



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2006

**Current members of the
BOARD OF COMMISSIONERS**

Wallace Evans, Chairperson
Pamela Wall, Vice Chairperson
Jeff Bohm
Howard Heidemann
Dennis M. Kearns
Patrick Quain
Steven Simasko

**Prepared by:
ADMINISTRATOR/CONTROLLER'S OFFICE**

Shaun S. Groden, Administrator/Controller
Robert C. Kempf, Deputy Controller/Finance Director
Karry A Hepting, CPA, Accounting Manager

ST. CLAIR COUNTY, MICHIGAN

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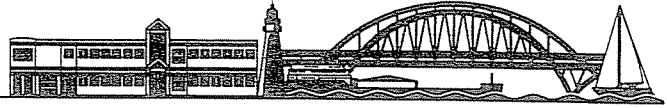
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COUNTY OF ST. CLAIR



Office of the Administrator/Controller

June 20, 2007

SHAUN S. GRODEN
Administrator/Controller
sgroden@stclaircounty.org
Phone: 810-989-6900

JENNIFER J. POSEY
Administrative Analyst
jposey@stclaircounty.org
Phone: 810-989-6900

ROBERT C. KEMPF
Deputy Controller
Finance Director
rkempf@stclaircounty.org
Phone: 810-989-6905

KARRY A. HEPTING
Accounting Manager
khepting@stclaircounty.org
Phone: 810-989-6905

CHERYL K. PEART
Purchasing Coordinator
cpeart@stclaircounty.org
Phone: 810-989-6376

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

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

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

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, 2006.

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, 2006, 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, 2006, 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 174,122, living in an estimated 67,679 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 2006 budget the Administrator/Controller's office prepared staffing budgets for the departments that adhered to the 2005 staffing levels but were brought up to the expected costs for 2006. All other expenses for 2006 were kept at 2005 levels with the exception of various costs that are beyond our control (ie. fuel, electricity, court appointed attorneys, court witnesses). Departments were expected to do more with less. Departments of the County that wanted a budget other than what was prepared for them were required to submit requests for new employees and programs with the documentation to support their request. The Administrator/Controller took into consideration these requests, the results of the County-wide Capital Improvement Program recommendations, and projections of revenues and expenditures from our financial forecasting model software. In September the Administrator/Controller submitted a balanced proposed budget to the Board of Commissioners for their consideration. The Board then held workshops to discuss the budget, heard from Departments that did not get what they asked the Administrator/ Controller for, held 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 at regular meetings throughout the year. 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 have rebounded 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 2006 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), 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.

In April 2007 it was announced that DaimlerChrysler Corporation has selected St. Clair Township as the site of their new 200+ acre 750,000 square foot plant to produce axles and drive line components. When completed, in about 18 months, the plant is expected to employ over 1,000 people. Also in April it was announced that Kiehin Corporation has selected the Village of Capac as the site of their new 27 acre 120,000 square foot plant to produce intake manifold assemblies and HVAC systems for Honda Motors. When completed the plant is expected to employ about 260 people. Both of these announcements demonstrates the viability of St. Clair County to compete for new manufacturing growth.

Another positive element is the substantial increase in the taxable value of real property. The County experienced increases of \$271,460,380 (4.82%) from 2005 to 2006 and \$279,583,147 (5.5%) from 2004 to 2005. Increases in 2006 occurred in the following categories: residential (\$201,010,680 or 5.09%), commercial (\$25,167,686 or 4.55%), agricultural (\$16,953,205 or 6.40%), industrial (\$28,472,163 or 3.32%) and a decrease occurred in the following category: developmental (\$143,354 or 6.40%).

Long-term Financial Planning. The County has implemented the conversion of our landfill cell space to new technology that will enable it to become a “perpetual landfill”. Using a new, patented process we will inject septage into the new cells at the landfill to promote the aggressive decomposition of garbage. After decomposition the cell will be re-filled with garbage, and the process starts over again. This “bio-reactor” has the potential to ensure landfill space well into the future and the technology developed here will be marketed and sold to other landfills for their use. We are also developing a marketing strategy for the sale of methane gas created by the decomposition at the landfill. This revenue stream will continue for the life of the landfill.

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 began in the summer of 2006, with dedicated millage dollars, and the park is scheduled to open in the early summer of 2007.

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. We have been awarded a state grant for acquisition of some of the land and have completed the purchase of several parcels. It is expected the County will finalize the acquisition of these properties in 2007 for development in 2008, or later.

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. 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 utilizing automation as efficiently as possible, 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 which allowed the County Treasurer to record approximately \$1,466,000 in interest earnings in 2005, and approximately \$1,950,000 in interest earnings in 2006, 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 \$250,000 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 2006, the County contributed \$4,211,036 (9.5% of covered payroll) and the employees contributed 2,246,532 (5% of covered payroll) to the plan. As of December 31, 2005, the date of the last actuary report, the plan was 96.2% 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 2006, the County contributed \$ 1,613,011 (3.5% of covered payroll). The employees are generally not contributing to the plan. However, in 2006 one of our bargaining unit contracts did include the requirement for employee contribution. In 2006 employees contributed \$22,420 to fund this benefit. Because of the radically increasing cost of health coverage the plan is not currently fully funded, however the County continues to work to implemented certain changes in the benefits offered with the idea that costs will become more containable, and continues to pursue employee participation in the costs.

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, 2006 the balance designated for future budget stabilization was \$2,333,873.

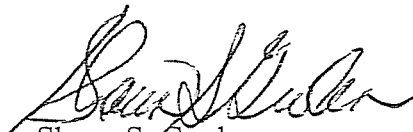
Awards and Acknowledgements

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, 2005. This was our fourth consecutive award and our fourteenth award overall. 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

Wallace R. Evans	Chairperson
Pamela Wall	Vice-Chairperson
Jeff Bohm	Member
Howard Heidemann	Member
Dennis M. Kearns	Member
Patrick W. Quain	Member
Steven L. Simasko	Member

31st Circuit Court

Daniel J. Kelly	Chief Circuit Judge
James P. Adair	Circuit Judge
Peter E. Deegan	Circuit Judge

72nd District Court

Cynthia S. Platzer	Chief District Judge
Richard A. Cooley, Jr.	District Judge
John D. Monaghan	District Judge

Probate Court

Elwood L. Brown	Chief Judge of Probate
John Tomlinson	Judge of Probate

Other Elected Officials

Marilyn Dunn	Clerk/Register of Deeds
Fred Fuller	Drain Commissioner
Michael D. Wendling	Prosecuting Attorney
Dan Lane	Sheriff
Steve Bruen	Surveyor
Kelly M. 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, 2005

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.



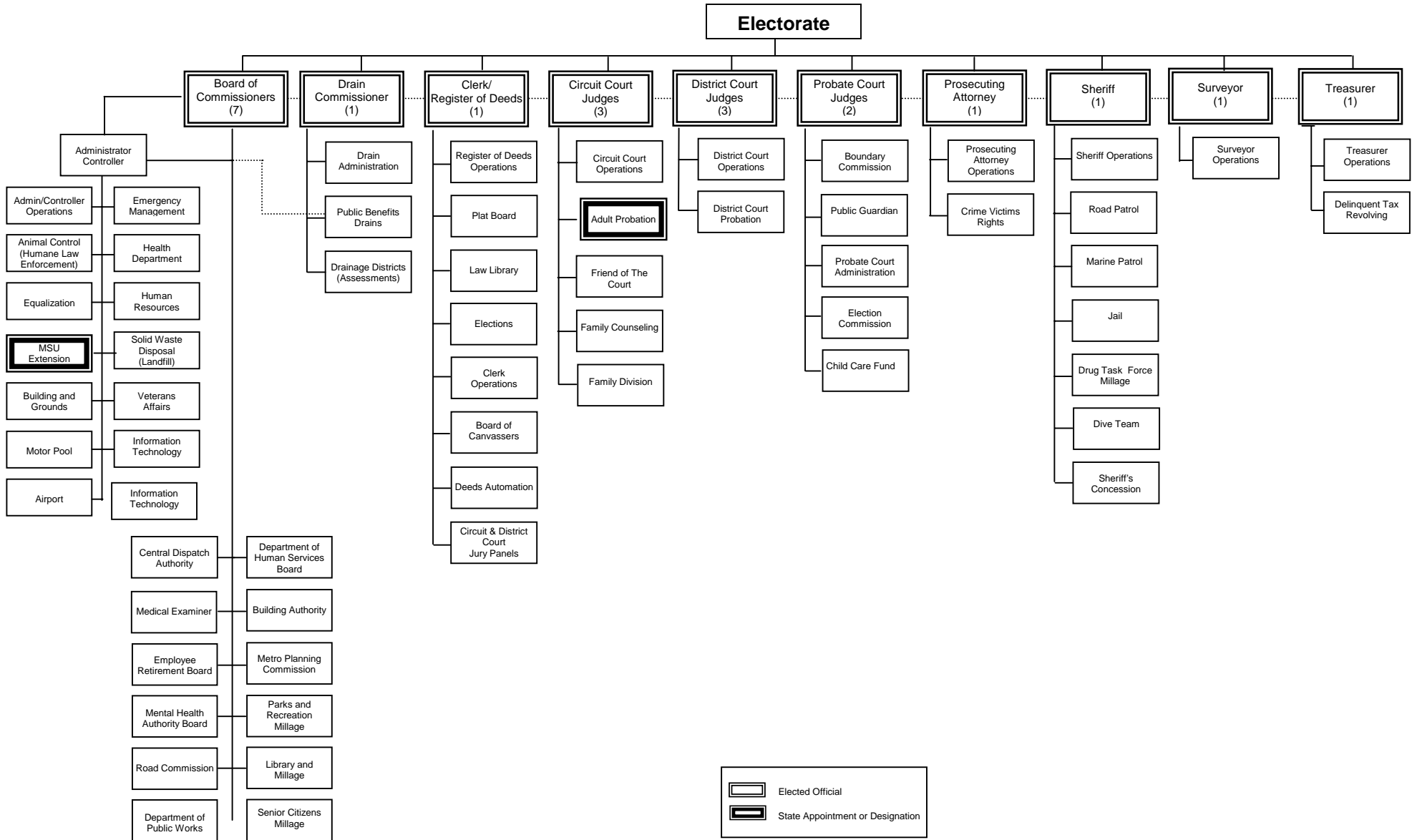
A handwritten signature in black ink, appearing to read "Ronald J. Hawn".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

St. Clair County Organizational Chart



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, 2006, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2006, 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 June 20, 2007, 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 90 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 financial statements, 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, Beavronis & Whipple

Certified Public Accountants

June 20, 2007

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, 2006. 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, 2006 by \$133,987,985. Of this amount \$41,910,859 may be used to meet the County's ongoing obligations to citizens and creditors. Additionally, \$32,477,368 has been restricted for specific purposes (ie. specific millage funds, substance abuse, revenue sharing, E-911, etc) and \$59,599,758 represents our investment in capital assets, net of related liabilities.
- The total net assets increased by \$9,250,710 primarily due to 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 our state revenue sharing payment should be as dictated by the State. When the fund is exhausted, in about eight years, the State will reinstitute the revenue sharing program.
- At December 31, 2006 the County's governmental funds reported combined ending fund balances of \$40,351,623, an increase of \$4,782,635.
- In 2006 the General Fund reported expenditures over revenues of \$37,510 which decreased the fund balance to \$7,934,118. Of this amount \$6,497,713 has been designated for a variety of issues, including \$4,127,132 for a settlement of contested property taxes by DTE Energy and \$2,333,873 for budget stabilization.
- In 2006 the Board of Commissioner's adopted a balanced budget for the 2007 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.

