 43,558 )	( 657 )	22,198	( 22,017 )
Reserve for depletable assets	( 40,473 )	-	-	( 40,473 )
Infrastructure - bridges	( 10,139,851 )	( 370,312 )	99,319	( 10,410,844 )
Infrastructure - roads	( 17,031,969 )	( 2,928,049 )	2,240,412	( 17,719,606 )
Infrastructure - traffic signals	( 7,313 )	( 314 )	-	( 7,627 )
Total accumulated depreciation	<u>( 31,481,164 )</u>	<u>( 3,572,714 )</u>	<u>2,538,998</u>	<u>( 32,514,880 )</u>
Net capital assets being depreciated	<u>39,430,329</u>	<u>963,182</u>	<u>( 49,555 )</u>	<u>40,343,956</u>
Capital assets, net	<u>\$ 43,315,133</u>	<u>\$ 1,627,849</u>	<u>\$( 49,555 )</u>	<u>\$ 44,893,427</u>

Depreciation expense of \$3,572,714 is included on the Component Unit Funds Statement of Activities under the Road Commission caption.

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2003:

	Restated Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003	Amount due within one year
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Direct County Obligations	\$15,500,000	\$ 2,500,000	\$( 805,000 )	\$17,195,000	\$ 960,000
Accrued compensated absences	<u>992,036</u>	<u>36,346</u>	<u>-</u>	<u>1,028,382</u>	<u>551,905</u>
TOTAL PRIMARY GOVERNMENT	16,492,036	2,536,346	( 805,000 )	18,223,382	1,511,905
<b>COMPONENT UNITS</b>					
Department of Public Works					
Water and Sewer bonds	7,595,000	-	( 655,000 )	6,940,000	730,000
Drainage Districts					
Drain bonds and notes	3,320,550	1,503,000	( 601,050 )	4,222,500	1,022,500
Road Commission					
Installment purchase contract	37,500	-	( 7,500 )	30,000	7,500
Accrued employee benefits	<u>520,686</u>	<u>59,924</u>	<u>-</u>	<u>580,610</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>11,473,736</u>	<u>1,562,924</u>	<u>( 1,263,550 )</u>	<u>11,773,110</u>	<u>1,760,000</u>
TOTAL REPORTING ENTITY	<u>\$27,965,772</u>	<u>\$ 4,099,270</u>	<u>\$(2,068,550)</u>	<u>\$29,996,492</u>	<u>\$ 3,271,905</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT

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

Direct County Obligations

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

Bonds payable at December 31, 2003, are as follows:

\$3,230,000 Building Authority Refunding Bonds, Series 1993-1, dated December 1, 1993, due in annual installments ranging from \$300,000 to \$380,000 through September 1, 2008, with interest ranging from 4.75 to 5.2 percent, payable semi-annually.	\$ 1,695,000
\$4,450,000 Building Authority Jail Construction Bonds, Series 1990-1, dated September 1, 1993, due in an annual installment of \$415,000 on September 1, 2009, with interest of 5.0 percent, payable semi-annually. The balance of these bonds was refunded through the above bond issue except for the final payment, which was not callable and is still outstanding.	415,000
\$2,500,000 Building Authority Jail Construction Bonds, Series 2003, dated February 1, 2003, due in an annual installments ranging from \$120,000 to \$225,000 through May 2018, with interest ranging from 2.25 to 4.125 percent, payable semi-annually.	2,500,000
\$14,500,000 Building Authority Courthouse Building Bonds, Series 1999, dated January 1, 1999, due in annual installments ranging from \$540,000 to \$1,095,000 through May 1, 2019, with interest ranging from 4.0 to 5.0 percent, payable semi-annually.	<u>12,585,000</u>
Total Direct County Obligations	<u>\$ 17,195,000</u>

Accumulated 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 \$341,199 and \$687,183 for vacation and sick, respectively, at December 31, 2003. Of the \$1,028,382 total liability, \$551,905 has been reported as a current liability and \$476,477 has been reported as a non-current liability.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION

Accumulated 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 \$146,917, \$322,036, and \$111,657 for vacation, sick and longevity, respectively, at December 31, 2003. This amount, \$580,610, has been reported as a non-current liability.

Installment Purchase Contract

Installment purchase contract was entered into for aggregate sand and gravel, due in annual installments of \$7,500 through 2007, with interest of 8 percent payable annually. \$ 30,000

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, 2003, 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.	\$ 1,275,000
\$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.	400,000
\$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.	200,000
\$995,000 Watertown Township Sewage Disposal Refunding Bonds dated January 1, 1993, due in an annual installment of \$80,000 on May 1, 2004, with interest of 5.4 percent, payable semi-annually.	80,000
\$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.	340,000
\$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.	80,000

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - DEPARTMENT OF PUBLIC WORKS - CONTINUED

Indirect County Obligations - Water and Sewer Bonds - continued

\$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.	\$ 160,000
\$1,140,000 Dewitt Township/City of Dewitt Water Supply System Bonds dated April 1, 1991, due in annual installments ranging from \$105,000 to \$125,000 through May 1, 2006, with interest of 5.5 percent, payable semi-annually.	345,000
\$3,055,000 Bingham Township Sanitary Sewage Project Bonds dated June 2, 1999, due in annual installment of \$155,000 to \$160,000 through May 1, 2019 with interest of 4.25 to 5.0 percent, payable semi-annually.	2,540,000
\$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.	995,000
\$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>525,000</u>
	<u>\$ 6,940,000</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, 2003, bonds due and payable May 1, 2002 through May 1, 2014 for the Clinton County Water Project Bonds - Bath Township in the amount of \$780,000 are considered defeased.

COMPONENT UNIT - DRAINAGE DISTRICTS

Indirect County Obligations - Drain Bonds and Notes

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



Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - DRAINAGE DISTRICTS - CONTINUED

Indirect County Obligations - Drain Bonds and Notes - continued

Bonds and notes payable and amounts due to other local governments at December 31, 2003, 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 3.75 to 4.35 percent, payable semi-annually.	\$ 1,400,000
\$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 3.0 to 4.3 percent, payable semi-annually.	900,000
\$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.	875,000
Various drain notes due in various annual installments and interest rates through 2008.	<u>1,047,500</u>
	<u>\$ 4,222,500</u>

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

**Primary Government**

Direct County Obligations

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 960,000	\$ 760,391	\$ 1,720,391
2005	1,010,000	721,285	1,731,285
2006	1,055,000	679,326	1,734,326
2007	1,115,000	634,451	1,749,451
2008	1,170,000	585,801	1,755,801
2009-2013	4,990,000	2,197,396	7,187,396
2014-2018	5,800,000	996,802	6,796,802
2019	<u>1,095,000</u>	<u>27,376</u>	<u>1,122,376</u>
	<u>\$17,195,000</u>	<u>\$ 6,602,828</u>	<u>\$23,797,828</u>

**Component Units**

<u>Year</u>	<u>Road Commission Installment Purchase Contract</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 7,500	\$ 2,400	\$ 9,900
2005	7,500	1,800	9,300
2006	7,500	1,200	8,700
2007	<u>7,500</u>	<u>600</u>	<u>8,100</u>
	<u>\$ 30,000</u>	<u>\$ 6,000</u>	<u>\$ 36,000</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: LONG-TERM DEBT - CONTINUED**

**Component Units - continued**

Year Ending December 31,	Indirect County Obligations				
	Department of Public Works Water and Sewer Bonds		Drainage Districts Drain Bonds and Notes		Total
	Principal	Interest	Principal	Interest	
2004	\$ 730,000	\$ 343,942	\$ 1,022,500	\$ 145,905	\$ 2,242,347
2005	655,000	305,803	575,650	112,761	1,649,214
2006	700,000	269,562	487,150	94,560	1,551,272
2007	585,000	234,813	394,800	77,974	1,292,587
2008	425,000	207,928	367,400	63,586	1,063,914
2009-2013	2,155,000	723,210	1,375,000	113,756	4,366,966
2014-2018	1,365,000	258,711	-	-	1,623,711
2019-2020	325,000	12,174	-	-	337,174
	<u>\$ 6,940,000</u>	<u>\$ 2,356,143</u>	<u>\$ 4,222,500</u>	<u>\$ 608,542</u>	<u>\$14,127,185</u>

**NOTE I: SHORT-TERM DEBT**

During the year ended December 31, 2003, the County issued \$281,500 of short-term drain notes and repaid \$194,200 is short-term drain notes outstanding at the beginning of the year. The notes are used for the purpose of constructing and repairing drains within the County.

