



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2005

**Current members of the
BOARD OF COMMISSIONERS**

Patricia Anger, Chairperson
Terry London, Vice Chairperson
Jeff Bohm
Wallace R. Evans
Howard Heidemann
Dennis M. Kearns
Pamela Wall

Prepared by:
ADMINISTRATOR/CONTROLLER'S OFFICE

Shaun S. Groden, Administrator/Controller
Robert C. Kempf, Deputy Controller/Finance Director

ST. CLAIR COUNTY, MICHIGAN

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ST. CLAIR COUNTY, MICHIGAN

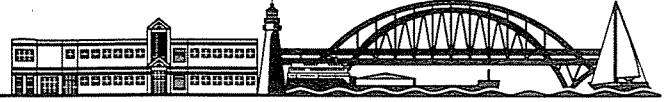
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Office of the Administrator/Controller



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VISION: We are the leader in
innovative, customer-centered
government.

MISSION: To continually
improve public services that
enhances the community for
citizens and future generations
of St. Clair County.

June 20, 2006

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, 2005.

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 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 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, 2005, 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, 2005, 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 pursuant to the requirements of the Governmental Accounting Standards Board (GASB). 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. On the County's eastern border is the sovereign country of 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, two international bridges and two international ferry services, 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 United States and Canada, as they are major players in the movement of goods between the two countries.

The County continues to experience an influx of people from the metropolitan Detroit area, as they look for an alternative to the "big city" lifestyle. The 2000 census reported that 164,235 citizens populated the County, which is a 12.8% increase over the 1990 census, and they lived in 62,072 households. The Southeastern Michigan Council of Governments currently estimates the county population at about 172,500, living in an estimated 66,850 households. 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, and where a majority of our offices are located.

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, guardianships, and they act as Circuit Court Judges for certain domestic matters. 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 function as separate entities. Because of these appointments, and the fact that they may 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 also 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 extra-voted 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 plans used for land development in the County. The Library Board oversees extra-voted millage monies, and other monies, collected by the County and used for the operation of our County-wide Library system. The Commission on Aging oversees extra-voted 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 (ie. Courts, Friend of Court, and Probation), general government (ie. Elections, Equalization,

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

Financial Practices

The annual budget serves as the foundation for the County's financial planning and control. For the 2005 budget all departments and agencies of the County were required to submit requests for appropriation to the Administrator/ Controller by August 15th of 2004. These requests became the starting point for developing a proposed budget. A budget committee, made up of department heads and staff personnel, scrutinized the requests. The budget committee took into consideration the results of the County-wide Capital Improvement Program recommendations, projections of revenues and expenditures, and requests for new personnel. They then molded the department requests into the County-adopted corporate foundation model and submitted a budget to the Administrator/ Controller for his review. In October the Administrator/Controller submitted a balanced proposed budget to the Board of Commissioners for their consideration. The Board then held workshops and a public hearing, and finally adopted 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 a total activity or function for any 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 monthly reports that report budget and actual amounts by department or program.

The Administration of St. Clair County has made it our practice 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 in which the County operates.

Local Economy. The County, like all governments in Michigan, is still feeling the effects of a general statewide economic downturn. Our manufacturing and industrial base is primarily aimed at the auto industry, which is suffering through a rough economy. Investment rates are creeping up from 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 fact, in 2005 we were again the recipients of reductions in a large number of state supported programmatic revenues.

Despite the above noted roadblocks to growth: new national and 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 about 1,000 housing starts per year, the County general operating millage rate is at lower than authorized levels (due to Headlee overrides), the County bond rating continues to be strong, and the County continues to maintain a high level of services to our citizens.

Another positive element is the substantial increase in the taxable value of real property. The County experienced increases of \$279,583,147 (5.5%) from 2004 to 2005 and \$249,390,352 (5.21%) from 2003 to 2004. Increases in 2005 occurred in the following categories: residential (\$223,668,953 or 6.4%), commercial (\$38,978,462 or 7.9%), agricultural (\$8,598,667 or 3.3%), industrial (\$6,729,047 or .8%) and developmental (\$1,608,018 or 326.0%).

Long-term Financial Planning. In 2000 the County started serious discussions regarding the replacement of the jail and juvenile center, and the general programs of our criminal justice system. 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 and a chartered school. 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. The rest of the estimated \$47,500,000 project cost is to come predominately from transfers from the Delinquent Tax Revolving Fund and the Solid Waste Disposal Fund. The Solid Waste Disposal Fund transfer was used to complete a 64-bed cell pod in the jail for lease to the Federal Government to house federal prisoners. Construction is now substantially completed on the 400-bed jail and 70-bed juvenile center and the building is occupied. Completion of minor issues is ongoing and the project is expected to be finalized in the summer of 2006. 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). The 64 beds are occupied with federal prisoners and we are on track to receive approximately \$1.1 million in bed rental in 2006.

In 2002 the County decided to take advantage of a land auction and promised to purchase 16 acres of prime Lake Huron 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. The County received the state grant and finalized the purchase in 2005. Phase one development is scheduled to begin in the summer of 2006, with dedicated millage dollars.

In 2005 the County started negotiations with several property owners in the south central portion of the County to purchase approximately 400 acres of wooded property, with the Belle River running through it, for development as a general day-use park. State grants are

being pursued to help fund this project. It is expected the County will acquire these properties in 2006 or early 2007 for development in 2007.

The County has started to look for a long-term solution to what we expect will be ongoing reductions to state program revenues fostered by state budget woes. Also, due to the opening of the new Jail/Juvenile Facility noted above we will also be taking a hard look at the services we provide, and how we provide them, as we formulate future budgets. 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, exploring new revenue sources and reducing expenditures where practical.

Cash Management. Cash temporarily idle during the year was invested in certificates of deposit and government investment pools offered by commercial banks. All accounts, excluding the retirement system and investment trust 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. The record low investment rates of 2004 are continuously climbing and the County Treasurer recorded approximately \$1,466,000 in interest earned in 2005 for general operations.

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 a 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 Michigan 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 should contribute to the pension plan to ensure that the fund will meet its full obligation to plan participants. During 2005, the County contributed \$2,791,134 (6.67% of covered payroll) and the employees contributed 2,148,932 (5.0% of covered payroll) to the plan. As of December 31, 2004, the date of the last actuary report, the plan was 96.7% funded.

The County also provides post-employment health and dental benefits for eligible retirees and their dependents. This 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. In 2005, the County contributed \$ 2,648,857 (6.33% of covered payroll) and the employees contributed nothing to the plan. Because of the radically increasing cost of health coverage the plan is not currently fully funded, however the County has recently implemented certain changes in the benefits offered with the idea that costs will become more containable.

Relevant Financial Policies. The Board of Commissioner's has established policies regarding maintenance levels for fund balance in the General and Special Revenue Funds as follows:

The General Fund will strive to maintain an Unreserved Fund Balance with a minimum amount of 10% and a maximum of 15% of the most currently approved General Fund budget. All Special Revenue Funds will maintain an Unreserved Fund Balance of 10% of the most currently approved budget.

Annually, at the conclusion of the annual audit, these Funds will be reviewed to determine if they are in compliance with the established policy. Any excess funds will be reverted back to the General Fund. If the General Fund is at its maximum of 15% the excess funds will be transferred to the Budget Stabilization Fund, the Public Improvement Fund or be retained in the General Fund and be designated for future budget stabilization. At December 31, 2005 the balance designated for future budget stabilization was \$2,333,873.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Clair County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was our third consecutive award since we submitted and received the award for our 1996 CAFR. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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,


Shaun S. Groden
Administrator/Controller


Robert C. Kempf
Deputy Controller/Finance Director

St. Clair County
Current List of Elected and Appointed Officials

Elected Officials

Board of Commissioners

Patricia Anger	Chairperson
Terry London	Vice Chairperson
Jeff Bohm	Member
Wallace R. Evans	Member
Howard Heidemann	Member
Denny Kearns	Member
Pamela Wall	Member

31st Circuit Court

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

72nd District Court

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

Probate Court

Elwood Brown	Chief Judge of Probate
John Monaghan	Judge of Probate

Other Elected Officials

Marilyn Dunn	Clerk/Register of Deeds
Fred Fuller	Drain Commissioner
Michael Wendling	Prosecuting Attorney
Dan Lane	Sheriff
Steve Bruen	Surveyor
Kelly Roberts-Burnett	Treasurer

Appointed Official

Shaun S. Groden	Administrator/Controller
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Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



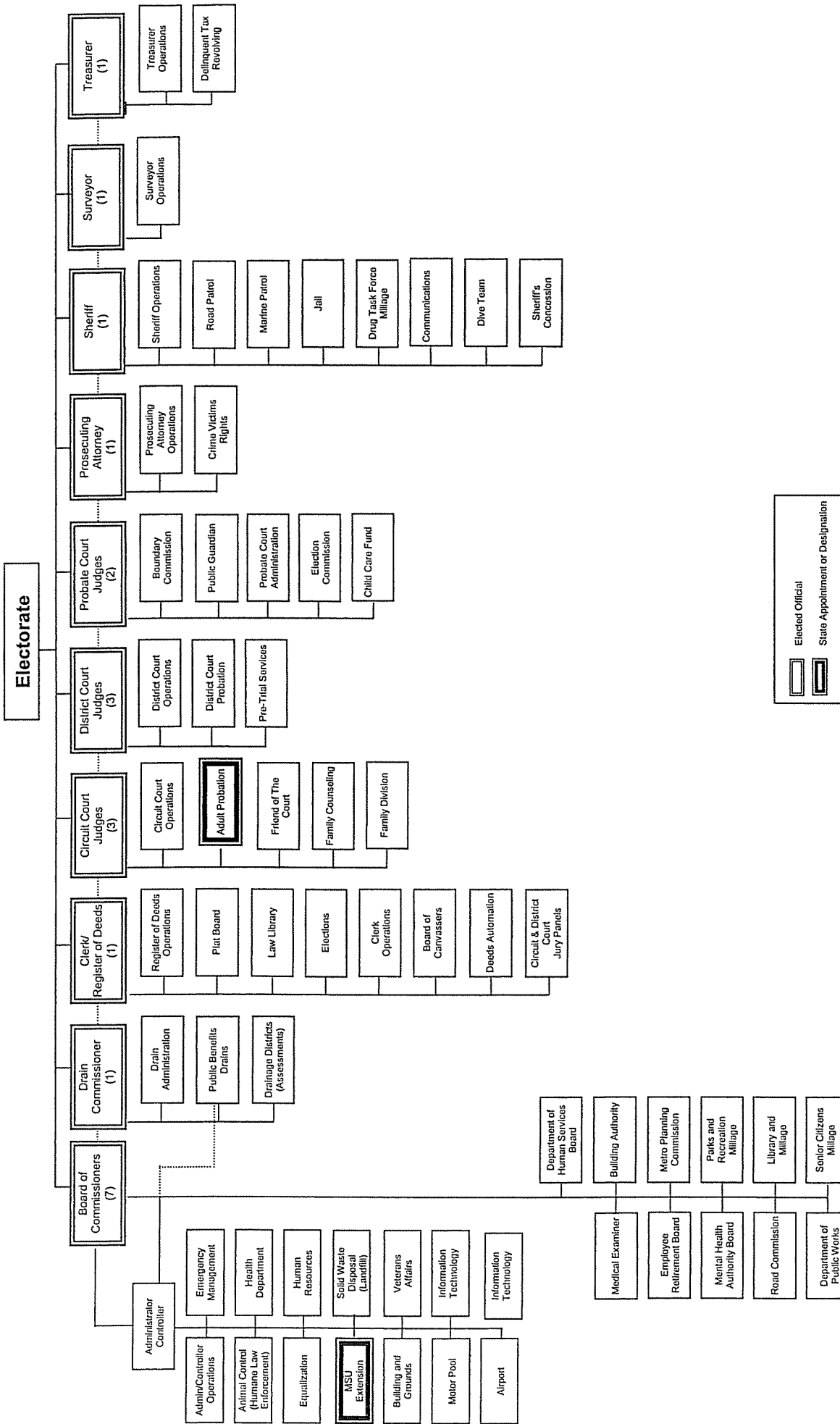
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

St. Clair County Organizational Chart



Elected Official
 State Appointment or Designation



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, 2005, 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 opinions.

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, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 22, 2006, on our consideration of St. Clair County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 17, and schedules of funding progress, employer contributions and budgetary comparison on pages 83 through 89 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was 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 fund financial statements and schedules 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 fund financial statements and schedules 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.

Stewart, Beavon & Whipple

Certified Public Accountants

May 22, 2006

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, 2005. 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, 2005 by \$124,044,278. Of this amount \$40,615,969 may be used to meet the County's ongoing obligations to citizens and creditors. Additionally, \$24,796,051 has been restricted for specific purposes (ie. specific millage funds, substance abuse, revenue sharing, E-911, etc) and \$58,632,258 represents our investment in capital assets, net of related liabilities.
- The total net assets increased by \$12,836,052 primarily due to the near-completion of the new Jail/Juvenile facility and because of a state law change that caused the County to record an additional 1/3 tax levy. The State has eliminated the former revenue sharing program and has replaced it with the collection of additional property taxes. The County will effectively levy four years of general property tax in a span of three years and account for it in a Special Revenue Fund. We are allowed to annually transfer an amount equal to what the state revenue sharing was in 2004, prior to the law change. When the fund is exhausted, in about eight years, the state will reinstitute the revenue sharing program.
- At December 31, 2005 the County's governmental funds reported combined ending fund balances of \$35,568,988, an increase of \$918,747.
- In 2005 the General Fund reported expenditures over revenues of \$812,897 which decreased the fund balance to \$7,971,628. Of this amount \$7,272,708 has been designated for a variety of issues, including \$4,906,211 for a settlement of contested property taxes by DTE Energy and \$2,333,873 for budget stabilization.
- In 2005 the Board of Commissioner's adopted a balanced budget for the 2006 General Fund.

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 the relatively new reporting structure that all state and local governments must implement. 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.

St. Clair County Management's Discussion and Analysis

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 employee vacation leave).

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, recreation and culture, other activities and debt service. The business-type activities of the County include the Airport, Sheriff's Commissary, Landfill and the Delinquent Tax Revolving Funds.

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 18-20 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, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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

St. Clair County Management's Discussion and Analysis

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. Included are the General Fund, the Special Revenue funds, the Debt Service funds, the Capital Project funds and a Permanent fund.

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 government's 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 29 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 balances for the General Fund, Health Department Fund, Parks and Recreation Fund, Library Fund, Revenue Sharing Reserve Fund and the Jail/Juvenile Facility Construction Fund, all of which are considered to be major funds. Data for the other 23 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.

As required by state law 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 21-26 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.

St. Clair County Management's Discussion and Analysis

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 Solid Waste Disposal System (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 27-30 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 31-32 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 36-82 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 five major governmental funds. This required supplementary information is found on pages 83-89 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 90-113 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 \$124,044,278 at December 31, 2005.

The largest portion of the County's net assets represents our investment in capital assets, (e.g., land, buildings, machinery and equipment); less any related debt used to acquire

**St. Clair County
Management's Discussion and Analysis**

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. The second largest portion of net assets is unrestricted and available for ongoing obligations to citizens and creditors. As noted earlier, a portion of net assets is restricted and subject to external restrictions as to how they may be used.

Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	70,283,203	75,506,028	42,988,117	49,523,855	113,271,320	125,029,883
Capital Assets, Net of Accumulated Depreciation	87,998,096	74,781,809	12,966,518	9,605,555	100,964,614	84,387,364
Total Assets	158,281,299	150,287,837	55,954,635	59,129,410	214,235,934	209,417,247
Current Liabilities	28,686,898	37,255,200	525,753	603,229	29,212,651	37,858,429
Other Liabilities	47,269,349	47,860,907	13,709,656	12,489,685	60,979,005	60,350,592
Total Liabilities	75,956,247	85,116,107	14,235,409	13,092,914	90,191,656	98,209,021
Net Assets						
Investment in capital assets, Net of related debt	45,828,075	34,511,679 *	12,804,183	9,605,555	58,632,258	44,117,234
Restricted	24,710,640	18,142,769	85,411	-	24,796,051	18,142,769
Unrestricted	11,786,337	12,517,282	28,829,632	36,430,941	40,615,969	48,948,223
Total Net Assets	82,325,052	65,171,730	41,719,226	46,036,496	124,044,278	111,208,226

* 2004 has been restated to remove capitalized interest.

At the end of the fiscal year the County was able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The current and other assets and current liabilities in the governmental activities decreased due to the ongoing construction and payments made regarding the Jail/Juvenile facility. Consequently, the capital assets have increased for the same reason. The net assets of the business-type activities were reduced due to a transfer out of funds for the Jail/Juvenile facility project.

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.

**St. Clair County
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Changes in Net Assets

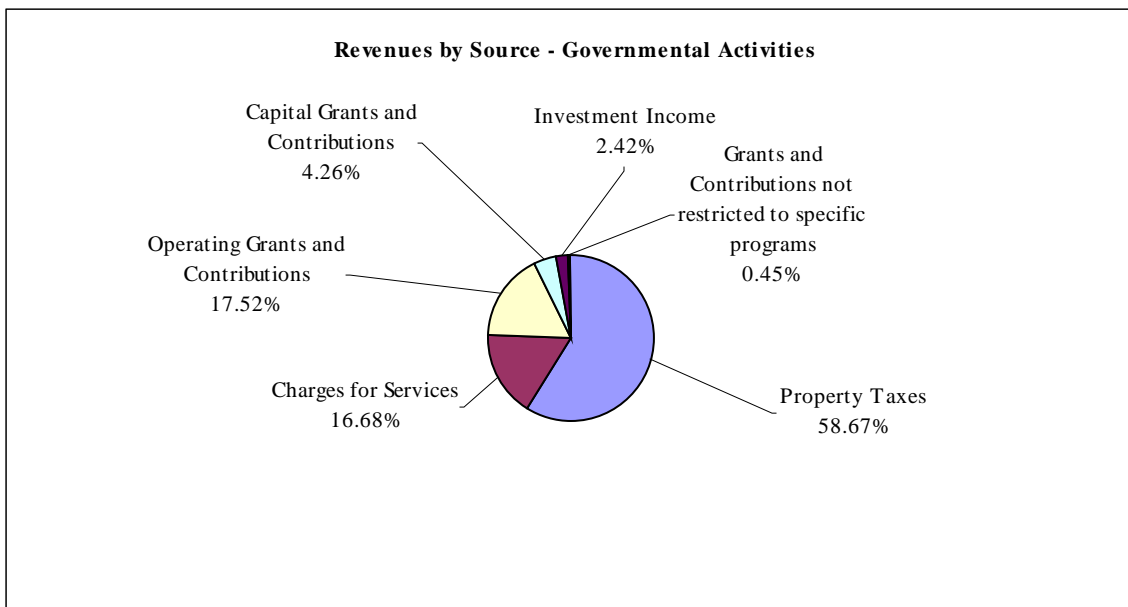
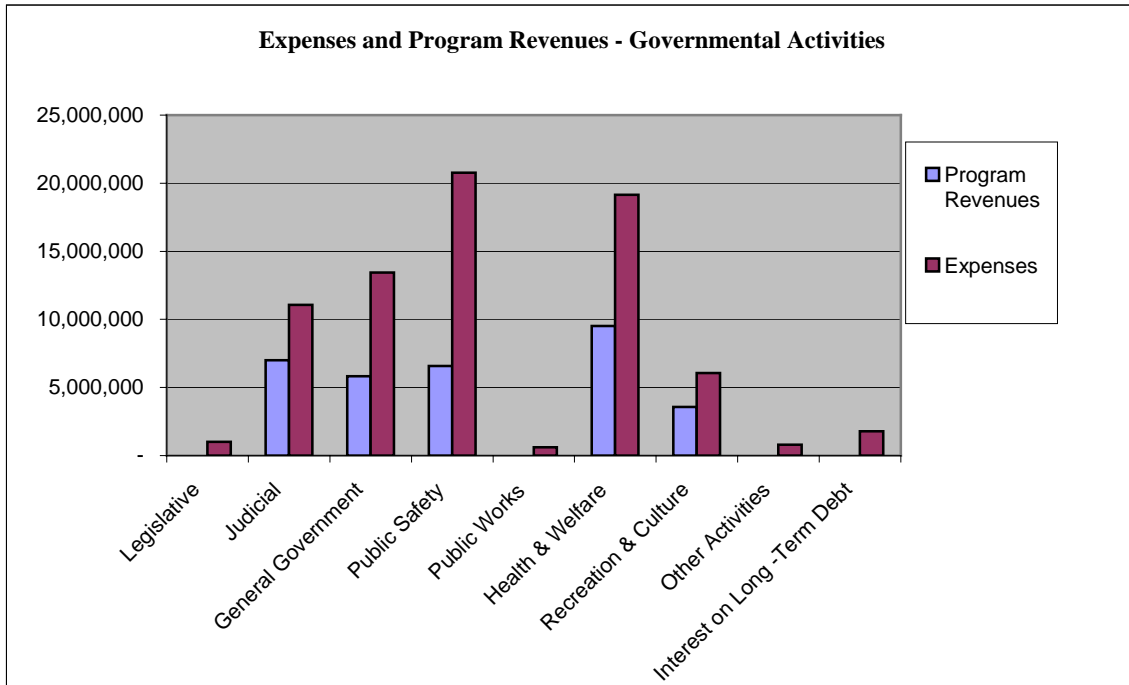
	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	14,096,803	13,854,426	6,148,996	5,936,794	20,245,799	19,791,220
Operating Grants and Contributions	14,807,094	13,353,044	402,985	341,507	15,210,079	13,694,551
Capital Grants and Contributions	3,597,323	876,921	701,831	26,479	4,299,154	903,400
General revenues:						
Property Taxes	49,589,441	47,253,761	-	-	49,589,441	47,253,761
Intergovernmental revenues	378,097	1,330,569	-	-	378,097	1,330,569
Investment earnings	2,046,909	880,545	728,650	379,424	2,775,559	1,259,969
Other revenues	-	-	885,853	886,560	885,853	886,560
Total Revenues	84,515,667	77,549,266	8,868,315	7,570,764	93,383,982	85,120,030
Expenses:						
Legislative	1,000,136	1,154,454	-	-	1,000,136	1,154,454
Judicial	11,073,476	10,892,698	-	-	11,073,476	10,892,698
General Government	13,432,371	13,672,576	-	-	13,432,371	13,672,576
Public Safety	20,779,960	17,721,012	-	-	20,779,960	17,721,012
Public Works	607,230	826,441	-	-	607,230	826,441
Health and Welfare	19,139,710	18,447,590	-	-	19,139,710	18,447,590
Recreation and Culture	6,055,663	6,109,029	-	-	6,055,663	6,109,029
Other Activities	800,000	800,000	-	-	800,000	800,000
Interest on Debt Service	1,797,104	1,634,525	-	-	1,797,104	1,634,525
Delinquent Tax collections	-	-	75,655	56,531	75,655	56,531
Airport	-	-	688,116	534,078	688,116	534,078
Sheriff's Concession	-	-	163,512	156,717	163,512	156,717
Solid Waste Disposal	-	-	4,934,997	4,699,510	4,934,997	4,699,510
Total Expenses	74,685,650	71,258,325	5,862,280	5,446,836	80,547,930	76,705,161
Increase in Net Assets,						
before transfers	9,830,017	6,290,941	3,006,035	2,123,928	12,836,052	8,414,869
Transfers	7,323,305	4,271,333	(7,323,305)	(4,271,333)	-	-
Increase in Net Assets	17,153,322	10,562,274	(4,317,270)	(2,147,405)	12,836,052	8,414,869
Net Assets January 1 (Restated)	65,171,730	54,609,456	46,036,496	48,183,901	111,208,226	102,793,357
Net Assets December 31	82,325,052	65,171,730	41,719,226	46,036,496	124,044,278	111,208,226

The County's net assets increased by \$12,836,052 during the fiscal year. The significant increase in net assets in the governmental activities was predominately the result of the additional tax levy, as earlier discussed, the acquisition of capital grants, investment earnings, and transfers in.