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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 31 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, Senior Citizens Millage Fund, and the Communications Construction Fund, all of which are considered to be major funds. Data for the other 24 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, Solid Waste Disposal System, Delinquent Tax Revolving, Sheriff's Concession and School Tax Collections fund. 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.

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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 3 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 Funds, 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 six major governmental funds. This required supplementary information is found on pages 83-90 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 91-115 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 \$133,987,985 at December 31, 2006.

The largest portion of the County's net assets represents our investment in capital assets,

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(e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 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	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	70,520,339	70,283,203	43,986,012	43,681,114 *	114,506,351	113,964,317
Capital Assets,						
Net of Accumulated Depreciation	91,524,323	87,998,096	12,635,156	12,966,518	104,159,479	100,964,614
Total Assets	162,044,662	158,281,299	56,621,168	56,647,632	218,665,830	214,928,931
Current Liabilities	23,357,852	28,686,898	732,510	525,753	24,090,362	29,212,651
Other Liabilities	45,767,456	47,269,349	14,820,027	13,709,656	60,587,483	60,979,005
Total Liabilities	69,125,308	75,956,247	15,552,537	14,235,409	84,677,845	90,191,656
Net Assets						
Investment in capital assets,						
Net of related debt	47,086,353	45,828,075	12,513,405	12,804,183	59,599,758	58,632,258
Restricted	32,161,152	24,710,640	316,216	85,411	32,477,368	24,796,051
Unrestricted	13,671,849	11,786,337	28,239,010	29,522,629 *	41,910,859	41,308,966
Total Net Assets	92,919,354	82,325,052	41,068,631	42,412,223	133,987,985	124,737,275

* 2005 has been restated to include accrued interest and fees of \$692,997

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.

Net assets in the governmental activities increased due to the shift in tax collections. This caused an increase in cash because taxes were collected sooner. The tax shift also decreased liabilities, as the tax levy is no longer unearned at year-end in the general fund. Contributing to the reduction in business type activities was an increase in allowance for doubtful accounts in the landfill, an increase in the closure/post-closure estimates and a transfer to another fund.

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

Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	15,215,834	14,096,803	5,951,418	6,841,993	21,167,252	20,938,796
Operating Grants and Contributions	14,548,471	14,807,094	132,724	402,985	14,681,195	15,210,079
Capital Grants and Contributions	1,579,687	3,597,323	341,628	701,831	1,921,315	4,299,154
General revenues:						
Property Taxes	52,637,194	49,589,441	-	-	52,637,194	49,589,441
Intergovernmental revenues	393,350	378,097	-	-	393,350	378,097
Investment earnings	3,147,564	2,046,909	880,515	728,650	4,028,079	2,775,559
Other revenues	-	-	938,396	885,853	938,396	885,853
Total Revenues	87,522,100	84,515,667	8,244,681	9,561,312	95,766,781	94,076,979
Expenses:						
Legislative	1,349,465	1,000,136	-	-	1,349,465	1,000,136
Judicial	11,850,282	11,073,476	-	-	11,850,282	11,073,476
General Government	14,610,752	14,232,371	-	-	14,610,752	14,232,371
Public Safety	22,011,651	20,779,960	-	-	22,011,651	20,779,960
Public Works	736,735	607,230	-	-	736,735	607,230
Health and Welfare	20,301,316	19,139,710	-	-	20,301,316	19,139,710
Recreation and Culture	6,672,071	6,055,663	-	-	6,672,071	6,055,663
Community and Economic Development	632,834	-	-	-	632,834	-
Interest on Debt Service	1,751,496	1,797,104	-	-	1,751,496	1,797,104
Delinquent Tax Collections	-	-	230,923	75,655	230,923	75,655
Airport	-	-	510,176	688,116	510,176	688,116
Sheriff's Concession	-	-	353,689	163,512	353,689	163,512
Solid Waste Disposal	-	-	5,504,681	4,934,997	5,504,681	4,934,997
Total Expenses	79,916,602	74,685,650	6,599,469	5,862,280	86,516,071	80,547,930
Increase in Net Assets,						
before transfers	7,605,498	9,830,017	1,645,212	3,699,032	9,250,710	13,529,049
Transfers	2,988,804	7,323,305	(2,988,804)	(7,323,305)	-	-
Increase in Net Assets	10,594,302	17,153,322	(1,343,592)	(3,624,273)	9,250,710	13,529,049
Net Assets January 1 (Restated)	82,325,052	65,171,730	42,412,223	46,036,496	124,737,275	111,208,226
Net Assets December 31	92,919,354	82,325,052	41,068,631	42,412,223	133,987,985	124,737,275

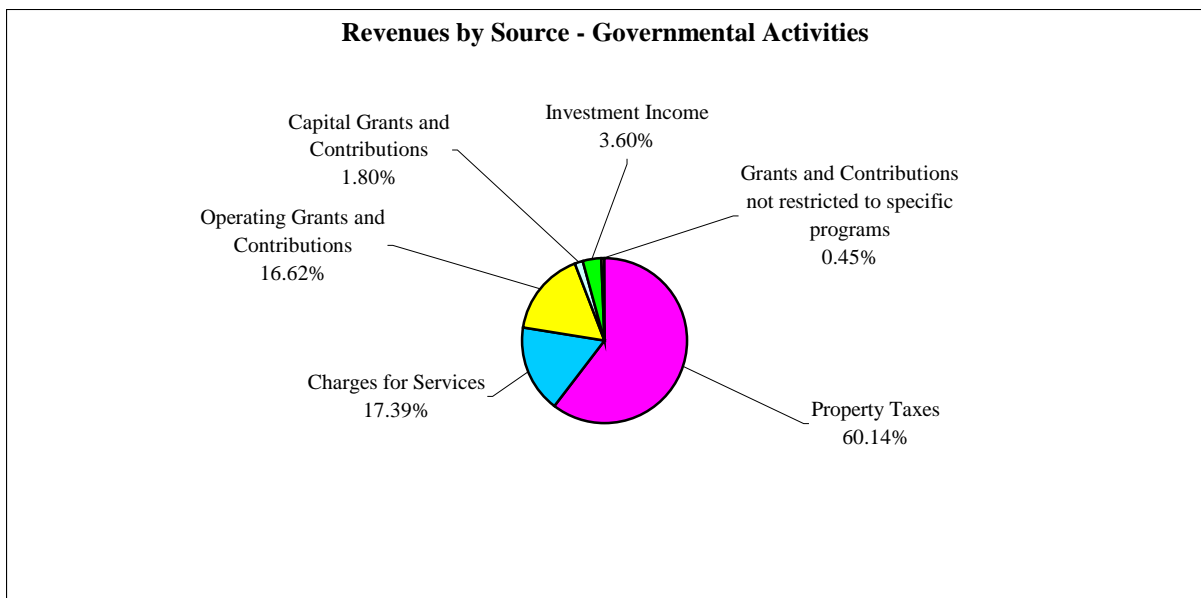
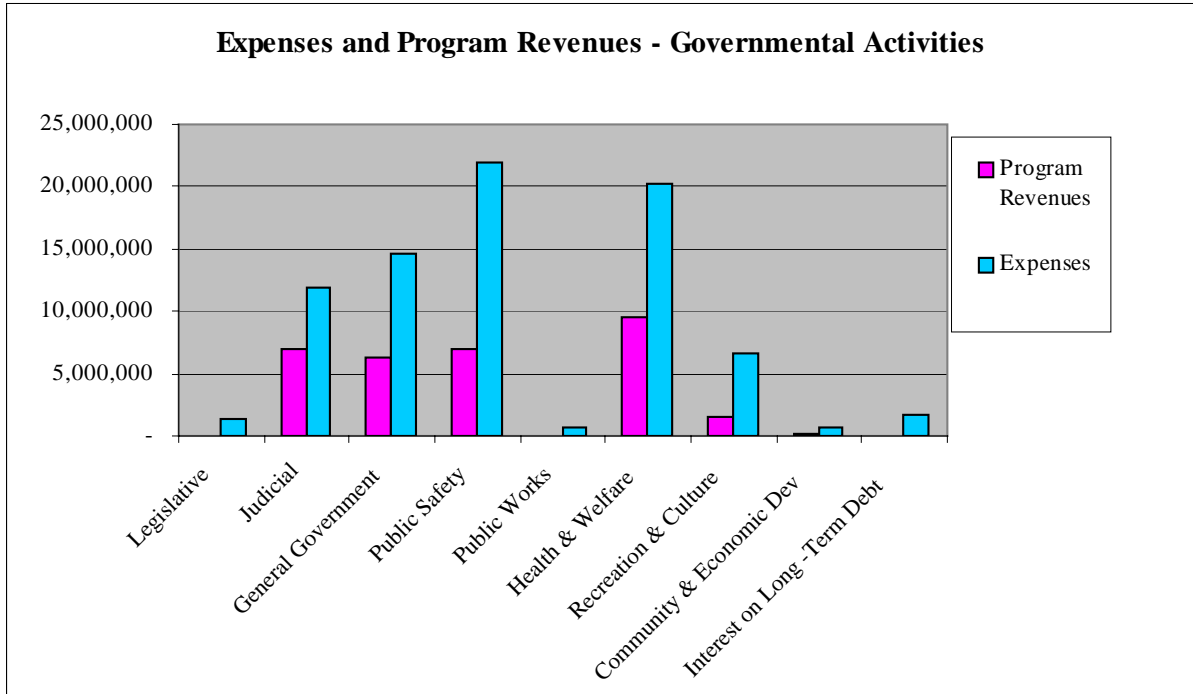
The County's net assets increased by \$9,250,710 during the fiscal year. The significant increase in net assets in the governmental activities was predominately the result of the

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additional tax levy, as earlier discussed and increased investment earnings.

