



Clinton County, Michigan

Financial Statements

December 31, 2006



REHMANN ROBSON

Certified Public Accountants

Clinton County, Michigan
December 31, 2006

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Clinton County, Michigan

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

May 10, 2007

Board of Commissioners
Clinton County
St. Johns, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Clinton County, Michigan**, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Clinton County's** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Road Commission Component Unit, which represents 63% and 80% respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission, is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Clinton County, Michigan**, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General, Revenue Sharing Reserve, and 911 Central Dispatch governmental funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated May 10, 2007, on our consideration of **Clinton County, Michigan's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages iii-xi, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".

Ryan L. Wood
County Administrator

Craig Longnecker
Deputy Administrator



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Management's Discussion and Analysis

As management of Clinton County, we offer this narrative overview and analysis of the financial activities of the County, including limited information pertaining to the separately audited Road Commission for the year ended December 31, 2006. For more detailed information, the Road Commission's separately issued financial statements may be obtained from their administrative office.

Financial Highlights

- The assets of the County primary government exceeded its liabilities at the close of the fiscal year by approximately \$53.4 million (*net assets*). Of this amount, approximately \$18.8 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations.
- The government's total net assets increased by approximately \$8.2 million, or 18.3 percent over the prior year.
- As of the close of the fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$21.2 million, an increase of approximately \$120,000 thousand or .6 percent over the prior year. Of this total, approximately \$16.4 million or 77.6 percent is *available for spending* at the government's discretion (*unreserved and undesignated fund balance*); however, the major portion of this amount (approximately \$12.3 million) is available only for the special revenue fund purposes from which these funds are derived.
- At the end of the fiscal year, unreserved and undesignated fund balance for the General Fund was approximately \$4.2 million, an amount equal to 20.2 percent of total General Fund expenditures and transfers.
- The County's total net bonded debt (excluding drain notes), including that of the Drain Commission and Department of Public Works component units, decreased by a net of \$2.7 million or 11 percent during the current fiscal year.

Overview of the Financial Statements

The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets indicate whether the financial position of the County is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Clinton County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural functions. The business-type activities primarily represent the administration of the delinquent property tax system and the building code enforcement program.

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

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains 25 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Revenue Sharing Reserve funds, 911 Central Dispatch and Health Department Construction, each of which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information, including combining statements of the nonmajor governmental funds and internal service funds information.

Government-wide Financial Analysis

Statement of Net Assets

Clinton County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current assets	\$29,181,700	\$27,924,029	\$11,341,943	\$11,328,704	\$40,523,643	\$39,252,733
Non-current assets	25,851,056	31,481,795	56,678	51,481	25,907,734	31,533,276
Total assets	55,032,756	59,405,824	11,398,621	11,380,185	66,431,377	70,786,009
Liabilities						
Current	6,684,871	4,374,434	18,317	32,559	6,703,188	4,406,993
Non-current	14,530,751	12,931,724	-	1,277	14,530,751	12,933,001
Total liabilities	21,215,622	17,306,158	18,317	33,836	21,233,939	17,339,994
Net Assets						
Invested in capital assets- net of related debt	10,226,859	17,508,377	56,678	51,481	10,283,537	17,559,858
Restricted	16,793,446	17,094,788	-	-	16,793,446	17,095,036
Unrestricted	6,796,829	7,496,501	11,323,626	11,294,868	18,120,455	18,791,121
Total net assets	\$33,817,134	\$42,099,666	\$11,380,304	\$11,346,349	\$45,197,438	\$53,446,015

As noted previously, net assets serve over time as a useful indicator of a government's financial position. In the case of Clinton County, assets exceeded liabilities by approximately \$53.4 million at the close of the fiscal year. This amount compares favorably with the prior year where net assets totaled \$45.2 million. The final year of the tax shift accounted for 2.8 million of this increase. The Revenue Sharing Reserve fund is described in detail under the section headed "Financial Analysis of the Government's Funds".

Accounting for construction in progress on the health department and the fairgrounds projects increased non-current assets by over 5.6 million. The final year of the tax shift resulted in a decrease in unearned revenue and was the main reason that current liabilities were reduced by 2.3 million. After netting new debt incurred against debt retired non-current liabilities actually decreased by 1.6 million.

The County's net assets include approximately \$17.6 million in capital assets comprised of land, buildings, vehicles and equipment less any outstanding related debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Certain other limitations on the use of net assets apply due primarily to legal restrictions. These restricted net assets total approximately \$17.1 million. The remaining balance of unrestricted net assets (\$18.8 million or 35.2 percent) may be used to meet the government's ongoing obligations.

Statement of Activities

Clinton County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues						
Program revenue:						
Charges for services	\$6,143,524	\$5,981,956	\$1,171,137	\$902,651	\$7,314,661	\$6,884,607
Operating grants and contributions	3,129,577	3,929,757	-	-	3,129,577	3,929,757
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	15,139,456	16,593,687	-	-	15,139,456	16,593,687
State Revenue Sharing	186,653	202,330	-	-	186,653	202,330
Investment earnings	597,841	1,093,644	212,078	403,147	809,919	1,496,791
911 Surcharge	1,312,389	1,665,914	-	-	1,312,389	1,665,914
Gain on equipment disposal	-	613,067	-	-	-	613,067
Miscellaneous	6,120	-	-	-	6,120	-
Transfers	331,988	783,141	(331,988)	(783,141)	-	-
Total revenues	26,847,548	30,863,496	1,051,227	522,657	27,898,775	31,386,153
Expenses						
General government	9,221,826	10,332,584	-	-	9,221,826	10,332,584
Public safety	7,458,911	7,835,368	-	-	7,458,911	7,835,368
Public works	399,048	523,342	-	-	399,048	523,342
Health and welfare	1,961,119	2,339,326	-	-	1,961,119	2,339,326
Comm and Econ Development	614,392	527,101	-	-	614,392	527,101
Recreation and Culture	41,612	44,203	-	-	41,612	44,203
Other	349,739	561,583	-	-	349,739	561,583
Interest on long-term debt	711,883	417,457	-	-	711,883	417,457
Delinquent tax collection and other Business-type activities			519,196	556,522	519,196	556,522
Total expenses	20,758,530	22,580,964	519,196	556,522	21,277,726	23,137,486
Increase in net assets	6,089,018	8,282,532	532,031	(33,955)	6,621,049	8,248,577
Net assets, beginning of year	27,451,037	33,817,134	10,848,273	11,380,304	38,299,310	45,197,438
Prior period adjustment	277,079	-	-	-	277,079	-
Net assets, end of year	\$33,817,134	\$42,099,666	\$11,380,304	\$11,346,349	\$45,197,438	\$53,446,015

Governmental Activities

The preceding table shows that the net assets of governmental activities increased by approximately \$8.3 million or 24.5 percent during 2006 as compared to approximately \$6.1 million in the prior year. The difference between the increase in 2005 and 2006 is explained by the accounting for property disposition, construction in progress and bond refinancing. Also, the closing of the non-union defined benefit pension plan necessitated an increase in the internal service funds to cover the accelerated amortization schedule for accrued unfunded liabilities.

Business-type Activities

Net assets of the County's business-type activities decreased by approximately \$34,000. Net assets of the Delinquent Tax fund increased by approximately \$42,000 while net assets of the other non-major enterprise funds decreased by approximately \$76,000. The decrease in net assets of non-major enterprise funds is attributable to the decrease in the Building fund.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of approximately \$21.2 million. This represents an increase of approximately \$120,000 thousand in comparison with the prior year.

Approximately \$16.4 million or 77.6 percent of total fund balance constitutes *unreserved and undesignated fund balance*, which is available for spending at the government's discretion. However, approximately \$12.3 million of this amount may only be used for special revenue fund purposes. The remainder of fund balance is either *reserved* to indicate that it is not available for new spending (approximately \$3.8 million), or is *designated* to support capital and other projects (approximately \$1 million).

The General Fund is the chief operating fund of the County. At the end of the current fiscal year, the total fund balance was approximately \$7.2 million, while the unreserved/undesignated fund balance of the General Fund was approximately \$4.2 million, an amount equal to 20.2 percent of total General Fund expenditures. This level of General Fund unreserved/undesignated fund balance is consistent with recognized benchmarks that governments should strive to maintain.

The fund balance of the County's General Fund increased by approximately \$1.2 million during the current fiscal year, and compares favorably with the approximately \$400,000 increase in the General Fund balance reported during the prior year. This increase is largely due to expenditure savings achieved through an effective system of budgetary control. (See subsequent section entitled "General Fund Budgetary Highlights").

The Revenue Sharing Reserve Fund has a total fund balance of approximately \$8.8 million. As indicated above this newly established fund, authorized by shifting forward the collection date for the County portion of the property tax levy from December to July, is intended to provide a reserve from which the County may draw amounts to replace revenues previously received from the now suspended State Revenue Sharing program. The current fund balance represents the third year of a three year phase-in. The balance in this fund is projected to be exhausted in the year 2013 at which time the County is to revert to an alternate State sponsored revenue source.

General Fund Budgetary Highlights

The original General Fund budget of \$19.2 million was revised to \$21.5 million; however, actual expenditures totaled only \$20.6 million for a net savings of approximately \$850,000 or 4 percent under the revised budget. Expenditure savings came from several departments, primarily in the areas of contractual/professional services and personnel cost.

Actual revenues came in at \$21.8 million or just over the revised budget. The Revenue Sharing Reserve Fund covered the loss in State Revenue Sharing while additional revenues that supported the revised budget consisted mainly of revenue derived from jail and court operations. The revised budget allowed for year-end General Fund appropriations totaling \$1.3 million. These appropriations funded capital improvements, debt service, trust, special revenue and internal service fund requirements.

Appropriations include:

\$ 525,000	Public Improvement Fund - Fairground, Juvenile and Courthouse improvements
\$ 30,000	Telephone Fund - Phone system upgrades
\$ 100,000	Road Commission – Backhoe and arm mower
\$ 100,000	Health Department debt service fund – Establish adequate fund balance
\$ 200,000	Retiree Health Trust – Reduce accrued unfunded liability
\$ 250,000	Child Care Fund – Establish adequate fund balance
<u>\$ 100,000</u>	Retirement Fund – Reduce accrued unfunded liability
\$1,305,000	Total

Capital Asset and Debt Administration

Capital assets. As of December 31, 2006, the County's investment in capital assets, net of accumulated depreciation, totaled \$31.1 million for its governmental and business type activities, and \$20.8 million for the Drain Commission component unit. (These capital assets do not include those of the separately audited Road Commission component unit). This investment in capital assets includes land, buildings and improvements, construction in progress, vehicles, machinery and equipment. For the Drain Commission, capital assets include drainage districts system infrastructure.

The net increase in capital assets for the primary government in the current fiscal year amounted to approximately \$5.6 million or 18 percent and is due mainly to construction of the health department and improvements at the fairgrounds.

Clinton County's Capital Assets

(net of depreciation)

	<u>Primary Government</u>	<u>Drain Commission Component Unit</u>
Land and land improvements	\$ 744,087	\$ -
Buildings and improvements	20,894,409	-
Furniture, fixtures, and equipment	2,648,754	-
Vehicles	446,852	-
Construction in progress	6,328,634	837,517
Infrastructure	<u>-</u>	<u>19,960,973</u>
Total	<u>\$ 31,062,736</u>	<u>\$ 20,798,490</u>

The 2007 Major Capital Improvements Budget totals \$777,486.

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

Long-term debt. At the end of the current fiscal year, the County Primary Government and its Drain Commission and Department of Public Works component units had total general obligation bonds outstanding of \$21,507,600. (This amount does not include the debt of the separately audited Road Commission component unit). All of the bonds are backed by the County's full faith and credit.

Clinton County's Bond Indebtedness

	<u>Primary Government</u>	<u>Drain Commission and DPW Component Units</u>	<u>Total</u>
General obligation bonds	\$ 13,340,000	\$ 8,167,600	\$ 21,507,600

The net decrease in the County's total general obligation bonded debt was \$2,675,400 or 11 percent during the current fiscal year. The County does not intend to issue any bonds in the near future. The refunding and retirement of existing debt has actually allowed for a net decrease in primary government debt obligations.

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 \$905,600 at December 31, 2006, for which it has pledged its full faith and credit. The balance on these notes payable increased by \$503,850 or .5 percent. The County (primary government) also has accrued compensated absences at December 31, 2006, of \$995,036

The County's outstanding general obligation debt is well within its current debt limitation of \$301,035,821 (10 percent of total assessed valuation).

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

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2007 fiscal year:

- The Revenue Sharing Reserve Fund was established by the State in order to replace State Revenue Sharing payments to counties.
- The continued uncertainty over the State's budget situation may lead to decreases in other areas of state funding.
- While slowed, growth in new construction will generate increased property tax revenue to help cover inflationary cost increases.
- Healthcare costs, as well as childcare costs, will continue to escalate at a rate higher than inflation and require continued cost containment measures.
- The unemployment rate for the County was 5.2% for 2006, an increase from a rate of 5.0% a year ago. This compares favorably to the state's average unemployment rate of 6.9%, and unfavorably to the national average rate of 4.6%.

Highlights of the 2007 budget are as follows:

Major Capital Improvements totaling \$777,486
Ordinary Capital Improvements totaling \$379,870
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

Clinton County, Michigan

STATEMENT OF NET ASSETS

December 31, 2006

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 7,850,542	\$ 3,888,895	\$ 11,739,437	\$ 4,833,474
Investments	13,170,684	6,216,860	19,387,544	1,479,663
Receivables	5,207,294	1,216,973	6,424,267	1,056,932
Due from other governmental units	1,603,071	-	1,603,071	1,036,773
Internal balances	584	(584)	-	-
Inventory	4,093	6,560	10,653	421,363
Prepaid expenses	87,761	-	87,761	-
Current portion of lease receivable	-	-	-	638,425
Total current assets	27,924,029	11,328,704	39,252,733	9,466,630
Noncurrent assets				
Cash - restricted	-	-	-	58,662
Special assessments receivable	-	-	-	3,575,274
Net pension asset	340,540	-	340,540	-
Advance to component unit	130,000	-	130,000	-
Lease receivable	-	-	-	4,270,000
Capital assets, net:				
Assets not being depreciated	7,072,721	-	7,072,721	7,370,755
Assets being depreciated	23,938,534	51,481	23,990,015	65,332,003
Total noncurrent assets	31,481,795	51,481	31,533,276	80,606,694
TOTAL ASSETS	59,405,824	11,380,185	70,786,009	90,073,324
LIABILITIES				
Current liabilities				
Accounts payable	1,923,933	14,506	1,938,439	264,958
Accrued liabilities	289,152	6,808	295,960	171,750
Due to other governmental units	-	-	-	79,239
Unearned revenue	607,681	-	607,681	-
Current portion of compensated absences	658,015	11,245	669,260	-
Current portion of long-term debt	895,653	-	895,653	1,342,285
Total current liabilities	4,374,434	32,559	4,406,993	1,858,232
Noncurrent liabilities				
Advance from primary government	-	-	-	130,000
Advances from State	-	-	-	341,603
Noncurrent portion of compensated absences	324,499	1,277	325,776	681,912
Noncurrent portion of long-term debt	12,607,225	-	12,607,225	7,738,415
Total noncurrent liabilities	12,931,724	1,277	12,933,001	8,891,930
TOTAL LIABILITIES	17,306,158	33,836	17,339,994	10,750,162
NET ASSETS				
Invested in capital assets, net of related debt	17,508,377	51,481	17,559,858	68,484,558
Restricted for:				
Public safety	1,386,015	-	1,386,015	-
Debt service	1,872,690	-	1,872,690	1,229,919
Revenue sharing	8,793,641	-	8,793,641	-
Public improvement	984,921	-	984,921	-
Other purposes	4,057,521	-	4,057,521	9,608,685
Unrestricted	7,496,501	11,294,868	18,791,369	-
TOTAL NET ASSETS	\$ 42,099,666	\$ 11,346,349	\$ 53,446,015	\$ 79,323,162

See accompanying notes to financial statements.