	Balance Jan. 1, 2003	Additions	Deletions	Balance Dec. 31, 2003
Short-term drain notes	\$ 194,200	\$ 281,500	\$ 194,200	\$ 281,500

**NOTE J: EMPLOYEE RETIREMENT SYSTEM**

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

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

Normal Retirement - continued:

Non-union:

Age 55 with 30 or more years of credited service

Age 60 with 10 or more years of credited service

Mandatory Retirement: None

Deferred Retirement:

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

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

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

Funding Policy

The County is required to contribute to the Retirement Plan at an actuarially determined rate. The current rate ranges from 5.63% to 12.86% 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 .5% to 5.1% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost

For the year ended December 31, 2003 the County's annual pension cost of \$842,653 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2002, using the entry actual age cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 4.2% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

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

Three (3) year trend information

	Year Ended December 31,		
	<u>2000</u>	<u>2001</u>	<u>2002</u>
Actuarial value of assets	\$ 15,635,521	\$ 16,886,588	\$ 17,518,680
Actuarial accrued liability (AAL) (entry age)	17,693,117	20,602,473	22,451,644
Unfunded AAL	2,057,596	3,715,915	4,932,964
Funded ratio	88%	82%	78%
Covered payroll	6,533,001	6,686,157	6,907,625
UAAL as a percentage of covered payroll	31%	56%	71%
Annual pension cost	585,773	778,417	842,653
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

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

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC), with a maximum benefit of 80% of the FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2002.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

Each member was required to contribute 3% of his or her annual compensation, however the Road Commission pays the 3% contribution on behalf of the employees. The Road Commission is required to contribute at an actuarially determined rate. Based on the 2000 actuarial valuation, the 2002 rate for general-union/AFL-CIO, administrative salary and administrative hourly employees was 5.09%, 7.30% and 8.79%, respectively, of annual compensation. For 2003, the actuarial valuation was based on the 2001 rate for general-union/AFL-CIO, administrative salary and administrative hourly employees, which was 6.35%, 9.89% and 11.34%, respectively, of annual compensation. The employee contribution rate was 3% for both years and is paid by the Road Commission.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE J: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Annual Pension Cost

During the calendar year ended December 31, 2003, the Road Commission's contributions totaling \$253,273 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2001 and 3% employee share. The amount paid in 2002 was \$136,739 for the employer contribution and \$72,084 for the employee contribution, which was also paid by the employer and was made in accordance with the actuarial valuation of the plan as of December 31, 2000. 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

<u>Year Ended December 31,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2000	\$ 169,264	100%	\$ -0-
2001	156,875	100%	-0-
2002	208,823	100%	-0-

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Underfunded (Overfunded) AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/00	\$ 8,859,381	\$ 8,953,921	\$ 94,540	99%	\$ 2,141,012	4%
12/31/01	9,147,542	9,639,404	491,862	95%	2,232,686	22%
12/31/02	9,095,478	9,872,236	776,758	92%	2,335,984	33%

**NOTE K: DEFERRED COMPENSATION PLAN - ROAD COMMISSION**

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE L: CONTINGENT LIABILITIES**

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

**NOTE M: RISK MANAGEMENT**

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

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

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

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

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

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: RISK MANAGEMENT - CONTINUED**

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

The limit of insurance for general and auto liability was \$15,000,000. The property damage blanket limit of insurance at December 31, 2003 was \$32,580,726.

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

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

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

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$206,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$206,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Clinton County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At December 31, 2003, the County had funds on deposit of \$603,792 with the Authority and reserves for reported claims of \$31,598.

**ROAD COMMISSION - COMPONENT UNIT**

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: RISK MANAGEMENT - CONTINUED**

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

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

**NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE**

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

Although the County's 2003 ad valorem tax is levied and collectible by December 1, 2003, it is the County's policy for all governmental fund types 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.

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 2003 levy had a taxable value of \$1,756,359,518 on which ad valorem taxes levied for County general operating purposes was 5.5211 mills.

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

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

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

**NOTE O: POST-EMPLOYMENT HEALTH CARE BENEFITS**

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In addition to providing pension benefits, the County provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the County's employees may become eligible for those benefits when they reach twenty (20) years of service. Under this program the County pays \$361 per month for each eligible employee and out-of-area eligible employee under age 65, and \$317 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 over the next five years at which time another actuarial valuation will be done. On establishment of the Trust the County made a transfer of assets in the amount of \$1,842,539 to cover costs of current retirees health benefits and also those of employees eligible to retire within one year.



Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: POST-EMPLOYMENT HEALTH CARE BENEFITS - CONTINUED**

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

The Trust is being funded based on 165 employees and retirees. Contributions required and made during the year were made in the amount of \$306,214. As of December 31, 2003 there was \$2,142,010 of net assets available for benefits. The total actuarially determined liability for these benefits is \$4,917,251 and the total unfunded liability was \$2,234,749 at December 21, 2000 based on the initial contribution made to the Trust. The County has chosen to fund the Trust based on assumptions of 6% annual cost increases for benefits and a 7% return on investments.

COMPONENT UNIT - ROAD COMMISSION

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses, in accordance with the agreement between the Road Commission management and the American Federation of State, County, and Municipal employees, AFL-CIO. If the retired employee wishes to purchase full family coverage, he shall pay the difference between the two-person and the full family rate. This provision applies to employees who retire after January 1, 1975 and who qualify under the MERS retirement program. Upon death of the retired employee, the Road Commission agrees to continue the above stated hospitalization insurance for the surviving spouse. Expenditures are recognized on a pay as you go basis as premiums come due. During 2003, 47 retirees and/or spouses were eligible for benefits, and \$405,513 was recognized for post-employment health insurance.

**NOTE P: FEDERAL GRANTS - ROAD COMMISSION**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2002, the Federal aid received and expended by the Road Commission was \$441,950 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, 2003, 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 \$300,000 or more. A single audit was not required to be performed for the calendar year ended December 31, 2003 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.