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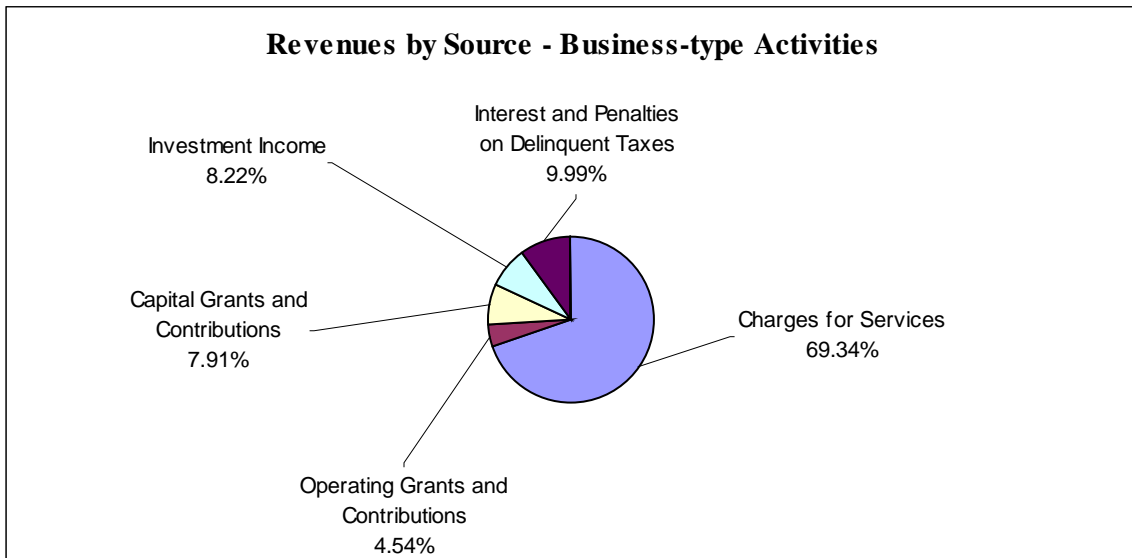
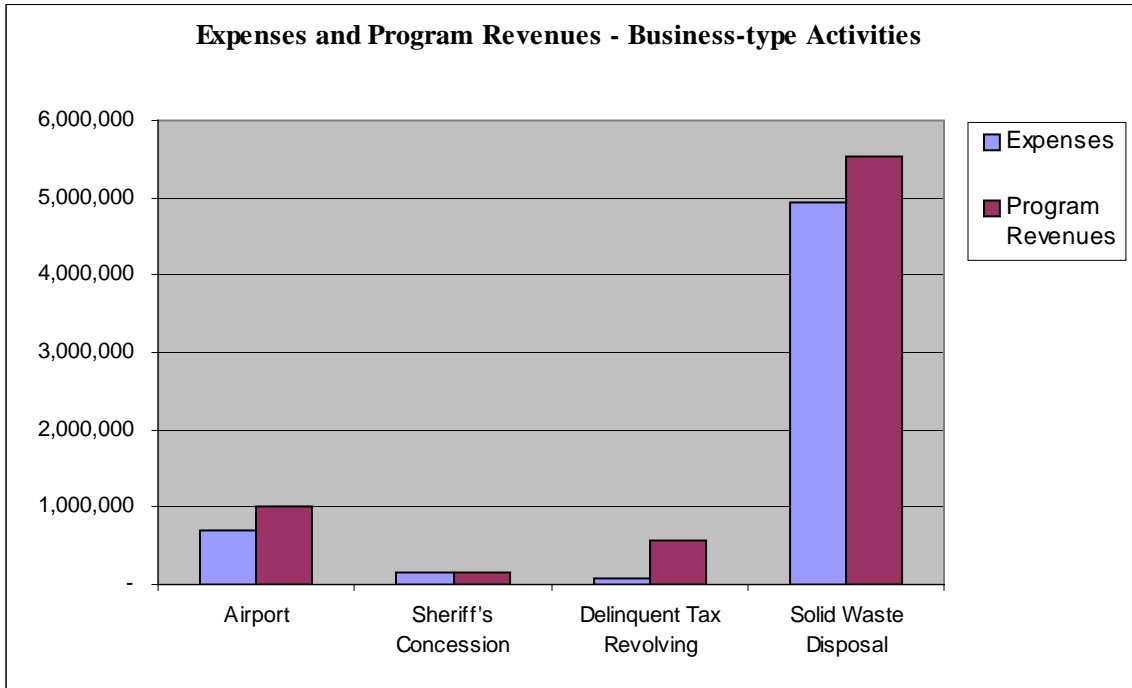
The net asset reduction in the business-type activities was the result of significant transfers for the Jail/Juvenile facility project. These activities also received increased capital grants and investment earnings.

Governmental activities. Governmental activities increased the County's net assets by \$17,153,322. Contributing factors, as noted above were the additional tax levy, capital grants, investment income and transfers in for the Jail/Juvenile facility project.



**St. Clair County
Management's Discussion and Analysis**

Business-type activities. Business-type activities decreased the County's net assets by \$4,317,270. The largest contributing factor to this decrease was a significant transfer from the Delinquent Tax Revolving Fund for construction of the new Jail/Juvenile project. Offsetting some of this decrease was a large capital grant in the Airport and investment income.



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, 2005, the County's governmental funds reported combined ending fund balances of \$35,568,988, an increase of \$918,747 in comparison to the prior year. This increase was primarily due to the recording of the additional tax levy. Most of this fund balance is unreserved (\$34,832,938), which is available for spending at the County's discretion. A total of \$10,555,492 of the unreserved fund balance has been designated for projects in the Parks (\$212,500); potential tax refunds to Detroit Edison in the General Fund (\$4,906,211), Parks (\$514,220), Library (\$518,786), Senior Citizens (\$518,786), Drug Task Force (\$138,202) and Revenue Sharing Reserve (\$1,245,392); and future budget stabilization/various other items (\$2,501,395), leaving \$24,277,446 for current use. The remainder of fund balance (\$736,050) is reserved to indicate that it is not available for new spending because it has already been committed to prepayments, the construction of capital assets, substance abuse programs and the permanent funds.

The General Fund is the chief operating fund of the County. At December 31, 2005, the general fund reported fund balance of \$7,971,628. \$606,954 of that amount is unreserved/undesignated, \$7,272,708 is unreserved/designated and \$91,966 is reserved. \$2,333,873 of fund balance has been designated for future budget stabilization, \$4,906,211 for a possible tax refund, and \$32,624 for various programs. The \$91,966 has been reserved for prepaid expenditures and advances. 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 14.6 percent (unreserved/undesignated fund balance is only 1.1 percent) and total fund balance represents 14.7 percent of 2005 total budgeted general fund expenditures and transfers.

The 2005 amended budget of the general fund had revenues and transfers in of \$52,791,767 and expenditures and transfers out of \$54,051,779. Included in the transfers in was \$311,163 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 appropriations to several funds that depend on the general fund for operational funds. The fund balance in the general fund was budgeted to decrease by \$1,260,012 or 14.3%.

Another major governmental fund, the Health Department, reported fund balance of

St. Clair County Management's Discussion and Analysis

\$1,412,578 at December 31, 2005, with \$1,048,010 of that amount unreserved/undesignated. Revenues and transfers in were reported at \$10,508,875 along with expenditures and transfers out of \$10,184,152. A transfer out of \$53,978 of available fund balance was made to the general fund, as noted above.

The third major governmental fund is the special millage Parks and Recreation Fund. At December 31, 2005, Parks and Recreation reported a fund balance of \$4,614,830. \$3,888,110 of the fund balance is available for operations of the park system and future development. Another \$726,720 of the fund balance has been designated for specific projects and possible repayment of contested taxes. Revenues and transfers in were \$5,303,596 and expenditures were \$5,597,293.

The fourth major governmental fund is the special millage Library Fund. It reported \$1,909,854 in fund balance at December 31, 2005. Of this amount, \$1,385,068 is available for operations, \$518,786 has been designated for possible repayment of contested taxes, and \$6,000 has been reserved for prepaid expenditures. In 2005 the Library operated on revenues and transfers in of \$4,191,699 and expenditures of 4,212,546.

The fifth major governmental fund is the Revenue Sharing Reserve Fund. As previously noted, this fund accounts for the additional tax levy as required by the State of Michigan. Annually, an amount will be transferred from this fund to the General Fund to replace the state revenue sharing program suspended by the state. At December 31, 2005, this fund had \$13,375,165 in unreserved/undesignated fund balance and \$1,245,392 has been designated for possible repayment of contested taxes. This fund transferred \$3,111,558 to the General Fund in 2005.

The last major governmental fund is the Jail/Juvenile Facility Construction Fund. It had a fund balance at December 31, 2005 of \$9,049, which is totally reserved for the construction of the facility.

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, 2005.

Net assets in the Solid Waste Disposal System at the end of the year amounted to \$13,452,848, an increase of \$622,969 over the prior year. \$9,078,851 of the \$13,452,848 was invested in capital assets. This increase was primarily due to regular operations at the landfill.

The Delinquent Tax Revolving Fund reported a net decrease in net assets of \$5,513,182, to \$24,316,855. The decrease was the direct result of a large transfer out to the Jail/Juvenile facility project. After the project is finished the earnings in this fund are dedicated to the annual debt payment requirements of the bond secured for the construction of the Jail/Juvenile facility project.

General Fund Budgetary Highlights

During the year the original budget was amended as needed. The original budget was balanced, while the final amended budget represents a deficit budget of \$1,260,012. Amended revenue and transfer-in budgets were within \$509,690 (.97%) of actual revenues, while expenditures and transfers-out were within \$956,805 (1.80%) of actual expenditures.

Overall during the year the budget was adjusted as follows: the revenues and transfers in were adjusted down by \$369,242 (.7%), and the expenditures were adjusted up by \$890,770 (1.7%). The amended budget to actual variance at the end of the year was a positive \$447,115 or .8% of budgeted expenditures and transfers out.

Differences between the original budget and the final amended budget were relatively large in a few areas. The major contributors to this variation are as follows:

- Revenues: were reduced to show the effects of the loss of state revenue sharing, which was partially offset by other grants that were accepted from the state by the County during the year, while other revenue activities were adjusted to reflect actual revenues received.
- Transfers In: were significantly increased to adjust for the transfer of \$311,163 of fund balance from various funds, and the effects of the loss of state revenue sharing noted above.
- Expenditures: were increased primarily to account for the expenditure side of grants received and additional operating costs in the Information Technology Department.
- Transfers Out: were increased due to the transfer of operations in two departments to separate funds outside the General Fund and a supplemental operational transfer to the Airport.

Significant differences between the amended budgets and actual results for revenues were as follows:

- Tax revenues were \$557,595 greater than the amended budget primarily due to the effects of the tax shift noted at the beginning of this document.
- Federal/State revenues were under the budget by \$779,855 primarily because of a grant budgeted for, but not received, for Homeland Security in the Emergency Management Department.
- Fines and Forfeits revenues were under the amended budget by \$208,599 due to actual activity in court fines and bond forfeitures being much lower than expected.
- Interest and Rent revenues were \$541,105 greater than the amended budget due to the efforts of the new County Treasurer's to maximize investment earnings along with rising interest rates.

St. Clair County Management's Discussion and Analysis

- Other revenues were under the amended budget by \$608,407 primarily due to an anticipated realignment of health care expenses that would have returned money to the General Fund from the Health Care Fund that did not materialize.

Significant differences between the amended budgets and actual results for expenditures in the departments are as follows:

- The District Court was under its amended budget by \$114,387 primarily due to vacant positions in personnel and lower than expected supplies and court appointed attorney costs.
- The Friend of Court was under its amended budget by \$189,342 because of vacant positions in personnel, and lower than expected supplies and postage.
- The Probate Court was over its amended budget by \$116,432 due to an employee being paid out of the Probate Court that was budgeted for in the Family Division of Circuit Court, and higher than expected court appointed attorney costs.
- The Staff Resource Pool was under its amended budget by \$110,219 due to the phasing out of the Pool from the 2006 budget. In the summer of 2005 this phase out started and vacant positions in personnel were not filled.
- Information Technology exceeded its amended budget by \$255,116 primarily due to the larger than anticipated costs of consultants, maintenance contracts and hardware purchases.
- The Drain Commissioner was under its amended budget by \$302,122 due to the transfer of certain actual personnel costs to the Drain Funds where they are assigned directly to drain projects.
- The Sheriff's Department was over its amended budget by \$271,764 primarily due to road patrol personnel costs being higher than anticipated, and fuel costs.
- Corrections/Jail was over its amended budget by \$174,231 due to unanticipated costs associated with the new jail opening later than expected, causing prisoners to be housed out of county for a longer period of time.
- Emergency Preparedness was under its amended budget by \$1,005,674 due to the non-receipt of an anticipated grant, as noted above, and the expenditure of funds for projects that were not budgeted.

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, 2005, amounted to \$100,964,614 (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 \$16,577,250 or 19.6 percent. The governmental activities recorded an 17.7 percent increase while the business-type activities had a 34.9 percent increase.

Major capital asset events during the year included the following:

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Management's Discussion and Analysis**

- The Solid Waste Disposal System initiated significant projects at the Landfill that included construction of a new disposal cell.
- The recording of about \$10 million of construction in progress on the new Jail/Juvenile Facility project and a new communications tower.
- Property was purchased by the Parks and Recreation Department on Lake Huron in Ft. Gratiot Township for construction of a County park.
- Various technology projects that will allow County operations to work more efficiently and also easier access by outside organizations.

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
Land	5,786,291	1,918,999	1,077,858	1,077,858	6,864,149	2,996,857
Buildings and Improvements	27,293,316	28,069,224	1,130,930	1,164,025	28,424,246	29,233,249
Improvements other than Buildings	2,281,735	2,015,391	5,434,148	2,386,283	7,715,883	4,401,674
Equipment and Vehicles	2,641,432	2,924,234	328,544	174,207	2,969,976	3,098,441
Books	3,210,581	3,414,963	-	-	3,210,581	3,414,963
Construction in Progress	46,784,741	36,438,998	4,995,038	4,803,182	51,779,779	41,242,180
Total	<u>87,998,096</u>	<u>74,781,809</u>	<u>12,966,518</u>	<u>9,605,555</u>	<u>100,964,614</u>	<u>84,387,364</u>

Additional information on the County's capital assets can be found in Note 5 beginning on page 54 of this report.

Long-term Debt. At December 31, 2005, the County had total debt outstanding of \$60,979,005, which was \$628,213 more than the prior year.

Significant portions of the debt include the following:

- The outstanding un-refunded portion of the general obligation bonds that were sold in 1996 to finance the construction of the Administrative Building (\$400,000).
- The outstanding portion of the 2004 refunding (refinanced) of the 1996 issue sold to finance the construction of the Administrative Building (\$9,525,000).
- The general obligation bonds sold in 2003 to finance the construction of the Jail/Juvenile facility (\$32,850,000).
- 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 amount recorded for this obligation is \$13,514,656 at December 31, 2005.
- Certain employees of the County 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. This amount, at December 31, 2005, is \$4,236,993.

**St. Clair County
Management's Discussion and Analysis**

Additional information on the County's long-term debt can be found in Note 9 beginning on page 63 of this report.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General Obligation Bonds	42,775,000	43,775,000	-	-	42,775,000	43,775,000
Installment Loan Agreements	-	7,738	162,335	-	162,335	7,738
Landfill Closure and Post Closure Costs	-	-	13,514,656	12,450,088	13,514,656	12,450,088
Self-insurance Liability	895,000	745,000	-	-	895,000	745,000
Accumulated Employee Vacation, Sick and Compensatory Time	4,204,328	3,979,613	32,665	39,597	4,236,993	4,019,210
Deferred Amounts	(604,979)	(646,244)	-	-	(604,979)	(646,244)
Total	47,269,349	47,861,107	13,709,656	12,489,685	60,979,005	60,350,792

Economic Factors and Next Year's Budgets and Rates

Many factors are being considered in preparation of the County's budget for the 2007 fiscal year. Several of the more telling factors are as follows:

- The unemployment rate for the County is currently around 7.9 percent, which is a decrease 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 continued uncertainty of state funding for programs throughout the County.
- State imposed limitations on the County's ability to raise revenues are having a significant impact on our ability to maintain services.
- Higher than expected costs to operate the new Jail/Juvenile facility

The 2006 budgets are currently balanced and any amendments will be approved by the Board of Commissioner's, as needed.

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

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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 for additional information regarding the County or additional copies of this report.

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 12,589,781	\$ 2,402,493	\$ 14,992,274	\$ 14,005,413
Investments	17,300,000	34,726,969	52,026,969	-
Receivables (net of allowance)	39,432,592	5,731,166	45,163,758	8,826,642
Prepaid expenses	529,271	74,025	603,296	800,174
Internal balances	(10,384)	10,384	-	-
Due from component units	137,017	-	137,017	46,742
Due from primary government	-	-	-	161,810
Inventory	-	43,080	43,080	1,385,566
Advance to component units	50,000	-	50,000	89,281
Deferred charges	236,876	-	236,876	-
Restricted Assets -				
Temporarily restricted -				
Cash and cash equivalents	-	-	-	6,543,691
Receivable	-	-	-	36,050,408
Permanently restricted - Investment	18,050	-	18,050	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	52,571,032	6,072,896	58,643,928	35,689,614
Assets being depreciated	35,427,064	6,893,622	42,320,686	102,725,240
Total Assets	<u>158,281,299</u>	<u>55,954,635</u>	<u>214,235,934</u>	<u>206,324,581</u>
LIABILITIES:				
Payables and accrued liabilities	7,020,041	395,339	7,415,380	6,737,588
Accrued interest	432,771	-	432,771	133,511
Due to component units	8,299	1,058	9,357	46,742
Advances and deposits	-	8,419	8,419	1,367,533
Advances from component units	-	89,281	89,281	-
Advances from primary government	-	-	-	50,000
Unearned revenue	21,225,787	31,656	21,257,443	4,282,057
Liability Payable from restricted assets	-	-	-	254,288
Non-current liabilities -				
Due within one year	1,830,400	40,584	1,870,984	7,183,294
Due in more than one year	45,438,949	13,669,072	59,108,021	40,276,150
Total Liabilities	<u>75,956,247</u>	<u>14,235,409</u>	<u>90,191,656</u>	<u>60,331,163</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	45,828,075	12,804,183	58,632,258	128,836,504
Net assets -				
Restricted -				
Acquisition/construction of capital assets	250,526	-	250,526	1,041,414
Permanent Fund				
Expendable	4,940	-	4,940	-
Nonexpendable	18,050	-	18,050	-
Debt Service	134,898	-	134,898	4,274,322
Parks and Recreation	4,614,830	-	4,614,830	-
Revenue Sharing Reserve	14,620,557	-	14,620,557	-
Library	1,909,854	-	1,909,854	-
Other Purposes	3,156,985	85,411	3,242,396	-
Unrestricted	<u>11,786,337</u>	<u>28,829,632</u>	<u>40,615,969</u>	<u>11,841,178</u>
Total Net Assets	<u>\$ 82,325,052</u>	<u>\$ 41,719,226</u>	<u>\$ 124,044,278</u>	<u>\$ 145,993,418</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, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 1,000,136	\$ 7,271	\$ 2,438	\$ -
Judicial	11,073,476	3,227,325	3,769,900	-
General Government	13,432,371	4,428,517	1,407,170	-
Public Safety	20,779,960	3,561,124	1,646,107	1,378,755
Public Works	607,230	-	-	-
Health and Welfare	19,139,710	1,760,086	7,749,651	-
Recreation and Culture	6,055,663	1,112,480	231,828	2,218,568
Other Activities	800,000	-	-	-
Interest on Long Term Debt	1,797,104	-	-	-
Total governmental activities	<u>74,685,650</u>	<u>14,096,803</u>	<u>14,807,094</u>	<u>3,597,323</u>
Business type activities:				
Delinquent Revolving Tax	75,655	569,517	-	-
Airport Commission	688,116	298,484	-	701,831
Sheriff Concession	163,512	151,349	-	-
Solid Waste Disposal System	4,934,997	5,129,646	402,985	-
Total business type activities	<u>5,862,280</u>	<u>6,148,996</u>	<u>402,985</u>	<u>701,831</u>
Total Primary Government	<u>80,547,930</u>	<u>20,245,799</u>	<u>15,210,079</u>	<u>4,299,154</u>
Component Units				
Road Commission	19,881,091	4,018,597	14,219,648	13,758,657
Department of Public Works	5,715,364	5,319,107	-	-
Community Mental Health Authority	64,632,715	528,901	63,797,561	-
Drains	811,060	1,640,573	-	133,208
Total Component Units	<u>91,040,230</u>	<u>11,507,178</u>	<u>78,017,209</u>	<u>13,891,865</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 capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustment

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			
Governmental Activities	Business Type Activities	Total	Component Units
\$(990,427)	\$ -	\$(990,427)	\$ -
(4,076,251)	-	(4,076,251)	-
(7,596,684)	-	(7,596,684)	-
(14,193,974)	-	(14,193,974)	-
(607,230)	-	(607,230)	-
(9,629,973)	-	(9,629,973)	-
(2,492,787)	-	(2,492,787)	-
(800,000)	-	(800,000)	-
(1,797,104)	-	(1,797,104)	-
(42,184,430)	-	(42,184,430)	-
-	493,862	493,862	-
-	312,199	312,199	-
-	(12,163)	(12,163)	-
-	597,634	597,634	-
-	1,391,532	1,391,532	-
(42,184,430)	1,391,532	(40,792,898)	-
-	-	-	12,115,811
-	-	-	(396,257)
-	-	-	(306,253)
-	-	-	962,721
-	-	-	12,376,022
49,589,441	-	49,589,441	-
378,097	-	378,097	-
2,026,015	728,650	2,754,665	610,602
20,894	855,853	876,747	-
-	30,000	30,000	-
7,323,305	(7,323,305)	-	-
59,337,752	(5,708,802)	53,628,950	610,602
17,153,322	(4,317,270)	12,836,052	12,986,624
66,654,818	46,036,496	112,691,314	133,006,794
(1,483,088)	-	(1,483,088)	-
65,171,730	46,036,496	111,208,226	133,006,794
\$ 82,325,052	\$ 41,719,226	\$ 124,044,278	\$ 145,993,418

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
ASSETS				
Cash and cash equivalents	\$ 316,119	\$ 366,202	\$ 2,690,219	\$ 2,445,753
Investments	6,500,000	1,000,000	-	-
Receivables -				
Current and delinquent property taxes	10,356,059	-	2,690,632	2,707,408
Interest and accounts	851,440	198,058	8,955	8,254
Due from other governmental units -				
Federal/State	2,100,082	1,670,064	2,218,568	-
Local	132,037	-	-	-
Due from other funds	1,049,318	-	-	-
Due from component units	-	137,017	-	-
Advances to component units	50,000	-	-	-
Prepayments and deposits	41,966	16,666	-	6,000
	<u>\$ 21,397,021</u>	<u>\$ 3,388,007</u>	<u>\$ 7,608,374</u>	<u>\$ 5,167,415</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 709,547	\$ 472,289	\$ 55,900	\$ 202,257
Accrued liabilities	1,351,614	208,231	18,481	110,425
Due to other governmental units -				
Federal/State	-	34,224	-	-
Local	68,835	-	-	-
Due to other funds	10,384	-	-	-
Due to component units	8,299	-	-	-
Deferred revenue	11,276,714	1,260,685	2,919,163	2,944,879
	<u>13,425,393</u>	<u>1,975,429</u>	<u>2,993,544</u>	<u>3,257,561</u>
Fund Balances:				
Reserved -				
Prepaid Expenditures/Advances	91,966	16,666	-	6,000
Substance Abuse	-	347,902	-	-
Capital Projects	-	-	-	-
Permanent Funds	-	-	-	-
Unreserved -				
Designated -				
General Fund	7,272,708	-	-	-
Special Revenue Funds	-	-	726,720	518,786
Debt Service	-	-	-	-
Undesignated -				
General Fund	606,954	-	-	-
Special Revenue Funds	-	1,048,010	3,888,110	1,385,068
Total Equity	<u>7,971,628</u>	<u>1,412,578</u>	<u>4,614,830</u>	<u>1,909,854</u>
	<u>\$ 21,397,021</u>	<u>\$ 3,388,007</u>	<u>\$ 7,608,374</u>	<u>\$ 5,167,415</u>

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

<u>Revenue Sharing Reserve</u>	<u>Jail/Juvenile Facility Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 33,109	\$ 1,369,999	\$ 4,901,601	\$ 12,123,002
5,700,000	-	618,050	13,818,050
9,811,737	-	4,238,152	29,803,988
125,029	-	1,159,559	2,351,295
-	-	1,131,998	7,120,712
-	-	280,509	412,546
-	-	-	1,049,318
-	-	-	137,017
-	-	-	50,000
-	-	-	64,632
<u>\$ 15,669,875</u>	<u>\$ 1,369,999</u>	<u>\$ 12,329,869</u>	<u>\$ 66,930,560</u>
\$ -	\$ 1,360,950	\$ 1,321,023	\$ 4,121,966
-	-	196,269	1,885,020
-	-	164,278	198,502
-	-	-	68,835
1,049,318	-	-	1,059,702
-	-	-	8,299
-	-	5,617,807	24,019,248
<u>1,049,318</u>	<u>1,360,950</u>	<u>7,299,377</u>	<u>31,361,572</u>
-	-	-	114,632
-	-	-	347,902
-	9,049	241,477	250,526
-	-	22,990	22,990
-	-	-	7,272,708
1,245,392	-	656,988	3,147,886
-	-	134,898	134,898
-	-	-	606,954
13,375,165	-	3,974,139	23,670,492
<u>14,620,557</u>	<u>9,049</u>	<u>5,030,492</u>	<u>35,568,988</u>
<u>\$ 15,669,875</u>	<u>\$ 1,369,999</u>	<u>\$ 12,329,869</u>	<u>\$ 66,930,560</u>