Clinton County, Michigan

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

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	\$ 10,332,584	\$ 3,702,818	\$ 1,918,744	\$ -	\$ (4,711,022)	\$ -	\$ (4,711,022)	\$ -
Public safety	7,835,368	1,763,188	1,114,649	-	(4,957,531)	-	(4,957,531)	-
Public works	523,342	382,830	1,000	-	(139,512)	-	(139,512)	-
Health and welfare	2,339,326	50,218	667,266	-	(1,621,842)	-	(1,621,842)	-
Community and economic development	527,101	54,713	222,264	-	(250,124)	-	(250,124)	-
Recreation and cultural	44,203	-	5,834	-	(38,369)	-	(38,369)	-
Other	561,583	28,189	-	-	(533,394)	-	(533,394)	-
Interest on long-term debt	417,457	-	-	-	(417,457)	-	(417,457)	-
Total governmental activities	22,580,964	5,981,956	3,929,757	-	(12,669,251)	-	(12,669,251)	-
Business-type activities:								
Delinquent tax	18,374	447,133	-	-	-	428,759	428,759	-
Other	538,148	455,428	-	-	-	(82,720)	(82,720)	-
Total business-type activities	556,522	902,561	-	-	-	346,039	346,039	-
Total primary government	\$ 23,137,486	\$ 6,884,517	\$ 3,929,757	\$ -	(12,669,251)	346,039	(12,323,212)	-
Component units:								
Drainage Districts	\$ 1,007,811	\$ 124,506	\$ -	\$ 2,851,535	\$ 1,968,230	-	-	1,968,230
Department of Public Works	270,706	-	270,706	-	-	-	-	-
Road Commission	11,077,916	1,210,577	6,069,350	6,170,323	2,372,334	-	-	2,372,334
Total component units	\$ 12,356,433	\$ 1,335,083	\$ 6,340,056	\$ 9,021,858	-	-	-	4,340,564
General revenues:								
Property taxes					16,593,687	-	16,593,687	-
State shared revenue					202,330	-	202,330	-
Investment earnings					1,093,644	403,147	1,496,791	291,109
911 Surcharge					1,665,914	-	1,665,914	-
Gain on disposal of capital assets					613,067	-	613,067	47,851
Transfers in-primary government					-	-	-	100,000
Transfers					783,141	(783,141)	-	-
Total general revenues and transfers					20,951,783	(379,994)	20,571,789	438,960
Change in net assets								
					8,282,532	(33,955)	8,248,577	4,779,524
Net assets, beginning of the year					33,817,134	11,380,304	45,197,438	74,329,738
Prior period adjustments					-	-	-	213,900
Net assets, end of the year					\$ 42,099,666	\$ 11,346,349	\$ 53,446,015	\$ 79,323,162

See accompanying notes to financial statements.

Clinton County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2006

	General	Revenue Sharing Reserve	911 Central Dispatch	Health Department Construction
ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 713,232	\$ 989,972
Investments	7,825,983	3,987,182	-	-
Receivables				
Taxes				
Current	1,074,361	3,734,728	-	-
Delinquent	27,941	-	47	-
Accounts	18,023	-	126,526	-
Interest	58,736	61,083	-	-
Due from other funds	7,719	1,010,648	126,647	-
Due from other governmental units				
Federal/State	370,678	-	655,582	-
Local	274,559	-	-	-
Advance to other funds	125,000	-	-	-
Advance to component unit	130,000	-	-	-
TOTAL ASSETS	\$ 9,913,000	\$ 8,793,641	\$ 1,622,034	\$ 989,972
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 326,007	\$ -	\$ 332,427	\$ 727,131
Accrued liabilities	152,223	-	12,573	-
Due to other funds	1,167,201	-	1,905	-
Deferred revenue	1,059,791	-	-	-
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	2,705,222	-	346,905	727,131
FUND BALANCES				
Reserved for:				
Perpetual care	-	-	-	-
Advances to other funds and component unit	255,000	-	-	-
Planning and economic development	225,000	-	-	-
Family counseling	21,518	-	-	-
Sick and vacation pay	995,036	-	-	-
Employee reclassification	150,000	-	-	-
Retro pay	150,000	-	-	-
Debt service	1,250,000	-	-	262,841
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
General fund	4,161,224	-	-	-
Special revenue funds	-	8,793,641	1,275,129	-
TOTAL FUND BALANCES	7,207,778	8,793,641	1,275,129	262,841
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,913,000	\$ 8,793,641	\$ 1,622,034	\$ 989,972

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,790,105	\$ 5,493,309
3,850	11,817,015
-	
-	4,809,089
-	27,988
54,424	198,973
-	119,819
-	1,145,014
-	
302,252	1,328,512
-	274,559
-	125,000
-	130,000
<u>\$ 4,150,631</u>	<u>\$ 25,469,278</u>
\$ 389,335	\$ 1,774,900
15,499	180,295
10,231	1,179,337
-	1,059,791
93,000	93,000
<u>508,065</u>	<u>4,287,323</u>
3,850	3,850
-	255,000
-	225,000
-	21,518
-	995,036
-	150,000
-	150,000
442,217	1,955,058
984,921	984,921
-	4,161,224
2,211,578	12,280,348
<u>3,642,566</u>	<u>21,181,955</u>
<u>\$ 4,150,631</u>	<u>\$ 25,469,278</u>

Clinton County, Michigan

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

December 31, 2006

Total fund balance - governmental funds \$ 21,181,955

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	\$ 38,563,115	
Accumulated depreciation is	<u>(7,551,860)</u>	
Capital assets, net		31,011,255

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

Net pension asset		340,540
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Certain revenue that was earned and accrued in the current period but not received after 60 days is deferred in the fund statements but recognized under full accrual.

Deferred revenue on taxes receivable		452,110
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Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Net assets of governmental activities accounted for in Internal Service Funds	4,699,036	
Net capital assets of Internal Service Funds included in total capital assets above	<u>(1,017,470)</u>	
		3,681,566

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	13,340,000	
Lease payable	162,878	
Accrued interest payable	82,368	
Compensated absences	<u>982,514</u>	
		<u>(14,567,760)</u>

Net assets of governmental activities \$ 42,099,666

See accompanying notes to financial statements.

Clinton County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2006

	General	Revenue Sharing Reserve	911 Central Dispatch	Health Department Construction
REVENUES				
Taxes	\$ 12,610,163	\$ 3,734,728	\$ -	\$ -
Licenses and permits	291,956	-	-	-
Intergovernmental	2,032,822	-	617,171	-
Sale of county property	-	-	-	797,465
Charges for services	4,181,879	-	1,682,844	-
Fines and forfeits	-	-	-	-
Interest and rents	575,882	225,603	45,325	94,367
Other	1,015,814	-	17,704	2,102
TOTAL REVENUES	20,708,516	3,960,331	2,363,044	893,934
EXPENDITURES				
Current				
General government	7,948,871	-	-	-
Public safety	5,847,631	-	2,537,006	-
Public works	155,676	-	-	-
Health and welfare	805,451	-	-	3,229,915
Community and economic development	522,588	-	-	-
Recreation and cultural	32,627	-	-	-
Other	561,583	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	50,000	-
TOTAL EXPENDITURES	15,874,427	-	2,587,006	3,229,915
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,834,089	3,960,331	(223,962)	(2,335,981)
OTHER FINANCING SOURCES (USES)				
Transfers in	1,125,887	-	-	430,000
Transfers out	(4,739,673)	(1,120,887)	-	(51,100)
Transfers out escrow agent	-	-	-	-
Bond and lease proceeds	-	-	212,878	2,200,000
Bond premium/discount	-	-	-	1,100
TOTAL OTHER FINANCING SOURCES (USES)	(3,613,786)	(1,120,887)	212,878	2,580,000
NET CHANGE IN FUND BALANCES	1,220,303	2,839,444	(11,084)	244,019
Fund balances, beginning of year	5,987,475	5,954,197	1,286,213	18,822
Fund balances, end of year	<u>\$ 7,207,778</u>	<u>\$ 8,793,641</u>	<u>\$ 1,275,129</u>	<u>\$ 262,841</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 16,344,891
-	291,956
1,293,293	3,943,286
-	797,465
558,889	6,423,612
41,142	41,142
92,918	1,034,095
31,652	1,067,272
<hr/>	<hr/>
2,017,894	29,943,719
929,745	8,878,616
147,910	8,532,547
359,941	515,617
1,533,631	5,568,997
3,275	525,863
4,802	37,429
-	561,583
2,324,144	2,324,144
2,671,975	2,721,975
<hr/>	<hr/>
7,975,423	29,666,771
(5,957,529)	276,948
4,152,640	5,708,527
(5,000)	(5,916,660)
(9,390,925)	(9,390,925)
7,060,000	9,472,878
(31,446)	(30,346)
<hr/>	<hr/>
1,785,269	(156,526)
(4,172,260)	120,422
7,814,826	21,061,533
<hr/>	<hr/>
\$ 3,642,566	\$ 21,181,955
<hr/>	<hr/>

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, 2006

Net change in fund balances - total governmental funds \$ 120,422

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	\$ 7,177,677	
Proceeds from sale of County property	(797,465)	
Gain on sale of County property	613,067	
Depreciation expense	<u>(1,425,358)</u>	
Excess of depreciation expense over capital outlay		5,567,921

Pension contributions are reported as expenditures in governmental funds, but additional contributions increase the net pension asset in the statement of net assets. 71,343

Revenues in the statement of activities that do not provide current resources are not reported as fund revenues. 249,452

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	548,646	
Capital assets transactions of Internal Service Funds included in the total above	(354,376)	
Depreciation expense of Internal Service Funds included in the total above	<u>316,611</u>	
		510,881

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	11,145,000	
Lease principal retirements	50,000	
Bond proceeds	(9,260,000)	
Lease proceeds	<u>(212,878)</u>	
		1,722,122

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	44,519	
Increase in accrued compensated absences	<u>(4,128)</u>	
		<u>40,391</u>

Change in net assets of governmental activities \$ 8,282,532

See accompanying notes to financial statements.

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 12,126,302	\$ 12,440,302	\$ 12,610,163	\$ 169,861
Licenses and permits	227,354	252,769	291,956	39,187
Intergovernmental	1,374,460	1,956,647	2,032,822	76,175
Charges for services	3,419,406	4,144,406	4,181,879	37,473
Interest and rents	235,000	535,000	575,882	40,882
Other	995,073	989,603	1,015,814	26,211
TOTAL REVENUES	18,377,595	20,318,727	20,708,516	389,789
EXPENDITURES				
Current				
General government	8,166,315	8,554,303	7,948,871	605,432
Public safety	5,746,632	5,919,372	5,847,631	71,741
Public works	76,754	161,754	155,676	6,078
Health and welfare	794,099	821,963	805,451	16,512
Community and economic development	548,295	604,189	522,588	81,601
Recreation and cultural	47,263	57,163	32,627	24,536
Other	636,451	605,197	561,583	43,614
TOTAL EXPENDITURES	16,015,809	16,723,941	15,874,427	849,514
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,361,786	3,594,786	4,834,089	1,239,303
OTHER FINANCING SOURCES (USES)				
Transfers in	805,000	1,144,887	1,125,887	(19,000)
Transfers out	(3,166,786)	(4,739,673)	(4,739,673)	-
TOTAL OTHER FINANCING SOURCES (USES)	(2,361,786)	(3,594,786)	(3,613,786)	(19,000)
NET CHANGE IN FUND BALANCE	-	-	1,220,303	1,220,303
Fund balances, beginning of year	5,987,475	5,987,475	5,987,475	-
Fund balances, end of year	<u>\$ 5,987,475</u>	<u>\$ 5,987,475</u>	<u>\$ 7,207,778</u>	<u>\$ 1,220,303</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Revenue Sharing Reserve Fund

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

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 3,734,728	\$ 3,734,728	\$ 3,734,728	\$ -
Interest	-	-	225,603	225,603
TOTAL REVENUES	3,734,728	3,734,728	3,960,331	225,603
EXPENDITURES	-	-	-	-
EXCESS OF REVENUES OVER EXPENDITURES	3,734,728	3,734,728	3,960,331	225,603
OTHER FINANCING USES				
Transfer in	(2,934,728)	(2,613,841)	-	2,613,841
Transfer out	(800,000)	(1,120,887)	(1,120,887)	-
TOTAL OTHER FINANCING SOURCES (USES)	(3,734,728)	(3,734,728)	(1,120,887)	2,613,841
NET CHANGE IN FUND BALANCE	-	-	2,839,444	2,839,444
Fund balance, beginning of year	5,954,197	5,954,197	5,954,197	-
Fund balance, end of year	\$ 5,954,197	\$ 5,954,197	\$ 8,793,641	\$ 2,839,444

See accompanying notes to financial statements.

Clinton County, Michigan

911 Central Dispatch

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

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - Federal/State	\$ -	\$ 701,771	\$ 617,171	\$ (84,600)
Charges for services	1,351,600	1,356,600	1,682,844	326,244
Interest and rents	3,000	3,000	45,325	42,325
Other	18,400	18,400	17,704	(696)
TOTAL REVENUES	1,373,000	2,079,771	2,363,044	283,273
EXPENDITURES				
Public safety	1,252,219	2,761,876	2,537,006	224,870
Debt service	-	42,756	50,000	(7,244)
TOTAL EXPENDITURES	1,252,219	2,804,632	2,587,006	217,626
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	120,781	(724,861)	(223,962)	500,899
OTHER FINANCING USES				
Transfer in	(120,781)	511,081	-	(511,081)
Lease proceeds	-	213,780	212,878	(902)
TOTAL OTHER FINANCING SOURCES (USES)	(120,781)	724,861	212,878	(511,983)
NET CHANGE IN FUND BALANCE	-	-	(11,084)	(11,084)
Fund balance, beginning of year	1,286,213	1,286,213	1,286,213	-
Fund balance, end of year	<u>\$ 1,286,213</u>	<u>\$ 1,286,213</u>	<u>\$ 1,275,129</u>	<u>\$ (11,084)</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
ASSETS				
Current assets				
Cash and cash equivalents	\$ 3,475,855	\$ 413,040	\$ 3,888,895	\$ 2,357,233
Investments	6,216,860	-	6,216,860	1,353,669
Accounts receivable	610	2,050	2,660	39,812
Interest receivable	85,925	-	85,925	11,613
Delinquent taxes receivable	1,128,388	-	1,128,388	-
Inventory	-	6,560	6,560	4,093
Prepaid expenses	-	-	-	87,761
Due from other funds	-	-	-	35,816
Total current assets	10,907,638	421,650	11,329,288	3,889,997
Noncurrent assets				
Advances to other funds	-	-	-	3,000
Capital assets, net	4,500	46,981	51,481	1,017,470
Total noncurrent assets	4,500	46,981	51,481	1,020,470
TOTAL ASSETS	10,912,138	468,631	11,380,769	4,910,467
LIABILITIES				
Current liabilities				
Accounts payable	3,631	10,875	14,506	149,033
Accrued liabilities	381	18,949	19,330	26,489
Advances from other funds	-	-	-	35,000
Due to other funds	-	584	584	909
TOTAL LIABILITIES	4,012	30,408	34,420	211,431
NET ASSETS				
Invested in capital assets	4,500	46,981	51,481	1,017,470
Restricted for employee benefits	-	-	-	2,420,180
Unrestricted	10,903,626	391,242	11,294,868	1,261,386
TOTAL NET ASSETS	\$ 10,908,126	\$ 438,223	\$ 11,346,349	\$ 4,699,036