**NOTE Q: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustment was made during the current period, which was the result of a correction of an accounting error. This adjustment was reported as a change to beginning fund equity. The effect on operations and other affected balances for the current year and prior period are as follows:

	<u>December 31,</u>			
	<u>2002</u>	<u>2003</u>	<u>Description</u>	
PRIMARY GOVERNMENT				
Non-major governmental funds				
Child Care Fund				
Due from other governmental units	\$ -	\$ 57,550	Correct understated due from	
Revenue over (under) expenditures	-	57,550	other governmental units	
Restated beginning fund balance	57,550	-		

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE R: FUND EQUITY RESERVES AND DESIGNATIONS**

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

The following are the various fund balance reserves as of December 31, 2003:

PRIMARY GOVERNMENT	
General Fund	
Reserved for	
Advances to other funds and component units	\$ 255,000
Vacation and sick pay	1,028,382
Employee reclassification	150,000
Planning and economic development	75,000
Family counseling	5,009
Retro pay	<u>150,000</u>
	1,663,391
Debt Service Funds	
Reserved for Debt Service	3,173,056
Permanent Fund	
Reserved for Perpetual care	<u>3,850</u>
TOTAL PRIMARY GOVERNMENT	4,840,297
COMPONENT UNITS	
Drainage Districts	
Reserved for debt service	823,272
Road Commission	
Reserved for inventory	<u>356,600</u>
TOTAL COMPONENT UNITS	<u>1,179,872</u>
TOTAL REPORTING ENTITY	<u>\$ 6,020,169</u>

The following are fund balance designations as of December 31, 2003:

PRIMARY GOVERNMENT	
Special Revenue Funds	
Public Improvement	
Designated for capital improvement	\$ 2,193,000
Capital Projects Fund	
Jail Construction Fund	
Designated for capital improvement	<u>303,456</u>
TOTAL PRIMARY GOVERNMENT	2,496,456

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE R: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

COMPONENT UNITS	
Department of Public Works	
Capital Projects Fund	
Township Projects Fund	
Designated for capital expenditures	\$ 149,570
Drainage Districts	
Capital Projects	
Regular Drain	
Designated for capital expenditures	2,415,734
Revolving Drain Maintenance	
Designated for capital expenditures	<u>25,187</u>
	<u>2,440,921</u>
TOTAL COMPONENT UNITS	<u>2,590,491</u>
TOTAL REPORTING ENTITY	<u>\$ 5,086,947</u>

The following are the various retained earnings reserves as of December 31, 2003:

Internal Service Funds	
Workers Compensation Fund	
Reserved for potential losses	\$ 271,092
Employee Retirement Fund	
Reserved for employee benefits	270,819
Self-Funded Insurance	
Reserved for potential losses	1,085,300
Unemployment	
Reserved for potential losses	<u>132,185</u>
	<u>\$ 1,759,396</u>

The following are the various retained earnings designations as of December 31, 2003:

Enterprise Funds	
Delinquent Tax Revolving Fund	
Designated for capital improvements and projects	\$ 6,372,000
Designated for retiree health insurance	1,000,000
Designated for debt service	<u>3,351,134</u>
	<u>\$ 10,723,134</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE S: 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, 2003:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for	
Public safety	
911 Central dispatch	\$ 538,420
Corrections training	890
Drug forfeiture	25,160
Probation enhancement	26,595
Community corrections	8,919
Act 302 training	<u>9,541</u>
	<u>\$ 609,525</u>
Capital improvements	<u>\$ 2,524,716</u>
Debt service	<u>\$ 3,028,026</u>
Other purposes	
Family counseling	\$ 5,009
Friend of the Court	130,860
Waste management	163,480
Register of Deeds automation	74,180
Budget stabilization	200,000
Law library	11,255
Economic development	101,763
Child care	456,396
Soldiers and sailors	1,591
Veteran trust	127
Cemetery perpetual care	3,850
Potential self-funded insurance losses	1,488,577
Employee benefits	<u>270,819</u>
	<u>\$ 2,907,907</u>
COMPONENT UNITS	
Road Commission	
Restricted for County roads	<u>\$ 2,011,736</u>
Drainage Districts	
Restricted for debt service	<u>\$ 802,686</u>
Restricted for drain projects	<u>\$ 5,493,615</u>
Department of Public Works	
Restricted for capital improvement	<u>\$ 149,570</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE T: 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 24 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 Clinton County.

**NOTE U: BUILDING AND ZONING FINANCIAL INFORMATION**

The County elected to report the financial activities of the building and zoning department in the general fund. The following is the required information as it relates to this department for the activity for the period January 1, 2003 to December 31, 2003:

REVENUES	
Code enforcement	\$ 421,100
EXPENDITURES	
Personal services and fringes	5,994
Contractual services	328,771
Other	2,225
Administrative Charges	<u>119,600</u>
TOTAL EXPENDITURES	<u>456,590</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$( 35,490 )</u>

**NOTE V: CONTRACTUAL COMMITMENTS**

The County has entered into a contract for the jail additions and renovations on the current building. This project was funded by a \$2,500,000 Building Authority Jail Construction Bond. The amount of the contractual commitments outstanding as December 31, 2003 was \$386,714 for which the County is expected to have adequate fund equity and future local revenues available to cover these commitments.

The County has entered into three (3) contracts for drain improvements. The amount of the contractual commitments outstanding as of December 31, 2003 was \$735,850 for which the County is expected to have adequate fund equity and local revenues available to cover these commitments.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Clinton County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current and delinquent property taxes	\$ 9,153,376	\$ 9,153,376	\$ 9,134,629	\$ (18,747)
Mobile home park taxes	11,500	11,500	12,264	764
Other tax revenue	3,090	3,090	4,616	1,526
Total taxes	9,167,966	9,167,966	9,151,509	(16,457)
Licenses and permits				
Dog licenses	122,000	122,000	93,002	(28,998)
Other licenses and permits	14,525	14,525	17,481	2,956
Building and planning permits	290,000	410,000	408,036	(1,964)
Soil erosion	10,000	10,000	24,664	14,664
Total licenses and permits	436,525	556,525	543,183	(13,342)
Intergovernmental - Federal/State				
CRP - Prosecuting Attorney	75,000	100,000	77,024	(22,976)
Juvenile grant	-	9,712	6,675	(3,037)
Employment service	77,813	123,850	91,651	(32,199)
Support incentive	15,000	15,000	12,300	(2,700)
Sheriff - LLEBG	55,937	55,937	55,937	-0-
Sheriff - local DARE	17,202	19,566	19,675	109
Strong family/safe child	41,261	60,239	45,670	(14,569)
Housing grant	206,250	206,250	171,718	(34,532)
Liquor license	5,000	5,000	5,876	876
Liquor convention facility	126,386	129,081	129,081	-0-
Revenue sharing - inventory	59,569	59,569	57,484	(2,085)
Victims' Rights	49,993	50,969	51,708	739
Drivers license restoration	500	500	520	20
Revenue sharing - per capita	1,250,000	1,050,000	1,073,248	23,248
Probate court judge salary	94,195	94,195	94,195	-0-
Circuit court judge	91,448	91,448	91,448	-0-
District court judge	45,724	45,724	45,724	-0-
Probate court judge	45,724	45,724	53,137	7,413
Juvenile court director	25,000	25,000	27,317	2,317
District court state aid	10,000	10,000	15,328	5,328
Cigarette tax	33,703	33,703	38,942	5,239
Marine safety	4,067	4,754	3,531	(1,223)
Domestic preparedness	-	37,357	33,789	(3,568)
Planning grant	-	18,820	18,510	(310)
PA 345	38,045	50,984	49,563	(1,421)
Court equity	250,000	275,975	275,975	-0-
Road Patrol	95,001	116,655	114,575	(2,080)
Highway safety	-	5,137	5,000	(137)
Equipment grant	-	2,844	2,844	-0-