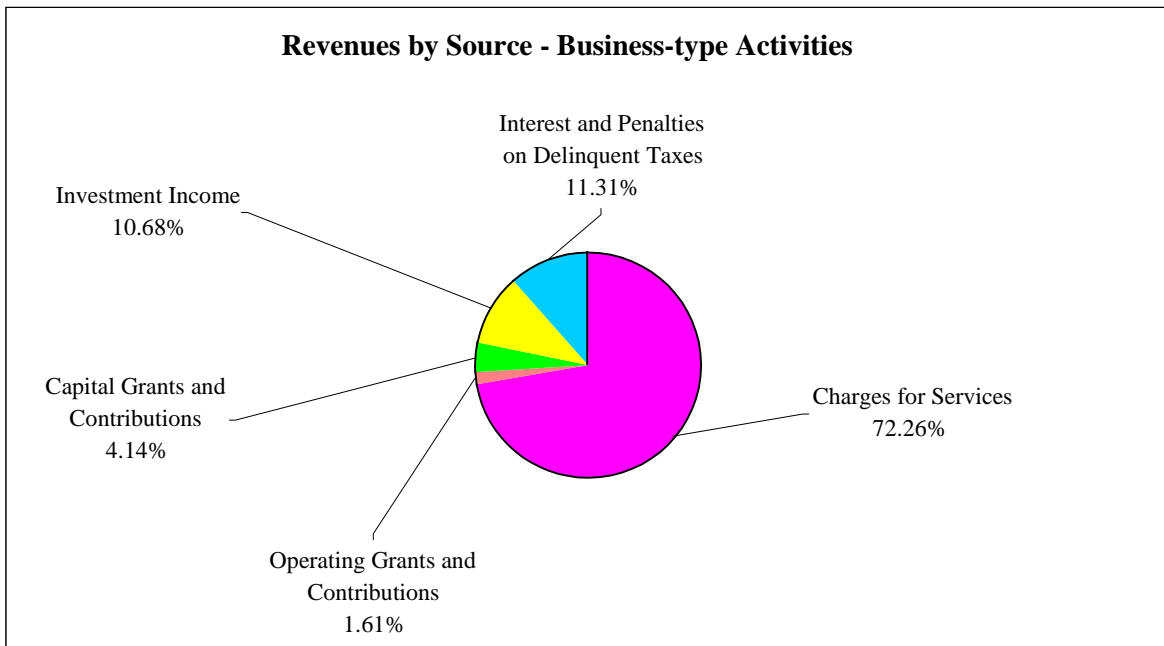
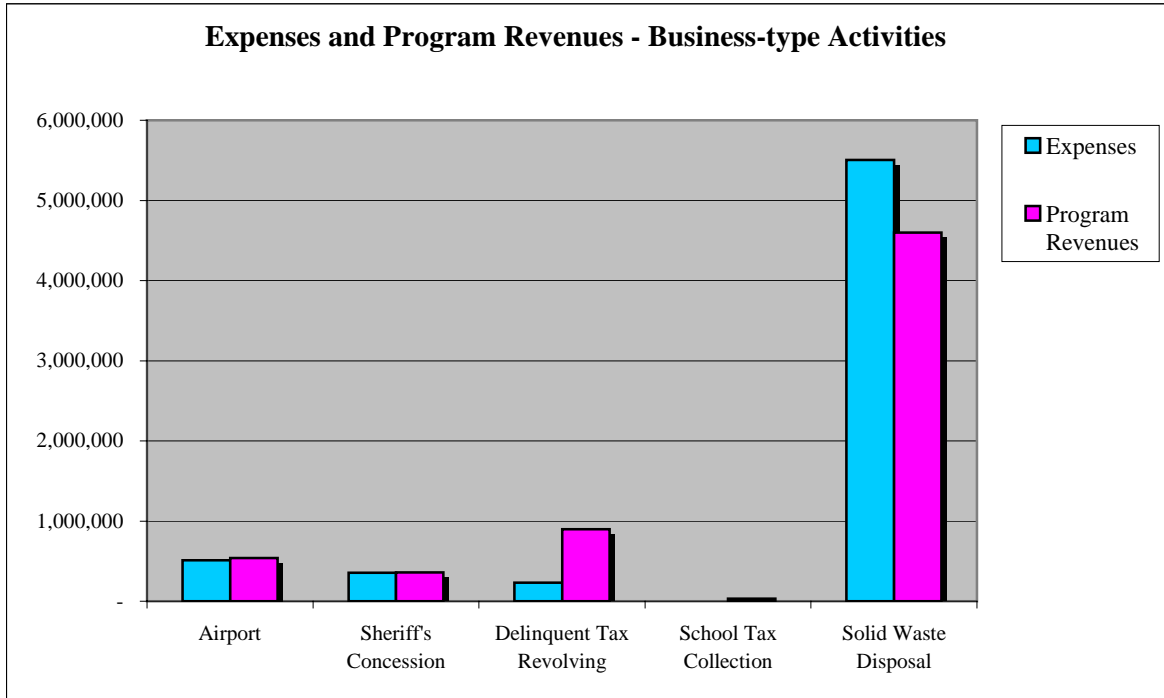
Governmental activities. Governmental activities increased the County's net assets by \$10,594,302. Key elements of this increase are as follows:

- Property tax revenues showed a larger than average increase due to an additional tax levy as discussed earlier.
- Investment earnings increased by \$1.1 million (53.8%) due to increases in interest rates and cash balances.



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Business-type activities. Business-type activities decreased the County's net assets by \$1,343,592. Contributing to this reduction was decreased charges for services revenues in the Sanitary Landfill as well as a transfer to the Public Improvement Fund.



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, 2006, the County's governmental funds reported combined ending fund balances of \$40,351,623, an increase of \$4,782,635 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 (\$39,544,390), which is available for spending at the County's discretion. A total of \$11,096,785 of the unreserved fund balance has been designated for projects in the Parks (\$1,415,000); potential tax refunds to Detroit Edison in the General Fund (\$4,127,132), Parks (\$415,262), Library (\$418,949), Senior Citizens (\$418,949), Drug Task Force (\$124,440) and Revenue Sharing Reserve (\$1,129,369); and future budget stabilization/various other items (\$3,047,684), leaving \$28,447,605 for current use. The remainder of fund balance (\$807,233) 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, 2006, the general fund reported an ending fund balance of \$7,934,118. This is a decrease of \$37,510 over 2005, or less than half a percent. Of that amount \$1,344,439 is unreserved/undesignated, \$6,497,713 is unreserved/designated and \$91,966 is reserved. \$2,333,873 of fund balance has been designated for future budget stabilization, \$4,127,132 for a possible tax refund, and \$36,708 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 13.6 percent (unreserved/undesignated fund balance is only 2.4 percent) and total fund balance represents 13.8 percent of 2006 total budgeted general fund expenditures and transfers.

The Health Department reported fund balance of \$1,568,309 at December 31, 2006. Of that amount \$936,406 is unreserved/ undesignated. Revenues and transfers in were reported at \$10,143,988 along with expenditures and transfers out of \$9,988,257. Fund balance increased \$155,731 (11%) over the prior year. This fund budgeted a decrease of \$529,062. The difference is due to higher than anticipated Medicaid reimbursements.

The third major governmental fund is the special millage Parks and Recreation Fund. At

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December 31, 2006, Parks and Recreation reported a fund balance of \$4,091,001. Of this amount, \$2,260,739 is available for operations of the park system and future development and \$1,830,262 has been designated for specific projects and possible repayment of contested taxes. Fund balance decreased \$523,829 over the prior fiscal year primarily due to costs associated with land acquisitions and construction of two new parks.

The fourth major governmental fund is the special millage Library Fund. It reported \$1,525,416 in fund balance at December 31, 2006. Of this amount, \$1,100,467 is available for operations, \$418,949 has been designated for possible repayment of contested taxes, and \$6,000 has been reserved for prepaid expenditures. In 2006 the Library operated on revenues of \$4,250,250 and expenditures of \$4,634,688. Fund balance decreased \$384,438 over the prior year due to declining penal fine revenue and increased operating costs.

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, 2006, this fund had \$20,674,858 in unreserved/undesignated fund balance and \$1,129,369 has been designated for possible repayment of contested taxes. This fund transferred \$3,214,239 to the General Fund in 2006.

The sixth major governmental fund is the special millage Senior Citizens fund. It reported \$940,967 in fund balance at December 31, 2006. Of this amount \$522,018 is available for operations and \$418,949 has been designated for possible repayment of contested taxes. This fund increased \$108,723 over the prior year primarily due to increases in tax revenue and investment income.

The last major governmental fund is the Communications Construction Fund. It had a deficit balance at December 31, 2006 of \$2,922,175. This deficit was due to accounts payable being recorded prior to bond proceeds being received.

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, 2006.

Net assets in the Solid Waste Disposal System at the end of the year amounted to \$12,087,313, a decrease of \$1,365,535 over the prior year. \$8,575,182 of the \$12,087,313 was invested in capital assets. This decrease was primarily due to reduced tipping fees and a transfer out to the Public Improvement Fund.

The Delinquent Tax Revolving Fund reported net assets of \$24,837,045, a decrease of \$172,807 over the prior year. 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 \$495,212. Amended revenue and transfer-in budgets were within \$492,996 (.86%) of actual revenues, while expenditures and transfers-out were within \$57,789 (.10%) of actual expenditures.

The 2006 amended budget of the general fund had revenues and transfers in of \$56,964,593 and expenditures and transfers out of \$57,459,805. 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 \$495,212 or 6.2%.

Overall during the year the budget was adjusted as follows: the revenues and transfers in were adjusted up by \$3,761,909 (7%), and the expenditures were adjusted up by \$4,257,121 (8%). The amended budget to actual variance at the end of the year was a positive \$457,702 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 increased for investment income, additional property taxes due to the tax shift discussed earlier and grants received throughout the year.
- Transfers In: were increased to add excess fund balance swept from special revenue funds.
- Expenditures: were increased primarily to account for the expenditure side of grants received, additional operating costs in the new Jail/Juvenile facility, additional operating costs in Information Technology, personnel and overtime costs in the Sheriff Department and shifting the Medical Examiner to the General Fund from the Health Department.
- Transfers Out: were increased due to a supplemental operational transfer to the Child Care Fund and a transfer out of tax shift revenues.

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

- Tax revenues were \$127,836 greater than the amended budget primarily due to the effects of the tax shift noted at the beginning of this document.
- Interest and Rent revenues were \$439,405 greater than the amended budget due to the efforts of the new County Treasurer to maximize investment earnings along with rising interest rates.
- Federal/State revenues were \$118,590 less than the amended budget due to receiving less than anticipated inmate board and care revenue.

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

- Other Legislative Activities were over its amended budget by \$212,903 due to higher than anticipated legal costs for the defense of contested property taxes.
- Buildings and Grounds were under its amended budget by \$183,098 due to vacant positions and lower than anticipated costs to maintain the new jail/juvenile facility.
- The Friend of the Court was under its amended budget by \$159,114 due to vacant positions and lower than anticipated professional services.
- Corrections/Jail was over its amended budget by \$167,307 due to unanticipated costs associated with the operations of the new jail.
- Transfers to other funds were over its amended budget due to an additional transfer out of tax shift revenue.

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, 2006, amounted to \$104,159,479 (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 \$3,194,865 or 3.2%. The governmental activities recorded a 4.0% increase while the business-type activities had a 2.6% decrease.

Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	6,549,953	5,786,291	1,077,858	1,077,858	7,627,811	6,864,149
Buildings and Improvements	71,096,519	27,293,316	1,091,953	1,130,930	72,188,472	28,424,246
Improvements other than Buildings	2,633,265	2,281,735	8,251,857	5,434,148	10,885,122	7,715,883
Equipment and Vehicles	2,565,582	2,641,432	344,572	328,544	2,910,154	2,969,976
Books	3,073,329	3,210,581	-	-	3,073,329	3,210,581
Construction in Progress	5,605,675	46,784,741	1,868,916	4,995,038	7,474,591	51,779,779
Total	91,524,323	87,998,096	12,635,156	12,966,518	104,159,479	100,964,614

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Major capital asset events during the year included the following:

- The Solid Waste Disposal System continued significant projects at the Landfill that included construction of a new disposal cell.
- The transfer of about \$46 million of construction in progress to buildings due to the completion of the new Jail/Juvenile Facility and completion of restoration work on Goodells Park buildings.
- Addition of about \$5 million in construction in progress for the construction of communications towers, a new dispatch center and park improvements.
- Property purchased by the Parks and Recreation Department on Bauman Road for construction of a County park.
- Addition of an emergency response vehicle obtained with grant funds.
- Replacement of various county vehicles

Additional information on the County's capital assets can be found in Note 5 beginning on page 53 of this report.

Long-term Debt. At December 31, 2006, the County had total debt outstanding of \$60,587,483, which was \$391,522 less than the prior year.

Significant portions of the debt include the following:

- The final payment was made on the outstanding un-refunded portion of the general obligation bonds that were sold in 1996 to finance the construction of the Administrative Building.
- The outstanding portion of the 2004 refunding (refinanced) of the 1996 issue sold to finance the construction of the Administrative Building (\$9,425,000).
- The general obligation bonds sold in 2003 to finance the construction of the Jail/Juvenile facility (\$32,150,000).
- 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 \$14,665,611 at December 31, 2006.
- 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, 2006, is \$4,454,311.