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2006

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES				
Interest and penalties on delinquent taxes	\$ 447,133	\$ -	\$ 447,133	\$ -
Charges for services	-	348,979	348,979	3,181,156
Intergovernmental - Federal/State	-	-	-	7,500
Sales	-	100,116	100,116	-
Rent	-	5,255	5,255	-
Other	-	1,078	1,078	255,365
TOTAL OPERATING REVENUES	447,133	455,428	902,561	3,444,021
OPERATING EXPENSES				
Personal services and fringes	-	225,531	225,531	3,296,702
Supplies	7,129	129,870	136,999	103,749
Contracted services	3,600	102,685	106,285	63,965
Depreciation	900	12,819	13,719	316,611
Other	6,745	67,243	73,988	176,198
TOTAL OPERATING EXPENSES	18,374	538,148	556,522	3,957,225
OPERATING INCOME (LOSS)	428,759	(82,720)	346,039	(513,204)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	515,358	-	515,358	70,917
Loss on sale of capital assets	-	-	-	(4,991)
Gain on sale of capital assets	-	-	-	4,650
Net decrease in fair value of investments	(112,211)	-	(112,211)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	403,147	-	403,147	70,576
INCOME (LOSS) BEFORE TRANSFERS	831,906	(82,720)	749,186	(442,628)
TRANSFERS				
Transfers in	-	6,510	6,510	991,274
Transfers out	(789,651)	-	(789,651)	-
TOTAL TRANSFERS	(789,651)	6,510	(783,141)	991,274
CHANGE IN NET ASSETS	42,255	(76,210)	(33,955)	548,646
Net assets, beginning of year	10,865,871	514,433	11,380,304	4,150,390
Net assets, end of year	<u>\$ 10,908,126</u>	<u>\$ 438,223</u>	<u>\$ 11,346,349</u>	<u>\$ 4,699,036</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 349,849	\$ 455,595	\$ 805,444	\$ 3,410,684
Cash paid to suppliers	(17,282)	(508,452)	(525,734)	(324,273)
Cash paid for employee benefits	-	-	-	(3,296,702)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>332,567</u>	<u>(52,857)</u>	<u>279,710</u>	<u>(210,291)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	-	8,184
Capital purchases	-	(8,522)	(8,522)	(354,376)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>(8,522)</u>	<u>(8,522)</u>	<u>(346,192)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	6,510	6,510	991,274
Transfers out	(789,651)	-	(789,651)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(789,651)</u>	<u>6,510</u>	<u>(783,141)</u>	<u>991,274</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	(6,216,860)	-	(6,216,860)	(1,353,669)
Maturity of investments	5,418,169	-	5,418,169	803,826
Interest revenue	515,358	-	515,358	70,917
Net decrease in fair value of investments	(112,211)	-	(112,211)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(395,544)</u>	<u>-</u>	<u>(395,544)</u>	<u>(478,926)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(852,628)</u>	<u>(54,869)</u>	<u>(907,497)</u>	<u>(44,135)</u>
Cash and cash equivalents, beginning of year	<u>4,328,483</u>	<u>467,909</u>	<u>4,796,392</u>	<u>2,401,368</u>
Cash and cash equivalents, end of year	<u>\$ 3,475,855</u>	<u>\$ 413,040</u>	<u>\$ 3,888,895</u>	<u>\$ 2,357,233</u>

See accompanying notes to financial statements.

Clinton County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2006

	Business-type Activities			Governmental
	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 428,759	\$ (82,720)	\$ 346,039	\$ (513,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	900	12,819	13,719	316,611
(Increase) in receivables	(97,284)	97	(97,187)	(23,040)
(Increase) decrease in inventory	-	1,550	1,550	3,729
(Increase) in prepaid expenses	-	-	-	(5,090)
Decrease in due from other funds	-	-	-	(5,207)
Increase (decrease) in accounts payable	207	3,231	3,438	5,379
Increase (decrease) in accrued liabilities	(15)	12,096	12,081	22,082
Increase (decrease) in due to other funds	-	70	70	(11,551)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 332,567	\$ (52,857)	\$ 279,710	\$ (210,291)

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2006

	Post- Employment Healthcare	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 378,606	\$ 768,887
Investments	<u>2,576,797</u>	<u>-</u>
TOTAL ASSETS	<u>2,955,403</u>	<u>\$ 768,887</u>
LIABILITIES		
Undistributed collections payable	-	\$ 7,016
Due to other governmental units		
Federal/State	-	179,645
Local	-	257,758
Due to individuals and agencies	<u>-</u>	<u>324,468</u>
TOTAL LIABILITIES	<u>-</u>	<u>\$ 768,887</u>
NET ASSETS		
Restricted for trust activities	<u>\$ 2,955,403</u>	

See accompanying notes to financial statements.

Clinton County, Michigan

Fiduciary Funds

STATEMENT OF CHANGES IN NET ASSETS

Year Ended December 31, 2006

	<u>Post- Employment Healthcare</u>
ADDITIONS	
Contributions	\$ 530,052
Medicare D reimbursements	14,898
Interest	177,488
Net increase in fair value of investments	<u>91,494</u>
TOTAL ADDITIONS	813,932
DEDUCTIONS	
Retiree benefits	<u>292,605</u>
TOTAL CHANGE IN NET ASSETS	521,327
Net assets, beginning of year	<u>2,434,076</u>
Net assets, end of year	<u><u>\$ 2,955,403</u></u>

See accompanying notes to financial statements.

Clinton County, Michigan

Component Units

STATEMENT OF NET ASSETS

December 31, 2006

	Drainage Districts	Department of Public Works	Road Commission	Total Component Units
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,261,231	\$ -	\$ 3,572,243	\$ 4,833,474
Investments	1,479,663	-	-	1,479,663
Accrued interest receivable	11,550	-	-	11,550
Accounts receivable	12,856	-	23,053	35,909
Due from other governmental units	-	-	1,036,773	1,036,773
Special assessments receivable	1,009,473	-	-	1,009,473
Inventory	-	-	421,363	421,363
Current portion of lease receivable	-	638,425	-	638,425
Total current assets	3,774,773	638,425	5,053,432	9,466,630
Noncurrent assets				
Cash - restricted	58,662	-	-	58,662
Special assessments receivable	3,575,274	-	-	3,575,274
Lease receivable	-	4,270,000	-	4,270,000
Capital assets, net:				
Assets not being depreciated	837,517	-	6,533,238	7,370,755
Assets being depreciated	19,960,973	-	45,371,030	65,332,003
Total noncurrent assets	24,432,426	4,270,000	51,904,268	80,606,694
TOTAL ASSETS	28,207,199	4,908,425	56,957,700	90,073,324
LIABILITIES				
Current liabilities				
Accounts payable	3,172	-	261,786	264,958
Accrued liabilities	37,038	-	47,621	84,659
Accrued interest payable	33,666	53,425	-	87,091
Due to other governmental units	-	-	79,239	79,239
Current portion of long-term debt	749,785	585,000	7,500	1,342,285
Total current liabilities	823,661	638,425	396,146	1,858,232
Noncurrent liabilities				
Advances from primary government	130,000	-	-	130,000
Advances from State	-	-	341,603	341,603
Noncurrent portion of compensated absences	-	-	681,912	681,912
Noncurrent portion of long-term debt	3,468,415	4,270,000	-	7,738,415
Total noncurrent liabilities	3,598,415	4,270,000	1,023,515	8,891,930
TOTAL LIABILITIES	4,422,076	4,908,425	1,419,661	10,750,162
NET ASSETS				
Invested in capital assets, net of related debt	16,580,290	-	51,904,268	68,484,558
Restricted for:				
Other purposes	5,974,914	-	3,633,771	9,608,685
Debt service	1,229,919	-	-	1,229,919
TOTAL NET ASSETS	\$ 23,785,123	\$ -	\$ 55,538,039	\$ 79,323,162

See accompanying notes to financial statements.

Clinton County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Drainage Districts	\$ 1,007,811	\$ 124,506	\$ -	\$ 2,851,535	\$ 1,968,230
Department of Public Works	270,706	-	270,706	-	-
Road Commission	11,077,916	1,210,577	6,069,350	6,170,323	2,372,334
TOTALS	\$12,356,433	\$1,335,083	\$ 6,340,056	\$ 9,021,858	\$ 4,340,564

	Component Units			
	Drainage Districts	Department of Public Works	Road Commission	Total
Changes in net assets				
Net (expense) revenue	\$ 1,968,230	\$ -	\$ 2,372,334	\$ 4,340,564
General revenues				
Investment earnings	111,023	-	180,086	291,109
Gain on disposal of capital assets	-	-	47,851	47,851
Transfers in-primary government	-	-	100,000	100,000
Total general revenues and transfers	111,023	-	327,937	438,960
Change in net assets	2,079,253	-	2,700,271	4,779,524
Net assets, beginning of year	21,491,970	-	52,837,768	74,329,738
Prior period adjustments	213,900	-	-	213,900
Net assets, end of year	\$23,785,123	\$ -	\$ 55,538,039	\$ 79,323,162

See accompanying notes to financial statements.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County of Clinton, Michigan was incorporated in 1839 and covers an area of approximately 571 square miles with the County seat located in the City of St. Johns. The County operates under an elected Board of Commissioners and provides services to its more than 68,800 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services. Education is provided to citizens through fifteen (15) local School Districts and seven (7) Intermediate School Districts. The School Districts are separate governmental entities whose financial statements are not included herein.

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

A. REPORTING ENTITY

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 4, these financial statements present the financial activities of Clinton County (primary government) and its component units. The component units described below are included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

Blended Component Units

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

Discretely Presented Component Units

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

The Clinton County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, license plate fees and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are appointed by the Clinton County Board of Commissioners. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office. In addition, the Road Commission is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

Joint Venture

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

Clinton County is responsible to fund approximately 36% of the required local contribution to cover operational costs. For the year ended December 31, 2006, the County contributed \$386,712 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is discretely presented in the Montcalm County Financial Statements.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended December 31, 2006, are available at the Department's administrative offices. As of December 31, 2006, the Department had total net assets of \$1,118,637.

Jointly Governed Organizations

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The Commission must adopt a proposed budget at its February meeting and submit the same to the Board of Commissioners of the three (3) Counties it serves and to the Lansing City Council with its request for allocation of funds. Each government unit contributes an equal share of the total annual budget. For the year ended December 31, 2006, the County's contribution to the Commission was \$65,398.

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, 2006, the County's contribution to the Commission was \$35,819.

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, 2006, the County's contribution to the Commission was \$214,180.

Mid-South Substance Abuse Commission - Clinton County, in conjunction with nine (9) other Counties, has entered into an agreement that created the Mid-South Substance Abuse Commission. This Organization's Board is composed of fifteen (15) members, of which one (1) is appointed by Clinton County. The County's financial responsibility is to pass through 50% of the Convention and Tourism revenues received to the Commission. Also, if the Commission were to need additional operating funds, the County would be responsible to contribute a portion based on the percentage of Board membership (currently 10%). For the year ended December 31, 2006, the County passed through \$82,044 and was not required to make any additional appropriation.

B. GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

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

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

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

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

The major funds of the County are:

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

The *911 central dispatch fund* accounts for the collection of the 911 telephone surcharges and the related public safety activities.

The *health department construction fund* accounts for the activity related to the construction of the Mid-Michigan District Health Department building.

The *delinquent tax revolving fund* accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

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

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

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

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. CASH AND CASH EQUIVALENTS

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

2. INVESTMENTS

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

3. RECEIVABLES

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

4. INVENTORY

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

5. LEASE RECEIVABLE

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

6. ADVANCES

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

7. CAPITAL ASSETS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

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

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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 construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated, for fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. During 2005, the Clinton County Road Commission has capitalized the current year's infrastructure and has also reported the retroactive cost for major infrastructure in the Statement of Net Assets for periods ending after June 30, 1980.

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

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

8. INTERFUND TRANSACTIONS

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

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

9. LONG-TERM OBLIGATIONS

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

10. COMPENSATED ABSENCES

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

Vested compensated absences earned as of December 31, 2006, including related payroll taxes, are recorded in the government-wide financial statements.

11. DEFERRED REVENUE

Deferred revenue recorded in the General Fund consists of the 2006 tax levy that was levied in 2006 and will be collected in 2007 and is not available for current year expenditures. In addition, the delinquent personal property taxes receivable balance is deferred in the General Fund because it is also not available for current year expenditures.

12. COMPARATIVE DATA

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

13. FEDERAL PROGRAMS

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

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

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

- 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.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue funds. 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.

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

	Carrying Amount
Government-wide Financial Statement Captions:	
Primary Government:	
Cash	\$ 11,739,437
Investments	19,387,544
Component Units:	
Cash	4,833,474
Cash-Restricted	58,662
Investments	1,479,663
Fiduciary Fund Financial Statement Captions:	
Cash	1,147,493
Investments	<u>2,576,797</u>
 Total	 <u>\$ 41,223,070</u>
 Deposits and Investments:	
Bank deposits (checking accounts, savings accounts and certificates of deposit)	\$ 17,703,071
Investments:	
U.S. agencies	7,244,341
Commercial paper	2,268,220
Investment funds	9,487,582
Money market accounts	4,517,356
Cash on hand	<u>2,500</u>
 Total	 <u>\$ 41,223,070</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

	<u>Investment Maturities (In Years)</u>					<u>Credit Rating Range</u>		
	Fair	Less			More	Standard	Moody's	
	Value	Than 1	1-5	6-10	Than 10	& Poors	Investor's Services	Fitch
U.S. Agencies	\$ 7,244,341	\$ 1,236,532	\$ 4,567,895	\$ 253,859	\$ 1,186,055	A1 – A1+	P1	F1 – F1+
Commercial paper	2,268,220	2,268,220	-	-	-	AAA	N/A	N/A
Subtotal	<u>9,512,561</u>	<u>\$ 3,504,752</u>	<u>\$ 4,567,895</u>	<u>\$ 253,859</u>	<u>\$ 1,186,055</u>			
Rated Investment Funds	946,735					AAA	N/A	N/A
Unrated Investment Funds	8,540,847					N/A	N/A	N/A
Rated Money Market Funds	958,401					AAA	N/A	N/A
Unrated Money Market Funds	<u>3,558,955</u>					N/A	N/A	N/A
Total	<u>\$ 23,517,499</u>							

Statutory Authority

State statutes authorize the County to invest in:

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified above. The County's investment policy states that the County will minimize the risk that the market value of the securities in the portfolio will fall due to changes in the general interest rates by structuring the portfolio to meet the cash requirements of ongoing operations, thereby mitigating the need to liquidate securities at a loss prior to maturity. The maturity dates for each investment are identified above for investments held at year end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The County's investment policy states that the County will minimize credit risk by limiting investments to the safest types of securities, pre-qualifying and continually monitoring financial institutions with which the County will do business, diversifying the portfolio so that potential losses on individual securities would be minimized, and maintaining credit ratings when available on all holdings. The ratings for each investment type are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end \$16,020,803 of the County's bank balance of \$17,987,869 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require a policy for investment custodial credit risk. The County's investment policy states the County will minimize custodial credit risk by using only financial institutions meeting a pre-qualification evaluation and holding securities in the County's name. However, while uninsured and unregistered, the County's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the County's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The County's investment policy states that the County will minimize the risk in placing a large portion of the portfolio with a single security issuer by limiting the exposure to 25% of the total portfolio, excluding investments in U.S. Government securities. All investments held at year end are reported above.

