



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2002

BOARD OF COMMISSIONERS

Lee Masters, Chairperson
Patricia Anger, Vice Chairperson
Howard Heidemann
Stephen J. Kearns
Phillip Pavlov
Thomas Reilly
Pamela Wall

Prepared by:

ADMINISTRATOR/CONTROLLER'S OFFICE

Troy L. Feltman, Administrator/Controller
Robert C. Kempf, Deputy Controller/Finance Director

ST. CLAIR COUNTY, MICHIGAN

TABLE OF CONTENTS
DECEMBER 31, 2002

Page Number

SECTION ONE: INTRODUCTORY SECTION

Letter of Transmittal	I-1
List of Elected and Appointed Officials	I-8
Organizational Chart	I-9

SECTION TWO: FINANCIAL SECTION

Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet – Governmental Funds	18
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets – Fiduciary Funds	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	26
Component Units:	
Combining Statement of Net Assets – Discretely Presented Component Units	27
Combining Statement of Activities – Discretely Presented Component Units	28
Notes to the Basic Financial Statements	30

ST. CLAIR COUNTY, MICHIGAN

TABLE OF CONTENTS
DECEMBER 31, 2002

	<u>Page Number</u>
Required Supplementary Information:	
Employees Retirement System –	
Schedule of Funding Progress	75
Schedule of Employee Contributions	75
General Fund –	
Budgetary Comparison Schedule	76
Budgetary Comparison – Schedule of Expenditures by Activity	77
Budgetary Comparison - Schedule of Operating Transfers	78
Health Department –	
Budgetary Comparison Schedule	80
Supplementary Information:	
Combining and Individual Fund Statements and Schedules:	
Nonmajor Governmental Funds –	
Combining Balance Sheet	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	85
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	89
Nonmajor Enterprise Fund –	
Combining Statement of Net Assets	101
Combining Statement of Revenues, Expenses and Changes in Net Assets	102
Combining Statement of Cash Flows	103
Fiduciary Funds –	
Pension and Other Employee Benefit Trust Fund	
Statement of Net Assets	104
Combining Statement of Changes in Net Assets	105
Agency Funds –	
Combining Statement of Fiduciary Net Assets	107
Combining Statement of Changes in Assets and Liabilities	108
Capital Assets Used in the Operation of Governmental Funds –	
Schedule of Changes in Capital Assets	110
Schedule of Capital Assets by Function and Activity	111
Schedule of Changes in Capital Assets by Function and Activity	113
Drain Commission Fund (Discretely Presented Component Units)	
Balance Sheet	115
Reconciliation of Fund Balance on the Balance Sheet for the Drain Fund to Net Assets of Drain Activities	116
Statement of Revenues, Expenditures and Changes in Fund Balance	117
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Drain Fund to the Statement of Activities	118

ST. CLAIR COUNTY, MICHIGAN

TABLE OF CONTENTS
DECEMBER 31, 2002

Page Number

SECTION THREE: STATISTICAL SECTION

Government-Wide Information:

Government-Wide Expenses by Function	S-1
Government-Wide Revenues By Source	S-2

Fund Information:

General Government Expenditures by Function	S-3
General Government Revenues by Source	S-4
Property Tax Levies and Collection	S-5
Assessed and Estimated Actual Value of Taxable Property	S-6
Property Tax Rates – Direct and Overlapping Governments	S-7
Principal Taxpayers	S-8
Special Assessment Collections	S-9
Computation of Legal Debt Margin	S-10
Ratio of Net General Obligation Bonded Debt to Assessed Value and Bonded Debt Per Capita	S-11
Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Government Expenditures	S-12
Computation of Direct and Overlapping Debt	S-13
Schedule of Revenue Bond Coverage – Building Authority	S-14
Demographic Statistics	S-15
Property Values, Construction and Bank Deposits	S-16
Miscellaneous Statistics	S-17
Labor Agreements	S-18

INTRODUCTORY SECTION



COUNTY OF ST. CLAIR

Office of the Administrator/Controller



TROY L. FELTMAN
Administrator/Controller
tfeltman@stclaircounty.org

JOSEPH W. BIXLER
Deputy Administrator/
Administrative Services Director
jbixler@stclaircounty.org

JENNIFER J. POSEY
Administrative Assistant
jposey@stclaircounty.org

ROBERT C. KEMPF
Deputy Controller/
Finance Director
rkempf@stclaircounty.org

KARRY A. HEPTING
Accounting Manager
khepting@stclaircounty.org

OFFICE ADDRESS:
200 Grand River Avenue
Suite 203
Port Huron, MI 48060
Phone: 810-989-6900
Fax: 810-985-3463
www.stclaircounty.org

VISION: St. Clair County
government exemplifies the
values, beliefs and aspirations
of the community.

MISSION: To develop and
implement service mechanisms
that maximize community
outcomes.

June 23, 2003

To the Board of Commissioners and
Citizens of St. Clair County

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of St. Clair County for the fiscal year ended December 31, 2002.

This report consists of management's representations concerning the finances of St. Clair County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of St. Clair County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the presentation of St. Clair County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, St. Clair County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

St. Clair County's financial statements have been audited by Stewart, Beauvais & Whipple PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of St. Clair County, for the fiscal year ended December 31, 2002, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified

opinion that St. Clair County's financial statements for the fiscal year ended December 31, 2002, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of St. Clair County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in St. Clair County's separately issued Single Audit Report.

This Comprehensive Annual Financial Report (CAFR) is issued, for the first time, pursuant to the new requirements of the Governmental Accounting Standards Board (GASB). Readers of this financial report will notice two significant new statements, entitled Statement of Net Assets and Statement of Activities. These statements will provide readers with the financial position of St. Clair County viewed as a whole. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. St. Clair County's MD&A can be found immediately following the report of the independent auditors.

Profile of St. Clair County

St. Clair County, established in 1820, is located in southeastern Michigan and covers approximately 700 square miles. The County's eastern border is Canada, separated by approximately fifty-eight miles of shoreline on Lake Huron, the St. Clair River and Lake St. Clair. It is less than one hour from metropolitan Detroit and is the eastern terminus of two major interstate highways, I-94 and I-69, the site of an international airport, the site of two international bridges, and the site of an international train tunnel. The bridges and train tunnel play an integral part in the "trade corridor" created by the Free Trade Agreement between the U.S. and Canada, as they are major players in the movement of goods between the two countries.

As people and businesses retreat from the urban sprawl of the metropolitan Detroit area, they find our location a desirable alternate. The 2000 census reported that 164,235 citizens populate the County, which is a 12.8% increase over the 1990 census. The Southeastern Michigan Council of Governments estimates the county population at over 172,600 today. These people live in a mix of rural and urban communities, encompassing 9 villages and cities and 23 townships. The county seat is located in Port Huron, which is the largest city in the County.

The County is organized under the various public acts of the State of Michigan and is governed by a seven member Board of Commissioners, elected by district for two-year

terms. The Board of Commissioners serve as the legislative body responsible for establishing policy and appropriating funds. The Board of Commissioners appoints an Administrator/Controller who is responsible for carrying out the policies and ordinances of the Board of Commissioners and the day-to-day management of County affairs.

Other elected officials include the Clerk/Register of Deeds, Treasurer, Prosecutor, Sheriff, Drain Commissioner and Surveyor. These offices are elected countywide to four-year terms. The Clerk/Register of Deeds is responsible for recording vital statistics, maintaining court records, documents regarding property ownership, and Board of Commissioner proceedings; the Treasurer is responsible for the collection of delinquent taxes, delinquent tax settlements with local units, cash management and investments; the Prosecutor and Sheriff are responsible for law enforcement; the Drain Commissioner is responsible for construction and maintenance of drains; and the Surveyor is responsible for the proper surveying of the boundaries of land parcels.

The court system consists of the 72nd District Court, Probate Court, and the 31st Circuit Court (including the Family Division). The 72nd District Court, with three judges, has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, traffic infractions, and preliminary examinations in felony cases. The Probate Court, with two judges, is responsible for estates, mental health matters, and guardianships. The 31st Circuit Court, with three judges, has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases over \$25,000, and family matters. All judges are elected, countywide, to six-year terms.

The Board of Commissioners appoints members to the three member Board of Road Commissioners, the three member Department of Public Works Board, and the twelve member Community Mental Health Authority Board. These boards are governed and controlled by various public acts and statues, and generally function as separate entities. Because of these appointments, and the fact that they receive county appropriations they are reflected as discretely presented component units in the County's CAFR, as required by the GASB.

The Board of Commissioners appoints members to a variety of boards and commissions that have various responsibilities and duties. Some of the more complex of these boards and commissions include the Parks and Recreation Board, the Metropolitan Planning Commission, the Library Board and the Commission on Aging. The Parks and Recreation Board oversees millage monies collected by the County and used for the development and maintenance of a County park system. The Metropolitan Planning Commission oversees the development of the County master plan for development in the County. The Library Board oversees millage monies, and other monies, collected by the County and used for the development of our County-wide Library system. The Commission on Aging oversees millage monies collected by the County and used for the enrichment of the lives of our senior population.

The County provides a wide range of services that are either mandated by state statute or authorized by the Board of Commissioners. These general areas include judicial (Courts,

Friend of Court, and Probation), general government (Elections, Equalization, Administration, Prosecuting Attorney, Clerk/Register of Deeds, Planning, Treasurer, Drain Commissioner, Buildings and Grounds maintenance, and Information Technology), public safety (Sheriff, Jail, Emergency Preparedness, Animal Control), public works (Drains, Airport, Landfill), health and welfare (Health Department, Veteran's Affairs, Public Guardian, Child Care), and recreation and culture (Parks, Library).

Financial Practices

The annual budget serves as the foundation for the County's financial planning and control. All departments and agencies of the County are required to submit requests for appropriation to the Administrator/ Controller by August 15th each year. These requests become the starting point for developing a proposed budget. A budget committee, made up of department heads, scrutinizes the requests. The budget committee takes into consideration the results of the County-wide Capital Improvement Program recommendations, projections of revenues and expenditures, and requests for new personnel. They then mold the department requests into the County-adopted corporate foundation model and submit a balanced budget to the Administrator/Controller for his review. In October the Administrator/Controller submits a proposed budget to the Board of Commissioners for their consideration. The Board then holds workshops and a public hearing, and finally adopts the budget. State law requires the budgets be adopted prior to the start of the fiscal year.

Budgetary control is maintained at the account level (line item) while budgets are legally adopted at the activity (department) or function (e.g., public safety) level. The Administrator/Controller is authorized to transfer budget amounts between accounts, however, any revisions to the total activity or function for the respective fund must be approved by the Board of Commissioners. Revisions to the budget are recommended by the Administrator/Controller and adopted by the Board of Commissioners. The Board of Commissioners are provided quarterly reports that report budget and actual amounts by department or program.

The Administration of St. Clair County has made it their policy to annually present and recommend a balanced budget to the Board of Commissioners.

Factors Affecting Financial Condition.

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

Local Economy. The County, like all governments in Michigan, is reeling from a general nationwide economic downturn. Our manufacturing and industrial base is primarily aimed at the auto industry, which is suffering through a rough economy. Investment rates are at

record lows and the State of Michigan is projecting revenue reductions in its budget that will no doubt translate to less State money available to local governments for programs and operations. In December of 2002 all Counties in Michigan received a 3.5 percent reduction (approximately \$116,000) in state revenue sharing, and the Governor has proposed an additional 3 percent reduction (approximately \$98,000) for our 2004 fiscal year.

Despite the above noted roadblocks to growth, new national or regional retail businesses continue to move to St. Clair County, our population is increasing sharply (and expected to continue at higher than average numbers), we are averaging over 1,000 housing starts per year, the County millage rate is at lower than authorized levels, and the County continues to maintain a strong level of services to our citizens.

Another positive element is the substantive increase in the taxable value for property. The County experienced increases of \$354,047,903 (7.4%) from 2001 to 2002 and \$283,745,906 (6.3%) from 2000 to 2001. The major increases in 2002 are as follows: residential (\$226,287,961), commercial (\$20,130,934), and industrial (\$102,168,151)

Long-term Financial Planning. In 2000 the County started serious discussions regarding the replacement of the jail and juvenile center, and the criminal justice system in general. A decision was made to replace the 50-year-old jail and the 35-year-old juvenile center with a modern adult/juvenile intervention center with the capability to provide intervention programs. In 2002 a design firm was hired and in 2003 the County sold \$34,000,000 in bonds to finance the construction of the facility. Construction is about to start with an occupancy date of January 2005. The bonds will be paid utilizing the annual interest generated by the Delinquent Tax Revolving Fund (approximately \$1.5 million) and the annual savings incurred by not housing our overflow of prisoners in out-of-county or out-of state facilities (approximately \$1 million).

In 2002 the County decided to take advantage of a land auction and promised to purchase 16 acres of lakefront land for development as a County park. In order to preserve the County's eligibility to receive state grant funds for the acquisition, a third party was used to secure the property. If the grant dollars are not received the County has put aside \$3.1 million in Parks and Recreation millage funds for the purchase. The County expects to finalize the purchase no later than December 2004 and begin development with dedicated millage dollars in 2005.

The County has started to look for a long-term solution to what we expect will be ongoing reductions to state shared revenues fostered by state budget woes. The objective is to continue to deliver high quality and relevant services to the citizens of the County. We are looking internally to determine if we are "doing the right things right", utilizing automation for efficiently, initiating new "core competencies" for all employees, and exploring new revenue sources. Later this year citizens will be able to access and pay for certain services online.

Cash Management. Cash temporarily idle during the year was invested in certificates of deposit and government investment pools offered by commercial banks. All accounts are maintained in institutions insured through federal depository insurance funds although not all amounts are insured to their full value. Due to the large sums of money the County deals with, and the \$100,000 limitations of federal insurance, it is impractical to place all of our money in insured accounts. Despite recent record low investment rates the County Treasurer recorded \$1.4 million in interest earned in 2002.

The County Employees Retirement System deposits are invested in compliance with State statutes in U.S. Government securities, high-grade bonds, stocks, mutual and bond funds or money market funds. The retirement system is managed by five separate money managers, with oversight provided by the Retirement Board.

Risk Management. The risk management activities of the County are primarily the responsibility of the Administrator/Controller's office. However, each department head has a responsibility for managing the activities of their department in such a way as to preserve the human, physical, natural, and financial resources of the County.

The County is self-insured for property and liability, health care, unemployment, workers' compensation, and disability. Unemployment is totally self-insured, while workers' compensation is self-insured to a limit. Health care is self-insured with the administrative services of the program being performed by a third party. The County pays claims up to \$75,000 per contract per year, and purchases stop-loss protection for claims in excess of this limit. Disability is administered by a third party.

The County is a member of the Michigan Municipal Risk Management Authority for property and liability protection. The Authority is a large pool of government agencies with a goal of keeping costs down for the group. The County maintains various levels of risk for general and auto liability, physical damage to property and motor vehicle physical damage. Stop-loss protection is maintained to protect the County from very large claims. The liability deductible is \$150,000 with limits of reinsurance reaching \$15,000,000 per occurrence.

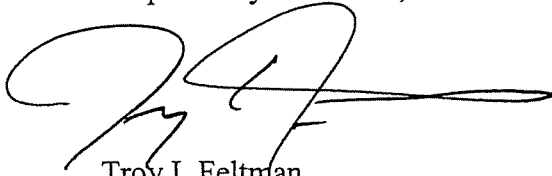
Pension and other post-retirement benefits. The County sponsors a single-employer, defined benefit pension plan for all qualified employees. Each year an independent actuary calculates the percentage of payroll that the County, must contribute to the pension plan to ensure that the fund will meet its full obligation to plan participants. During 2002 the County contributed 0% of covered payroll and the employees contributed 5%. As of December 31, 2001, the date of the last actuarial report, the plan was fully funded.

The County also provides post-employment health and dental benefits for eligible retirees and their dependents. The plan is generally available to retirees who have attained the age of 55 or older (age 50 for certain employees in the Sheriff's Department) and have attained certain levels of service years. During 2002 the County contributed 13% of covered payroll and the employees contributed 0%.

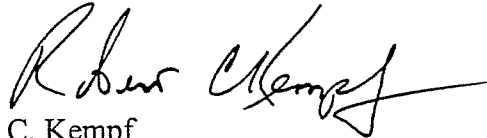
Acknowledgements

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Administrator/ Controller's office. We would like to express our appreciation to all members of the department, and various other departments, who assisted and contributed to the preparation of this report. We also express our gratitude to the Board of Commissioners for their interest and support in planning and conducting the financial operation and management of St. Clair County in a responsible and progressive manner.

Respectively submitted,



Troy L. Feltman
Administrator/Controller



Robert C. Kempf
Deputy Controller/Finance Director

St. Clair County
List of Elected and Appointed Officials

Elected Officials

Board of Commissioners

Lee Masters	Chairperson
Patricia Anger	Vice Chairperson
Howard Heidemann	Member
Stephen J. Kearns	Member
Phillip Pavlov	Member
Thomas Reilly	Member
Pamela Wall	Member

31st Circuit Court

Peter Deegan	Chief Circuit Judge
James Adair	Circuit Judge
Daniel Kelly	Circuit Judge

72nd District Court

David Nicholson	Chief District Judge
Richard Cooley	District Judge
Cynthia Platzer	District Judge

Probate Court

John Monaghan	Chief Judge of Probate
Elwood Brown	Judge of Probate

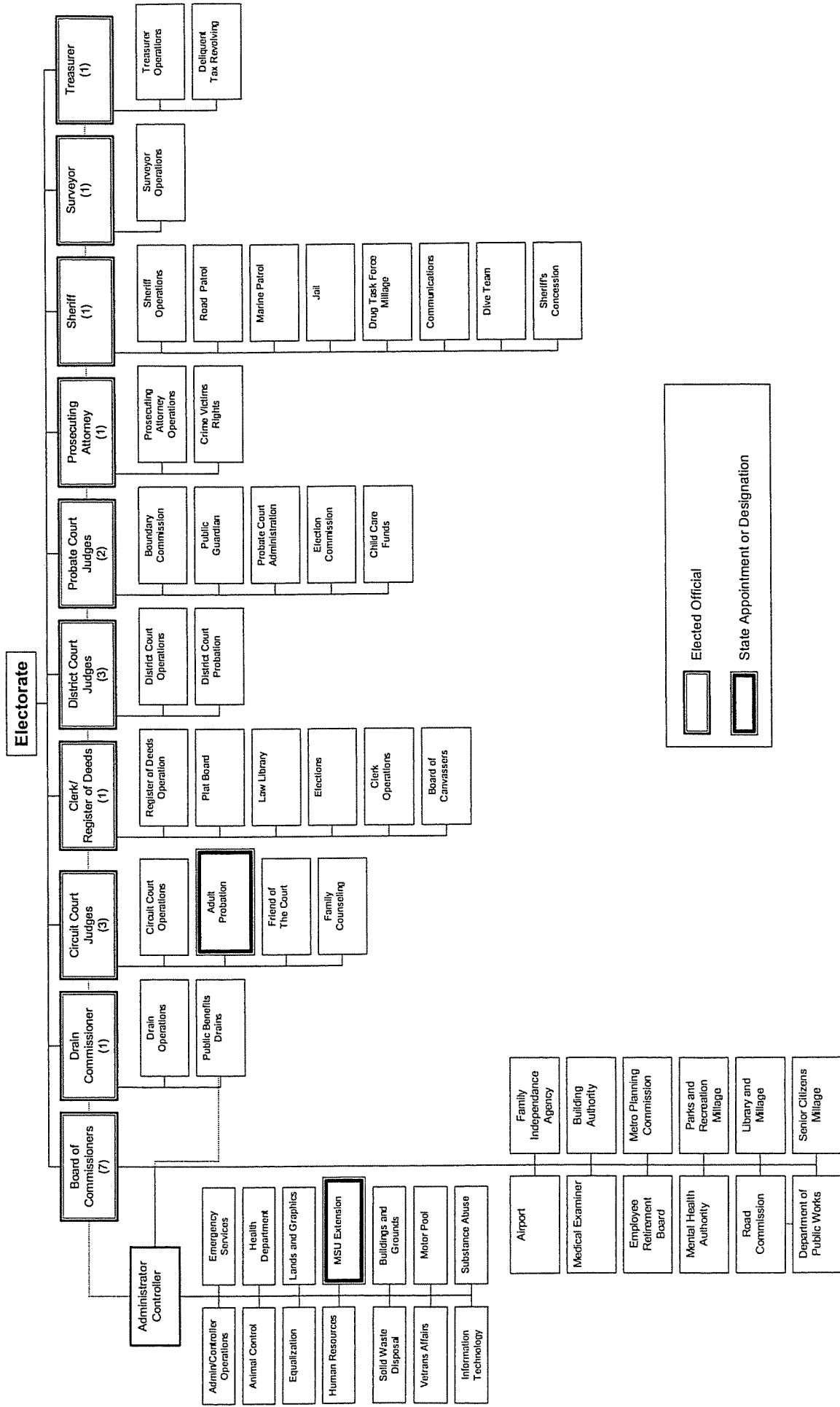
Other Elected Officials

Marilyn Dunn	Clerk/Register of Deeds
Fred Fuller	Drain Commissioner
Peter George	Prosecuting Attorney
Dan Lane	Sheriff
Steve Bruen	Surveyor
Maureen Ruff	Treasurer

Appointed Official

Troy Feltman	Administrator/Controller
--------------	--------------------------

St. Clair County Organizational Chart



Elected Official

State Appointment or Designation

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of St. Clair County
Port Huron, 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 St. Clair County, Michigan, as of and for the year ended December 31, 2002, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Clair County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of December 31, 2002, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 20 to the general purpose financial statements, the County and its component units adopted Governmental Accounting Statement Board Statements No. 33, 34, 36, 37 and 38 and GASB Interpretation No. 6 as of and for the year ended December 31, 2002. This resulted in a change to the County's method of accounting for certain nonexchange transactions and in the format and contents of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 2, 2003, on our consideration of St. Clair County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 14, and schedule of funding progress, schedule of employer contributions and budgetary comparison on pages 75 through 80 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on its.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly we express no opinion on them.


Certified Public Accountants

June 2, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of St. Clair, we offer readers of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found preceding this narrative, and the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets of the County exceeded its liabilities at December 31, 2002 by \$98,031,711. Of this amount \$64,337,365 may be used to meet the County's ongoing obligations to citizens and creditors.
- The total net assets increased by \$1,033,571 primarily on the strength of performance of the Delinquent Tax Revolving fund.
- At December 31, 2002 the County's governmental funds reported combined ending fund balances of \$27,647,676, a decrease of \$1,457,658. This decrease was primarily the result of the transferring of monies to the Jail/Juvenile Bonded Debt fund.
- The County's total debt increased by \$5,303,443 during 2002. The key factors in this increase were the pre-bonding tax note proceeds received for the Jail/Juvenile facility (\$3,000,000) and the recording of additional closure and post-closure costs for the landfill (\$2,568,471).
- The County pre-funded the debt requirements on the 2003 sale of \$34,000,000 in bonds for the new Jail/Juvenile facility, for the years during construction.
- In 2002 the Board of Commissioner's adopted balanced budgets for the 2003 General Fund and all Special Revenue funds.
- The County, in total, improved its financial position during the fiscal year ended December 31, 2002.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County is reporting these financial statements utilizing a new reporting structure that all state and local governments must implement. These requirements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The County is required to implement the new requirements no later than the fiscal year ending December 31, 2003; however, we elected for early implementation as permitted by the rules.

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County'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 may serve as a useful indicator of 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 (e.g., uncollected taxes and earned but unused vacation leave).

Both the government-wide financial statements distinguish functions of the 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 government activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include the Airport, Sheriff's Commissary, Landfill and the Delinquent Tax Revolving Fund.

The government-wide financial statements include not only the County itself (known as the primary government) but also a legally separate Community Mental Health Authority, a legally separate Road Commission, legally separate Drain Commissioner projects, and a legally separate Department of Public Works for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 15-17 of this report.

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, used 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. Governmental funds are reported using the modified accrual method of accounting. 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. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains 23 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, and Health Department Fund, both of which are considered to be major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

Proprietary funds. Proprietary funds use the accrual basis of accounting, which is the same basis used by private business. The County maintains two different types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Airport, Landfill, Delinquent Tax Revolving, and Sheriff's Concession funds.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its various employee benefits and risk programs.

Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Landfill and Delinquent Tax Revolving Fund, both of which are considered to be major funds of the County. Individual fund data for the 2 non-major Enterprise Funds is provided in the form of combining statements elsewhere in this report. The County's only Internal Service Fund is presented in the proprietary fund financial statements in the Governmental Activities – Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 22-24 of this report.

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. The largest of the Fiduciary Funds are the County Employees Pension Fund, the Landfill Perpetual Care Fund and the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 25-26 of this report.

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. The notes to the financial statements can be found on pages 30-74 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and the budgetary information for the two major governmental funds. This required supplementary information can be found on pages 75-80 of this report.

The combining statements referred to earlier in connection with non-major governmental, enterprise and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 81-118 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$ 98,031,711 at December 31, 2002.

By far the largest portion of the County's net assets are unrestricted and available for future obligations. The second largest portion of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

December 31, 2002	Governmental Activities	Business- Type Activities	Total
Current and Other Assets	73,123,485	47,681,941	120,805,426
Capital Assets, net of accumulated depreciation	41,479,178	5,541,010	47,020,188
Total Assets	114,602,663	53,222,951	167,825,614
Current Liabilities	43,569,333	498,074	44,067,407
Other Liabilities	13,763,265	11,963,231	25,726,496
Total Liabilities	57,332,598	12,461,305	69,793,903
Net Assets			
Invested in capital assets, net of related debt	27,953,178	5,541,010	33,494,188
Restricted	200,158	-	200,158
Unrestricted	29,116,729	35,220,636	64,337,365
Total Net Assets	57,270,065	40,761,646	98,031,711

An additional portion of the County's net assets (less than 1 percent) represents resources that are subject to external restrictions on how they may be used. The unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors.