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, 2005**

Fund Balances - total governmental funds		\$ 35,568,988
Amounts reported for governmental activities in the statement of net assets are different because:		
Prepaid Expenses recorded in the funds on the purchase method		217,620
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		117,903,131
Accumulated depreciation		(29,998,394)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Delinquent Personal Property taxes (net of allowance)	247,140	
Housing Rehabilitation Loan	977,076	
Other	<u>1,248,245</u>	2,472,461
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.		2,731,490
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	(42,775,000)	
Accrued interest on bonds/notes payable	(432,771)	
Accrued compensated absence	<u>(4,204,328)</u>	(47,412,099)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets, (netted against bonds payables)		869,757
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables)		
Bond Premium	(336,934)	
Bond Discount	<u>72,156</u>	(264,778)
Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets		<u>236,876</u>
Net Assets of governmental activities		<u><u>\$ 82,325,052</u></u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
Revenues:				
Taxes	\$ 29,983,101	\$ -	\$ 2,738,401	\$ 2,762,725
Licenses and permits	331,152	205,334	-	-
Intergovernmental -				
Federal/State	6,821,261	6,382,970	2,218,568	181,842
Local	1,465,587	141,123	-	8,000
Charges for services	5,387,125	1,188,238	50,450	40,332
Fines and forfeits	520,901	-	-	924,322
Interest and rent	2,223,243	-	196,599	150,270
Other	1,842,943	19,412	49,578	24,208
Total Revenues	<u>48,575,313</u>	<u>7,937,077</u>	<u>5,253,596</u>	<u>4,091,699</u>
Expenditures:				
Current -				
Legislative	1,016,048	-	-	-
Judicial	10,923,792	-	-	-
General Government	12,601,221	-	-	-
Public Safety	17,580,455	-	-	-
Public Works	627,896	-	-	-
Health and Welfare	1,471,602	10,130,174	-	-
Recreation and Cultural	-	-	5,597,293	4,212,546
Other Activities	800,000	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	7,738	-	-	-
Interest	484	-	-	-
Total Expenditures	<u>45,029,236</u>	<u>10,130,174</u>	<u>5,597,293</u>	<u>4,212,546</u>
Revenues over (under) expenditures	<u>3,546,077</u>	<u>(2,193,097)</u>	<u>(343,697)</u>	<u>(120,847)</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,706,764	2,571,798	50,000	100,000
Transfers to other funds	<u>(8,065,738)</u>	<u>(53,978)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(4,358,974)</u>	<u>2,517,820</u>	<u>50,000</u>	<u>100,000</u>
Net Change in Fund Balances	<u>(812,897)</u>	<u>324,723</u>	<u>(293,697)</u>	<u>(20,847)</u>
Fund Balances at beginning of year	<u>8,784,525</u>	<u>1,087,855</u>	<u>4,908,527</u>	<u>1,930,701</u>
Fund Balances at end of year	<u>\$ 7,971,628</u>	<u>\$ 1,412,578</u>	<u>\$ 4,614,830</u>	<u>\$ 1,909,854</u>

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

<u>Revenue Sharing Reserve</u>	<u>Jail/Juvenile Facility Construction</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 9,811,782	\$ -	\$ 4,312,914	\$ 49,608,923
-	-	-	536,486
-	21,742	1,981,836	17,608,219
-	-	250,000	1,864,710
-	-	1,168,819	7,834,964
-	-	88,190	1,533,413
174,765	73,269	89,838	2,907,984
-	4,000	209,000	2,149,141
<u>9,986,547</u>	<u>99,011</u>	<u>8,100,597</u>	<u>84,043,840</u>
-	-	-	1,016,048
-	-	365,475	11,289,267
-	-	226,319	12,827,540
-	-	2,882,685	20,463,140
-	-	-	627,896
-	-	7,725,607	19,327,383
-	-	-	9,809,839
-	-	-	800,000
-	10,348,021	1,180,510	11,528,531
-	-	1,000,000	1,007,738
-	-	1,750,532	1,751,016
<u>-</u>	<u>10,348,021</u>	<u>15,131,128</u>	<u>90,448,398</u>
<u>9,986,547</u>	<u>(10,249,010)</u>	<u>(7,030,531)</u>	<u>(6,404,558)</u>
-	7,391,695	5,851,317	19,671,574
<u>(3,111,558)</u>	<u>-</u>	<u>(1,116,995)</u>	<u>(12,348,269)</u>
<u>(3,111,558)</u>	<u>7,391,695</u>	<u>4,734,322</u>	<u>7,323,305</u>
6,874,989	(2,857,315)	(2,296,209)	918,747
<u>7,745,568</u>	<u>2,866,364</u>	<u>7,326,701</u>	<u>34,650,241</u>
<u>\$ 14,620,557</u>	<u>\$ 9,049</u>	<u>\$ 5,030,492</u>	<u>\$ 35,568,988</u>

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, 2005**

Net change in fund balances - total governmental funds	\$	918,747
Change in prepaid expenses recorded in the funds on the purchase method		58,609
<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		16,225,268
Depreciation expense	(	2,863,382)
Loss from sale/disposal of assets	(	116,511)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		493,243
<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		1,007,738
Amortization of bond premium		24,067
Amortization of bond discount	(	3,207)
Amortization of issuance costs	(	14,322)
Amortization of deferred loss on refunding	(	62,125)
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.		1,700,412
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.		
Decrease in accrued interest payable		9,500
Increase in accrued compensated absences	(	224,715)
		<u>(215,215)</u>
Change in net assets of governmental activities		<u>\$ 17,153,322</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	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	\$ 160,220	\$ 2,081,742	\$ 160,531	\$ 2,402,493	\$ 466,779
Investments	16,500,000	18,150,000	76,969	34,726,969	3,500,000
Accounts receivable -					
Delinquent taxes	-	3,738,936	-	3,738,936	-
Interest and accounts	1,362,203	287,927	33,591	1,683,721	65,051
Due from other governmental units	241,832	66,677	-	308,509	-
Prepaid expenses	1,700	-	72,325	74,025	247,019
Due from other funds	-	-	10,384	10,384	-
Inventory	-	-	43,080	43,080	-
Total Current Assets	18,265,955	24,325,282	396,880	42,988,117	4,278,849
Property, Plant and Equipment:					
Property, plant and equipment	16,646,007	162,335	10,849,103	27,657,445	99,583
Less - accumulated depreciation	(7,567,156)	-	(7,123,771)	(14,690,927)	(6,224)
Total Property, Plant and Equipment (net of accumulated depreciation)	9,078,851	162,335	3,725,332	12,966,518	93,359
Total Assets	27,344,806	24,487,617	4,122,212	55,954,635	4,372,208
LIABILITIES:					
Current Liabilities:					
Accounts payable	324,862	8	21,497	346,367	337,542
Accrued expenses	10,681	-	18,854	29,535	884,576
Advances and deposits	-	8,419	-	8,419	-
Due to other governmental units -					
Federal/State	19,104	-	333	19,437	-
Due to component units	-	-	1,058	1,058	-
Advances from component units	-	-	89,281	89,281	-
Current portion of long-term liabilities	-	40,584	-	40,584	-
Unearned revenue	-	-	31,656	31,656	-
Total Current Liabilities	354,647	49,011	162,679	566,337	1,222,118
Long-Term Liabilities (less current portions):					
Accrued vacation and sick	22,655	-	10,010	32,665	-
Accrued insurance claims	-	-	-	-	418,600
Installment Contract	-	121,751	-	121,751	-
Estimated closure and post closure costs	13,514,656	-	-	13,514,656	-
Total Long-Term Liabilities	13,537,311	121,751	10,010	13,669,072	418,600
Total Liabilities	13,891,958	170,762	172,689	14,235,409	1,640,718
NET ASSETS:					
Investment in capital assets, net	9,078,851	-	3,725,332	12,804,183	93,359
Restricted - Foreclosure sales	-	85,411	-	85,411	-
Unrestricted	4,373,997	24,231,444	224,191	28,829,632	2,638,131
Total Net Assets	\$ 13,452,848	\$ 24,316,855	\$ 3,949,523	\$ 41,719,226	\$ 2,731,490

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, 2005**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Funds
Operating Revenues:					
Intergovernmental -					
Federal/State	\$ 402,985	\$ -	\$ -	\$ 402,985	\$ -
Charges for services	5,125,211	569,517	309,036	6,003,764	10,548,089
Interest and rents	-	855,853	133,086	988,939	-
Other	4,435	-	7,711	12,146	5,868
Total Operating Revenues	<u>5,532,631</u>	<u>1,425,370</u>	<u>449,833</u>	<u>7,407,834</u>	<u>10,553,957</u>
Operating Expenses:					
Personal services	256,816	231	269,643	526,690	92,211
Supplies	203,857	421	126,062	330,340	339
Other services	3,283,256	75,003	276,209	3,634,468	8,758,505
Depreciation	1,191,068	-	179,714	1,370,782	2,490
Total Operating Expenses	<u>4,934,997</u>	<u>75,655</u>	<u>851,628</u>	<u>5,862,280</u>	<u>8,853,545</u>
Operating Income (Loss)	<u>597,634</u>	<u>1,349,715</u>	<u>(401,795)</u>	<u>1,545,554</u>	<u>1,700,412</u>
Non-Operating Revenues:					
Interest	25,335	703,315	-	728,650	-
Gain on sale of assets	-	-	30,000	30,000	-
Total Non-Operating Revenues	<u>25,335</u>	<u>703,315</u>	<u>30,000</u>	<u>758,650</u>	<u>-</u>
Net Income (Loss) Before Contributions and Transfers	622,969	2,053,030	(371,795)	2,304,204	1,700,412
Capital Contributions	<u>-</u>	<u>-</u>	<u>701,831</u>	<u>701,831</u>	<u>-</u>
Net Income Before Transfers	<u>622,969</u>	<u>2,053,030</u>	<u>330,036</u>	<u>3,006,035</u>	<u>1,700,412</u>
Transfers:					
Transfer In	-	-	242,907	242,907	-
Transfer Out	-	(7,566,212)	-	(7,566,212)	-
	<u>-</u>	<u>(7,566,212)</u>	<u>242,907</u>	<u>(7,323,305)</u>	<u>-</u>
Change in Net Assets	622,969	(5,513,182)	572,943	(4,317,270)	1,700,412
Net Assets at beginning of year	<u>12,829,879</u>	<u>29,830,037</u>	<u>3,376,580</u>	<u>46,036,496</u>	<u>1,031,078</u>
Net Assets end of year	<u>\$ 13,452,848</u>	<u>\$ 24,316,855</u>	<u>\$ 3,949,523</u>	<u>\$ 41,719,226</u>	<u>\$ 2,731,490</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, 2005**

	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	\$ 5,270,714	\$ 1,246,167	\$ 412,471	\$ 6,929,352	\$ 82,309
Cash receipts from interfund services	-	-	-	-	10,170,223
Cash payments to suppliers	(2,254,618)	(80,155)	(420,335)	(2,755,108)	(7,936,975)
Cash payments to employees	(254,503)	(231)	(266,420)	(521,154)	(89,897)
Cash payments for interfund services	(154,535)	(43,948)	-	(198,483)	-
Net Cash Provided (Used) by Operating Activities	<u>2,607,058</u>	<u>1,121,833</u>	<u>(274,284)</u>	<u>3,454,607</u>	<u>2,225,660</u>
Cash Flows From Noncapital Financing Activities:					
Transfers from other funds	-	-	242,907	242,907	-
Transfers to other funds	-	(7,566,212)	-	(7,566,212)	-
Net Cash Provided (Used) by Financing Activities	<u>-</u>	<u>(7,566,212)</u>	<u>242,907</u>	<u>(7,323,305)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from sale of assets	-	-	30,000	30,000	-
Acquisition and construction of capital assets	(3,853,009)	-	(57,889)	(3,910,898)	-
Net Cash Used by Capital and Related Financing Activities	<u>(3,853,009)</u>	<u>-</u>	<u>(27,889)</u>	<u>(3,880,898)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest earned	25,335	703,315	-	728,650	-
Purchase of Investments	(16,500,000)	(18,150,000)	(76,969)	(34,726,969)	(3,500,000)
Net Cash Used by Investing Activities	<u>(16,474,665)</u>	<u>(17,446,685)</u>	<u>(76,969)</u>	<u>(33,998,319)</u>	<u>(3,500,000)</u>
Decrease in Cash and Cash Equivalents for the year	(17,720,616)	(23,891,064)	(136,235)	(41,747,915)	(1,274,340)
Cash and Cash Equivalents at Beginning of Year	<u>17,880,836</u>	<u>25,972,806</u>	<u>296,766</u>	<u>44,150,408</u>	<u>1,741,119</u>
Cash and Cash Equivalents at End of Year	<u>\$ 160,220</u>	<u>\$ 2,081,742</u>	<u>\$ 160,531</u>	<u>\$ 2,402,493</u>	<u>\$ 466,779</u>
Non-Cash Capital and Related Financing Activities:					
Capital acquisition with installment contract	<u>\$ -</u>	<u>\$ 162,335</u>	<u>\$ -</u>	<u>\$ 162,335</u>	<u>\$ -</u>
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 701,831</u>	<u>\$ 701,831</u>	<u>\$ -</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Funds
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss) for the year	\$ 597,634	\$ 1,349,715	\$(401,795)	\$ 1,545,554	\$ 1,700,412
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	1,191,068	-	179,714	1,370,782	2,490
Estimated closure and post closure costs	1,064,568	-	-	1,064,568	-
Change in assets and liabilities:					
Receivable	(174,836)	(120,168)	(26,625)	(321,629)	103,831
Prepaid and deposits	(1,700)	-	28,125	26,425	202,060
Accounts payable/accrued expenses	(2,396)	(42,479)	114	(44,761)	216,867
Due to/from other governmental units	(67,280)	(72,877)	-	(140,157)	-
Deferred Revenue	-	-	(10,737)	(10,737)	-
Inventory	-	-	(43,080)	(43,080)	-
Advances and deposits	-	7,642	-	7,642	-
Net Cash Provided (Used) By Operating Activities	<u>\$ 2,607,058</u>	<u>\$ 1,121,833</u>	<u>\$(274,284)</u>	<u>\$ 3,454,607</u>	<u>\$ 2,225,660</u>

Concluded

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	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	\$ 5,538,830	\$ 1,547,168	\$ 584,585
Investments -			
Certificates of Deposit	-	-	2,000,000
U.S. Government Securities	24,371,002	-	-
Corporate Debt	29,790,332	-	-
Equity Funds	51,762,954	-	-
Stocks	76,593,926	-	-
Other	1,557,082	-	-
Invested Court Appointed Trust	-	-	457,763
Receivables -			
Interest/dividends and accounts	683,661	-	7,321,808
Prepayments and Deposits	<u>603,956</u>	<u>-</u>	<u>-</u>
Total Assets	<u>190,901,743</u>	<u>1,547,168</u>	<u>10,364,156</u>
LIABILITIES:			
Accounts payable	182,031	-	-
Due to individuals and agencies	78,263	-	8,276,412
Due to component units	152,453	-	-
Due to other governmental units -			
Federal/state	-	-	614,283
Local	<u>-</u>	<u>-</u>	<u>1,473,461</u>
Total Liabilities	<u>412,747</u>	<u>-</u>	<u>\$ 10,364,156</u>
NET ASSETS:			
Reserved for -			
Employees' pension benefits	190,488,996	-	
Landfill perpetual care	<u>-</u>	<u>1,547,168</u>	
Total Net Assets	<u>190,488,996</u>	<u>1,547,168</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, 2005**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Landfill Private-Purpose Trust Fund</u>
Additions:		
Contributions		
Member contributions	\$ 2,148,932	\$ -
Employer contributions	<u>5,439,991</u>	<u>-</u>
Total Contributions	<u>7,588,923</u>	<u>-</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	3,894,491	-
Interest/Dividends	<u>4,501,402</u>	<u>39,029</u>
Net investment income	<u>8,395,893</u>	<u>39,029</u>
Total Additions	<u>15,984,816</u>	<u>39,029</u>
Deductions:		
Retirement payroll	6,722,641	-
Health insurance	3,258,728	-
Death benefits	52,179	-
Employee refunds	220,986	-
Administration	63,966	-
Professional fees	<u>547,830</u>	<u>-</u>
Total Deductions	<u>10,866,330</u>	<u>-</u>
Net Increase	5,118,486	39,029
Net assets held in trust for pension benefits		
Beginning of year	<u>185,370,510</u>	<u>1,508,139</u>
End of year	<u>\$ 190,488,996</u>	<u>\$ 1,547,168</u>

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2005**

	<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	\$ 2,159,579	\$ 1,514,084	\$ 8,630,532	\$ 1,701,218	\$ 14,005,413
Receivables	3,569,703	976,651	2,694,814	1,585,474	8,826,642
Due from primary government	161,810	-	-	-	161,810
Due from other component units	46,742	-	-	-	46,742
Advance to other component units	-	89,281	-	-	89,281
Inventory	1,385,566	-	-	-	1,385,566
Prepayments and deposits	352,601	147,422	300,151	-	800,174
Restricted Assets -					
Cash and cash equivalents	-	1,004,775	5,538,916	-	6,543,691
Receivables	-	36,050,408	-	-	36,050,408
Capital Assets (net of accumulated depreciation)					
Assets not being depreciated	31,555,933	705,522	206,551	3,221,608	35,689,614
Assets being depreciated	<u>77,538,251</u>	<u>17,372,747</u>	<u>2,177,190</u>	<u>5,637,052</u>	<u>102,725,240</u>
 Total Assets	 <u>116,770,185</u>	 <u>57,860,890</u>	 <u>19,548,154</u>	 <u>12,145,352</u>	 <u>206,324,581</u>
LIABILITIES					
Payables and current liabilities	827,628	637,660	5,077,274	195,026	6,737,588
Accrued interest	102,626	-	-	30,885	133,511
Due to other component units	-	46,742	-	-	46,742
Unearned revenue	-	-	4,282,057	-	4,282,057
Advances and deposits	1,053,576	313,957	-	-	1,367,533
Advance from primary government	-	-	-	50,000	50,000
Liabilities payable from restricted assets	-	254,288	-	-	254,288
Non-current liabilities					
Due within one year	932,500	2,445,000	991,478	2,814,316	7,183,294
Due in more than one year	<u>5,033,400</u>	<u>33,815,600</u>	<u>273,116</u>	<u>1,154,034</u>	<u>40,276,150</u>
 Total Liabilities	 <u>7,949,730</u>	 <u>37,513,247</u>	 <u>10,623,925</u>	 <u>4,244,261</u>	 <u>60,331,163</u>
NET ASSETS					
Investments in Capital Assets, net of related liabilities	103,484,184	18,078,269	2,383,741	4,890,310	128,836,504
Restricted for:					
Risk corridor financing	-	-	4,274,322	-	4,274,322
Equipment replacement	-	662,717	-	378,697	1,041,414
Unrestricted	<u>5,336,271</u>	<u>1,606,657</u>	<u>2,266,166</u>	<u>2,632,084</u>	<u>11,841,178</u>
 Total net assets	 <u>\$ 108,820,455</u>	 <u>\$ 20,347,643</u>	 <u>\$ 8,924,229</u>	 <u>\$ 7,901,091</u>	 <u>\$ 145,993,418</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, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Road Commission				
Governmental activities:				
Highways and streets	\$ 19,617,862	\$ 4,018,597	\$ 14,219,648	\$ 13,758,657
Debt service	263,229	-	-	-
Total Road Commission	<u>19,881,091</u>	<u>4,018,597</u>	<u>14,219,648</u>	<u>13,758,657</u>
Department of Public Works				
Governmental activities:				
Debt service	<u>1,314,430</u>	<u>1,314,430</u>		
Business Type Activities				
Water and Sewer	4,203,497	3,821,520		
Public Safety	<u>197,437</u>	<u>183,157</u>		
Total Proprietary activities	<u>4,400,934</u>	<u>4,004,677</u>	-	-
Total Department of Public Works	<u>5,715,364</u>	<u>5,319,107</u>	-	-
Community Mental Health Authority				
Governmental activities:				
Health and Welfare	<u>64,632,715</u>	<u>528,901</u>	<u>63,797,561</u>	-
Drain Commissioners				
Governmental activities:				
Public works	749,976	1,640,573	-	133,208
Interest on Long Term Debt	<u>61,084</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Drains	<u>811,060</u>	<u>1,640,573</u>	<u>-</u>	<u>133,208</u>
Total Component Units	<u>\$ 91,040,230</u>	<u>\$ 11,507,178</u>	<u>\$ 78,017,209</u>	<u>\$ 13,891,865</u>

General Revenues:
 Unrestricted investment income
Change in net assets
Net assets at beginning of year
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

<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Community Mental Health Authority</u>	<u>Drains</u>	<u>Total</u>
\$ 12,379,040				\$ 12,379,040
(263,229)				(263,229)
<u>12,115,811</u>				
	<u>-</u>			<u>-</u>
	(381,977)			(381,977)
	(14,280)			(14,280)
	<u>(396,257)</u>			
	<u>(396,257)</u>			
		(306,253)		(306,253)
			1,023,805	1,023,805
			<u>(61,084)</u>	(61,084)
			<u>962,721</u>	
				<u>12,376,022</u>
<u>91,074</u>	<u>51,887</u>	<u>410,849</u>	<u>56,792</u>	<u>610,602</u>
12,206,885	(344,370)	104,596	1,019,513	12,986,624
<u>96,613,570</u>	<u>20,692,013</u>	<u>8,819,633</u>	<u>6,881,578</u>	<u>133,006,794</u>
<u>\$ 108,820,455</u>	<u>\$ 20,347,643</u>	<u>\$ 8,924,229</u>	<u>\$ 7,901,091</u>	<u>\$ 145,993,418</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 loan 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 locations:

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 basic 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 BASIC FINANCIAL STATEMENTS DECEMBER 31, 2005

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 on 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 property 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 accounting, and financial statement presentation –

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary funds and fiduciary fund financial statements. (Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.) Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are 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 60 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 are recognized as revenue in the year for which they are levied. 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.

Parks and Recreation – is used to account for county special millage to be used to expand and enhance our park system.

Library – is used to account for the operations of the Public Library.

Revenue Sharing Reserve – is used for the collection of tax revenues for the replacement of State Shared Revenues.

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

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:

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 specific purposes.

Debt Service Funds – are used to account for the accumulation of resources for, and the payment of, principal and interest on long-term debt of government funds.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

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

Capital Project 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).

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 for activity of the Employee's 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 the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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 from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's 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, and the unrestricted resources, as they are needed.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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, and 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".

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 tax receivables are shown net of an allowance for uncollectible accounts.

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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2005

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

Property Tax Calendar –

The County's 2004 property taxes (2005 revenues) were levied on December 1, 2004 based on the taxable value of property located in the County as of the proceeding December 31 by the various municipalities within the County. On September 30, 2004, the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to the following July starting in December 2004. All special purpose taxes will still be levied in December. As a result, the County levied 1/3 of its general millage in December 2005 based on the taxable value of property as of December 31, 2004 and will levy the remaining 2/3 of the millage on July 1, 2006 based on the assessed value as of December 31, 2005. The entire general millage will be levied in July, 2007.

The property taxes levied in December 2004 are recognized as revenue in 2005. The property taxes levied December 1, 2005 are budgeted as revenues in the subsequent year, except as explained below, therefore have been accrued as current taxes receivable, with the appropriate deferral.

In connection Public Act 357 provided a funding mechanism to serve as substitute to State Revenue Sharing Payments. This funding mechanism involves levying 1/3 of the general millage in December, of which an amount equal to 1/3 of the December 2004 levy is recorded in a Revenue Sharing Reserve Fund. This Revenue Sharing Reserve Fund will then pay the general fund the amount equal to the 2003 State Revenue Sharing payments. The amount equal to 1/3 of the December 31, 2004 levy has been recorded as receivable and revenue in the current year with the balance recorded in the general fund as a receivable and deferred revenue.

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, St. Clair Department of Public Works, and the St. Clair County Road Commission, which capitalize assets with an individual cost of \$1,000 or more. The Road Commission also capitalizes road equipment without consideration of a minimum cost. 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 asset's 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 exceptions for certain landfill assets which are depreciated based on the usage method and road equipment, which is depreciated based on the sum of the years digits method:

	Years				
	<u>Primary Government</u>	<u>Road Commission</u>	<u>Mental Health</u>	<u>Department of Public Works</u>	<u>Drains</u>
Building/improvements	20-45	20-50	40	-	-
Drain System	-	-	-	-	50
Road Systems/Other Information	-	5-50	-	-	-
Utility System	-	-	-	50-60	-
Equipment	5-15	4-20	5-20	5-10	-
Books/Audiovisual	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 this 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, if 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 the 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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, 2006, 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. 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 BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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 –

PRIMARY GOVERNMENT -

General Fund –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Legislative –			
Board of Commissioners	\$ 218,130	\$ 222,536	\$ 4,406
Other Legislative Activities	727,700	793,512	65,812
Judicial –			
Circuit Court	1,743,877	1,829,023	85,146
Law Library	500	1,170	670
Probate Court	729,846	846,278	116,432
Other Corrections Activities	739,542	788,170	48,628
General Government –			
Clerk	809,548	853,114	43,566
Register of Deeds	330,737	344,817	14,080
Information Technology	2,169,159	2,424,275	255,116
Motor Pool	10,705	13,902	3,197
Public Safety –			
Sheriff	6,021,149	6,292,913	271,764
Training	15,000	16,538	1,538
Communications/Radio	1,013,458	1,093,466	80,008
Marine Law Enforcement	320,313	333,006	12,693
Dive Team	8,194	13,327	5,133
Correction/Jail	7,971,402	8,145,633	174,231
Jail Population Monitor	46,000	54,674	8,674
Hazardous Material Handling	125,950	185,564	59,614
Animal Shelter/Dog Warden	374,601	399,789	25,188

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Health and Welfare – Public Guardian	\$ 227,467	\$ 238,365	\$ 10,898
Transfers Out – Child Care	2,683,378	2,853,378	170,000
Special Revenue Funds –			
Health Department – Transfers to other funds	-	53,978	53,978
Parks and Recreation Recreation and Culture	3,135,330	5,597,293	2,461,963
Nonmajor Special Revenue Funds –			
County Planning – Transfers to other funds	-	60,306	60,306
Drug Task Force – Public Safety	1,266,754	1,345,216	78,462
Transfers to other funds	326,924	828,528	501,604
Drug Law Enforcement – Public Safety	105,500	168,055	62,555
Substance Abuse – Health and Welfare	50,000	199,911	149,911
CDBG Housing – Health and Welfare	180,000	202,965	22,965
HUD Housing – Health and Welfare	-	255	255
Human Services – Transfers to other funds	-	196,879	196,879
Deeds Automation – General Government	200,600	226,319	25,719

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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, 2005, the Component Units incurred expenditures in excess of the amounts appropriated as follows:

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Road Commission –			
Current –			
Local Maintenance	\$ 3,342,000	\$ 4,726,860	\$ 1,384,860
State Maintenance	2,950,000	3,983,799	1,033,799
Equipment Operation	2,875,000	3,608,241	733,241
Other	625,000	865,225	240,225
Community Mental Health Authority	64,006,552	64,658,841	652,289

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.