B. RECEIVABLES

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

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 4,837,077	\$ 1,128,388	\$ -
Special assessments, current	-	-	1,009,473
Accounts	238,785	2,660	35,909
Interest	<u>131,432</u>	<u>85,925</u>	<u>11,550</u>
Total	<u>\$ 5,207,294</u>	<u>\$ 1,216,973</u>	<u>\$ 1,056,932</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	<u>\$ 452,110</u>	<u>\$ 607,681</u>

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land and improvements	\$ 752,268	\$ -	\$ (8,181)	\$ 744,087
Construction in progress	<u>32,900</u>	<u>6,295,734</u>	<u>-</u>	<u>6,328,634</u>
Total capital assets not being depreciated	<u>785,168</u>	<u>6,295,734</u>	<u>(8,181)</u>	<u>7,072,721</u>
Capital assets being depreciated:				
Buildings and improvements	25,212,990	-	(400,493)	24,812,497
Furniture, fixtures and equipment	5,038,522	746,159	(86,716)	5,697,965
Vehicles	<u>916,395</u>	<u>135,784</u>	<u>(72,247)</u>	<u>979,932</u>
Total capital assets being depreciated	<u>31,167,907</u>	<u>881,943</u>	<u>(559,456)</u>	<u>31,490,394</u>
Less accumulated depreciation				
Buildings and improvements	(3,507,744)	(634,620)	224,276	(3,918,088)
Furniture, fixtures and equipment	(2,490,820)	(685,145)	86,716	(3,089,249)
Vehicles	<u>(502,652)</u>	<u>(105,593)</u>	<u>63,722</u>	<u>(544,523)</u>
Total accumulated depreciation	<u>(6,501,216)</u>	<u>(1,425,358)</u>	<u>374,714</u>	<u>(7,551,860)</u>
Total capital assets being depreciated, net	<u>24,666,691</u>	<u>(543,415)</u>	<u>(184,742)</u>	<u>23,938,534</u>
Governmental activities capital assets, net	<u>\$ 25,451,859</u>	<u>\$5,752,319</u>	<u>\$ (192,923)</u>	<u>\$ 31,011,255</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Business-type activities	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets being depreciated:				
Furniture, fixtures and equipment	42,770	8,522	-	51,292
Vehicles	<u>30,327</u>	<u>-</u>	<u>-</u>	<u>30,327</u>
Total capital assets being depreciated	<u>73,097</u>	<u>8,522</u>	<u>-</u>	<u>81,619</u>
Less accumulated depreciation				
Furniture, fixtures and equipment	(3,600)	(7,654)	-	(11,254)
Vehicles	<u>(12,819)</u>	<u>(6,065)</u>	<u>-</u>	<u>(18,884)</u>
Total accumulated depreciation	<u>(16,419)</u>	<u>(13,719)</u>	<u>-</u>	<u>(30,138)</u>
Total capital assets being depreciated, net	<u>56,678</u>	<u>(5,197)</u>	<u>-</u>	<u>51,481</u>
Business-type activities capital assets, net	<u>\$ 56,678</u>	<u>\$ (5,197)</u>	<u>\$ -</u>	<u>\$ 51,481</u>

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

Governmental activities:	
General government	\$ 640,648
Public safety	466,349
Health and welfare	1,750
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>316,611</u>
Total depreciation expense – governmental activities	<u>\$ 1,425,358</u>
Business-type activities:	
Delinquent tax revolving	\$ 900
Building department	<u>12,819</u>
Total depreciation expense – business-type activities	<u>\$ 13,719</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Discretely presented component units

Activity for the Drainage Districts for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Drainage Districts				
Capital assets not being depreciated:				
Construction in progress	\$ 312,240	\$ 680,903	\$ (155,626)	\$ 837,517
Capital assets being depreciated:				
Infrastructure	21,294,821	1,444,063	-	22,738,884
Less accumulated depreciation				
Infrastructure	<u>(2,501,078)</u>	<u>(276,833)</u>	<u>-</u>	<u>(2,777,911)</u>
Total capital assets being depreciated, net	<u>18,793,743</u>	<u>1,167,230</u>	<u>-</u>	<u>19,960,973</u>
Drainage Districts capital assets, net	<u>\$ 19,105,983</u>	<u>\$ 1,848,133</u>	<u>\$ (155,626)</u>	<u>\$ 20,798,490</u>

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Activity for the Road Commission for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Road Commission				
Capital assets not being depreciated:				
Land	\$ 283,750	\$ -	\$ -	\$ 283,750
Infrastructure				
land/right-of-way	815,552	147,529	-	963,081
land improvements	<u>4,984,134</u>	<u>302,273</u>	<u>-</u>	<u>5,286,407</u>
Total capital assets not being depreciated	<u>6,083,436</u>	<u>449,802</u>	<u>-</u>	<u>6,533,238</u>
Capital assets being depreciated:				
Buildings	1,735,798	-	-	1,735,798
Road equipment	5,406,805	595,632	(174,051)	5,828,386
Shop equipment	72,560	-	-	72,560
Office equipment	104,662	4,828	(11,712)	97,778
Engineer's equipment	22,684	-	-	22,684
Yard equipment	10,207	-	-	10,207
Depletable assets	63,115	-	-	63,115
Infrastructure – bridges	23,545,998	992,620	(194,813)	24,343,805
Infrastructure – roads	46,196,057	4,607,281	(3,119,873)	47,683,465
Infrastructure – signals	<u>229,652</u>	<u>140,574</u>	<u>-</u>	<u>370,226</u>
Total capital assets being depreciated	<u>77,387,538</u>	<u>6,340,935</u>	<u>(3,500,449)</u>	<u>80,228,024</u>
Less accumulated depreciation				
Buildings	(871,652)	(44,417)	-	(916,069)
Road equipment	(4,072,308)	(596,471)	166,680	(4,502,099)
Shop equipment	(48,706)	(3,916)	-	(52,622)
Office equipment	(78,316)	(12,865)	9,644	(81,537)
Engineer's equipment	(19,536)	(691)	-	(20,227)
Yard equipment	(1,787)	(1,020)	-	(2,807)
Reserve for depletable assets	(40,473)	-	-	(40,473)
Infrastructure – bridges	(11,464,101)	(457,969)	194,813	(11,727,257)
Infrastructure – roads	(17,542,575)	(3,082,635)	3,119,873	(17,505,337)
Infrastructure – signals	<u>(8,253)</u>	<u>(313)</u>	<u>-</u>	<u>(8,566)</u>
Total accumulated depreciation	<u>(34,147,707)</u>	<u>(4,200,297)</u>	<u>3,491,010</u>	<u>(34,856,994)</u>
Total capital assets being depreciated, net	<u>43,239,831</u>	<u>2,140,638</u>	<u>(9,439)</u>	<u>45,371,030</u>
Road Commission capital assets, net	<u>\$ 49,323,267</u>	<u>\$2,590,440</u>	<u>\$ (9,439)</u>	<u>\$ 51,904,268</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

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

Interfund receivables and payables as of December 31, 2006, are as follows:

Due to:	Due from:					Total
	General	911 Central Dispatch	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	
General	\$ -	\$ -	\$ 7,500	\$ -	\$ 219	\$ 7,719
Revenue Sharing Reserve	1,010,648	-	-	-	-	1,010,648
911 Central Dispatch	126,647	-	-	-	-	126,647
Internal Service	<u>29,906</u>	<u>1,905</u>	<u>2,731</u>	<u>584</u>	<u>690</u>	<u>35,816</u>
Total	<u>\$1,167,201</u>	<u>\$ 1,905</u>	<u>\$ 10,231</u>	<u>\$ 584</u>	<u>\$ 909</u>	<u>\$1,180,830</u>

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

Long-term advances as of December 31, 2006, are as follows:

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

Advance from internal service funds to:	
Nonmajor governmental funds	<u>\$ 3,000</u>

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Interfund transfers as of December 31, 2006, are as follows:

Transfer to:	Transfer From:					Total
	General	Revenue Sharing Reserve	Health Department Construction	Nonmajor Governmental	Delinquent Tax	
General	\$ -	\$1,120,887	\$ -	\$ 5,000	\$ -	\$ 1,125,887
Health Department Construction	-	-	-	-	430,000	430,000
Nonmajor Governmental	3,741,889	-	51,100	-	359,651	4,152,640
Nonmajor Enterprise Internal Service	6,510	-	-	-	-	6,510
	991,274	-	-	-	-	991,274
Total	<u>\$ 4,739,673</u>	<u>\$1,120,887</u>	<u>\$ 51,100</u>	<u>\$ 5,000</u>	<u>\$ 789,651</u>	<u>\$ 6,706,311</u>

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS

December 31, 2006

E. LONG-TERM DEBT

Changes in Long-Term Debt

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Deletions	Balance December 31, 2006	Due Within One Year
PRIMARY GOVERNMENT					
Governmental Activities					
Direct county obligations	\$ 15,225,000	\$9,260,000	\$(11,145,000)	\$ 13,340,000	\$ 860,000
Lease payable	-	212,878	(50,000)	162,878	35,653
Accrued compensated absences	<u>978,386</u>	<u>662,143</u>	<u>(658,015)</u>	<u>982,514</u>	<u>658,015</u>
Total Governmental Activities	<u>16,203,386</u>	<u>10,135,021</u>	<u>(11,853,015)</u>	<u>14,485,392</u>	<u>1,553,668</u>
Business-type Activities					
Accrued compensated absences	-	<u>23,767</u>	<u>(11,245)</u>	<u>12,522</u>	<u>11,245</u>
TOTAL PRIMARY GOVERNMENT	<u>16,203,386</u>	<u>10,158,788</u>	<u>(11,864,260)</u>	<u>14,497,914</u>	<u>1,564,913</u>
COMPONENT UNITS					
Department of Public Works:					
Water and sewer bonds	5,555,000	-	(700,000)	4,855,000	585,000
Drainage Districts:					
Drain bonds and notes	3,572,850	1,189,100	(543,750)	4,218,200	749,785
Road Commission:					
Installment purchase contract	15,000	-	(7,500)	7,500	7,500
Accrued employee benefits	<u>633,164</u>	<u>48,748</u>	<u>-</u>	<u>681,912</u>	<u>-</u>
TOTAL COMPONENT UNITS	<u>9,776,014</u>	<u>1,237,848</u>	<u>(1,251,250)</u>	<u>9,762,612</u>	<u>1,342,285</u>
TOTAL REPORTING ENTITY	<u>\$ 25,979,400</u>	<u>\$11,396,636</u>	<u>\$(13,115,510)</u>	<u>\$ 24,260,526</u>	<u>\$ 2,907,198</u>

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

PRIMARY GOVERNMENT

Direct County Obligations

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

Bonds payable at December 31, 2006, are as follows:

\$7,060,000 2006 Building Authority Refunding Bonds, dated March 14, 2006, due in annual installments ranging from \$595,000 to \$830,000 through May 1, 2019, with interest ranging from 3.625 to 3.8 percent, payable semi-annually.	\$ 7,060,000
\$2,200,000 2006 Capital Improvement Bonds, dated April 4, 2006, due in annual installments ranging from \$105,000 to \$195,000 through November 1, 2021, with interest ranging from 3.5 percent to 4.0 percent, payable semi-annually.	2,200,000
\$2,500,000 Building Authority Jail Construction Bonds, Series 2003, dated February 1, 2003, due in annual installments ranging from \$125,000 to \$225,000 through May 2018, with interest ranging from 2.25 to 4.125 percent, payable semi-annually.	2,125,000
\$14,500,000 Building Authority Courthouse Building Bonds Non-Refunded, Series 1999, dated January 1, 1999, due in annual installments ranging from \$590,000 to \$685,000 through May 1, 2009, with interest ranging from 4.05 to 5.35 percent, payable semi-annually.	<u>1,955,000</u>
Total Direct County Obligations	<u>\$ 13,340,000</u>

Advance refunding

On March 14, 2006, the County issued general obligation bonds of \$7,060,000. Proceeds from this bond issue were used to advance refund a portion of the 1999 Building Authority Bonds. The refunded bonds mature as scheduled on May 1, 2010 through 2019. The balance of the defeased debt outstanding at December 31, 2006, was \$8,935,000. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the government-wide statement of net assets. The refunding was undertaken to reduce total debt service payments over the next 13 years by \$1,268,061 and resulted in an economic gain of \$458,674.

Lease Payable

For the year ended December 31, 2006, the County had an outstanding capital lease with Lease Consultants Corporation for mobile data computers of \$162,878. The original amount of the principal on the lease was \$212,878. The principal is due in annual installments ranging from \$1 to \$50,000. Interest on the lease is approximately 8%.

Accrued Compensated Absences

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

The dollar amount of these vested rights including related payroll taxes, amounted to \$368,876 and \$626,160 for vacation and sick, respectively, at December 31, 2006. Of the \$995,036 total liability, \$669,260 has been reported as a current liability and \$325,776 has been reported as a noncurrent liability.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

COMPONENT UNIT – ROAD COMMISSION

Accrued Employee Benefit Payable

In accordance with County Road Commission personnel policies and/or contracts negotiated with various employee groups of the County Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation, sick leave and longevity under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes amounted to \$167,102, \$371,315, and \$143,495 for vacation, sick and longevity, respectively, at December 31, 2006. This amount, \$681,912, has been reported as a noncurrent liability.

Installment Purchase Contract

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

\$ 7,500

COMPONENT UNIT – DEPARTMENT OF PUBLIC WORKS

Indirect County Obligations - Water and Sewer Bonds

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

Bonds payable at December 31, 2006, 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.	\$ 950,000
\$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.	100,000
\$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.	50,000
\$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.	280,000

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

COMPONENT UNIT – DEPARTMENT OF PUBLIC WORKS – CONTINUED

Indirect County Obligations - Water and Sewer Bonds

<p>\$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.</p>	<p>\$ 20,000</p>
<p>\$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.</p>	<p>90,000</p>
<p>\$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.</p>	<p>2,075,000</p>
<p>\$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.</p>	<p>840,000</p>
<p>\$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.</p>	<p><u>450,000</u></p>
<p style="padding-left: 40px;">Total Indirect County Obligations - Water and Sewer Bonds</p>	<p><u>\$ 4,855,000</u></p>

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, 2006, bonds due and payable May 1, 2007 through May 1, 2014, for the Clinton County Water Project Bonds - Bath Township in the amount of \$520,000 are considered defeased.

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

COMPONENT UNIT – DRAINAGE DISTRICTS

Indirect County Obligations - Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit as collateral for the following Drain bonds and notes. These projects are administered by the Clinton County Drain Commission for various local drainage districts. The Drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties. The Edwards Drain Bond was issued jointly with Eaton County, with Clinton County acting as the treasurer of the project. Clinton County is reimbursed by Eaton County for 23% of the annual debt service requirements.