St. Clair County
 Management's Discussion and Analysis

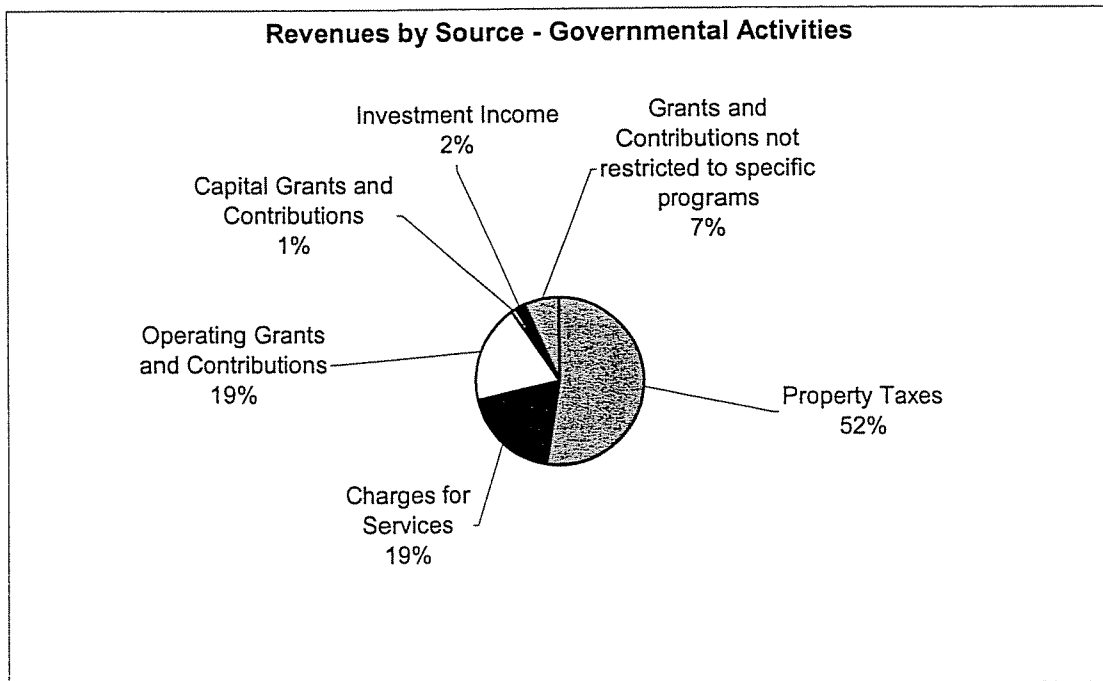
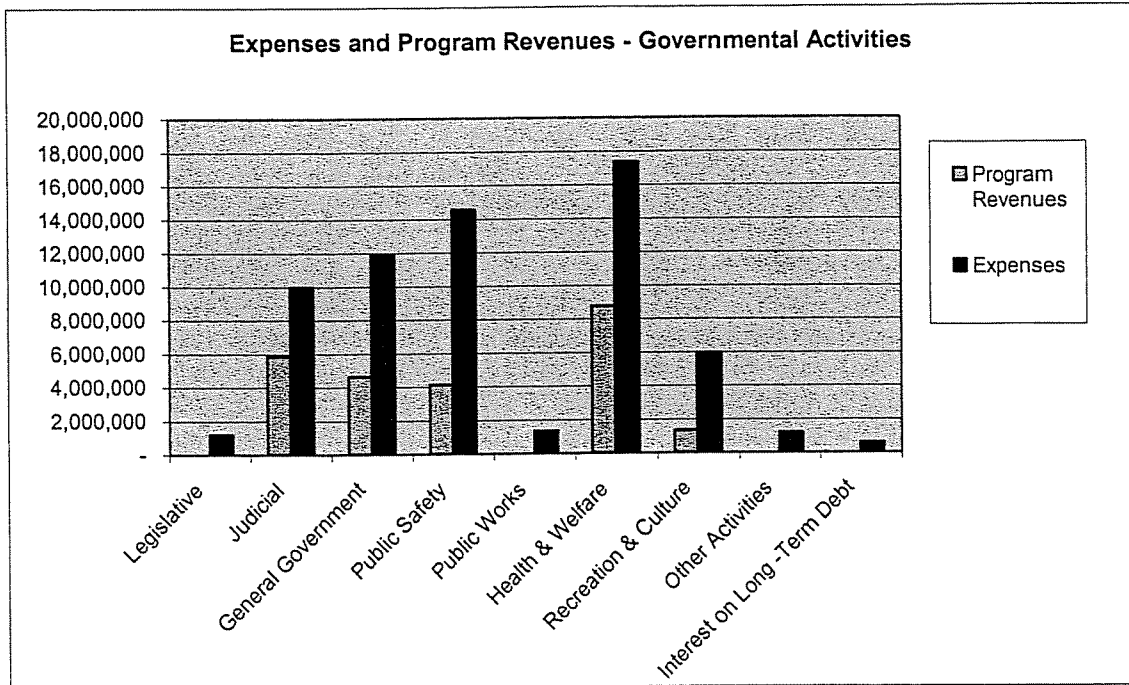
The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets

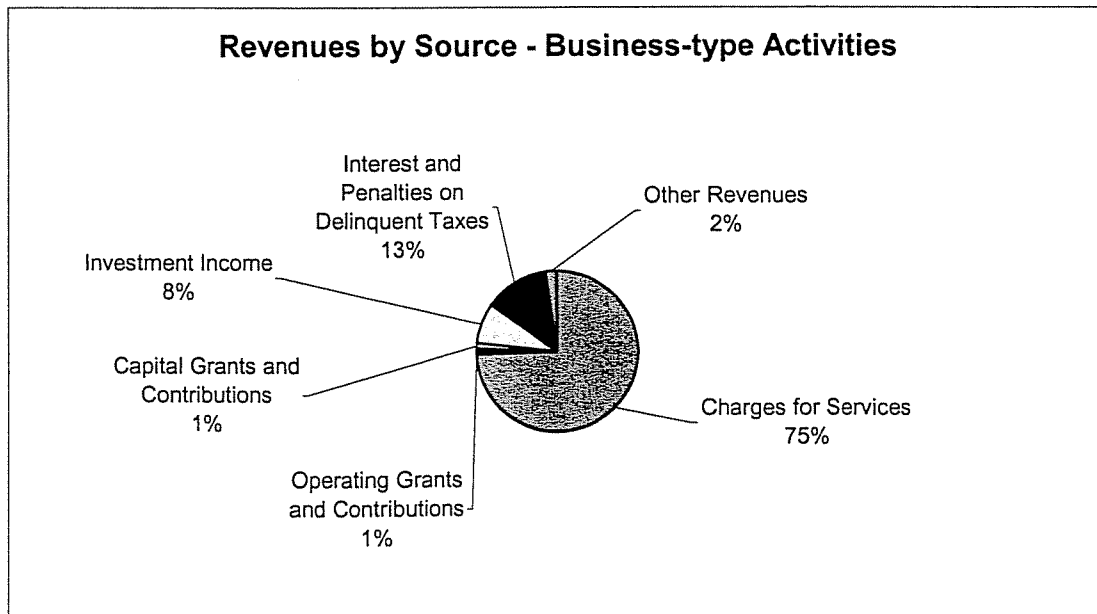
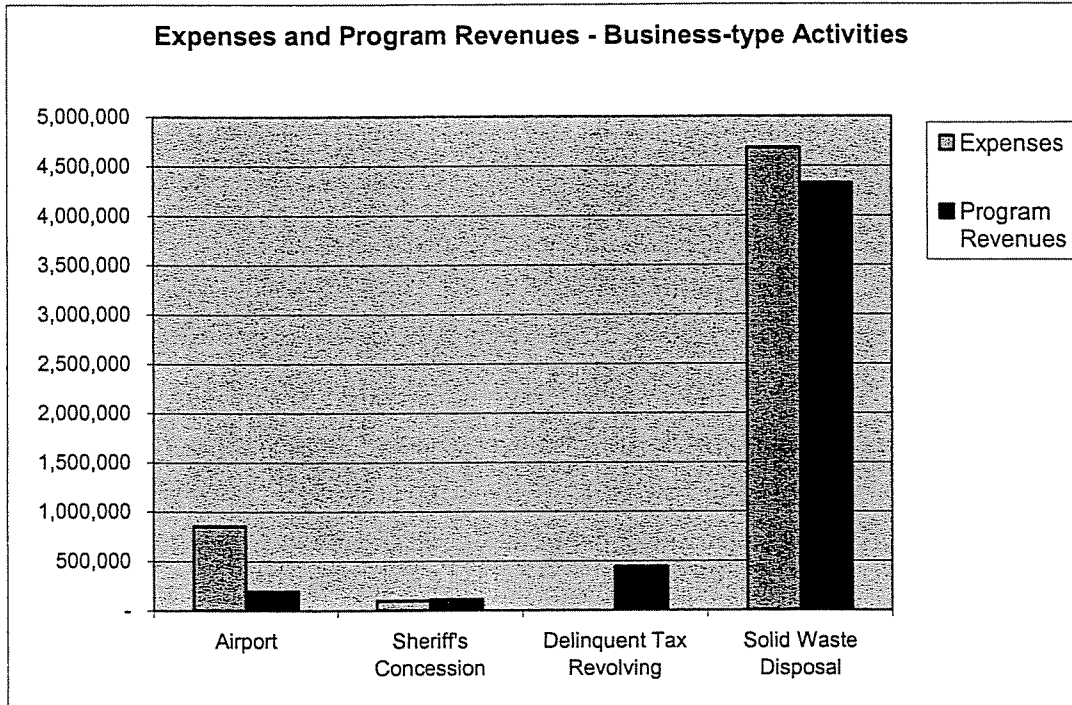
<u>December 31, 2002</u>	Governmental Activities	Business- Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	12,012,489	5,080,390	17,092,879
Grants and Contributions	12,711,840	136,731	12,848,571
General revenues:			
Property Taxes	33,628,459	-	33,628,459
Intergovernmental revenues	4,231,205	-	4,231,205
Investment earnings	1,423,029	552,576	1,975,605
Other revenues	-	986,762	986,762
Total Revenues	64,007,022	6,756,459	70,763,481
Expenses:			
Legislative	1,198,055	-	1,198,055
Judicial	9,970,876	-	9,970,876
General Government	11,909,422	-	11,909,422
Public Safety	14,563,912	-	14,563,912
Public Works	1,339,252	-	1,339,252
Health and Welfare	17,361,594	-	17,361,594
Recreation and Culture	5,950,660	-	5,950,660
Other Activities	1,200,000	-	1,200,000
Interest on Debt Service	597,005	-	597,005
Delinquent Tax collections	-	1,022	1,022
Airport	-	856,331	856,331
Sheriff's Concession	-	100,459	100,459
Solid Waste Disposal	-	4,681,322	4,681,322
Total Expenses	64,090,776	5,639,134	69,729,910
Increase in Net Assets before transfers	(83,754)	1,117,325	1,033,571
Transfers	(59,855)	59,855	-
Increase in Net Assets	(143,609)	1,177,180	1,033,571
Net Assets January 1, 2002	57,413,674	39,584,466	96,998,140
 Net Assets December 31, 2002	 <u>57,270,065</u>	 <u>40,761,646</u>	 <u>98,031,711</u>

The County's net assets increased by \$1,033,571 during the fiscal year. Substantially all of this gain came from the activities of the Delinquent Tax Revolving Fund.

Governmental activities. Governmental activities decreased the County's net assets by \$143,609. Given the size of the Governmental activities this amount is, for practical purposes, negligible.



Business-type activities. Business-type activities increased the County's net assets by \$1,177,180. The largest contributing factor to this increase was investment income and interest and penalties on delinquent taxes.



Financial Analysis of the County's Major 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. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At December 31, 2002, the County's governmental funds reported combined ending fund balances of \$27,647,676, a decrease of \$1,457,658 in comparison to the prior year. Most of this fund balance is unreserved (\$27,038,515), which is available for spending at the County's discretion. \$13,406,145 of the unreserved fund balance has been designated for parks (\$3,100,000), debt service (\$4,000,000), future projects and technology (\$4,000,000), future budget stabilization (\$2,133,540), and minor programs (\$172,605) leaving 13,632,370 for current use. The remainder of fund balance (\$609,161) is reserved to indicate that it is not available for new spending because it has already been committed to the payment of debt service, the acquisition or construction of capital assets, and advances.

The General Fund is the chief operating fund of the County. At December 31, 2002 the general fund reported fund balance of \$8,807,493 with \$6,407,638 of that amount unreserved/undesignated. \$2,306,145 of fund balance has been designated for future budget stabilization and \$93,710 has been reserved for prepaid expenses. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 16 percent of total general fund expenditures and transfers.

The 2002 amended budget of the general fund had revenues and transfers in of \$50,680,599 and expenditures and transfers out of \$54,442,465. Included in the transfers in was \$5,788,469 of available fund balance in several separate funds. These funds were transferred to the general fund per County policy and Board of Commissioner's resolution. Included in the transfers out were \$4,000,000 to the Public Improvement Fund for technology and capital projects and \$4,000,000 to the new Jail/Juvenile facility debt fund to pay debt payments during construction. The budget variance at the end of the year was a positive \$183,975 or .3% of expenditures and transfers out.

The other major governmental fund, the Health Department, reported fund balance of \$1,821,532 at December 31, 2002, with \$1,801,191 of that amount unreserved. Revenues and transfers in were reported at \$9,405,102 along with expenditures and transfers out of \$11,754,951. \$2,705,718 of the transfers out was available fund balance to the general fund, as noted above.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2002.

Net assets in the Solid Waste Disposal System at the end of the year amounted to \$11,864,060, a slight decrease over the prior year. \$3,427,123 of the \$11,864,060 was investment in capital assets. The Delinquent Tax Revolving Fund reported a net increase in net assets of \$1,879,438, to \$26,533,451. As noted earlier this increased provided the lion's share of the net gain to the County's total assets.

Capital Asset and Debt Administration

Capital Assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2002, amounted to \$47,020,188 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, drains, etc). The total increase in the County's capital assets for the current fiscal year was 8.5 percent.

Major capital asset events during the year included the following:

- The inclusion of infrastructure assets in the financial statements.
- Completion of the final design of the new Jail/Juvenile Complex.
- Completion of an addition to the Health Department building.

Capital Assets (net of depreciation)

	Governmental Activities	Business-Type Activities	Total
Land	1,887,583	1,077,858	2,965,441
Buildings and Improvements	28,462,710	243,317	28,706,027
Improvements other than Buildings	1,103,064	3,042,341	4,145,405
Equipment and Vehicles	2,858,685	116,767	2,975,452
Books	3,956,887	-	3,956,887
Construction in Progress	3,210,249	1,060,727	4,270,976
Total Capital Assets	41,479,178	5,541,010	47,020,188

Additional information on the County's capital assets can be found in Note 5 beginning on page 44 of this report.

Long-term Debt. At December 31, 2002, the County had total debt outstanding of \$29,242,496. Significant portions of the debt include the outstanding general obligation bonds that were sold in 1996 to finance the construction of the Administrative Building and outstanding general obligation tax loans. The tax loans were acquired in 2002 to fund the architectural fees for the new Jail/Juvenile facility and will be paid off with proceeds of the bonds sold in 2003 for the construction of the facility. The County operates the Smiths Creek Landfill and is required to record the estimated costs of closure and the post-closure costs of the Landfill to ensure that when the facility is closed in the future there will be sufficient funds available to maintain it in an environmentally sound way. The other large portion of debt outstanding is to the employees of the County who have, through collective bargaining agreements or policy, rights to be paid outstanding balances of accrued vacation, sick time, or compensatory time earned upon their leaving County employment. Additional information on the County's long-term debt can be found in Note 9 beginning on page 52 of this report.

Outstanding Debt

	Governmental Activities	Business- Type Activities	Total
General Obligation Bonds	10,400,000	-	10,400,000
General Obligation Tax Loans	3,000,000	-	3,000,000
Installment Loan Agreements	126,000	-	126,000
Landfill Closure and Post Closure Costs	-	11,936,594	11,936,594
Self-insurance Liability	245,000	-	245,000
Accumulated Employee Vacation, Sick and Compensatory Time	3,508,265	26,637	3,534,902
Total	17,279,265	11,963,231	29,242,496

Economic Factors and Next Year's Budgets and Rates

Many factors are considered in preparation of the County's budget for the 2003 fiscal year. Several of the more telling factors are as follows:

- The unemployment rate for the County is currently 8.4 percent, which is an increase over a year ago, and is slightly higher than the state average.
- Inflationary trends in the region compare favorably to national indices.
- Population projections continue to outpace the rest of the southeastern Michigan region.
- The uncertainty of state funding of programs.

The 2003 budgets are balanced and any amendments will be approved by the Board of Commissioner's as needed.

During fiscal 2002 the fund balance in the general fund decreased by \$3,577,891. Most of this reduction was the result of implementation of a fund balance policy by the Board of Commissioner's that restricts the amount of unreserved fund balance that will be maintained in the general and certain special revenue funds. As noted above, \$4,000,000 was transferred to the new Jail/Juvenile Bonded Debt Fund to be used for debt payments during construction of the facility and \$4,000,000 was transferred to the Public Improvement Fund for future improvements to buildings and technology projects.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for our citizens, taxpayers, customers, investors and creditors and to demonstrate the County's accountability for the taxpayer money we receive. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed the Office of the Administrator/Controller, 200 Grand River, Suite 203, Port Huron, Michigan 48060, or contact us at 810-989-6905. You can also visit our website at www.stclaircounty.org

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2002

	Primary Government		Total	Component Units
	Governmental Activities	Business Type Activities		
ASSETS:				
Cash and cash equivalents	\$ 28,352,079	\$ 41,221,917	\$ 69,573,996	\$ 13,415,487
Investments	510,000	1,000,000	1,510,000	-
Receivables (net of allowance)	40,097,188	5,244,261	45,341,449	6,375,807
Prepaid expenditures	921,667	188,932	1,110,599	414,970
Internal balances	(10,384)	10,384	-	-
Due from fiduciary funds	3,184,885	-	3,184,885	-
Due from component units	-	-	-	53,243
Due from primary government	-	-	-	407
Inventory	-	16,447	16,447	980,756
Advance to component units	50,000	-	50,000	-
Advance to primary government	-	-	-	89,281
Restricted Assets -				
Temporary restricted -				
Cash and cash equivalents	-	-	-	4,809,641
Receivable	-	-	-	43,232,662
Permanently restricted - Investment	18,050	-	18,050	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	5,097,832	2,138,585	7,236,417	3,466,090
Assets being depreciated	36,381,346	3,402,425	39,783,771	93,452,824
Total Assets	<u>114,602,663</u>	<u>53,222,951</u>	<u>167,825,614</u>	<u>166,291,168</u>
LIABILITIES:				
Payables and accrued liabilities	3,745,274	381,668	4,126,942	4,419,199
Accrued interest	202,597	-	202,597	151,905
Due to component units	31,675	407	32,082	53,243
Advances and deposits	367,810	26,718	394,528	1,145,569
Advances from component units	-	89,281	89,281	-
Advances from primary government	-	-	-	50,000
Deferred revenue	35,705,977	-	35,705,977	2,573,555
Liability Payable from restricted assets	-	-	-	1,419,083
Non-current liabilities				
Due within one year	3,516,000	-	3,516,000	3,891,700
Due in more than one year	13,763,265	11,963,231	25,726,496	48,919,793
Total Liabilities	<u>57,332,598</u>	<u>12,461,305</u>	<u>69,793,903</u>	<u>62,624,047</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	27,953,178	5,541,010	33,494,188	88,387,414
Net assets				
Restricted				
Debt Service	72,656	-	72,656	-
Acquisition/construction of capital assets	106,156	-	106,156	486,954
Lewis Memorial				
Expendable	3,296	-	3,296	-
Nonexpendable	18,050	-	18,050	-
Risk Corridor Financing	-	-	-	2,275,411
Unrestricted	<u>29,116,729</u>	<u>35,220,636</u>	<u>64,337,365</u>	<u>12,517,342</u>
Total Net Assets	<u>\$ 57,270,065</u>	<u>\$ 40,761,646</u>	<u>\$ 98,031,711</u>	<u>\$ 103,667,121</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2002

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 1,198,055	\$ -	\$ -	\$ -
Judicial	9,970,876	2,766,212	3,084,012	-
General Government	11,909,422	3,364,763	1,269,019	-
Public Safety	14,563,912	2,865,616	999,791	267,985
Public Works	1,339,252	-	-	-
Health and Welfare	17,361,594	1,994,226	6,780,372	-
Recreation and Culture	5,950,660	1,021,672	195,461	115,200
Other Activities	1,200,000	-	-	-
Interest on Long Term Debt	597,005	-	-	-
Total governmental activities	<u>64,090,776</u>	<u>12,012,489</u>	<u>12,328,655</u>	<u>383,185</u>
Business type activities				
Delinquent Revolving Tax	1,022	446,239	-	-
Airport Commission	856,331	193,960	-	60,498
Sheriff Concession	100,459	112,204	-	-
Solid Waste Disposal System	4,681,322	4,327,987	76,233	-
Total business type activities	<u>5,639,134</u>	<u>5,080,390</u>	<u>76,233</u>	<u>60,498</u>
Total Primary Government	<u>69,729,910</u>	<u>17,092,879</u>	<u>12,404,888</u>	<u>443,683</u>
Component Units				
Road Commission	19,864,985	3,194,142	19,792,758	-
Department of Public Works	5,130,619	4,794,039	-	848,486
Community Mental Health Authority	35,819,406	328,135	35,410,125	-
Drains	687,111	264,093	463,705	-
Total Component Units	<u>61,502,121</u>	<u>8,580,409</u>	<u>55,666,588</u>	<u>848,486</u>
General revenues:				
Property taxes				
Grants and contribution not - restricted to specific programs				
Unrestricted investment income				
Interest and penalties on delinquent taxes				
Gain on sale of fixed assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year as restated				
Net assets at end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Primary Government			Component Units
Governmental Activities	Business Type Activities	Total	
\$(1,198,055)	\$ -	\$(1,198,055)	\$ -
(4,120,652)	-	(4,120,652)	-
(7,275,640)	-	(7,275,640)	-
(10,430,520)	-	(10,430,520)	-
(1,339,252)	-	(1,339,252)	-
(8,586,996)	-	(8,586,996)	-
(4,618,327)	-	(4,618,327)	-
(1,200,000)	-	(1,200,000)	-
(597,005)	-	(597,005)	-
<u>(39,366,447)</u>	<u>-</u>	<u>(39,366,447)</u>	<u>-</u>
-	445,217	445,217	-
-	(601,873)	(601,873)	-
-	11,745	11,745	-
-	(277,102)	(277,102)	-
<u>-</u>	<u>(422,013)</u>	<u>(422,013)</u>	<u>-</u>
<u>(39,366,447)</u>	<u>(422,013)</u>	<u>(39,788,460)</u>	<u>-</u>
-	-	-	3,121,915
-	-	-	511,906
-	-	-	(81,146)
40,687	-	40,687	40,687
<u>40,687</u>	<u>-</u>	<u>40,687</u>	<u>3,593,362</u>
33,628,459	-	33,628,459	-
4,231,205	-	4,231,205	-
1,423,029	552,576	1,975,605	364,017
-	902,628	902,628	-
-	84,134	84,134	128,780
(59,855)	59,855	-	-
<u>39,222,838</u>	<u>1,599,193</u>	<u>40,822,031</u>	<u>492,797</u>
(143,609)	1,177,180	1,033,571	4,086,159
<u>57,413,674</u>	<u>39,584,466</u>	<u>96,998,140</u>	<u>99,580,962</u>
<u>\$ 57,270,065</u>	<u>\$ 40,761,646</u>	<u>\$ 98,031,711</u>	<u>\$ 103,667,121</u>

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2002**

	<u>General</u>	<u>Health Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Assets:				
Cash and cash equivalents	\$ 7,308,780	\$ 1,641,136	\$ 16,009,550	\$ 24,959,466
Investments	-	-	528,050	528,050
Receivables -				
Current and delinquent property taxes	25,125,871	-	8,369,849	33,495,720
Interest and accounts	264,133	37,903	1,509,533	1,811,569
Due from other governmental units -				
Federal/State	2,789,598	1,435,579	537,891	4,763,068
Local	136,291	24,689	-	160,980
Due from other funds	1,918,642	27,426	1,354,612	3,300,680
Advances to component units	50,000	-	-	50,000
Prepayments and deposits	43,710	20,341	294,952	359,003
	<u>\$ 37,637,025</u>	<u>\$ 3,187,074</u>	<u>\$ 28,604,437</u>	<u>\$ 69,428,536</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 741,103	\$ 433,407	\$ 882,328	\$ 2,056,838
Accrued liabilities	626,667	120,811	190,045	937,523
Advances and deposits	197,810	170,000	-	367,810
Due to other governmental units -				
Federal/State	-	30,075	-	30,075
Due to other funds	98,753	-	27,426	126,179
Due to component units	-	31,675	-	31,675
Deferred revenue	27,165,199	579,574	10,485,987	38,230,760
	<u>28,829,532</u>	<u>1,365,542</u>	<u>11,585,786</u>	<u>41,780,860</u>
Fund Balances:				
Reserved -	93,710	20,341	495,110	609,161
Unreserved -				
Designated -	2,306,145	-	11,100,000	13,406,145
Undesignated -				
General Fund	6,407,638	-	-	6,407,638
Special Revenue Funds	-	1,801,191	5,423,541	7,224,732
Total Equity	<u>8,807,493</u>	<u>1,821,532</u>	<u>17,018,651</u>	<u>27,647,676</u>
	<u>\$ 37,637,025</u>	<u>\$ 3,187,074</u>	<u>\$ 28,604,437</u>	<u>\$ 69,428,536</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2002**

Fund Balances - total governmental funds		\$	27,647,676
Amounts reported for governmental activities in the statement of net assets are different because:			
Prepaid Expenses recorded in the funds on the purchase method			96,973
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			
Capital assets			65,571,721
Accumulated depreciation		(	24,092,543)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Delinquent Personal Property taxes	219,681		
Housing Rehabilitation Loan	1,057,381		
Penal Fines	396,444		
Other	651,277		
			2,324,783
Internal Service Fund used by management to charge cost of property, liability, health, disability, workers compensation and life insurance expenses and claims. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			
			2,958,317
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Bonds payable	(13,400,000)		
Notes payable	(126,000)		
Accrued interest on bonds/notes payable	(202,597)		
Accrued compensated absence	(3,508,265)	(	17,236,862)
Net Assets of governmental activities		\$	<u>57,270,065</u>

The notes to the financial statements are an integral part of this statement.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	General	Health Department	Other Governmental Fund	Total Governmental Funds
Revenues:				
Taxes	\$ 25,232,776	\$ -	\$ 8,332,937	\$ 33,565,713
Licenses and permits	294,978	471,461	-	766,439
Intergovernmental -				
Federal/State	9,314,521	5,132,631	2,530,886	16,978,038
Local	-	107,358	8,000	115,358
Charges for services	6,143,218	1,144,534	748,370	8,036,122
Fines and forfeits	607,696	-	1,052,025	1,659,721
Interest and rent	2,023,317	-	187,121	2,210,438
Other	354,433	137,080	257,467	748,980
Total Revenues	<u>43,970,939</u>	<u>6,993,064</u>	<u>13,116,806</u>	<u>64,080,809</u>
Expenditures:				
Current -				
Legislative	1,198,055	-	-	1,198,055
Judicial	9,265,782	-	489,965	9,755,747
General Government	10,109,948	-	-	10,109,948
Public Safety	11,987,571	-	1,852,540	13,840,111
Public Works	1,339,252	-	-	1,339,252
Health and Welfare	1,487,851	8,618,475	7,297,342	17,403,668
Recreation and Cultural	-	-	4,395,614	4,395,614
Other Activities	1,200,000	-	-	1,200,000
Capital Outlay	1,660,924	430,758	6,234,487	8,326,169
Debt Service				
Principal	100,040	-	263,000	363,040
Interest	5,943	-	596,205	602,148
Total Expenditures	<u>38,355,366</u>	<u>9,049,233</u>	<u>21,129,153</u>	<u>68,533,752</u>
Excess of revenues over (under) expenditures	<u>5,615,573</u>	<u>(2,056,169)</u>	<u>(8,012,347)</u>	<u>(4,452,943)</u>
Other Financing Sources (Uses):				
Bond and loan proceeds	-	-	3,000,000	3,000,000
Premium on debt	-	-	55,140	55,140
Operating transfers from other funds	6,333,932	2,412,038	14,656,029	23,401,999
Operating transfers to other funds	(15,527,396)	(2,705,718)	(5,228,740)	(23,461,854)
Total Other Financing Sources (Uses)	<u>(9,193,464)</u>	<u>(293,680)</u>	<u>12,482,429</u>	<u>2,995,285</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(3,577,891)</u>	<u>(2,349,849)</u>	<u>4,470,082</u>	<u>(1,457,658)</u>
Fund Balances at beginning of year	11,467,808	4,171,381	12,096,352	27,735,541
Prior period adjustments	917,576	-	452,217	1,369,793
Fund Balances at beginning of year as restated	<u>12,385,384</u>	<u>4,171,381</u>	<u>12,548,569</u>	<u>29,105,334</u>
Fund Balances at end of year	<u>\$ 8,807,493</u>	<u>\$ 1,821,532</u>	<u>\$ 17,018,651</u>	<u>\$ 27,647,676</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2002**

Net change in fund balances - total governmental funds		\$(1,457,658)
Change in prepaid expenses recorded in the funds on the purchase method		4,612
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay		6,367,867
Depreciation expense	(	2,370,193)
Proceeds for sale of assets	(	85,358)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		210,536
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments on long term liabilities		363,040
Bond Proceeds	(	3,000,000)
Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities.		51,609
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Increase in accrued interest payable	(	49,997)
Increase in accrued compensated absences	(	178,067)
		(228,064)
Change in net assets of governmental activities		<u><u>\$(143,609)</u></u>

The notes to the financial statements are an integral part of this statement.