State statutes limit the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2006 was \$8,179,319,075

Additional information on the County's long-term debt can be found in Note 9 beginning on page 62 of this report.

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Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	41,575,000	42,775,000	-	-	41,575,000	42,775,000
Installment Loan Agreements	14,523	-	121,751	162,335	136,274	162,335
Landfill Closure and Post Closure Costs	-	-	14,665,611	13,514,656	14,665,611	13,514,656
Self-insurance Liability	320,000	895,000	-	-	320,000	895,000
Accumulated Employee Vacation, Sick and Compensatory Time	4,421,646	4,204,328	32,665	32,665	4,454,311	4,236,993
Deferred Amounts	(563,713)	(604,979)	-	-	(563,713)	(604,979)
Total	45,767,456	47,269,349	14,820,027	13,709,656	60,587,483	60,979,005

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 8.4 percent, which is an increase over a year ago, and is slightly higher than the state average.
- Inflationary trends in the region compare favorably to national indices.
- Population projections continue to outpace the rest of the southeastern Michigan region.
- The 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.
- The expansion of courthouse security to include weapons screening at both court locations.
- The construction of a new 911/Central Dispatch center located at the new Jail/Juvenile facility.
- Funding for economic development initiatives to locate new businesses and jobs in our county.

The 2007 budgets are currently balanced and the Board of Commissioner's will approve any amendments, 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 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, 2006**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 18,947,551	\$ 4,357,608	\$ 23,305,159	\$ 13,353,622
Investments	20,547,206	32,476,574	53,023,780	4,498,664
Receivables (net of allowance)	29,827,089	7,071,937	36,899,026	8,481,011
Prepaid expenses	907,889	59,464	967,353	686,155
Due from component units	-	-	-	42,379
Due from primary government	-	-	-	6,869
Inventory	-	20,429	20,429	1,490,644
Advance to component units	50,000	-	50,000	89,281
Deferred charges	222,554	-	222,554	-
Temporarily restricted assets -				
Cash and cash equivalents	-	-	-	1,341,978
Investments	-	-	-	5,803,059
Receivable	-	-	-	36,397,961
Deferred charges	-	-	-	134,020
Permanently restricted assets - Investment	18,050	-	18,050	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	12,155,628	2,946,774	15,102,402	37,616,565
Assets being depreciated	79,368,695	9,688,382	89,057,077	107,276,389
Total Assets	<u>162,044,662</u>	<u>56,621,168</u>	<u>218,665,830</u>	<u>217,218,597</u>
LIABILITIES:				
Payables and accrued liabilities	9,774,127	604,798	10,378,925	7,637,718
Accrued interest	420,896	-	420,896	159,099
Due to component units	6,765	104	6,869	42,379
Advances and deposits	-	6,117	6,117	2,288,273
Advances from component units	-	89,281	89,281	-
Advances from primary government	-	-	-	50,000
Unearned revenue	13,156,064	32,210	13,188,274	4,266,625
Liabilities Payable from restricted assets	-	-	-	228,496
Non-current liabilities -				
Due within one year	1,684,035	40,584	1,724,619	7,644,817
Due in more than one year	44,083,421	14,779,443	58,862,864	42,651,383
Total Liabilities	<u>69,125,308</u>	<u>15,552,537</u>	<u>84,677,845</u>	<u>64,968,790</u>
NET ASSETS:				
Investment in capital assets, net of related liabilities	47,086,353	12,513,405	59,599,758	132,985,508
Restricted -				
Acquisition/construction of capital assets	1,209,818	-	1,209,818	1,020,280
Permanent Fund				
Expendable	5,856	-	5,856	-
Nonexpendable	18,050	-	18,050	-
Debt Service	417,854	-	417,854	4,751,195
Recreation and Cultural	5,616,417	-	5,616,417	-
Revenue Sharing Reserve	21,804,227	-	21,804,227	-
Health and Welfare	2,044,980	-	2,044,980	-
Public Safety	631,556	-	631,556	-
Other Purposes	412,394	316,216	728,610	-
Unrestricted	13,671,849	28,239,010	41,910,859	13,492,824
Total Net Assets	<u>\$ 92,919,354</u>	<u>\$ 41,068,631</u>	<u>\$ 133,987,985</u>	<u>\$ 152,249,807</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, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 1,349,465	\$ -	\$ -	\$ -
Judicial	11,850,282	3,077,246	3,847,282	-
General Government	14,610,752	4,635,424	1,603,072	-
Public Safety	22,011,651	4,471,865	1,065,994	1,361,837
Public Works	736,735	-	-	-
Health and Welfare	20,301,316	1,928,896	7,646,030	-
Community and Economic Development	632,834	51,134	170,443	-
Recreation and Culture	6,672,071	1,051,269	215,650	217,850
Interest on Long Term Debt	1,751,496	-	-	-
Total governmental activities	<u>79,916,602</u>	<u>15,215,834</u>	<u>14,548,471</u>	<u>1,579,687</u>
Business type activities:				
Delinquent Revolving Tax	230,923	897,472	-	-
Airport Commission	510,176	197,145	-	341,628
Sheriff Concession	353,689	357,300	-	-
School Tax Collection	-	31,627	-	-
Solid Waste Disposal System	5,504,681	4,467,874	132,724	-
Total business type activities	<u>6,599,469</u>	<u>5,951,418</u>	<u>132,724</u>	<u>341,628</u>
Total Primary Government	<u>86,516,071</u>	<u>21,167,252</u>	<u>14,681,195</u>	<u>1,921,315</u>
Component Units				
Road Commission	20,286,072	3,862,842	15,772,950	5,799,292
Department of Public Works	6,108,737	5,689,025	-	-
Community Mental Health Authority	71,162,552	809,244	70,717,638	-
Drains	1,140,977	1,118,414	-	145,488
Total Component Units	<u>98,698,338</u>	<u>11,479,525</u>	<u>86,490,588</u>	<u>5,944,780</u>

General revenues:
Property taxes
Grants and contribution not -
restricted to specific programs
Unrestricted investment income
Interest and penalties on delinquent taxes
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
\$(1,349,465)	\$ -	\$(1,349,465)	\$ -
(4,925,754)	-	(4,925,754)	-
(8,372,256)	-	(8,372,256)	-
(15,111,955)	-	(15,111,955)	-
(736,735)	-	(736,735)	-
(10,726,390)	-	(10,726,390)	-
(411,257)	-	(411,257)	-
(5,187,302)	-	(5,187,302)	-
(1,751,496)	-	(1,751,496)	-
<u>(48,572,610)</u>	<u>-</u>	<u>(48,572,610)</u>	<u>-</u>
-	666,549	666,549	-
-	28,597	28,597	-
-	3,611	3,611	-
-	31,627	31,627	-
-	(904,083)	(904,083)	-
<u>-</u>	<u>(173,699)</u>	<u>(173,699)</u>	<u>-</u>
<u>(48,572,610)</u>	<u>(173,699)</u>	<u>(48,746,309)</u>	<u>-</u>
-	-	-	5,149,012
-	-	-	(419,712)
-	-	-	364,330
<u>-</u>	<u>-</u>	<u>-</u>	<u>122,925</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>5,216,555</u>
52,637,194	-	52,637,194	-
393,350	-	393,350	-
3,119,059	880,515	3,999,574	1,039,834
28,505	938,396	966,901	-
2,988,804	(2,988,804)	-	-
<u>59,166,912</u>	<u>(1,169,893)</u>	<u>57,997,019</u>	<u>1,039,834</u>
<u>10,594,302</u>	<u>(1,343,592)</u>	<u>9,250,710</u>	<u>6,256,389</u>
82,325,052	41,719,226	124,044,278	145,993,418
<u>-</u>	<u>692,997</u>	<u>692,997</u>	<u>-</u>
<u>82,325,052</u>	<u>42,412,223</u>	<u>124,737,275</u>	<u>145,993,418</u>
<u>\$ 92,919,354</u>	<u>\$ 41,068,631</u>	<u>\$ 133,987,985</u>	<u>\$ 152,249,807</u>

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
ASSETS				
Cash and cash equivalents	\$ 75,885	\$ 638,555	\$ 4,547,684	\$ 1,292,053
Investments	4,500,000	-	-	900,000
Receivables -				
Current and delinquent property taxes	2,912,840	-	2,737,349	3,852,225
Interest and accounts	433,954	159,978	4,576	73,188
Due from other governmental units -				
Federal/State	2,422,937	2,275,251	-	-
Local	155,069	-	-	-
Due from other funds	1,593,489	-	-	-
Advances to component units	50,000	-	-	-
Prepayments and deposits	41,966	17,080	-	6,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 12,186,140</u>	<u>\$ 3,090,864</u>	<u>\$ 7,289,609</u>	<u>\$ 6,123,466</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,142,749	\$ 351,350	\$ 122,499	\$ 192,207
Accrued liabilities	1,205,280	203,273	14,893	95,933
Due to other governmental units -				
Federal/State	-	46,730	-	-
Local	289,905	-	-	-
Due to other funds	-	-	-	-
Due to component units	6,765	-	-	-
Deferred revenue	1,607,323	921,202	3,061,216	4,309,910
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>4,252,022</u>	<u>1,522,555</u>	<u>3,198,608</u>	<u>4,598,050</u>
Fund Balances (Deficits):				
Reserved -				
Prepaid Expenditures/Advances	91,966	17,080	-	6,000
Substance Abuse	-	364,823	-	-
Capital Projects	-	-	-	-
Permanent Funds	-	-	-	-
Unreserved -				
Designated -				
General Fund	6,497,713	-	-	-
Special Revenue Funds	-	250,000	1,830,262	418,949
Debt Service	-	-	-	-
Undesignated -				
General Fund	1,344,439	-	-	-
Special Revenue Funds	-	936,406	2,260,739	1,100,467
Total Equity	<u>7,934,118</u>	<u>1,568,309</u>	<u>4,091,001</u>	<u>1,525,416</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Equity	<u>\$ 12,186,140</u>	<u>\$ 3,090,864</u>	<u>\$ 7,289,609</u>	<u>\$ 6,123,466</u>

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

<u>Revenue Sharing Reserve</u>	<u>Senior Citizens Millage</u>	<u>Communications Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,297,146	\$ 1,432,207	\$ 459,983	\$ 6,348,952	\$ 16,092,465
12,967,206	-	-	198,050	18,565,256
8,627,121	2,762,655	-	1,549,160	22,441,350
506,243	5,560	-	1,076,432	2,259,931
-	-	-	608,847	5,307,035
-	-	-	29,192	184,261
-	-	-	-	1,593,489
-	-	-	-	50,000
-	-	30,002	-	95,048
<u>\$ 23,397,716</u>	<u>\$ 4,200,422</u>	<u>\$ 489,985</u>	<u>\$ 9,810,633</u>	<u>\$ 66,588,835</u>
\$ -	\$ 169,896	\$ 3,412,160	\$ 1,255,425	\$ 6,646,286
-	-	-	201,096	1,720,475
-	-	-	124,664	171,394
-	-	-	-	289,905
1,593,489	-	-	-	1,593,489
-	-	-	-	6,765
-	3,089,559	-	2,819,688	15,808,898
<u>1,593,489</u>	<u>3,259,455</u>	<u>3,412,160</u>	<u>4,400,873</u>	<u>26,237,212</u>
-	-	30,002	-	145,048
-	-	-	-	364,823
-	-	-	273,456	273,456
-	-	-	23,906	23,906
-	-	-	-	6,497,713
1,129,369	418,949	-	133,689	4,181,218
-	-	-	417,854	417,854
-	-	-	-	1,344,439
<u>20,674,858</u>	<u>522,018</u>	<u>(2,952,177)</u>	<u>4,560,855</u>	<u>27,103,166</u>
<u>21,804,227</u>	<u>940,967</u>	<u>(2,922,175)</u>	<u>5,409,760</u>	<u>40,351,623</u>
<u>\$ 23,397,716</u>	<u>\$ 4,200,422</u>	<u>\$ 489,985</u>	<u>\$ 9,810,633</u>	<u>\$ 66,588,835</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, 2006**