Investments, except those of the Retirement System are administered by the Treasurer under guidelines established by Act 20 of the Michigan Public Acts of 1943, as amended and the Investment Policy as adopted by the County’s Board of Commissioners. The County’s Investment Policy allows for the following instruments:

- 1) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- 2) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

- 3) Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase. Not more than 50% of County funds shall be invested in commercial paper.
- 4) Repurchase agreements consisting of instruments listed in (1) above.
- 5) Bankers’ acceptances of United States banks, with a maturity date not to exceed 270 days. Not more than 50% of County funds shall be invested in banker’s acceptances.
- 6) Obligations of this state or any of its political subdivisions that, at the time of purchase, are rated as investment grade by not less than one standard rating service.
- 7) Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.
- 8) Obligations described in (1.) through (7.) above if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (Ex Sess) PA7, MCL 124.501 to 124.512.
- 9) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, MCL 129.111 to 129.118.
- 10) Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Carrying Amount –

At year-end, the carrying amount of the County Reporting Entity’s deposits and investments is \$281,790,039 as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash on Hand -				
Petty cash and cash on hand	\$ 21,128	\$ 3,425	\$ 610	\$ 25,163
Deposits with Financial Institutions -				
Checking/Money Market	7,209,237	6,629,262	772,704	14,611,203
Savings/Certificates of Deposit	<u>58,345,789</u>	<u>11,632,490</u>	<u>2,127,271</u>	<u>72,105,550</u>
Total Deposits	<u>65,576,154</u>	<u>18,265,177</u>	<u>2,900,585</u>	<u>86,741,916</u>
Investments -				
Investment Trust Funds	1,461,139	2,283,927	6,769,998	10,515,064
U.S. Government Securities	-	-	24,371,002	24,371,002
Corporate Bonds	-	-	29,790,332	29,790,332
Stocks	-	-	76,593,926	76,593,926
Equity Funds	-	-	51,762,954	51,762,954
Other	-	-	1,557,082	1,557,082
Investments Held by Broker	-	-	<u>457,763</u>	<u>457,763</u>
Total Investments	<u>1,461,139</u>	<u>2,283,927</u>	<u>191,303,057</u>	<u>195,048,123</u>
Grand Total	<u>\$ 67,037,293</u>	<u>\$20,549,104</u>	<u>\$194,203,642</u>	<u>\$ 281,790,039</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

Reconciliation To Combined Balance Sheet –

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	\$ 25,163
Cash in Checking	14,611,203
Cash in Savings	2,276,686
Certificates of Deposit	15,783,845
Investment Trust Funds	<u>10,515,064</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>43,211,961</u>
Reported as Investments -	
Certificates of Deposits	\$ 54,045,019
U.S. Government Securities	24,371,002
Corporate Debt	29,790,332
Stocks	76,593,926
Equity Funds	51,762,954
Other	1,557,082
Investments Held by Broker-Dealer	<u>457,763</u>
Total Investments Reported on Combined Balance Sheet	<u>238,578,078</u>
Grand Total - Combined Balance Sheet	<u>\$281,790,039</u>

Deposits with Financial Institutions –

The County has deposits and investments which are maintained for its primary government, component units, and fiduciary fund types.

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.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County’s deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, as of December 31, 2005, the book value of the County’s deposits was \$86,741,916 with a corresponding bank balance of \$87,947,663. Insured deposits were \$1,052,718, and collateralized were \$5,000,000 with the remaining \$81,894,945 was uninsured, uncollateralized, and in the County’s name.

The County’s Investment Policy allows for the use of bank deposits including certificates of deposit. There are no limitations placed on the use of bank deposits.

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. 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

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.

Investments (Excluding Retirement)

Credit Risk - Investments - The County has \$5,357,845, excluding retirement invested in investment trust funds that invest primarily in U.S. Treasuries, U.S. Agencies, repurchase agreements, and commercial paper. The investment trusts have been rated as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Federated Treasury Obligations	\$ 1,612,779	Aaa	Moody’s	14
MBIA	1,252,754	AAAm	Standard & Poors	107
Governmental Operating Money Market	2,492,312	Aaa	Moody’s	33

Custodial Credit Risk - Investments – is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments that are in possession of another party.

The securities of the pool are safe kept with a third party selected by the counterparty. However, the pool’s securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. We believe this arrangement satisfies the County’s investment policy safekeeping requirement.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the County’s investment in a single issuer. The County’s attempts to minimize risk by diversifying its investments by maturity dates, individual financial institutions, and/or security type, so that potential loss on individual securities do not exceed the income generated from the remainder of the portfolio.

Interest Rate Risk - Investments – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County’s investment policy specifies investments should yield a rate of return commensurate with a recognized level of risk for like investments. Also, the County’s investment portfolio should be designed with the specific objective of attaining a market rate of return through the various economic cycles, taking into account the County’s investment risk, legal constraints on investments, county policy constraints on investments, and cash flow requirements. At year-end, the County’s investments have the following range of maturity dates:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Maturity (Years)</u>	
		<u><1</u>	<u>1-2</u>
Investment Trusts	\$ 5,357,845	\$ 5,357,845	\$ -
Certificates of Deposit (1)			
Primary Government	58,345,789	47,695,789	10,650,000
Fiduciary	2,000,000	2,000,000	-
Component	9,483,075	9,483,075	-

(1) Certificates of Deposit were presented to give an overall view of associated interest rate risk.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

Investments – Retirement System

The Retirement System investments are made in accordance with Act 314 of the Michigan Public Acts of 1965, as amended, as well as the Investment Policy adopted by the Board of Trustees of the St. Clair County Employees’ Retirement System. Investments in stock are limited to no more than 70% of the system’s assets. Additionally, investments must comply with the following guidelines:

US Large Cap Equities – No more than 5% of the outstanding securities of one issuer, nor more than 7% of the portfolio’s assets in the outstanding securities of one issuer. No more than three times the sector weighting of the S & P 500 Index and a maximum weighting of 25% of the index weight, whichever is greater, invested in any one industry sector.

US Small/Mid Cap Equities - No more than 5% of the outstanding securities of one issuer, nor more than 7% of the portfolio’s assets in the outstanding securities of one issuer. No more than three times the sector weighting of the Russell 2500 Index and a maximum weighting of 25% of the index weight, whichever is greater, invested in any one industry sector.

International Equities – No more than 25% of the portfolio in emerging market countries.

US Intermediate Fixed Income – No more than 5% may be invested in one issuer, except Treasury and Agency securities. All debt securities must have a quality rating of Baa/BBB or above by at least two of the major rating agencies.

Pension investments are made through the use of Investment Advisors which are selected and retained by the Retirement Board. The advisors serve at the leisure of the Retirement Board as provided by investment agreements. At December 31, 2005 the Retirement System had five investment advisors. As of December 31, 2005, the County had the following investment types in its Retirement System:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Percentage</u>
U.S. Treasury and Agencies	\$ 24,371,002	12.88 %
Corporate Debt Preferred	14,814,282	7.83
Corporate Debt - Other	14,976,050	7.91
Municipal Bonds	1,427,368	0.75
Foreign Bonds	129,714	0.07
Stocks	76,593,926	40.48
Investment Trust Fund (2)	5,157,219	2.73
Equity Funds -		
Index Funds	33,012,025	17.44
Strategy Funds	<u>18,750,929</u>	<u>9.91</u>
 Total	 <u>\$ 189,232,515</u>	 <u>100.00 %</u>

(2) This investment trust invests primarily in U.S. Treasury bills, government agencies, discount notes and commercial paper. The Fund also selectively sought floating and fixed coupon extension trades to capture additional yield. The fund has an average maturity of 36 days and is not rated.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 3 - DEPOSITS AND INVESTMENTS – (cont’d):

Credit Risk - The Board’s adopted Statement of Investment Policies and Objectives states that all debt securities, except Treasuries and Agencies, must have a quality rating of Baa/BBB or above by at least two of the major rating agencies at the time of issue and the overall rating of the portfolio should be AA or better. Any security held in the portfolio that drops below that investment grade shall be reported to the Retirement Board immediately along with a proposed plan of action. As of December 31, 2005, investments held in the Retirement System excluding investment trust and equity funds, had the following ratings:

Fair Value	Ratings
\$ 42,445,101	AAA
179,991	AA+
3,104,617	AA
2,663,441	AA-
24,765,852	A+
13,937,517	A
8,649,185	A-
1,837,236	BBB+
1,036,877	BBB
239,243	BBB-
86,799	BB+
14,248,008	B+
7,071,196	B
4,730,593	B-
272,408	C
7,044,278	No Rating
<u>\$ 132,312,342</u>	

Custodial Credit Risk - The risk that, in the event of a failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of another side party. The Retirement System’s Investment Policy requires that all investment transactions shall be conducted through a custodian that will act as the system’s third party. Securities shall be held by the custodian, as designated by the Retirement Board, and shall be evidenced by a custodial report. As of December 31, 2005, \$189,232,515 in investments was held in third party safekeeping in the County’s name.

Concentration of Credit Risk - The Board’s Investment Policy states that no more than 5% of the Retirement System’s assets may be invested with one issuer, except with US Treasuries and Agencies there is no limitation. The system did not hold 5% or more in any other issuer.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

Interest Rate Risk - The Board's adopted Statement of Investment Policy and Objectives places no limitation on the system's fixed income manager on the length to maturity for fixed income investments. The system's fixed income investments had lengths of maturities ranging from one month to forty years, which is reasonable given the long-term nature of the system. Having staggered maturities will reduce the retirement system's risk exposure to rising interest rates. As of December 31, 2005, the Retirement System's investments had the following maturities:

Investment	Fair Value	Years			
		<1	1-5	5-10	10>
U.S. Treasuries and Agencies	\$ 24,371,002	\$ 3,782,577	\$11,709,518	\$ 8,378,109	\$ 500,798
Corporate Debt Preferred	14,814,282	1,846	127,674	1,711,001	12,973,761
Corporate Debt Other	14,976,050	1,702,398	5,737,109	6,818,508	718,035
Municipal Bonds	1,427,368	-	837,172	590,196	-
Foreign Bonds	129,714	-	129,714	-	-
	<u>\$ 55,718,416</u>	<u>\$ 5,486,821</u>	<u>\$18,541,187</u>	<u>\$ 17,497,814</u>	<u>\$14,192,594</u>

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business Type Activities
Property Taxes	\$ 29,803,988	\$ 3,712,087
Interest and accounts	2,416,346	1,795,406
Intergovernmental –		
Federal/State	7,120,712	275,576
Local	<u>412,546</u>	<u>32,933</u>
	39,753,592	5,816,002
Less – allowance for uncollectible	(321,000)	(84,836)
	<u>\$ 39,432,592</u>	<u>\$ 5,731,166</u>

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 or are received in advance of the period they are intended to finance. 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:

	Unavailable	Unearned
General Fund –		
Property taxes	\$ 427,960	\$ 10,845,897
Rent received prior to due date	-	2,857
	<u>427,960</u>	<u>10,848,754</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 4 – RECEIVABLES – (cont’d):

	<u>Unavailable</u>	<u>Unearned</u>
Health Department –		
Grants	1,205,471	-
Grant/fees received prior to meeting all eligibility requirements	<u>-</u>	<u>55,214</u>
	<u>1,205,471</u>	<u>55,214</u>
Parks and Recreation		
Property taxes	<u>38,911</u>	<u>2,880,252</u>
Library –		
Property Taxes	<u>39,043</u>	<u>2,905,836</u>
Non-Major Governmental Funds –		
Property taxes	62,226	4,535,731
Grants	42,774	-
Revolving loan	<u>977,076</u>	<u>-</u>
	<u>1,082,076</u>	<u>4,535,731</u>
Total deferred/unearned receivables in governmental funds	<u>\$ 2,793,461</u>	<u>\$ 21,225,787</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

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

	(Restated) Balance January 1, 2005	Additions	Disposals/ Adjustments	Balance December 31, 2005
General Government:				
Capital Assets, not being depreciated				
Land	\$ 1,918,999	\$ 3,867,292	\$ -	\$ 5,786,291
Construction in progress	<u>36,438,998</u>	<u>10,806,486</u>	<u>460,743</u>	<u>46,784,741</u>
Total Capital Assets, not being depreciated	<u>38,357,997</u>	<u>14,673,778</u>	<u>460,743</u>	<u>52,571,032</u>
Capital Assets, being depreciated				
Buildings	39,925,643	106,657	26,599	40,005,701
Improvement other than buildings	3,210,907	404,212	-	3,615,119
Machinery and equipment	8,751,751	934,242	290,946	9,395,047
Books	<u>12,709,974</u>	<u>567,122</u>	<u>861,281</u>	<u>12,415,815</u>
Total capital assets being depreciated	<u>64,598,275</u>	<u>2,012,233</u>	<u>1,178,826</u>	<u>65,431,682</u>
Less accumulated depreciation for:				
Buildings	11,856,419	858,931	2,965	12,712,385
Improvements other than buildings	1,195,516	139,461	1,593	1,333,384
Machinery and equipment	5,827,517	1,095,976	169,878	6,753,615
Books	<u>9,295,011</u>	<u>771,504</u>	<u>861,281</u>	<u>9,205,234</u>
Total accumulated depreciation	<u>28,174,463</u>	<u>2,865,872</u>	<u>1,035,717</u>	<u>30,004,618</u>
Total capital assets being depreciated, net	<u>36,423,812</u>	<u>(853,639)</u>	<u>143,109</u>	<u>35,427,064</u>
Governmental activities capital assets, net	<u>\$ 74,781,809</u>	<u>\$ 13,820,139</u>	<u>\$ 603,852</u>	<u>\$ 87,998,096</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 – CAPITAL ASSETS – (cont'd):

	Balance January 1, 2005	Additions	Disposals/ Adjustments	Balance December 31, 2005
Business Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,077,858	\$ -	\$ -	\$ 1,077,858
Construction in progress	<u>4,803,182</u>	<u>4,249,744</u>	<u>4,057,888</u>	<u>4,995,038</u>
Total Capital Assets, not being depreciated	<u>5,881,040</u>	<u>4,249,744</u>	<u>4,057,888</u>	<u>6,072,896</u>
Capital Assets, being appreciated				
Building	1,447,631	-	-	1,447,631
Improvements other than buildings	15,047,171	4,351,126	(10)	19,398,307
Machinery and equipment	<u>549,858</u>	<u>188,764</u>	<u>11</u>	<u>738,611</u>
Total capital assets being depreciated	<u>17,044,660</u>	<u>4,539,890</u>	<u>1</u>	<u>21,584,549</u>
Less accumulated depreciation for:				
Building	283,606	33,095	-	316,701
Improvements other than buildings	12,660,888	1,303,271	-	13,964,159
Machinery and equipment	<u>375,651</u>	<u>34,416</u>	<u>-</u>	<u>410,067</u>
Total accumulated depreciation	<u>13,320,145</u>	<u>1,370,782</u>	<u>-</u>	<u>14,690,927</u>
Total capital assets being depreciated, net	<u>3,724,515</u>	<u>3,169,108</u>	<u>1</u>	<u>6,893,622</u>
Business type activities capital assets, net	<u>\$ 9,605,555</u>	<u>\$ 7,418,852</u>	<u>\$ 4,057,889</u>	<u>\$ 12,966,518</u>

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

Governmental activities:	
Judicial	\$ 122,780
General government	1,056,256
Public Safety	610,781
Health and Welfare	64,946
Recreation and Cultural	<u>1,008,619</u>
Total depreciation expense-governmental activities	2,863,382
Depreciation in the internal service fund	<u>2,490</u>
	<u>\$ 2,865,872</u>
Business-type activities:	
Solid waste disposal system	\$ 1,191,068
Airport Commission	<u>179,714</u>
Total depreciation expense-business-type activities	<u>\$ 1,370,782</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Construction/Purchase Commitments

The County has committed to the following contracts at December 31, 2005 (These commitments do not include contracts which have been agreed to and all contractual payments have been made or changed orders made after December 31, 2005):

	<u>Contract Amount</u>	<u>Payments Through 12/31/05</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 12/31/05</u>
Jail/Juvenile Facility	\$34,430,134	\$33,406,446	\$1,000,000	\$ 23,688
Wetland Banking (a)	3,500,000	700,000	-	2,800,000
Communication System (b)	5,800,000	-	1,160,000	4,640,000

- (a) The Wetlands Banking contracts were not formally approved by the Board of Commissioners and, as a result, the County is assessing whether the projects will be completed.
- (b) In 2004 the County entered into a contract with Motorola Corporation to revamp the communications system in the County.

Discretely Presented Component Units

Drain Commissioner. Activity for the Drain Commissioner for the year ended December 31, 2005, was as follows:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2005</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 2,756,394	\$ 617,029	\$ 151,815	\$ 3,221,608
Capital assets, being depreciated:				
Infrastructure	9,290,123	292,954	-	9,583,077
Equipment	-	9,847	-	9,847
	<u>9,290,123</u>	<u>302,801</u>	<u>-</u>	<u>9,592,924</u>
Less accumulated depreciation for:				
Infrastructure	3,825,512	129,704	-	3,955,216
Equipment	-	656	-	656
	<u>3,825,512</u>	<u>130,360</u>	<u>-</u>	<u>3,955,872</u>
Total capital assets being depreciated, net	<u>5,464,611</u>	<u>172,441</u>	<u>-</u>	<u>5,637,052</u>
Drain Commissioner capital assets, net	<u>\$ 8,221,005</u>	<u>\$ 789,470</u>	<u>\$ 151,815</u>	<u>\$ 8,858,660</u>

Depreciation expense for 2005 was \$130,360.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - CAPITAL ASSETS – (cont'd):

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

	Balance January 1, <u>2005</u>	Additions	Deletions	Adjustments/ Removals	Balance December 31, <u>2005</u>
Capital Assets, not being depreciated –					
Land	\$ 65,629	\$ -	\$ -	\$ -	\$ 65,629
Land improvements	27,596,659	2,709,612	-	-	30,306,271
Right of Ways	<u>1,184,033</u>	-	-	-	<u>1,184,033</u>
Total Capital Assets, not being depreciated	<u>28,846,321</u>	<u>2,709,612</u>	-	-	<u>31,555,933</u>
Capital Assets, being depreciated –					
Buildings and improvements	4,430,184	33,203	-	-	4,463,387
Road Equipment	10,478,874	756,313	440,395	2,248	10,797,040
Shop Equipment	615,240	44,642	-	-	659,882
Office Equipment	259,954	9,862	-	-	269,816
Engineering equipment	256,455	7,222	-	-	263,677
Infrastructure –					
Roads	71,939,743	13,031,353	-	(1,342,124)	83,628,972
Bridges	25,748,112	1,366,190	-	-	27,114,302
Traffic signals	379,271	7,029	803	-	385,497
Depletable assets –					
Gravel pits	<u>163,455</u>	-	-	-	<u>163,455</u>
	<u>114,271,288</u>	<u>15,255,814</u>	<u>441,198</u>	<u>(1,339,876)</u>	<u>127,746,028</u>
Less – accumulated depreciation for –					
Buildings and improvements	\$ 2,012,599	\$ 96,941	\$ -	\$ -	\$ 2,109,540
Road Equipment	8,242,182	895,105	438,544	56	8,698,799
Shop Equipment	441,726	17,339	-	-	459,065
Office Equipment	186,899	28,185	-	-	215,084
Engineering Equipment	178,103	16,769	-	-	194,872
Infrastructure –					
Roads	24,454,572	4,172,895	-	(1,342,124)	27,285,343
Bridges	10,450,859	521,769	-	-	10,972,628
Traffic signals	208,353	18,554	803	-	226,104
Depletable Assets	<u>46,342</u>	-	-	-	<u>46,342</u>
	<u>46,221,635</u>	<u>5,767,557</u>	<u>439,347</u>	<u>(1,342,068)</u>	<u>50,207,777</u>
Total Capital Assets, being depreciated, net	<u>68,049,653</u>	<u>9,488,257</u>	<u>1,851</u>	<u>2,192</u>	<u>77,538,251</u>
Governmental activity capital assets, net	<u>\$ 96,895,974</u>	<u>\$ 12,197,869</u>	<u>\$ 1,851</u>	<u>\$ 2,192</u>	<u>\$ 109,094,184</u>

Depreciation expense for 2005 was \$5,767,557.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2005 was as follows:

	Balance January 1, <u>2005</u>	<u>Additions</u>	<u>Adjustments</u>	Balance December 31, <u>2005</u>
Business type activities:				
Capital assets, not being depreciated –				
Land	\$ 705,522	\$ -	\$ -	\$ 705,522
Capital assets being depreciated –				
Plant	10,603,119	-	-	10,603,119
Utility system	18,678,054	-	-	18,678,054
Machinery and equipment	1,058,942	4,435	-	1,063,377
Site Development	<u>288,867</u>	<u>-</u>	<u>-</u>	<u>288,867</u>
	<u>30,628,982</u>	<u>4,435</u>	<u>-</u>	<u>30,633,417</u>
Less – accumulated depreciation for –				
Site Development	82,452	13,338	-	95,790
Plant	3,562,376	183,097	-	3,745,473
Utility system	8,438,844	311,301	-	8,750,145
Machinery and equipment	<u>618,310</u>	<u>50,952</u>	<u>-</u>	<u>669,262</u>
	<u>12,701,982</u>	<u>558,688</u>	<u>-</u>	<u>13,260,670</u>
Total Capital Assets, being depreciated, net	<u>17,927,000</u>	<u>(554,253)</u>	<u>-</u>	<u>17,372,747</u>
Business type activities capital assets, net	<u>\$18,632,522</u>	<u>\$(554,253)</u>	<u>\$ -</u>	<u>\$18,078,269</u>

Depreciation expense was charged to function/programs as follows:

Business type activities –	
Water and Sewer	<u>\$ 558,688</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended September 30, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 72,151	\$ 134,400	\$ -	\$ 206,551
Construction in Progress	<u>195,865</u>	<u>-</u>	<u>195,865</u>	<u>-</u>
	<u>268,016</u>	<u>134,400</u>	<u>195,865</u>	<u>206,551</u>
Capital assets being depreciated –				
Building	141,914	1,218,366	-	1,360,280
Leasehold improvements	400,731	-	35,328	365,403
Equipment	<u>1,876,011</u>	<u>360,561</u>	<u>49,796</u>	<u>2,186,776</u>
	<u>2,418,656</u>	<u>1,578,927</u>	<u>85,124</u>	<u>3,912,459</u>
Less accumulated depreciation for –				
Building	27,984	18,825	-	46,809
Leasehold improvements	200,800	28,942	35,328	194,414
Equipment	<u>1,312,648</u>	<u>231,194</u>	<u>49,796</u>	<u>1,494,046</u>
	<u>1,541,432</u>	<u>278,961</u>	<u>85,124</u>	<u>1,735,269</u>
Net capital assets being depreciated	<u>877,224</u>	<u>1,299,966</u>	<u>-</u>	<u>2,177,190</u>
Total capital assets net of depreciation	<u>\$ 1,145,240</u>	<u>\$ 1,434,366</u>	<u>\$ 195,865</u>	<u>\$ 2,383,741</u>

Depreciation expense for 2005 was \$278,961.

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	\$ 4,857,573	\$ 346,367
Wages and fringe benefits	1,895,131	29,535
Intergovernmental –		
Federal/State	198,502	19,437
Local	<u>68,835</u>	<u>-</u>
	<u>\$ 7,020,041</u>	<u>\$ 395,339</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2005:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Revenue Sharing Reserve	\$ <u>1,049,318</u>
Nonmajor Business Funds – Sheriff's concession	General Fund	\$ <u>10,384</u>

The amount due between funds represents transfers between funds that were recorded at the end of the year.

Due To/From Primary Government & Component Units –

<u>Receiving Entity</u>		
Health Department	Component Unit – Mental Health Authority	\$ <u>137,017</u>
Component Unit – Road Commission	Component Units – DPW	\$ <u>46,742</u>
	Primary Government – Retirement Fund	\$ 152,453
	Airport	1,058
	General	<u>8,299</u>
		\$ <u>161,810</u>

The St. Clair County Community Mental Health Authority owed the Health Department \$137,017 at December 31, 2005, however because the Authority is reported on a September 30 year-end, there is no offsetting payable.