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2002

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste	Delinquent	Other	Total	Activities
	Disposal System	Tax Revolving	Proprietary Funds		Internal Service Fund
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 19,518,101	\$ 21,494,420	\$ 209,396	\$ 41,221,917	\$ 3,392,613
Investment		1,000,000		1,000,000	-
Accounts receivable					
Delinquent taxes	-	4,057,257	-	4,057,257	-
Interest and accounts	1,121,423	10,813	6,398	1,138,634	65,851
Due from other governmental units	45,720	2,650	-	48,370	-
Inventories	-	-	16,447	16,447	-
Prepaid expenses	-	-	188,932	188,932	465,691
Due from other funds	-	-	10,384	10,384	-
Total Current Assets	<u>20,685,244</u>	<u>26,565,140</u>	<u>431,557</u>	<u>47,681,941</u>	<u>3,924,155</u>
Property, Plant and Equipment:					
Property, plant and equipment	8,191,863	-	8,573,379	16,765,242	-
Less - accumulated depreciation	(4,764,740)	-	(6,459,492)	(11,224,232)	-
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>3,427,123</u>	<u>-</u>	<u>2,113,887</u>	<u>5,541,010</u>	<u>-</u>
Total Assets	<u>24,112,367</u>	<u>26,565,140</u>	<u>2,545,444</u>	<u>53,222,951</u>	<u>3,924,155</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	275,021	5,025	58,590	338,636	40,403
Accrued expenses	4,785	-	5,160	9,945	680,435
Advances and deposits	-	6,828	19,890	26,718	-
Due to other governmental units - Federal/State	13,251	19,836	-	33,087	-
Due to component units	-	-	407	407	-
Advances from component units	-	-	89,281	89,281	-
Total Current Liabilities	<u>293,057</u>	<u>31,689</u>	<u>173,328</u>	<u>498,074</u>	<u>720,838</u>
Long-Term Liabilities (less current portions):					
Accrued vacation and sick	18,656	-	7,981	26,637	-
Accrued insurance claims	-	-	-	-	245,000
Estimated closure and post closure costs	11,936,594	-	-	11,936,594	-
Total Long-Term Liabilities	<u>11,955,250</u>	<u>-</u>	<u>7,981</u>	<u>11,963,231</u>	<u>245,000</u>
Total Liabilities	<u>12,248,307</u>	<u>31,689</u>	<u>181,309</u>	<u>12,461,305</u>	<u>965,838</u>
NET ASSETS:					
Investment in capital assets, net	3,427,123	-	2,113,887	5,541,010	-
Unrestricted	8,436,937	26,533,451	250,248	35,220,636	2,958,317
Total Net Assets	<u>\$ 11,864,060</u>	<u>\$ 26,533,451</u>	<u>\$ 2,364,135</u>	<u>\$ 40,761,646</u>	<u>\$ 2,958,317</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Funds
Operating Revenues:					
Intergovernment -					
Federal/State	\$ 76,233	\$ -	\$ -	\$ 76,233	\$ -
Charges for services	4,327,962	446,239	181,894	4,956,095	6,732,830
Interest	-	902,628	-	902,628	-
Rents	-	-	116,731	116,731	-
Other	25	-	7,539	7,564	1,829
Total Operating Revenues	<u>4,404,220</u>	<u>1,348,867</u>	<u>306,164</u>	<u>6,059,251</u>	<u>6,734,659</u>
Operating Expenses:					
Personal services	205,453	-	207,351	412,804	76,824
Supplies	51,347	177	124,256	175,780	5,000
Other services	4,054,693	845	82,800	4,138,338	6,601,226
Depreciation	369,829	-	542,383	912,212	-
Total Operating Expenses	<u>4,681,322</u>	<u>1,022</u>	<u>956,790</u>	<u>5,639,134</u>	<u>6,683,050</u>
Operating Income (Loss)	<u>(277,102)</u>	<u>1,347,845</u>	<u>(650,626)</u>	<u>420,117</u>	<u>51,609</u>
Non-Operating Revenues:					
Interest	20,983	531,593	-	552,576	-
Gain on sale of assets	-	-	84,134	84,134	-
Total Non-Operating Revenues	<u>20,983</u>	<u>531,593</u>	<u>84,134</u>	<u>636,710</u>	<u>-</u>
Net Income (Loss) Before Contributions	<u>(256,119)</u>	<u>1,879,438</u>	<u>(566,492)</u>	<u>1,056,827</u>	<u>51,609</u>
Capital Contributions	<u>-</u>	<u>-</u>	<u>60,498</u>	<u>60,498</u>	<u>-</u>
Net Income (Loss) Before Transfers	<u>(256,119)</u>	<u>1,879,438</u>	<u>(505,994)</u>	<u>1,117,325</u>	<u>51,609</u>
Operating Transfers In (Out):					
Operating transfers from other funds	-	-	65,523	65,523	-
Operating transfers to other funds	<u>(5,668)</u>	<u>-</u>	<u>-</u>	<u>(5,668)</u>	<u>-</u>
	<u>(5,668)</u>	<u>-</u>	<u>65,523</u>	<u>59,855</u>	<u>-</u>
Net Income (Loss)	<u>(261,787)</u>	<u>1,879,438</u>	<u>(440,471)</u>	<u>1,177,180</u>	<u>51,609</u>
Net Assets at beginning of year	12,001,847	24,654,013	(3,936,306)	32,719,554	2,906,708
Prior period adjustments	124,000	-	6,740,912	6,864,912	-
Net Assets at beginning of year as restated	<u>12,125,847</u>	<u>24,654,013</u>	<u>2,804,606</u>	<u>39,584,466</u>	<u>2,906,708</u>
Net Assets end of year	<u>\$ 11,864,060</u>	<u>\$ 26,533,451</u>	<u>\$ 2,364,135</u>	<u>\$ 40,761,646</u>	<u>\$ 2,958,317</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 3,791,343	\$ 1,422,891	\$ 297,865	\$ 5,512,099	\$ 163,818
Cash receipts from interfund services	-	-	-	-	6,538,324
Cash payments to suppliers	(1,678,598)	(52,906)	(230,052)	(1,961,556)	(5,834,486)
Cash payments to employees	(200,502)	-	(204,917)	(405,419)	(969,416)
Net Cash Provided (Used) by Operating Activities	<u>1,912,243</u>	<u>1,369,985</u>	<u>(137,104)</u>	<u>3,145,124</u>	<u>(101,760)</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from/to other funds	(5,668)	-	65,523	59,855	-
Cash Flows From Capital and Related Financing Activities:					
Gain on equipment disposal	-	-	84,334	84,334	-
Capital contributions	-	-	60,498	60,498	-
Acquisition and construction of capital assets	(1,214,255)	-	(80,695)	(1,294,950)	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,214,255)</u>	<u>-</u>	<u>64,137</u>	<u>(1,150,118)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest earned	20,983	531,593	-	552,576	-
Redemption (purchase) of Investment	-	(1,000,000)	-	(1,000,000)	-
Net Cash Provided by Investing Activities	<u>20,983</u>	<u>(468,407)</u>	<u>-</u>	<u>(447,424)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	713,303	901,578	(7,444)	1,607,437	(101,760)
Cash and Cash Equivalents at Beginning of Year	<u>18,804,798</u>	<u>20,592,842</u>	<u>216,840</u>	<u>39,614,480</u>	<u>3,494,373</u>
Cash and Cash Equivalents at End of Year	<u>\$ 19,518,101</u>	<u>\$ 21,494,420</u>	<u>\$ 209,396</u>	<u>\$ 41,221,917</u>	<u>\$ 3,392,613</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss) for the year	\$(277,102)	\$ 1,347,845	\$(650,626)	\$ 420,117	\$ 51,609
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	369,829	-	542,383	912,212	-
Estimated closure and post closure costs	2,568,471	-	-	2,568,471	-
Change in assets and liabilities:					
Receivable	(612,877)	74,024	(3,684)	(542,537)	(65,851)
Prepays and deposits	-	-	(7,656)	(7,656)	-
Inventory	-	-	(2,434)	(2,434)	-
Accounts payable/accrued expenses	(136,078)	(78,548)	28,763	(185,863)	(120,852)
Due to other governmental units	-	19,836	-	19,836	-
Due to other funds	-	-	(39,642)	(39,642)	-
Due to component units	-	-	407	407	-
Advances and deposits	-	6,828	(4,615)	2,213	33,334
Net Cash Provided (Used) By Operating Activities	<u>\$ 1,912,243</u>	<u>\$ 1,369,985</u>	<u>\$(137,104)</u>	<u>\$ 3,145,124</u>	<u>\$(101,760)</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2002**

	Pension and Other Employee Benefit Trust Funds	Landfill Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 5,947,040	\$ 1,488,195	\$ 9,008,688
Investments	146,117,504	-	1,105,608
Receivables	1,044,576	-	5,913,147
Due from other governmental units - State	88,369	-	-
Prepayments and deposits	<u>82,241</u>	<u>-</u>	<u>655</u>
 Total Assets	 <u>153,279,730</u>	 <u>1,488,195</u>	 <u>16,028,098</u>
 LIABILITIES:			
Accounts payable	99,028	-	-
Investment settlements and other	71,460	-	-
Due to individuals and agencies	-	-	11,991,313
Due to other governmental units -			
Federal/state	-	-	535,305
Local	-	-	228,226
Due to other funds	-	-	<u>3,273,254</u>
Total Liabilities	<u>170,488</u>	<u>-</u>	<u>16,028,098</u>
 NET ASSETS:			
Reserved for -			
Reserved for employees' pension benefits	153,109,242	-	
Landfill perpetual care	<u>-</u>	<u>1,488,195</u>	
 Total Net Assets	 <u>153,109,242</u>	 <u>1,488,195</u>	
 Total Liabilities and Fund Balances	 <u>\$ 153,279,730</u>	 <u>\$ 1,488,195</u>	

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Pension and Other Employee Benefit Trust Funds	Landfill Private-Purpose Trust Fund
	<u> </u>	<u> </u>
Additions:		
Contributions		
Member contributions	\$ 1,809,038	\$ -
Employer contributions	<u>4,631,627</u>	<u>-</u>
Total Contributions	<u>6,440,665</u>	<u>-</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	(24,396,203)	-
Interest/Dividends	5,551,432	20,714
Other	<u>26,409</u>	<u>-</u>
Net investment income	<u>(18,818,362)</u>	<u>20,714</u>
Total Additions	<u>(12,377,697)</u>	<u>20,714</u>
Deductions:		
Retirement payroll	5,010,698	-
Health insurance	2,746,713	-
Death benefits	52,800	-
Employee refunds	136,737	-
Administration	51,438	-
Professional fees	448,610	-
Miscellaneous	6,498	487
Total Deductions	<u>8,453,494</u>	<u>487</u>
Net Increase (Decrease)	(20,831,191)	20,227
Net assets held in trust for pension benefits		
Beginning of year	<u>173,940,433</u>	<u>1,467,968</u>
End of year	<u>\$ 153,109,242</u>	<u>\$ 1,488,195</u>

The accompanying notes are an integral part of these financial statements.

COMPONENT UNITS

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2002**

	<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Community Mental Health Authority</u>	<u>Drain Commissioner</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 4,848,861	\$ 1,267,933	\$ 6,768,571	\$ 530,122	\$ 13,415,487
Receivables	3,896,044	562,123	1,561,081	356,559	6,375,807
Due from primary government	407	-	-	-	407
Due from other component units	53,243	-	-	-	53,243
Advance to primary government	-	89,281	-	-	89,281
Inventories	980,756	-	-	-	980,756
Prepayments and deposits	226,867	-	188,103	-	414,970
Restricted Assets -					
Cash and cash equivalents	-	1,497,503	3,312,138	-	4,809,641
Receivables	-	43,232,662	-	-	43,232,662
Capital Assets (net of accumulated depreciation)					
Assets not being depreciated	1,252,362	864,060	20,000	1,329,668	3,466,090
Assets being depreciated	<u>71,596,727</u>	<u>15,730,341</u>	<u>818,381</u>	<u>5,307,375</u>	<u>93,452,824</u>
 Total Assets	 <u>82,855,267</u>	 <u>63,243,903</u>	 <u>12,668,274</u>	 <u>7,523,724</u>	 <u>166,291,168</u>
LIABILITIES					
Payables and current liabilities	1,035,890	393,087	2,698,432	291,790	4,419,199
Accrued interest	136,774	-	-	15,131	151,905
Due to other component units	-	43,788	-	9,455	53,243
Deferred revenue	-	-	2,573,555	-	2,573,555
Advances and deposits	947,155	198,414	-	-	1,145,569
Advance from primary government	-	-	-	50,000	50,000
Liabilities payable from restricted assets	-	382,356	1,036,727	-	1,419,083
Non-current liabilities					
Due within one year	623,000	2,485,000	-	783,700	3,891,700
Due in more than one year	<u>7,176,393</u>	<u>41,370,600</u>	<u>-</u>	<u>372,800</u>	<u>48,919,793</u>
 Total Liabilities	 <u>9,919,212</u>	 <u>44,873,245</u>	 <u>6,308,714</u>	 <u>1,522,876</u>	 <u>62,624,047</u>
NET ASSETS					
Investments in Capital Assets, net of related liabilities	65,474,089	16,594,401	838,381	5,480,543	88,387,414
Restricted for:					
Risk corridor financing	-	-	2,275,411	-	2,275,411
Equipment replacement	-	486,954	-	-	486,954
Unrestricted	<u>7,461,966</u>	<u>1,289,303</u>	<u>3,245,768</u>	<u>520,305</u>	<u>12,517,342</u>
 Total net assets	 <u>\$ 72,936,055</u>	 <u>\$ 18,370,658</u>	 <u>\$ 6,359,560</u>	 <u>\$ 6,000,848</u>	 <u>\$ 103,667,121</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2002**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contribution
Road Commission				
Governmental activities:				
Highways and streets	\$ 19,519,502	\$ 3,194,142	\$ 19,792,758	\$ -
Interest on Long Term Debt	345,483	-	-	-
Total Road Commission	<u>19,864,985</u>	<u>3,194,142</u>	<u>19,792,758</u>	<u>-</u>
Department of Public Works				
Governmental activities:				
Interest on Long Term Debt	<u>1,843,272</u>	<u>1,843,272</u>	<u>-</u>	<u>-</u>
Business Type Activities				
Water and Sewer	3,212,948	2,900,351	-	848,486
Public Safety	<u>74,399</u>	<u>50,416</u>	<u>-</u>	<u>-</u>
Total Proprietary activities	<u>3,287,347</u>	<u>2,950,767</u>	<u>-</u>	<u>848,486</u>
Total Department of Public Works	<u>5,130,619</u>	<u>4,794,039</u>	<u>-</u>	<u>848,486</u>
Community Mental Health Authority				
Governmental activities:				
Health and Welfare	<u>35,819,406</u>	<u>328,135</u>	<u>35,410,125</u>	<u>-</u>
Drain Commissioners				
Governmental activities:				
Public works	652,912	264,093	463,705	-
Interest on Long Term Debt	<u>34,199</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Drains	<u>687,111</u>	<u>264,093</u>	<u>463,705</u>	<u>-</u>
Total Component Units	<u>\$ 61,502,121</u>	<u>\$ 8,580,409</u>	<u>\$ 55,666,588</u>	<u>\$ 848,486</u>

General Revenues:
 Unrestricted investment income
 Gain on sale of capital assets
 Total general revenues and transfers

Change in net assets

Net assets at beginning of year as restated

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

Road Commission	Department of Public Works	Community Mental Health Authority	Drains	Total
\$ 3,467,398				\$ 3,467,398
(345,483)				(345,483)
<u>3,121,915</u>				
	-			-
	535,889			535,889
	(23,983)			(23,983)
	<u>511,906</u>			
	<u>511,906</u>			
		(81,146)		(81,146)
			74,886	74,886
			(34,199)	(34,199)
			<u>40,687</u>	
				<u>3,593,362</u>
116,747	18,303	207,602	21,365	364,017
128,780	-	-	-	128,780
<u>245,527</u>	<u>18,303</u>	<u>207,602</u>	<u>21,365</u>	<u>492,797</u>
3,367,442	530,209	126,456	62,052	4,086,159
<u>69,568,613</u>	<u>17,840,449</u>	<u>6,233,104</u>	<u>5,938,796</u>	<u>99,580,962</u>
<u>\$ 72,936,055</u>	<u>\$ 18,370,658</u>	<u>\$ 6,359,560</u>	<u>\$ 6,000,848</u>	<u>\$ 103,667,121</u>

NOTES TO THE BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

The County of St. Clair, Michigan, was organized on March 28, 1820, and covers an area of approximately 700 square miles, with the County seat located in the City of Port Huron, Michigan. The County operates under an elected Board of Commissioners (7 members) and provides services to its approximately 165,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

BLENDED COMPONENT UNIT -

ST. CLAIR COUNTY BUILDING AUTHORITY - was formed for the purpose of constructing and financing the Library and Public Service Buildings and any additional facilities which requires financing. The main function of the Authority at the present time is to pay off the building bonds. The three member Board is appointed by the Board of Commissioners, and the County is fiscally responsible for the Authority. As a result, the Authority has been included as a blended component unit.

DISCRETELY PRESENTED COMPONENT UNITS –

ST. CLAIR COUNTY ROAD COMMISSION - The St. Clair County Road Commission maintains local, state and federal trunklines within St. Clair County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance and contributions from other local governmental units within the County. The Road Commission operates under a Board which consists of three commissioners who are appointed by the County Commissioners. The Road Commission is financially accountable to the County for the following reasons; the County is secondarily obligated to provide repayment of a material loans through the State of Michigan, and all general long-term debt issuance, excluding capital lease purchase agreements, requires County authorization.

ST. CLAIR COUNTY DEPARTMENT OF PUBLIC WORKS - The Department of Public Works has the responsibility of administering the various Public Works Project Construction and Debt Service Funds under the provision of Act 185, Public Acts of 1957, as amended, as well as the DPW Revolving, Utility Operations and Maintenance Receiving and Wastewater Treatment Funds. The DPW operates under a Board which consist of three commissioners, who are appointed by the County Commissioners. The County Commissioners must authorize and approve any long-term debt issued by the DPW and are secondarily responsible for all operations and obligations.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

DRAINAGE DISTRICT - The St. Clair County Drain Commissioner is solely responsible for the administration of the drainage districts established pursuant to Act 40, P.A. 1956, as amended, of the Michigan Drain Code. The statutory Inter-County Drainage Boards consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district upon authorization of the County Board of Commissioners.

ST. CLAIR COUNTY COMMUNITY MENTAL HEALTH AUTHORITY - On January 1, 2000 the St. Clair County Community Mental Health Services Board adopted Authority status under Public Act 290 of the Public Acts of 1995. The County Board of Commissioners appoints the 12 member board, can remove the appointed members at will, can dissolve the Authority and provides annual appropriations to the Authority.

COMPONENT UNIT FINANCIAL STATEMENTS - Complete financial statements of the St. Clair County Road Commission, St. Clair County Department of Public Works and the St. Clair County Community Mental Health Authority are audited separately and may be obtained from the administration offices at the following location:

St. Clair County Road Commission
21 Airport Drive
St. Clair, MI 48079

St. Clair County Department of Public Works
21 Airport Drive
St. Clair, MI 48079

St. Clair County Community Mental Health Authority
1011 Military Street
Port Huron, MI 48060

The funds associated with the activities of the drainage districts administered by the St. Clair County Drain Commissioner are included within the scope of the audit of the general purpose financial statements. Separate audited financial statements for this component unit was not issued.

FISCAL YEAR ENDS – All of the County Funds and Component Units operate and are reported on a December 31 year end with the exception of the St. Clair County Community Mental Health Authority which operates and is reported as of September 30.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from 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 of fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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 account, 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. 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 they are due (2001 levy in 2002). 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 collected 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 90 days of the end of the current fiscal period. 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.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on December 1, and due on February 28, are recognized as revenue in the year due. Also 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 County reports the following major governmental funds:

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

Health Department Fund – is used to account for the operations of providing health protection and health services. Financing is provided by state and federal grants, charges for services and general fund appropriations.

The County reports the following major proprietary funds:

Solid Waste Disposal System – is used to account for the operations of the County-owned landfill which provides a disposal area for County commercial and residential refuse.

Delinquent Tax Revolving Fund – is used to account for the payment to each local unit of government within the County of the delinquent real property taxes outstanding as of March 1, of each year. The fund is also used to account for the collection of those delinquent taxes along with penalties and interest.

Additionally, the government reports the following fund types:

Internal Service Fund – is used to account for the charges for services from funds and departments for self-funded disability, unemployment, workers compensation and health care, and to account for the payment of related insurance claims and expenses.

Pension Trust and Other Employee Trust Funds – are used to account or activity of the Employees Retirement System which accumulates resources for pension and health benefits payments for qualified employees.

Private Purpose Trust Fund (Landfill Perpetual Care) – is used to account for the accumulation of statutory fees and interest earnings to be used by the State of Michigan to safely maintain the landfill after the closure.

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 this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses from Enterprise and Internal Service Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are value at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statues authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables –

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property the receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

All inventories are valued at cost using the first in/first out (FIFO) method, except for the Road Commission (component unit) inventory that are stated at average cost. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Property Tax Calendar –

The County's property tax is levied each December 1 on the taxable value of property located in the County as of the preceding December 31 by the various municipalities within the County. Taxes are collected by the various municipalities within the County through the last day of February and remitted to the County throughout the collective period.

The property taxes levied in 2001 are recognized as revenue in 2002. The property taxes levied December 1, 2002 are budgeted as revenue in the subsequent year, therefore have been accrued as current taxes receivable, with the appropriate deferral.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the St. Clair County Mental Health Authority which capitalize assets with an individual cost of \$1,000 or more and the St. Clair County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum costs. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives, with the exception for certain landfill assets which are depreciated based on the usage method:

	Years				
	Primary Government	Road Commission	Mental Health	Department of Public Works	Drains
Building/improvements	20-45	40	40	-	-
Drain System	-	-	-	-	50
Road Systems/Other Information	-	5-50	-	-	-
Utility System	-	-	-	50-60	-
Equipment	5-15	5-8	5-20	5-10	-

Compensated Absences –

In accordance with contracts negotiated with the 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 the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, is significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during he current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity –

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in specific Special Revenue Funds or as part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to August 31, 2003, under separate cover as supplementary information to the Annual Financial Statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America and are not significantly different from the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements.

- 1) Prior to Nov. 1, County departments, in conjunction with the Controller's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioner's resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.
- 6) After the budgets are adopted, the Administrator/Controller's Office is authorized to transfer budget amounts between accounts. Any revisions that exceed the total activities or functions as applicable, must be approved by the Board of Commissioners.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

- 7) The County does not employ encumbrance accounting as an expansion of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year end.
- 8) Budgeted amounts are reported as originally adopted, or as amended by the Board of Commissioners during the year.

Similar procedures are followed in the case of the Component Units included in the Reporting Entity of St. Clair County, except that the respective Administrator/Director of each performs the function described above rather than the County Administrator. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements; however, a summary of expenditures in excess of appropriations for the Component Units budgetary funds is included below.

Excess of Expenditures Over Appropriations –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
PRIMARY GOVERNMENT -			
General Fund -			
Judicial –			
Courthouse Security	\$ 351,007	\$ 351,611	\$ 604
Probation	11,400	13,685	2,285
Probation Resident Services	659,190	711,349	52,159
Government –			
Administrator/Controller	411,148	411,549	401
Clerk	682,326	682,595	269
Register of Deeds	250,475	251,583	1,108
Cooperative Extensive	398,741	434,619	35,878
Motor Pool	11,675	11,974	299
Federal Nutrition Program	-	20	20
Public Safety –			
Marine Law Enforcement	319,496	323,796	4,300
Dive Team	12,944	16,422	3,478
Other Corrections Activities	96,250	104,643	8,393
Emergency Services	209,962	247,308	37,346
Hazardous Material Handling	25,700	27,084	1,384
Criminal Justice Training Grant	15,000	15,211	211
Inmate Billing	90,100	92,941	2,841
COPS Technology Grant	11,220	12,639	1,419
Public Works –			
Drains	100,000	468,960	368,960
Capital Outlay	1,659,129	1,660,924	1,795
Debt Service	105,942	105,983	41
Transfers Out	15,481,396	15,527,396	46,000

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Special Revenue Funds –			
Friend of Court –			
Judicial	459,103	489,965	30,862
Public Improvements –			
Public Safety	40,500	46,974	6,474
Drug Task Force –			
Public Safety	938,073	1,322,834	384,761
Parks and Recreation –			
Recreation and Cultural	1,201,000	1,335,484	134,484
Family Independence Agency –			
Transfers to Other Funds	-	903,838	903,838

Component Units -

The Component Units adopt budgets at the following levels: the St. Clair County Road Commission adopts its budget at the activity level; the Department of Public Works, Debt Service Funds, and the Drain Debt Service Funds at the account level; St. Clair County Community Mental Health Authority at the total expenditure level. During the year ended December 31, 2002, the Component Units incurred expenditures in excess of the amounts appropriated as follows:

<u>Fund Type/Function/Activity</u>	<u>Total Appropriations</u>	<u>Amount Expended</u>	<u>Budget Variance</u>
Road Commission -			
Current -			
Local maintenance	\$ 4,982,542	\$ 5,176,623	\$ 194,081
State maintenance	2,716,143	3,259,514	543,371
Other	1,860,000	1,941,790	81,790
Debt service	911,671	912,371	700
Community Mental Health Authority	35,539,206	35,553,101	13,895

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

Investments are carried at cost or fair value as explained in Note 1, and are deposited in the name of the St. Clair County Treasurer. Act 217 PA 1982 as amended authorizes the County to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grades by not less than one standard rating service, mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, certificates of deposit, savings accounts, or deposit accounts of a financial institution; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying Amount -

At year end, the carrying amount of the County Reporting Entity's deposits and investments is \$252,994,209 as follows:

	Primary Government	Component Units	Fiduciary Unit	Reporting Entity
Cash on Hand -				
Petty cash and cash on hand	\$ 14,176	\$ 3,125	\$ -	\$ 17,301
Deposits with Financial Institutions -				
Checking/Money Market	64,666,814	25,895	8,107,431	72,800,140
Savings/Certificates of Deposit				
Total Deposits	<u>6,278,050</u>	<u>7,329,825</u>	<u>81,809</u>	<u>13,689,684</u>
	<u>70,959,040</u>	<u>7,358,845</u>	<u>8,189,240</u>	<u>86,507,125</u>
Investments -				
Investment Trust Funds	143,006	10,866,283	8,254,683	19,263,972
U.S. Government Securities	-	-	45,945,341	45,945,341
Corporate Bonds	-	-	22,342,288	22,342,288
Stocks	-	-	77,829,875	77,829,875
Investments Held by Broker	-	-	1,105,608	1,105,608
Total Investments	<u>143,006</u>	<u>10,866,285</u>	<u>155,477,795</u>	<u>166,487,086</u>
Grand Total	<u>\$ 71,102,046</u>	<u>\$18,225,128</u>	<u>\$163,667,035</u>	<u>\$252,994,209</u>

Reconciliation To Combined Balance Sheet

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	\$ 17,301
Cash in Checking/Money Market	72,800,140
Cash in Savings	81,809
Certificates of Deposit	12,079,825
Investment Trust Funds	<u>19,263,972</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>104,243,047</u>

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Reported as Investments -	
Certificates of Deposits	\$ 1,528,050
U.S. Government Securities	45,945,341
Corporate Bonds	22,342,288
Stocks	77,829,875
Investments Held by Broker-Dealer	<u>1,105,608</u>
Total Investments Reported on Combined Balance Sheet	<u>148,751,162</u>
 Grand Total - Combined Balance Sheet	 <u>\$252,994,209</u>

Deposits with Financial Institutions -

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

An element of the County cash structure is the common account which is utilized by most of the funds and component units within the reporting entity. The common account consists of checking accounts and an investment trust fund. The investment trust portion of \$1,849,379 in the common account is reported in the investment category of this note. The carrying amounts of the common checking accounts at December 31, 2002, are summarized as follows:

Primary Government/Fiduciary Unit	\$ 4,369,250
Component Units -	
Department of Public Works	<u>17,892</u>
	<u>\$ 4,387,142</u>

The bank balance at December 31, 2002, is \$2,749,986. Segregation of the bank balance between the primary government and component units was not practical. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

The following summary of the deposits for the primary government and each component unit at December 31, 2002, are exclusive of petty cash, cash on hand and the common account:

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Uninsured/ Uncollateralized</u>
Primary Government/Fiduciary	<u>\$74,764,854</u>	<u>\$ 75,462,790</u>	<u>\$ 555,771</u>	<u>\$74,907,019</u>
Component Units -				
Road Commission	8,003	88,521	88,521	-
Department of Public Works	-	-	-	-
Community Mental Health Authority	<u>7,329,825</u>	<u>7,329,825</u>	<u>100,000</u>	<u>7,229,825</u>
Total Component Units	<u>7,337,828</u>	<u>7,418,346</u>	<u>188,521</u>	<u>7,229,825</u>
Total Reporting Entity	<u>\$82,102,682</u>	<u>\$82,881,136</u>	<u>\$ 744,292</u>	<u>\$82,136,844</u>

The County believes that due to the dollar amounts of cash deposits and the limits of FDIC Insurance, it is impractical to insure all bank deposits. As a result the County evaluates each financial institution and assesses the level of risk. The County uses only those financial institutions with an acceptable estimated risk level as depositories.

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

Investments -

County investments can be classified into three categories to give an indication of the level of risk assumed by the County. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent but not in the County's name.

An exception to this classification requirement is investments in an investment pool that are not evidenced by securities that exist in physical or book entry form. The Primary Government/Fiduciary Funds and Component Units held investments in various investment pools that are of this type and complied with legal authority and amounted to \$8,397,689 and \$10,866,283, respectively.

As of December 31, 2002, the investments of the primary government and each component unit are susceptible to the following risk categories as summarized in the following table:

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

	Categories			Carrying/Fair Value
	1	2	3	
<u>Fiduciary Unit</u>				
U.S. Government securities (at cost net of unamortized premiums and discounts)	\$ 45,945,341	\$ -	\$ -	\$ 45,945,341
Corporate Bonds (at cost net of unamortized discounts)	-	-	22,342,288	22,342,288
Stocks (at cost)	-	-	77,829,875	77,829,875
Total Pension Fund Investments	<u>\$ 45,945,341</u>	<u>\$ -</u>	<u>\$100,172,163</u>	146,117,504
Invested Court Appointed Trust				<u>1,105,608</u>
Total Fiduciary Unit				<u>147,223,112</u>
<u>Primary Government</u>				
Investment Trusts				<u>143,006</u>
Total Primary Government				<u>143,006</u>
<u>Component Units</u>				
Road Commission - Investment Trust				4,840,609
Drain Commission - Investment Trust				1,916,573
Department of Public Works Investment Trust				2,747,519
Community Mental Health Investment Trust				<u>2,748,034</u>
Total Component Units				<u>12,252,735</u>
Total Reporting Entity				<u>\$158,232,403</u>

The Invested Court Appointed Trust represents stocks, bonds, certificate of deposit and other negotiable assets directed by the Court to be held by the County Treasurer in the beneficiary's name and released to the beneficiary when directed by the Court. These assets are uninsured and unregistered investments held by the Treasurer.