Bonds and notes payable and amounts due to other local governments at December 31, 2006, per respective Drain projects serviced from the Capital Projects Funds of the Component Unit Drainage Districts are as follows:

\$2,065,000 Hayworth and Extension Drain Bonds dated February 1, 1999, due in annual installments of \$175,000 through June 1, 2011, with interest of 3.8 to 4.35 percent, payable semi-annually.	\$ 875,000
\$995,000 John Voltz Drain District Bonds dated December 1, 2001, due in annual installments of \$100,000 through June 1, 2012, with interest ranging from 3.25 to 4.3 percent, payable semi-annually.	600,000
\$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.	620,000
\$980,000 Edwards Drain Bonds dated May 1, 2004, due in annual installments ranging from \$50,000 to \$75,000 through June 1, 2019, with interest ranging from 2.75 to 4.70 percent, payable semi-annually.	677,600
\$540,000 Creekside Drain Bonds dated August 1, 2006, due in annual installments ranging from \$50,000 to \$55,000 through June 1, 2016, with interest of 4.25 percent, payable semi-annually.	540,000
Various drain notes due in various annual installments and interest rates through 2013.	<u>905,600</u>
Total Indirect County Obligations – Drain Bonds and Notes	<u>\$ 4,218,200</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

Primary Government
Direct County Obligations

Bonds Payable		
Year Ending December 31,	Principal	Interest
2007	\$ 860,000	\$ 489,309
2008	900,000	455,256
2009	950,000	418,245
2010	870,000	382,999
2011	900,000	350,576
2012-2016	5,120,000	1,213,100
2017-2021	3,740,000	249,624
Total	<u>\$ 13,340,000</u>	<u>\$ 3,559,109</u>

Capital Leases Payable		
Year Ending December 31,	Principal	Interest
2007	\$ 35,653	\$ 14,347
2008	38,920	11,080
2009	42,310	7,690
2010	45,994	4,006
2011	1	-
Total	<u>\$ 162,878</u>	<u>\$ 37,123</u>

Component Units

Road Commission Installment Purchase Contract		
Year	Principal	Interest
2007	<u>\$ 7,500</u>	<u>\$ 600</u>

Indirect County Obligations				
Year Ending December 31,	Department of Public Works Water and Sewer Bonds		Drainage Districts Drain Bonds and Notes	
	Principal	Interest	Principal	Interest
2007	\$ 585,000	\$ 234,813	\$ 749,785	\$ 163,364
2008	425,000	207,928	744,594	136,758
2009	425,000	187,068	561,544	104,997
2010	425,000	165,935	523,394	82,113
2011	405,000	144,525	508,794	60,007
2012-2016	1,745,000	422,740	956,839	122,992
2017-2021	845,000	73,830	173,250	12,070
Total	<u>\$ 4,855,000</u>	<u>\$ 1,436,839</u>	<u>\$ 4,218,200</u>	<u>\$ 682,301</u>

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

F. SHORT-TERM DEBT

During the year ended December 31, 2006, the County issued no short-term drain notes, but repaid \$315,000 in short-term drain notes issued in 2005. The notes are used for the purpose of constructing and repairing drains within the County.

	Balance Jan. 1, 2006	Additions	Deletions	Balance Dec. 31, 2006
Short-term drain notes	\$ 315,000	\$ -	\$ (315,000)	\$ -

IV. OTHER INFORMATION

A: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time and part-time County employees who work 20 hours or more per week are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

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

Normal Retirement:

Union:

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

Non-union:

- Age 55 with 30 or more years of credited service
- Age 60 with 10 or more years of credited service
- Mandatory Retirement: None

Deferred Retirement:

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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 7.43% to 15.77% as a percentage of annual covered payrolls and varies by the participating employee groups. These contributions are funded by the County on behalf of plan members. In addition, certain employee bargaining groups have negotiated benefits whereby the participating members are required to contribute to the Plan. These participation levels range from 2% to 6.7% of their annual covered payroll. The contribution requirements of the County are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the County, depending on the MERS contribution program adopted and/or negotiated by the County.

Annual Pension Cost and Net Pension Asset

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

Annual required contribution	\$ 1,286,232
Less: Interest on net pension asset	(21,536)
Plus: Adjustment to annual required contribution	<u>50,193</u>
Annual pension cost	1,314,889
Contributions made	<u>1,386,232</u>
(Increase) in net pension asset	(71,343)
Net pension (asset), beginning of year	<u>(269,197)</u>
Net pension (asset), end of year	<u>\$ (340,540)</u>

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

Three Year Trend Information for GASB Statement No. 27

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
2004	\$ 1,131,007	108%	\$(189,354)
2005	1,228,776	106%	(269,197)
2006	1,314,889	105%	(340,540)

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$19,128,275	\$25,849,644	\$6,721,369	74%	\$7,364,139	91%
12/31/04	20,754,444	28,426,707	7,672,263	73%	8,076,746	95%
12/31/05	22,397,270	30,115,835	7,718,565	74%	8,268,999	93%

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

COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Clinton County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty-connected death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for all qualified employees is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% times the final average compensation (FAC) with 5-year averaging for office and road union and 3-year averaging for administrative, with a maximum benefit of 80% of the FAC. Administrative retirees have a benefit 'E' plan allowing for a 2% annual increase. The most recent period for which actuarial data was available was for the year ended December 31, 2005.

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

Funding Policy

The Road Commission is required to contribute at an actuarially determined rate. Based on the 2003 actuarial valuation, the 2005 rate for general-union/AFLCIO, administrative salary and administrative hourly employees was 7.55%, 12.40% and 7.43%, respectively, of annual compensation. For 2006, the actuarial valuation was based on the 2004 rate for general union/AFLCIO, administrative salary and administrative hourly employees which was 9.27%, 12.80% and 6.59%, respectively, of annual compensation. Each member is required to contribute 3% of his or her annual compensation and 3% was paid by the employees for both years.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Annual Pension Cost

During the year ended December 31, 2006, the Road Commission's contributions totaled \$235,138 and the employee contributions totaled \$73,052, and were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004, and 3% employee share. The Road Commission was required to contribute \$248,100 based upon the 2004 actuarial report. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

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

Three Year Trend Information for GASB Statement No. 27

	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	\$ 254,222	100%	\$ 0
2004	275,439	100%	0
2005	298,745	100%	0

Required Supplementary Information for GASB Statement No. 27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$9,474,982	\$10,688,081	\$1,213,099	89%	\$2,401,406	51%
12/31/04	9,824,701	11,443,164	1,618,463	86%	2,411,623	67%
12/31/05	10,178,132	12,843,023	2,644,891	79%	2,448,290	109%

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

B. DEFERRED COMPENSATION PLAN - ROAD COMMISSION

The Clinton County Board of Road Commissioners offers all Road Commission employees deferred compensation plans created in accordance with the Internal Revenue Code, Section 457 with Public Employees' Benefit Services Corporation (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.

C. CONTINGENT LIABILITIES

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

D. RISK MANAGEMENT

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

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

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

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

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

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

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

<u>Type Of Risk</u>	<u>Maximum Retention per Occurrence</u>
General and Auto Liability	\$ 75,000
Motor Vehicle Physical Damage	30,000
Property Coverage	10,000

The limit of insurance for general and auto liability was \$15,000,000. The property damage blanket limit of insurance at December 31, 2006, was \$40,474,101.

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

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

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of \$225,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of \$225,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Clinton County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

ROAD COMMISSION - COMPONENT UNIT

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

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

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

E. PROPERTY TAXES AND TAXES RECEIVABLE

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

Although the County's 2006 ad valorem tax is levied and collectible by December 1, 2006, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

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

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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 2006 levy had a taxable value of \$2,256,762,119 on which ad valorem taxes levied for County general operating purposes was 5.708 mills.

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

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

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

F. POST-EMPLOYMENT HEALTH CARE BENEFITS

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

In addition to providing pension benefits, the County provides certain health care benefits, including prescription drug benefits for employees who have retired. Substantially all of the County's employees may become eligible for those benefits when they reach twenty (20) years of service and 60 years of age. Under this program the County pays \$424 per month for each eligible employee and out-of-area eligible employee under age 65, and \$308 per month for each eligible employee and out-of-area eligible employee age 65 or older.

In 2002 the County established a trust fund (the Trust) for the purpose of providing retiree health care benefits under County policy. Based on an actuarially determined liability and funding schedule, it is the County's intention to fund the Trust at a rate of 2.9% of payroll through 2006. Future years will be determined by the 2005 actuarial valuation. On establishment of the Trust the County made a transfer of assets in the amount of \$1,842,539 to cover costs of current retirees' health benefits and also those of employees eligible to retire within one year.

The Trust is being funded based on 165 employees and retirees. Contributions required and made during the year were made in the amount of \$530,052. As of December 31, 2006, there was \$2,955,403 of net assets available for benefits. The total actuarially determined liability for these benefits is \$8,750,362 and the total unfunded liability was \$6,325,146 based on the December 30, 2005, actuarial valuation. The County has chosen to fund the Trust based on assumptions of 6% annual cost increases for benefits and a 7% return on investments.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

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COMPONENT UNIT - ROAD COMMISSION

The Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses, in accordance with the agreement between the Road Commission management and the American Federation of State, county, and municipal employees, AFL-CIO – Office Union employees must retire with a minimum of 25 years of service and age 55 to be eligible for Road Commission paid health insurance for the retiree and spouse. If the retired employee wishes to purchase full family coverage, he shall pay the difference between the two-person and the full family rate. This provision applies to employees who retire after January 1, 1975 and who qualify under the MERS retirement program. Upon death of the retired employee, the Road Commission agrees to continue the above stated hospitalization insurance for the surviving spouse. For administrative employees, the Road Commission agrees to pay the full premium for hospitalization medical coverage for retired employees and their spouses. If an employee dies with 20 years service time, the spouse is covered. Expenditures are recognized on a pay as you go basis as premiums come due. During 2006, 41 retirees and/or spouses were eligible for benefits, and \$469,257 was recognized for post-employment health insurance.

The Road Commission also provides dental and vision coverage for retirees and their spouses and supplemental insurance for Medicare eligible retirees and spouses. The cost of dental, vision and Medicare supplemental insurance coverage is included in total health insurance expenditures reported in the preceding paragraph.

Contributions made to the Retiree Health Care Trust Fund are recognized as expenditures in the Road Commission Operating Fund at the time the contribution is made. During the year, post-employment expenditures were \$60,000 for contributions made to the Retiree Health Care Trust Fund. In preparation for the upcoming reporting change discussed below, the Road Commission established a plan to hold and invest monies that will be used to fund future retiree health care benefit obligations. During 2006, the Road Commission established a trust and made an initial contribution of \$60,000 to the trust as explained above, and the trust had investment earnings of \$4,170, less fees of \$99 resulting in a December 31, 2006, balance of \$64,071. The Road Commission has excluded the retiree health care benefit plan from the December 31, 2006, financial statements. The Road Commission is not required to begin including the plan in its financial statements until 2008 as described below.

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently release Statement Number 45, *Accounting and Reporting By Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any “other” post-employment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

G. FEDERAL GRANTS - ROAD COMMISSION

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2006, the Federal aid received and expended by the Road Commission was \$2,386,142 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.

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

During the calendar year ended December 31, 2006, the Road Commission did not receive any Federal grants for negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to single audit requirements, if the amount expended is \$500,000 or more. A single audit was not required to be performed for the calendar year ended December 31, 2006, by the Road Commission auditors. If a single audit had been performed it would have been issued under a separate cover and those funds would be excluded from the County's single audit.

H. FUND EQUITY DESIGNATIONS

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

The following are the various net asset designations as of December 31, 2006:

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

I. RESTRICTED NET ASSETS

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2006:

PRIMARY GOVERNMENT

Governmental Activities

Restricted for:

Public safety	
911 central dispatch	\$ 1,275,129
Corrections training	29,968
Drug forfeiture	36,542
Probation enhancement	25,696
Community corrections	9,973
Act 302 training	<u>8,707</u>

\$ 1,386,015

Debt Service (net of accrued interest) \$ 1,872,690

Revenue Sharing \$ 8,793,641

Public Improvement \$ 984,921

Clinton County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

Other Purposes:	
Family counseling	\$ 21,518
Friend of the Court	151,036
Waste management	223,049
Register of Deeds automation	175,661
Budget stabilization	200,000
Law library	29,387
Economic development	105,449
Child care	722,590
Soldiers and sailors	1,800
Veteran trust	1,570
Homestead property tax exemption	1,431
Cemetery perpetual care	3,850
Employee benefits	<u>2,420,180</u>
	<u>\$ 4,057,521</u>
COMPONENT UNITS	
Road Commission	
Restricted for County roads	<u>\$ 3,633,771</u>
Drainage Districts	
Restricted for debt service (net of accrued interest)	<u>\$ 1,229,919</u>
Restricted for other purposes	
Drain projects	<u>\$ 5,974,914</u>

J. FLEXIBLE BENEFITS PLAN

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

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

Clinton County, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2006

K. CONTRACTUAL COMMITMENTS

The County has entered into a contract for the renovation and construction of various buildings for the fairgrounds. The amount of the contractual commitments outstanding as of December 31, 2006, was approximately \$260,000 for Phase I improvements and \$389,236 for Phase II improvements. The County has also entered into a contract for the construction of a Health Department building. The amount of the contractual commitments outstanding as of December 31, 2006, was approximately \$320,000. The County is expected to have adequate fund equity and local revenues available to cover these commitments. Additionally, the Drainage Districts have entered into four contracts for the construction of the Summers Drain, Kramer Drain, Creek Side Drain, and the Lainsburg Branch No. 1 Intercounty Drain. The amount of the contractual commitments outstanding as of December 31, 2006, was \$47,104, \$11,558, \$75,274, and \$36,821 respectively.

L. RESTATEMENTS

Within the Drainage Districts Component Unit for the year ended December 31, 2006, net assets were restated for the portion of the Edwards Intercounty Drain Drainage District bonds belonging to Eaton County that was originally recorded as debt of the Clinton County Drainage Districts. The restatement had the following effect on fund balance and net assets.