Advances From/To Primary Government & Component Unit –

<u>Receiving Entity</u>		
Primary Government – General Fund	Component Unit - Drains	\$ <u>50,000</u>
Component Unit – DPW	Airport	\$ <u>89,281</u>

The advance represents the long-term loan between funds for cash flow purposes.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

Transfers From/To Other Funds -

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
General	Health Department	53,978 (6)
	Planning Commission	60,306 (6)
	Municipal Building Construction	6,350 (3)
	Drug Task Force	277,693 (1)
	Revenue Sharing Reserve	3,111,558 (7)
	Human Services	196,879 (6)
Health Department	General	2,552,866 (1)
	Senior Millage	18,932 (1)
Jail/Juvenile Facility Construction	Delinquent Tax Revolving	7,216,695 (3)
	Drug Task Force	175,000 (3)
Parks and Recreation	General	50,000 (1)
Library	General	100,000 (1)
Nonmajor Governmental Funds –		
Planning Commission	General	461,069 (1)
Family Counseling	General	171,821 (5)
Deeds Automation	General	72,358 (8)
Drug Law Enforcement	Drug Task Force	375,835 (4)
Public Improvement	Municipal Building Construction	6,000 (3)
CDBG Housing	General	10,000 (1)
Human Services	General	734,750 (1)
Child Care	General	2,853,378 (1)
Jail Construction Debt Retirement	Delinquent Tax Revolving	349,517 (2)
Building Authority Debt Retirement	General	816,395 (2)
Building Authority Construction	General	194 (1)
Nonmajor Business Funds –		
Airport	General	<u>242,907 (1)</u>
		<u>\$ 19,914,481</u>

- (1) Annual appropriations for operations
- (2) Transfers for the payment of debt
- (3) Transfers for construction
- (4) Transfers of forfeitures
- (5) To set up new fund
- (6) Return of Equity
- (7) Substitution for State Revenue Sharing
- (8) Return of prior year transfer

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 8 - LEASES:

Primary Government

Lessee Leases - The County has entered into an operating lease agreement for the use of copiers. The agreement calls for fixed annual payments of \$157,652 and additional per copy charges based on usage. The operating lease expires April 1, 2010, with an option to extend the contract for an additional two years. The entire cost of the contract is not to exceed \$1,120,000. The County has the option to terminate the contract with 90 days notice. The noncancellable portion of the contract was \$39,413.

Lessor Leases - The County has also 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 \$132,377.

Department of Public Works

The DPW (County) has entered into a number of capital lease agreements with various municipalities within the County. Under the agreements, the DPW (County) issued bonds or obtained loans that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the DPW (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 or loans, 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>
2006	\$ 2,445,000	\$ 1,284,391
2007	2,495,000	1,207,004
2008	2,620,000	1,132,581
2009	2,740,000	1,047,018
2010	2,725,000	957,471
2011-2015	13,005,000	3,398,256
2016-2020	9,570,600	1,298,907
2021-2023	<u>660,000</u>	<u>45,920</u>
	<u>\$ 36,260,600</u>	<u>\$ 10,371,548</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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, 2005 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 36,260,600
Accrued interest	<u>254,288</u>
	36,514,888
Less –	
Cash available after current liabilities	(342,058)
Prepaid expense	(<u>147,422</u>)
	<u>\$ 36,025,408</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, 2005:

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
Governmental Activities:					
Governmental Fund -					
1996 Building Authority Bonds	\$ 700,000	\$ -	\$ 300,000	\$ 400,000	\$ 400,000
2004 Building Authority Refunding Bonds	9,625,000	-	100,000	9,525,000	100,000
2003 General Obligation Bond	33,450,000	-	600,000	32,850,000	700,000
Installment Loan Agreements	7,738	-	7,738	-	-
Accumulated Vacation, Sick & Compensatory	3,979,613	1,865,939	1,641,224	4,204,328	154,000
Deferred amounts for –					
Issuance Discounts	(75,363)	-	(3,207)	(72,156)	-
Issuance Premiums	361,001	-	24,067	336,934	-
Refunding Loss	(<u>931,882</u>)	-	(<u>62,125</u>)	(<u>869,757</u>)	-
Total Governmental Funds	<u>47,116,107</u>	<u>1,865,939</u>	<u>2,607,697</u>	<u>46,374,349</u>	<u>1,354,000</u>
Internal Service Fund –					
Workers Compensation Claims Liability	170,000	487,623	182,623	475,000	266,400
General, Auto and Property Insurance Claims Liability	<u>575,000</u>	<u>106,913</u>	<u>261,913</u>	<u>420,000</u>	<u>210,000</u>
Total Internal Service Fund	<u>745,000</u>	<u>594,536</u>	<u>444,536</u>	<u>895,000</u>	<u>476,400</u>
Total Governmental Activities	<u>47,861,107</u>	<u>2,460,475</u>	<u>3,052,233</u>	<u>47,269,349</u>	<u>1,830,400</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

	<u>Balance January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2005</u>	<u>Due Within One Year</u>
<u>Business Activities:</u>					
Enterprise Funds -					
Solid Waste Disposal System -					
Closure and Post-closure Costs	12,450,088	1,064,568	-	13,514,656	-
Accumulated Vacation, Sick & Compensatory	22,360	295	-	22,655	-
Delinquent Tax Revolving -					
Installment Contract	-	162,335	-	162,335	40,584
Airport Commission -					
Accumulated Vacation, Sick & Compensatory	<u>17,237</u>	<u>-</u>	<u>7,227</u>	<u>10,010</u>	<u>-</u>
Total Enterprise Funds	<u>12,489,685</u>	<u>1,227,198</u>	<u>7,227</u>	<u>13,709,656</u>	<u>40,584</u>
 Total Primary Government	 <u>\$60,350,792</u>	 <u>\$ 3,687,673</u>	 <u>\$ 3,059,460</u>	 <u>\$ 60,979,005</u>	 <u>\$ 1,870,984</u>

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, were partially refunded in February 2004. The remaining bonds of \$400,000 are due in 2006, plus interest of 7.0%.

\$ 400,000

The Building Authority issued \$9,625,000 of general obligation limited tax refunding bonds to provide resources to purchase U.S. Government, State and Local Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$9,100,000 of general obligation limited tax bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed for the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$994,007. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce the total debt service payments over the next 16 years by \$369,426 and resulted in an economic gain of \$271,928.

\$ 9,525,000

\$ 9,925,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

General Obligation Tax Note –

The County issued \$34,000,000 of General Obligation Limited Tax Bonds, pursuant to Act 34, Public Act of Michigan. The notes are for the design and construction of a jail and juvenile facility. The bonds, dated June 4, 2003, are due in annual installments increasing from \$700,000 to \$2,450,000 through April 1, 2028; plus interest ranging from 2.5 to 4.5 percent, payable semi-annually.

\$32,850,000

Installment Contract -

In April 2005, the County entered into a purchase agreement for software in the amount of \$162,335. The agreement calls for annual payments of \$40,584 due in January of each year through 2009 with no interest (the imputed interest was insignificant).

\$ 162,335

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, 2005. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$210,000.

\$ 420,000

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, 2005. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$266,400.

\$ 475,000

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 \$32,665 has been recorded as a long-term liability of the respective fund. The governmental fund portion of \$4,204,328, as well as the enterprise fund portion, has been recorded in the government-wide 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, 2005, as reported in the Enterprise Funds (Landfill Fund), amounts to \$13,514,656. See Note 17 for more details regarding this matter.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2005, 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					
	Authority Bonds		Installment Loan		G.O. Limited Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 500,000	\$ 389,695	\$ 40,584	\$ -	\$ 700,000	\$1,317,634
2007	500,000	368,758	40,584	-	750,000	1,299,509
2008	475,000	356,883	40,584	-	800,000	1,280,134
2009	565,000	342,470	40,583	-	850,000	1,258,447
2010	550,000	325,745	-	-	900,000	1,233,259
2011-15	2,915,000	1,361,202	-	-	5,400,000	5,605,232
2016-20	3,640,000	664,250	-	-	7,100,000	4,239,170
2021-25	780,000	19,500	-	-	9,300,000	2,525,340
2026-28	-	-	-	-	7,050,000	457,938
	<u>\$ 9,925,000</u>	<u>\$ 3,828,503</u>	<u>\$ 162,335</u>	<u>\$ -</u>	<u>\$32,850,000</u>	<u>\$19,216,663</u>

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, 2005:

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005	Due Within One Year
Department of Public Works -					
Bonds Payable	\$ 24,035,000	\$ -	\$ 1,705,000	\$ 22,330,000	\$ 1,550,000
Drinking Water Revolving Loan	13,270,600	-	710,000	12,560,600	725,000
Revolving Loans	<u>1,535,000</u>	-	<u>165,000</u>	<u>1,370,000</u>	<u>170,000</u>
Total DPW	<u>38,840,600</u>	-	<u>2,580,000</u>	<u>36,260,600</u>	<u>2,445,000</u>
Road Commission -					
MTF Bonds – Series 1999	4,465,000	-	355,000	4,110,000	375,000
MTF Notes – Series 2001	1,750,000	-	250,000	1,500,000	250,000
Accrued vacation & sick leave	349,000	407,000	460,000	296,000	262,000
Accrued claim liability	<u>62,000</u>	-	<u>2,100</u>	<u>59,900</u>	<u>45,500</u>
Total Road Commission	<u>6,626,000</u>	<u>407,000</u>	<u>1,067,100</u>	<u>5,965,900</u>	<u>932,500</u>
Drains -					
Notes payable	<u>1,988,500</u>	<u>2,104,400</u>	<u>124,550</u>	<u>3,968,350</u>	<u>2,814,316</u>
Mental Health Authority –					
Accrued vacation, sick & compensatory	<u>1,240,473</u>	<u>1,015,599</u>	<u>991,478</u>	<u>1,264,594</u>	<u>991,478</u>
Total Component Units	<u>\$48,695,573</u>	<u>\$ 3,526,999</u>	<u>\$ 4,763,128</u>	<u>\$ 47,459,444</u>	<u>\$ 7,183,294</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Department of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, 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. The original amount of the general obligation bonds issued in prior years was \$29,740,000.

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 pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems revert to the Townships, Villages or Cities. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.375 – 7.10	\$ 12,360,000
Governmental activities – refunding	1.50 – 6.90	<u>9,970,000</u>
		<u>\$ 22,330,000</u>

On July 1, 1989, St. Clair County through the Department of Public Works issued \$2,365,000 in SDS No. III Refunding General Obligation Bonds to advance refund the 1985 SDS No. III General Obligation Bonds totaling \$2,150,000.

On March 1, 1999, St. Clair County through the Department of Public Works issued \$1,485,000 in WSS No. IIA Refunding General Obligation Bonds to partially advance refund the 1991 WSS No. II General Obligation Bonds totaling \$1,565,000.

On May 28, 2003, St. Clair County through the Department of Public Works issued \$4,520,000 and \$2,045,000 in WSS VII Refunding Series 2003A and 2003B Bonds, respectively to advance refund the 1994 WSSVII General Obligation Bonds and to partially advance refund the 1995 WSSVII General Obligation Bonds, respectively.

The proceeds from the refunding issues, after payment of issuance costs, were placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the DPW Financial Statements. At December 31, 2005 the bonds outstanding of \$165,000, \$1,040,000, \$4,025,000, and \$1,765,000, are considered defeased.

On February 10, 2004, St. Clair County through the Department of Public Works issued \$2,740,000 WSSIX 2004 Refunding Bonds to partially advance refund the WSSIX Series 1996 and Series 1998 Bonds in the amounts of \$4,700,000 and \$850,000 respectively.

On May 18, 2004, St. Clair County through the Department of Public Work issued \$470,000 SDSX 2004 Refunding Bonds to advance refund SDXX series 1991B in the amount of \$465,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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 original amount of the drinking water revolving fund loans drawn in prior years was \$16,255,600.

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	2.5%	\$ 12,560,600

State of Michigan Clean Water Revolving Loans

State of Michigan Clean Water 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 Clean Water Revolving Loans issued in prior years was \$3,236,961.

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 Clean Water Revolving Loans currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.0%	\$ 1,370,000

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

Year Ending December 31.	<u>General Obligation Bonds</u>		<u>Drinking Water Revolving Loans</u>		<u>Clean Water Revolving Loans</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 1,550,000	\$ 907,600	\$ 725,000	\$ 349,391	\$ 170,000	\$ 27,400
2007	1,580,000	851,863	745,000	331,141	170,000	24,000
2008	1,670,000	794,653	770,000	317,328	180,000	20,600
2009	1,775,000	732,003	785,000	298,015	180,000	17,000
2010	1,740,000	665,805	800,000	278,266	185,000	13,400
2011-2015	8,190,000	2,281,327	4,330,000	1,098,329	485,000	18,600
2016-2020	5,165,000	743,657	4,405,600	555,250	-	-
2021-2025	660,000	45,920	-	-	-	-
	<u>\$22,330,000</u>	<u>\$ 7,022,828</u>	<u>\$12,560,600</u>	<u>\$3,227,720</u>	<u>\$ 1,370,000</u>	<u>\$ 121,000</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

	<u>Interest Rate (Percent)</u>	<u>Balance December 31, 2005</u>
Governmental Activities (G.O. Bonds) -		
Sewage Disposal Systems No. V Series 1993 Bonds (St. Clair Township)	5.50-6.00	\$ 390,000
Water Supply System No. VI Series 1990 Bonds (Kimball Township)	7.00-7.10	220,000
Sewage Disposal System No. X – Series 2000 Bonds (Village of Capac)	5.00-5.55	665,000
Water Supply System No. IX – Series 2000 Bonds (Burtchville Township)	4.50-6.00	1,875,000
Sewage Disposal System No. I – Series 1999 Bonds (City of Algonac/Clay and Ira Townships)	5.00-5.125	1,520,000
Water Supply System No. II-A Series 2001 Bonds (Clay Township)	4.00-5.00	4,875,000
Sewage Disposal System No. I – Series 2003 Bonds (City of Algonac/Clay and Ira Townships)	3.375-4.60	<u>2,815,000</u>
		<u>\$ 12,360,000</u>
Governmental Activities (G.O. Refunding) -		
Water Supply System No. IIA – 1999 Refunding Bonds (Clay Township)	3.95-4.90	1,085,000
Water Supply System VII – 2003 A Refunding Bonds (Ira Township)	2.25-4.125	4,085,000
Water Supply System VII – 2003 B Refunding Bonds (Ira Township)	2.00-3.80	1,860,000
Sewage Disposal System X – 2004 Refunding Bonds (Village of Capac)	2.00-3.75	410,000
Water Supply System IX – 2004 Refunding Bonds (Burtchville Township)	1.50-3.60	<u>2,530,000</u>
		<u>\$ 9,970,000</u>
Governmental Activities (Revolving Loans) –		
Water Supply System X Series 1999 (City of Algonac/Clay Township)	2.5	\$ 5,870,600
Water Supply System III Series 1999 (Charter Townships of East China and China)	2.5	6,690,000
Sewage Disposal System XI Series 1993 (City of Yale)	2.0	1,115,000
Sewage Disposal System No. X Series 1999 (Village of Capac)	2.0	<u>255,000</u>
		<u>\$13,930,600</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

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.

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, 2006 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, 2005 was \$4,110,000.

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, 2005 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 4.0%. The balance as of December 31, 2005 was \$1,500,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

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 \$109,060 for sick leave and \$186,940 for vacation at December 31, 2005.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2005, except compensated absences and accrued claims, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2006	\$ 375,000	\$ 192,676	\$ 250,000	\$ 57,626	\$ 875,302
2007	390,000	176,270	250,000	48,874	865,144
2008	410,000	158,720	250,000	39,626	858,346
2009	430,000	140,270	250,000	30,000	850,270
2010	455,000	120,920	250,000	20,000	845,920
2011-2014	<u>2,050,000</u>	<u>257,138</u>	<u>250,000</u>	<u>10,000</u>	<u>2,567,138</u>
	<u>\$ 4,110,000</u>	<u>\$1,045,994</u>	<u>\$1,500,000</u>	<u>\$ 206,126</u>	<u>\$6,862,120</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 \$2,104,400 of drain notes. The balance at December 31, 2005 was as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities -		
Blue River Gardens	2.47 %	\$ 200,000
Dana	2.47	300,000
Dana	5.90	800,000
Huffman & Branch	2.47	550,000
Moore & Branch No. 1	5.75	200,000
McGeorge & Branches	4.31	84,000
209 County Drain	4.90	111,000
Simpson	2.99	61,200
Stocks Creek & Branch	2.47	225,000
Galbraith County Drain	4.30	250,000
Jackson Creek Intercounty Drain	2.25	57,750
Howe, Brandymer & Branches Drain	2.47	75,000
Metcalf Series 2002	2.47	75,000
211 County Drain	4.30	225,000
South Branch Pine River	4.30	75,000
Carrigan Branch Drain	4.30	100,000
Shanahan Drain	4.30	50,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 9 - LONG-TERM DEBT – (cont'd):

	<u>Interest Rate</u>	<u>Amount</u>
Coon Creek Intercounty Drain	4.30 %	\$ 25,000
Cox-Doty & Stein County Drain	3.25	75,000
Gossman & Branches County Drain	3.25	75,000
Holland & Branches County Drain	3.25	100,000
King County Drain	3.25	25,000
Lakeland County Drain	3.25	40,000
Macomb County Drain	3.25	60,000
Railroad and Branches County Drain	3.25	50,000
Smith-Cottrellville County Drain	3.25	<u>79,400</u>
		<u>\$ 3,968,350</u>

Annual debt service requirements to maturities are as follows:

<u>Year Ended December 31,</u>	<u>Principle</u>	<u>Interest</u>
2006	\$ 2,814,316	\$ 124,336
2007	240,317	62,714
2008	209,717	51,395
2009	136,000	40,715
2010	136,000	32,972
2011-2015	<u>432,000</u>	<u>73,159</u>
	<u>\$ 3,968,350</u>	<u>\$ 385,291</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, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, five 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 plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

The membership at December 31, 2004 was composed of 924 active participants, 462 retirees and beneficiaries, and 94 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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2005

NOTE 10 - RETIREMENT PLAN – (cont'd):

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 and Road Commission).

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% to 75% of final average compensation.

All Employees - age 60 with 8 years of service.

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 - \$3,500 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, 2005, contributions totaling \$4,940,066 (\$2,791,134 employer and \$2,148,932 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2003. The employer and employee contributions represented 6.67% and 5.0% of covered payroll, respectively. 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 10 - RETIREMENT PLAN – (cont'd):

The required contribution rate was determined as part of the December 31, 2003 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, 2004 of 13 years. There is no unfunded accrued liability.

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)
12/31/02*	\$148,949,978	\$129,997,328	\$(18,952,650)	114.6 %	\$35,716,619	(53.1) %
12/31/03*	146,556,581	139,409,729	(7,146,852)	105.1	38,047,803	(18.8)
12/31/04*	144,411,118	149,377,188	4,966,070	96.7	39,609,752	12.5

*Plan amended

Schedule of Employer Contributions -

Year Ended <u>December 31.</u>	Annual Required <u>Contribution</u>	Percentage <u>Contributed</u>
2003	\$ -	100.00 %
2004	1,408,431	100.00
2005	2,791,134	100.00

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. Postemployment benefits consist of Blue Cross and Blue Shield, dental and prescription drug coverage.

The employees covered by the postemployment benefits and memberships are the same as noted for the basic retirement plan (Note 10). In general all employees are eligible for postemployment 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 of service are greater than or equal to 80 and their years of service equal 25 years or more.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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 service during the year and \$16.00 per month for members with 20 or more years of service at retirement.

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 if appropriate pension options have been selected.

The County makes contributions based on actuarially determined rates. Members of the system are not required to make contributions for these postemployment 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, 2005, contributions of \$2,648,857 were made. Employer contributions represented 6.33 percent of covered payroll. The actuarial valuation dated December 31, 2003 determined a contribution rate of 19.24 percent of covered payroll for 2005 using an assumed rate of inflation for 2005 of 11.0%.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government –

One of the County's major taxpayers, the Detroit Edison Company, is appealing its tax assessments for the 2002-2005 tax assessments. The taxpayer has paid the contested amount. Should the taxpayer prevail, the County would be required to refund approximately \$7,372,000 plus interest for the 2002, 2003 and 2004 tax levies. In addition, the County would be required to refund approximately \$2,550,000 for the 2005 tax levy, which is recorded as revenue by the County in 2006. The County has designated fund balance for 100% of the contested amounts except in the Drug Task Force Fund where approximately 47%, has been designated since there was not sufficient fund balance to designate the entire amount (See Note 16). The County intends to vigorously defend the original assessments and believes they will prevail. Due to the matter of the appeal, it is impossible to estimate any potential liability, if any.

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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

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.

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.

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 and short-term disability claims, and is self-insured for workers' compensation claims up to an amount of \$350,000 in individual claims for 2005.

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, \$0 and \$475,000 for unemployment compensation, disability and worker's compensation, respectively.

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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 13 - RISK MANAGEMENT – (cont'd):

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	\$ 250,000
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 2005, that Stop Loss Program limited the retention for St. Clair County to \$681,000 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 \$420,000, which is recorded in the Self-Insurances Fund.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 13 - RISK MANAGEMENT – (cont'd):

The County is self-insured for health care benefits with the administrative services of the program being 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 \$398,065 at December 31, 2005, which is recorded as current liabilities in the Self Insurances (Internal Service) Fund. Changes in the balance of claims liability during the past two years as reported in the self-insurance (internal service fund) are as follows:

	<u>Property/Liability Insurance</u>		<u>Disability Insurance</u>		<u>Unemployment</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 575,000	\$ 70,000	\$ -	\$ -	\$ 96,445	\$ -
Incurred claims (including IBNR's)	106,913	602,686	293,483	115,191	45,482	96,445
Claims Paid	(261,913)	(97,686)	(293,483)	(115,191)	(141,927)	-
Unpaid claims, end of year	420,000	575,000	-	-	-	96,445
Less current portion	(210,000)	(287,500)	-	-	-	(96,445)
Long-Term Liabilities	<u>\$ 210,000</u>	<u>\$ 287,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Workers Compensation</u>		<u>Health Care</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Unpaid claims, beginning of year	\$ 170,000	\$ 202,000	\$ 573,586	\$ 737,000	\$ 1,415,031	\$ 1,009,000
Incurred claims (including IBNR's)	487,623	133,235	6,727,485	5,836,670	7,660,986	6,784,227
Claims Paid	(182,623)	(165,235)	(6,903,006)	(6,000,084)	(7,782,952)	(6,378,196)
Unpaid claims, end of year	475,000	170,000	398,065	573,586	1,293,065	1,415,031
Less current portion	(266,400)	(143,000)	(398,065)	(573,586)	(874,465)	(1,100,531)
Long-Term Liabilities	<u>\$ 208,600</u>	<u>\$ 27,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 418,600</u>	<u>\$ 314,500</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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 13 - RISK MANAGEMENT – (cont'd):

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

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

The Road Commission became self-insured for health care benefits during 2004. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision, which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$59,900 at December 31, 2005, which has been accrued on the statement of Net Assets.

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 \$3,300,000 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 - MAJOR TAXPAYER:

The County is economically dependent upon the Detroit Edison Company that has real and personal property within the County with a taxable value of \$826,437,367. This represents approximately 14 percent of the taxable value for the County.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

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, 2005:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government -		
General Fund	Prepaid Expenditures	\$ 41,966
	Advance to Other Funds/Component Units	<u>50,000</u>
		<u>91,966</u>
Health Department	Prepaid Expenditures	16,666
	Substance Abuse	<u>347,902</u>
		<u>364,568</u>
Jail Construction	Capital Projects	<u>9,049</u>
County Library	Prepaid Expenditures	<u>6,000</u>
Non-major Governmental Funds -		
Municipal Building	Capital Project	241,259
Building Authority	Capital Project	218
Permanent Fund -		
Lewis Memorial Endowment		<u>22,990</u>
Total Nonmajor Governmental Funds		<u>264,467</u>
Total Government Funds		<u>736,050</u>
Fiduciary Fund -		
Pension and Other		
Employee Benefits	Pension Benefit	190,488,996
Landfill Perpetual Care	Perpetual Care	<u>1,547,168</u>
		<u>192,036,164</u>
Total Primary Government Reserved Fund Balance		<u>\$ 192,772,214</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 16 - FUND EQUITY – (cont'd):

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, 2005:

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government -		
General Fund	Potential Tax Refund	\$ 4,906,211
	Budget Stabilization	2,333,873
	Criminal Justice Training Grant	15,116
	Prosecutor's Drug Forfeiture	<u>17,508</u>
		<u>7,272,708</u>
Parks and Recreation	Potential Tax Refund	514,220
	Future Projects	<u>212,500</u>
		<u>726,720</u>
Revenue Sharing Reserve	Potential Tax Refund	<u>1,245,392</u>
Library	Potential Tax Refund	<u>518,786</u>
Nonmajor Fund		
Special Revenue Funds -		
Senior Citizens		
Millage	Potential Tax Refund	518,786
Drug Task Force	Potential Tax Refund	<u>138,202</u>
		<u>656,988</u>
Debt Service Funds -		
Communications	Debt Retirement	121,658
Building Authority	Debt Retirement	13,077
Jail/Juvenile Facilities	Debt Retirement	<u>163</u>
		<u>134,898</u>
		<u>791,886</u>
Total Designated Fund Balance – Primary Government		<u>\$10,555,492</u>

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 \$13,514,656 at December 31, 2005, which is based on the estimated percentage of capacity used to date of 48.8%.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2005**

NOTE 17 - CLOSURE AND POSTCLOSURE CARE COSTS – (cont'd):

Currently the County has 68 acres licensed, with an additional 40 acres available for licensing. It is estimated that an additional \$14,174,962 will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity and monitored for 30 years. The estimated remaining life of the landfill is 18 years.