NOTE 4 – RECEIVABLES:

Receivables in the governmental and business type activities are as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property Taxes	\$ 33,495,720	\$ 4,057,257
Interest and accounts	1,877,420	1,138,634
Intergovernmental – Federal/State	4,763,068	-
Local	<u>160,980</u>	<u>48,370</u>
	40,297,188	5,244,261
Less – allowance for uncollectible	<u>(200,000)</u>	<u>-</u>
	<u>\$ 40,097,188</u>	<u>\$ 5,244,261</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 4 – RECEIVABLES – (cont'd):

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>
General Fund –		
Property taxes	\$ 26,992,132	\$ -
Penal fines	6,500	-
Notes receivable	<u>166,567</u>	-
	<u>27,165,199</u>	-
Health Department –		
Grants	484,710	-
Grant/fees received prior to meeting all eligibility requirements	<u>-</u>	<u>94,864</u>
	<u>484,710</u>	<u>94,864</u>
Non-Major Governmental Funds –		
Property taxes	8,991,757	-
Penal fines	389,944	-
Grant/fees received prior to meeting all eligibility requirements	-	46,906
Revolving loan	<u>1,057,370</u>	-
	<u>10,439,081</u>	<u>46,906</u>
Total deferred/unearned receivables to governmental funds	<u>\$ 38,088,990</u>	<u>\$ 141,770</u>

NOTE 5 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2002 was as follows:

	Adjusted			
	January 1, 2002			December 31, 2002
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,887,583	\$ -	\$ -	\$ 1,887,583
Construction in progress	<u>5,872,640</u>	<u>2,849,728</u>	<u>5,512,119</u>	<u>3,210,249</u>
Total capital assets, not being depreciated	<u>7,760,223</u>	<u>2,849,728</u>	<u>5,512,119</u>	<u>5,097,832</u>
Capital assets, being depreciated:				
Buildings	31,794,169	6,850,577	-	38,644,746
Improvement other than buildings	1,599,964	471,283	-	2,071,247
Machinery and equipment	6,008,365	1,276,538	307,610	6,977,293
Books	<u>13,273,191</u>	<u>431,860</u>	<u>924,448</u>	<u>12,780,603</u>
Total capital assets being depreciated	<u>52,675,689</u>	<u>9,030,258</u>	<u>1,232,058</u>	<u>60,473,889</u>

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 5 – CAPITAL ASSETS – (cont'd):

	Adjusted January 1, 2002			December 31, 2002
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Less accumulated depreciation for:				
Buildings	\$ 9,456,458	\$ 725,578	\$ -	\$10,182,036
Improvements other than buildings	905,182	63,001	-	968,183
Machinery and equipment	3,549,377	792,054	222,823	4,118,608
Books	<u>8,958,033</u>	<u>790,131</u>	<u>924,448</u>	<u>8,823,716</u>
Total accumulated depreciation	<u>22,869,050</u>	<u>2,370,764</u>	<u>1,147,271</u>	<u>24,092,543</u>
Total capital assets being depreciated, net	<u>29,806,639</u>	<u>6,659,494</u>	<u>84,787</u>	<u>36,381,346</u>
Governmental activities capital assets, net	<u>\$ 37,566,862</u>	<u>\$ 9,509,222</u>	<u>\$ 5,596,906</u>	<u>\$41,479,178</u>
Business Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,077,858	\$ -	\$ -	\$ 1,077,858
Construction in progress	<u>1,551,762</u>	<u>229,777</u>	<u>720,812</u>	<u>1,060,727</u>
Total capital assets, not being depreciated	<u>2,629,620</u>	<u>229,777</u>	<u>720,812</u>	<u>2,138,585</u>
Capital assets, being depreciated:				
Buildings	481,830	-	-	481,830
Improvement other than buildings	11,967,572	1,743,126	-	13,710,698
Machinery and equipment	<u>391,269</u>	<u>42,860</u>	<u>-</u>	<u>434,129</u>
Total capital assets being depreciated	<u>12,840,671</u>	<u>1,785,986</u>	<u>-</u>	<u>14,626,657</u>
Less accumulated depreciation for:				
Buildings	222,562	15,951	-	238,513
Improvements other than buildings	9,825,595	842,762	-	10,668,357
Machinery and equipment	<u>263,863</u>	<u>53,499</u>	<u>-</u>	<u>317,362</u>
Total accumulated depreciation	<u>10,312,020</u>	<u>912,212</u>	<u>-</u>	<u>11,224,232</u>
Total capital assets being depreciated, net	<u>2,528,563</u>	<u>873,818</u>	<u>-</u>	<u>3,402,425</u>
Business activities capital assets, net	<u>\$ 5,158,271</u>	<u>\$ 1,103,551</u>	<u>\$ (720,812)</u>	<u>\$ 5,541,010</u>

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

Governmental activities:	
Judicial	\$ 55,985
General government	937,021
Public Safety	340,460
Health and Welfare	64,125
Recreation and Cultural	<u>973,173</u>
Total depreciation expense-governmental activities	<u>\$2,370,764</u>
Business-type activities:	
Solid waste disposal system	\$ 369,829
Airport Commission	<u>542,383</u>
Total depreciation expense-business-type activities	<u>\$ 912,212</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 5 – CAPITAL ASSETS – (cont'd):

Construction Commitments

The County is in the process of designing and constructing a new Jail/Juvenile facility. In conjunction, as of December 31, 2002 the County has committed to the contracts for design of the new facility and had spent to date \$1,990,672 with \$1,355,328 remaining on the contracts.

Discretely Presented Component Units

Drain Commissioner. Activity for the Drain Commissioner for the year ended December 31, 2002, was as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Capital assets, not being depreciated:				
Construction in progress	\$ 680,944	\$ 648,724	\$ -	\$ 1,329,668
Capital assets, being depreciated:				
Infrastructure	8,466,110	412,201	-	8,878,311
Less accumulated depreciation for:				
Infrastructure	3,450,933	120,003	-	3,570,936
Total capital assets being depreciated, net	5,015,177	292,198	-	5,307,375
Drain Commissioner capital assets, net	<u>\$ 5,696,121</u>	<u>\$ 940,922</u>	<u>\$ -</u>	<u>\$ 6,637,043</u>

Depreciation expense for 2002 was \$120,003.

Road Commission. Activity for the Road Commission for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Capital Assets, not being depreciated:				
Land	\$ 80,829	\$ -	\$ -	\$ 80,829
Right of Ways	1,171,533	-	-	1,171,533
Total Capital Assets, not being depreciated	<u>1,252,362</u>	<u>-</u>	<u>-</u>	<u>1,252,362</u>
Capital Assets, being depreciated:				
Buildings and improvements	4,234,126	16,959	-	4,251,085
Road Equipment	8,542,355	1,257,142	564,606	9,234,891
Shop Equipment	659,738	16,709	21,549	654,898
Office Equipment	639,586	45,964	-	685,550
Engineering equipment	249,987	6,388	327	256,048
Infrastructure –				
Roads	85,776,076	9,253,270	-	95,029,346
Bridges	24,265,422	144,903	63,721	24,346,604
Traffic signals	456,000	-	-	456,000
Depletable assets –				
Gravel pits	163,455	-	-	163,455
	<u>124,986,745</u>	<u>10,741,335</u>	<u>650,203</u>	<u>135,077,877</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 5 – CAPITAL ASSETS – (cont'd):

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Less – accumulated depreciation for:				
Buildings and improvements	\$ 1,687,656	\$ 82,435	\$ -	\$ 1,770,091
Road Equipment	6,484,583	908,734	564,068	6,829,249
Shop Equipment	549,233	21,211	21,549	548,895
Office Equipment	467,741	40,388	-	508,129
Engineering Equipment	168,868	15,563	180	184,251
Infrastructure –				
Roads	39,780,618	3,959,953	-	43,740,571
Bridges	9,046,363	499,697	63,721	9,482,339
Traffic signals	360,383	10,900	-	371,283
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>58,591,787</u>	<u>5,538,881</u>	<u>649,518</u>	<u>63,481,150</u>
 Total Capital Assets, being depreciated, net	 <u>66,394,958</u>	 <u>5,202,454</u>	 <u>685</u>	 <u>71,596,727</u>
 Governmental activity capital assets, net	 <u>\$ 67,647,320</u>	 <u>\$ 5,202,454</u>	 <u>\$ 685</u>	 <u>\$72,849,089</u>

Depreciation expense for 2002 was \$5,538,881.

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2002 was as follows:

	Balance January 1, 2002	Additions	Deletions	Balance December 31, 2002
Business type activities:				
Capital Assets, not being depreciated:				
Land	\$ 817,008	\$ 47,052	\$ -	\$ 864,060
Capital assets being depreciated:				
Plant	6,907,824	798,775	-	7,706,599
Utility system	18,614,057	-	-	18,614,057
Machinery and equipment	<u>837,950</u>	<u>168,803</u>	<u>-</u>	<u>1,006,753</u>
	<u>26,359,831</u>	<u>967,578</u>	<u>-</u>	<u>27,327,409</u>
Less – accumulated depreciation for:				
Plant	3,101,662	138,555	-	3,240,217
Utility system	7,506,719	310,234	-	7,816,953
Machinery and equipment	<u>489,752</u>	<u>50,146</u>	<u>-</u>	<u>539,898</u>
	<u>11,098,133</u>	<u>498,935</u>	<u>-</u>	<u>11,597,068</u>
Total Capital Assets, being depreciated, net	 <u>15,261,698</u>	 <u>468,643</u>	 <u>-</u>	 <u>15,730,341</u>
 Business type activities capital assets, net	 <u>\$ 16,078,706</u>	 <u>\$ 515,695</u>	 <u>\$ -</u>	 <u>\$16,594,401</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 5 – CAPITAL ASSETS – (cont'd):

Depreciation expense was charged to function/programs as follows:

Business type activities –
Water and Sewer \$ 498,935

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended December 31, 2002 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Capital assets being depreciated –				
Building	141,914	-	-	141,914
Leasehold improvements	229,817	-	-	229,817
Equipment	<u>2,144,002</u>	<u>162,384</u>	<u>475,022</u>	<u>1,831,364</u>
	<u>2,515,733</u>	<u>162,384</u>	<u>475,022</u>	<u>2,203,095</u>
Less accumulated depreciation for –				
Building	7,710	6,758	-	14,468
Leasehold improvements	145,043	9,722	-	154,765
Equipment	<u>1,284,563</u>	<u>312,703</u>	<u>381,785</u>	<u>1,215,481</u>
	<u>1,437,316</u>	<u>329,183</u>	<u>381,785</u>	<u>1,384,714</u>
Net capital assets being depreciated	<u>1,078,417</u>	<u>(166,799)</u>	<u>93,237</u>	<u>818,381</u>
Total capital assets net of depreciated	<u>\$ 1,098,417</u>	<u>\$(166,799)</u>	<u>\$ 93,237</u>	<u>\$ 838,381</u>

Depreciation expense for 2002 was \$329,183.

NOTE 6 – PAYABLES:

Payables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable/accrued liabilities	\$ 2,777,676	\$ 338,636
Wages and fringe benefits	937,523	9,945
Intergovernmental – Federal/State	<u>30,075</u>	<u>33,087</u>
	<u>\$ 3,745,274</u>	<u>\$ 381,668</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 7 – INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2002:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust & Agency	\$ 1,912,142
	Penal	6,500
Health Department	Substance Abuse	27,426
Nonmajor governmental funds -		
Library	Trust & Agency	175,121
	Penal Fines	389,944
Parks and Recreation	Trust & Agency	173,568
Drug Task Force	Trust & Agency	98,098
Senior Citizens	Trust & Agency	175,121
E-911	Trust & Agency	<u>342,760</u>
		3,300,680
Nonmajor business funds -		
Sheriff's Concession	General Fund	<u>10,384</u>
Total		<u>\$ 3,311,064</u>

Due To/From Primary Government & Component Units -

<u>Receiving Entity</u>		
Component Unit – Road Commission	Component Unit – DPW	\$ 43,788
	Component Unit –	
	Drain Commission	<u>9,455</u>
		53,243
	Primary Government –	
	Airport	<u>407</u>
Total		<u>\$ 53,650</u>

In addition, the General Fund owed the St. Clair County Community Mental Health Authority \$31,675 at December 31, 2002, however because the Authority is reported on a September 30 year end there is no offsetting receivable

Advances From/To Primary Government & Component Unit –

<u>Receiving Entity</u>		
Primary Government – General Fund	Component Unit - Drains	<u>\$ 50,000</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 7 – INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS – (cont'd):

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Health Department	\$ 2,705,718(1)
	Family Independence Agency	903,838(1)
	Child Care	2,178,913(1)
	Solid Waste Disposal System	5,668
	Drug Task Force	167,211
	E-911 Landlines	372,584
Health Department	General Fund	2,412,038(1)
Nonmajor Governmental Funds –		
Parks and Recreation	General	116,800
CDBG Housing	General	10,000
Family Independence Agency	General	702,750
Veterans	General	71,605
Building Authority	General	780,025
Public Improvement	General	4,151,000(1)
Library Fund	General	378,021
Planning Commission	General	487,624
Municipal Building	Jail/Juvenile Construction	680,597
	General	125,000
	Friend of Court	25,597
	Public Improvement	550,000
Jail Construction	Public Improvement	350,000
Child Care	General	2,226,510
Jail Construction Debt	General	4,000,000(2)
Building Authority Construction	General	<u>500</u>
		23,401,999
Nonmajor Business Funds –		
Airport	General	<u>65,523</u>
		<u>\$23,467,522</u>

(1) Nonrecurring transfers – transfers of fund equity.

(2) Nonrecurring transfers – prefunding of debt.

NOTE 8 – LEASES:

Primary Government

Lessor Leases - The County has entered into an operating lease agreement with the State of Michigan to lease approximately 49.3% (33,694 square feet) of the County Administration Building. The agreement calls for annual rent payments of \$529,507 per year including \$5 per related square feet for operating costs to be adjusted based on actual operating cost after the end of each year. The original lease is for 25 years ending July 31, 2022 with an option to rent for an additional five years. However the lease may be cancelled by the State for various reasons with at least 90 days notice. The noncancellable portion of the lease was \$132,277.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 8 – LEASES – (cont'd):

Discretely Presented Component Units –

The Community Mental Health Authority, a component unit, has entered into certain operating leasing agreements for facilities. At September 30, 2002, the minimum future rental on non-cancellable leases for facilities is as follows: (a number of these leases contain provisions whereby if various funding sources are not available they are cancellable.) The following lease commitment assumes that the funding sources will be available.

Fiscal Year Ending		
<u>September 30.</u>		
2003	\$	73,986
2004		<u>32,011</u>
	\$	<u>105,997</u>

The total of rent expenditures for the fiscal year ended September 30, 2002, is \$817,645.

Department of Public Works

The County has entered into a number of lease agreements with various municipalities within the County. Under the agreements the County issued bonds that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the County the amount necessary to pay the principal, interest and paying agent fees as they come due. Upon final payment of the respective bond issue, ownership of the system will revert to the respective municipality. (See Note 9).

The future minimum lease payments to be received are as follows:

	<u>Principal</u>	<u>Interest</u>
2003	\$ 2,485,000	\$ 1,754,017
2004	2,625,000	1,650,514
2005	2,560,000	1,544,329
2006	2,455,000	1,443,107
2007	2,575,000	1,344,720
2008-2012	14,130,000	5,073,373
2013-2017	12,515,000	2,242,971
2018-2020	<u>4,510,600</u>	<u>260,545</u>
	<u>\$ 43,855,600</u>	<u>\$15,313,576</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 8 – LEASES – (cont'd):

The aggregate future capital lease payments necessary for the retirement of the debt principal and accrued interest payable at December 31, 2002 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 43,855,600
Accrued interest	<u>315,497</u>
	44,171,097
Less cash available after current liabilities	<u>963,435</u>
	<u>\$ 43,207,662</u>

NOTE 9 - LONG-TERM DEBT:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term debt (including current portions) of the Primary Government for the year ended December 31, 2002:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Fund -					
Building Authority Bonds	\$ 10,600,000	\$ -	\$ 200,000	\$ 10,400,000	\$ 300,000
General Obligation Tax Loans	-	3,000,000	-	3,000,000	3,000,000
Installment Loan Agreements	289,040	-	163,040	126,000	63,000
Accumulated Vacation, Sick & Compensatory	<u>3,330,197</u>	<u>178,068</u>	<u>-</u>	<u>3,508,265</u>	<u>-</u>
Total Governmental Funds	<u>14,219,237</u>	<u>3,178,068</u>	<u>363,040</u>	<u>17,034,265</u>	<u>3,363,000</u>
Internal Service Fund -					
Workers Compensation Claims Liability	230,000	65,137	120,137	175,000	90,000
General, Auto and Property Insurance Claims Liability	<u>100,500</u>	<u>20,582</u>	<u>51,082</u>	<u>70,000</u>	<u>63,000</u>
Total Internal Service Fund	<u>330,500</u>	<u>85,719</u>	<u>171,219</u>	<u>245,000</u>	<u>153,000</u>
Total Governmental Activities	<u>14,549,737</u>	<u>3,263,787</u>	<u>534,259</u>	<u>17,279,265</u>	<u>3,516,000</u>
<u>Enterprise Funds:</u>					
Solid Waste Disposal System -					
Closure and Post-closure Costs	9,368,123	2,568,471	-	11,936,594	-
Accumulated Vacation, Sick & Compensatory	14,293	4,363	-	18,656	-
Airport Commission - Accumulated Vacation, Sick & Compensatory	<u>6,900</u>	<u>1,081</u>	<u>-</u>	<u>7,981</u>	<u>-</u>
Total Enterprise Funds	<u>9,389,316</u>	<u>2,573,915</u>	<u>-</u>	<u>11,963,231</u>	<u>-</u>
Total Primary Government	<u>\$23,939,053</u>	<u>\$ 5,837,702</u>	<u>\$ 534,259</u>	<u>\$29,242,496</u>	<u>\$3,516,000</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

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

Building Authority Bonds -

In connection with the construction of the County Administrative Building, the St. Clair County Building Authority issued \$11,000,000 general obligation limited tax bonds and entered into a lease agreement with the County to be paid from the County General Fund. The bonds, dated October 1, 1996, are due in annual installments increasing from \$200,000 to \$800,000 through April 1, 2021; interest rate ranging from 5.25 to 7.0 percent, payable semi-annually

\$10,400,000

General Obligation Tax Note -

The County issued \$3,000,000 of General Obligation Limited Tax Notes, pursuant to Act 34, Public Act of Michigan. The notes are to pay the cost of professional design, engineering services and preliminary site preparation for the jail and juvenile facility. The notes are due on September 1, 2003 with interest of 3.750% and will be repaid from the proceeds for the \$34,000,000 Jail Bonds (See Note 18)

\$ 3,000,000

Installment Loan Agreements -

St. Clair County has entered into the following installment purchase contracts:

On April 4, 1994, a note in the amount of \$530,364 for the purchase and installation of an air handling control system. The agreements calls for payments of \$53,000 through April 1, 2004, plus interest of 5.4%

\$ 106,000

On April 4, 1994, a note in the amount of \$99,260 for the purchase and installation of a Rotary Screw Compressor. The agreement calls for payments of \$10,000 through April 1, 2004, plus interest of 5.4%

20,000

\$ 126,000

Accrued Insurance Claims -

The County has estimated the accrued claims for general and auto liability, motor vehicle physical damage and property, including estimates for claims incurred but not reported (IBNR), at December 31, 2002. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$63,000.

\$ 70,000

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

Accrued Worker's Compensation Claims -

The County has estimated accrued outstanding workers' compensation insurance claims, including an estimate for claims incurred but not reported (IBNR), at December 31, 2002. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$90,000.

\$ 175,000

Accrued Vacation, Sick and Compensatory -

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation, sick and compensatory leave under formulas and conditions specified in the contracts. The Enterprise Fund portion of \$26,637 has been recorded as a long-term liability of the respective fund. The governmental fund portion of \$3,508,265, as well as the enterprise fund portion, has been recorded in the government-wide under financial statements as a long-term liability.

Post-Closure Care Landfill Costs - In accordance with the Governmental Accounting Standards Board (GASB) Statement 18, the post-closure care landfill liability at December 31, 2002, as reported in the Enterprise Funds (Landfill Fund), amounts to \$11,936,594. See Note 17 for more details regarding this matter.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2002, for the following bonds and notes (excluding accrued vacation, sick and compensatory, accrued insurance claims, and closure and post-closure costs) of the Primary Government is as follows:

Year Ending December 31,	Governmental Activities				G.O. Limited Tax Notes	
	Authority Bonds		Installment Loan		Principal	Interest
	Principal	Interest	Principal	Interest		
2003	\$ 300,000	\$ 569,750	\$ 63,000	\$ 5,103	\$ 3,000,000	\$ 140,000
2004	300,000	548,750	63,000	1,701	-	-
2005	300,000	527,750	-	-	-	-
2006	400,000	503,250	-	-	-	-
2007	400,000	477,250	-	-	-	-
2008-12	2,400,000	2,005,125	-	-	-	-
2013-17	3,200,000	1,252,877	-	-	-	-
2018-21	<u>3,100,000</u>	<u>333,375</u>	-	-	-	-
	<u>\$ 10,400,000</u>	<u>\$ 6,218,127</u>	<u>\$ 126,000</u>	<u>\$ 6,804</u>	<u>\$ 3,000,000</u>	<u>\$ 140,000</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

COMPONENT UNITS -

The following is a summary of changes in long-term debt (including current portions) of the Component Units for the year ended December 31, 2002:

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002	Due Within One Year
Department of Public Works -					
Bonds Payable	\$29,115,000	\$ -	\$ 1,765,000	\$ 27,350,000	\$ 1,645,000
Drinking Water Revolving Loan	15,267,265	33,335	655,000	14,645,600	680,000
Revolving Loans	<u>2,015,000</u>	<u>-</u>	<u>155,000</u>	<u>1,860,000</u>	<u>160,000</u>
Total DPW	<u>46,397,265</u>	<u>33,335</u>	<u>2,575,000</u>	<u>43,855,600</u>	<u>2,485,000</u>
Road Commission -					
MTF Bonds – Series 1999	5,430,000	-	305,000	5,125,000	320,000
MTF Notes – Series 2002	2,500,000	-	250,000	2,250,000	250,000
Accrued vacation & sick leave	307,879	63,514	-	371,393	-
Lawsuit settlement	<u>120,120</u>	<u>-</u>	<u>67,120</u>	<u>53,000</u>	<u>53,000</u>
Total Road Commission	<u>8,357,999</u>	<u>63,514</u>	<u>622,120</u>	<u>7,799,393</u>	<u>623,000</u>
Drains -					
Notes payable	<u>630,000</u>	<u>1,156,500</u>	<u>630,000</u>	<u>1,156,500</u>	<u>783,700</u>
Mental Health Authority –					
Accrued vacation, sick & compensatory	<u>1,030,457</u>	<u>6,270</u>	<u>-</u>	<u>1,036,727</u>	<u>-</u>
Total Component Units	<u>\$56,415,721</u>	<u>\$ 1,259,619</u>	<u>\$3,827,120</u>	<u>\$ 53,848,220</u>	<u>\$3,891,700</u>

Department of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal system for various township, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended. Original amount of the general obligation bonds issued in prior years was \$44,150,000. During the year no general obligation bonds were issued.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 9 - LONG-TERM DEBT - (cont'd):

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems revert to the Township, Village or Cities. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.875 – 7.10	\$ 25,510,000
Governmental activities – refunding	3.7 – 6.9	<u>1,840,000</u>
		<u>\$ 27,350,000</u>

Drinking Water Revolving Loans

Department of Environmental Quality Bonds have been sold through the State of Michigan Drinking Water Revolving Fund to construct water supply systems for three (3) Townships and a City in the County. The County in turn is leasing the systems to the Townships and City who operate, maintain and manage the systems. The full faith and credit of the Townships, City and County are pledged for the payments to the Drinking Water Revolving Fund. The final draws on the drinking water revolving fund loans were made in 2002 for \$33,335. The original amount of the drinking water revolving fund loans drawn in prior years was \$16,222,265.

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the loans, ownerships of the systems revert to the Townships or City. Drinking Water Revolving Loans outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.875 – 7.10	\$ 14,645,600

State of Michigan Revolving Loans

State of Michigan Revolving Loans have been obtained to construct sewage disposal systems of a Village and City in the County. The County in turn is leasing the systems to the municipalities who operate, maintain and manage the systems. The loans are backed by the full faith and credit of the Village, City and County pursuant to Act 185, Public Act of Michigan 1957, as amended. The original amount of the State of Michigan Revolving Loans issued in prior years was \$3,270,000.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

The principal and interest are to be paid out of money received from the Village and City by the Board of Public Works pursuant to the lease agreement. Upon final payment of the loans, ownership of the systems revert to the Village or City. State of Michigan Revolving Loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.0 – 2.5%	\$ 1,860,000

Annual debt service requirements to maturities for general obligation bonds and loans are as follows:

<u>Year Ending December 31.</u>	<u>General Obligation Bonds</u>		<u>G.O. Bonds Refunded</u>		<u>Revolving Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$1,390,000	\$ 1,268,714	\$ 255,000	\$ 86,342	\$ 840,000	\$ 398,961
2004	1,515,000	1,199,980	250,000	71,832	860,000	378,702
2005	1,435,000	1,129,014	250,000	57,412	875,000	357,903
2006	1,470,000	1,057,891	90,000	48,426	895,000	336,790
2007	1,565,000	984,708	95,000	44,872	915,000	315,140
2008-2012	8,750,000	3,677,405	480,000	165,168	4,900,000	1,230,800
2013-2017	7,395,000	1,555,554	420,000	51,718	4,700,000	635,699
2018-2020	<u>1,990,000</u>	<u>165,266</u>	<u>-</u>	<u>-</u>	<u>2,520,600</u>	<u>95,279</u>
	<u>\$25,510,000</u>	<u>\$11,038,532</u>	<u>\$1,840,000</u>	<u>\$ 525,770</u>	<u>\$16,505,600</u>	<u>\$3,749,274</u>

Interest Rate

Governmental Activities (G.O. Bonds) –

Sewage Disposal System No. I Bonds (City of Algonac)	4.5	\$ 280,000
Sewage Disposal Systems No. VI Series 1993 Bonds (St. Clair Township)	5.0-6.0	505,000
Water Supply System No. VI 1990 Series Bonds (Kimball Township)	6.90-7.10	385,000
Sewage Disposal System No. X Bonds (Village of Capac)	6.20-6.90	500,000
Sewage Disposal System No. X – Series 2000 Bonds (Village of Capac)	5.0-5.55	740,000
Water Supply System No. IX Bonds (Burtchville Township)	5.0	5,250,000
Water Supply No. II-A 1992 Series Bonds (Clay Township)	6.0-6.70	210,000

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

	<u>Interest Rate</u>	
Governmental Activities (G.O. Bonds) – (cont'd)		
Sewage Disposal System No. XI (City of Yale)	6.20-6.75	150,000
Water Supply System VII – Series 1994 Bonds (Ira Township)	4.5-6.5	4,505,000
Water Supply System No. IX – 1999 Series Bonds (Ira Township)	4.5-6.5	2,140,000
Water Supply System No. IX – 1999 Series Bonds (Burtchville Township)	4.2-5.30	900,000
Water Supply System No. IX – Series 2000 Bonds (Burtchville Township)	4.5-6.0	2,100,000
Sewage Disposal System No. I – Series 1999 Bonds (City of Algonac/Clay and Ira Townships)	5.0-5.125	1,995,000
Water Supply System No. II-A Series 2001 Bonds (Clay Township)	3.875-5.00	<u>5,850,000</u>
		<u>\$ 25,510,000</u>
Governmental Activities (G.O. Refunding) -		
Sewage Disposal System III 1989 Refunding Bonds (Charter Township of East China and China)	6.8-6.90	\$ 485,000
Water Supply System No. IIA – 1999 Refunding Bonds (Clay Township)	3.7-4.9	<u>1,355,000</u>
		<u>\$ 1,840,000</u>
Governmental Activities (Revolving Loans) -		
Water Supply System X (City of Algonac/Clay Township)	2.5	6,885,600
Water Supply System III (Charter Townships of East China and China)	2.5	7,760,000
Water Supply System X (City of Yale)		1,485,000
Sewage Disposal System No. X (Village of Capac)	2.0	<u>375,000</u>
		<u>\$16,505,600</u>

Road Commission

MTF Bonds – Series 1999 –

The County of St. Clair, Michigan issued \$6,000,000 of Michigan Transportation Fund Bonds, Series 1999, dated June 1, 1999 pursuant to the provision of Act 51, Public Acts of Michigan of 1951, as amended. The Bonds are issued in anticipation of and are payable from monies derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 51.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

As additional security for the payment of the principal of and interest on the Bonds, in the event and to the extent that Michigan Transportation Fund money is not sufficient to pay such principal and interest, the County is obligated to advance from its general fund money sufficient to pay such principal and interest. The County does not have the power to levy taxes to pay principal of and interest on the bonds over and above its authorized tax rate established pursuant to law. To the extent such an advance is made from the County's general fund, the general fund shall be reimbursed from the first subsequent revenues received by the Road Commission from Michigan Transportation Fund money not pledged or required to be set aside and used for the payment of bonds or notes of other evidence of indebtedness.