## Clinton County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES - CONTINUED</b>				
Intergovernmental - Federal/State - continued				
Emergency management	\$ 18,274	\$ 18,274	\$ 29,916	\$ 11,642
Other	4,825	8,825	8,350	(475)
Total intergovernmental - Federal/State	2,735,917	2,771,092	2,706,711	(64,381)
Charges for services				
Sheriff	39,390	39,887	54,512	14,625
Treasurer fees	8,380	8,380	10,084	1,704
Drain commissioner	100	100	118	18
Friend of the Court service fees	35,000	35,000	44,065	9,065
District court	1,341,625	1,514,625	1,554,225	39,600
Probation - juvenile	6,000	6,000	5,150	(850)
Clerk	108,300	136,300	158,753	22,453
Register of deeds	563,700	1,011,700	1,037,873	26,173
Tax processing	34,000	34,000	32,476	(1,524)
Probate Court	20,000	20,000	21,874	1,874
Planning department	220	920	326	(594)
Care of prisoners	981,700	1,251,700	1,302,616	50,916
Total charges for services	3,138,415	4,058,612	4,222,072	163,460
Interest and rents				
Interest	401,000	301,000	276,885	(24,115)
Rents	12,250	12,250	12,661	411
Total interest and rents	413,250	313,250	289,546	(23,704)
Other				
Contributions	15,000	15,000	18,622	3,622
Reimbursements - indirect costs	558,533	558,533	558,542	9
Reimbursements - other	319,219	383,251	363,010	(20,241)
Other	1,000	1,000	14,916	13,916
Total other	893,752	957,784	955,090	(2,694)
TOTAL REVENUES	16,785,825	17,825,229	17,868,111	42,882
OTHER FINANCING SOURCES				
Operating transfers from other funds	-	6,500	6,500	-0-
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 16,785,825	\$ 17,831,729	\$ 17,874,611	\$ 42,882



Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>General government</b>				
Board of Commissioners	\$ 301,235	\$ 303,185	\$ 257,355	\$ 45,830
Circuit Court	436,542	449,878	439,756	10,122
District Court	875,574	891,152	891,151	1
Probate Court	856,335	900,874	888,493	12,381
Family counseling	12,400	13,400	12,879	521
Jury board	8,741	8,741	4,439	4,302
Adult probation	5,818	5,818	4,929	889
County Administrator	378,172	378,172	367,465	10,707
Accounting	215,672	200,672	188,729	11,943
Elections	13,844	21,844	4,913	16,931
Clerk	353,938	346,938	324,614	22,324
Equalization	217,761	217,761	206,589	11,172
Prosecuting Attorney	773,125	784,101	777,283	6,818
Microfilming	87,142	87,142	60,772	26,370
Register of Deeds	216,384	226,384	223,245	3,139
County survey and remonumentation	38,045	50,984	50,984	-0-
Record copying	42,500	32,500	27,548	4,952
Treasurer	225,941	230,441	225,342	5,099
Tax processing	45,000	45,000	39,295	5,705
Cooperative extension	306,001	325,464	312,559	12,905
Courthouse and grounds	1,116,901	986,733	940,448	46,285
Drain commissioner	485,159	485,159	438,666	46,493
Soil conservation	22,000	22,000	22,000	-0-
Other	20,000	20,000	16,920	3,080
<b>Total general government</b>	<b>7,054,230</b>	<b>7,034,343</b>	<b>6,726,374</b>	<b>307,969</b>
<b>Public safety</b>				
Sheriff - general	2,019,753	2,068,952	2,055,516	13,436
Sheriff - DARE	73,139	75,503	75,501	2
Highway safety	-	5,137	5,136	1
Marine safety	4,067	4,754	4,753	1
Secondary road patrol	95,001	116,655	116,654	1
Metro squad	51,457	1,457	-	1,457
Jail	2,345,676	2,392,625	2,386,233	6,392
Emergency services	73,956	144,029	135,322	8,707
Animal control	143,702	143,702	143,284	418
<b>Total public safety</b>	<b>4,806,751</b>	<b>4,952,814</b>	<b>4,922,399</b>	<b>30,415</b>

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2003

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>EXPENDITURES - CONTINUED</b>				
Public works				
Drains at large	\$ 60,000	\$ 53,100	\$ 53,061	\$ 39
Department of public works	10,187	10,187	9,577	610
Total public works	70,187	63,287	62,638	649
Health and welfare				
Contagious disease	8,000	4,000	2,014	1,986
Tri-county aging consortium	33,763	33,763	33,763	-0-
Building stronger community council	-	13,800	13,800	-0-
Social services appropriation	79,000	155,000	155,000	-0-
Substance abuse appropriation	63,193	64,541	64,541	-0-
Medical examiner	55,880	45,880	30,722	15,158
District health department	352,982	359,153	359,151	2
Mental health	209,851	227,196	227,195	1
Veterans burials	23,662	23,662	19,885	3,777
Total health and welfare	826,331	926,995	906,071	20,924
Community and economic development				
MSHDA housing	206,250	206,250	171,718	34,532
Planning department	481,880	560,055	504,744	55,311
Plat board	2,059	2,339	2,175	164
Zoning board	3,406	3,406	-	3,406
Construction board	1,175	1,175	-	1,175
Tri-county regional planning commission	36,186	36,486	36,458	28
Employment services	77,813	123,850	97,265	26,585
Total community and economic development	808,769	933,561	812,360	121,201
Recreation and culture				
Parks and recreation	16,325	16,325	13,094	3,231
Other				
Insurance and bonds	297,000	297,000	288,344	8,656
Other	325,979	54,109	17,641	36,468
Total other	622,979	351,109	305,985	45,124
<b>TOTAL EXPENDITURES</b>	<b>14,205,572</b>	<b>14,278,434</b>	<b>13,748,921</b>	<b>529,513</b>

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Operating transfers to other funds				
Friend of court	\$ 334,290	\$ 294,290	\$ 294,290	-0-
Law library fund	14,000	14,000	14,000	-0-
Central telephone	14,500	34,500	34,500	-0-
MIS	364,904	504,904	504,904	-0-
Building Authority Funds	1,253,108	2,053,108	2,053,108	-0-
Public Improvement Fund	132,124	937,124	937,124	-0-
County vehicles fund	110,900	182,900	182,900	-0-
Child Care Fund	353,302	353,302	353,302	-0-
Soldiers and Sailors Relief Fund	1,000	1,000	1,000	-0-
Economic Development Corp	-	40,000	40,000	-0-
4-H Fair	2,125	2,125	2,125	-0-
TOTAL OTHER FINANCING USES	2,580,253	4,417,253	4,417,253	-0-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 16,785,825	\$ 18,695,687	\$ 18,166,174	\$ 529,513

## **OTHER SUPPLEMENTARY INFORMATION**

Clinton County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2003

	Special			
	Friend of the Court	Waste Management	Public Improvement	Register of Deeds Automation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 121,980	\$ 160,904	\$ 2,232,230	\$ 83,408
Investments	-	-	-	-
Receivables				
Accounts	-	26,578	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	129,854	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 251,834</b>	<b>\$ 187,482</b>	<b>\$ 2,232,230</b>	<b>\$ 83,408</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 5,384	\$ 19,029	\$ 10,970	\$ 9,228
Accrued payroll	19,916	4,371	-	-
Advances from other funds	93,000	-	-	-
Due to other funds	2,674	602	-	-
<b>TOTAL LIABILITIES</b>	<b>120,974</b>	<b>24,002</b>	<b>10,970</b>	<b>9,228</b>
<b>FUND BALANCES</b>				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	2,193,000	-
Undesignated, reported in:				
Special revenue funds	130,860	163,480	28,260	74,180
<b>TOTAL FUND BALANCES</b>	<b>130,860</b>	<b>163,480</b>	<b>2,221,260</b>	<b>74,180</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 251,834</b>	<b>\$ 187,482</b>	<b>\$ 2,232,230</b>	<b>\$ 83,408</b>