Fund Balances - total governmental funds		\$ 40,351,623
Amounts reported for governmental activities in the statement of net assets are different because:		
Expenses recorded in the funds on the purchase method		224,919
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		123,869,551
Accumulated depreciation		(32,436,097)
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)	184,290	
Housing Rehabilitation Loan	940,697	
Other	<u>1,150,559</u>	2,275,546
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.		4,279,610
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	(41,575,000)	
Installment loan payable	(14,523)	
Accrued interest on bonds/notes payable	(420,896)	
Accrued compensated absence	<u>(4,421,646)</u>	(46,432,065)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets, (netted against bonds payables)		807,632
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	(312,868)	
Bond Discount	<u>68,949</u>	(243,919)
Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets		<u>222,554</u>
Net Assets of governmental activities		<u>\$ 92,919,354</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, 2006**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
Revenues:				
Taxes	\$ 32,535,308	\$ -	\$ 2,887,163	\$ 2,919,591
Licenses and permits	434,443	302,664	-	-
Intergovernmental -				
Federal/State	8,676,173	6,049,502	175,450	158,168
Local	1,585,886	344,168	-	8,000
Charges for services	5,067,409	1,249,067	61,865	46,785
Fines and forfeits	485,792	-	-	846,188
Interest and rent	2,917,987	10,383	285,842	183,989
Other	1,828,526	27,113	34,641	87,529
Total Revenues	<u>53,531,524</u>	<u>7,982,897</u>	<u>3,444,961</u>	<u>4,250,250</u>
Expenditures:				
Current -				
Legislative	1,362,456	-	-	-
Judicial	11,715,155	-	-	-
General Government	13,332,846	-	-	-
Public Safety	18,794,537	-	-	-
Public Works	755,127	-	-	-
Health and Welfare	1,711,696	9,959,195	-	-
Community and Economic Development	-	-	-	-
Recreation and Cultural	-	-	3,968,790	4,634,688
Other Activities	650,000	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	7,972	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>48,329,789</u>	<u>9,959,195</u>	<u>3,968,790</u>	<u>4,634,688</u>
Revenues over (under) expenditures	<u>5,201,735</u>	<u>(1,976,298)</u>	<u>(523,829)</u>	<u>(384,438)</u>
Other Financing Sources (Uses):				
Lease proceeds	22,495	-	-	-
Transfers from other funds	3,926,065	2,161,091	-	-
Transfers to other funds	<u>(9,187,805)</u>	<u>(29,062)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(5,239,245)</u>	<u>2,132,029</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(37,510)	155,731	(523,829)	(384,438)
Fund Balances at beginning of year	<u>7,971,628</u>	<u>1,412,578</u>	<u>4,614,830</u>	<u>1,909,854</u>
Fund Balances (Deficits) at end of year	<u>\$ 7,934,118</u>	<u>\$ 1,568,309</u>	<u>\$ 4,091,001</u>	<u>\$ 1,525,416</u>

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

<u>Revenue Sharing Reserve</u>	<u>Senior Citizens Millage</u>	<u>Communications Construction</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ 9,811,782	\$ 2,912,775	\$ -	\$ 1,633,425	\$ 52,700,044
-	-	-	-	737,107
-	-	-	1,874,489	16,933,782
-	-	-	-	1,938,054
-	270	-	1,316,293	7,741,689
-	-	-	85,297	1,417,277
586,127	81,353	-	96,431	4,162,112
-	-	-	179,130	2,156,939
<u>10,397,909</u>	<u>2,994,398</u>	<u>-</u>	<u>5,185,065</u>	<u>87,787,004</u>
-	-	-	-	1,362,456
-	-	-	372,613	12,087,768
-	-	-	114,977	13,447,823
-	-	-	1,606,043	20,400,580
-	-	-	-	755,127
-	2,864,548	-	5,900,473	20,435,912
-	-	-	632,834	632,834
-	-	-	-	8,603,478
-	-	-	-	650,000
-	-	3,573,774	1,150,161	4,723,935
-	-	-	1,200,000	1,207,972
-	-	-	1,707,783	1,707,783
<u>-</u>	<u>2,864,548</u>	<u>3,573,774</u>	<u>12,684,884</u>	<u>86,015,668</u>
<u>10,397,909</u>	<u>129,850</u>	<u>(3,573,774)</u>	<u>(7,499,819)</u>	<u>1,771,336</u>
-	-	-	-	22,495
-	-	651,599	10,036,645	16,775,400
<u>(3,214,239)</u>	<u>(21,127)</u>	<u>-</u>	<u>(1,334,363)</u>	<u>(13,786,596)</u>
<u>(3,214,239)</u>	<u>(21,127)</u>	<u>651,599</u>	<u>8,702,282</u>	<u>3,011,299</u>
7,183,670	108,723	(2,922,175)	1,202,463	4,782,635
<u>14,620,557</u>	<u>832,244</u>	<u>-</u>	<u>4,207,297</u>	<u>35,568,988</u>
<u>\$ 21,804,227</u>	<u>\$ 940,967</u>	<u>\$(2,922,175)</u>	<u>\$ 5,409,760</u>	<u>\$ 40,351,623</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, 2006**

Net change in fund balances - total governmental funds		\$ 4,782,635
Change in prepaid expenses recorded in the funds on the purchase method		7,299
<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		7,582,123
Depreciation expense	(	3,933,648)
Loss from sale/disposal of assets	(	119,758)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
	(	196,915)
<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		1,207,972
Lease proceeds	(	22,495)
Amortization of bond premium		24,066
Amortization of bond discount	(	3,207)
Amortization of issuance costs	(	14,322)
Amortization of deferred loss on refunding	(	62,125)
<p>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.</p>		
		1,548,120
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Decrease in accrued interest payable		11,875
Increase in accrued compensated absences	(	217,318)
		(205,443)
Change in net assets of governmental activities		<u>\$ 10,594,302</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006**

	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	\$ 608,310	\$ 3,419,174	\$ 330,124	\$ 4,357,608	\$ 2,855,086
Investments	17,000,000	15,476,574	-	32,476,574	2,000,000
Accounts receivable (net of allowance) -					
Delinquent taxes	-	5,422,176	-	5,422,176	-
Interest and accounts	972,905	457,752	57,003	1,487,660	11,800
Due from other governmental units	79,639	82,462	-	162,101	-
Prepaid expenses	1,983	7,250	50,231	59,464	630,602
Inventory	-	-	20,429	20,429	-
Total Current Assets	<u>18,662,837</u>	<u>24,865,388</u>	<u>457,787</u>	<u>43,986,012</u>	<u>5,497,488</u>
Property, Plant and Equipment:					
Property, plant and equipment	17,393,976	162,335	11,227,630	28,783,941	99,583
Less - accumulated depreciation	(8,818,794)	(32,467)	(7,297,524)	(16,148,785)	(8,714)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>8,575,182</u>	<u>129,868</u>	<u>3,930,106</u>	<u>12,635,156</u>	<u>90,869</u>
Total Assets	<u>27,238,019</u>	<u>24,995,256</u>	<u>4,387,893</u>	<u>56,621,168</u>	<u>5,588,357</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	435,142	30,343	19,668	485,153	364,048
Accrued expenses	9,475	-	5,101	14,576	624,699
Advances and deposits	-	6,117	-	6,117	-
Due to other governmental units -					
Federal/State	17,823	-	10	17,833	-
Local	-	-	87,236	87,236	-
Due to component units	-	-	104	104	-
Advances from component units	-	-	89,281	89,281	-
Current portion of long-term liabilities	-	40,584	-	40,584	-
Unearned revenue	-	-	32,210	32,210	-
Total Current Liabilities	<u>462,440</u>	<u>77,044</u>	<u>233,610</u>	<u>773,094</u>	<u>988,747</u>
Long-Term Liabilities (less current portions):					
Accrued vacation and sick	22,655	-	10,010	32,665	-
Accrued insurance claims	-	-	-	-	320,000
Installment Contract	-	81,167	-	81,167	-
Estimated closure and post closure costs	14,665,611	-	-	14,665,611	-
Total Long-Term Liabilities	<u>14,688,266</u>	<u>81,167</u>	<u>10,010</u>	<u>14,779,443</u>	<u>320,000</u>
Total Liabilities	<u>15,150,706</u>	<u>158,211</u>	<u>243,620</u>	<u>15,552,537</u>	<u>1,308,747</u>
NET ASSETS:					
Investment in capital assets, net	8,575,182	8,117	3,930,106	12,513,405	90,869
Restricted - Foreclosure sales	-	316,216	-	316,216	-
Unrestricted	3,512,131	24,512,712	214,167	28,239,010	4,188,741
Total Net Assets	<u>\$ 12,087,313</u>	<u>\$ 24,837,045</u>	<u>\$ 4,144,273</u>	<u>\$ 41,068,631</u>	<u>\$ 4,279,610</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006**