The Bonds maturing on or prior to August 1, 2009 shall not be subject to redemption prior to maturity. Bonds maturing on or after August 1, 2010 shall be subject to redemption prior to maturity at the option of the County, in such order as shall be determined by the County, on any one or more interest payment dates on or after August 1, 2009. Bonds of a denomination greater than \$50,000 may be partially redeemed in the amount of \$5,000 or any integral multiple thereof. If less than all of the Bonds maturing in any year are to be redeemed, the bonds or portions of bonds to be redeemed shall be selected by lot. The redemption price shall be the par value of the bonds or portion of the bonds called to be redeemed plus interest to the date fixed for redemption.

Principal on the bonds is due on August 1, 2003 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.375% to 4.95%. The balance as of December 31, 2002 was \$5,125,000.

MTF Notes – Series 2001 –

The County of St. Clair, Michigan issued \$2,500,000 of Michigan Transportation Fund Notes, Series 2001, dated August 21, 2001 pursuant to the provision of Act 202 Public Acts of Michigan 1943, as amended. The Notes are issued in anticipation of and are payable from money derived from State collected taxes returned to the Road Commission from the Michigan Transportation Fund for highway construction and construction and work incidental thereto pursuant to Act 202.

Principal on the notes is due on August 1, 2003 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 6.0%. The balance as of December 31, 2002 was \$2,250,000.

Accrued Sick and Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights which has been accrued on the financial statements amounted to approximately \$174,644 for sick leave and \$196,749 for vacation at December 31, 2002.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

Lawsuit Settlement –

In 2001 the Road Commission recorded a contingent liability for the stipulated amount of \$120,120 resulting from a court ruling against the Road Commission. The judgment stipulated that the balance was payable in four installments of 25% over the next two years. The Road Commission paid in excess of the 50% required in 2002 leaving a balance of \$53,000. See Note 12 to the financial statements for further explanation.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2002, except compensated absences, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		<u>Lawsuit</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Settlement</u>	
2003	\$ 320,000	\$ 237,082	\$ 250,000	\$ 91,374	\$ 53,000	\$ 951,456
2004	340,000	223,082	250,000	76,376	-	889,458
2005	355,000	208,208	250,000	66,124	-	879,332
2006	375,000	192,676	250,000	57,626	-	875,302
2007	390,000	176,270	250,000	48,874	-	865,144
2008-2012	2,270,000	596,872	1,000,000	99,626	-	3,966,498
2013-2014	<u>1,075,000</u>	<u>80,176</u>	-	-	-	<u>1,155,176</u>
	<u>\$ 5,125,000</u>	<u>\$1,714,366</u>	<u>\$2,250,000</u>	<u>\$ 440,000</u>	<u>\$ 53,000</u>	<u>\$9,582,366</u>

Drain Commission –

St. Clair County through the Drain Commission, administers the construction of drains which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Pubic Acts of 1976. Repayment of the notes are made from the special assessment revenues payment from other government units, etc. During the year the Drain Commission issued \$1,156,500 of drain notes. The balance at December 31, 2002 was as follows:

	<u>Interest Rate</u>	
Governmental Activities -		
Blue River Gardens	2.89 %	\$ 150,000
Dana	2.89	200,000
Hathaway	2.89	36,000
Huffman & Brank	2.89	250,000
Moore & Branch No. 1	3.48	50,000
McGeorge & Brandes	4.31	168,000
209 County Drain	4.90	149,500
Simpson	2.99	<u>153,000</u>
		<u>\$ 1,156,500</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 9 - LONG-TERM DEBT - (cont'd):

Annual debt service requirements to maturities are as follows:

<u>Year Ended</u> <u>December 31,</u>	<u>Principle</u>	<u>Interest</u>
2003	\$ 753,100	\$ 34,204
2004	73,600	16,616
2005	73,600	13,735
2006	74,600	10,889
2007	73,600	8,033
2008-2012	<u>108,000</u>	<u>12,969</u>
	<u>\$ 1,156,500</u>	<u>\$ 96,446</u>

NOTE 10 - RETIREMENT PLAN:

Plan Description -

The St. Clair County Retirement System is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County, the St. Clair County Road Commission and St. Clair County Community Mental Health Authority. The system is administered, managed and operated by a Board composed of 9 trustees, which is composed of the Chairman of the Board of Commissioners, Chairman of the St. Clair County Road Commission Board, one appointed citizen, one elected by the Community Mental Health Authority, four elected employees of the retirement system and one retired member elected by the retired members. The benefit provisions are governed by Michigan Public Act of 1984, as amended. The plan may be amended by the County Board of Commissioners.

The membership at December 31, 2001 was composed of 833 active participants, 426 retirees and beneficiaries, and 92 inactive but vested members. In general all employees are eligible for regular retirement as follows:

Sheriff Department - 25 years of service regardless of age. Benefit calculated based on the total service times an annual multiple of final average compensation. Maximum benefits 75% of final average compensation.

Road Commission and General County (except Prosecuting Attorney) – when age plus service equals 80 and service is at least 25 years. Maximum benefits 69.6% of final average compensation (75% of final average compensation if service is 25 years or more for certain County General).

Other Employees - age 55 with 25 years of service. Benefits are calculated based on the total service times 2.0% of final average compensation. Maximum benefits 64% of final average compensation.

All Employees - age 60 with 8 years of service. Benefits are calculated based on a type of final average salary, highest 5 years out of last 10.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 10 - RETIREMENT PLAN - (cont'd):

In addition to the regular retirement provisions, the system allows for the following retirement provisions at regular or reduced benefits:

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability – Sheriff's Department plan members 10 or more years of service, others no age or service requirements but must be in receipt of Worker's Compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,300 policy to retirees.

Summary Of Significant Accounting Policies –

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized as revenue in the period in which employees provide the services.

Method Used to Value Investment -

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Contribution and Funding Policy -

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2002, contributions totaling \$1,809,038 (\$0 employer and \$1,809,038 employee) or 0% of covered payroll, were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2000. The employee contributions represented 5.0% of covered payroll. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

The required contribution rate was determined as part of the December 31, 2000 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) projected salary increases of 5% to 8.7% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five year period. The Plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2001 of 13 years. There is no unfunded accrued liability.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 10 - RETIREMENT PLAN - (cont'd):

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	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 (b-a)/(c)
12/31/99#	136,466,854	107,080,537	(29,386,317)	127.4	31,051,407	(94.6)
12/31/00*	146,232,915	115,095,600	(31,137,315)	127.1	32,044,333	(97.2)
12/31/01*	151,153,871	121,225,557	(29,928,314)	124.7	32,744,255	(91.4)

*Plan amended

#Certain assumptions revised

Schedule of Employer Contributions -

Year Ended <u>December 31.</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
1999	773,180	98.70
2000	0	100.00
2001	0	100.00

Note: Compliance may appear to vary because requirements are computed using the end of year payroll while contributions are based upon the payrolls during the year.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN:

The plan administered through St. Clair County provides retirement benefits for substantially all employees of the County, including employees of the St. Clair County Road Commission and employees of the St. Clair County Mental Health Authority. Postretirement benefits consist of Blue Cross and Blue Shield, dental and prescription drug coverage.

The employees covered by the postretirement benefits and membership are the same as noted for the basic retirement plan (Note 10). In general all employees are eligible for postretirement benefits as follows:

Some retirees age 55 and older are provided Blue Cross and Blue Shield, dental and prescription and drug coverage for recipient and dependents with 25 years of service or age 60 with 8 years of service. (Age 50 with 25 years of service for Sheriff Department or at age 60 with 8 years of service). Members of groups with "Rule of 80" are eligible if the sum of their age plus years service are greater than or equal to 80 and their years of service equal 25 years or more.

All retirees who have attained age 65 are provided an annual payment of \$14.00 for each month retired while older than age 65 with less than 20 years of services during the year and \$16.00 per month for members with 20 or more years of service at retirement.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN – (cont'd):

Beneficiaries of deceased retirees and survivors of deceased employees are provided Blue Cross and Blue Shield and dental coverages for recipients and dependents beginning no earlier than age 55.

The County makes contributions based on actuarially determined rates. Members of the system are not required to make contributions for these postretirement benefits.

Summary of Significant Accounting Policies -

The Basis of Accounting and Method Used to Value Investments are the same as the Retirement Plan, outlined in Note 10.

The County's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The Plan requires no member contributions.

Contribution and Funding Policy -

During the year ended December 31, 2002, contributions of \$4,631,627 were made. Employer contributions represented 13 percent of covered payroll. The actuarial valuation dated December 31, 2000 determined a contribution rate of 24.39 percent of covered payroll for 2002.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government –

The County participates in a number of federal and state assisted grant programs which are subject to compliance audits. The Single Audit of the Federal programs and the periodic program compliance audits of many of the state programs have not yet been conducted or completed. 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.

There are various other legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Corporate Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability, if any, are considered by County Management and Legal Counsel to be immaterial.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 12 - CONTINGENT LIABILITIES – (cont'd):

A substantial portion of the Health Department's total patient revenues are for services provided to Medicare, Medicaid and Blue Cross and Blue Shield of Michigan patients. Payments for these services are based upon allowable costs incurred and are subject to final audit by the intermediaries.

Road Commission –

In the normal course of its operations, the St. Clair County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

Related to internal matters, a court decision that ruled the Road Commission had violated the Fair Labor Standards Act in the payment of overtime to certain employees has been upheld and judgment entered against the Road Commission for \$120,120 of which \$53,000 is still outstanding at December 31, 2002. The amount is not covered by insurance and has been recorded as a liability in the Road Commission's financial statements.

Also as a part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The Michigan Department of Transportation has audited the 1998, 1999, 2000 and 2001 State Trunkline Maintenance contracts and has determined the St. Clair County Road Commission should reimburse the State \$314,628. Several Road Commissions in the State of Michigan are contesting these audits and as a result the State has not withheld the amount from the 2002 State Maintenance payments to the Road Commission. Because of the uncertainty of the final amount owed, the Road Commission has recorded a contingent liability of \$314,628 and reduced State Trunkline revenue in 2001 by \$134,995 and 2002 by \$179,633 as would have been the procedure had the audits not been contested.

NOTE 13 - RISK MANAGEMENT:

Primary Government -

The County is self-insured for property and liability, health care, unemployment, workers' compensation, and disability. Each participating fund of the County makes payments to the Self-Insurance Internal Service Fund equal to an established percentage of gross salaries for that fund, if deemed necessary. These payments are accounted for as other services and charges in the paying fund and charges for services in the receiving fund.

The County is completely self-insured for unemployment compensation claims, and is self-insured for workers' compensation claims up to an amount of \$325,000 in individual claims for 2002.

Based on claims currently pending and past history, the County has estimated accrued claims, including an estimate for claims incurred but not reported (IBNR), of \$0 and \$175,000 for unemployment compensation and worker's compensation, respectively.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 13 - RISK MANAGEMENT – (cont'd):

In addition, the Primary Government, including the Drain District, is a voluntary member of the Michigan Risk Management Authority established pursuant to laws of the State of Michigan which authorize 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 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, and to ensure the filing of all required reports and to act as a liaison between the County and the Authority.

The Authority administers risk management funds providing St. Clair County with loss protection for general and auto liability, motor vehicle physical damage, and property. 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	\$ 150,000
Motor vehicle physical damage	15,000 per vehicle 30,000 per occurrence
Property and Crime	1,000 per occurrence, plus 10% of the next \$100,000 of loss

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2002, that Stop Loss Program limited the retention for St. Clair County to \$603,000 in aggregate claims paid during the year.

The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations.

The Authority has established a reserved fund balance to pay losses incurred by members which 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 St. Clair County incurs a loss in excess of the resources available, the County is liable for the excess.

Based on claims currently pending and past history, the County has estimated the accrued claims, including an estimate for claims incurred but not reported (IBNR), of \$70,000 which is recorded in the Self-Insurances Fund.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 13 - RISK MANAGEMENT - (cont'd):

The County is self-insured for health care benefits with the administrative services of the program are performed on a contractual basis by a third party. The County pays claims up to \$75,000 per contract per contract year. Stop-loss insurance has been purchased to insure the County against losses in excess of these limits. Based on past history, the County has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR), of \$675,000 at December 31, 2002, which is recorded as current liabilities in the Self Insurances (Internal Service) Fund.

Changes in the balance of claims liability during the past year are as follows:

	Self-Insurance (Internal Service) Funds					Total
	Property/ Liability Insurance	Disability Insurance	Unemployment	Workers' Compensation	Health Care	
Unpaid claims, beginning of year	\$ 100,500	\$ -	\$ -	\$ 230,000	\$ 615,000	\$ 945,500
Incurred claims (including IBNR's)	20,582	86,728	36,865	65,137	5,201,126	5,410,438
Claims Paid	(51,082)	(86,728)	(36,865)	(120,137)	(5,141,126)	(5,435,938)
Unpaid claims, end of year	70,000	-	-	175,000	675,000	920,000
Less current portion	(63,000)	-	-	(90,000)	(675,000)	(828,000)
Long-Term Liabilities	<u>\$ 7,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ 92,000</u>

Component Units -

Road Commission -

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

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

The Road Commission pays an annual premium to the Pool for property (buildings and grounds) coverage, automobile liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also a member of the County Road Commission Road Association Self-Insurance Fund for Workers' Compensation self-insurance. This Pool is a municipal self-insurance entity operating within the laws of the State of Michigan. The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 13 - RISK MANAGEMENT - (cont'd):

The Road Commission continues to carry commercial insurance for employee health and accident insurance. The amount of settlements (claims) for the past three years have not exceeded insurance coverage.

Community Mental Health Authority –

The Authority is exposed to various risk of loss to general and auto liability, property damage and errors and omissions. The Authority is a member in a public risk pool administered by the Michigan Municipal Risk Management Authority for risk of losses relating to its property and general liability (including auto liability and vehicle physical damage).

MMRMA is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the MMRMA is to administer a risk management fund which provides members with loss protection for general and property liability.

The St. Clair County Community Mental Health Authority has joined with numerous other governmental agencies in Michigan as a participant in MMRMA's "State Pool". Members of the State Pool do not have individual self-retention amounts other than \$250 deductible per occurrence of property and vehicle coverage.

State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$3,400,000 for property and crime. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses are the sole obligation of the St. Clair County Community Mental Health Authority.

The Authority purchases workers compensation insurance through a commercial carrier with a maximum limit of \$500,000 per occurrence.

NOTE 14 - PROPERTY TAXES AND TAXES RECEIVABLE:

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

Assessed values are established annually by the County and are equalized by the State at an estimated percentage of the current market value. Real and personal property in St. Clair County for the 2002 and 2001 levies had a State Equalized Value (SEV) of \$6,293,421,877 and \$5,792,757,622, respectively, and a taxable value of \$5,141,101,810 and \$4,816,286,422 for 2002 and 2001, respectively. The property taxes levied at December 1, 2002 are collected in December 2002 and early 2002. The property taxes levied on December 1, 2002 are based on property assessments as of December 31, 2001. The 2002 property taxes become lien on December 1, 2002 and are collected principally by March 1, 2003.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 14 - PROPERTY TAXES AND TAXES RECEIVABLE – (cont'd):

The County levied the following millages during 2002:

Other Governmental Funds	
General Fund	5.3287
Senior Citizens	.5000
Drug Task Force	.2805
Library	.5000
Parks and Recreation	.4956

The property taxes levied in 2001 are recognized as revenue in 2002. The property taxes levied as of December 1, 2002 have been accrued as current taxes receivable, with the appropriate deferral, and are budgeted as revenue in the subsequent year.

Taxes are collected by the various tax collecting units from the date of the levy to December 31 and are remitted to the County through the Trust and Agency Fund for distribution to the General Fund and Special Revenue Funds. Accordingly, the current taxes receivable has been reduced for collections during that time period.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable. At the end of three years, any real property taxes not collected are charged back to the General Fund and Special Revenue Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material, and as a result there has been no establishment of an amount for uncollectible taxes receivable in any of the funds.

Taxes receivable recorded in the respective funds at December 31, 2002 are as follows:

Taxes Receivable	General	Other Nonmajor Governmental Funds				Internal Service	Total
		Senior Citizens Millage	Drug Task Force	Parks and Recreation	Library	Delinquent Tax Revolving	
Current	\$ 24,807,395	\$ 2,327,709	\$ 1,305,989	\$ 2,307,237	\$ 2,327,709	\$ -	\$33,076,039
Delinquent	318,476	28,819	17,154	27,670	27,562	4,057,257	4,476,938
	<u>\$ 25,125,871</u>	<u>\$ 2,356,528</u>	<u>\$ 1,323,143</u>	<u>\$ 2,334,907</u>	<u>\$ 2,355,271</u>	<u>\$4,057,257</u>	<u>\$37,552,977</u>

The delinquent portion of the taxes receivable represents unpaid personal property taxes in the General Fund and Special Revenue Funds and unpaid real property taxes in the Delinquent Tax Revolving Fund. An allowance for doubtful accounts of \$200,000 has been established at December 31, 2002 for the estimated uncollectible portion.

The County is economically dependent upon the Detroit Edison Company that has real and personal property within the County with a taxable value of \$877,957,441 and \$792,727,787 for 2002 and 2001, respectively. This represents 17 and 16 percent of the taxable value for 2002 and 2001, respectively.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 14 - PROPERTY TAXES AND TAXES RECEIVABLE – (cont'd):

Under Public Act 123, the time property owners have to pay their delinquent taxes before losing their property is shortened. Effective with the 1999 delinquent taxes, property owners that let their property taxes go three years delinquent will have their property foreclosed upon and sold at public auction.

Counties under the new law had the option of obtaining ownership of the properties or having the State of Michigan obtain ownership. St. Clair County elected to have the State obtain ownership of the foreclosed property. Therefore the State has the responsibility for obtaining, maintaining and selling the property.

NOTE 15 - DEFERRED COMPENSATION:

The County, the St. Clair County Mental Health Authority and the St. Clair County Road Commissions offer their employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

A trust, custodial account or annuity contract exists, assets are owned or held by the trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries.

NOTE 16 - FUND EQUITY:

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2002:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government -		
General Fund	Prepaid Expenditures	\$ 43,710
	Advance to Other Funds/Component Units	<u>50,000</u>
		<u>93,710</u>
Special Revenue Funds -		
Health Department	Prepaid Expenditures	<u>20,341</u>
Non-major Governmental Funds –		
Drug-Task Force	Prepaid Expenditures	9,579
Parks and Recreation	Prepaid Expenditures	285,373
Building HVAC Renovation	Debt Service	8,516

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 16 - FUND EQUITY – (cont'd):

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Jail Construction	Debt Service	64,140
Municipal Building	Capital Project	103,528
Building Authority	Capital Project	1,218
Jail Construction	Capital Project	<u>1,410</u>
		473,764
Permanent Fund –		
Lewis Memorial Endowment		<u>21,346</u>
		495,110
Total Governmental Funds		<u>609,161</u>
Fiduciary Fund –		
Pension and Other		
Employee Benefits	Pension Benefit	153,109,242
Landfill Perpetual Care	Perpetual Care	<u>1,488,195</u>
		<u>154,597,437</u>
Total Primary Government Reserved Fund Balance		<u>\$155,206,598</u>

DESIGNATED FUND BALANCE -

The various governing boards of the County have the power to designate, or set aside, all or a portion of unreserved Fund Balance for specified purposes. The following is a summary of Board-Designated Fund Balances for all County funds at December 31, 2002:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government -		
General Fund	Budget Stabilization	\$ 2,133,540
	Criminal Justice Training Grant	7,753
	Friend of Court Parent Program	1,489
	Friend of Court Medical Grant	1,435
	Prosecutor's Drug Forfeiture	20,921
	Family Counseling	<u>141,007</u>
		<u>2,306,145</u>
Nonmajor Fund		
Special Revenue Funds -		
Parks and Recreation	Future Projects	3,100,000
Public Improvement	Future Projects	4,000,000
Debt Service Funds –		
Jail Construction	Debt Service	<u>4,000,000</u>
		<u>11,100,000</u>
Total Designated Fund Balance – Primary Government		<u>\$13,406,145</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002**

NOTE 17 - CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require that the County of St. Clair place a final cover on its landfill and performs certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs was \$11,936,594 at December 31, 2002, which is based on 100% usage (filled) of Phase 5, cell 6 and prior cells and 40% for cell 2 which was constructed in 2000. Currently the County has 62 acres licensed, with an additional 40 acres available for licensing. It is estimated that an additional \$238,451 will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the current cells are expected to be filled to capacity in 2003/2004.

The estimated total current cost of the landfill closure and post-closure care cost of \$12,175,045 is based on the amount that would be paid if all equipment, facilities and service required to close, monitor, and maintain that landfill were acquired as of December 31, 2002. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

The County is required by the State of Michigan to purchase an irrevocable line of credit in the amount of \$2,005,000 that can be drawn on by the State of Michigan to pay any necessary closure and post-closure costs. The County is in compliance with this requirement.

NOTE 18 – SUBSEQUENT EVENTS:

In May 2003 the County issued \$34,000,000 of General Obligation Limited Tax Bonds for the design and construction of a jail and juvenile facility. The bonds are being repaid in annual installments ranging from \$550,000 to \$2,450,000 plus interest ranging from 2.5 to 4.25%.

NOTE 19 – PRIOR PERIOD ADJUSTMENT:

**Primary Government –
Governmental Funds:**

A prior period adjustment of \$1,369,793 was made to the following funds to recognize non-exchange state shared revenues collected within 90 days.

	<u>Fund Balance as Reported</u>		<u>Fund Balance as Restated</u>
	<u>December 31, 2001</u>	<u>Adjustments</u>	<u>At December 31, 2001</u>
General Fund	\$ 11,467,808	\$ 917,576	\$ 12,385,384
Nonmajor Governmental Fund -			
Senior Citizens Millage	644,745	38,880	683,625
Drug Task Force	931,678	22,059	953,737
Parks and Recreation	2,831,235	38,964	2,870,199
Substance Abuse	236,807	313,434	550,241
County Library	1,266,897	38,880	1,305,777

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 19 – PRIOR PERIOD ADJUSTMENT – (cont'd):

Enterprise Funds –

A prior period adjustment of \$124,000 and \$6,634,912 was recorded to the Solid Waste Disposal system and Airport Funds at December 31, 2001 retained earnings to discontinue the reporting of contributed capital as a separate component of fund equity as required by GASB No. 33. In addition a prior period adjustment was recorded to the Airport Fund for \$106,000 to record land purchased in prior years but not recorded.

Component Units –

Road Commission –

As prior period adjustment of \$762,117 has been recorded to recognize the total Michigan Transportation fund revenues in accordance with GASB No. 33.

Department of Public Works –

A prior period adjustment of \$25,299,949 has been recorded to discontinue the reporting of contributed capital as a separate component of fund equity as required by GASB No. 33.

NOTE 20 – RESTATEMENTS:

As of and for the year ended December 31, 2002, the County implemented the following Governmental Accounting Standards Board pronouncements:

Statements

- No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

Interpretation

- No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The county is required to implement the new requirements no later than the fiscal year ending December 31, 2003; however, it elected for early implementation as permitted by the statements.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2002

NOTE 20 – RESTATEMENTS – (cont’d):

The more significant of the changes required by the new standards include:

- Management’s discussion and analysis;
- Basic financial statements that include:
 - Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
 - Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
 - Schedules to reconcile the fund financial statements to the government-wide financial statements;
 - Notes to the basic financial statements;
- Required supplementary information, including certain budgetary schedules.

As a result of implementing these pronouncements for the fiscal year ended December 31, 2002, the following restatements were made to net assets at December 31, 2001:

Government-wide financial statements. Beginning net assets for governmental activities were determined as follows:

Fund balances of general, special revenue, debt service and capital projects funds as of 12/31/01	\$ 27,714,446
Prior period adjustments (Note 19)	1,369,793
To reclassify to Lewis Memorial Endowment Fund from an expenditure trust fund to a permanent fund	<u>21,095</u>
	29,105,334
Add: prepaid expenses	92,361
Add: delinquent personal property tax	281,935
Less: allowance for doubtful accounts	(125,000)
Add: capital assets	60,435,912
Less: accumulated depreciation on capital assets	(22,869,050)
Less: governmental compensated absences	(3,330,197)
Less: bonds/notes payable	(10,889,040)
Less: accrued interest on bond/notes payable	(152,601)
Add: receivables that were not available	1,957,312
Add: governmental internal service fund net assets	<u>2,906,708</u>
	<u>\$ 57,413,674</u>

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE RETIREMENT SYSTEM**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/91	\$ 62,491,784	\$ 57,015,445	\$(5,476,339)	109.61%	\$ 21,859,213	-25.05%
12/31/92	69,445,205	61,424,901	(8,020,304)	113.06%	22,118,037	-36.26%
12/31/93	76,020,566	66,056,016	(9,964,550)	115.08%	23,711,156	-42.02%
12/31/94 *	80,998,812	72,623,653	(8,375,159)	111.53%	24,769,097	-33.81%
12/31/95 *	88,775,958	78,476,310	(10,299,648)	113.12%	25,861,302	-39.83%
12/31/96 *	97,309,744	86,570,334	(10,739,410)	112.41%	27,934,157	-38.45%
12/31/97 *	106,944,486	94,097,781	(12,846,705)	113.65%	28,402,628	-45.23%
12/31/98 *	120,567,207	100,513,199	(20,054,008)	119.95%	29,161,114	-68.77%
12/31/99 #	136,466,854	107,080,537	(29,386,317)	127.44%	31,051,407	-94.64%
12/31/00 *	146,232,915	115,095,000	(31,137,915)	127.05%	32,044,333	-97.17%

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1991	\$ 1,665,672	98.08%
1992	1,621,252	108.47%
1993	1,398,958	88.41%
1994	1,280,562	108.12%
1995	1,357,718	91.56%
1996	1,589,454	96.90%
1997	1,525,221	104.88%
1998	1,370,572	101.01%
1999	773,180	98.70%
2000	-	100.00%
2001	-	0.00%

Note: Compliance may appear to vary because requirements are computed using the end of year payroll while contributions are based upon the payrolls during the year

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 24,904,031	\$ 25,198,031	\$ 25,232,776	\$ 34,745
Licenses and permits	276,050	276,050	294,978	18,928
Intergovernmental -				
Federal/State	9,496,811	9,588,371	9,314,521	(273,850)
Charges for services	5,967,648	6,173,248	6,143,218	(30,030)
Fines and forfeits	512,000	587,000	607,696	20,696
Interest and rent	3,683,426	2,168,426	2,023,317	(145,109)
Other	736,816	713,116	354,433	(358,683)
Total Revenues	<u>45,576,782</u>	<u>44,704,242</u>	<u>43,970,939</u>	<u>(733,303)</u>
Expenditures:				
Current -				
Legislative	700,607	1,229,084	1,198,055	31,029
Judicial	9,724,205	9,616,705	9,265,782	350,923
General Government	10,994,931	10,645,631	10,109,948	535,683
Public Safety	13,742,108	12,031,369	11,987,571	43,798
Public Works	970,292	970,292	1,339,252	(368,960)
Health and Welfare	1,520,417	1,502,917	1,487,851	15,066
Other	1,200,000	1,200,000	1,200,000	-
Capital Outlay	1,501,209	1,659,129	1,660,924	(1,795)
Debt Service				
Principal	100,000	100,000	100,040	(40)
Interest	5,942	5,942	5,943	(1)
Total Expenditures	<u>40,459,711</u>	<u>38,961,069</u>	<u>38,355,366</u>	<u>605,703</u>
Excess of revenues over expenditures	<u>5,117,071</u>	<u>5,743,173</u>	<u>5,615,573</u>	<u>(127,600)</u>
Other Financing Sources (Uses):				
Operating transfers from other funds	187,888	5,976,357	6,333,932	357,575
Operating transfers to other funds	(5,304,959)	(15,481,396)	(15,527,396)	(46,000)
Total Other Financing Sources (Uses)	<u>(5,117,071)</u>	<u>(9,505,039)</u>	<u>(9,193,464)</u>	<u>311,575</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>-</u>	<u>(3,761,866)</u>	<u>(3,577,891)</u>	<u>183,975</u>
Fund Balance at beginning of year	11,467,808	11,467,808	11,467,808	-
Prior period adjustments	<u>-</u>	<u>-</u>	<u>917,576</u>	<u>917,576</u>
Fund Balance at beginning of year as restated	<u>11,467,808</u>	<u>11,467,808</u>	<u>12,385,384</u>	<u>917,576</u>
Fund Balance at end of year	<u>\$ 11,467,808</u>	<u>\$ 7,705,942</u>	<u>\$ 8,807,493</u>	<u>\$ 1,101,551</u>