Revenue

Budget Stabilization	911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement
\$ 200,000	\$ 470,901	\$ 890	\$ 25,160	\$ 12,092	\$ -	\$ 26,595
-	-	-	-	-	-	-
-	112,356	-	-	-	-	-
-	158	-	-	-	-	-
-	-	-	-	-	-	-
-	30,403	-	-	-	-	-
<u>\$ 200,000</u>	<u>\$ 613,818</u>	<u>\$ 890</u>	<u>\$ 25,160</u>	<u>\$ 12,092</u>	<u>\$ -0-</u>	<u>\$ 26,595</u>
\$ -	\$ 46,739	\$ -	\$ -	\$ 837	\$ -	\$ -
-	25,989	-	-	-	-	-
-	-	-	-	-	-	-
-	2,670	-	-	-	-	-
-0-	75,398	-0-	-0-	837	-0-	-0-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
200,000	538,420	890	25,160	11,255	-	26,595
200,000	538,420	890	25,160	11,255	-0-	26,595
<u>\$ 200,000</u>	<u>\$ 613,818</u>	<u>\$ 890</u>	<u>\$ 25,160</u>	<u>\$ 12,092</u>	<u>\$ -0-</u>	<u>\$ 26,595</u>

Clinton County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special			
	Economic Development	Community Corrections	Act 302 Training	Child Care
<b>ASSETS</b>				
Cash and cash equivalents	\$ 101,763	\$ 4,169	\$ 3,463	\$ 440,348
Investments	-	-	-	-
Receivables				
Accounts	-	-	-	-
Taxes	-	-	-	-
Interest	-	-	-	-
Due from other governmental units - Federal/State	-	13,055	6,078	108,120
<b>TOTAL ASSETS</b>	<b>\$ 101,763</b>	<b>\$ 17,224</b>	<b>\$ 9,541</b>	<b>\$ 548,468</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 45,213
Accrued payroll	-	1,595	-	6,946
Advances from other funds	-	-	-	-
Due to other funds	-	6,710	-	39,913
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>8,305</b>	<b>-0-</b>	<b>92,072</b>
<b>FUND BALANCES</b>				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	101,763	8,919	9,541	456,396
<b>TOTAL FUND BALANCES</b>	<b>101,763</b>	<b>8,919</b>	<b>9,541</b>	<b>456,396</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 101,763</b>	<b>\$ 17,224</b>	<b>\$ 9,541</b>	<b>\$ 548,468</b>

Revenue		Debt Service		Permanent	Total
Soldiers and Sailors	Veteran Trust	Building Authority - Jail	Building Authority - Courthouse	Cemetery Perpetual Care	Non-major Governmental Funds
\$ 1,999	\$ 697	\$ 244,584	\$ 1,397,497	\$ -	\$ 5,528,680
-	-	1,016,459	500,000	3,850	1,520,309
-	-	-	-	-	138,934
-	-	-	-	-	158
-	-	11,519	2,997	-	14,516
-	-	-	-	-	287,510
<u>\$ 1,999</u>	<u>\$ 697</u>	<u>\$ 1,272,562</u>	<u>\$ 1,900,494</u>	<u>\$ 3,850</u>	<u>\$ 7,490,107</u>
408	\$ 570	\$ -	\$ -	\$ -	\$ 138,378
-	-	-	-	-	58,817
-	-	-	-	-	93,000
-	-	-	-	-	52,569
408	570	-0-	-0-	-0-	342,764
-	-	-	-	3,850	3,850
-	-	1,272,562	1,900,494	-	3,173,056
-	-	-	-	-	2,193,000
1,591	127	-	-	-	1,777,437
1,591	127	1,272,562	1,900,494	3,850	7,147,343
<u>\$ 1,999</u>	<u>\$ 697</u>	<u>\$ 1,272,562</u>	<u>\$ 1,900,494</u>	<u>\$ 3,850</u>	<u>\$ 7,490,107</u>



Clinton County, Michigan

Non-major Governmental Funds

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

Year Ended December 31, 2003

	Special			
	Friend of the Court	Waste Management	Public Improvement	Register of Deeds Automation
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ 514,055	\$ -	\$ -	\$ -
Charges for services	34,063	336,598	-	126,250
Fines and forfeits	-	-	-	-
Interest and rents	-	-	-	147
Other	-	6,337	100	-
<b>TOTAL REVENUES</b>	<b>548,118</b>	<b>342,935</b>	<b>100</b>	<b>126,397</b>
<b>EXPENDITURES</b>				
Current				
General government	838,091	-	-	52,217
Public safety	-	-	-	-
Public works	-	287,375	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	106,199	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>838,091</b>	<b>287,375</b>	<b>106,199</b>	<b>52,217</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(289,973)</b>	<b>55,560</b>	<b>(106,099)</b>	<b>74,180</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	294,290	-	937,124	-
Operating transfers out	-	-	(6,500)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>294,290</b>	<b>-0-</b>	<b>930,624</b>	<b>-0-</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>4,317</b>	<b>55,560</b>	<b>824,525</b>	<b>74,180</b>
Fund balances, beginning of year	126,543	107,920	1,396,735	-
Prior period adjustment	-	-	-	-
<b>Fund balances, end of year</b>	<b>\$ 130,860</b>	<b>\$ 163,480</b>	<b>\$ 2,221,260</b>	<b>\$ 74,180</b>

Revenue

Budget Stabilization	911 Central Dispatch	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement
\$ -	\$ -	\$ -	\$ 2,929	\$ -	\$ -	\$ -
-	1,429,917	890	-	-	-	-
-	-	-	19,424	6,500	4,630	7,673
-	2,225	-	77	-	-	-
-	17,339	-	-	-	-	-
-0-	1,449,481	890	22,430	6,500	4,630	7,673
-	-	-	-	12,663	-	-
-	1,025,736	-	15,338	-	-	8,578
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	4,630	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-0-	1,025,736	-0-	15,338	12,663	4,630	8,578
-	423,745	890	7,092	(6,163)	-0-	(905)
-	-	-	-	14,000	-	-
-	-	-	-	-	-	-
-0-	-0-	-0-	-0-	14,000	-0-	-0-
-	423,745	890	7,092	7,837	-0-	(905)
200,000	114,675	-	18,068	3,418	-	27,500
-	-	-	-	-	-	-
<u>\$ 200,000</u>	<u>\$ 538,420</u>	<u>\$ 890</u>	<u>\$ 25,160</u>	<u>\$ 11,255</u>	<u>\$ -0-</u>	<u>\$ 26,595</u>

Clinton County, Michigan

Non-major Governmental Funds

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

Year Ended December 31, 2003

	Special			
	Economic Development	Community Corrections	Act 302 Training	Child Care
<b>REVENUES</b>				
Intergovernmental - Federal/State	\$ -	\$ 52,725	\$ 6,078	\$ 330,974
Charges for services	-	924	-	56,099
Fines and forfeits	-	-	-	-
Interest and rents	600	33	-	-
Other	-	-	-	4,497
<b>TOTAL REVENUES</b>	<b>600</b>	<b>53,682</b>	<b>6,078</b>	<b>391,570</b>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	52,537	1,649	-
Public works	-	-	-	-
Health and welfare	-	-	-	578,625
Community and economic development	40,000	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt Service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>40,000</b>	<b>52,537</b>	<b>1,649</b>	<b>578,625</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(39,400)</b>	<b>1,145</b>	<b>4,429</b>	<b>(187,055)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	40,000	-	-	353,302
Operating transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>40,000</b>	<b>-0-</b>	<b>-0-</b>	<b>353,302</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)</b>	<b>600</b>	<b>1,145</b>	<b>4,429</b>	<b>166,247</b>
Fund balances, beginning of year	101,163	7,774	5,112	232,599
Prior period adjustment	-	-	-	57,550
<b>Fund balances, end of year</b>	<b>\$ 101,763</b>	<b>\$ 8,919</b>	<b>\$ 9,541</b>	<b>\$ 456,396</b>