	<u>Drainage Districts</u>
Beginning net assets, as previously reported	\$ 21,491,970
Adjustment	<u>213,900</u>
Beginning net assets, as restated	<u>\$ 21,705,870</u>

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes				
Current and delinquent property taxes	\$ 12,112,302	\$ 12,412,302	\$ 12,578,959	\$ 166,657
Mobile home park taxes	12,000	12,000	14,020	2,020
Other tax revenue	2,000	16,000	17,184	1,184
Total taxes	12,126,302	12,440,302	12,610,163	169,861
Licenses and permits				
Dog licenses	107,500	132,500	137,063	4,563
Other licenses and permits	16,500	16,500	15,983	(517)
Building and planning permits	30,000	30,000	54,540	24,540
Soil erosion	73,354	73,769	84,370	10,601
Total licenses and permits	227,354	252,769	291,956	39,187
Intergovernmental - Federal/State				
CRP - Prosecuting Attorney	65,000	65,000	122,040	57,040
Juvenile grant	-	1,598	1,595	(3)
Employment service	49,033	96,927	96,860	(67)
Support incentive	25,000	75,000	128,227	53,227
Elections - HAVA Grant	-	220,895	220,895	-
Strong family/safe child	-	23,978	14,381	(9,597)
Housing grant	125,000	125,000	94,414	(30,586)
Liquor license	5,000	5,000	6,102	1,102
Liquor convention facility	120,000	164,087	164,087	-
Victims' Rights	55,090	57,506	55,450	(2,056)
Drivers license restoration	-	-	260	260
Probate court judge salary	94,195	94,195	94,195	-
Circuit court judge	91,448	91,448	91,448	-
District court judge	45,724	45,724	45,724	-
Probate court judge	45,724	45,724	53,593	7,869
Juvenile court director	27,317	27,317	27,317	-
District court state aid	13,000	13,000	19,266	6,266
Cigarette tax	30,000	35,820	38,243	2,423
Marine safety	3,078	5,212	5,211	(1)
Prosecuting Attorney Food Stamp	-	-	1,598	1,598
Homeland security	185,174	226,133	207,195	(18,938)
PA 345	63,225	92,356	92,356	-
Court equity	200,000	260,000	263,447	3,447
Road Patrol	102,452	107,881	107,011	(870)
Highway safety	-	37,946	37,945	(1)

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Intergovernmental - Federal/State - continued				
Emergency management	\$ 25,000	\$ 25,000	\$ 28,344	\$ 3,344
Other	4,000	13,900	15,618	1,718
Total intergovernmental - Federal/State	1,374,460	1,956,647	2,032,822	76,175
Charges for services				
Sheriff	51,890	51,890	68,171	16,281
Treasurer fees	5,700	5,700	12,784	7,084
Drain commissioner	1,000	1,000	1,677	677
Friend of the Court service fees	32,500	32,500	47,835	15,335
District court	1,349,886	1,699,886	1,702,360	2,474
Probation - juvenile	2,000	2,000	2,025	25
Clerk	141,500	191,500	195,078	3,578
Register of deeds	621,200	646,200	635,688	(10,512)
Tax processing	13,730	13,730	12,774	(956)
Probate Court	20,000	20,000	22,405	2,405
Planning department	-	-	94	94
Care of prisoners	1,180,000	1,480,000	1,480,988	988
Total charges for services	3,419,406	4,144,406	4,181,879	37,473
Interest and rents				
Interest	225,000	525,000	564,513	39,513
Rents	10,000	10,000	11,369	1,369
Total interest and rents	235,000	535,000	575,882	40,882
Other				
Contributions	15,000	15,000	14,350	(650)
Reimbursements - indirect costs	594,190	594,190	593,302	(888)
Reimbursements - other	385,883	380,413	408,162	27,749
Total other	995,073	989,603	1,015,814	26,211
TOTAL REVENUES	18,377,595	20,318,727	20,708,516	389,789
OTHER FINANCING SOURCES				
Transfers from other funds	805,000	1,144,887	1,125,887	(19,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 19,182,595	\$ 21,463,614	\$ 21,834,403	\$ 370,789

Clinton County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
EXPENDITURES				
General government				
Board of commissioners	\$ 352,467	\$ 410,867	\$ 295,881	\$ 114,986
Circuit court	482,550	482,550	431,420	51,130
District court	1,009,070	1,009,070	945,978	63,092
Probate court	1,010,721	1,090,744	1,077,325	13,419
Family counseling	10,500	10,500	4,146	6,354
Jury board	9,424	9,424	3,928	5,496
Adult probation	5,950	5,950	5,046	904
County administrator	426,361	426,361	411,630	14,731
Accounting	218,454	218,454	192,961	25,493
Elections	90,178	321,073	316,963	4,110
Clerk	393,025	393,025	369,027	23,998
Equalization	260,409	266,409	262,326	4,083
Prosecuting attorney	895,310	897,726	864,690	33,036
Microfilming	80,352	80,352	66,952	13,400
Register of deeds	269,021	269,021	260,182	8,839
County survey and remonumentation	63,225	92,356	92,356	-
Record copying	42,500	42,500	28,766	13,734
Treasurer	271,441	271,441	260,344	11,097
Tax processing	15,730	15,730	8,213	7,517
Cooperative extension	291,958	315,936	314,973	963
Courthouse and grounds	1,269,698	1,275,828	1,111,859	163,969
Drain commissioner	655,971	605,386	580,305	25,081
Soil conservation	22,000	22,000	22,000	-
Other	20,000	21,600	21,600	-
Total general government	8,166,315	8,554,303	7,948,871	605,432
Public safety				
Sheriff - general	2,438,098	2,576,370	2,558,406	17,964
Highway safety	-	37,946	37,944	2
Marine safety	3,078	5,212	5,211	1
Secondary road patrol	102,452	107,881	105,230	2,651
Metro squad	60,031	2,031	1,425	606
Jail	2,701,064	2,701,064	2,677,620	23,444
Emergency services	273,188	314,147	292,384	21,763
Animal control	168,721	174,721	169,411	5,310
Total public safety	5,746,632	5,919,372	5,847,631	71,741

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2006

EXPENDITURES - CONTINUED	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Public works				
Drains at large	\$ 66,000	\$ 51,000	\$ 46,884	\$ 4,116
Department of public works	10,754	10,754	8,792	1,962
Road Commission	-	100,000	100,000	-
Total public works	76,754	161,754	155,676	6,078
Health and welfare				
Contagious disease	8,000	8,000	5,159	2,841
Tri-county aging consortium	35,819	35,819	35,819	-
Building stronger community council	15,500	15,500	15,500	-
Substance abuse appropriation	60,000	82,044	82,043	1
Medical examiner	58,063	58,063	44,424	13,639
District health department	380,893	386,713	386,712	1
Mental health	214,180	214,180	214,180	-
Veterans burials	21,644	21,644	21,614	30
Total health and welfare	794,099	821,963	805,451	16,512
Community and economic development				
MSHDA housing	125,000	125,000	110,271	14,729
Planning department	299,435	307,435	248,699	58,736
Plat board	2,440	2,440	1,293	1,147
Zoning board	3,412	3,412	-	3,412
Construction board	1,175	1,175	-	1,175
Tri-county regional planning commission	67,800	67,800	65,398	2,402
Employment services	49,033	96,927	96,927	-
Total community and economic development	548,295	604,189	522,588	81,601
Recreation and culture				
Parks and recreation	47,263	57,163	32,627	24,536
Other				
Insurance and bonds	365,000	365,000	360,048	4,952
Other	271,451	240,197	201,535	38,662
Total other	636,451	605,197	561,583	43,614
TOTAL EXPENDITURES	16,015,809	16,723,941	15,874,427	849,514

Clinton County, Michigan

General Fund

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

Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING USES				
Transfers to other funds				
Friend of the Court	\$ 320,000	\$ 320,000	\$ 320,000	\$ -
Law Library Fund	14,000	14,000	14,000	-
Central Telephone	20,000	50,000	50,000	-
MIS	410,387	410,387	410,387	-
Building Authority Funds	1,424,676	1,524,676	1,524,676	-
Public Improvement Fund	250,000	775,000	775,000	-
County Vehicles Fund	110,000	110,000	110,000	-
Community Corrections Fund	-	17,000	17,000	-
Child Care Fund	610,213	1,090,213	1,090,213	-
Soldiers and Sailors Relief Fund	1,000	1,000	1,000	-
Insurance	-	420,887	420,887	-
4-H Fair	6,510	6,510	6,510	-
TOTAL OTHER FINANCING USES	3,166,786	4,739,673	4,739,673	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 19,182,595	\$ 21,463,614	\$ 20,614,100	\$ 849,514

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

December 31, 2006

	Special			
	Friend of the Court	Waste Management	Register of Deeds Automation	Budget Stabilization
ASSETS				
Cash and cash equivalents	\$ 157,939	\$ 214,408	\$ 175,661	\$ 200,000
Investments	-	-	-	-
Receivables				
Accounts	-	26,235	-	-
Due from other governmental units - Federal/State	100,638	-	-	-
TOTAL ASSETS	\$ 258,577	\$ 240,643	\$ 175,661	\$ 200,000
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 2,912	\$ 16,096	\$ -	\$ -
Accrued payroll	9,943	1,245	-	-
Due to other funds	1,686	253	-	-
Advances from other funds	93,000	-	-	-
TOTAL LIABILITIES	107,541	17,594	-	-
FUND BALANCES				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	151,036	223,049	175,661	200,000
TOTAL FUND BALANCES	151,036	223,049	175,661	200,000
TOTAL LIABILITIES AND FUND BALANCES	\$ 258,577	\$ 240,643	\$ 175,661	\$ 200,000

Revenue

Public Improvement	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement
\$ 1,721,275	\$ 29,968	\$ 36,853	\$ 30,645	\$ -	\$ 25,696
-	-	-	-	-	-
28,189	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,749,464</u>	<u>\$ 29,968</u>	<u>\$ 36,853</u>	<u>\$ 30,645</u>	<u>\$ -</u>	<u>\$ 25,696</u>
\$ 275,824	\$ -	\$ 311	\$ 1,258	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
275,824	-	311	1,258	-	-
-	-	-	-	-	-
-	-	-	-	-	-
984,921	-	-	-	-	-
488,719	29,968	36,542	29,387	-	25,696
1,473,640	29,968	36,542	29,387	-	25,696
<u>\$ 1,749,464</u>	<u>\$ 29,968</u>	<u>\$ 36,853</u>	<u>\$ 30,645</u>	<u>\$ -</u>	<u>\$ 25,696</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	Special			
	Economic Development	Community Corrections	Act 302 Training	Child Care
ASSETS				
Cash and cash equivalents	\$ 105,449	\$ 112	\$ 9,957	\$ 634,264
Investments	-	-	-	-
Receivables				
Accounts	-	-	-	-
Due from other governmental units - Federal/State	-	21,194	-	180,420
TOTAL ASSETS	\$ 105,449	\$ 21,306	\$ 9,957	\$ 814,684
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 2,776	\$ 1,250	\$ 88,048
Accrued payroll	-	878	-	3,433
Due to other funds	-	7,679	-	613
Advances from other funds	-	-	-	-
TOTAL LIABILITIES	-	11,333	1,250	92,094
FUND BALANCES				
Reserved for				
Perpetual care	-	-	-	-
Debt service	-	-	-	-
Unreserved				
Designated for capital improvement	-	-	-	-
Undesignated, reported in:				
Special revenue funds	105,449	9,973	8,707	722,590
TOTAL FUND BALANCES	105,449	9,973	8,707	722,590
TOTAL LIABILITIES AND FUND BALANCES	\$ 105,449	\$ 21,306	\$ 9,957	\$ 814,684

Revenue			Debt Service		
Soldiers and Sailors	Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse	Health Department
\$ 2,235	\$ 1,995	\$ 1,431	\$ 237,956	\$ 101,764	\$ 102,497
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,235</u>	<u>\$ 1,995</u>	<u>\$ 1,431</u>	<u>\$ 237,956</u>	<u>\$ 101,764</u>	<u>\$ 102,497</u>
435	\$ 425	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>435</u>	<u>425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	237,956	101,764	102,497
-	-	-	-	-	-
<u>1,800</u>	<u>1,570</u>	<u>1,431</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,800</u>	<u>1,570</u>	<u>1,431</u>	<u>237,956</u>	<u>101,764</u>	<u>102,497</u>
<u>\$ 2,235</u>	<u>\$ 1,995</u>	<u>\$ 1,431</u>	<u>\$ 237,956</u>	<u>\$ 101,764</u>	<u>\$ 102,497</u>

Clinton County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2006

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 3,790,105
Investments	3,850	3,850
Receivables		
Accounts	-	54,424
Due from other governmental units - Federal/State	-	302,252
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,850</u>	<u>\$ 4,150,631</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ -	\$ 389,335
Accrued payroll	-	15,499
Due to other funds	-	10,231
Advances from other funds	-	93,000
	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	508,065
FUND BALANCES		
Reserved for		
Perpetual care	3,850	3,850
Debt service	-	442,217
Unreserved		
Designated for capital improvement		984,921
Undesignated, reported in:		
Special revenue funds	-	2,211,578
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>3,850</u>	<u>3,642,566</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,850</u>	<u>\$ 4,150,631</u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2006

	Special			
	Friend of the Court	Waste Management	Register of Deeds Automation	Budget Stabilization
REVENUES				
Intergovernmental - Federal/State	\$ 531,851	\$ -	\$ -	\$ -
Charges for services	24,183	380,823	88,217	-
Fines and forfeits	-	-	-	-
Interest and rents	-	-	972	-
Other	-	3,007	-	-
TOTAL REVENUES	556,034	383,830	89,189	-
EXPENDITURES				
Current				
General government	876,831	-	30,797	-
Public safety	-	-	-	-
Public works	-	359,941	-	-
Health and welfare	-	-	-	-
Community and economic development	-	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	876,831	359,941	30,797	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(320,797)	23,889	58,392	-
OTHER FINANCING SOURCES (USES)				
Transfers in	320,000	-	-	-
Transfers out	-	-	-	-
Transfers out escrow agent	-	-	-	-
Bond and lease proceeds	-	-	-	-
Bond premium/discount	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	320,000	-	-	-
NET CHANGE IN FUND BALANCES	(797)	23,889	58,392	-
Fund balances, beginning of year	151,833	199,160	117,269	200,000
Fund balances, end of year	<u>\$ 151,036</u>	<u>\$ 223,049</u>	<u>\$ 175,661</u>	<u>\$ 200,000</u>

Revenue

Public Improvement	Corrections Training	Drug Forfeiture	Law Library	County Library	Probation Enhancement
\$ -	\$ -	\$ 590	\$ -	\$ -	\$ -
-	17,550	-	-	-	-
-	-	17,394	6,500	4,802	12,446
-	-	79	-	-	-
28,189	-	-	-	-	-
28,189	17,550	18,063	6,500	4,802	12,446
-	-	-	15,567	-	-
-	20,565	6,099	-	-	11,850
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	4,802	-
2,324,144	-	-	-	-	-
-	-	-	-	-	-
2,324,144	20,565	6,099	15,567	4,802	11,850
(2,295,955)	(3,015)	11,964	(9,067)	-	596
825,000	-	-	14,000	-	-
(5,000)	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
820,000	-	-	14,000	-	-
(1,475,955)	(3,015)	11,964	4,933	-	596
2,949,595	32,983	24,578	24,454	-	25,100
<u>\$ 1,473,640</u>	<u>\$ 29,968</u>	<u>\$ 36,542</u>	<u>\$ 29,387</u>	<u>\$ -</u>	<u>\$ 25,696</u>

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2006

	Special			
	Economic Development	Community Corrections	Act 302 Training	Child Care
REVENUES				
Intergovernmental - Federal/State	\$ -	\$ 86,829	\$ 7,131	\$ 658,064
Charges for services	-	-	-	48,116
Fines and forfeits	-	-	-	-
Interest and rents	3,749	-	-	-
Other	-	-	-	375
TOTAL REVENUES	3,749	86,829	7,131	706,555
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	103,115	6,281	-
Public works	-	-	-	-
Health and welfare	-	-	-	1,523,535
Community and economic development	3,275	-	-	-
Recreation and cultural	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
TOTAL EXPENDITURES	3,275	103,115	6,281	1,523,535
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	474	(16,286)	850	(816,980)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	17,000	-	1,090,213
Transfers out	-	-	-	-
Transfers out escrow agent	-	-	-	-
Bond and lease proceeds	-	-	-	-
Bond premium/discount	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	17,000	-	1,090,213
NET CHANGE IN FUND BALANCES	474	714	850	273,233
Fund balances, beginning of year	104,975	9,259	7,857	449,357
Fund balances, end of year	<u>\$ 105,449</u>	<u>\$ 9,973</u>	<u>\$ 8,707</u>	<u>\$ 722,590</u>

Revenue			Debt Service		
Soldiers and Sailors	Veteran Trust	Homestead Property Tax Exemption	Building Authority - Jail	Building Authority - Courthouse	Health Department
\$ -	\$ 8,828	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	56,009	31,340	769
-	-	81	-	-	-
-	8,828	81	56,009	31,340	769
-	-	-	5,850	500	200
-	-	-	-	-	-
-	-	-	-	-	-
1,630	8,466	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,774,301	848,502	49,172
1,630	8,466	-	1,780,151	849,002	49,372
(1,630)	362	81	(1,724,142)	(817,662)	(48,603)
1,000	-	-	619,302	1,115,025	151,100
-	-	-	-	-	-
-	-	-	-	(9,390,925)	-
-	-	-	-	7,060,000	-
-	-	-	-	(31,446)	-
1,000	-	-	619,302	(1,247,346)	151,100
(630)	362	81	(1,104,840)	(2,065,008)	102,497
2,430	1,208	1,350	1,342,796	2,166,772	-
\$ 1,800	\$ 1,570	\$ 1,431	\$ 237,956	\$ 101,764	\$ 102,497