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
SCHEDULE OF EXPENDITURES BY ACTIVITY
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Legislative:				
Board of Commissioners	\$ 700,607	\$ 1,229,084	\$ 1,198,055	\$ 31,029
Judicial:				
Circuit Court	1,702,202	1,687,202	1,582,075	105,127
District Court	1,888,099	1,885,099	1,823,595	61,504
Courthouse Security	341,507	351,007	351,611	(604)
Friend of Court	1,872,163	1,875,663	1,755,621	120,042
Law Library	2,400	5,000	-	5,000
Probate Court	694,216	874,616	836,828	37,788
Family Division - Circuit Court	1,935,160	1,704,160	1,654,192	49,968
Probation	25,900	11,400	13,685	(2,285)
District Court Probation	507,917	482,917	478,039	4,878
Family Counseling	20,000	5,000	1,233	3,767
Pretrial Service Grant	75,451	75,451	57,554	17,897
Probation Resident Services	659,190	659,190	711,349	(52,159)
	<u>9,724,205</u>	<u>9,616,705</u>	<u>9,265,782</u>	<u>350,923</u>
General Government:				
Administrator/Controller	396,648	411,148	411,549	(401)
Election	207,993	162,993	117,714	45,279
Accounting	474,447	469,447	464,682	4,765
Clerk	684,326	682,326	682,595	(269)
Equalization	427,889	429,889	417,490	12,399
Human Resources	808,568	777,568	769,126	8,442
Prosecuting Attorney	2,262,382	2,181,392	2,125,242	56,150
Victims Rights	16,300	16,300	6,078	10,222
Register of Deeds	255,975	250,475	251,583	(1,108)
Property Description	257,788	246,798	240,117	6,681
Boundary Commission	350	350	-	350
Plate Board	300	300	-	300
Treasurer	489,605	498,505	496,478	2,027
Cooperative Extension	420,741	398,741	434,619	(35,878)
Information Technology	1,285,307	1,285,307	1,196,161	89,146
Building and Grounds	1,772,044	1,687,044	1,563,803	123,241
Drain Commissioner	464,608	479,608	312,669	166,939
Motor Pool	9,875	11,675	11,974	(299)
Federal Nutrition Program	-	-	20	(20)
Child Protection	7,000	7,000	3,409	3,591
FIA Building Lease Maintenance	752,785	648,765	604,639	44,126
	<u>10,994,931</u>	<u>10,645,631</u>	<u>10,109,948</u>	<u>535,683</u>

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF EXPENDITURES BY ACTIVITY
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Sheriff	4,855,351	4,880,351	4,864,730	15,621
Training	20,000	20,000	-	20,000
Communications/Radio	812,716	812,716	798,062	14,654
Marine Law Enforcement	313,496	319,496	323,796	(4,300)
Dive Team	15,944	12,944	16,422	(3,478)
Correction / Jail	6,868,543	4,985,986	4,952,012	33,974
Other Corrections Activities	96,250	96,250	104,643	(8,393)
Jail Population Monitor	44,767	54,767	53,314	1,453
Emergency Services	176,962	209,962	247,308	(37,346)
Hazardous Material Handling	19,700	25,700	27,084	(1,384)
Animal Shelter	291,650	304,650	303,488	1,162
Secondary Road Patrol	192,729	185,227	171,466	13,761
Local Law Enforcement Block Grant	-	5,000	4,455	545
Criminal Justice Training Grant	-	15,000	15,211	(211)
Inmate Billing	-	90,100	92,941	(2,841)
COPS Technology Grant	-	11,220	12,639	(1,419)
National School Lunch Program	32,000	-	-	-
Sky warn	2,000	2,000	-	2,000
	<u>13,742,108</u>	<u>12,031,369</u>	<u>11,987,571</u>	<u>43,798</u>
Public Works:				
Road Commission	870,292	870,292	870,292	-
Drains	100,000	100,000	468,960	(368,960)
	<u>970,292</u>	<u>970,292</u>	<u>1,339,252</u>	<u>(368,960)</u>
Health and Welfare:				
Mental Health	955,672	955,672	955,672	-
Ambulance	192,870	190,870	189,750	1,120
Public Guardian	182,758	177,758	171,012	6,746
Veterans Burial	21,300	21,300	17,350	3,950
Veterans Counselor	165,085	156,085	153,262	2,823
Soldiers and Sailors Relief	2,732	1,232	805	427
	<u>1,520,417</u>	<u>1,502,917</u>	<u>1,487,851</u>	<u>15,066</u>
Other:				
Insurance	1,200,000	1,200,000	1,200,000	-
Capital Outlay:	<u>1,501,209</u>	<u>1,659,129</u>	<u>1,660,924</u>	<u>(1,795)</u>
Debt Service:				
Principal	100,000	100,000	100,040	(40)
Interest	5,942	5,942	5,943	(1)
	<u>105,942</u>	<u>105,942</u>	<u>105,983</u>	<u>(41)</u>
Total Expenditures	<u>\$ 40,459,711</u>	<u>\$ 38,961,069</u>	<u>\$ 38,355,366</u>	<u>\$ 605,703</u>

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF OPERATING TRANSFERS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Operating Transfers In:				
Family Independence Agency	\$ -	\$ 903,838	\$ 903,838	\$ -
Health Department	-	2,705,718	2,705,718	-
Child Care Probate	-	2,178,913	2,178,913	-
Landfill	-	-	5,668	5,668
E - 911 Landlines	-	-	372,584	372,584
Drug Task Force	187,888	187,888	167,211	(20,677)
Total	\$ 187,888	\$ 5,976,357	\$ 6,333,932	\$ 357,575
Operating Transfers Out:				
Health Department	\$ 2,412,038	\$ 2,412,038	\$ 2,412,038	\$ -
Child Care Probate	117,953	2,180,510	2,226,510	(46,000)
Family Independence Agency	702,750	702,750	702,750	-
Library	378,021	378,021	378,021	-
Airport Commission	65,523	65,523	65,523	-
Jail	125,000	125,000	125,000	-
Public Improvement	151,000	4,151,000	4,151,000	-
Planning Commission	437,624	487,624	487,624	-
Recreational Park	116,800	116,800	116,800	-
CDBG	10,000	10,000	10,000	-
Building Authority Construction.	500	500	500	-
Jail Construction Debt	-	4,000,000	4,000,000	-
Building Authority	787,750	780,025	780,025	-
Building HVAC Renovation	-	71,605	71,605	-
Total	\$ 5,304,959	\$ 15,481,396	\$ 15,527,396	\$ (46,000)

ST. CLAIR COUNTY, MICHIGAN

SPECIAL REVENUE FUND
HEALTH DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 471,461	\$ 471,461
Intergovernmental -				
Federal/State	6,030,016	6,030,016	5,132,631	(897,385)
Local	-	-	107,358	107,358
Charges for services	935,331	935,331	1,144,534	209,203
Other	-	-	137,080	137,080
Total Revenues	<u>6,965,347</u>	<u>6,965,347</u>	<u>6,993,064</u>	<u>27,717</u>
Expenditures:				
Health and Welfare	9,500,180	9,500,180	8,618,475	881,705
Capital Outlay	77,206	577,206	430,758	146,448
Total Expenditures	<u>9,577,386</u>	<u>10,077,386</u>	<u>9,049,233</u>	<u>1,028,153</u>
Excess of revenues under expenditures	<u>(2,612,039)</u>	<u>(3,112,039)</u>	<u>(2,056,169)</u>	<u>1,055,870</u>
Other Financing Sources (Uses):				
Operating transfers from other funds	2,412,038	2,513,324	2,412,038	(101,286)
Operating transfers to other funds	-	(2,705,718)	(2,705,718)	-
	<u>-</u>	<u>(192,394)</u>	<u>(293,680)</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,612,039)</u>	<u>(3,304,433)</u>	<u>(2,349,849)</u>	<u>1,055,870</u>
Fund Balance at beginning of year	<u>3,556,093</u>	<u>4,171,381</u>	<u>4,171,381</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 944,054</u>	<u>\$ 866,948</u>	<u>\$ 1,821,532</u>	<u>\$ 954,584</u>

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes. The Special Revenue Funds of the County are as follows:

Friend of Court - is used to account for the revenues and expenditures of the Friend of the Court office required in 1982 Public Acts 294 through 298.

County Planning - is used to account for the planning and information gathering activities undertaken to improve County roads, housing, general development and related activities that benefit County residents. Financing is provided by state and federal grants, charges for services and General Fund appropriations.

Public Improvement - is used to account for the funds earmarked for improvements in County facilities or equipment. Financing is provided by General Fund appropriations.

Senior Citizens Millage - is used to account for a County special millage to be used for senior citizens' activities.

Drug Task Force - is used to account for a County special millage and seized property used for the enhancement of the law enforcement effort pertaining to controlled substances. It also includes funding for drug prevention programs from state and federal sources.

Parks & Recreation - is used to account for a County special millage to be used to expand and enhance our park system.

Substance Abuse - is used to account for the funds received from the State and used for substance abuse prevention and treatment programs.

County Library - is used to account for the operations of the public library and is required by state law. Financing is provided by penal fines transferred from the Library Penal Fine Agency Fund under the direction of the State Library Board, state grants, charges for services and General Fund appropriations. Also included in this fund is the County special millage to be used to expand and enhance our library system.

CDBG Housing - is used to account for grant money received for renovations made to qualified housing. This money is provided by the federal government. It is also to account for the loans resulting from these renovation projects, the interest from the loans supplements funding to the future federal grants.

Family Independence Agency – is used to account for the cost of providing financial assistance to County residents who cannot meet basic requirements for personal needs, shelter and medical care. Financing is provided by the Michigan Family Independence Agency and General Fund appropriations.

Child Care - is used to account for court-ordered expenses for the health and welfare of minor children, and community based residential treatment program for emotionally impaired children and their families. Financing is provided by General Fund appropriations and state matching of certain eligible costs.

Veterans Trust - is used to account for earmarked revenue for aid to veterans. This fund is required by state law and is financed by state grants.

Emergency 911 Wireless – is used to account for revenues and expenditures of purchasing and providing Emergency 911 wireless services.

Emergency 911 Landlines – is used to account for revenues and expenditures of purchasing and providing Emergency 911 landlines services.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. The Debt Service Funds of the County are as follows:

Building HVAC Renovation - is used to account for the debt service requirement involving the financing of heating and air conditioning control improvements in the County Building.

Building Authority - is used to account for the accumulation of rents paid by the County departments for payment of separate debt service requirements on revenue bonds sold to defray the cost of construction and improvements to various County buildings. It also accounts for the payment of Debt Service requirements on revenue bonds sold to construct the new administrative facility.

Jail/Juvenile Facility – is used to account for the accumulation of resources and payment of debt for the Jail/Juvenile facility.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds). The Capital Projects Funds of the County are as follows:

Municipal Building - is used to account for local revenues used for major improvements to existing County buildings.

Building Authority - is used to account for bond proceeds and construction of a new County administrative facility.

Jail/Juvenile Construction – is used to account for bond proceeds and construction of a Jail/Juvenile facility.

PERMANENT FUND

Lewis Memorial Endowment Fund - is used to account for collection of and distribution of assets held for the Clayton and Florence Lewis Memorial Book fund.

ST. CLAIR COUNTY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2002

	Special Revenue Funds			
	Friend of Court	County Planning	Public Improvement	Senior Citizens Millage
ASSETS				
Cash and cash equivalents	\$ 474,414	\$ 10,264	\$ 4,492,943	\$ 824,505
Investments	-	-	-	-
Receivables -				
Current and delinquent property taxes	-	-	-	2,356,528
Accounts and interest	107,241	25,509	-	-
Due from other governmental units -				
Federal/State	-	37,529	-	37,891
Due from other funds	-	-	-	175,121
Prepaid expenditures and deposits	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 581,655</u>	<u>\$ 73,302</u>	<u>\$ 4,492,943</u>	<u>\$ 3,394,045</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 977	\$ 13,457	\$ 181,930
Accrued liabilities	12,765	10,694	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	2,531,649
Total Liabilities	<u>12,765</u>	<u>11,671</u>	<u>13,457</u>	<u>2,713,579</u>
Fund Balance:				
Reserved -				
Prepays	-	-	-	-
Debt Service	-	-	-	-
Capital Projects	-	-	-	-
Permanent Fund	-	-	-	-
Unreserved -				
Designated -				
Parks	-	-	-	-
Debt Services	-	-	-	-
Future Projects/Technology	-	-	4,000,000	-
Undesignated	568,890	61,631	479,486	680,466
Total Fund Balance	<u>568,890</u>	<u>61,631</u>	<u>4,479,486</u>	<u>680,466</u>
Total Liabilities and Fund Balance	<u>\$ 581,655</u>	<u>\$ 73,302</u>	<u>\$ 4,492,943</u>	<u>\$ 3,394,045</u>

Special Revenue Funds

<u>Drug Task Force</u>	<u>Parks and Recreation</u>	<u>Substance Abuse</u>	<u>County Library</u>	<u>CDBG Housing</u>	<u>Family Independence Agency</u>	<u>Child Care</u>
\$ 790,074	\$ 3,352,559	\$ 366,993	\$ 792,135	\$ 58,437	\$ 222,830	\$ 79,717
-	-	-	410,000	100,000	-	-
1,323,143	2,334,907	-	2,355,271	-	-	-
21,206	4,089	-	38,816	1,196,745	-	113,339
-	37,568	299,042	46,906	-	78,955	-
98,098	173,568	-	565,065	-	-	-
9,579	285,373	-	-	-	-	-
<u>\$ 2,242,100</u>	<u>\$ 6,188,064</u>	<u>\$ 666,035</u>	<u>\$ 4,208,193</u>	<u>\$ 1,355,182</u>	<u>\$ 301,785</u>	<u>\$ 193,056</u>
\$ 28,945	\$ 47,650	\$ 58,270	\$ 44,449	\$ 5,138	\$ -	\$ 140,839
19,758	8,895	-	85,826	-	42	52,033
-	-	27,426	-	-	-	-
1,421,240	2,508,475	-	2,967,242	1,057,381	-	-
<u>1,469,943</u>	<u>2,565,020</u>	<u>85,696</u>	<u>3,097,517</u>	<u>1,062,519</u>	<u>42</u>	<u>192,872</u>
9,579	285,373	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	3,100,000	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
762,578	237,671	580,339	1,110,676	292,663	301,743	184
<u>772,157</u>	<u>3,623,044</u>	<u>580,339</u>	<u>1,110,676</u>	<u>292,663</u>	<u>301,743</u>	<u>184</u>
<u>\$ 2,242,100</u>	<u>\$ 6,188,064</u>	<u>\$ 666,035</u>	<u>\$ 4,208,193</u>	<u>\$ 1,355,182</u>	<u>\$ 301,785</u>	<u>\$ 193,056</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2002**

	Special Revenue Funds			Debt Service Funds	
	Veterans' Trust	E - 911 Wireless	E - 911 Landlines	Building HVAC Renovation	Building Authority
ASSETS					
Cash and cash equivalents	\$ 3,178	\$ -	\$ -	\$ 8,516	\$ -
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	2,123	-	-	-	-
Due from other governmental units -					
Federal/State	-	-	-	-	-
Due from other funds	-	342,760	-	-	-
Prepaid expenditures and deposits	-	-	-	-	-
Total Assets	<u>\$ 5,301</u>	<u>\$ 342,760</u>	<u>\$ -</u>	<u>\$ 8,516</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 847	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Fund Balance:					
Reserved -					
Prepays	-	-	-	-	-
Debt Service	-	-	-	8,516	-
Capital Projects	-	-	-	-	-
Permanent Fund	-	-	-	-	-
Unreserved -					
Designated -					
Parks	-	-	-	-	-
Debt Services	-	-	-	-	-
Future Projects/Technology	-	-	-	-	-
Undesignated	4,454	342,760	-	-	-
Total Fund Balance	<u>4,454</u>	<u>342,760</u>	<u>-</u>	<u>8,516</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 5,301</u>	<u>\$ 342,760</u>	<u>\$ -</u>	<u>\$ 8,516</u>	<u>\$ -</u>

Jail/Juvenile Facility	Capital Projects Funds			Permanent Fund	Total
	Municipal Building	Building Authority	Jail/Juvenile Facility Construction	Lewis Memorial Endowment	
\$ 4,064,140	\$ 104,903	\$ 1,250	\$ 359,396	\$ 3,296	\$ 16,009,550
-	-	-	-	18,050	528,050
-	-	-	-	-	8,369,849
-	465	-	-	-	1,509,533
-	-	-	-	-	537,891
-	-	-	-	-	1,354,612
-	-	-	-	-	294,952
<u>\$ 4,064,140</u>	<u>\$ 105,368</u>	<u>\$ 1,250</u>	<u>\$ 359,396</u>	<u>\$ 21,346</u>	<u>\$ 28,604,437</u>
\$ -	\$ 1,840	\$ -	\$ 357,986	\$ -	\$ 882,328
-	-	32	-	-	190,045
-	-	-	-	-	27,426
-	-	-	-	-	10,485,987
-	<u>1,840</u>	<u>32</u>	<u>357,986</u>	-	<u>11,585,786</u>
-	-	-	-	-	294,952
64,140	-	-	-	-	72,656
-	103,528	1,218	1,410	-	106,156
-	-	-	-	21,346	21,346
-	-	-	-	-	3,100,000
4,000,000	-	-	-	-	4,000,000
-	-	-	-	-	4,000,000
-	-	-	-	-	5,423,541
<u>4,064,140</u>	<u>103,528</u>	<u>1,218</u>	<u>1,410</u>	<u>21,346</u>	<u>17,018,651</u>
<u>\$ 4,064,140</u>	<u>\$ 105,368</u>	<u>\$ 1,250</u>	<u>\$ 359,396</u>	<u>\$ 21,346</u>	<u>\$ 28,604,437</u>

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002

	Special Revenue Funds			
	Friend of Court	County Planning	Public Improvement	Senior Citizens Millage
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 2,334,786
Intergovernmental -				
Federal/State	316,504	45,715	-	37,891
Local	-	-	-	-
Charges for services	13,430	6,767	-	9,420
Fines and forfeits	-	-	-	-
Interest and rent	12,592	-	-	18,597
Other	-	27	-	-
Total Revenues	<u>342,526</u>	<u>52,509</u>	<u>-</u>	<u>2,400,694</u>
Expenditures:				
Current -				
Judicial	489,965	-	-	-
Public Safety	-	482,732	46,974	-
Health and Welfare	-	-	-	2,403,853
Recreation and Cultural	-	-	-	-
Capital Outlay	3,200	15,253	190,161	-
Debit Service				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Total Expenditures	<u>493,165</u>	<u>497,985</u>	<u>237,135</u>	<u>2,403,853</u>
Excess of revenues over (under) expenditures	<u>(150,639)</u>	<u>(445,476)</u>	<u>(237,135)</u>	<u>(3,159)</u>
Other Financing Sources (Uses):				
Proceed from sale of bond	-	-	-	-
Premium on debt	-	-	-	-
Operating transfers from other funds	-	487,624	4,151,000	-
Operating transfers to other funds	<u>(25,597)</u>	<u>-</u>	<u>(900,000)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(25,597)</u>	<u>487,624</u>	<u>3,251,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(176,236)</u>	<u>42,148</u>	<u>3,013,865</u>	<u>(3,159)</u>
Fund Balances at beginning of year	745,126	19,483	1,465,621	644,745
Prior period adjustment	-	-	-	38,880
Fund Balances at beginning of year as restated	<u>745,126</u>	<u>19,483</u>	<u>1,465,621</u>	<u>683,625</u>
Fund Balances at end of year	<u>\$ 568,890</u>	<u>\$ 61,631</u>	<u>\$ 4,479,486</u>	<u>\$ 680,466</u>

Special Revenue Funds

Drug Task Force	Parks and Recreation	Substance Abuse	County Library	CDBG Housing	Family Independence Agency	Child Care
\$ 1,324,181	\$ 2,339,985	\$ -	\$ 2,333,985	\$ -	\$ -	\$ -
53,922	152,768	299,042	233,352	166,890	645,941	541,374
-	-	-	8,000	-	-	-
-	27,555	-	32,454	-	-	111,300
73,857	-	-	864,752	-	-	-
-	75,704	7,530	74,350	(1,903)	-	-
54,889	7,447	-	17,232	72,956	89,002	15,914
<u>1,506,849</u>	<u>2,603,459</u>	<u>306,572</u>	<u>3,564,125</u>	<u>237,943</u>	<u>734,943</u>	<u>668,588</u>
-	-	-	-	-	-	-
1,322,834	-	-	-	-	-	-
-	-	276,474	-	224,272	1,289,325	3,066,291
-	1,335,484	-	3,060,130	-	-	-
198,384	631,930	-	1,077,117	-	-	61,612
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,521,218</u>	<u>1,967,414</u>	<u>276,474</u>	<u>4,137,247</u>	<u>224,272</u>	<u>1,289,325</u>	<u>3,127,903</u>
(14,369)	636,045	30,098	(573,122)	13,671	(554,382)	(2,459,315)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	116,800	-	378,021	10,000	702,750	2,226,510
<u>(167,211)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(903,838)</u>	<u>(2,178,913)</u>
<u>(167,211)</u>	<u>116,800</u>	<u>-</u>	<u>378,021</u>	<u>10,000</u>	<u>(201,088)</u>	<u>47,597</u>
(181,580)	752,845	30,098	(195,101)	23,671	(755,470)	(2,411,718)
931,678	2,831,235	236,807	1,266,897	268,992	1,057,213	2,411,902
22,059	38,964	313,434	38,880	-	-	-
<u>953,737</u>	<u>2,870,199</u>	<u>550,241</u>	<u>1,305,777</u>	<u>268,992</u>	<u>1,057,213</u>	<u>2,411,902</u>
<u>\$ 772,157</u>	<u>\$ 3,623,044</u>	<u>\$ 580,339</u>	<u>\$ 1,110,676</u>	<u>\$ 292,663</u>	<u>\$ 301,743</u>	<u>\$ 184</u>

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Special Revenue Funds			Debt Service Funds	
	Veterans' Trust	E - 911 Wireless	E - 911 Landlines	Building HVAC Renovation	Building Authority
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental -					
Federal/State	37,487	-	-	-	-
Local	-	-	-	-	-
Charges for services	-	174,860	372,584	-	-
Fines and forfeits	-	-	-	-	-
Interest and rent	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>37,487</u>	<u>174,860</u>	<u>372,584</u>	<u>-</u>	<u>-</u>
Expenditures:					
Current -					
Judicial	-	-	-	-	-
Public Safety	-	-	-	-	-
Health and Welfare	37,127	-	-	-	-
Recreation and Cultural	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debit Service					
Principal	-	-	-	63,000	200,000
Interest and charges	-	-	-	8,605	587,600
Total Expenditures	<u>37,127</u>	<u>-</u>	<u>-</u>	<u>71,605</u>	<u>787,600</u>
Excess of revenues over (under) expenditures	<u>360</u>	<u>174,860</u>	<u>372,584</u>	<u>(71,605)</u>	<u>(787,600)</u>
Other Financing Sources (Uses):					
Proceed from sale of bond	-	-	-	-	-
Premium on debt	-	-	-	-	-
Operating transfers from other funds	-	-	-	71,605	780,025
Operating transfers to other funds	-	-	(372,584)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(372,584)</u>	<u>71,605</u>	<u>780,025</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>360</u>	<u>174,860</u>	<u>-</u>	<u>-</u>	<u>(7,575)</u>
Fund Balances at beginning of year	4,094	167,900	-	8,516	7,575
Prior period adjustment	-	-	-	-	-
Fund Balances at beginning of year as restated	<u>4,094</u>	<u>167,900</u>	<u>-</u>	<u>8,516</u>	<u>7,575</u>
Fund Balances at end of year	<u>\$ 4,454</u>	<u>\$ 342,760</u>	<u>\$ -</u>	<u>\$ 8,516</u>	<u>\$ -</u>

Jail/Juvenile Facility	Capital Projects Funds			Permanent Fund	Total
	Municipal Building	Building Authority	Jail/Juvenile Facility Construction	Lewis Memorial Endowment	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,332,937
-	-	-	-	-	2,530,886
-	-	-	-	-	8,000
-	-	-	-	-	748,370
-	113,416	-	-	-	1,052,025
-	-	-	-	251	187,121
-	-	-	-	-	257,467
-	113,416	-	-	251	13,116,806
-	-	-	-	-	489,965
-	-	-	-	-	1,852,540
-	-	-	-	-	7,297,342
-	-	-	-	-	4,395,614
-	1,397,654	183	2,658,993	-	6,234,487
-	-	-	-	-	263,000
-	-	-	-	-	596,205
-	1,397,654	183	2,658,993	-	21,129,153
-	(1,284,238)	(183)	(2,658,993)	251	(8,012,347)
-	-	-	3,000,000	-	3,000,000
64,140	-	-	(9,000)	-	55,140
4,000,000	1,381,194	500	350,000	-	14,656,029
-	-	-	(680,597)	-	(5,228,740)
4,064,140	1,381,194	500	2,660,403	-	12,482,429
4,064,140	96,956	317	1,410	251	4,470,082
-	6,572	901	-	21,095	12,096,352
-	-	-	-	-	452,217
-	6,572	901	-	21,095	12,548,569
\$ 4,064,140	\$ 103,528	\$ 1,218	\$ 1,410	\$ 21,346	\$ 17,018,651