Revenue		Debt Service		Permanent	Total
Soldiers and Sailors	Veteran Trust	Building Authority - Jail	Building Authority - Courthouse	Cemetery Perpetual Care	Non-major Governmental Funds
\$ -	\$ 5,348	\$ -	\$ -	\$ -	\$ 912,109
-	-	-	-	-	1,984,741
-	-	-	-	-	38,227
-	-	22,594	11,781	-	37,457
-	-	-	-	-	28,273
-0-	5,348	22,594	11,781	-0-	3,000,807
-	-	1,134	300	-	904,405
-	-	-	-	-	1,103,838
-	-	-	-	-	287,375
508	5,423	-	-	-	584,556
-	-	-	-	-	40,000
-	-	-	-	-	4,630
-	-	-	-	-	106,199
-	-	473,399	1,106,472	-	1,579,871
508	5,423	474,533	1,106,772	-0-	4,610,874
(508)	(75)	(451,939)	(1,094,991)	-0-	(1,610,067)
1,000	-	455,635	1,887,473	-	3,982,824
-	-	-	-	-	(6,500)
1,000	-0-	455,635	1,887,473	-0-	3,976,324
492	(75)	3,696	792,482	-0-	2,366,257
1,099	202	1,268,866	1,108,012	3,850	4,723,536
-	-	-	-	-	57,550
\$ 1,591	\$ 127	\$ 1,272,562	\$ 1,900,494	\$ 3,850	\$ 7,147,343

Clinton County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Jail Commissary	County Extension Community Center	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 15,582	\$ 9,400	\$ 24,982
Inventory	8,239	-	8,239
	<u>23,821</u>	<u>9,400</u>	<u>33,221</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	5,359	842	6,201
Accrued liabilities	-	2,650	2,650
	<u>5,359</u>	<u>3,492</u>	<u>8,851</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$ 18,462</u>	<u>\$ 5,908</u>	<u>\$ 24,370</u>

Clinton County, Michigan

Non-major Enterprise Funds

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

Year Ended December 31, 2003

	Jail Commissary	Community Extension Community Center	Total
OPERATING REVENUES			
Sales	\$ 106,161	\$ -	\$ 106,161
Rent	-	14,885	14,885
Other revenue	-	853	853
	<u>106,161</u>	<u>15,738</u>	<u>121,899</u>
TOTAL OPERATING REVENUES	106,161	15,738	121,899
OPERATING EXPENSES			
Operating supplies	<u>105,766</u>	<u>14,155</u>	<u>119,921</u>
TOTAL OPERATING EXPENSES	<u>105,766</u>	<u>14,155</u>	<u>119,921</u>
OPERATING INCOME	395	1,583	1,978
TRANSFERS IN			
Transfers in	<u>-</u>	<u>2,125</u>	<u>2,125</u>
CHANGE IN NET ASSETS	395	3,708	4,103
Net assets, beginning of year	<u>18,067</u>	<u>2,200</u>	<u>20,267</u>
Net assets, end of year	<u>\$ 18,462</u>	<u>\$ 5,908</u>	<u>\$ 24,370</u>

Clinton County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Jail Commissary	County Extension Community Center	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 106,161	\$ 15,738	\$ 121,899
Cash paid to suppliers	(106,155)	(13,843)	(119,998)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>6</b>	<b>1,895</b>	<b>1,901</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	2,125	2,125
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>6</b>	<b>4,020</b>	<b>4,026</b>
Cash and cash equivalents, beginning of year	15,576	5,380	20,956
Cash and cash equivalents, end of year	<u>\$ 15,582</u>	<u>\$ 9,400</u>	<u>\$ 24,982</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 395	\$ 1,583	\$ 1,978
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) in inventory	(893)	-	(893)
Increase in accounts payable	504	462	966
(Decrease) in accrued liabilities	-	(150)	(150)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 6</u>	<u>\$ 1,895</u>	<u>\$ 1,901</u>

## Clinton County, Michigan

## Internal Service Funds

## COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 19,088	\$ 129,666	\$ 847,112	\$ 183,743
Investments	-	-	-	-
Accounts receivable	-	-	20,537	-
Interest receivable	-	-	-	-
Inventory	6,058	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Total current assets	25,146	129,666	867,649	183,743
Non-current assets				
Advances to other funds	-	-	3,000	-
Capital assets				
Equipment	-	215,049	783,144	120,746
Less: Accumulated depreciation	-	(138,221)	(349,853)	(47,678)
Total non-current assets	-0-	76,828	436,291	73,068
<b>TOTAL ASSETS</b>	<b>25,146</b>	<b>206,494</b>	<b>1,303,940</b>	<b>256,811</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	-	5,175	20,461	10
Accrued liabilities	-	-	7,204	-
Advances from other funds	25,000	-	-	10,000
Due to other funds	-	-	1,115	50,694
<b>TOTAL LIABILITIES</b>	<b>25,000</b>	<b>5,175</b>	<b>28,780</b>	<b>60,704</b>
<b>NET ASSETS</b>				
Reserved for potential losses	-	-	-	-
Reserved for employee benefits	-	-	-	-
Unrestricted - undesignated	146	201,319	1,275,160	196,107
<b>TOTAL NET ASSETS</b>	<b>\$ 146</b>	<b>\$ 201,319</b>	<b>\$ 1,275,160</b>	<b>\$ 196,107</b>



<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Self-Funded Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ 282,848	\$ 127,167	\$ 239,924	\$ 131,827	\$ 260,818	\$ 2,222,193
-	-	772,261	-	206,596	978,857
-	-	-	-	-	20,537
-	-	2,136	-	938	3,074
-	-	-	-	-	6,058
-	-	73,335	-	-	73,335
-	243,652	10,299	358	2,740	257,049
282,848	370,819	1,097,955	132,185	471,092	3,561,103
-	-	-	-	-	3,000
556,139	-	-	-	-	1,675,078
(263,525)	-	-	-	-	(799,277)
292,614	-0-	-0-	-0-	-0-	878,801
575,462	370,819	1,097,955	132,185	471,092	4,439,904
-	100,000	8,605	-	-	134,251
-	-	3,860	-	-	11,064
-	-	-	-	-	35,000
-	-	190	-	200,000	251,999
-0-	100,000	12,655	-0-	200,000	432,314
-	-	1,085,300	132,185	271,092	1,488,577
-	270,819	-	-	-	270,819
575,462	-	-	-	-	2,248,194
<u>\$ 575,462</u>	<u>\$ 270,819</u>	<u>\$ 1,085,300</u>	<u>\$ 132,185</u>	<u>\$ 271,092</u>	<u>\$ 4,007,590</u>