Clinton County, Michigan

Nonmajor Governmental Funds

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

Year Ended December 31, 2006

	<u>Permanent Cemetery Perpetual Care</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES		
Intergovernmental - Federal/State	\$ -	\$ 1,293,293
Charges for services	-	558,889
Fines and forfeits	-	41,142
Interest and rents	-	92,918
Other	-	31,652
	<u>-</u>	<u>2,017,894</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
General government	-	929,745
Public safety	-	147,910
Public works	-	359,941
Health and welfare	-	1,533,631
Community and economic development	-	3,275
Recreation and cultural	-	4,802
Capital outlay	-	2,324,144
Debt service	-	2,671,975
	<u>-</u>	<u>7,975,423</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		
	-	(5,957,529)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	4,152,640
Transfers out	-	(5,000)
Transfers out escrow agent	-	(9,390,925)
Bond and lease proceeds	-	7,060,000
Bond premium/discount	-	(31,446)
	<u>-</u>	<u>1,785,269</u>
TOTAL OTHER FINANCING SOURCES (USES)		
NET CHANGE IN FUND BALANCES		
	-	(4,172,260)
Fund balances, beginning of year	<u>3,850</u>	<u>7,814,826</u>
Fund balances, end of year	<u>\$ 3,850</u>	<u>\$ 3,642,566</u>

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Jail Commissary	Building Department	County Extension Community Center	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 4,781	\$ 397,231	\$ 11,028	\$ 413,040
Accounts receivable	-	2,050	-	2,050
Inventory	6,560	-	-	6,560
	<u>11,341</u>	<u>399,281</u>	<u>11,028</u>	<u>421,650</u>
Total current assets				
Noncurrent assets				
Capital assets, net	-	46,981	-	46,981
	<u>-</u>	<u>46,981</u>	<u>-</u>	<u>46,981</u>
TOTAL ASSETS				
	<u>11,341</u>	<u>446,262</u>	<u>11,028</u>	<u>468,631</u>
LIABILITIES				
Current liabilities				
Accounts payable	8,420	1,842	613	10,875
Accrued liabilities	-	17,149	1,800	18,949
Due to other funds	-	584	-	584
	<u>8,420</u>	<u>19,575</u>	<u>2,413</u>	<u>30,408</u>
TOTAL LIABILITIES				
	<u>8,420</u>	<u>19,575</u>	<u>2,413</u>	<u>30,408</u>
NET ASSETS				
Invested in capital assets	-	46,981	-	46,981
Unrestricted	2,921	379,706	8,615	391,242
	<u>2,921</u>	<u>379,706</u>	<u>8,615</u>	<u>391,242</u>
TOTAL NET ASSETS				
	<u>\$ 2,921</u>	<u>\$ 426,687</u>	<u>\$ 8,615</u>	<u>\$ 438,223</u>

Clinton County, Michigan

Nonmajor Enterprise Funds

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

Year Ended December 31, 2006

	Jail Commissary	Building Department	Community Extension Community Center	Total
OPERATING REVENUES				
Sales	\$ 100,116	\$ -	\$ -	\$ 100,116
Rent	-	-	5,255	5,255
Building and trade permits	-	348,979	-	348,979
Other revenue	-	-	1,078	1,078
TOTAL OPERATING REVENUES	100,116	348,979	6,333	455,428
OPERATING EXPENSES				
Personal services and fringes	-	225,531	-	225,531
Operating supplies	109,972	8,046	11,852	129,870
Contracted services	-	102,685	-	102,685
Depreciation	-	12,819	-	12,819
Other	-	67,243	-	67,243
TOTAL OPERATING EXPENSES	109,972	416,324	11,852	538,148
OPERATING INCOME (LOSS)	(9,856)	(67,345)	(5,519)	(82,720)
TRANSFERS				
Transfers in	-	-	6,510	6,510
CHANGE IN NET ASSETS	(9,856)	(67,345)	991	(76,210)
Net assets, beginning of year	12,777	494,032	7,624	514,433
Net assets, end of year	<u>\$ 2,921</u>	<u>\$ 426,687</u>	<u>\$ 8,615</u>	<u>\$ 438,223</u>

Clinton County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Jail Commissary	Building Department	County Extension Community Center	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers	\$ 100,116	\$ 349,146	\$ 6,333	\$ 455,595
Cash paid to suppliers	(106,059)	(390,449)	(11,944)	(508,452)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(5,943)	(41,303)	(5,611)	(52,857)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Capital purchases	-	(8,522)	-	(8,522)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	-	-	6,510	6,510
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,943)	(49,825)	899	(54,869)
Cash and cash equivalents, beginning of year	10,724	447,056	10,129	467,909
Cash and cash equivalents, end of year	<u>\$ 4,781</u>	<u>\$ 397,231</u>	<u>\$ 11,028</u>	<u>\$ 413,040</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (9,856)	\$ (67,345)	\$ (5,519)	\$ (82,720)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	12,819	-	12,819
(Increase) decrease in receivables	-	97	-	97
(Increase) decrease in inventory	1,550	-	-	1,550
Increase (decrease) in accounts payable	2,363	410	458	3,231
Increase (decrease) in accrued liabilities	-	12,646	(550)	12,096
Increase (decrease) in due to other funds	-	70	-	70
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (5,943)</u>	<u>\$ (41,303)</u>	<u>\$ (5,611)</u>	<u>\$ (52,857)</u>

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
ASSETS				
Current assets				
Cash and cash equivalents	\$ 20,845	\$ 200,079	\$ 706,060	\$ 133,291
Investments	-	-	-	-
Accounts receivable	207	53	39,552	-
Interest receivable	-	-	-	-
Inventory	4,093	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
Total current assets	25,145	200,132	745,612	133,291
Noncurrent assets				
Advances to other funds	-	-	3,000	-
Capital assets				
Equipment and vehicles	-	275,932	1,181,550	129,558
Less: Accumulated depreciation	-	(186,964)	(654,526)	(77,254)
Total noncurrent assets	-	88,968	530,024	52,304
TOTAL ASSETS	25,145	289,100	1,275,636	185,595
LIABILITIES				
Current liabilities				
Accounts payable	-	5,031	26,404	387
Accrued liabilities	-	-	23,260	-
Advances from other funds	25,000	-	-	10,000
Due to other funds	-	-	576	219
TOTAL LIABILITIES	25,000	5,031	50,240	10,606
NET ASSETS				
Invested in capital assets	-	88,968	527,024	52,304
Restricted for employee benefits	-	-	-	-
Unrestricted	145	195,101	698,372	122,685
TOTAL NET ASSETS	\$ 145	\$ 284,069	\$ 1,225,396	\$ 174,989

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ 245,083	\$ 240,776	\$ 372,355	\$ 162,684	\$ 276,060	\$ 2,357,233
-	512,543	841,126	-	-	1,353,669
-	-	-	-	-	39,812
-	895	9,898	-	820	11,613
-	-	-	-	-	4,093
-	-	87,761	-	-	87,761
-	23,844	8,525	646	2,801	35,816
<u>245,083</u>	<u>778,058</u>	<u>1,319,665</u>	<u>163,330</u>	<u>279,681</u>	<u>3,889,997</u>
-	-	-	-	-	3,000
729,405	-	-	-	-	2,316,445
<u>(380,231)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,298,975)</u>
<u>349,174</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,020,470</u>
594,257	778,058	1,319,665	163,330	279,681	4,910,467
-	100,000	17,211	-	-	149,033
-	-	3,229	-	-	26,489
-	-	-	-	-	35,000
-	-	114	-	-	909
<u>-</u>	<u>100,000</u>	<u>20,554</u>	<u>-</u>	<u>-</u>	<u>211,431</u>
349,174	-	-	-	-	1,017,470
-	678,058	1,299,111	163,330	279,681	2,420,180
<u>245,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,261,386</u>
<u>\$ 594,257</u>	<u>\$ 678,058</u>	<u>\$ 1,299,111</u>	<u>\$ 163,330</u>	<u>\$ 279,681</u>	<u>\$ 4,699,036</u>

Clinton County, Michigan

Internal Service Funds

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

Year Ended December 31, 2006

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
OPERATING REVENUES				
Charges for services	\$ 70,646	\$ 65,289	\$ 17,653	\$ 33,780
Intergovernmental - Federal/State	-	-	7,500	-
Other	-	-	-	26,127
TOTAL OPERATING REVENUES	70,646	65,289	25,153	59,907
OPERATING EXPENSES				
Personal services and fringes	-	-	218,908	-
Supplies	70,675	-	4,601	28,473
Contracted services	-	1,139	35,949	-
Depreciation	-	24,376	190,128	17,047
Other	-	61,792	54,667	33,833
TOTAL OPERATING EXPENSES	70,675	87,307	504,253	79,353
OPERATING INCOME (LOSS)	(29)	(22,018)	(479,100)	(19,446)
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	-	-	-	-
Loss on sale of capital assets	-	-	-	-
Gain on sale of capital assets	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	-	-	-
INCOME (LOSS) BEFORE TRANSFERS	(29)	(22,018)	(479,100)	(19,446)
TRANSFERS				
Transfers in	-	50,000	410,387	-
TOTAL TRANSFERS	-	50,000	410,387	-
CHANGE IN NET ASSETS	(29)	27,982	(68,713)	(19,446)
Net assets, beginning of year	174	256,087	1,294,109	194,435
Net assets, end of year	\$ 145	\$ 284,069	\$ 1,225,396	\$ 174,989

<u>County Vehicles</u>	<u>Employee Retirement</u>	<u>Insurance</u>	<u>Unemployment</u>	<u>Workers Compensation</u>	<u>Total</u>
\$ -	\$ 1,386,707	\$ 1,607,081	\$ -	\$ -	\$ 3,181,156
-	-	-	-	-	7,500
<u>4,658</u>	<u>-</u>	<u>-</u>	<u>34,237</u>	<u>190,343</u>	<u>255,365</u>
4,658	1,386,707	1,607,081	34,237	190,343	3,444,021
-	1,386,232	1,496,621	11,405	183,536	3,296,702
-	-	-	-	-	103,749
-	-	26,877	-	-	63,965
85,060	-	-	-	-	316,611
<u>10,189</u>	<u>-</u>	<u>15,717</u>	<u>-</u>	<u>-</u>	<u>176,198</u>
<u>95,249</u>	<u>1,386,232</u>	<u>1,539,215</u>	<u>11,405</u>	<u>183,536</u>	<u>3,957,225</u>
(90,591)	475	67,866	22,832	6,807	(513,204)
-	16,895	44,055	1,097	8,870	70,917
(4,991)	-	-	-	-	(4,991)
<u>4,650</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,650</u>
<u>(341)</u>	<u>16,895</u>	<u>44,055</u>	<u>1,097</u>	<u>8,870</u>	<u>70,576</u>
(90,932)	17,370	111,921	23,929	15,677	(442,628)
<u>110,000</u>	<u>420,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,274</u>
<u>110,000</u>	<u>420,887</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>991,274</u>
19,068	438,257	111,921	23,929	15,677	548,646
<u>575,189</u>	<u>239,801</u>	<u>1,187,190</u>	<u>139,401</u>	<u>264,004</u>	<u>4,150,390</u>
<u>\$ 594,257</u>	<u>\$ 678,058</u>	<u>\$ 1,299,111</u>	<u>\$ 163,330</u>	<u>\$ 279,681</u>	<u>\$ 4,699,036</u>

Clinton County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2006

	Central Stores	Central Telephone	MIS	Drain Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from users	\$ 70,615	\$ 65,266	\$ 5,911	\$ 59,907
Cash paid to suppliers	(66,946)	(62,259)	(67,830)	(79,849)
Cash paid for employee benefits	-	-	(218,908)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	3,669	3,007	(280,827)	(19,942)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	-	-
Capital purchases	-	(32,388)	(202,354)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(32,388)	(202,354)	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	50,000	410,387	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	-
Maturity of investments	-	-	-	-
Interest revenue	-	-	-	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,669	20,619	(72,794)	(19,942)
Cash and cash equivalents, beginning of year	17,176	179,460	778,854	153,233
Cash and cash equivalents, end of year	<u>\$ 20,845</u>	<u>\$ 200,079</u>	<u>\$ 706,060</u>	<u>\$ 133,291</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (29)	\$ (22,018)	\$ (479,100)	\$ (19,446)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	-	24,376	190,128	17,047
(Increase) decrease in receivables	(31)	(23)	(19,242)	-
(Increase) in prepaid expenses	-	-	-	-
(Increase) decrease in due from other funds	-	-	-	-
(Increase) decrease in inventory	3,729	-	-	-
Increase (decrease) in accounts payable	-	672	7,379	(5,930)
Increase (decrease) in accrued liabilities	-	-	19,976	-
Increase (decrease) due to other funds	-	-	32	(11,613)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 3,669	\$ 3,007	\$ (280,827)	\$ (19,942)

County Vehicles	Employee Retirement	Insurance	Unemployment	Workers Compensation	Total
\$ 4,658	\$ 1,384,807	\$ 1,595,252	\$ 34,212	\$ 190,056	\$ 3,410,684
(10,189)	-	(31,891)	-	(5,309)	(324,273)
-	(1,386,232)	(1,496,621)	(11,405)	(183,536)	(3,296,702)
(5,531)	(1,425)	66,740	22,807	1,211	(210,291)
8,184	-	-	-	-	8,184
(119,634)	-	-	-	-	(354,376)
(111,450)	-	-	-	-	(346,192)
110,000	420,887	-	-	-	991,274
-	(512,543)	(841,126)	-	-	(1,353,669)
-	-	803,826	-	-	803,826
-	16,895	44,055	1,097	8,870	70,917
-	(495,648)	6,755	1,097	8,870	(478,926)
(6,981)	(76,186)	73,495	23,904	10,081	(44,135)
252,064	316,962	298,860	138,780	265,979	2,401,368
<u>\$ 245,083</u>	<u>\$ 240,776</u>	<u>\$ 372,355</u>	<u>\$ 162,684</u>	<u>\$ 276,060</u>	<u>\$ 2,357,233</u>
\$ (90,591)	\$ 475	\$ 67,866	\$ 22,832	\$ 6,807	\$ (513,204)
85,060	-	-	-	-	316,611
-	(895)	(2,658)	-	(191)	(23,040)
-	-	(5,090)	-	-	(5,090)
-	(1,005)	(4,081)	(25)	(96)	(5,207)
-	-	-	-	-	3,729
-	-	8,567	-	(5,309)	5,379
-	-	2,106	-	-	22,082
-	-	30	-	-	(11,551)
<u>\$ (5,531)</u>	<u>\$ (1,425)</u>	<u>\$ 66,740</u>	<u>\$ 22,807</u>	<u>\$ 1,211</u>	<u>\$ (210,291)</u>

Clinton County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2006

	<u>Agency funds</u>		
	<u>Trust and Agency</u>	<u>Library</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 511,129</u>	<u>\$ 257,758</u>	<u>\$ 768,887</u>
LIABILITIES			
Undistributed collections payable	\$ 7,016	\$ -	\$ 7,016
Due to other governmental units			
Federal/State	179,645	-	179,645
Local	-	257,758	257,758
Due to individuals and agencies	<u>324,468</u>	<u>-</u>	<u>324,468</u>
TOTAL LIABILITIES	<u>\$ 511,129</u>	<u>\$ 257,758</u>	<u>\$ 768,887</u>