Concluded

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
FRIEND OF COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 426,599	\$ 316,504	\$(110,095)
Charges for services	15,720	13,430	(2,290)
Interest and rent	-	12,592	12,592
Total Revenues	<u>442,319</u>	<u>342,526</u>	<u>(99,793)</u>
Expenditures:			
Judicial	459,103	489,965	(30,862)
Capital Outlay	13,000	3,200	9,800
Total Expenditures	<u>472,103</u>	<u>493,165</u>	<u>(21,062)</u>
Excess of revenues over (under) expenditures	(29,784)	(150,639)	(120,855)
Other Financing Uses:			
Operating transfers out	<u>(25,597)</u>	<u>(25,597)</u>	<u>-</u>
Excess of revenues under expenditures and other uses	(55,381)	(176,236)	(120,855)
Fund Balance at beginning of year	<u>745,126</u>	<u>745,126</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 689,745</u>	<u>\$ 568,890</u>	<u>\$(120,855)</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
COUNTY PLANNING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 65,000	\$ 45,715	\$(19,285)
Charges for services	8,500	6,767	(1,733)
Other	-	27	27
Total Revenues	<u>73,500</u>	<u>52,509</u>	<u>(20,991)</u>
Expenditures:			
Public Safety	493,124	482,732	10,392
Capital Outlay	18,000	15,253	2,747
Total Expenditures	<u>511,124</u>	<u>497,985</u>	<u>13,139</u>
Excess of revenues under expenditures	(437,624)	(445,476)	(7,852)
Other Financing Sources:			
Operating transfers from other funds	<u>487,624</u>	<u>487,624</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures	50,000	42,148	(7,852)
Fund Balance at beginning of year	<u>19,483</u>	<u>19,483</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 69,483</u>	<u>\$ 61,631</u>	<u>\$(7,852)</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
PUBLIC IMPROVEMENT			
Revenues:			
Other	\$ -	\$ -	\$ -
Expenditures:			
Public Safety	40,500	46,974	(6,474)
Capital Outlay	220,000	190,161	29,839
Total Expenditures	<u>260,500</u>	<u>237,135</u>	<u>23,365</u>
Excess of revenues under expenditures	(260,500)	(237,135)	(23,365)
Other Financing Sources (Uses):			
Operating transfers from other funds	4,151,000	4,151,000	-
Operating transfers to other funds	-	(900,000)	(900,000)
Total Other Financing Sources (Uses)	<u>4,151,000</u>	<u>3,251,000</u>	<u>(900,000)</u>
Excess of revenues and other sources over (under) expenditures and other uses	3,890,500	3,013,865	(876,635)
Fund Balance at beginning of year	<u>1,465,621</u>	<u>1,465,621</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 5,356,121</u>	<u>\$ 4,479,486</u>	<u>\$ (876,635)</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
SENIOR CITIZENS MILLAGE			
Revenues:			
Taxes	\$ 2,330,560	\$ 2,334,786	\$ 4,226
Intergovernmental - Federal/State	38,880	37,891	(989)
Charges for services	-	9,420	9,420
Interest and rent	18,500	18,597	97
Total Revenues	<u>2,387,940</u>	<u>2,400,694</u>	<u>12,754</u>
Expenditures:			
Health and Welfare	<u>2,706,342</u>	<u>2,403,853</u>	<u>302,489</u>
Excess of revenues over (under) expenditures	<u>(318,402)</u>	<u>(3,159)</u>	<u>315,243</u>
Fund Balance at beginning of year	644,745	644,745	-
Prior period adjustment	<u>-</u>	<u>38,880</u>	<u>38,880</u>
Fund Balance at beginning of year as restated	<u>644,745</u>	<u>683,625</u>	<u>38,880</u>
Fund Balance at end of year	<u>\$ 326,343</u>	<u>\$ 680,466</u>	<u>\$ 354,123</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
DRUG TASK FORCE			
Revenues:			
Taxes	\$ 1,315,961	\$ 1,324,181	\$ 8,220
Intergovernmental - Federal/State	20,000	53,922	33,922
Fines and forfeits	90,000	73,857	(16,143)
Interest and rent	25,000	-	(25,000)
Other	50,000	54,889	4,889
Total Revenues	<u>1,500,961</u>	<u>1,506,849</u>	<u>5,888</u>
Expenditures:			
Public Safety	938,073	1,322,834	(384,761)
Capital Outlay	375,000	198,384	176,616
Total Expenditures	<u>1,313,073</u>	<u>1,521,218</u>	<u>(208,145)</u>
Excess of revenues over (under) expenditures	187,888	(14,369)	(202,257)
Other Financing Uses:			
Operating transfers to other funds	<u>(187,888)</u>	<u>(167,211)</u>	<u>20,677</u>
Excess of revenues over (under) expenditures and other uses	<u>-</u>	<u>(181,580)</u>	<u>(181,580)</u>
Fund Balance at beginning of year	931,678	931,678	-
Prior period adjustment	<u>-</u>	<u>22,059</u>	<u>22,059</u>
Fund Balance at beginning of year as restated	<u>931,678</u>	<u>953,737</u>	<u>22,059</u>
Fund Balance at end of year	<u>\$ 931,678</u>	<u>\$ 772,157</u>	<u>\$ 44,118</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PARKS AND RECREATION			
Revenues:			
Taxes	\$ 2,492,800	\$ 2,339,985	\$(152,815)
Intergovernmental -			
Federal/State	-	152,768	152,768
Charges for services	23,000	27,555	4,555
Interest and rent	70,000	75,704	5,704
Other	7,100	7,447	347
Total Revenues	<u>2,592,900</u>	<u>2,603,459</u>	<u>10,559</u>
Expenditures:			
Recreation and Cultural	1,201,000	1,335,484	(134,484)
Capital Outlay	1,000,000	631,930	368,070
Total Expenditures	<u>2,201,000</u>	<u>1,967,414</u>	<u>233,586</u>
Excess of revenues over expenditures	391,900	636,045	244,145
Other Financing Sources:			
Operating transfers from other funds	<u>116,800</u>	<u>116,800</u>	<u>-</u>
Excess of revenues and other sources over expenditures	<u>508,700</u>	<u>752,845</u>	<u>244,145</u>
Fund Balance at beginning of year	2,831,235	2,831,235	-
Prior period adjustment	<u>-</u>	<u>38,964</u>	<u>38,964</u>
Fund Balance at beginning of year as restated	<u>2,831,235</u>	<u>2,870,199</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 3,339,935</u>	<u>\$ 3,623,044</u>	<u>\$ 283,109</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
SUBSTANCE ABUSE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 313,434	\$ 299,042	\$(14,392)
Interest and rent	-	7,530	7,530
Total Revenues	<u>313,434</u>	<u>306,572</u>	<u>(6,862)</u>
Expenditures:			
Health and Welfare	<u>313,434</u>	<u>276,474</u>	<u>36,960</u>
Excess of revenues over expenditures	<u>-</u>	<u>30,098</u>	<u>30,098</u>
Fund Balance at beginning of year	236,807	236,807	236,807
Prior period adjustment	<u>-</u>	<u>313,434</u>	<u>313,434</u>
Fund Balance at beginning of year as restated	<u>236,807</u>	<u>550,241</u>	<u>313,434</u>
Fund Balance at end of year	<u><u>\$ 236,807</u></u>	<u><u>\$ 580,339</u></u>	<u><u>\$ 626,868</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
COUNTY LIBRARY			
Revenues:			
Taxes	\$ 2,356,894	\$ 2,333,985	\$(22,909)
Intergovernmental -			
Federal/State	209,941	233,352	23,411
Local	-	8,000	8,000
Charges for services	27,000	32,454	5,454
Fines and forfeits	735,000	864,752	129,752
Interest and rent	85,225	74,350	(10,875)
Other	15,000	17,232	2,232
Total Revenues	<u>3,429,060</u>	<u>3,564,125</u>	<u>135,065</u>
Expenditures:			
Recreation and Cultural	3,141,350	3,060,130	81,220
Capital Outlay	1,394,886	1,077,117	317,769
Total Expenditures	<u>4,536,236</u>	<u>4,137,247</u>	<u>398,989</u>
Excess of revenues under expenditures	(1,107,176)	(573,122)	534,054
Other Financing Sources:			
Operating transfers from other funds	<u>378,021</u>	<u>378,021</u>	<u>-</u>
Excess of revenues and other sources under expenditures	(729,155)	(195,101)	534,054
Fund Balance at beginning of year	1,266,897	1,266,897	-
Prior period adjustment	<u>-</u>	<u>38,880</u>	<u>38,880</u>
Fund Balance at beginning of year as restated	<u>1,266,897</u>	<u>1,305,777</u>	<u>38,880</u>
Fund Balance at end of year	<u>\$ 537,742</u>	<u>\$ 1,110,676</u>	<u>\$ 572,934</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
CDBG HOUSING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 354,000	\$ 166,890	\$(187,110)
Interest	-	(1,903)	(1,903)
Other	-	72,956	72,956
Total Revenues	<u>354,000</u>	<u>237,943</u>	<u>(116,057)</u>
Expenditures:			
Health and Welfare	<u>364,000</u>	<u>224,272</u>	<u>139,728</u>
Excess of revenues over (under) expenditures	(10,000)	13,671	23,671
Other Financing Sources (Uses):			
Operating transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	23,671	23,671
Fund Balance at beginning of year	<u>268,992</u>	<u>268,992</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 268,992</u>	<u>\$ 292,663</u>	<u>\$ 23,671</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
FAMILY INDEPENDENCE AGENCY			
Revenues:			
Intergovernmental - Federal/State	\$ 700,000	\$ 645,941	\$(54,059)
Other	593,500	89,002	(504,498)
Total Revenues	<u>1,293,500</u>	<u>734,943</u>	<u>(558,557)</u>
Expenditures:			
Health and Welfare	<u>1,537,250</u>	<u>1,289,325</u>	<u>247,925</u>
Excess of revenues under expenditures	<u>(243,750)</u>	<u>(554,382)</u>	<u>(806,482)</u>
Other Financing Sources (Uses):			
Operating transfers from other funds	243,750	702,750	459,000
Operating transfers to other funds	<u>-</u>	<u>(903,838)</u>	<u>(903,838)</u>
	<u>243,750</u>	<u>(201,088)</u>	<u>(444,838)</u>
Excess of revenues and other sources over (under) expenditures and other uses	-	(755,470)	(755,470)
Fund Balance at beginning of year	<u>153,375</u>	<u>1,057,213</u>	<u>903,838</u>
Fund Balance at end of year	<u>\$ 153,375</u>	<u>\$ 301,743</u>	<u>\$ 148,368</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR SPECIAL REVENUE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 850,535	\$ 541,374	\$(309,161)
Charges for services	99,000	111,300	12,300
Other	5,018	15,914	10,896
Total Revenues	<u>954,553</u>	<u>668,588</u>	<u>(285,965)</u>
Expenditures:			
Health and Welfare	3,521,784	3,066,291	455,493
Capital Outlay	70,005	61,612	8,393
Total Expenditures	<u>3,591,789</u>	<u>3,127,903</u>	<u>463,886</u>
Excess of revenues under expenditures	<u>(2,637,236)</u>	<u>(2,459,315)</u>	<u>177,921</u>
Other Financing Sources (Uses) :			
Operating transfers from other funds	2,643,010	2,226,510	(416,500)
Operating transfers to other funds	<u>(2,178,913)</u>	<u>(2,178,913)</u>	<u>-</u>
	464,097	47,597	<u>(416,500)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(2,173,139)</u>	<u>(2,411,718)</u>	<u>(238,579)</u>
Fund Balance at beginning of year	<u>2,411,902</u>	<u>2,411,902</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 238,763</u>	<u>\$ 184</u>	<u>\$(238,579)</u>

VETERANS' TRUST

Revenues:			
Intergovernmental -			
Federal/State	\$ 45,000	\$ 37,487	\$(7,513)
Expenditures:			
Health and Welfare	<u>45,000</u>	<u>37,127</u>	<u>7,873</u>
Excess of revenues under expenditures	-	360	360
Fund Balance at beginning of year	<u>4,094</u>	<u>4,094</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 4,094</u>	<u>\$ 4,454</u>	<u>\$ 360</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR SPECIAL REVENUE FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Amended Budget	Actual	Variance Positive (Negative)
E - 911 WIRELESS			
Revenues:			
Charges for Services	\$ -	\$ 174,860	\$ 174,860
Expenditures:			
Public Safety	-	-	-
Excess of revenues under expenditures	-	174,860	174,860
Fund Balance at beginning of year	167,900	167,900	-
Fund Balance at end of year	<u>\$ 167,900</u>	<u>\$ 342,760</u>	<u>\$ 174,860</u>

E - 911 LANDLINES			
Revenues:			
Charges for Services	\$ 425,000	\$ 372,584	\$(52,416)
Expenditures:			
Public Safety	-	-	-
Excess of revenues under expenditures	425,000	372,584	(52,416)
Other Financing (Uses) :			
Operating transfers to other funds	(425,000)	(372,584)	52,416
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Concluded

NONMAJOR ENTERPRISE FUNDS

NON-MAJOR ENTERPRISE FUNDS

ENTERPRISE FUNDS

Enterprise Funds are used to report operations that provide services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Enterprise Funds of the County are as follows:

Airport Commission - is used to account for the operation of the County-owned airport which sells gasoline, rents hangers, etc.

Sheriff's Concession - is used to account for the concession operations in the County Jail complex which sells various items to the jail inmates.

ST. CLAIR COUNTY, MICHIGAN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2002

	Airport Commission	Sheriff's Concession	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 36,173	\$ 173,223	\$ 209,396
Accounts receivable			
Interest and accounts	6,398	-	6,398
Due from other funds	-	10,384	10,384
Inventories	-	16,447	16,447
Prepaid expenses	188,932	-	188,932
Total Current Assets	231,503	200,054	431,557
Property, Plant and Equipment:			
Property, plant and equipment	8,561,014	12,365	8,573,379
Less - accumulated depreciation	(6,447,127)	(12,365)	(6,459,492)
Total Property, Plant and Equipment (net of accumulated depreciation)	2,113,887	-	2,113,887
Total Assets	2,345,390	200,054	2,545,444
LIABILITIES:			
Current Liabilities:			
Accounts payable	55,458	3,132	58,590
Accrued expenses	4,594	566	5,160
Advances and deposits	19,890	-	19,890
Due to component units	407	-	407
Advances from component units	89,281	-	89,281
Total Current Liabilities	169,630	3,698	173,328
Long-Term Liabilities:			
Accrued vacation and sick (less current portion)	7,981	-	7,981
Total Liabilities	177,611	3,698	181,309
NET ASSETS:			
Invested in capital assets, net of related debt	2,113,887	-	2,113,887
Unrestricted	53,892	196,356	250,248
Total Net Assets	\$ 2,167,779	\$ 196,356	\$ 2,364,135

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 DECEMBER 31, 2002

	Airport Commission	Sheriff's Concession	Total
Operating Revenues:			
Charges for services	\$ 71,610	\$ 110,284	\$ 181,894
Interest and rents	116,731	-	116,731
Other	5,619	1,920	7,539
Total Operating Revenues	<u>193,960</u>	<u>112,204</u>	<u>306,164</u>
Operating Expenses:			
Personal services	190,801	16,550	207,351
Supplies	42,442	81,814	124,256
Other services	80,705	2,095	82,800
Depreciation	542,383	-	542,383
Total Operating Expenses	<u>856,331</u>	<u>100,459</u>	<u>956,790</u>
Operating Income (Loss)	(662,371)	11,745	(650,626)
Non-Operating Revenues:			
Gain on sale of assets	<u>84,134</u>	<u>-</u>	<u>84,134</u>
Net Income (Loss) Before Contribution	(578,237)	11,745	(566,492)
Capital Contribution			
State	<u>60,498</u>	<u>-</u>	<u>60,498</u>
Net Income (Loss) Before Transfers	(517,739)	11,745	(505,994)
Operating Transfers In :			
Operating transfers from other funds	<u>65,523</u>	<u>-</u>	<u>65,523</u>
Change in Net Assets	<u>(452,216)</u>	<u>11,745</u>	<u>(440,471)</u>
Net Assets at beginning of year	(4,120,917)	184,611	(3,936,306)
Prior period adjustments	<u>6,740,912</u>	<u>-</u>	<u>6,740,912</u>
Net Assets at beginning of year as restated	<u>2,619,995</u>	<u>184,611</u>	<u>2,804,606</u>
Net Assets at end of year	<u>\$ 2,167,779</u>	<u>\$ 196,356</u>	<u>\$ 2,364,135</u>

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Airport Commission	Sheriff's Concession	Total
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 185,661	\$ 112,204	\$ 297,865
Cash payments to suppliers	(142,703)	(87,349)	(230,052)
Cash payments to employees	(188,410)	(16,507)	(204,917)
Net Cash Provided (Used) by Operating Activities	<u>(145,452)</u>	<u>8,348</u>	<u>(137,104)</u>
Cash Flows From Noncapital Financing Activities:			
Operating transfers from (to) other funds	65,523	-	65,523
Net Cash Provided by Noncapital Financing Activities	<u>65,523</u>	<u>-</u>	<u>65,523</u>
Cash Flows From Capital and Related Financing Activities:			
Proceed from sale of land	84,334	-	84,334
Capital contributions	60,498	-	60,498
Acquisition and construction of capital assets	(80,695)	-	(80,695)
Net Cash Used by Capital and Related Financing Activities	<u>64,137</u>	<u>-</u>	<u>64,137</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(15,792)	8,348	(7,444)
Cash and Cash Equivalents at Beginning of Year	<u>51,965</u>	<u>164,875</u>	<u>216,840</u>
Cash and Cash Equivalents at End of Year	<u>\$ 36,173</u>	<u>\$ 173,223</u>	<u>\$ 209,396</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss) for the year	\$(662,371)	\$ 11,745	\$(650,626)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation	542,383	-	542,383
Change in assets and liabilities:			
Accounts receivable	(3,684)	-	(3,684)
Prepays and deposits	(7,656)	-	(7,656)
Inventory	-	(2,434)	(2,434)
Accounts payable	27,335	(1,006)	26,329
Accrued expenses	2,391	43	2,434
Due to other governmental units	(39,642)	-	(39,642)
Due to component units	407	-	407
Advances and deposits	(4,615)	-	(4,615)
Net Cash Provided (Used) By Operating Activities	<u>\$(145,452)</u>	<u>\$ 8,348</u>	<u>\$(137,104)</u>

FIDUCIARY FUNDS

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the County for other parties (either as a trustee or as an agent) that cannot be used to finance the County's own operating programs.

Pension Trust Funds –

Pension is used to account for employer and employee pension contributions, investment income, accumulated assets and payments to beneficiaries. The Pension Fund is accounted for in essentially the same manner as Proprietary Funds, but with an important expanded emphasis on net assets available for pension benefits.

Agency Funds –

Trust and Agency - is used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds.

Library Penal Fines - is used to account for the portion of fines that are collected by the 72nd District Court and distributed to the St. Clair County Public Library and County Law Library.

Payroll - is used to account for payroll activities to County employees.

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
DECEMBER 31, 2002

ASSETS:

Cash and cash equivalents	\$ 5,947,040
Investments, at fair value	
U.S. Government Securities	45,945,341
Corporate Bonds	22,342,288
Stocks	77,829,875
Total Investments	<u>146,117,504</u>
Receivables -	
Due from General Fund	88,369
Interest and dividends	1,044,576
	<u>1,132,945</u>
Prepayments	<u>82,241</u>
Total Assets	<u>153,279,730</u>

LIABILITIES:

Accounts payable and employee refunds	\$ 99,028
Due to former employee	71,460
Total Liabilities	<u>170,488</u>

NET ASSETS:

Net assets held in trust for pension benefits	<u>\$ 153,109,242</u>
---	-----------------------

ST. CLAIR COUNTY, MICHIGAN

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	Net Assets Held in Trust		
	Member Contributions	Employer Contributions	Pension Payments
Additions:			
Contributions			
Member contributions	\$ 1,809,038	\$ -	\$ -
Employer contributions	-	-	-
Total Contributions	<u>1,809,038</u>	<u>-</u>	<u>-</u>
Investment income			
Net appreciation (depreciation) in fair value of investments	-	(24,396,203)	-
Interest/Dividends	-	5,551,432	-
Other	-	26,409	-
Net investment income	<u>-</u>	<u>(18,818,362)</u>	<u>-</u>
Total Additions	<u>1,809,038</u>	<u>(18,818,362)</u>	<u>-</u>
Deductions:			
Retirement payroll	-	-	5,010,698
Health insurance	-	-	-
Death benefits	-	52,800	-
Employee refunds	136,737	-	-
Administration	-	51,438	-
Professional fees	-	448,610	-
Miscellaneous	-	6,498	-
Total Deductions	<u>136,737</u>	<u>559,346</u>	<u>5,010,698</u>
Net Increase (Decrease) Before Transfers	1,672,301	(19,377,708)	(5,010,698)
Interfund Transfers In (Out) :			
Retirees obligation	(333,800)	(1,294,396)	1,628,196
Interest	<u>612,955</u>	<u>(4,780,916)</u>	<u>2,640,048</u>
Net Increase (Decrease)	1,951,456	(25,453,020)	(742,454)
Net assets held in trust for pension benefits:			
Beginning of year	<u>20,561,715</u>	<u>82,508,928</u>	<u>46,439,761</u>
End of year	<u>\$ 22,513,171</u>	<u>\$ 57,055,908</u>	<u>\$ 45,697,307</u>

<u>Health Care</u>	<u>Total</u>
\$ -	\$ 1,809,038
4,631,627	4,631,627
<u>4,631,627</u>	<u>6,440,665</u>
-	(24,396,203)
-	5,551,432
-	26,409
<u>-</u>	<u>(18,818,362)</u>
<u>4,631,627</u>	<u>(12,377,697)</u>
-	5,010,698
2,746,713	2,746,713
-	52,800
-	136,737
-	51,438
-	448,610
-	6,498
<u>2,746,713</u>	<u>8,453,494</u>
1,884,914	(20,831,191)
-	-
<u>1,527,913</u>	<u>-</u>
3,412,827	(20,831,191)
<u>24,430,029</u>	<u>173,940,433</u>
<u>\$ 27,842,856</u>	<u>\$ 153,109,242</u>

ST. CLAIR COUNTY, MICHIGAN

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 DECEMBER 31, 2002

	Agency Funds			Total
	Trust and Agency	Library Penal Fines	Payroll	
ASSETS				
Cash and cash equivalents	\$ 8,478,060	\$ 407,055	\$ 123,573	\$ 9,008,688
Investments	1,105,608	-	-	1,105,608
Receivables	5,910,325	2,822	-	5,913,147
Prepayments and deposits	-	-	655	655
Total Assets	<u>\$ 15,493,993</u>	<u>\$ 409,877</u>	<u>\$ 124,228</u>	<u>\$ 16,028,098</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Due to individuals and agencies	\$ 11,956,240	\$ -	\$ 35,073	\$ 11,991,313
Due to other governmental units -				
Federal/state	456,544	-	78,761	535,305
Local	204,399	13,433	10,394	228,226
Due to other funds	<u>2,876,810</u>	<u>396,444</u>	<u>-</u>	<u>3,273,254</u>
Total Liabilities	<u>\$ 15,493,993</u>	<u>\$ 409,877</u>	<u>\$ 124,228</u>	<u>\$ 16,028,098</u>

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 4,300,207	\$ 172,752,053	\$ 168,043,572	\$ 9,008,688
Investments	1,068,915	3,248,390	3,211,697	1,105,608
Receivables	5,354,176	6,036,901	5,477,930	5,913,147
Deposits	-	688	33	655
Due from other governmental units - State	299,280	-	299,280	-
	<u>\$ 11,022,578</u>	<u>\$ 182,038,032</u>	<u>\$ 177,032,512</u>	<u>\$ 16,028,098</u>
Total Assets				
Liabilities:				
Due to -				
Individuals and agencies	\$ 7,110,803	\$ 190,413,760	\$ 185,533,250	\$ 11,991,313
Other governmental units -				
Federal/State	201,028	15,075,023	14,740,746	535,305
Local	1,480,342	654,447	1,906,563	228,226
Other funds	2,230,405	5,860,898	4,818,049	3,273,254
	<u>\$ 11,022,578</u>	<u>\$ 212,004,128</u>	<u>\$ 206,998,608</u>	<u>\$ 16,028,098</u>
Total Liabilities				
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 3,787,052	\$ 112,533,309	\$ 107,842,301	\$ 8,478,060
Investments	1,068,915	3,248,390	3,211,697	1,105,608
Due from other governmental units - State	299,280	-	299,280	-
Due from other funds	-	-	-	-
Receivables	5,350,424	6,030,327	5,470,426	5,910,325
	<u>\$ 10,505,671</u>	<u>\$ 121,812,026</u>	<u>\$ 116,823,704</u>	<u>\$ 15,493,993</u>
Total Assets				
Liabilities:				
Due to -				
Individuals and agencies	\$ 7,070,875	\$ 149,227,811	\$ 144,342,446	\$ 11,956,240
Other governmental units -				
State	133,614	6,690,038	6,367,108	456,544
Local	1,457,525	486,525	1,739,651	204,399
Other funds	1,843,657	4,625,148	3,591,995	2,876,810
	<u>\$ 10,505,671</u>	<u>\$ 161,029,522</u>	<u>\$ 156,041,200</u>	<u>\$ 15,493,993</u>
Total Liabilities				

Continued

ST. CLAIR COUNTY, MICHIGAN

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance January 1, 2002	Additions	Reductions	Balance December 31, 2002
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 396,095	\$ 1,225,324	\$ 1,214,364	\$ 407,055
Accounts receivable	3,752	6,574	7,504	2,822
	<u>\$ 399,847</u>	<u>\$ 1,231,898</u>	<u>\$ 1,221,868</u>	<u>\$ 409,877</u>
Liabilities:				
Due to -				
Other governmental units -				
Local	\$ 13,099	\$ 26,531	\$ 26,197	\$ 13,433
Other funds	386,748	1,235,750	1,226,054	396,444
	<u>\$ 399,847</u>	<u>\$ 1,262,281</u>	<u>\$ 1,252,251</u>	<u>\$ 409,877</u>

PAYROLL FUND				
Assets:				
Cash and cash equivalents	\$ 117,060	\$ 58,993,420	\$ 58,986,907	\$ 123,573
Due from Individuals	-	688	33	655
	<u>\$ 117,060</u>	<u>\$ 58,994,108</u>	<u>\$ 58,986,940</u>	<u>\$ 124,228</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 39,928	\$ 41,185,949	\$ 41,190,804	\$ 35,073
Other governmental units -				
Federal/State	67,414	8,384,985	8,373,638	78,761
Local	9,718	141,391	140,715	10,394
Other funds	-	-	-	-
	<u>\$ 117,060</u>	<u>\$ 49,712,325</u>	<u>\$ 49,705,157</u>	<u>\$ 124,228</u>

Concluded

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES IN CAPITAL ASSETS
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance January 1, 2002	Adjustments	Adjusted Balance January 1, 2002	Additions	Disposals	Balance December 31, 2002
General County:						
Land	\$ 1,887,583	\$ -	\$ 1,887,583	\$ -	\$ -	\$ 1,887,583
Land improvements	1,599,964	-	1,599,964	471,283	-	2,071,247
Buildings	31,774,528	19,641	31,794,169	6,850,577	-	38,644,746
Equipment -			-			
Fixed equipment	26,523	-	26,523	-	-	26,523
Machinery	2,284,926	290,282	2,575,208	265,336	6,390	2,834,154
Furniture and fixtures	91,787	(49,787)	42,000	-	-	42,000
Office	1,710,686	54,787	1,765,473	631,123	17,000	2,379,596
Vehicles	1,984,069	(384,908)	1,599,161	380,079	284,220	1,695,020
Books	-	13,273,191	13,273,191	431,860	924,448	12,780,603
	<u>41,360,066</u>	<u>13,203,206</u>	<u>54,563,272</u>	<u>9,030,258</u>	<u>1,232,058</u>	<u>62,361,472</u>
Less - accumulated depreciation	<u>(13,872,104)</u>	<u>(8,996,946)</u>	<u>(22,869,050)</u>	<u>(2,370,764)</u>	<u>(1,147,271)</u>	<u>(24,092,543)</u>
	<u>27,487,962</u>	<u>4,206,260</u>	<u>31,694,222</u>	<u>6,659,494</u>	<u>84,787</u>	<u>38,268,929</u>
Construction in progress	<u>5,872,640</u>	<u>-</u>	<u>5,872,640</u>	<u>2,849,728</u>	<u>5,512,119</u>	<u>3,210,249</u>
Net Total Investment in General Fixed Assets	<u>\$ 33,360,602</u>	<u>\$ 4,206,260</u>	<u>\$ 37,566,862</u>	<u>\$ 9,509,222</u>	<u>\$ 5,596,906</u>	<u>\$ 41,479,178</u>

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
 DECEMBER 31, 2002

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$ -	\$ 185,932
Circuit Court - Family Division	88,927	-	-	88,927
District Court	496,903	58,000	244,288	194,615
Friend of Court	66,368	-	3,200	63,168
	<u>838,130</u>	<u>58,000</u>	<u>247,488</u>	<u>532,642</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	185,942	-	-	185,942
Information Technology	1,176,890	-	-	1,176,890
Clerk/Register	42,319	-	-	42,319
Register of Deeds	23,728	-	-	23,728
Equalization	5,630	-	-	5,630
Prosecuting Attorney	61,289	-	-	61,289
Human Resources	15,741	-	-	15,741
Property Description	90,675	-	-	90,675
County Treasurer	13,000	-	7,500	5,500
Buildings and Grounds	131,081	-	72,016	59,065
Public Improvement	155,495	-	7,055	148,440
Motor Pool	65,450	-	-	65,450
Drain Commissioner	215,216	-	-	215,216
Cooperative Extension	12,743	-	-	12,743
	<u>2,205,199</u>	<u>-</u>	<u>86,571</u>	<u>2,118,628</u>
Public Safety:				
Sheriff and Patrol	1,042,104	-	-	1,042,104
Marine Safety	382,816	-	-	382,816
Jail	1,949,844	5,059	1,874,016	70,769
Juvenile Center	625,337	40,385	501,592	83,360
Radio/Communications	1,579,400	-	-	1,579,400
Emergency Services	35,668	-	-	35,668
Hazardous Materials Handling	109,398	-	-	109,398
Animal Shelter	333,755	19,200	245,654	68,901
Planning Commission	70,820	-	-	70,820
	<u>6,129,142</u>	<u>64,644</u>	<u>2,621,262</u>	<u>3,443,236</u>
Health and Welfare:				
Veterans Counselor	7,295	-	-	7,295
Day Treatment/Night Watch	214,139	9,173	109,915	95,051
Health Department	1,508,816	81,920	1,159,767	267,129
	<u>1,730,250</u>	<u>91,093</u>	<u>1,269,682</u>	<u>369,475</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
 DECEMBER 31, 2002

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Recreation and Cultural:				
Parks and Recreation	\$ 4,643,227	\$ 1,483,959	\$ 2,926,513	\$ 232,755
Public Library	13,941,507	87,464	792,883	13,061,160
	<u>18,584,734</u>	<u>1,571,423</u>	<u>3,719,396</u>	<u>13,293,915</u>
General:				
Land and improvements	2,173,670	2,173,670	-	-
Buildings	30,700,347	-	30,700,347	-
	<u>32,874,017</u>	<u>2,173,670</u>	<u>30,700,347</u>	<u>-</u>
Total General Fixed Assets	62,361,472	3,958,830	38,644,746	19,757,896
Less: accumulated depreciation	(24,092,543)	(968,184)	(10,182,036)	(12,942,323)
	<u>38,268,929</u>	<u>2,990,646</u>	<u>28,462,710</u>	<u>6,815,573</u>
Construction in progress	<u>3,210,249</u>	<u>-</u>	<u>3,210,249</u>	<u>-</u>
Total General Fixed Assets (Net of Accumulated Depreciation)	<u>\$ 41,479,178</u>	<u>\$ 2,990,646</u>	<u>\$ 31,672,959</u>	<u>\$ 6,815,573</u>