The estimated total current cost of the landfill closure and post-closure care cost of \$27,689,618 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, 2005. 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.

In addition, as required by State regulations, the County has established the Landfill Private-Purpose Trust Fund for the accumulation of statutory fees and interest earnings to be used by the State of Michigan, if necessary, to safely maintain the landfill after its closure.

The County is also 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 – PRIOR PERIOD ADJUSTMENT:

The net assets for the governmental activities as of December 31, 2004 have been decreased by \$1,483,088 to remove capitalized interest in accordance with GASB Statement No. 37.

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>
12/31/95 *	\$ 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%
12/31/01 *	151,153,871	121,225,557	(29,928,314)	124.69%	32,744,255	-91.40%
12/31/02 *	148,949,978	129,997,328	(18,952,650)	114.58%	35,716,619	-53.06%
12/31/03 *	146,556,581	139,409,229	(7,147,352)	105.13%	38,047,803	-18.79%
12/31/04 *	144,411,118	149,377,188	4,966,070	96.68%	39,609,752	12.54%

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contributions</u>	<u>Percentage Contributed</u>
1996	\$ 1,589,454	96.90%
1997	1,525,221	104.88%
1998	1,370,572	101.01%
1999	773,180	98.70%
2000	-	0.00%
2001	-	0.00%
2002	-	0.00%
2003	-	0.00%
2004	1,408,431	100.00%
2005	2,791,134	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

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 29,485,506	\$ 29,425,506	\$ 29,983,101	\$ 557,595
Licenses and permits	362,000	362,000	331,152	(30,848)
Intergovernmental -				
Federal/State	10,440,511	7,621,116	6,821,261	(799,855)
Local	1,384,594	1,384,594	1,465,587	80,993
Charges for services	5,490,999	5,428,799	5,387,125	(41,674)
Fines and forfeits	1,343,000	729,500	520,901	(208,599)
Interest and rent	1,682,138	1,682,138	2,223,243	541,105
Other	2,677,736	2,451,350	1,842,943	(608,407)
Total Revenues	<u>52,866,484</u>	<u>49,085,003</u>	<u>48,575,313</u>	<u>(509,690)</u>
Expenditures:				
Legislative:				
Board of Commissioners	218,130	218,130	222,536	(4,406)
Other Legislative Activities	727,700	727,700	793,512	(65,812)
	<u>945,830</u>	<u>945,830</u>	<u>1,016,048</u>	<u>(70,218)</u>
Judicial:				
Circuit Court	1,743,877	1,743,877	1,829,023	(85,146)
District Court	2,361,221	2,361,221	2,246,834	114,387
Courthouse Security	375,790	375,790	357,062	18,728
Friend of the Court	2,488,191	2,488,191	2,298,849	189,342
Law Library	500	500	1,170	(670)
Probate Court	729,846	729,846	846,278	(116,432)
Family Division - Circuit Court	2,068,299	2,068,299	1,990,584	77,715
Probation	20,900	20,900	16,316	4,584
District Court Probation	552,431	552,431	549,506	2,925
Family Counseling	20,000	20,000	-	20,000
Other Corrections Activities	692,193	739,542	788,170	(48,628)
	<u>11,053,248</u>	<u>11,100,597</u>	<u>10,923,792</u>	<u>176,805</u>
General Government:				
Administrator/Controller	457,568	457,568	413,191	44,377
Elections	140,642	140,642	82,415	58,227
Accounting	427,164	427,164	381,223	45,941
Clerk	809,548	809,548	853,114	(43,566)
Equalization	860,103	860,103	823,230	36,873
Human Resources	740,736	740,736	696,972	43,764
Staff Resources Pool	301,171	301,171	190,952	110,219
Prosecuting Attorney	2,367,843	2,367,843	2,273,209	94,634
Victims Rights	14,400	14,400	7,784	6,616
Register of Deeds	330,737	330,737	344,817	(14,080)
Boundary Commission	350	350	-	350
Treasurer	636,449	636,449	566,451	69,998
Cooperative Extension	569,064	579,164	524,959	54,205
Information Technology	1,869,159	2,169,159	2,424,275	(255,116)
Building and Grounds	2,657,549	2,667,549	2,640,636	26,913
Drain Commissioner	666,213	666,213	364,091	302,122
Motor Pool	10,705	10,705	13,902	(3,197)
	<u>12,859,401</u>	<u>13,179,501</u>	<u>12,601,221</u>	<u>578,280</u>

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Other Corrections Activities	200,000	200,000	138,088	61,912
Sheriff	5,871,339	6,021,149	6,292,913	(271,764)
Training	15,000	15,000	16,538	(1,538)
Communications/Radio	1,013,458	1,013,458	1,093,466	(80,008)
Marine Law Enforcement	320,313	320,313	333,006	(12,693)
Dive Team	8,194	8,194	13,327	(5,133)
Correction / Jail	7,971,402	7,971,402	8,145,633	(174,231)
Jail Population Monitor	46,000	46,000	54,674	(8,674)
Emergency Prep	1,913,131	1,913,131	907,457	1,005,674
Hazardous Material Handling	25,500	125,950	185,564	(59,614)
Animal Shelter/Dog Warden	373,301	374,601	399,789	(25,188)
	<u>17,757,638</u>	<u>18,009,198</u>	<u>17,580,455</u>	<u>428,743</u>
Public Works:				
Road Commission	500,000	500,000	500,000	-
Drains	100,000	128,000	127,896	104
	<u>600,000</u>	<u>628,000</u>	<u>627,896</u>	<u>104</u>
Health and Welfare:				
Mental Health	955,672	955,672	955,672	-
Ambulance	70,000	70,000	70,000	-
Public Guardian	227,467	227,467	238,365	(10,898)
Veterans Burial	21,300	21,300	17,703	3,597
Veterans Counselor	194,718	194,718	189,122	5,596
Soldiers and Sailors Relief	1,350	1,350	740	610
	<u>1,470,507</u>	<u>1,470,507</u>	<u>1,471,602</u>	<u>(1,095)</u>
Other:				
Contingencies	125,418	-	-	-
Insurance	800,000	800,000	800,000	-
	<u>925,418</u>	<u>800,000</u>	<u>800,000</u>	<u>-</u>
Debt Service:				
Principal	7,738	7,738	7,738	-
Interest	484	484	484	-
	<u>8,222</u>	<u>8,222</u>	<u>8,222</u>	<u>-</u>
Total Expenditures	<u>45,620,264</u>	<u>46,141,855</u>	<u>45,029,236</u>	<u>1,112,619</u>
Revenues over expenditures	<u>7,246,220</u>	<u>2,943,148</u>	<u>3,546,077</u>	<u>602,929</u>
Other Financing Sources (Uses):				
Transfers from other funds	294,525	3,706,764	3,706,764	-
Transfers to other funds	(7,540,745)	(7,909,924)	(8,065,738)	(155,814)
Total Other Financing Sources (Uses)	<u>(7,246,220)</u>	<u>(4,203,160)</u>	<u>(4,358,974)</u>	<u>(155,814)</u>
Net Change in Fund Balance	-	(1,260,012)	(812,897)	447,115
Fund Balance at beginning of year	<u>8,784,525</u>	<u>8,784,525</u>	<u>8,784,525</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 8,784,525</u>	<u>\$ 7,524,513</u>	<u>\$ 7,971,628</u>	<u>\$ 447,115</u>

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, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 205,334	\$ 205,334
Intergovernmental -				
Federal/State	5,069,460	4,930,040	6,382,970	1,452,930
Local	-	-	141,123	141,123
Charges for services	1,692,084	1,859,529	1,188,238	(671,291)
Other	<u>151,712</u>	<u>759,948</u>	<u>19,412</u>	<u>(740,536)</u>
Total Revenues	6,913,256	7,549,517	7,937,077	387,560
 Expenditures:				
Health and Welfare	<u>10,200,962</u>	<u>10,189,481</u>	<u>10,130,174</u>	<u>59,307</u>
Revenues under expenditures	<u>(3,287,706)</u>	<u>(2,639,964)</u>	<u>(2,193,097)</u>	<u>446,867</u>
 Other Financing Sources (Uses):				
Transfers from other funds	2,572,866	2,139,964	2,571,798	431,834
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(53,978)</u>	<u>(53,978)</u>
	<u>2,572,866</u>	<u>2,139,964</u>	<u>2,517,820</u>	<u>377,856</u>
 Net Change in Fund Balance	(714,840)	(500,000)	324,723	824,723
 Fund Balance at beginning of year	<u>1,087,855</u>	<u>1,087,855</u>	<u>1,087,855</u>	<u>-</u>
 Fund Balance at end of year	<u><u>\$ 373,015</u></u>	<u><u>\$ 587,855</u></u>	<u><u>\$ 1,412,578</u></u>	<u><u>\$ 824,723</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SPECIAL REVENUE FUND
PARKS AND RECREATION**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,676,600	\$ 2,811,000	\$ 2,738,401	\$(72,599)
Intergovernmental -				
Federal/State	30,000	-	2,218,568	2,218,568
Charges for services	40,000	39,000	50,450	11,450
Interest and rent	39,700	35,000	196,599	161,599
Other	1,500	1,000	49,578	48,578
Total Revenues	<u>2,787,800</u>	<u>2,886,000</u>	<u>5,253,596</u>	<u>2,367,596</u>
Expenditures:				
Recreation and Culture	<u>2,669,458</u>	<u>3,135,330</u>	<u>5,597,293</u>	<u>(2,461,963)</u>
Revenues over (under) expenditures	<u>118,342</u>	<u>(249,330)</u>	<u>(343,697)</u>	<u>(94,367)</u>
Other Financing Sources:				
Transfers from other funds	116,800	-	50,000	50,000
Transfers to other funds	<u>(66,800)</u>	<u>(77,670)</u>	<u>-</u>	<u>77,670</u>
	<u>50,000</u>	<u>(77,670)</u>	<u>50,000</u>	<u>127,670</u>
Net Change in Fund Balance	168,342	(327,000)	(293,697)	33,303
Fund Balance at beginning of year	<u>4,908,527</u>	<u>4,908,527</u>	<u>4,908,527</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 5,076,869</u>	<u>\$ 4,581,527</u>	<u>\$ 4,614,830</u>	<u>\$ 33,303</u>

ST. CLAIR COUNTY, MICHIGAN

**SPECIAL REVENUE FUND
LIBRARY**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,748,767	\$ 2,895,540	\$ 2,762,725	\$(132,815)
Intergovernmental -				
Federal/State	212,527	182,083	181,842	(241)
Local	8,000	8,000	8,000	-
Charges for services	46,349	41,000	40,332	(668)
Fines and forfeits	907,253	925,000	924,322	(678)
Interest and rent	126,422	89,600	150,270	60,670
Other	17,693	16,300	24,208	7,908
Total Revenues	<u>4,067,011</u>	<u>4,157,523</u>	<u>4,091,699</u>	<u>(65,824)</u>
Expenditures:				
Recreation and Culture	<u>4,379,567</u>	<u>4,550,903</u>	<u>4,212,546</u>	<u>338,357</u>
Revenues over (under) expenditures	<u>(312,556)</u>	<u>(393,380)</u>	<u>(120,847)</u>	<u>272,533</u>
Other Financing Sources:				
Transfers from other funds	100,000	-	100,000	100,000
Transfers to other funds	-	(235,322)	-	235,322
	<u>100,000</u>	<u>(235,322)</u>	<u>100,000</u>	<u>335,322</u>
Net Change in Fund Balance	(212,556)	(628,702)	(20,847)	607,855
Fund Balance at beginning of year	<u>1,930,701</u>	<u>1,930,701</u>	<u>1,930,701</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,718,145</u></u>	<u><u>\$ 1,301,999</u></u>	<u><u>\$ 1,909,854</u></u>	<u><u>\$ 607,855</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SPECIAL REVENUE FUND
REVENUE SHARING RESERVE**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,730,169	\$ 10,000,000	\$ 9,811,782	\$(188,218)
Interest and rent	-	50,000	174,765	124,765
Total Revenues	<u>9,730,169</u>	<u>10,050,000</u>	<u>9,986,547</u>	<u>(63,453)</u>
Other Financing Uses:				
Transfers to other funds	<u>(3,111,558)</u>	<u>(3,111,558)</u>	<u>(3,111,558)</u>	<u>-</u>
Revenues over expenditures	6,618,611	6,938,442	6,874,989	(63,453)
Fund Balance at beginning of year	<u>7,745,568</u>	<u>7,745,568</u>	<u>7,745,568</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 14,364,179</u></u>	<u><u>\$ 14,684,010</u></u>	<u><u>\$ 14,620,557</u></u>	<u><u>\$(63,453)</u></u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The General and Major Special Revenue Funds budgets shown in the required supplementary information were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

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.

Drug Law Enforcement – is used to account for revenues derived from the sale of assets seized by the Drug Task Force in drug cases and expenditures made in accordance with state drug forfeiture laws.

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

CDBG Housing – is used to account for federal grant money received prior to 1987 for renovations made to qualified housing. It is also used to account for the loans resulting from these renovation projects. The interest from the loans, and the repayments, supplement funding to future grants.

HUD Housing – is used to account for federal grant money received after 1987 for renovations made to qualified housing. It is also used to account for the loans resulting from these renovation projects.

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

Deeds Automation – is used to account for the revenues and expenditures set aside for the updating and streamlining the records system in the deeds office.

Local Corrections and Training – is used to account for the County’s portion of booking fees collected in the Jail and used for corrections officer education and training and/or inmate substance abuse/mental health programs.

Family Counseling – is used to account for the portion of marriage license fees set aside for providing family counseling to individuals who have domestic related actions pending before the Circuit Court.

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:

Communications Debt Service – is used to account for the debt service requirements related to the communications system.

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.

Communications – is used to account for the grant and local participation revenues, and the construction costs of the communication system.

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, 2005**

ASSETS	<u>Friend of Court</u>	<u>County Planning</u>	<u>Public Improvement</u>	<u>Senior Citizens Millage</u>	<u>Drug Task Force</u>
Cash and cash equivalents	\$ 147,893	\$ 123,013	\$ 414,477	\$ 1,110,557	\$ 337,781
Investments	-	-	500,000	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	2,714,664	1,523,488
Accounts and interest	3,065	-	-	4,406	-
Due from other governmental units -					
Federal/State	108,417	42,774	-	-	-
Local	-	-	-	-	-
Total Assets	<u>\$ 259,375</u>	<u>\$ 165,787</u>	<u>\$ 914,477</u>	<u>\$ 3,829,627</u>	<u>\$ 1,861,269</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ 4,672	\$ 5,758	\$ 52,128	\$ 20,651
Accrued liabilities	12,041	24,675	-	-	49,714
Due to other governmental units -					
Federal/State	-	-	-	-	-
Deferred revenue	-	42,774	-	2,945,255	1,652,702
Total Liabilities	<u>12,041</u>	<u>72,121</u>	<u>5,758</u>	<u>2,997,383</u>	<u>1,723,067</u>
Fund Balance:					
Reserved -					
Capital Projects	-	-	-	-	-
Permanent Fund - Library Memorial	-	-	-	-	-
Unreserved -					
Designated -					
Potential Tax Refund	-	-	-	518,786	138,202
Debt Services	-	-	-	-	-
Undesignated - Special Revenue Funds	247,334	93,666	908,719	313,458	-
Total Fund Balance	<u>247,334</u>	<u>93,666</u>	<u>908,719</u>	<u>832,244</u>	<u>138,202</u>
Total Liabilities and Fund Balance	<u>\$ 259,375</u>	<u>\$ 165,787</u>	<u>\$ 914,477</u>	<u>\$ 3,829,627</u>	<u>\$ 1,861,269</u>

Special Revenue Funds

<u>Drug Law Enforcement</u>	<u>Substance Abuse</u>	<u>CDBG Housing</u>	<u>HUD Housing</u>	<u>Human Services</u>	<u>Child Care</u>	<u>Veterans' Trust</u>
\$ 298,634	\$ 337,699	\$ 243,329	\$ 95,311	\$ 238,721	\$ 155,728	\$ 8,425
-	-	100,000	-	-	-	-
-	-	-	-	-	-	-
-	2,038	809,520	333,381	-	5,293	-
-	-	26,443	-	40,834	3,530	-
-	-	-	-	-	-	-
<u>\$ 298,634</u>	<u>\$ 339,737</u>	<u>\$ 1,179,292</u>	<u>\$ 428,692</u>	<u>\$ 279,555</u>	<u>\$ 164,551</u>	<u>\$ 8,425</u>
\$ 4,618	\$ -	\$ 9,414	\$ -	\$ -	\$ 52,952	\$ 557
-	-	-	-	291	105,829	-
-	-	163,999	-	279	-	-
-	-	643,695	333,381	-	-	-
<u>4,618</u>	<u>-</u>	<u>817,108</u>	<u>333,381</u>	<u>570</u>	<u>158,781</u>	<u>557</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
294,016	339,737	362,184	95,311	278,985	5,770	7,868
<u>294,016</u>	<u>339,737</u>	<u>362,184</u>	<u>95,311</u>	<u>278,985</u>	<u>5,770</u>	<u>7,868</u>
<u>\$ 298,634</u>	<u>\$ 339,737</u>	<u>\$ 1,179,292</u>	<u>\$ 428,692</u>	<u>\$ 279,555</u>	<u>\$ 164,551</u>	<u>\$ 8,425</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue Funds			
			Local	
	E - 911	Deeds Automation	Corrections and Training	Family Counseling
ASSETS				
Cash and cash equivalents	\$ 719,289	\$ 81,813	\$ 49,516	\$ 186,942
Investments	-	-	-	-
Receivables -				
Current and delinquent property taxes	-	-	-	-
Accounts and interest	-	740	-	60
Due from other governmental units -				
Federal/State	-	-	-	-
Local	-	-	-	-
Total Assets	\$ 719,289	\$ 82,553	\$ 49,516	\$ 187,002
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 7,500	\$ -	\$ 50	\$ -
Accrued liabilities	-	2,007	1,712	-
Advances and deposits				
Federal/State	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	7,500	2,007	1,762	-
 Fund Balance:				
Reserved -				
Capital Projects	-	-	-	-
Permanent Fund - Library Memorial	-	-	-	-
Unreserved -				
Designated -				
Potential Tax Refund	-	-	-	-
Debt Services	-	-	-	-
Undesignated - Special Revenue Funds	711,789	80,546	47,754	187,002
Total Fund Balance	711,789	80,546	47,754	187,002
Total Liabilities and Fund Balance	\$ 719,289	\$ 82,553	\$ 49,516	\$ 187,002

Debt Service Funds			Capital Projects Funds			Permanent Fund	Total
Communications	Building Authority	Jail/Juvenile Facility	Municipal Building	Building Authority	Communications	Lewis Memorial Endowment	
\$ 91,149	\$ 13,077	\$ 163	\$ 243,422	\$ 218	\$ -	\$ 4,444	\$ 4,901,601
-	-	-	-	-	-	18,050	618,050
-	-	-	-	-	-	-	4,238,152
-	-	-	560	-	-	496	1,159,559
-	-	-	-	-	910,000	-	1,131,998
30,509	-	-	-	-	250,000	-	280,509
<u>\$ 121,658</u>	<u>\$ 13,077</u>	<u>\$ 163</u>	<u>\$ 243,982</u>	<u>\$ 218</u>	<u>\$ 1,160,000</u>	<u>\$ 22,990</u>	<u>\$ 12,329,869</u>
\$ -	\$ -	\$ -	\$ 2,723	\$ -	\$ 1,160,000	\$ -	\$ 1,321,023
-	-	-	-	-	-	-	196,269
-	-	-	-	-	-	-	164,278
-	-	-	-	-	-	-	5,617,807
-	-	-	2,723	-	1,160,000	-	7,299,377
-	-	-	241,259	218	-	-	241,477
-	-	-	-	-	-	22,990	22,990
-	-	-	-	-	-	-	656,988
121,658	13,077	163	-	-	-	-	134,898
-	-	-	-	-	-	-	3,974,139
<u>121,658</u>	<u>13,077</u>	<u>163</u>	<u>241,259</u>	<u>218</u>	<u>-</u>	<u>22,990</u>	<u>5,030,492</u>
<u>\$ 121,658</u>	<u>\$ 13,077</u>	<u>\$ 163</u>	<u>\$ 243,982</u>	<u>\$ 218</u>	<u>\$ 1,160,000</u>	<u>\$ 22,990</u>	<u>\$ 12,329,869</u>

Concluded

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Friend of Court</u>	<u>County Planning</u>	<u>Public Improvement</u>	<u>Senior Citizens Millage</u>	<u>Drug Task Force</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ 2,763,077	\$ 1,549,837
Intergovernmental -					
Federal/State	256,089	70,016	-	-	30,492
Local	-	-	-	-	-
Charges for services	56,000	5,288	-	660	-
Fines and forfeits	-	-	-	-	1,954
Interest and rent	24,234	-	-	38,260	900
Other	-	5,659	-	-	3,000
Total Revenues	<u>336,323</u>	<u>80,963</u>	<u>-</u>	<u>2,801,997</u>	<u>1,586,183</u>
Expenditures:					
Current -					
Judicial	364,471	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	509,063	402,354	-	1,345,216
Health and Welfare	-	-	-	2,683,462	-
Capital Outlay	-	-	-	-	-
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>364,471</u>	<u>509,063</u>	<u>402,354</u>	<u>2,683,462</u>	<u>1,345,216</u>
Revenues over (under) expenditures	<u>(28,148)</u>	<u>(428,100)</u>	<u>(402,354)</u>	<u>118,535</u>	<u>240,967</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	461,069	6,000	-	-
Transfers to other funds	-	(60,306)	-	(18,932)	(828,528)
Total Other Financing Sources (Uses)	<u>-</u>	<u>400,763</u>	<u>6,000</u>	<u>(18,932)</u>	<u>(828,528)</u>
Net Change in Fund Balance	<u>(28,148)</u>	<u>(27,337)</u>	<u>(396,354)</u>	<u>99,603</u>	<u>(587,561)</u>
Fund Balances at beginning of year	<u>275,482</u>	<u>121,003</u>	<u>1,305,073</u>	<u>732,641</u>	<u>725,763</u>
Fund Balances at end of year	<u>\$ 247,334</u>	<u>\$ 93,666</u>	<u>\$ 908,719</u>	<u>\$ 832,244</u>	<u>\$ 138,202</u>

Special Revenue Funds

<u>Drug Law Enforcement</u>	<u>Substance Abuse</u>	<u>CDBG Housing</u>	<u>HUD Housing</u>	<u>Human Services</u>	<u>Child Care</u>	<u>Veterans' Trust</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	186,199	-	435,997	76,533	16,510
-	-	-	-	-	-	-
-	-	-	-	-	117,497	-
86,236	-	-	-	-	-	-
-	13,488	10,786	-	-	-	-
-	-	61,328	-	116,577	21,686	-
<u>86,236</u>	<u>13,488</u>	<u>258,313</u>	<u>-</u>	<u>552,574</u>	<u>215,716</u>	<u>16,510</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
168,055	-	-	-	-	-	-
-	199,911	202,965	255	1,260,164	3,359,412	19,438
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>168,055</u>	<u>199,911</u>	<u>202,965</u>	<u>255</u>	<u>1,260,164</u>	<u>3,359,412</u>	<u>19,438</u>
<u>(81,819)</u>	<u>(186,423)</u>	<u>55,348</u>	<u>(255)</u>	<u>(707,590)</u>	<u>(3,143,696)</u>	<u>(2,928)</u>
375,835	-	10,000	-	734,750	2,853,378	-
-	-	-	-	(196,879)	-	-
<u>375,835</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>537,871</u>	<u>2,853,378</u>	<u>-</u>
294,016	(186,423)	65,348	(255)	(169,719)	(290,318)	(2,928)
-	526,160	296,836	95,566	448,704	296,088	10,796
<u>\$ 294,016</u>	<u>\$ 339,737</u>	<u>\$ 362,184</u>	<u>\$ 95,311</u>	<u>\$ 278,985</u>	<u>\$ 5,770</u>	<u>\$ 7,868</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR GOVERNMENTAL FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue Funds			
	E - 911	Deeds Automation	Local Corrections And Training	Family Counseling
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental -				
Federal/State	-	-	-	-
Local	-	-	-	-
Charges for services	495,992	226,148	37,387	16,185
Fines and forfeits	-	-	-	-
Interest and rent	-	1,576	-	-
Other	-	-	-	-
Total Revenues	<u>495,992</u>	<u>227,724</u>	<u>37,387</u>	<u>16,185</u>
Expenditures:				
Current -				
Judicial	-	-	-	1,004
General Government	-	226,319	-	-
Public Safety	434,310	-	23,687	-
Health and Welfare	-	-	-	-
Capital Outlay	-	-	-	-
Debit Service -				
Principal	-	-	-	-
Interest and charges	-	-	-	-
Total Expenditures	<u>434,310</u>	<u>226,319</u>	<u>23,687</u>	<u>1,004</u>
Revenues over (under) expenditures	<u>61,682</u>	<u>1,405</u>	<u>13,700</u>	<u>15,181</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	72,358	-	171,821
Transfers to other funds	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>72,358</u>	<u>-</u>	<u>171,821</u>
Net Change in Fund Balance	61,682	73,763	13,700	187,002
Fund Balances at beginning of year	<u>650,107</u>	<u>6,783</u>	<u>34,054</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 711,789</u>	<u>\$ 80,546</u>	<u>\$ 47,754</u>	<u>\$ 187,002</u>