## Clinton County, Michigan

## Internal Service Funds

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

Year Ended December 31, 2003

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>OPERATING REVENUES</b>				
Charges for services	\$ 56,102	\$ 62,107	\$ 6,324	\$ 40,954
Other	-	-	-	24,994
<b>TOTAL OPERATING REVENUES</b>	<b>56,102</b>	<b>62,107</b>	<b>6,324</b>	<b>65,948</b>
<b>OPERATING EXPENSES</b>				
Personal services and fringes	-	-	170,778	-
Supplies	56,132	-	4,400	1,248
Contracted services	-	-	20,361	-
Depreciation	-	12,498	122,833	10,782
Other	-	67,451	23,489	42,590
<b>TOTAL OPERATING EXPENSES</b>	<b>56,132</b>	<b>79,949</b>	<b>341,861</b>	<b>54,620</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(30)</b>	<b>(17,842)</b>	<b>(335,537)</b>	<b>11,328</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest revenue	-	-	-	-
Loss on sale of capital asset	-	-	-	(613)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>(613)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(30)</b>	<b>(17,842)</b>	<b>(335,537)</b>	<b>10,715</b>
<b>TRANSFERS IN (OUT)</b>				
Transfers in	-	34,500	504,904	-
Transfers out	-	-	-	-
<b>TOTAL TRANSFERS</b>	<b>-0-</b>	<b>34,500</b>	<b>504,904</b>	<b>-0-</b>
<b>CHANGE IN NET ASSETS</b>	<b>(30)</b>	<b>16,658</b>	<b>169,367</b>	<b>10,715</b>
Net assets, beginning of year	176	184,661	1,105,793	185,392
Net assets, end of year	<u>\$ 146</u>	<u>\$ 201,319</u>	<u>\$ 1,275,160</u>	<u>\$ 196,107</u>

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Self-Funded Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ -	\$ 847,000	\$ 1,275,465	\$ -	\$ -	\$ 2,287,952
4,230	-	-	7,318	92,448	128,990
4,230	847,000	1,275,465	7,318	92,448	2,416,942
-	971,783	1,281,785	14,276	114,034	2,552,656
-	-	-	-	-	61,780
-	-	37,468	-	-	57,829
78,361	-	-	-	-	224,474
4,677	-	3,147	-	-	141,354
83,038	971,783	1,322,400	14,276	114,034	3,038,093
(78,808)	(124,783)	(46,935)	(6,958)	(21,586)	(621,151)
-	1,607	15,140	458	7,480	24,685
-	-	-	-	-	(613)
-0-	1,607	15,140	458	7,480	24,072
(78,808)	(123,176)	(31,795)	(6,500)	(14,106)	(597,079)
182,900	200,000	-	50,000	-	972,304
-	-	-	-	(250,000)	(250,000)
182,900	200,000	-0-	50,000	(250,000)	722,304
104,092	76,824	(31,795)	43,500	(264,106)	125,225
471,370	193,995	1,117,095	88,685	535,198	3,882,365
<u>\$ 575,462</u>	<u>\$ 270,819</u>	<u>\$ 1,085,300</u>	<u>\$ 132,185</u>	<u>\$ 271,092</u>	<u>\$ 4,007,590</u>

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from users	\$ 56,614	\$ 62,107	\$ 5,384	\$ 40,954
Cash paid to suppliers	(50,352)	(68,208)	(27,757)	(31,970)
Cash paid for employee benefits	-	-	(170,778)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>6,262</b>	<b>(6,101)</b>	<b>(193,151)</b>	<b>8,984</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Capital purchases	-	(15,324)	(102,582)	(17,190)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	34,500	504,904	-
Transfers out	-	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>34,500</b>	<b>504,904</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-	-	-	-
Maturity of investments	-	-	-	-
Proceeds from sale of capital assets	-	-	-	5,051
Interest revenue	-	-	-	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>5,051</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>6,262</b>	<b>13,075</b>	<b>209,171</b>	<b>(3,155)</b>
Cash and cash equivalents, beginning of year	12,826	116,591	637,941	161,904
Cash and cash equivalents, end of year	<u>\$ 19,088</u>	<u>\$ 129,666</u>	<u>\$ 847,112</u>	<u>\$ 158,749</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>				
Operating income (loss)	\$ (30)	\$ (17,842)	\$ (335,537)	\$ 11,328
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	12,498	122,833	10,782
(Increase) decrease in receivables	512	-	(940)	-
(Increase) in prepaid expenses	-	-	-	-
(Increase) in due from other funds	-	-	-	-
Decrease in inventory	5,780	-	-	-
Increase (decrease) in accounts payable	-	(757)	19,441	(533)
Increase in accrued liabilities	-	-	706	-
Increase due to other funds	-	-	346	12,401
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 6,262</b>	<b>\$ (6,101)</b>	<b>\$ (193,151)</b>	<b>\$ 33,978</b>

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Self-Funded Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ 4,230 (12,677) -	\$ 634,404 (67,546) (971,783)	\$ 1,202,569 (30,450) (1,281,785)	\$ 7,268 - (14,276)	\$ 94,300 200,000 (114,034)	\$ 2,107,830 (88,960) (2,552,656)
(8,447)	(404,925)	(109,666)	(7,008)	180,266	(533,786)
(93,376)	-	-	-	-	(228,472)
182,900 -	200,000 -	- -	50,000 -	- (250,000)	972,304 (250,000)
<u>182,900</u>	<u>200,000</u>	<u>-0-</u>	<u>50,000</u>	<u>(250,000)</u>	<u>722,304</u>
-	-	(772,261)	-	(206,596)	(978,857)
-	-	763,327	-	459,162	1,222,489
-	-	-	-	-	5,051
-	1,607	15,140	458	7,480	24,685
<u>-0-</u>	<u>1,607</u>	<u>6,206</u>	<u>458</u>	<u>260,046</u>	<u>273,368</u>
81,077	(203,318)	(103,460)	43,450	190,312	233,414
201,771	330,485	343,384	88,377	70,506	1,963,785
<u>\$ 282,848</u>	<u>\$ 127,167</u>	<u>\$ 239,924</u>	<u>\$ 131,827</u>	<u>\$ 260,818</u>	<u>\$ 2,197,199</u>
\$ (78,808)	\$ (124,783)	\$ (46,935)	\$ (6,958)	\$ (21,586)	\$ (621,151)
78,361	-	-	-	-	224,474
-	-	1,564	-	2,308	3,444
-	-	(73,335)	-	-	(73,335)
-	(212,596)	(1,125)	(50)	(456)	(214,227)
-	-	-	-	-	5,780
(8,000)	(67,546)	7,388	-	-	(50,007)
-	-	2,695	-	-	3,401
-	-	82	-	200,000	212,829
<u>\$ (8,447)</u>	<u>\$ (404,925)</u>	<u>\$ (109,666)</u>	<u>\$ (7,008)</u>	<u>\$ 180,266</u>	<u>\$ (508,792)</u>

Clinton County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2003

	<u>Agency funds</u>		
	<u>Trust and Agency</u>	<u>Library</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 1,597,375</u>	<u>\$ 260,961</u>	<u>\$ 1,858,336</u>
<b>LIABILITIES</b>			
Undistributed collections payable	\$ 1,126,802	\$ -	\$ 1,126,802
Due to other governmental units			
Federal/State	205,368	-	205,368
Local	-	260,961	260,961
Due to individuals and agencies	<u>265,205</u>	<u>-</u>	<u>265,205</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 1,597,375</u>	<u>\$ 260,961</u>	<u>\$ 1,858,336</u>