Concluded

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance January 1, 2002	Additions	Disposals and Adjustments	Balance December 31, 2002
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$ -	\$ 185,932
Circuit Court - Family Division	49,337	39,590	-	88,927
District Court	427,284	69,619	-	496,903
Friend of Court	63,168	3,200	-	66,368
Probate Court - Adult	-	-	-	-
Probate Court - Juvenile	-	-	-	-
Adult Probation	-	-	-	-
Law Library	-	-	-	-
Total Judicial	<u>725,721</u>	<u>112,409</u>	<u>-</u>	<u>838,130</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	185,942	-	-	185,942
Information Technology	808,173	374,217	5,500	1,176,890
Clerk/Register	42,319	-	-	42,319
Register of Deeds	23,728	-	-	23,728
Equalization	5,630	-	-	5,630
Prosecuting Attorney	61,289	-	-	61,289
Human Resources	-	15,741	-	15,741
Property Description	58,898	31,777	-	90,675
County Treasurer	13,000	-	-	13,000
Buildings and Grounds	65,065	72,016	6,000	131,081
Public Improvement	-	155,495	-	155,495
Motor Pool	58,898	36,466	29,914	65,450
Drain Commissioner	126,659	88,557	-	215,216
Cooperative Extension	12,743	-	-	12,743
Total General Government	<u>1,472,344</u>	<u>774,269</u>	<u>41,414</u>	<u>2,205,199</u>
Public Safety:				
Sheriff and Patrol	1,007,834	236,704	202,434	1,042,104
Marine Safety	351,355	37,851	6,390	382,816
Jail	1,943,266	6,578	-	1,949,844
Juvenile Center	609,429	29,890	13,982	625,337
Radio/Communications	1,579,400	-	-	1,579,400
Secondary Road Patrol	-	-	-	-
Emergency Services	61,896	-	26,228	35,668
Hazardous Materials Handling	88,786	-	(20,612)	109,398
Animal Shelter	324,013	7,661	(2,081)	333,755
Drug Task Force	-	-	-	-
Planning Commission	70,820	-	-	70,820
Total Public Safety	<u>6,036,799</u>	<u>318,684</u>	<u>226,341</u>	<u>6,129,142</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance January 1, 2002	Additions	Disposals and Adjustments	Balance December 31, 2002
Health and Welfare:				
Veterans Counselor	\$ 27,218	\$ -	\$ 19,923	\$ 7,295
Public Guardian	-	-	-	-
Day Treatment/Night Watch	238,307	45,699	69,867	214,139
Health Department	<u>1,146,341</u>	<u>367,975</u>	<u>5,500</u>	<u>1,508,816</u>
Total Health and Welfare	<u>1,411,866</u>	<u>413,674</u>	<u>95,290</u>	<u>1,730,250</u>
Recreation and Cultural:				
Parks and Recreation	4,037,557	607,723	2,053	4,643,227
Public Library	<u>14,294,049 (1)</u>	<u>584,403</u>	<u>936,945</u>	<u>13,941,507</u>
Total Recreation and Cultural	<u>18,331,606</u>	<u>1,192,126</u>	<u>938,998</u>	<u>18,584,734</u>
General:				
Land and improvements	2,173,670	-	-	2,173,670
Buildings	<u>24,481,251</u>	<u>6,219,096</u>	<u>-</u>	<u>30,700,347</u>
	26,654,921	6,219,096	-	32,874,017
Construction in progress	<u>5,872,640</u>	<u>2,849,728</u>	<u>5,512,119</u>	<u>3,210,249</u>
Total General	<u>32,527,561</u>	<u>9,068,824</u>	<u>5,512,119</u>	<u>36,084,266</u>
 Total General Fixed Assets	 <u>\$ 60,505,897</u>	 <u>\$ 11,879,986</u>	 <u>\$ 6,814,162</u>	 <u>\$ 65,571,721</u>

(1) 13,273,191 of library books were not included in the prior years
 General Fixed Asset Account Group

Concluded

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

DRAIN FUND
BALANCE SHEET
DECEMBER 31, 2002

ASSETS

Cash and cash equivalents	\$ 530,122
Special assessments receivable	298,764
Contracts receivable	<u>57,795</u>
Total Assets	<u>\$ 886,681</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 291,790
Due to component units	9,455
Advances from primary government	50,000
Deferred revenue	<u>185,578</u>
Total Liabilities	536,823

Fund Balance:

Unreserved - Undesignated	<u>349,858</u>
Total Liabilities and Fund Balance	<u>\$ 886,681</u>

ST. CLAIR COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
DRAIN FUND TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2002

Fund Balances - Drain Fund		\$	349,858
Amounts reported for 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 in the funds.			
Capital assets			10,207,979
Accumulated depreciation		(	3,570,936)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
Special Assessments			185,578
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Notes payable	(	1,156,500)	
Accrued interest on bonds/notes payable	(	15,131)	(
			<u>1,171,631)</u>
Net Assets of Drain Commissioner		\$	<u>6,000,848</u>

ST. CLAIR COUNTY, MICHIGAN

DRAIN FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2002

Revenues:

Intergovernmental -	
Federal/State	\$ 79,705
Local	216,000
Interest and rent	21,365
Other	469,441
Total Revenues	<u>786,511</u>

Expenditures:

Debt Service -	683,868
Capital Outlay	1,593,834
Total Expenditures	<u>2,277,702</u>

Excess of revenues over (under) expenditures	<u>(1,491,191)</u>
---	--------------------

Other Financing Sources (Uses):

Note proceeds	1,156,500
Operating transfers from primary government	384,000
Total Other Financing Sources (Uses)	<u>1,540,500</u>

Excess of revenues and other sources over (under) expenditures and other uses	49,309
--	--------

Fund Balances beginning of year	<u>300,549</u>
---------------------------------	----------------

Fund Balances at end of year	<u><u>349,858</u></u>
------------------------------	-----------------------

ST. CLAIR COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF DRAIN FUND
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2002

Net change in fund balances - Drain Fund	\$ 49,309
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,060,925
Depreciation expense	(120,003)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(421,348)
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>	
Principal payments on long term liabilities	630,000
Bond Proceeds	(1,156,500)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>	
Decrease in accrued interest payable	<u>19,669</u>
Change in net assets of Drain Commissioner	<u>\$ 62,052</u>

STATISTICAL SECTION

ST. CLAIR COUNTY, MICHIGAN

GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST TEN FISCAL YEARS (A)
(Unaudited)

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health and Welfare	Recreation and Culture	Other Activities	Interest on Long-Term Debt	Delinquent Tax Collections	Airport	Sheriff's Concession	Solid Waste Disposal		Total
													Waste	Disposal	
1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2002	1,198,055	9,970,876	11,909,422	14,563,912	1,339,252	17,361,594	5,950,660	1,200,000	597,005	1,022	856,331	100,459	4,681,322	-	69,729,910

(A) - The County implemented GASB Statement No. 34 as of and for the year ended December 31, 2002.

Accordingly the data prior to 2002 is not available.

ST. CLAIR COUNTY, MICHIGAN

GOVERNMENT-WIDE REVENUES BY SOURCE
LAST TEN FISCAL YEARS (A)
(Unaudited)

Fiscal Year	Program Revenues			General Revenue						Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Grants and Contributions Not Restricted to Specific Programs	Investment Incomes	Interest and Penalties on Delinquent Taxes	Gain (Loss) on Sale of Capital Assets	Transfers	
1993	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1994	-	-	-	-	-	-	-	-	-	-
1995	-	-	-	-	-	-	-	-	-	-
1996	-	-	-	-	-	-	-	-	-	-
1997	-	-	-	-	-	-	-	-	-	-
1998	-	-	-	-	-	-	-	-	-	-
1999	-	-	-	-	-	-	-	-	-	-
2000	-	-	-	-	-	-	-	-	-	-
2001	-	-	-	-	-	-	-	-	-	-
2002	17,092,879	12,404,888	443,683	33,628,459	4,231,205	1,975,605	902,628	84,134	-	70,763,481

(A) - The County implemented GASB Statement No. 34 as of and for the year ended December 31, 2002. Accordingly data prior to 2002 is not available.

ST. CLAIR COUNTY, MICHIGAN

GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health & Welfare	Recreation & Culture	Other	Capital Outlay	Debt Service	Total
1993	\$ 370,564	\$ 6,477,809	\$ 5,858,464	\$ 8,081,378	\$ 52,361	\$ 32,775,896	\$ 1,694,442	\$ 430,005	\$ 757,769	\$ 499,188	\$ 56,997,876
1994	385,956	6,895,435	5,882,535	9,234,381	69,235	36,750,119	2,428,235	457,655	1,325,779	465,923	63,895,253
1995	391,183	7,165,844	5,800,594	9,806,013	66,383	38,275,418	2,824,211	473,630	3,157,081	434,397	68,394,754
1996	418,195	7,703,469	6,309,836	10,341,118	78,565	40,184,893	3,141,019	693,840	6,718,543	438,925	76,028,403
1997	441,252	7,677,960	6,156,378	10,453,895	123,228	40,265,571	6,072,740	967,591	12,505,578	1,063,693	85,727,886
1998	491,524	7,880,249	6,591,602	10,980,814	79,864	40,639,933	3,291,912	662,619	6,534,193	1,064,002	78,216,712
1999	393,886	7,892,265	7,356,261	11,582,675	55,965	45,212,079	3,564,465	788,382	4,061,180	1,039,384	81,946,542
2000	457,009	8,820,107	7,954,899	13,593,402	97,012	12,779,550	4,684,480	1,085,000	6,155,052	999,992	56,626,503
2001	608,767	9,384,742	8,708,213	13,930,164	270,172	13,621,013	4,139,885	1,100,000	9,303,531	984,132	62,050,619
2002	1,198,055	9,755,747	10,109,948	13,840,111	1,339,252	17,403,668	4,395,614	1,200,000	8,326,169	965,188	68,533,752

Note: Includes the General, Special Revenue, Debt Service and Capital Project Funds.

Note: In 2000 the Community Mental Health Department became a component unit and therefore is not included after 1999.

ST. CLAIR COUNTY, MICHIGAN

GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

Fiscal Year	Taxes	License & Permits	Intergovernmental Revenues	Charges		Fines & Forfeits	Interest & Rents	Other Revenues	Totals
				For Services					
1993	\$ 18,552,706	\$ 377,706	\$ 17,794,830	\$ 18,050,594		\$ 1,165,334	\$ 737,488	\$ 1,533,898	\$ 58,212,556
1994	19,465,836	395,236	21,237,227	19,735,112		1,101,258	2,085,973	1,875,236	65,895,878
1995	23,800,344	410,579	21,927,590	20,610,911		1,192,731	2,205,910	1,931,087	72,079,152
1996	24,695,211	409,825	22,793,756	21,192,088		1,244,636	2,418,258	1,966,806	74,720,580
1997	25,740,088	400,552	21,873,291	24,459,871		1,249,771	2,667,612	2,449,583	78,840,768
1998	26,910,454	439,460	22,300,863	25,000,315		1,351,166	3,075,452	2,550,053	81,627,763
1999	28,466,866	540,820	28,471,852	24,947,979		1,330,512	3,639,198	2,701,296	90,098,523
2000	29,797,399	547,486	16,072,276	6,630,623		1,419,827	4,547,655	1,145,891	60,161,157
2001	31,800,759	653,572	17,253,088	6,944,756		1,700,737	3,747,071	878,485	62,978,468
2002	33,565,713	766,439	17,093,396	8,036,122		1,659,721	2,210,438	748,980	64,080,809

Note: Includes the General, Special Revenue, Debt Service and Capital Project Funds

Note: In 2000 the Community Mental Health Department became a component unit and therefore is not included after 1999.

ST. CLAIR COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(Unaudited)

Year*	Total Tax Levy	Current Tax Collections to March 1	Percentage of Levy Collected	Delinquent Tax Collections to December 31	Total Tax Collections	Percentage of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percentage of Delinquent Taxes to Tax Levy
1993	\$ 18,611,855	\$ 16,840,987	90.5%	\$ 1,368,304	\$ 18,209,291	97.8%	\$ 402,564	2.2%
1994	19,449,641	17,588,452	90.4	1,463,723	19,052,175	98.0	397,466	2.0
1995	23,815,602	22,169,014	93.1	1,571,901	23,740,915	99.7	74,687	0.3
1996	24,775,380	23,050,983	93.0	1,532,589	24,583,572	99.2	191,808	0.8
1997	26,921,542	25,225,856	93.7	1,601,239	26,827,095	99.6	94,447	0.4
1998	29,591,856	27,762,088	93.8	1,675,235	29,437,323	99.5	154,533	0.5
1999	27,651,305	25,733,028	93.1	1,721,305	27,454,333	99.3	196,972	0.7
2000	32,906,101	30,982,152	94.2	1,757,285	32,739,437	99.5	166,664	0.5
2001	34,525,033	32,392,459	93.8	1,895,853	34,288,312	99.3	236,721	0.7
2002	35,906,956	34,037,073	94.8	1,801,235	35,838,308	99.8	68,648	0.2

* Year tax was collected. Levy was made the previous December.

Note: The Delinquent Tax Revolving Fund purchases the delinquent taxes of each unit in March of each year.

Delinquent Personal Property Taxes and Chargebacks are negligible.

Taxes levied are for County general operations and four extra-voted millages (Senior Citizens, Drug Task Force, Library and Parks).

ST. CLAIR COUNTY, MICHIGAN

ASSESSED AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
LAST TEN YEARS
(Unaudited)

Year*	Real Property		Personal Property		Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	
1993	\$ 2,883,216,372	\$ 5,814,731,509	\$ 326,510,182	\$ 653,250,682	\$ 3,209,726,554	** \$ 6,467,982,191	49.62%
1994	3,041,353,158	6,108,881,313	357,837,123	716,092,131	3,399,190,281	** 6,824,973,444	49.81
1995	3,220,454,361	6,476,718,654	365,025,353	730,053,912	3,585,479,714	7,206,772,566	49.75
1996	3,450,906,694	6,921,575,931	397,320,752	795,073,490	3,848,227,446	7,716,649,421	49.87
1997	3,735,774,477	7,506,073,815	397,394,240	795,135,898	4,133,168,717	8,301,209,713	47.79
1998	4,039,404,022	8,117,575,389	424,011,426	848,037,443	4,463,415,448	8,965,612,832	49.78
1999	4,401,018,135	8,854,355,677	449,108,028	898,232,658	4,850,126,163	9,752,588,335	49.73
2000	4,798,497,754	9,656,696,952	519,731,001	1,039,462,146	5,318,228,755	10,696,159,098	49.72
2001	5,249,085,681	10,584,298,648	543,671,941	1,094,344,259	5,792,757,622	11,678,642,907	49.60
2002	5,831,335,720	11,725,878,571	540,086,157	1,080,010,326	6,371,421,877	12,805,888,897	49.75

* Year tax was levied

** Assessed value equals State Equalized value

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

LAST TEN YEARS
(Per \$1,000 of Assessed Value)
(Unaudited)

Year*	Township**		Cities and Villages**		County							Local Schools**	Total							
					Operating	Senior Citizens	Drug Task Force	Library	Parks	Community College	Intermediate School									
1993	\$	1.93	\$	16.40	\$	5.39	\$	0.47	\$	0.28	\$	-	\$	1.41	\$	3.48	\$	37.09	\$	66.45
1994		1.92		16.16		5.39		0.47		0.28		0.50		1.41		3.48		27.27		57.38
1995		1.97		16.18		5.39		0.47		0.28		0.50		1.41		3.48		27.42		57.60
1996		2.02		16.38		5.39		0.47		0.28		0.50		1.41		3.48		27.81		58.24
1997		2.16		16.36		5.39		0.47		0.28		0.50		1.41		3.48		28.19		58.74
1998		2.08		16.28		5.39		0.50		0.28		0.50		1.41		3.48		28.08		58.50
1999		2.16		16.25		5.38		0.50		0.28		0.50		1.90		3.47		28.89		59.83
2000		2.16		18.28		5.38		0.50		0.28		0.50		1.90		3.47		28.82		61.79
2001		2.07		17.98		5.34		0.50		0.28		0.50		1.89		3.46		29.29		61.81
2002		2.21		17.67		5.33		0.50		0.28		0.50		1.89		3.45		29.21		61.54

* Year tax was levied

**Average from Townships, Cities and Villages, and Local schools are presented as these units have varying rates

Rounded to two (2) decimal places.

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

PRINCIPAL TAXPAYERS
 DECEMBER 31, 2002
 (Unaudited)

		<u>2002 Taxable Valuation</u>	<u>Percentage of Total Taxable Value</u>
Detroit Edison	Electrical Utility	\$ 877,957,441	16.98%
SEMCO	Gas Utility	29,217,609	0.57
Mueller Brass Co.	Brass Rod Manufacturing	27,979,748	0.54
Consumers Power	Liquid Natural Gas Storage	25,004,383	0.48
E.B. Eddy	Paper Manufacturing	23,761,000	0.46
Michigan Consolidated Gas Co.	Natural Gas Storage and Pipeline	22,893,486	0.44
Daimler Chrysler	Automotive Parts Storage	20,733,954	0.40
ANR Pipeline Co.	Natural Gas Storage and Pipeline	20,277,524	0.39
DNR	Land Holdings	13,203,211	0.26
Huntsman Polypropylene Corp.	Plastics Manufacturing	12,933,412	0.25
		<u>\$ 1,073,961,768</u>	<u>20.77</u>

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS
(Unaudited)

Year*	Current Assessments Due	Current Assessments Collected to March 1	Current Assessments Collected - Delinquent Taxes	Total Outstanding Assessments
1993	\$ 34,963	\$ 27,941	\$ 7,022	\$ 100,538
1994	31,521	27,874	3,647	59,549
1995	12,294	11,908	386	231,608
1996	24,262	23,978	284	231,546
1997	30,069	27,716	2,353	12,771
1998	12,878	12,196	682	831
1999	84,601	77,198	7,403	80,789
2000	86,965	79,916	7,049	2,606
2001	44,830	42,444	2,386	86,375
2002	113,067	107,254	5,813	175,578

* Year of Collection

Note: Each year the Drain Commissioner turns over for collection the portion of Special Assessment Drains to be paid by the taxpayers in a drainage district. They are collected by the local units up to March 1, and then turned into the County as delinquent. Delinquent taxes are paid 100 percent by the Delinquent Tax Revolving Fund. The above table represents those drain assessments. Total outstanding assessments include both levied and unlevied assessments.

ST. CLAIR COUNTY, MICHIGAN
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2002
(Unaudited)

State Equalized Value	<u>\$ 6,371,421,877</u>
Legal Debt Limit (10% of State Equalized Value)	\$ 637,142,188
Less: Total Long-Term Debt	<u>(65,913,100)</u>
Legal Debt Margin	<u>\$ 571,229,088</u>

Note: Total long-term debt does not include accumulated vacation, sick and compensatory time, accrued insurance liability claims, and Landfill closure and post-closure costs.

ST CLAIR COUNTY, MICHIGAN

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS
(Unaudited)

Year	Population*	Assessed Value (000)**	Gross Bonded Debt	Less Debt Service Money Available	Less Self-Supporting Debt***	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1993	\$ 145,607	\$ 3,209,727	\$ 19,566,497	\$ 4,044	\$ 17,841,497	\$ 1,720,956	0.05	\$ 11.82
1994	145,607	3,399,190	22,234,791	4,063	20,759,791	1,470,937	0.04	10.10
1995	145,607	3,585,479	23,356,833	4,137	22,131,833	1,220,863	0.03	8.38
1996	145,607	3,848,227	38,290,434	55,988	26,505,434	11,729,012	0.30	80.55
1997	145,607	4,133,169	35,813,262	8,118	24,163,262	11,641,882	0.28	79.95
1998	145,607	4,463,415	34,357,651	8,275	23,032,651	11,316,725	0.25	77.72
1999	145,607	4,850,126	39,885,000	8,100	28,885,000	10,991,900	0.23	75.49
2000	164,235	5,318,229	41,105,000	7,750	30,305,000	10,792,250	0.20	65.71
2001	164,235	5,792,758	45,145,000	7,575	34,545,000	10,592,425	0.18	64.50
2002	164,235	6,371,422	42,875,000	-	32,475,000	10,400,000	0.16	63.32

* U.S. Census

** From Assessed and Estimated Actual Value of property table in this section.

*** Gross Bonded Debt and Self-supporting Debt includes the Component unit G.O. Bonds the County is contingently liable for.

Note: Net Bonded Debt represents the Building Authority Debt, less debt service money available.

ST. CLAIR COUNTY, MICHIGAN

RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL
GOVERNMENT EXPEDITURES
LAST TEN YEARS
(Unaudited)

Year	Principal	Interest *	Total Debt Service	Total General Government Expenditures**	Ratio of Debt Service to General Government Expenditures
1993	\$ 225,000	\$ 120,954	\$ 345,954	\$ 56,997,876	0.61%
1994	250,000	105,213	355,213	63,895,253	0.56
1995	250,000	88,837	338,837	68,394,754	0.50
1996	275,000	71,375	346,375	76,028,403	0.46
1997	300,000	674,051	974,051	85,727,886	1.14
1998	325,000	652,764	977,764	78,216,712	1.25
1999	325,000	631,883	956,883	81,946,542	1.17
2000	200,000	615,250	815,250	56,626,503	1.44
2001	200,000	601,250	801,250	62,050,619	1.29
2002	200,000	587,250	787,250	68,533,752	1.15

Note: This schedule shows only the General Bonded Debt that is paid out of the Building Authority Debt Funds. Annual transfers are made from the General Fund to satisfy these principal and interest requirements per a lease agreement.

** Excludes bond administration charges

** Includes the General, Special Revenue, Debt Service and Capital Project Funds.

ST. CLAIR COUNTY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2002
 (Unaudited)

<u>Direct Debt:</u>		
Building Authority		\$ 10,400,000
Water and Sewer Systems - General Obligation Bonds and Loans		43,855,600 *
Michigan Transportation Fund Bonds		5,125,000
Michigan Transportation Fund Notes		2,250,000 *
General Obligation Tax Loans		3,000,000
Installment Loan Agreements		126,000
Drain Notes		1,156,500
		<u>65,913,100</u>
Less: Self-supporting Debt *		<u>(46,105,600)</u>
Net Direct Debt		19,807,500
Overlapping Debt:		
Cities	87,398,111	
Townships	50,060,403	
Villages	1,630,000	
School Districts	189,766,273	
Community College and Intermediate School District	2,591,662	331,446,449
		<u>331,446,449</u>
Net Direct and Overlapping Debt		<u>\$ 351,253,949</u>

Note: Debt information provided by the Municipal Advisory Council of Michigan and Bendzinski and Co., Detroit, Michigan

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE OF REVENUE BOND COVERAGE - BUILDING AUTHORITY
LAST TEN YEARS
(Unaudited)

1978 Bond Issue (20 Year)

Year Ended December 31	Gross Revenue and Transfers In	Debt Service Requirements			Times Coverage
		Principal	Interest and Other Charges	Total	
1993	\$ 346,270	\$ 225,000	\$ 121,128	\$ 346,128	1.00%
1994	355,745	250,000	105,726	355,726	1.00
1995	339,413	250,000	89,339	339,339	1.00
1996	346,905	275,000	71,881	346,881	1.00
1997	352,608	300,000	52,478	352,478	1.00
1998	356,346	325,000	31,189	356,189	1.00
1999	330,700	325,000	10,148	335,148	0.99
2000	-	-	-	-	-
2001	-	-	-	-	-
2002	-	-	-	-	-

1996 Bond Issue (25 Year)

Year Ended December 31	Gross Revenue and Transfers In	Debt Service Requirements			Times Coverage
		Principal	Interest and Other Charges	Total	
1993	\$ -	\$ -	\$ -	\$ -	-
1994	-	-	-	-	-
1995	-	-	-	-	-
1996	51,854	-	27	27	1,920.52
1997	574,600	-	622,600	622,600	0.92
1998	622,600	-	622,600	622,600	1.00
1999	626,698	-	622,425	622,425	1.01
2000	815,250	200,000	615,600	815,600	1.00
2001	801,425	200,000	601,600	801,600	1.00
2002	780,025	200,000	587,600	787,600	0.99

ST. CLAIR COUNTY, MICHIGAN

DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)

Year	Population*	U.S. Census	Per Capita Income**	K-12 School Enrollment***	Unemployment Rate****
1993	151,055	145607	\$ 19,467	26,413	8.3%
1994	152,401	145607	20,728	26,437	7.9
1995	154,081	145607	21,398	26,501	6.4
1996	155,585	145607	21,835	26,919	5.2
1997	157,494	145607	22,969	27,047	5.1
1998	159,465	145607	23,980	27,647	4.5
1999	161,755	145607	24,626	27,652	4.3
2000	164,235	164235	26,001	27,762	4.2
2001	166,541	164235	26,264	27,952	6.9
2002	167,712	164235	N/A*****	28,835	7.8

* Michigan Legislature - Senate Fiscal Agency

** U.S. Department of Commerce - Bureau of Economic Analysis

*** Michigan Department of Education

**** Employment Security Agency

***** Not Available

ST. CLAIR COUNTY, MICHIGAN

PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS
(Unaudited)

Year	Commercial* Construction Value	Residential* Construction Value	Bank Deposits (000) **	Total Estimated Property Values*			
				Industrial Commercial	Residential	Agricultural	Developmental
1993	\$ 16,152,140	\$ 66,595,042	961,785	\$ 1,995,225,866	\$ 3,392,323,371	\$ 427,182,272	\$ -
1994	23,978,921	75,020,364	988,379	2,045,499,631	3,617,794,358	445,587,324	-
1995	31,941,544	94,744,301	1,008,758	2,093,004,648	3,928,381,961	455,332,045	-
1996	12,878,591	87,140,025	1,076,387	2,142,268,288	4,295,955,402	483,352,241	-
1997	17,206,058	98,233,504	1,063,000	1,105,042,548	2,370,222,029	260,509,900	-
1998	19,703,014	121,358,980	1,050,000	1,129,430,233	2,625,522,185	284,367,879	83,725
1999	18,422,123	102,978,357	1,082,000	1,174,602,637	2,889,748,170	335,236,813	1,430,515
2000	13,703,351	117,948,980	1,110,000	1,212,103,891	3,232,546,301	353,153,972	693,590
2001	19,587,317	98,134,663	1,122,000	1,257,923,673	3,597,084,752	393,531,650	545,606
2002	17,250,117	106,501,000	1,508,000	1,413,943,882	3,963,247,697	453,534,613	609,528

* Equalization Department

**F. D. I. C.

Note: Property was not classified as developmental until 1998.

ST. CLAIR COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS
(Unaudited)

Date of Establishment: March 28, 1820

Date of Organization: May 8, 1821

Forms of Government: Elected Board of Commissioners (7), by specific districts

Area: 734 square miles

Year: January 1 through December 31

County Seat: Port Huron, Michigan

Townships: 23

Cities and Villages: 9

Elections:	<u>August 8, 2000 Primary -</u>		<u>August 6, 2002 Primary -</u>	
	Registered Voters	109,120	Registered Voters	111,389
	Ballots Cast	15,704	Ballots Cast	29,650
	<u>November 11, 2000 General -</u>		<u>November 5, 2002 General -</u>	
	Registered Voters	111,022	Registered Voters	111,391
	Ballots Cast	68,915	Ballots Cast	53,022

Miles of Shoreline: (Lake Huron, Lake St. Clair & St. Clair River) 58

Miles of Roads: Primary - 472 miles
Local - 1,046 miles

Recreation:

State Parks - 1,583 acres - 550+ campsites - 10,000 feet of water frontage
County Parks - 433 acres
Township Parks - 313 acres
City Parks - 394 acres - 3 public beaches

Sheriff's Protection:

Jail Capacity - 144
Certified Officers - Road Patrol - 64, Corrections - 39
Patrol Units - 25 vehicles, 12 boats

Education:

Number of Students (2002) *	
Pre-Kindergarten	2,211
Kindergarten - Grade 5	12,955
Grades 6 - 8	6,991
Grades 9 - 12	8,889
Adult and Special Education	637
Alternative Education	355
	<hr/>
	32,038
	<hr/>

Unless otherwise noted, data on this page was supplied by various departments.

* Source: Intermediate School District of St. Clair County

ST. CLAIR COUNTY, MICHIGAN

LABOR AGREEMENTS
DECEMBER 31, 2002
(Unaudited)

Name of Contract	Expiration Date	Number of Employees
District Court Employees - AFSCME	June 30, 2005	30
Juvenile Center Employees - Teamsters	December 31, 2003	37
Probate Court Clericals - POAM	June 30, 2005	19
Probate Court Juvenile Counselors Association	December 31, 2004	12
Probate Court Juvenile Supervisors Association	December 31, 2003	6
Professional Nurses - MNA	December 31, 2004	27
Professional Nurses Supervisors - MNA	December 31, 2004	3
Prosecuting Attorney Employee Association	December 31, 2003	12
Public Service Employees - AFSCME	June 30, 2002 *	264
Sheriff Correction Supervisors - COAM	June 30, 2004	6
Sheriff Department Employees - POAM	June 30, 2003	60
Sheriff Department Employees - POAM	June 30, 2004	66
Sheriff Corrections & Professionals - POAM	June 30, 2003	30
Sheriff Supervisors - AFCME	June 30, 2003	11
Friend of the Court Employees - SEIU	December 31, 2005	36
Total		619

* In negotiation

Source: Human Resources Department