Clinton County, Michigan

Component Units

BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2006

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
ASSETS			
Cash and cash equivalents	\$ 587,108	\$ 613,280	\$ 36,554
Cash - restricted	-	58,662	-
Investments	179,663	1,300,000	-
Accrued interest receivable	851	10,699	-
Accounts receivable	-	12,856	-
Special assessments receivable	4,093,259	491,488	-
Due from other funds	-	-	93,446
	-	-	93,446
TOTAL ASSETS	\$ 4,860,881	\$ 2,486,985	\$ 130,000
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 3,172	\$ -
Accrued liabilities	22,022	15,016	-
Due to other funds	-	99,696	-
Advances from primary government	-	-	130,000
Deferred revenue	3,575,274	-	-
	3,575,274	-	-
TOTAL LIABILITIES	3,597,296	117,884	130,000
FUND BALANCES			
Fund balances			
Reserved for debt service	1,263,585	-	-
Unreserved			
Designated for capital expenditures	-	2,369,101	-
	-	2,369,101	-
TOTAL FUND BALANCES	1,263,585	2,369,101	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,860,881	\$ 2,486,985	\$ 130,000

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ 24,289	\$ 1,261,231
-	58,662
-	1,479,663
-	11,550
-	12,856
-	4,584,747
6,250	99,696
<u>\$ 30,539</u>	<u>\$ 7,508,405</u>
\$ -	\$ 3,172
-	37,038
-	99,696
-	130,000
-	3,575,274
-	3,845,180
-	1,263,585
30,539	2,399,640
30,539	3,663,225
<u>\$ 30,539</u>	<u>\$ 7,508,405</u>

Clinton County, Michigan

Component Units

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

December 31, 2006

Total fund balance - governmental funds \$ 3,663,225

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	\$ 23,576,401	
Accumulated depreciation is	<u>(2,777,911)</u>	
Capital assets, net		20,798,490

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

Deferred revenue		3,575,274
------------------	--	-----------

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	4,218,200	
Accrued interest payable	<u>33,666</u>	
		<u>(4,251,866)</u>

Net assets of governmental activities \$ 23,785,123

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2006

	Debt Service	Capital	
	Drain Debt Retirement	Regular Drain	Revolving Drain
REVENUES			
Charges for services	\$ -	\$ 85,855	\$ -
Interest	34,580	73,662	-
Other			
Special assessments	639,162	722,109	-
Miscellaneous	-	38,651	-
TOTAL REVENUES	673,742	920,277	-
EXPENDITURES			
Capital outlay	-	1,362,670	-
Debt service			
Principal	555,250	-	-
Interest and fiscal charges	171,629	6,705	-
TOTAL EXPENDITURES	726,879	1,369,375	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(53,137)	(449,098)	-
OTHER FINANCING SOURCES (USES)			
Transfer in from component units	182,831	-	-
Transfer out to component units	-	(182,831)	-
Bond and note proceeds	-	1,358,000	-
TOTAL OTHER FINANCING SOURCES (USES)	182,831	1,175,169	-
NET CHANGE IN FUND BALANCES	129,694	726,071	-
Fund balances, beginning of year	1,133,891	1,643,030	-
Fund balances, end of year	<u>\$ 1,263,585</u>	<u>\$ 2,369,101</u>	<u>\$ -</u>

<u>Projects</u>	
Revolving Drain Maintenance	<u>Total</u>
\$ -	\$ 85,855
2,781	111,023
-	1,361,271
-	38,651
2,781	1,596,800
-	1,362,670
-	555,250
-	178,334
-	2,096,254
2,781	(499,454)
-	182,831
-	(182,831)
-	1,358,000
-	1,358,000
2,781	858,546
27,758	2,804,679
<u>\$ 30,539</u>	<u>\$ 3,663,225</u>

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 858,546**

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	\$ 841,644	
Contributed capital outlay	1,127,696	
Depreciation expense	<u>(276,833)</u>	
Excess of capital outlay over depreciation expense		1,692,507

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 193,668

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	\$ (1,189,100)	
Bond and note principal retirements	<u>543,750</u>	
		(645,350)

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

(Increase) in accrued interest payable		<u>(20,118)</u>
--	--	-----------------

Change in net assets of governmental activities **\$ 2,079,253**

Clinton County, Michigan

Component Units

BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS

December 31, 2006

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

Service

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

Clinton County, Michigan

Component Units

BALANCE SHEET - DEPARTMENT OF PUBLIC WORKS - CONTINUED

December 31, 2006

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

Clinton County, Michigan

Component Units

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

December 31, 2006

Total fund balance - governmental funds \$ -

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

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:

Lease receivable	4,908,425
------------------	-----------

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	\$ 53,425	
Bonds payable	4,855,000	
	<u>4,908,425</u>	<u>(4,908,425)</u>

Net assets of governmental activities \$ -

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2006

	Debt			
	Bath Township #4	Dewitt Charter Township #7A & #7B	Watertown Charter Township #8	Dewitt Charter Township #13
REVENUES				
Intergovernmental - local	\$ 181,400	\$ 165,265	\$ -	\$ 37,880
TOTAL REVENUES	181,400	165,265	-	37,880
EXPENDITURES				
Debt service				
Principal	125,000	150,000	-	20,000
Interest and fiscal charges	56,400	15,265	-	17,880
TOTAL EXPENDITURES	181,400	165,265	-	37,880
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

Service

City of Dewitt/ Dewitt Charter Township #11	Bingham Township #6	Bingham Township #10	Bingham Township #14
\$ 128,938	\$ 23,460	\$ 27,300	\$ 257,922
128,938	23,460	27,300	257,922
125,000	20,000	25,000	155,000
3,938	3,460	2,300	102,922
128,938	23,460	27,300	257,922
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2006

	Debt Service		Capital Projects	Total
	Watertown Charter Township #15	Bath Township #16	Township Projects	
REVENUES				
Intergovernmental - local	\$ 102,953	\$ 47,632	\$ -	\$ 972,750
TOTAL REVENUES	102,953	47,632	-	972,750
EXPENDITURES				
Debt service				
Principal	55,000	25,000	-	700,000
Interest and fiscal charges	47,953	22,632	-	272,750
TOTAL EXPENDITURES	102,953	47,632	-	972,750
NET CHANGE IN FUND BALANCES	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

Clinton County, Michigan

Component Units

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

Year Ended December 31, 2006

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

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

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

Bond principal retirement		700,000
---------------------------	--	---------

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

Decrease in accrued interest payable	2,044		
Decrease in lease receivables	(702,044)		
			(700,000)

Change in net assets of governmental activities \$ -



REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

May 10, 2007

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

In planning and performing our audit of the financial statements of *Clinton County* for the year ended December 31, 2006, we considered the County's internal controls to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. (A separate report dated May 10, 2007, contains our report on the County's compliance and internal controls). This letter does not affect our report dated May 10, 2007, on the financial statements of *Clinton County*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss these comments in further detail at your convenience, or perform any additional studies of these matters, or to assist you in implementing the recommendations.

CLINTON COUNTY

COMMENTS AND RECOMMENDATIONS

1) **Mileage Reimbursements to County Officials**

Payments made to County officials for mileage reimbursement may represent a taxable event to the individual receiving the reimbursement. In general, reimbursements for mileage from a person's home (or normal place of business) to the Courthouse or other County building for meetings, etc. must be reported as income by the individual.

Recommendation:

The County should report payments made to officials for mileage to or from the individual's home (or normal place of business) to the Courthouse or other County building as income to the individual.

Management's response:

As of January 30, 2007, payments made to commissioners for mileage to or from the individual's home (or normal place of business) to the Courthouse or other County building is reported as income.

2) **Travel and Training Expenditures**

During our procedures related to travel and training expenditures, we observed instances where expenditures were not supported by receipts or invoices from vendors.

We recommend that the County monitor the applicable internal controls to ensure that all travel and training expenditures are properly supported.

Management's response:

On April 11th a comprehensive review of travel and training expenditures was completed. This review resulted in a memorandum delivered to all department heads and elected officials regarding the need for detailed travel and training expenditure information. The accounting office has been directed to refuse payment of travel and training expenditures that are not properly supported.

REPORT ON EXPENDITURES OF FEDERAL AWARDS

CLINTON COUNTY



YEAR ENDED DECEMBER 31, 2006



REHMANN ROBSON

Certified Public Accountants

CLINTON COUNTY
REPORT ON EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006
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Clinton County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through Prosecuting Attorney's Association of Michigan Food Stamp Fraud Program	10.561	N/A	\$ 1,598	\$ 1,598
U.S. DEPARTMENT OF LABOR Passed through the Michigan Jobs Commission Employment Services	17.207			
05/06		5025ES	96,088	51,735
06/07		6025ES	<u>89,351</u>	<u>45,125</u>
			185,439	96,860
U.S. DEPARTMENT OF JUSTICE Passed through State Department of Community Health 05/06 Byrne Memorial Justice Assistance	16.738	20061523	7,500	7,500
Passed through Michigan Family Independence Agency 2006 BASIC Grant	16.540	N/A	15,000	14,986
Passed through Michigan Family Independence Agency 05/06 JAIBG	16.523	JAIBG-05-19001	13,869	1,595
Bureau of Justice Assistance 2003 Bullet Proof Vest Grant	16.607	2003BUBX0301548	5,295	590
U.S. ELECTION ASSISTANCE COMMISSION Passed through Michigan Department of State Help America Vote Act	90.401	231N6200389	220,895	220,895

Clinton County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Family Independence Agency				
Child Support Enforcement (Title IV-D) Cooperative Reimbursement ^(a)	93.563			
Friend of the Court - 05/06		CS/FOC-06-19001	\$ 630,859	\$ 374,790
Friend of the Court - 06/07		CS/FOC-07-19001	634,385	144,327
Prosecuting Attorney - 05/06		CS/PA-06-19002	111,481	85,042
Prosecuting Attorney - 06/07		CS/PA-07-19002	106,374	35,015
Title IV-D Incentive Payments ^(b)				
FY06		N/A	73,371	48,095
FY07		N/A	24,457	24,457
FY04		N/A	119,783	30,817
FY05		N/A	<u>78,349</u>	<u>24,858</u>
			1,779,059	767,401
Title IV-B Subpart 2				
Family Preservation Support Services Strong Families/Safe Children 05/07	93.556			
		SFSC-03-19002-4	24,284	14,381
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Housing Development Authority				
Community Development Block Grant (CDBG) Program State's Program	14.228			
04/05 CDBG Housing Grant Program		MSC-2004-1101-HOA	275,000	43,709
06/07 CDBG Housing Grant Program		MSC-2005-1101-HOA	<u>275,000</u>	<u>50,705</u>
			550,000	94,414
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Michigan State Police Office of Highway Safety Planning				
2006 State and Community Highway Safety	20.600			
2007 State and Community Highway Safety		PT-06-30	34,991	34,990
		PT-07-19	<u>35,005</u>	<u>2,955</u>
			69,996	37,945

Clinton County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2006

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Restated Program Award Amount</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan State Police				
State Domestic Preparedness Equipment				
Support Program ^(c)	97.004			
2004 HSGP - CBRNE - ICE		N/A	\$ 22,000	\$ 22,000
Emergency Management Performance Grant	97.042			
FY06 Regular		N/A	28,344	28,344
Homeland Security Grant Program ^(c)	97.067			
FY05 LETPP – CBRNE Equipment		N/A	66,870	33,106
FY05 HSGP – CBRNE Equipment & Planning			<u>180,028</u>	<u>152,089</u>
			246,898	185,195
Passed through Michigan State Police				
and Lansing Police Department				
Interoperable Communications Equipment	97.055		897,406	617,171
Passed through Michigan Department of				
Natural Resources				
2006 Boating Safety Financial Assistance	97.012		<u>5,336</u>	<u>5,211</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,072,919</u>	<u>\$ 2,116,086</u>

Clinton County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2006

NOTE A: BASIS OF PRESENTATION

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

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

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

- (a) Reimbursement of these contracts is passed through the State Family Independence Agency. The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of total contract expenditures.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues.
- (c) These programs are considered a Department of Homeland Security cluster per OMB Circular A-133.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2006, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
GENERAL FUND				
Highway Safety	\$ 37,945	\$ -	\$ -	\$ 37,945
Homeland Security	207,195	-	-	207,195
Prosecuting Attorney Food Stamp	1,598	-	-	1,598
CRP - Prosecuting Attorney	122,040	(1,983)	-	120,057
Emergency Management	28,344	-	-	28,344
Employment Services	96,860	-	-	96,860
Support Incentive	128,227	-	-	128,227
Juvenile Grant	1,595	-	-	1,595
Strong family/Safe child	14,381	-	-	14,381
Marine Safety	5,211	-	-	5,211
Housing Grant	94,414	-	-	94,414
HAVA	<u>220,895</u>	<u>-</u>	<u>-</u>	<u>220,895</u>
TOTAL GENERAL FUND	958,705	(1,983)	-0-	956,722

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

SPECIAL REVENUE FUNDS

Friend of the Court	531,851	(12,734)	-	519,117
Child Care	658,064	(643,078)	-	14,986
911 Central Dispatch	617,171		-	617,171
Drug Forfeiture	<u>590</u>	<u>-</u>	<u>-</u>	<u>590</u>
TOTAL SPECIAL REVENUE FUNDS	1,807,676	(655,812)	-0-	1,151,864

INTERNAL SERVICE FUNDS

M.I.S.	<u>\$ 7,500</u>	<u>\$</u>	<u>\$</u>	<u>\$ 7,500</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,773,881</u>	<u>\$ (657,795)</u>	<u>\$ -0-</u>	<u>\$ 2,116,086</u>



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

May 10, 2007

Board of Commissioners
Clinton County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **Clinton County, Michigan**, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 10, 2007. We did not audit the financial statements of the Road Commission of the County of Clinton, which represents 63% of the total assets and 80% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Road Commission of the County of Clinton, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Clinton County, Michigan's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Clinton County, Michigan's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Clinton County, Michigan** in a separate letter dated May 10, 2007.

This report is intended solely for the information and use of the Audit Committee, others within the organization, and Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

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



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

May 10, 2007

Board of Commissioners
Clinton County, Michigan

Compliance

We have audited the compliance of **Clinton County, Michigan** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. **Clinton County, Michigan's** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Clinton County, Michigan's** management. Our responsibility is to express an opinion on **Clinton County, Michigan's** compliance based on our audit.

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

In our opinion, **Clinton County, Michigan** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of **Clinton County, Michigan** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Clinton County, Michigan's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Clinton County, Michigan's** internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clinton County, Michigan, as of and for the year ended December 31, 2006, and have issued our report thereon dated May 10, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clinton County, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133 and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the financial statements of the Road Commission of the County of Clinton, which represents 63% of the total assets and 80% of the total revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Road Commission of Clinton County, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the Audit Committee, others within the organization, Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified on financial statements*

Internal controls over financial reporting:
 Material weakness (es) identified? _____ yes no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ yes none reported

Noncompliance material to financial
 statements noted? _____ yes no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes no
 Significant deficiency(ies) identified not
 considered to be material weaknesses? _____ yes none reported

Type of auditor's report issued on compliance
 for major programs: *Unqualified*

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section 510(a)? _____ yes no

Identification of Major Program:

CFDA Number

97.055

Name of Federal Program or Cluster

Interoperable Communications Equipment

Dollar threshold used to distinguish
 between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes _____ no

CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.

CLINTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

There were no audit findings reported for the fiscal year ended December 31, 2005.