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2003

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
<b>ASSETS</b>			
Cash and cash equivalents	\$ 252,790	\$ 291,737	\$ 13,412
Cash - restricted	-	693,004	-
Investments	160,112	1,360,305	-
Accrued interest receivable	-	4,588	-
Accounts receivable	276	12,016	-
Special assessments receivable	3,962,745	698,324	-
Due from other funds	-	-	116,588
	<b>\$ 4,375,923</b>	<b>\$ 3,059,974</b>	<b>\$ 130,000</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 208,312	\$ -
Accrued liabilities	26,889	25,000	-
Due to other funds	-	129,428	-
Advances from primary government	-	-	130,000
Deferred revenue	3,525,762	-	-
Notes payable	-	281,500	-
	<b>3,552,651</b>	<b>644,240</b>	<b>130,000</b>
<b>FUND BALANCES</b>			
Fund balances			
Reserved for debt service	823,272	-	-
Unreserved			
Designated for capital expenditures	-	2,415,734	-
	<b>823,272</b>	<b>2,415,734</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,375,923</b>	<b>\$ 3,059,974</b>	<b>\$ 130,000</b>

<u>Projects</u>		
Revolving		
Drain		
Maintenance	<u>Total</u>	
\$ 12,347	\$ 570,286	
-	693,004	
-	1,520,417	
-	4,588	
-	12,292	
-	4,661,069	
12,840	129,428	
\$ 25,187	\$ 7,591,084	

\$ -	\$ 208,312
-	51,889
-	129,428
-	130,000
-	3,525,762
-	281,500
-0-	4,326,891
-	823,272
25,187	2,440,921
25,187	3,264,193
\$ 25,187	\$ 7,591,084



Clinton County, Michigan

Component Unit Funds

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

December 31, 2003

**Total fund balance - governmental funds** \$ 3,264,193

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	\$ 18,212,690	
Accumulated depreciation is	<u>(1,923,626)</u>	
Capital assets, net		16,289,064

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

Deferred revenue		3,525,762
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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	4,222,500	
Accrued interest payable	<u>20,586</u>	
		<u>(4,243,086)</u>

**Net assets of governmental activities** \$ 18,835,933

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2003

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
REVENUES			
Charges for services	\$ -	\$ 117,173	\$ -
Interest	6,063	25,874	-
Other			
Special assessments	531,177	782,109	-
Miscellaneous	-	16,265	-
TOTAL REVENUES	537,240	941,421	-0-
EXPENDITURES			
Capital outlay	-	1,315,085	-
Debt service			
Principal	601,050	-	-
Interest and fiscal charges	147,287	4,087	-
TOTAL EXPENDITURES	748,337	1,319,172	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(211,097)	(377,751)	-0-
OTHER FINANCING SOURCES (USES)			
Transfer in from component units	382,899	-	-
Transfer out to component units	-	(382,899)	-
Bond and note proceeds	-	1,503,000	-
Bond discount	-	(13,125)	-
TOTAL OTHER FINANCING SOURCES (USES)	382,899	1,106,976	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING (USES)	171,802	729,225	-0-
Fund balances, beginning of year	651,470	1,686,509	-
Fund balances, end of year	<u>\$ 823,272</u>	<u>\$ 2,415,734</u>	<u>\$ -0-</u>

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ -	\$ 117,173
955	32,892
-	1,313,286
-	16,265
955	1,479,616
-	1,315,085
-	601,050
-	151,374
<u>-0-</u>	<u>2,067,509</u>
955	(587,893)
-	382,899
-	(382,899)
-	1,503,000
-	(13,125)
<u>-0-</u>	<u>1,489,875</u>
955	901,982
<u>24,232</u>	<u>2,362,211</u>
<u>\$ 25,187</u>	<u>\$ 3,264,193</u>

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ 901,982

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 1,029,932	
Depreciation expense	<u>(223,376)</u>	
Excess of capital outlay over depreciation expense		806,556

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	\$ (1,503,000)	
Bond discount	13,125	
Bond and note principal retirements	<u>601,050</u>	(888,825)

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	<u>(2,976)</u>
--	----------------

**Change in net assets of governmental activities** \$ 816,737

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS

December 31, 2003

	<u>Debt</u>			
	<u>Bath Township #4</u>	<u>Dewitt Charter Township #7A &amp; #7B</u>	<u>Watertown Charter Township #8</u>	<u>Dewitt Charter Township #13</u>
ASSETS				
Cash and cash equivalents	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
FUND BALANCES				
Fund balances				
Unreserved				
Designated for capital expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Service

<u>City of Dewitt/ Dewitt Charter Township #11</u>	<u>Bingham Township #6</u>	<u>Bingham Township #10</u>	<u>Bingham Township #14</u>	<u>Bath Township #12</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Clinton County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS - CONTINUED

December 31, 2003

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
ASSETS				
Cash and cash equivalents	\$ -0-	\$ -0-	\$ 149,570	\$ 149,570
FUND BALANCES				
Fund balances				
Unreserved				
Designated for capital expenditures	\$ -0-	\$ -0-	\$ 149,570	\$ 149,570

Clinton County, Michigan

Component Unit Funds

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

December 31, 2003

**Total fund balance - governmental funds** \$ 149,570

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 7,010,171

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	\$ 70,171	
Bonds payable	<u>6,940,000</u>	
		<u>(7,010,171)</u>

**Net assets of governmental activities** \$ 149,570



Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2003

	Debt			
	Bath Township #4	Dewitt Charter Township #7A & #7B	Watertown Charter Township #8	Dewitt Charter Township #13
REVENUES				
Intergovernmental - local	\$ 173,400	\$ 163,530	\$ 102,288	\$ 41,190
Interest	-	-	-	-
<b>TOTAL REVENUES</b>	<b>173,400</b>	<b>163,530</b>	<b>102,288</b>	<b>41,190</b>
EXPENDITURES				
Other	-	-	-	-
Debt service				
Principal	100,000	120,000	95,000	20,000
Interest and fiscal charges	73,400	43,530	7,288	21,190
<b>TOTAL EXPENDITURES</b>	<b>173,400</b>	<b>163,530</b>	<b>102,288</b>	<b>41,190</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Service

City of Dewitt/ Dewitt Charter Township #11	Bingham Township #6	Bingham Township #10	Bingham Township #14	Bath Township #12
\$ 122,775	\$ 27,860	\$ 23,600	\$ 277,782	\$ 400
-	-	-	-	-
122,775	27,860	23,600	277,782	400
-	-	-	-	-
100,000	20,000	20,000	155,000	-
22,775	7,860	3,600	122,782	400
122,775	27,860	23,600	277,782	400
-0-	-0-	-0-	-0-	-0-
-	-	-	-	-
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2003

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
REVENUES				
Intergovernmental - local	\$ 56,855	\$ 51,007	\$ -	\$ 1,040,687
Interest	-	-	1,373	1,373
TOTAL REVENUES	56,855	51,007	1,373	1,042,060
EXPENDITURES				
Other	-	-	20,623	20,623
Debt service				
Principal	-	25,000	-	655,000
Interest and fiscal charges	56,855	26,007	-	385,687
TOTAL EXPENDITURES	56,855	51,007	20,623	1,061,310
EXCESS OF REVENUES (UNDER) EXPENDITURES	-0-	-0-	(19,250)	(19,250)
Fund balances, beginning of year	-	-	168,820	168,820
Fund balances, end of year	\$ -0-	\$ -0-	\$ 149,570	\$ 149,570

Clinton County, Michigan

Component Unit Funds

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

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ (19,250)

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

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 (5,464)

**Change in net assets of governmental activities** \$ 630,286

Principals

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

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



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

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

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

We have audited the basic financial statements of Clinton County, Michigan as of and for the year ended December 31, 2003, and have issued our report thereon dated March 12, 2004. 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.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clinton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the management and Board of Commissioners of Clinton County, Michigan, the pass-through grantors, and the U.S. Departments of Transportation, Agriculture, Homeland Security, Labor, Health and Human Services, Justice, and the Federal Emergency Management Agency and is not intended to be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 12, 2004