	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	\$ 132,724	\$ -	\$ -	\$ 132,724	\$ -
Charges for services	4,455,964	897,472	449,850	5,803,286	10,973,097
Interest and rents	-	932,635	133,398	1,066,033	-
Other	11,910	-	8,585	20,495	211,662
Total Operating Revenues	<u>4,600,598</u>	<u>1,830,107</u>	<u>591,833</u>	<u>7,022,538</u>	<u>11,184,759</u>
Operating Expenses:					
Personal services	280,240	-	192,135	472,375	76,632
Supplies	132,836	6,358	77,028	216,222	300
Other services	3,839,967	192,098	408,584	4,440,649	9,557,217
Depreciation	1,251,638	32,467	186,118	1,470,223	2,490
Total Operating Expenses	<u>5,504,681</u>	<u>230,923</u>	<u>863,865</u>	<u>6,599,469</u>	<u>9,636,639</u>
Operating Income (Loss)	(904,083)	1,599,184	(272,032)	423,069	1,548,120
Non-Operating Revenues:					
Interest revenue	<u>38,548</u>	<u>841,967</u>	<u>-</u>	<u>880,515</u>	<u>-</u>
Net Income (Loss) Before Contributions and Transfers	(865,535)	2,441,151	(272,032)	1,303,584	1,548,120
Capital Contributions	<u>-</u>	<u>-</u>	<u>341,628</u>	<u>341,628</u>	<u>-</u>
Net Income Before Transfers	<u>(865,535)</u>	<u>2,441,151</u>	<u>69,596</u>	<u>1,645,212</u>	<u>1,548,120</u>
Transfers:					
Transfer In	-	-	125,154	125,154	-
Transfer Out	(500,000)	(2,613,958)	-	(3,113,958)	-
	<u>(500,000)</u>	<u>(2,613,958)</u>	<u>125,154</u>	<u>(2,988,804)</u>	<u>-</u>
Change in Net Assets	<u>(1,365,535)</u>	<u>(172,807)</u>	<u>194,750</u>	<u>(1,343,592)</u>	<u>1,548,120</u>
Net Assets at beginning of year	13,452,848	24,316,855	3,949,523	41,719,226	2,731,490
Prior period adjustments	<u>-</u>	<u>692,997</u>	<u>-</u>	<u>692,997</u>	<u>-</u>
Net Assets at beginning of year as restated	<u>13,452,848</u>	<u>25,009,852</u>	<u>3,949,523</u>	<u>42,412,223</u>	<u>2,731,490</u>
Net Assets end of year	<u>\$ 12,087,313</u>	<u>\$ 24,837,045</u>	<u>\$ 4,144,273</u>	<u>\$ 41,068,631</u>	<u>\$ 4,279,610</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, 2006**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste	Delinquent	Other	Total	Activities
	Disposal System	Tax Revolving	Proprietary Funds		Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 5,357,253	\$ 824,079	\$ 568,975	\$ 6,750,307	\$ 264,913
Cash receipts from interfund services	-	-	-	-	10,973,097
Cash payments to suppliers	(2,288,129)	(128,644)	(466,291)	(2,883,064)	(10,273,071)
Cash payments to employees	(281,446)	-	(205,888)	(487,334)	(76,632)
Cash payments for interfund services	(123,935)	(49,029)	-	(172,964)	-
Other cash payments	-	-	87,460	87,460	-
Net Cash Provided (Used) by Operating Activities	<u>2,663,743</u>	<u>646,406</u>	<u>(15,744)</u>	<u>3,294,405</u>	<u>888,307</u>
Cash Flows From Noncapital Financing Activities:					
Change in due from other funds	-	-	10,384	10,384	-
Transfers from other funds	-	-	125,154	125,154	-
Transfers to other funds	(500,000)	(2,613,958)	-	(3,113,958)	-
Net Cash Provided (Used) by Financing Activities	<u>(500,000)</u>	<u>(2,613,958)</u>	<u>135,538</u>	<u>(2,978,420)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Payments on installment contract	-	(40,584)	-	(40,584)	-
Acquisition and construction of capital assets	(1,254,201)	-	(27,170)	(1,281,371)	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,254,201)</u>	<u>(40,584)</u>	<u>(27,170)</u>	<u>(1,321,955)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest earned	38,548	672,142	-	710,690	-
Purchase of investments	(500,000)	-	-	(500,000)	-
Sale of investments	-	2,673,426	76,969	2,750,395	1,500,000
Net Cash Provided by Investing Activities	<u>(461,452)</u>	<u>3,345,568</u>	<u>76,969</u>	<u>2,961,085</u>	<u>1,500,000</u>
Increase (Decrease) in Cash and Cash Equivalents for the year	448,090	1,337,432	169,593	1,955,115	2,388,307
Cash and Cash Equivalents at Beginning of Year	<u>160,220</u>	<u>2,081,742</u>	<u>160,531</u>	<u>2,402,493</u>	<u>466,779</u>
Cash and Cash Equivalents at End of Year	<u>\$ 608,310</u>	<u>\$ 3,419,174</u>	<u>\$ 330,124</u>	<u>\$ 4,357,608</u>	<u>\$ 2,855,086</u>
Non-Cash Capital and Related Financing Activities:					
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,628</u>	<u>\$ 341,628</u>	<u>\$ -</u>

ST. CLAIR COUNTY, MICHIGAN

**PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	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	\$ (904,083)	\$ 1,599,184	\$(272,032)	\$ 423,069	\$ 1,548,120
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	1,251,638	32,467	186,118	1,470,223	2,490
Disposal of assets	580,649	-	-	580,649	-
Estimated closure and post closure costs	1,150,955	-	-	1,150,955	-
Change in assets and liabilities:					
Receivable	551,491	(990,243)	(23,412)	(462,164)	53,251
Prepaid and deposits	(283)	(7,250)	-	(7,533)	(383,583)
Accounts payable/accrued expenses	34,657	30,335	70,377	135,369	(331,971)
Due to/from other governmental units	(1,281)	(15,785)	-	(17,066)	-
Deferred Revenue	-	-	554	554	-
Inventory	-	-	22,651	22,651	-
Advances and deposits	-	(2,302)	-	(2,302)	-
Net Cash Provided (Used) By Operating Activities	\$ 2,663,743	\$ 646,406	\$(15,744)	\$ 3,294,405	\$ 888,307

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	Pension and Other Employee Benefit Trust Funds	Landfill Private-Purpose Trust Fund	Agency Funds
	<u>Trust Funds</u>	<u>Trust Fund</u>	<u>Funds</u>
ASSETS:			
Cash and cash equivalents	\$ 4,284,771	\$ 1,619,848	\$ 2,672,571
Investments -			
U.S. Government Securities	28,361,189	-	-
Corporate Debt	24,505,418	-	-
Equity Funds	62,715,016	-	-
Stocks	91,212,686	-	-
Other	2,372,155	-	-
Invested Court Appointed Trust	-	-	309,180
Receivables -			
Interest/dividends and accounts	557,135	-	8,067,703
Other	38,000	-	-
Due from other funds	150,949	-	-
Due to component units	46,682	-	-
Prepayments and Deposits	77,096	-	-
	<u>214,321,097</u>	<u>1,619,848</u>	<u>11,049,454</u>
Total Assets			
LIABILITIES:			
Accounts payable	291,603	-	-
Due to individuals and agencies	505,665	-	8,897,875
Due to other funds	150,949	-	-
Due to other governmental units -			
Federal/state	-	-	447,341
Local	-	-	1,704,238
	<u>948,217</u>	<u>-</u>	<u>\$ 11,049,454</u>
Total Liabilities			
NET ASSETS:			
Reserved for -			
Employees' pension benefits	213,372,880	-	
Landfill perpetual care	-	1,619,848	
	<u>\$ 213,372,880</u>	<u>\$ 1,619,848</u>	
Total Net Assets			

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, 2006**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Landfill Private-Purpose Trust Fund</u>
Additions:		
Contributions		
Member contributions	\$ 2,268,952	\$ -
Employer contributions	5,824,047	-
Total Contributions	<u>8,092,999</u>	<u>-</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	22,324,592	-
Interest/Dividends	4,915,573	72,680
Less investment expense	(497,553)	-
Net investment income	<u>26,742,612</u>	<u>72,680</u>
Other		
Medicare Part D reimbursements	290,595	-
Total Additions	<u>35,126,206</u>	<u>72,680</u>
Deductions:		
Retirement payroll	7,717,444	-
Health insurance	3,843,765	-
Death benefits	66,500	-
Employee refunds	417,268	-
Administration	54,084	-
Professional fees	143,261	-
Total Deductions	<u>12,242,322</u>	<u>-</u>
Net Increase	22,883,884	72,680
Net assets held in trust for pension benefits		
Beginning of year	<u>190,488,996</u>	<u>1,547,168</u>
End of year	<u>\$ 213,372,880</u>	<u>\$ 1,619,848</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, 2006**

	<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	\$ 2,198,770	\$ 1,821,801	\$ 6,068,663	\$ 3,264,388	\$ 13,353,622
Investments	-	-	4,289,153	209,511	4,498,664
Receivables (net of allowance)	3,323,378	1,739,558	1,451,489	1,966,586	8,481,011
Prepaid expenses	348,567	-	337,588	-	686,155
Due from other component units	42,379	-	-	-	42,379
Due from primary government	6,869	-	-	-	6,869
Inventory	1,490,644	-	-	-	1,490,644
Advance to other component units	-	89,281	-	-	89,281
Restricted Assets -					
Cash and cash equivalents	-	1,001,032	340,946	-	1,341,978
Investments	-	-	5,803,059	-	5,803,059
Receivables	-	36,397,961	-	-	36,397,961
Deferred charges	-	134,020	-	-	134,020
Capital Assets (net of accumulated depreciation)					
Assets not being depreciated	32,970,945	705,522	258,551	3,681,547	37,616,565
Assets being depreciated	80,771,163	16,834,234	2,314,604	7,356,388	107,276,389
Total Assets	<u>121,152,715</u>	<u>58,723,409</u>	<u>20,864,053</u>	<u>16,478,420</u>	<u>217,218,597</u>
LIABILITIES					
Payables and accrued liabilities	607,824	1,440,174	5,223,341	319,697	7,591,036
Accrued interest	93,810	-	-	65,289	159,099
Due to primary government	46,682	-	-	-	46,682
Due to other component units	-	42,379	-	-	42,379
Advances and deposits	948,447	356,257	-	983,569	2,288,273
Advance from primary government	-	-	-	50,000	50,000
Unearned revenue	-	-	4,266,625	-	4,266,625
Liabilities payable from restricted assets	-	228,496	-	-	228,496
Non-current liabilities					
Due within one year	939,500	2,455,000	990,000	3,260,317	7,644,817
Due in more than one year	4,403,400	34,183,044	402,810	3,662,129	42,651,383
Total Liabilities	<u>7,039,663</u>	<u>38,705,350</u>	<u>10,882,776</u>	<u>8,341,001</u>	<u>64,968,790</u>
NET ASSETS					
Investments in Capital Assets, net of related liabilities	108,757,108	17,539,756	2,573,155	4,115,489	132,985,508
Restricted for:					
Risk corridor financing	-	-	4,751,195	-	4,751,195
Equipment replacement	-	641,473	-	378,807	1,020,280
Unrestricted	5,355,944	1,836,830	2,656,927	3,643,123	13,492,824
Total net assets	<u>\$ 114,113,052</u>	<u>\$ 20,018,059</u>	<u>\$ 9,981,277</u>	<u>\$ 8,137,419</u>	<u>\$ 152,249,807</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, 2006**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Road Commission				
Governmental activities:				
Highways and streets	\$ 20,044,012	\$ 3,862,842	\$ 15,772,950	\$ 5,799,292
Debt service	242,060	-	-	-
Total Road Commission	<u>20,286,072</u>	<u>3,862,842</u>	<u>15,772,950</u>	<u>5,799,292</u>
Department of Public Works				
Governmental activities:				
Debt service	<u>1,436,756</u>	<u>1,436,756</u>	<u>-</u>	<u>-</u>
Business Type Activities				
Water and Sewer	4,521,463	4,087,114	-	-
Public Safety	<u>150,518</u>	<u>165,155</u>	<u>-</u>	<u>-</u>
Total Proprietary activities	<u>4,671,981</u>	<u>4,252,269</u>	<u>-</u>	<u>-</u>
Total Department of Public Works	<u>6,108,737</u>	<u>5,689,025</u>	<u>-</u>	<u>-</u>
Community Mental Health Authority				
Governmental activities:				
Health and Welfare	<u>71,162,552</u>	<u>809,244</u>	<u>70,717,638</u>	<u>-</u>
Drain Commissioners				
Governmental activities:				
Public works	985,508	1,118,414	-	145,488
Interest on Long Term Debt	<u>155,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Drains	<u>1,140,977</u>	<u>1,118,414</u>	<u>-</u>	<u>145,488</u>
Total Component Units	<u>\$ 98,698,338</u>	<u>\$ 11,479,525</u>	<u>\$ 86,490,588</u>	<u>\$ 5,944,780</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

Road Commission	Department of Public Works	Community Mental Health Authority	Drains	Total
\$ 5,391,072				\$ 5,391,072
(242,060)				(242,060)
<u>5,149,012</u>				
	<u>-</u>			-
	(434,349)			(434,349)
	<u>14,637</u>			<u>14,637</u>
	<u>(419,712)</u>			
	<u>(419,712)</u>			
		<u>364,330</u>		364,330
			278,394	278,394
			<u>(155,469)</u>	<u>(155,469)</u>
			<u>122,925</u>	
				<u>5,216,555</u>
<u>143,585</u>	<u>90,128</u>	<u>692,718</u>	<u>113,403</u>	<u>1,039,834</u>
5,292,597	(329,584)	1,057,048	236,328	6,256,389
<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>
<u>\$ 114,113,052</u>	<u>\$ 20,018,059</u>	<u>\$ 9,981,277</u>	<u>\$ 8,137,419</u>	<u>\$ 152,249,807</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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, 2006**

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 Drain Commission and all operations for the Drain Commission office are budgeted and reported as part of the County General Fund, except for maintenance and construction of individual drains, which are accounted for through the various drain funds. Maintenance and construction of individual drains are assessed to the benefit property owner. 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, 2006

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, 2006**

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.