Debt Service Funds			Capital Projects Funds			Permanent Fund	Total
Communications	Building Authority	Jail/Juvenile Facility	Municipal Building	Building Authority	Communications	Lewis Memorial Endowment	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,312,914
-	-	-	-	-	910,000	-	1,981,836
-	-	-	-	-	250,000	-	250,000
121,658	-	-	92,004	-	-	-	1,168,819
-	-	-	-	-	-	-	88,190
-	-	-	-	-	-	594	89,838
-	-	-	750	-	-	-	209,000
<u>121,658</u>	<u>-</u>	<u>-</u>	<u>92,754</u>	<u>-</u>	<u>1,160,000</u>	<u>594</u>	<u>8,100,597</u>
-	-	-	-	-	-	-	365,475
-	-	-	-	-	-	-	226,319
-	-	-	-	-	-	-	2,882,685
-	-	-	-	-	-	-	7,725,607
-	-	-	20,016	494	1,160,000	-	1,180,510
-	400,000	600,000	-	-	-	-	1,000,000
-	416,195	1,334,337	-	-	-	-	1,750,532
<u>-</u>	<u>816,195</u>	<u>1,934,337</u>	<u>20,016</u>	<u>494</u>	<u>1,160,000</u>	<u>-</u>	<u>15,131,128</u>
<u>121,658</u>	<u>(816,195)</u>	<u>(1,934,337)</u>	<u>72,738</u>	<u>(494)</u>	<u>-</u>	<u>594</u>	<u>(7,030,531)</u>
-	816,395	349,517	-	194	-	-	5,851,317
<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,350)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,116,995)</u>
<u>-</u>	<u>816,395</u>	<u>349,517</u>	<u>(12,350)</u>	<u>194</u>	<u>-</u>	<u>-</u>	<u>4,734,322</u>
121,658	200	(1,584,820)	60,388	(300)	-	594	(2,296,209)
<u>-</u>	<u>12,877</u>	<u>1,584,983</u>	<u>180,871</u>	<u>518</u>	<u>-</u>	<u>22,396</u>	<u>7,326,701</u>
<u>\$ 121,658</u>	<u>\$ 13,077</u>	<u>\$ 163</u>	<u>\$ 241,259</u>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ 22,990</u>	<u>\$ 5,030,492</u>

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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FRIEND OF COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 275,221	\$ 256,089	\$(19,132)
Charges for services	1,000	56,000	55,000
Interest and rent	11,938	24,234	12,296
Total Revenues	<u>288,159</u>	<u>336,323</u>	<u>48,164</u>
Expenditures:			
Judicial	<u>385,970</u>	<u>364,471</u>	<u>21,499</u>
Net Change in Fund Balance	(97,811)	(28,148)	69,663
Fund Balance at beginning of year	<u>275,482</u>	<u>275,482</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 177,671</u>	<u>\$ 247,334</u>	<u>\$ 69,663</u>

COUNTY PLANNING

Revenues:			
Intergovernmental -			
Federal/State	\$ 196,200	\$ 70,016	\$(126,184)
Charges for services	28,700	5,288	(23,412)
Other	11,400	5,659	(5,741)
Total Revenues	<u>236,300</u>	<u>80,963</u>	<u>(155,337)</u>
Expenditures:			
Public Safety	<u>642,733</u>	<u>509,063</u>	<u>133,670</u>
Revenues under expenditures	<u>(406,433)</u>	<u>(428,100)</u>	<u>(21,667)</u>
Other Financing Sources (Uses):			
Transfers from other funds	403,833	461,069	57,236
Transfers to other funds	-	(60,306)	(60,306)
Total Other Financing Sources	<u>403,833</u>	<u>400,763</u>	<u>(3,070)</u>
Net Change in Fund Balance	(2,600)	(27,337)	(24,737)
Fund Balance at beginning of year	<u>121,003</u>	<u>121,003</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 118,403</u>	<u>\$ 93,666</u>	<u>\$(24,737)</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
PUBLIC IMPROVEMENT			
Expenditures:			
Public Safety	1,182,000	402,354	779,646
Other Financing Sources:			
Transfers from other funds	<u>500,000</u>	<u>6,000</u>	<u>(494,000)</u>
Net Change in Fund Balance	(682,000)	(396,354)	285,646
Fund Balance at beginning of year	<u>1,305,073</u>	<u>1,305,073</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 623,073</u></u>	<u><u>\$ 908,719</u></u>	<u><u>\$ 285,646</u></u>

SENIOR CITIZENS MILLAGE

Revenues:			
Taxes	\$ 2,894,391	\$ 2,763,077	\$(131,314)
Charges for services	-	660	660
Interest and rent	<u>13,000</u>	<u>38,260</u>	<u>25,260</u>
Total Revenues	<u>2,907,391</u>	<u>2,801,997</u>	<u>(105,394)</u>
Expenditures:			
Health and Welfare	<u>3,310,096</u>	<u>2,683,462</u>	<u>626,634</u>
Revenues over (under) expenditures	(402,705)	118,535	521,240
Other Financing Uses:			
Transfers to other funds	<u>(20,000)</u>	<u>(18,932)</u>	<u>1,068</u>
Net Change in Fund Balance	(422,705)	99,603	522,308
Fund Balance at beginning of year	<u>732,641</u>	<u>732,641</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 309,936</u></u>	<u><u>\$ 832,244</u></u>	<u><u>\$ 522,308</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DRUG TASK FORCE			
Revenues:			
Taxes	\$ 1,592,428	\$ 1,549,837	\$(42,591)
Intergovernmental - Federal/State	-	30,492	30,492
Fines and forfeits	-	1,954	1,954
Interest and rent	1,250	900	(350)
Other	-	3,000	3,000
Total Revenues	<u>1,593,678</u>	<u>1,586,183</u>	<u>(7,495)</u>
Expenditures:			
Public Safety	<u>1,266,754</u>	<u>1,345,216</u>	<u>(78,462)</u>
Revenues over expenditures	326,924	240,967	(85,957)
Other Financing Uses:			
Transfers to other funds	<u>(326,924)</u>	<u>(828,528)</u>	<u>(501,604)</u>
Net Change in Fund Balance	-	(587,561)	(587,561)
Fund Balance at beginning of year	<u>725,763</u>	<u>725,763</u>	-
Fund Balance at end of year	<u><u>\$ 725,763</u></u>	<u><u>\$ 138,202</u></u>	<u><u>\$(587,561)</u></u>
DRUG LAW ENFORCEMENT			
Revenues:			
Fines and forfeits	\$ 105,000	\$ 86,236	\$(18,764)
Interest and rent	500	-	(500)
Total Revenues	<u>105,500</u>	<u>86,236</u>	<u>(19,264)</u>
Expenditures:			
Public Safety	<u>105,500</u>	<u>168,055</u>	<u>(62,555)</u>
Revenues under expenditures	-	(81,819)	(81,819)
Other Financing Sources:			
Transfers from other funds	<u>-</u>	<u>375,835</u>	<u>375,835</u>
Net Change in Fund Balance	-	294,016	294,016
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 294,016</u></u>	<u><u>\$ 294,016</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
SUBSTANCE ABUSE			
Revenues:			
Intergovernmental - Federal/State	\$ 50,000	\$ -	\$(50,000)
Interest and rent	-	13,488	13,488
Total Revenues	<u>50,000</u>	<u>13,488</u>	<u>(36,512)</u>
Expenditures:			
Health and Welfare	<u>50,000</u>	<u>199,911</u>	<u>(149,911)</u>
Net Change in Fund Balance	-	(186,423)	(186,423)
Fund Balance at beginning of year	<u>526,160</u>	<u>526,160</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 526,160</u></u>	<u><u>\$ 339,737</u></u>	<u><u>\$(186,423)</u></u>

CDBG HOUSING

Revenues:			
Intergovernmental - Federal/State	\$ 120,000	\$ 186,199	\$ 66,199
Interest	-	10,786	10,786
Other	50,000	61,328	11,328
Total Revenues	<u>170,000</u>	<u>258,313</u>	<u>88,313</u>
Expenditures:			
Health and Welfare	<u>180,000</u>	<u>202,965</u>	<u>(22,965)</u>
Revenues over (under) expenditures	(10,000)	55,348	65,348
Other Financing Sources:			
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	-	65,348	65,348
Fund Balance at beginning of year	<u>296,836</u>	<u>296,836</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 296,836</u></u>	<u><u>\$ 362,184</u></u>	<u><u>\$ 65,348</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HUD HOUSING			
Revenues:			
Interest	\$ 500	\$ -	\$(500)
Expenditures:			
Health and Welfare	<u>-</u>	<u>255</u>	<u>(255)</u>
Net Change in Fund Balance	500	(255)	(755)
Fund Balance at beginning of year	<u>95,566</u>	<u>95,566</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 96,066</u></u>	<u><u>\$ 95,311</u></u>	<u><u>\$(755)</u></u>

HUMAN SERVICES

Revenues:			
Intergovernmental - Federal/State	\$ 1,290,000	\$ 435,997	\$(854,003)
Other	<u>3,500</u>	<u>116,577</u>	<u>113,077</u>
Total Revenues	1,293,500	552,574	(740,926)
Expenditures:			
Health and Welfare	<u>2,028,250</u>	<u>1,260,164</u>	<u>768,086</u>
Revenues under expenditures	<u>(734,750)</u>	<u>(707,590)</u>	<u>27,160</u>
Other Financing Sources (Uses):			
Transfers from other funds	734,750	734,750	-
Transfers to other funds	<u>-</u>	<u>(196,879)</u>	<u>(196,879)</u>
Total Other Financing Sources and (Uses)	<u>734,750</u>	<u>537,871</u>	<u>(196,879)</u>
Net Change in Fund Balance	-	(169,719)	(169,719)
Fund Balance at beginning of year	<u>448,704</u>	<u>448,704</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 448,704</u></u>	<u><u>\$ 278,985</u></u>	<u><u>\$(169,719)</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 1,503,574	\$ 76,533	\$(1,427,041)
Charges for services	-	117,497	117,497
Other	1,500	21,686	20,186
Total Revenues	<u>1,505,074</u>	<u>215,716</u>	<u>(1,289,358)</u>
Expenditures:			
Health and Welfare	<u>4,863,826</u>	<u>3,359,412</u>	<u>1,504,414</u>
Revenues under expenditures	(3,358,752)	(3,143,696)	215,056
Other Financing Sources:			
Transfers from other funds	<u>3,358,752</u>	<u>2,853,378</u>	<u>(505,374)</u>
Net Change in Fund Balance	-	(290,318)	(290,318)
Fund Balance at beginning of year	<u>296,088</u>	<u>296,088</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 296,088</u></u>	<u><u>\$ 5,770</u></u>	<u><u>\$(290,318)</u></u>

VETERANS' TRUST

Revenues:			
Intergovernmental -			
Federal/State	\$ 30,000	\$ 16,510	\$(13,490)
Expenditures:			
Health and Welfare	<u>30,000</u>	<u>19,438</u>	<u>10,562</u>
Net Change in Fund Balance	-	(2,928)	(2,928)
Fund Balance at beginning of year	<u>10,796</u>	<u>10,796</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 10,796</u></u>	<u><u>\$ 7,868</u></u>	<u><u>\$(2,928)</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
E - 911			
Revenues:			
Charges for services	\$ 528,000	\$ 495,992	\$(32,008)
		.	
Expenditures:			
Public Safety	<u>946,000</u>	<u>434,310</u>	<u>511,690</u>
Net Change in Fund Balance	(418,000)	61,682	479,682
Fund Balance at beginning of year	<u>650,107</u>	<u>650,107</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 232,107</u></u>	<u><u>\$ 711,789</u></u>	<u><u>\$ 479,682</u></u>

DEEDS AUTOMATION

Revenues:			
Charges for services	\$ 200,000	\$ 226,148	\$ 26,148
Interest	600	1,576	976
Total Revenues	<u>200,600</u>	<u>227,724</u>	<u>27,124</u>
Expenditures:			
General Government	<u>200,600</u>	<u>226,319</u>	<u>(25,719)</u>
Revenues over expenditures	-	1,405	1,405
Other Financing Sources :			
Transfers from other funds	<u>-</u>	<u>72,358</u>	<u>72,358</u>
Net Change in Fund Balance	-	73,763	73,763
Fund Balance at beginning of year	<u>6,783</u>	<u>6,783</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 6,783</u></u>	<u><u>\$ 80,546</u></u>	<u><u>\$ 73,763</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, 2005**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
LOCAL CORRECTIONS AND TRAINING			
Revenues:			
Charges for services	\$ 35,000	\$ 37,387	\$ 2,387
Expenditures:			
Public Safety	<u>35,000</u>	<u>23,687</u>	<u>11,313</u>
Net Change in Fund Balance	-	13,700	13,700
Fund Balance at beginning of year	<u>34,054</u>	<u>34,054</u>	-
Fund Balance at end of year	<u><u>\$ 34,054</u></u>	<u><u>\$ 47,754</u></u>	<u><u>\$ 13,700</u></u>

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FAMILY COUNSELING			
Revenues:			
Charges for services	\$ 20,000	\$ 16,185	\$(3,815)
Expenditures:			
Judicial	<u>20,000</u>	<u>1,004</u>	<u>18,996</u>
Revenues over expenditures	-	15,181	15,181
Other Financing Sources:			
Transfers from other funds	<u>-</u>	<u>171,821</u>	<u>171,821</u>
Net Change in Fund Balance	-	187,002	187,002
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 187,002</u></u>	<u><u>\$ 187,002</u></u>

Concluded

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, 2005

	Airport Commission	Sheriff's Concession	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 22,461	\$ 138,070	\$ 160,531
Investments	76,969	-	76,969
Accounts receivable			
Interest and accounts	29,738	3,853	33,591
Due from other funds	-	10,384	10,384
Prepaid expenses	72,325	-	72,325
Inventory	43,080	-	43,080
Total Current Assets	244,573	152,307	396,880
Property, Plant and Equipment:			
Property, plant and equipment	10,836,738	12,365	10,849,103
Less - accumulated depreciation	(7,111,406)	(12,365)	(7,123,771)
Total Property, Plant and Equipment (net of accumulated depreciation)	3,725,332	-	3,725,332
Total Assets	3,969,905	152,307	4,122,212
LIABILITIES:			
Current Liabilities:			
Accounts payable	3,561	17,936	21,497
Due to component units	1,058	-	1,058
Accrued expenses	18,424	430	18,854
Due to other governmental units -			
Federal/State	333	-	333
Advances from component units	89,281	-	89,281
Deferred revenue	31,656	-	31,656
Total Current Liabilities	144,313	18,366	162,679
Long-Term Liabilities:			
Accrued vacation and sick (less current portion)	10,010	-	10,010
Total Liabilities	154,323	18,366	172,689
NET ASSETS:			
Invested in capital assets, net of related debt	3,725,332	-	3,725,332
Unrestricted	90,250	133,941	224,191
Total Net Assets	\$ 3,815,582	\$ 133,941	\$ 3,949,523

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 161,152	\$ 147,884	\$ 309,036
Interest and rents	133,086	-	133,086
Other	4,246	3,465	7,711
Total Operating Revenues	<u>298,484</u>	<u>151,349</u>	<u>449,833</u>
Operating Expenses:			
Personal services	259,757	9,886	269,643
Supplies	119,742	6,320	126,062
Other services	128,903	147,306	276,209
Depreciation	179,714	-	179,714
Total Operating Expenses	<u>688,116</u>	<u>163,512</u>	<u>851,628</u>
Net Loss Before Non-Operating Revenues and Contributions	(389,632)	(12,163)	(401,795)
Non-Operating Revenues:			
Gain on sale of assets	<u>30,000</u>	<u>-</u>	<u>30,000</u>
Net Loss Before Contributions and Transfers	(359,632)	(12,163)	(371,795)
Capital Contributions:			
Federal/State	<u>701,831</u>	<u>-</u>	<u>701,831</u>
Net Income (Loss) Before Transfers	342,199	(12,163)	330,036
Transfers:			
Transfers from other funds	<u>242,907</u>	<u>-</u>	<u>242,907</u>
Change in Net Assets	585,106	(12,163)	572,943
Net Assets at beginning of year	<u>3,230,476</u>	<u>146,104</u>	<u>3,376,580</u>
Net Assets at end of year	<u>\$ 3,815,582</u>	<u>\$ 133,941</u>	<u>\$ 3,949,523</u>

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Cash receipts from customers	\$ 261,122	\$ 151,349	\$ 412,471
Cash payments to suppliers	(272,436)	(147,899)	(420,335)
Cash payments to employees	(256,641)	(9,779)	(266,420)
Net Cash Used by Operating Activities	<u>(267,955)</u>	<u>(6,329)</u>	<u>(274,284)</u>
Cash Flows From Noncapital Financing Activities:			
Operating transfers from other funds	<u>242,907</u>	<u>-</u>	<u>242,907</u>
Cash Flows From Capital and Related Financing Activities:			
Sale of assets	30,000	-	30,000
Acquisition and construction of capital assets	<u>(57,889)</u>	<u>-</u>	<u>(57,889)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(27,889)</u>	<u>-</u>	<u>(27,889)</u>
Cash Flows From Investing Activities:			
Purchase of investments	<u>(76,969)</u>	<u>-</u>	<u>(76,969)</u>
Net Cash Used by Investing Activities	<u>(76,969)</u>	<u>-</u>	<u>(76,969)</u>
Net Decrease in Cash and Cash Equivalents for the year	(129,906)	(6,329)	(136,235)
Cash and Cash Equivalents at Beginning of Year	<u>152,367</u>	<u>144,399</u>	<u>296,766</u>
Cash and Cash Equivalents at End of Year	<u>\$ 22,461</u>	<u>\$ 138,070</u>	<u>\$ 160,531</u>
Reconciliation of Net Loss to Net Cash Used by Operating Activities:			
Operating loss for the year	\$(389,632)	\$(12,163)	\$(401,795)
Adjustments to reconcile operating loss to net cash used by operating activities -			
Depreciation	179,714	-	179,714
Change in assets and liabilities:			
Accounts receivable	(26,625)	-	(26,625)
Prepays and deposits	28,125	-	28,125
Accounts payable	(8,836)	5,727	(3,109)
Accrued expenses	3,116	107	3,223
Deferred revenue	(10,737)	-	(10,737)
Inventory	(43,080)	-	(43,080)
Net Cash Used By Operating Activities	<u>\$(267,955)</u>	<u>\$(6,329)</u>	<u>\$(274,284)</u>
Non-Cash Capital and Related Financing Activities:			
Capital contributions	<u>\$ 701,831</u>	<u>\$ -</u>	<u>\$ 701,831</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the County for the 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, 2005**

ASSETS:

Cash and cash equivalents	\$	5,538,830
Investments, at fair value		
U.S. Government Securities		24,371,002
Corporate Debt		29,790,332
Equity Funds		51,762,954
Stocks		76,593,926
Other		1,557,082
Receivables -		
Interest and dividends		683,661
Prepayments and deposits		<u>603,956</u>
Total Assets		<u>190,901,743</u>

LIABILITIES:

Accounts payable	\$	182,031
Accrued liabilities		35,708
Due to former employee		42,555
Due to component unit		<u>152,453</u>
Total Liabilities		<u>412,747</u>

NET ASSETS:

Net assets held in trust for pension benefits	\$	<u><u>190,488,996</u></u>
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ST. CLAIR COUNTY, MICHIGAN

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Net Assets Held in Trust				Total
	Member Contributions	Employer Contributions	Pension Payments	Health Care	
Additions:					
Contributions					
Member contributions	\$ 2,148,932	\$ -	\$ -	\$ -	\$ 2,148,932
Employer contributions	-	2,791,134	-	2,648,857	5,439,991
Total Contributions	<u>2,148,932</u>	<u>2,791,134</u>	<u>-</u>	<u>2,648,857</u>	<u>7,588,923</u>
Investment income					
Net appreciation in fair value of investments	-	3,894,491	-	-	3,894,491
Interest/Dividends	-	4,501,402	-	-	4,501,402
Net investment income	<u>-</u>	<u>8,395,893</u>	<u>-</u>	<u>-</u>	<u>8,395,893</u>
Total Additions	<u>2,148,932</u>	<u>11,187,027</u>	<u>-</u>	<u>2,648,857</u>	<u>15,984,816</u>
Deductions:					
Retirement payroll	-	-	6,722,641	-	6,722,641
Health insurance	-	-	-	3,258,728	3,258,728
Death benefits	-	52,179	-	-	52,179
Employee refunds	220,986	-	-	-	220,986
Administration	-	63,966	-	-	63,966
Professional fees	-	547,830	-	-	547,830
Total Deductions	<u>220,986</u>	<u>663,975</u>	<u>6,722,641</u>	<u>3,258,728</u>	<u>10,866,330</u>
Net Increase (Decrease) Before Transfer	1,927,946	10,523,052	(6,722,641)	(609,871)	5,118,486
Interfund Transfers In (Out) :					
Retirees obligation	(2,160,477)	(8,847,269)	11,007,746	-	-
Interest	493,079	(5,495,731)	3,075,469	1,927,183	-
Net Increase (Decrease)	260,548	(3,819,948)	7,360,574	1,317,312	5,118,486
Net assets held in trust for pension benefits:					
Beginning of year	<u>24,447,324</u>	<u>69,537,490</u>	<u>57,395,310</u>	<u>33,990,386</u>	<u>185,370,510</u>
End of year	<u>\$ 24,707,872</u>	<u>\$ 65,717,542</u>	<u>\$ 64,755,884</u>	<u>\$ 35,307,698</u>	<u>\$190,488,996</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2005**

	Agency Funds			
	Trust and Agency	Library Penal Fines	Payroll	Total
ASSETS				
Cash and cash equivalents	\$ 515,535	\$ 10,626	\$ 58,424	\$ 584,585
Investments	2,457,763	-	-	2,457,763
Receivables	7,318,223	3,585	-	7,321,808
Total Assets	\$ 10,291,521	\$ 14,211	\$ 58,424	\$ 10,364,156
 LIABILITIES				
Due to individuals and agencies	\$ 8,259,609	\$ -	\$ 16,803	\$ 8,276,412
Due to other governmental units -				
Federal/state	584,621	-	29,662	614,283
Local	1,447,291	14,211	11,959	1,473,461
Total Liabilities	\$ 10,291,521	\$ 14,211	\$ 58,424	\$ 10,364,156

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,955,328	\$ 200,099,303	\$ 201,470,046	\$ 584,585
Investments	1,034,750	27,000,000	25,576,987	2,457,763
Receivables	<u>7,401,202</u>	<u>228,441</u>	<u>307,835</u>	<u>7,321,808</u>
Total Assets	<u>\$ 10,391,280</u>	<u>\$ 227,327,744</u>	<u>\$ 227,354,868</u>	<u>\$ 10,364,156</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 9,690,451	\$ 72,871,712	\$ 74,285,751	\$ 8,276,412
Other governmental units -				
Federal/State	547,431	17,912,747	17,845,895	614,283
Local	153,398	114,437,176	113,117,113	1,473,461
Other funds	<u>-</u>	<u>10,637,449</u>	<u>10,637,449</u>	<u>-</u>
Total Liabilities	<u>\$ 10,391,280</u>	<u>\$ 215,859,084</u>	<u>\$ 215,886,208</u>	<u>\$ 10,364,156</u>
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 1,934,045	\$ 153,728,851	\$ 155,147,361	\$ 515,535
Investments	1,034,750	27,000,000	25,576,987	2,457,763
Receivables	<u>7,396,548</u>	<u>224,856</u>	<u>303,181</u>	<u>7,318,223</u>
Total Assets	<u>\$ 10,365,343</u>	<u>\$ 180,953,707</u>	<u>\$ 181,027,529</u>	<u>\$ 10,291,521</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 9,674,360	\$ 51,539,472	\$ 52,954,223	\$ 8,259,609
Other governmental units -				
State	553,342	7,798,883	7,767,604	584,621
Local	137,641	114,159,698	112,850,048	1,447,291
Other funds	<u>-</u>	<u>4,780,111</u>	<u>4,780,111</u>	<u>-</u>
Total Liabilities	<u>\$ 10,365,343</u>	<u>\$ 178,278,164</u>	<u>\$ 178,351,986</u>	<u>\$ 10,291,521</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 11,062	\$ 872,356	\$ 872,792	\$ 10,626
Accounts receivable	4,654	3,585	4,654	3,585
	<u>\$ 15,716</u>	<u>\$ 875,941</u>	<u>\$ 877,446</u>	<u>\$ 14,211</u>
Liabilities:				
Due to -				
Other governmental units -				
Local	\$ 15,716	\$ 28,416	\$ 29,921	\$ 14,211
Other funds	-	877,721	877,721	-
	<u>\$ 15,716</u>	<u>\$ 906,137</u>	<u>\$ 907,642</u>	<u>\$ 14,211</u>

PAYROLL FUND

Assets:				
Cash and cash equivalents	\$ 10,221	\$ 45,498,096	\$ 45,449,893	\$ 58,424
Liabilities:				
Due to -				
Individuals and agencies	\$ 16,091	\$ 21,332,240	\$ 21,331,528	\$ 16,803
Other governmental units -				
Federal/State	(5,911)	10,113,864	10,078,291	29,662
Local	41	249,062	237,144	11,959
Other funds	-	4,979,617	4,979,617	-
	<u>\$ 10,221</u>	<u>\$ 36,674,783</u>	<u>\$ 36,626,580</u>	<u>\$ 58,424</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, 2005**

	Balance January 1, 2005	Additions	Disposals/ Adjustments	Balance December 31, 2005
General County:				
Land	\$ 1,918,999	\$ 3,867,292	\$ -	\$ 5,786,291
Land improvements	3,210,907	404,212	-	3,615,119
Buildings	39,799,461	106,657	-	39,906,118
Equipment -				
Fixed equipment	26,523	-	-	26,523
Machinery	3,158,824	440,856	(45,700)	3,645,380
Furniture and fixtures	70,412	-	-	70,412
Office	3,455,950	248,847	(5,700)	3,710,497
Vehicles	2,040,042	244,539	342,346	1,942,235
Books	12,709,974	567,122	861,281	12,415,815
	66,391,092	5,879,525	1,152,227	71,118,390
Less - accumulated depreciation	(28,170,729)	(2,863,382)	(1,035,717)	(29,998,394)
	38,220,363	3,016,143	116,510	41,119,996
Construction in progress	36,438,998	10,806,486	460,743	46,784,741
Net Total Investment in General Fixed Assets	\$ 74,659,361	\$ 13,822,629	\$ 577,253	\$ 87,904,737

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net assets.