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

Communications Construction – is used to account for the bond proceeds and local participation revenues, and the construction costs of the communications system.

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, 2006

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.

Agency Funds – are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and other funds, including tax collection.

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. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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, 2006**

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 purchased, except the Road Commission and Airport inventories, which are recognized using the consumption method (recorded as expense when used).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

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

Property Tax Calendar –

The County's 2005 property taxes (2006 revenues) were levied on December 1, 2005 based on the taxable value of property located in the County as of the preceding 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 2/3 of the millage on July 1, 2006 based on the assessed value as of December 31, 2005. The entire 2006 property tax (2007 revenue) general millage will be levied in July 2007.

The property taxes levied in December 2005 and July 2006 are recognized as revenue in 2006. The property taxes levied December 1, 2006 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 each December through 2006, 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 adjusted for inflation. 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, 2006**

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	5-40	20-50	-
Drain System	-	-	-	-	50
Road Systems/Other Information	-	8-50	-	-	-
Utility System	-	-	-	50-60	-
Equipment	5-15	4-20	4-7	5-20	-
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, 2006**

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, 2007, 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, 2006**

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 –			
Other Legislative Activities	\$ 948,087	\$ 1,160,990	\$ 212,903
Judicial –			
Circuit Court	1,951,693	1,970,115	18,422
District Court	2,354,062	2,390,713	36,651
Probate Court	746,160	747,079	919
Family Division – Circuit Court	2,200,789	2,222,216	21,427
Other Corrections Activities	890,644	941,176	50,532
Public Safety –			
Communications/Radio	1,110,600	1,131,847	21,247
Marine Law Enforcement	353,870	358,052	4,182
Correction/Jail	8,724,773	8,892,080	167,307
Emergency Prep	1,636,479	1,655,378	18,899
Public Works –			
Drains	136,551	155,127	18,576
Health and Welfare –			
Public Guardian	269,792	273,157	3,365
Transfers Out	8,937,805	9,187,805	250,000
Special Revenue Funds –			
Parks and Recreation			
Recreation and Culture	3,705,705	3,968,790	263,085

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

Senior Citizens Millage –				
Transfers to other funds	\$	20,000	\$	21,127
			\$	1,127

Nonmajor Special Revenue Funds –

Drug Task Force –				
Public Safety	1,338,371	1,395,388	57,017	
E-911 –				
Transfers to other funds	910,789	962,105	51,316	

Component Units –

The Component Units adopt budgets at the following levels: the St. Clair County Road Commission 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, 2006, 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	\$ 4,078,882	\$ 5,498,045	\$ 1,419,163
Equipment Operation	3,350,000	3,483,033	133,033
Other	815,530	1,588,312	772,782

Undesignated Fund Balance Deficit –

The Communications Construction Fund has an undesignated fund balance deficit of \$2,952,177 at December 31, 2006. The deficit was eliminated in 2007 with bond proceeds (See Note 19).

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments –

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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.
- 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 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	\$ 17,287	\$ 3,175	\$ 1,200	\$ 21,662
Deposits with Financial Institutions -				
Checking/Money Market	10,554,202	10,005,304	2,832,467	23,391,973
Savings/Certificates of Deposit	<u>54,048,050</u>	<u>14,779,333</u>	<u>89,944</u>	<u>68,917,327</u>
Total	<u>64,619,539</u>	<u>24,787,812</u>	<u>2,923,611</u>	<u>92,330,962</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Investments -				
Investment Trust Funds	\$ 4,683,670	\$ -	\$ 5,653,579	\$ 10,337,249
U.S. Government Securities	7,043,780	209,511	28,361,189	35,614,480
Corporate Bonds	-	-	24,505,418	24,505,418
Stocks	-	-	91,212,686	91,212,686
Equity Funds	-	-	62,715,016	62,715,016
Other	-	-	2,372,155	2,372,155
Investments Held by Broker	-	-	309,180	309,180
Total Investments	<u>11,727,450</u>	<u>209,511</u>	<u>215,129,223</u>	<u>227,066,184</u>
 Grand Total	 <u>\$ 76,346,989</u>	 <u>\$24,997,323</u>	 <u>\$218,052,834</u>	 <u>\$ 319,397,146</u>

Reconciliation To Combined Balance Sheet –

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	\$ 21,662
Cash in Checking/Money Market	23,391,973
Cash in Savings	734,315
Certificates of Deposit	12,092,750
Investment Trust Funds	<u>10,337,249</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>46,577,949</u>
 Reported as Investments -	
Certificates of Deposits	\$ 56,090,262
U.S. Government Securities	35,614,480
Corporate Debt	24,505,418
Stocks	91,212,686
Equity Funds	62,715,016
Other	2,372,155
Investments Held by Broker-Dealer	<u>309,180</u>
Total Investments Reported on Combined Balance Sheet	<u>272,819,197</u>
 Grand Total - Combined Balance Sheet	 <u>\$319,397,146</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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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, 2006, the book value of the County’s deposits was \$92,330,962 with a corresponding bank balance of \$95,901,186. Insured deposits were \$1,755,154 with the remaining \$94,146,032 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. The County’s investment policy does not address custodial credit risk for 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.

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 \$6,369,129, 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>
Primary Government -				
MBIA Michigan CLASS	\$4,534,036	AAA/V1+	Fitch	44
Fifth Third Institutional Money Market	149,634	AAAm	Standard & Poors	50
Fiduciary Unit -				
Federated Treasury Obligations	1,685,459	AAAm	Standard & Poors	8

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. The County’s investment policy does not limit the amount of securities that can be held by counterparties.

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 formal investment policy 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. However, the County’s policy does not restrict the amount that can be invested with any one issuer, financial institution or type of investment.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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			
Primary Government	\$ 4,683,670	\$ 4,683,670	\$ -
Fiduciary Unit	1,685,459	1,685,459	-
Certificates of Deposit (1)			
Primary Government	54,048,050	46,048,050	8,000,000
Component	14,134,962	14,134,962	-

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

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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, 2006 the Retirement System had five investment advisors. As of December 31, 2006, 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	\$ 28,361,189	13.31 %
Corporate Debt Preferred	12,268,418	5.76
Corporate Debt - Other	12,237,000	5.74
Municipal Bonds	1,299,729	0.61
Foreign Bonds	185,000	0.09
Stocks	91,212,686	42.79
Mutual Funds	887,426	0.42
Equity Funds -		
Index Funds	38,175,077	17.91
Strategy Funds	<u>24,539,939</u>	<u>11.51</u>
	209,166,464	98.14
Investment Trust Fund (2)	<u>3,968,120</u>	<u>1.86</u>
 Total	 <u>\$ 213,134,584</u>	 <u>100.00 %</u>

(2) This investment trust invests primarily in high quality commercial paper and other money market securities. The fund has an average maturity of 50 days and has a AAAM rating from Standards & Poors.

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, 2006, investments held in the Retirement System excluding investment trusts, mutual funds, and equity funds, had the following Standard & Poors ratings:

<u>Fair Value</u>	<u>Ratings</u>
\$ 39,728,013	AAA
1,985,002	AA+
2,995,696	AA
5,811,161	AA-
29,031,713	A+
14,577,682	A
7,663,584	A-
1,913,596	BBB+
588,570	BBB
16,805,141	B+
8,364,463	B
5,105,337	B-
272,392	C
<u>10,721,672</u>	No Rating
<u>\$ 145,564,022</u>	

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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, 2006, \$213,134,584 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 US Treasuries and Agencies which have no limitation. The system did not hold 5% or more in any other issuer.

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, 2006, the Retirement System’s investments had the following maturities:

Investment	Fair Value	Years			
		<1	1-5	5-10	10>
U.S. Treasuries and Agencies	\$ 28,361,189	\$ 2,495,257	\$4,805,597	\$ 8,637,412	\$12,422,923
Corporate Debt Preferred	12,268,418	1,849	69,582	-	12,196,987
Corporate Debt Other	12,237,000	175,530	4,674,835	6,830,902	555,733
Municipal Bonds	1,299,729	-	722,493	577,236	-
Foreign Bonds	185,000	-	185,000	-	-
	<u>\$ 54,351,336</u>	<u>\$ 2,672,636</u>	<u>\$10,457,507</u>	<u>\$ 16,045,550</u>	<u>\$25,175,643</u>

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business Type Activities
Property Taxes	\$ 22,441,350	\$ 5,422,176
Interest and accounts	2,271,731	1,777,660
Intergovernmental –		
Federal/State	5,307,035	79,639
Local	<u>184,261</u>	<u>82,462</u>
	30,204,377	7,361,937
Less – allowance for uncollectible	(377,288)	(290,000)
	<u>\$ 29,827,089</u>	<u>\$ 7,071,937</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 4 – RECEIVABLES – (cont’d):

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned 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:

		<u>Unavailable</u>	<u>Unearned</u>
General Fund	Property Taxes	\$ 424,917	\$ 982,366
	Rent	<u>200,040</u>	<u>-</u>
		<u>624,957</u>	<u>982,366</u>
Health Department	Grants	803,793	-
	Grant/fees received prior to meeting all eligibility requirements	<u>-</u>	<u>117,409</u>
		<u>803,793</u>	<u>117,409</u>
Parks and Recreation	Property taxes	<u>38,143</u>	<u>3,023,073</u>
Library	Property taxes	<u>38,314</u>	<u>4,271,596</u>
Senior Citizens Millage	Property taxes	<u>38,417</u>	<u>3,051,142</u>
Non-Major Governmental Funds	Property taxes	21,787	1,710,478
	Grants	58,971	-
	Revolving loan	940,697	-
	Fees	<u>87,755</u>	<u>-</u>
		<u>1,109,210</u>	<u>1,710,478</u>
Total deferred/unearned receivables in governmental funds		<u>\$ 2,652,834</u>	<u>\$ 13,156,064</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

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

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance December 31, 2006</u>
General Government:				
Capital Assets, not being depreciated				
Land	\$ 5,786,291	\$ 763,662	\$ -	\$ 6,549,953
Construction in progress	<u>46,784,741</u>	<u>4,990,109</u>	<u>46,169,175</u>	<u>5,605,675</u>
Total capital assets, not being depreciated	<u>52,571,032</u>	<u>5,753,771</u>	<u>46,169,175</u>	<u>12,155,628</u>
Capital assets, being depreciated				
Buildings	40,005,701	45,805,650	-	85,811,351
Improvements other than buildings	3,615,119	500,922	-	4,116,041
Machinery and equipment	9,395,047	1,057,752	647,062	9,805,737
Books	<u>12,415,815</u>	<u>633,203</u>	<u>968,641</u>	<u>12,080,377</u>
Total capital assets being depreciated	<u>65,431,682</u>	<u>47,997,527</u>	<u>1,615,703</u>	<u>111,813,506</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 – CAPITAL ASSETS – (cont'd):