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2005**

	<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	582,853	66,034	322,204	194,615
Friend of Court	280,375	-	3,200	277,175
	<u>1,138,087</u>	<u>66,034</u>	<u>325,404</u>	<u>746,649</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	185,942	-	-	185,942
Information Technology	1,584,229	-	-	1,584,229
Clerk/Register	49,853	-	-	49,853
Register of Deeds	108,109	-	14,700	93,409
Equalization	5,630	-	-	5,630
Prosecuting Attorney	76,289	-	-	76,289
Human Resources	15,741	-	-	15,741
Property Description	90,675	-	-	90,675
County Treasurer	13,000	-	7,500	5,500
Buildings and Grounds	159,962	-	72,016	87,946
Public Improvement	937,522	384,000	161,136	392,386
Motor Pool	48,144	-	-	48,144
Drain Commissioner	232,037	-	-	232,037
Cooperative Extension	12,743	-	-	12,743
	<u>3,529,876</u>	<u>384,000</u>	<u>255,352</u>	<u>2,890,524</u>
Public Safety:				
Sheriff and Patrol	1,426,523	-	-	1,426,523
Marine Safety	346,414	-	-	346,414
Jail	2,032,991	15,523	1,874,016	143,452
Juvenile Center	694,346	40,385	501,592	152,369
Radio/Communications	1,627,926	-	-	1,627,926
Emergency Services	473,017	9,142	9,975	453,900
Hazardous Materials Handling	647,633	60,895	477,340	109,398
Animal Shelter	349,034	19,200	262,821	67,013
Drug Task Force	331,398	-	-	331,398
Public Improvement	77,890	-	-	77,890
Planning Commission	70,820	-	-	70,820
	<u>8,077,992</u>	<u>145,145</u>	<u>3,125,744</u>	<u>4,807,103</u>
Health and Welfare:				
Veterans Counselor	7,295	-	-	7,295
Day Treatment/Night Watch	171,386	9,173	109,915	52,298
Health Department	1,691,013	81,920	1,298,991	310,102
	<u>1,869,694</u>	<u>91,093</u>	<u>1,408,906</u>	<u>369,695</u>

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2005**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Recreation and Cultural:				
Parks and Recreation	\$ 9,995,844	\$ 6,454,004	\$ 3,290,812	\$ 251,028
Public Library	13,626,210	87,464	792,883	12,745,863
	<u>23,622,054</u>	<u>6,541,468</u>	<u>4,083,695</u>	<u>12,996,891</u>
General:				
Land and improvements	2,173,670	2,173,670	-	-
Buildings	30,707,017	-	30,707,017	-
	<u>32,880,687</u>	<u>2,173,670</u>	<u>30,707,017</u>	<u>-</u>
Total General Fixed Assets	71,118,390	9,401,410	39,906,118	21,810,862
Less: accumulated depreciation	<u>(29,998,394)</u>	<u>(1,333,384)</u>	<u>(12,706,161)</u>	<u>(15,958,849)</u>
	41,119,996	8,068,026	27,199,957	5,852,013
Construction in progress	<u>46,784,741</u>	<u>166,342</u>	<u>45,458,399</u>	<u>1,160,000</u>
Total General Fixed Assets (Net of Accumulated Depreciation)	<u>\$ 87,904,737</u>	<u>\$ 8,234,368</u>	<u>\$ 72,658,356</u>	<u>\$ 7,012,013</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net assets.

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, 2005**

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$ -	\$ 185,932
Circuit Court - Family Division	88,927	-	-	88,927
District Court	575,556	7,297	-	582,853
Friend of Court	266,775	13,600	-	280,375
Total Judicial	<u>1,117,190</u>	<u>20,897</u>	<u>-</u>	<u>1,138,087</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	185,942	-	-	185,942
Information Technology	1,551,208	33,020	-	1,584,228
Clerk/Register	49,853	-	-	49,853
Register of Deeds	40,427	34,749	(32,934)	108,110
Equalization	5,630	-	-	5,630
Prosecuting Attorney	61,289	15,000	-	76,289
Human Resources	15,741	-	-	15,741
Property Description	90,675	-	-	90,675
County Treasurer	13,000	-	-	13,000
Buildings and Grounds	185,781	28,881	54,700	159,962
Public Improvement	879,195	58,327	-	937,522
Motor Pool	66,377	-	18,233	48,144
Drain Commissioner	232,037	-	-	232,037
Cooperative Extension	12,743	-	-	12,743
Total General Government	<u>3,399,898</u>	<u>169,977</u>	<u>39,999</u>	<u>3,529,876</u>
Public Safety:				
Sheriff and Patrol	1,182,646	149,503	(94,373)	1,426,522
Marine Safety	346,414	-	-	346,414
Jail	1,960,308	48,472	(24,211)	2,032,991
Juvenile Center	649,882	20,684	(23,780)	694,346
Radio/Communications	2,036,253	-	408,326	1,627,927
Emergency Services	123,837	258,207	(90,973)	473,017
Hazardous Materials Handling	809,424	-	161,791	647,633
Animal Shelter	350,922	-	1,888	349,034
Drug Task Force	168,397	143,343	(19,658)	331,398
Public Improvement	-	77,890	-	77,890
Planning Commission	70,820	-	-	70,820
Total Public Safety	<u>7,698,903</u>	<u>698,099</u>	<u>319,010</u>	<u>8,077,992</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, 2005**

	Balance January 1, 2005	Additions	Disposals and Adjustments	Balance December 31, 2005
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Health and Welfare:				
Veterans Counselor	\$ 7,295	\$ -	\$ -	\$ 7,295
Day Treatment/Night Watch	214,139	-	42,753	171,386
Health Department	<u>1,678,311</u>	<u>12,702</u>	<u>-</u>	<u>1,691,013</u>
Total Health and Welfare	<u>1,899,745</u>	<u>12,702</u>	<u>42,753</u>	<u>1,869,694</u>
Recreation and Cultural:				
Parks and Recreation	5,514,164	4,370,864	(110,816)	9,995,844
Public Library	<u>13,880,505</u>	<u>606,986</u>	<u>861,281</u>	<u>13,626,210</u>
Total Recreation and Cultural	<u>19,394,669</u>	<u>4,977,850</u>	<u>750,465</u>	<u>23,622,054</u>
General:				
Land and improvements	2,173,670	-	-	2,173,670
Buildings	<u>30,707,017</u>	<u>-</u>	<u>-</u>	<u>30,707,017</u>
Total General	<u>32,880,687</u>	<u>-</u>	<u>-</u>	<u>32,880,687</u>
Construction in progress	<u>36,438,998</u>	<u>10,806,486</u>	<u>460,743</u>	<u>46,784,741</u>
 Total General Fixed Assets	 <u>\$ 102,830,090</u>	 <u>\$ 16,686,011</u>	 <u>\$ 1,612,970</u>	 <u>\$ 117,903,131</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal services fund are excluded from the above amounts. The capital assets of the internal services fund are included as governmental activities in the statement of net assets.

Concluded

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

**DRAIN FUNDS
BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Drain Debt</u>	<u>Special Services</u>
ASSETS				
Cash and cash equivalents	\$ 1,256,695	\$ -	\$ 378,697	\$ 41,149
Special assessments receivable	161,174	-	1,368,084	-
Due from other governmental units	56,216	-	-	-
Due from other funds	-	209,480	-	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,474,085</u>	<u>\$ 209,480</u>	<u>\$ 1,746,781</u>	<u>\$ 41,149</u>
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 194,874	\$ -	\$ -	\$ -
Accrued interest	-	-	-	-
Due to other funds	209,480	-	-	-
Advances from primary government	-	50,000	-	-
Deferred revenue	161,174	-	1,368,084	-
Non-current liabilities				
Due within on year	-	-	-	-
Due in more than one year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	565,528	50,000	1,368,084	-
 Fund Balance:				
Unreserved -				
Undesignated	<u>908,557</u>	<u>159,480</u>	<u>378,697</u>	<u>41,149</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 1,474,085</u>	<u>\$ 209,480</u>	<u>\$ 1,746,781</u>	<u>\$ 41,149</u>
 Net Assets:				
Invested in capital assets, net of related debt				
Restricted				
Unrestricted				
Total Net Assets				

<u>Equipment Rental</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
\$ 24,677	\$ 1,701,218	\$ -	\$ 1,701,218
-	1,529,258	-	1,529,258
-	56,216	-	56,216
-	209,480	(209,480)	-
-	-	3,221,608	3,221,608
-	-	5,637,052	5,637,052
<u>\$ 24,677</u>	<u>\$ 3,496,172</u>	<u>\$ 8,649,180</u>	<u>\$ 12,145,352</u>
\$ 152	\$ 195,026	\$ -	\$ 195,026
-	-	30,885	30,885
-	209,480	(209,480)	-
-	50,000	-	50,000
-	1,529,258	(1,529,258)	-
-	-	2,814,316	2,814,316
-	-	1,154,034	1,154,034
<u>152</u>	<u>1,983,764</u>	<u>2,260,497</u>	<u>4,244,261</u>
<u>24,525</u>	<u>1,512,408</u>	<u>(1,512,408)</u>	<u>-</u>
<u>\$ 24,677</u>	<u>\$ 3,496,172</u>		
		4,890,310	4,890,310
		378,697	378,697
		<u>2,632,084</u>	<u>2,632,084</u>
		<u>\$ 7,901,091</u>	<u>\$ 7,901,091</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
DRAIN FUND TO NET ASSETS OF DRAIN ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

Fund Balances - Drain Fund		\$	1,512,408
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			12,814,532
Accumulated depreciation		(	3,955,872)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds			
Special Assessments			1,529,258
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	(	3,968,350)	
Accrued interest on bonds/notes payable	(	<u>30,885</u>	<u>(3,999,235)</u>
Net Assets of Drain Commissioner		\$	<u><u>7,901,091</u></u>

ST. CLAIR COUNTY, MICHIGAN

**DRAIN FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Drain Debt</u>	<u>Special Services</u>
Revenues:				
Intergovernmental -				
Federal/State	\$ 133,208	\$ -	\$ -	\$ -
Charges for services	273,666	-	-	10,807
Interest and rent	41,840	-	14,952	-
Other	-	-	176,998	-
Total Revenues	<u>448,714</u>	<u>-</u>	<u>191,950</u>	<u>10,807</u>
Expenditures/Expenses:				
Public Works	1,300,679	2,666	-	9,876
Debt Service	-	-	176,996	-
Total Expenditures/Expenses	<u>1,300,679</u>	<u>2,666</u>	<u>176,996</u>	<u>9,876</u>
Revenues over (under) expenditures/expenses	(851,965)	(2,666)	14,954	931
Other Financing Sources:				
Note proceeds	<u>1,804,400</u>	<u>-</u>	<u>300,000</u>	<u>-</u>
Net Change in Fund Balance/Net Assets	952,435	(2,666)	314,954	931
Fund Balances/Net Assets at beginning of year	<u>(43,878)</u>	<u>162,146</u>	<u>63,743</u>	<u>40,218</u>
Fund Balances/Net Assets at end of year	<u>\$ 908,557</u>	<u>\$ 159,480</u>	<u>\$ 378,697</u>	<u>\$ 41,149</u>

<u>Equipment Rental</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ 133,208	\$ -	\$ 133,208
66,597	351,070	1,112,505	1,463,575
-	56,792	-	56,792
-	176,998	-	176,998
<u>66,597</u>	<u>718,068</u>	<u>1,112,505</u>	<u>1,830,573</u>
74,410	1,387,631	(637,655)	749,976
-	176,996	(115,912)	61,084
<u>74,410</u>	<u>1,564,627</u>	<u>(753,567)</u>	<u>811,060</u>
(7,813)	(846,559)	1,866,072	1,019,513
-	2,104,400	(2,104,400)	-
(7,813)	1,257,841	(238,328)	1,019,513
<u>32,338</u>	<u>254,567</u>	<u>6,627,011</u>	<u>6,881,578</u>
<u>\$ 24,525</u>	<u>\$ 1,512,408</u>	<u>\$ 6,388,683</u>	<u>\$ 7,901,091</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF DRAIN FUND
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2005**

Net change in fund balances - Drain Fund	\$ 1,257,841
<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	768,015
Depreciation expense	(130,360)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
	1,112,505
<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	124,550
Bond Proceeds	(2,104,400)
<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	(8,638)
Change in net assets of Drain Commissioner	<u>\$ 1,019,513</u>

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
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
2003	788,416	10,766,559	12,575,346	15,628,031	968,179	19,353,729	5,589,120	1,001,520	1,448,004	14,753	691,193	142,253	2,407,621	71,374,724
2004	1,154,454	10,892,698	13,672,576	17,721,012	826,441	18,447,590	6,109,029	800,000	151,437	56,531	534,078	156,717	4,699,510	75,222,073
2005	1,000,136	11,073,476	13,432,371	20,779,960	607,230	19,139,710	6,055,663	800,000	1,797,104	75,655	688,116	163,512	4,934,997	80,547,930

(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	
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
2003	20,354,918	12,458,989	1,567,879	35,909,934	3,808,634	1,227,615	893,998	(85,597)	-	76,136,370
2004	19,791,220	13,694,551	903,400	47,253,761	1,330,569	1,250,521	896,008	-	-	85,120,030
2005	20,245,799	15,210,079	4,299,154	49,589,441	378,097	2,754,665	876,747	30,000	-	93,383,982

(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
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
2003	682,985	10,337,928	10,826,629	15,055,284	980,546	18,952,435	4,363,954	1,001,520	10,898,689	4,637,386	77,737,356
2004	1,150,549	10,648,858	11,945,746	18,249,662	828,328	18,390,315	6,051,590	800,000	26,173,402	2,697,085	96,935,535
2005	1,016,048	11,289,267	12,827,540	20,463,140	627,896	19,327,383	9,809,839	800,000	11,528,531	2,758,754	90,448,398

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 in Health & Welfare after 1999.

ST. CLAIR COUNTY, MICHIGAN

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

<u>Fiscal Year</u>	<u>Taxes</u>	<u>License & Permits</u>	<u>Intergovernmental Revenues</u>	<u>Charges For Services</u>	<u>Fines & Forfeits</u>	<u>Interest & Rents</u>	<u>Other Revenues</u>	<u>Totals</u>
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
2003	35,883,340	589,067	16,809,641	9,128,553	1,743,658	1,967,817	712,845	66,834,921
2004	47,233,414	668,614	15,134,406	8,912,150	1,807,941	1,937,323	1,854,187	77,548,035
2005	49,608,923	536,486	19,472,929	7,834,964	1,533,413	2,907,984	2,149,141	84,043,840

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)**

<u>Year*</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections to March 1</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections to December 31</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes**</u>	<u>Percentage of Delinquent Taxes to Tax Levy</u>
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
2003	37,388,505	34,862,827	93.2	2,309,117	37,171,944	99.4	216,561	0.6
2004	39,237,971	36,507,284	93.0	2,647,560	39,154,844	99.8	83,127	0.2
2005	41,162,593	38,683,746	94.0	2,402,738	41,086,484	99.8	76,109	0.2

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

** Represents Delinquent Personal Property Taxes and Chargebacks

Note: The Delinquent Tax Revolving Fund purchases the delinquent real taxes of each unit in March of each year.
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	
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
2003	6,199,904,634	12,465,127,719	517,807,765	1,034,803,073	6,717,712,399	13,499,930,792	49.76
2004	6,521,828,821	13,122,757,933	534,108,319	1,068,255,947	7,055,937,140	14,191,013,880	49.72
2005	7,280,030,010	14,654,885,271	565,327,870	1,130,653,777	7,845,357,880	15,785,539,048	49.70

* Year tax was levied

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					Community College	Intermediate School	Local Schools**	Total
			Operating	Senior Citizens	Drug Task Force	Library	Parks				
1996	2.02	16.38	5.39	0.47	0.28	0.50	0.50	1.41	3.48	27.81	58.24
1997	2.16	16.36	5.39	0.47	0.28	0.50	0.50	1.41	3.48	28.19	58.74
1998	2.08	16.28	5.39	0.50	0.28	0.50	0.50	1.41	3.48	28.08	58.50
1999	2.16	16.25	5.38	0.50	0.28	0.50	0.50	1.90	3.47	28.89	59.83
2000	2.16	18.28	5.38	0.50	0.28	0.50	0.50	1.90	3.47	28.82	61.79
2001	2.07	17.98	5.34	0.50	0.28	0.50	0.50	1.89	3.46	29.29	61.81
2002	2.21	17.67	5.33	0.50	0.28	0.50	0.50	1.89	3.45	29.21	61.54
2003	2.22	15.85	5.33	0.50	0.28	0.50	0.50	1.89	3.46	27.89	58.42
2004	2.74	15.74	5.33	0.50	0.28	0.50	0.50	1.89	3.45	28.06	58.99
2005	2.52	15.51	5.33	0.50	0.28	0.50	0.50	1.89	3.45	28.18	58.66

* 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, 2005
(Unaudited)**

		<u>2005 Taxable Valuation</u>	<u>Percentage of Total Taxable Value</u>
Detroit Edison	Electrical Utility	\$ 826,437,367	14.83%
SEMCO Energy & Affiliates	Gas Utility	30,998,056	0.56%
Michigan Consolidated Gas Co.	Natural Gas Storage and Pipeline	30,482,588	0.55%
Mueller Brass Co. & Affiliates	Brass Rod Manufacturing	20,683,083	0.37%
E.B. Eddy	Paper Manufacturing	19,512,282	0.35%
Daimler Chrysler	Automotive Parts Storage	19,511,501	0.35%
ANR Pipeline Co.	Natural Gas Storage and Pipeline	15,977,481	0.29%
Consumers Power	Liquid Natural Gas Storage	15,753,232	0.28%
Birchwood Mall LTD Partnership	Mall Development	13,992,638	0.25%
Acheson Ventures L.L.C.	Community Development	13,991,561	0.25%
		<u>\$ 1,007,339,789</u>	18.08%

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS
(Unaudited)**

<u>Year*</u>	<u>Current Assessments Due**</u>	<u>Current Assessments Collected to March 1**</u>	<u>Current Assessments Collected - Delinquent Taxes**</u>	<u>Total Outstanding Assessments</u>
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
2003	100,353	94,717	5,636	287,693
2004	138,355	127,460	8,183	472,786
2005	296,299	270,530	25,769	1,529,258

* Year of Collection

** Drain Commissioner's Annual Report

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, 2005
(Unaudited)

State Equalized Value	\$ 7,845,357,880
Legal Debt Limit (10% of State Equalized Value)	\$ 784,535,788
Less: Total Long-Term Debt	<u>88,613,950</u>
Legal Debt Margin	<u>\$ 695,921,838</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
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
2003	164,235	6,717,712	77,920,000	3,483,783	33,820,000	40,616,217	0.60	247.31
2004	164,235	7,055,937	72,275,000	1,597,972	28,500,000	42,177,028	0.60	256.81
2005	164,235	7,845,357	69,215,000	134,898	26,440,000	42,640,102	0.54	259.63

* 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 EXPENDITURES
LAST TEN YEARS
(Unaudited)**

<u>Year</u>	<u>Principal</u>	<u>Interest *</u>	<u>Total Debt Service</u>	<u>Total General Government Expenditures**</u>	<u>Ratio of Debt Service to General Government Expenditures</u>
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
2003	3,300,000	1,162,200	4,462,200	77,737,356	5.74
2004	850,000	1,774,112	2,624,112	96,935,535	2.71
2005	1,000,000	1,750,082	2,750,082	90,448,398	3.04

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 the 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, 2005
(Unaudited)**

Direct Debt:

Building Authority		\$ 9,925,000
Jail Construction - General Obligation Bonds		32,850,000
Water and Sewer Systems - General Obligation Bonds and Loans		36,260,600 *
Michigan Transportation Fund Bonds		4,110,000
Michigan Transportation Fund Notes		1,500,000 *
Drain Notes		3,968,350
		88,613,950
 Less: Self-supporting Debt *		 37,760,600
 Net Direct Debt		 50,853,350

Overlapping Debt:

Cities	99,517,184	
Townships	44,224,438	
Villages	1,345,000	
School Districts	174,486,633	
Intermediate School District	8,233,023	
Community College and Intermediate School District	4,764,753	
	332,571,031	

Net Direct and Overlapping Debt \$ 383,424,381

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	
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	-	-	-	-	-
2003	-	-	-	-	-
2004	-	-	-	-	-
2005	-	-	-	-	-

ST. CLAIR COUNTY, MICHIGAN

**DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)**

<u>Year</u>	<u>Population*</u>	<u>U.S. Census</u>	<u>Per Capita Income**</u>	<u>K-12 School Enrollment***</u>	<u>Unemployment Rate****</u>
1996	155,585	145,607	21,835	26,919	5.2
1997	157,494	145,607	22,969	27,047	5.1
1998	159,465	145,607	23,980	27,647	4.5
1999	161,755	145,607	24,626	27,652	4.3
2000	164,235	164,235	26,001	27,762	4.2
2001	166,541	164,235	26,264	27,952	6.9
2002	167,712	164,235	27,718	28,835	7.8
2003	170,572	164,235	28,646	28,383	9.2
2004	171,661	164,235	N/A*****	28,211	9.4
2005	172,546	164,235	N/A*****	28,235	7.6

* Southeast Michigan Council of Governments

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

*** St. Clair County Regional Educational Service Agency

**** Michigan Department of Labor and Economic Growth

***** Not Available

ST. CLAIR COUNTY, MICHIGAN

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

Year	Total Assessed Values*		Bank Deposits (000) **	Total Estimated Property Values*			
	Commercial Construction	Residential Construction		Industrial Commercial	Residential	Agricultural	Developmental
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
2003	27,708,614	95,241,719	1,758,000	1,472,841,569	4,236,291,363	489,948,402	823,300
2004	17,728,861	121,743,076	1,830,000	1,512,684,690	4,490,834,960	517,444,001	865,170
2005	32,633,217	118,620,145	1,916,626	1,971,477,227	4,748,425,166	556,349,292	3,778,325

* Equalization Department

**JPMorgan Chase

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

Fiscal Year: January 1 through December 31

County Seat: Port Huron, Michigan

Townships: 23

Cities and Villages: 9

Elections:	<u>August 2002 Primary</u>		<u>August 2004 Primary</u>	
	Registered Voters	111,389	Registered Voters	113,805
	Ballots Cast	29,650	Ballots Cast	24,927
	<u>November 2002 Primary</u>		<u>November 2004 General</u>	
	Registered Voters	111,391	Registered Voters	117,805
	Ballots Cast	53,022	Ballots Cast	80,248

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

Miles of Roads: Primary - 495 miles
Local - 1,054 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 - 400
Certified Officers - Road Patrol - 44, Corrections - 75
Patrol Units - 48 vehicles, 7 boats

Education:

Number of Students (2005)*	
Pre-Kindergarten	418
Kindergarten - Grade 5	12,508
Grades 6 - 8	6,632
Grades 9 - 12	8,677
Adult and Special Education	539
Alternative Education	649
	<hr/>
	29,423
	<hr/>

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

* Source: St. Clair County RESA

ST. CLAIR COUNTY, MICHIGAN

LABOR AGREEMENTS
DECEMBER 31, 2005
(Unaudited)

<u>Name of Contract</u>	<u>Expiration Date</u>	<u>Number of Employees</u>
District Court Employees - AFSCME	June 30, 2005 *	29
Human Resource Employees -TPOAM	June 30, 2007	6
Juvenile Center Employees - Teamsters	December 31, 2006	47
Probate Court Clericals - POAM	June 30, 2006	20
Probate Court Juvenile Counselors Association	December 31, 2006	14
Probate Court Juvenile Supervisors Association	December 31, 2007	5
Professional Nurses - MNA	December 31, 2007	23
Professional Nurses Supervisors - MNA	December 31, 2007	3
Prosecuting Attorney Employee Association	December 31, 2006	12
Public Service Employees - AFSCME	June 30, 2009	260
Sheriff Correction Supervisors - COAM	June 30, 2007	11
Sheriff Department Employees - POAM non 312	June 30, 2006	98
Sheriff Department Employees - POAM 312 elig	June 30, 2007	65
Sheriff Supervisors - COAM	June 30, 2006	12
Friend of the Court Employees - SEIU	December 31, 2008	32
Total		<u>637</u>

* In negotiation

Source: Human Resources Department