	Balance January 1, 2006	Additions	Disposals/ Adjustments	Balance December 31, 2006
Less accumulated depreciation for:				
Buildings	\$ 12,712,385	\$ 2,002,447	\$ -	\$ 14,714,832
Improvements other than buildings	1,333,384	149,392	-	1,482,776
Machinery and equipment	6,753,615	1,013,844	527,304	7,240,155
Books	9,205,234	770,455	968,641	9,007,048
Total accumulated depreciation	<u>30,004,618</u>	<u>3,936,138</u>	<u>1,495,945</u>	<u>32,444,811</u>
Total capital assets being depreciated, net	<u>35,427,064</u>	<u>44,061,389</u>	<u>119,758</u>	<u>79,368,695</u>
Governmental activities capital assets, net	<u>\$ 87,998,096</u>	<u>\$ 49,815,160</u>	<u>\$ 46,288,933</u>	<u>\$ 91,524,323</u>
Business Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,077,858	\$ -	\$ -	\$ 1,077,858
Construction in progress	4,995,038	901,408	4,027,530	1,868,916
Total Capital Assets, not being depreciated	<u>6,072,896</u>	<u>901,408</u>	<u>4,027,530</u>	<u>2,946,774</u>
Capital Assets, being depreciated				
Building	1,447,631	-	-	1,447,631
Improvements other than buildings	19,398,307	4,181,459	-	23,579,766
Machinery and equipment	738,611	83,524	12,365	809,770
Total capital assets being depreciated	<u>21,584,549</u>	<u>4,264,983</u>	<u>12,365</u>	<u>25,837,167</u>
Less accumulated depreciation	<u>14,690,927</u>	<u>1,470,223</u>	<u>12,365</u>	<u>16,148,785</u>
Total capital assets being depreciated, net	<u>6,893,622</u>	<u>2,794,760</u>	<u>-</u>	<u>9,688,382</u>
Business type activities capital assets, net	<u>\$ 12,966,518</u>	<u>\$ 3,696,168</u>	<u>\$ 4,027,530</u>	<u>\$ 12,635,156</u>

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

Governmental activities:	
Judicial	\$ 89,363
General government	925,894
Public Safety	1,832,982
Health and Welfare	58,170
Recreation and Cultural	<u>1,027,239</u>
Total depreciation expense-governmental activities	3,933,648
Depreciation in the internal service fund	<u>2,490</u>
	<u>\$ 3,936,138</u>
Business-type activities:	
Solid Waste Disposal System	\$ 1,251,638
Delinquent Tax Revolving	32,467
Airport Commission	<u>186,118</u>
Total depreciation expense-business-type activities	<u>\$ 1,470,223</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Construction/Purchase Commitments

The County has committed to the following contracts at December 31, 2006 (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, 2006):

<u>12/31/06</u>	<u>Contract Amount</u>	<u>Payments Through</u>	<u>Accounts Payable/ 12/31/06</u>	<u>Remaining Balance Retention</u>	-
Communication System (a)	\$ 7,607,101	\$ 48,104	\$ 3,236,098	\$ 4,322,899	
Park – Phase I (b)	685,012	551,863	57,939	75,210	

(a) The County entered into contracts to revamp the communications system including the construction of a Central Dispatch Center in the County.

(b) The County is in the initial construction phase of Fort Gratiot Park.

Discretely Presented Component Units

Drain Commissioner. Activity for the Drain Commissioner for the year ended December 31, 2006, was as follows:

	<u>Balance January 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2006</u>
Capital assets, not being depreciated:				
Construction in progress	\$ 3,221,608	\$ 2,477,398	\$ 2,017,459	\$ 3,681,547
Capital assets, being depreciated:				
Infrastructure	9,583,077	1,855,144	-	11,438,221
Equipment	9,847	25,370	-	35,217
	<u>9,592,924</u>	<u>1,880,514</u>	<u>-</u>	<u>11,473,438</u>
Less accumulated depreciation for:				
Infrastructure	3,955,216	158,200	-	4,113,416
Equipment	656	2,978	-	3,634
	<u>3,955,872</u>	<u>161,178</u>	<u>-</u>	<u>4,117,050</u>
Total capital assets being depreciated, net	<u>5,637,052</u>	<u>1,719,336</u>	<u>-</u>	<u>7,356,388</u>
Drain Commissioner capital assets, net	<u>\$ 8,858,660</u>	<u>\$ 4,196,734</u>	<u>\$ 2,017,459</u>	<u>\$ 11,037,935</u>

Depreciation expense for 2006 was \$161,178.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 - CAPITAL ASSETS – (cont'd):

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

	Balance January 1, <u>2006</u>	Additions	Deletions	Adjustments/ Removals	Balance December 31, <u>2006</u>
Capital Assets, not being depreciated –					
Land	\$ 65,629	\$ -	\$ -	\$ -	\$ 65,629
Land improvements	30,306,271	1,415,012	-	-	31,721,283
Right of Ways	<u>1,184,033</u>	-	-	-	<u>1,184,033</u>
Total Capital Assets, not being depreciated	<u>31,555,933</u>	<u>1,415,012</u>	-	-	<u>32,970,945</u>
Capital Assets, being depreciated –					
Buildings and improvements	4,463,387	1,000	-	-	4,464,387
Road Equipment	10,797,040	338,005	238,637	-	10,896,408
Shop Equipment	659,882	6,108	1,654	-	664,336
Office Equipment	269,816	10,023	-	-	279,839
Engineering equipment	263,677	13,799	-	-	277,476
Infrastructure –					
Roads	83,628,972	6,261,649	-	(763,742)	89,126,879
Bridges	27,114,302	2,528,533	-	-	29,642,835
Traffic signals	385,497	26,700	-	-	412,197
Depletable assets –					
Gravel pits	<u>163,455</u>	-	-	-	<u>163,455</u>
	<u>127,746,028</u>	<u>9,185,817</u>	<u>240,291</u>	<u>(763,742)</u>	<u>135,927,812</u>
Less – accumulated depreciation for –					
Buildings and improvements	2,109,540	97,669	-	-	2,207,209
Road Equipment	8,698,799	840,006	238,381	-	9,300,424
Shop Equipment	459,065	18,364	1,654	-	475,775
Office Equipment	215,084	24,502	-	-	239,586
Engineering Equipment	194,872	17,618	-	-	212,490
Infrastructure –					
Roads	27,285,343	4,345,824	-	(763,742)	30,867,425
Bridges	10,972,628	588,273	-	-	11,560,901
Traffic signals	226,104	20,393	-	-	246,497
Depletable Assets	<u>46,342</u>	-	-	-	<u>46,342</u>
	<u>50,207,777</u>	<u>5,952,649</u>	<u>240,035</u>	<u>(763,742)</u>	<u>55,156,649</u>
Total Capital Assets, being depreciated, net	<u>77,538,251</u>	<u>3,233,168</u>	<u>256</u>	-	<u>80,771,163</u>
Governmental activity capital assets, net	<u>\$109,094,184</u>	<u>\$ 4,648,180</u>	<u>\$ 256</u>	<u>\$ -</u>	<u>\$113,742,108</u>

Depreciation expense for 2006 was \$5,952,649.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2006 was as follows:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Adjustments</u>	Balance December 31, <u>2006</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	1,063,377	48,330	-	1,111,707
Site Development	<u>288,867</u>	<u>-</u>	<u>-</u>	<u>288,867</u>
	<u>30,633,417</u>	<u>48,330</u>	<u>-</u>	<u>30,681,747</u>
Less – accumulated depreciation for –				
Site Development	95,790	13,339	-	109,129
Plant	3,745,473	212,062	-	3,957,535
Utility system	8,750,145	311,300	-	9,061,445
Machinery and equipment	<u>669,262</u>	<u>50,142</u>	<u>-</u>	<u>719,404</u>
	<u>13,260,670</u>	<u>586,843</u>	<u>-</u>	<u>13,847,513</u>
Total Capital Assets, being depreciated, net	<u>17,372,747</u>	<u>(538,513)</u>	<u>-</u>	<u>16,834,234</u>
Business type activities capital assets, net	<u>\$18,078,269</u>	<u>\$(538,513)</u>	<u>\$ -</u>	<u>\$17,539,756</u>

Depreciation expense was charged to function/programs as follows:

Business type activities –	
Water and Sewer	<u>\$ 586,843</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 5 - CAPITAL ASSETS – (cont'd):

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended September 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated –				
Land	\$ 206,551	\$ 50,000	\$ -	\$ 256,551
Construction in Progress	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>2,000</u>
	<u>206,551</u>	<u>52,000</u>	<u>-</u>	<u>258,551</u>
Capital assets being depreciated –				
Building	1,360,280	149,999	-	1,510,279
Leasehold improvements	365,403	-	-	365,403
Equipment	<u>2,186,776</u>	<u>396,158</u>	<u>408,662</u>	<u>2,174,272</u>
	<u>3,912,459</u>	<u>546,157</u>	<u>408,662</u>	<u>4,049,954</u>
Less accumulated depreciation for –				
Building	46,809	55,492	-	102,301
Leasehold improvements	194,414	29,650	-	224,064
Equipment	<u>1,494,046</u>	<u>290,897</u>	<u>375,958</u>	<u>1,408,985</u>
	<u>1,735,269</u>	<u>376,039</u>	<u>375,958</u>	<u>1,735,350</u>
Net capital assets being depreciated	<u>2,177,190</u>	<u>170,118</u>	<u>32,704</u>	<u>2,314,604</u>
Total capital assets net of depreciation	<u>\$ 2,383,741</u>	<u>\$ 222,118</u>	<u>\$ 32,704</u>	<u>\$ 2,573,155</u>

Depreciation expense for 2006 was \$376,039.

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	\$ 7,090,974	\$ 410,736
Wages and fringe benefits	1,720,475	14,576
Retainage payable	501,379	74,417
Intergovernmental –		
Federal/State	171,394	17,833
Local	<u>289,905</u>	<u>87,236</u>
	<u>\$ 9,774,127</u>	<u>\$ 604,798</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2006:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Revenue Sharing Reserve	\$ <u>1,593,489</u> (1)

(1) Additional amounts owed to general fund at year-end for replacement of Revenue Sharing

Due To/From Primary Government & Component Units –

<u>Receiving Entity</u>		
Retirement Fund	Component Unit – Road Commission	\$ <u>46,682</u> (1)
Component Unit – Road Commission	Component Units – DPW	\$ <u>42,379</u> (2)
	Primary Government – Airport	\$ 104 (2)
	General	<u>6,765</u> (2)
		\$ <u>6,869</u>

(1) To pay retirement based on fixed quarterly settlement

(2) To pay charges for operating expenses not billed until after year-end

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, 2006**

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	29,062 (6)
	Planning Commission	10,291 (6)
	Drug Task Force	285,807 (1)
	Revenue Sharing Reserve	3,214,239 (7)
	Human Services	76,160 (6)
	E-911	310,506 (4)
Health Department	General	2,139,964 (1)
	Senior Citizens Millage	21,127 (1)
Communications Construction	E-911	651,599 (3)
Nonmajor Governmental Funds –		
Planning Commission	General	403,833 (1)
Public Improvement	Landfill	500,000 (3) *
CDBG Housing	General	10,000 (1)
Human Services	General	734,750 (1)
Child Care	General	4,181,308 (1)
Tax Reserve	General	700,000 (5)
Jail Construction Debt Retirement	Delinquent Tax Revolving	2,017,863 (2) *
Building Authority Debt Retirement	General	890,196 (2)
Jail/Juvenile Facility Construction	Delinquent Tax Revolving	596,095 (3) *
Brownfield	General	2,600 (1)
Nonmajor Business Funds –		
Airport	General	<u>125,154</u> (1) *
		<u>\$ 16,900,554</u>

- (1) Annual appropriations for operations
- (2) Transfers for the payment of debt
- (3) Transfers for construction/equipment
- (4) Transfers of 911 revenues

- (5) Additional revenues collected due to shift of tax collections
- (6) Return of Equity
- (7) Substitution for State Revenue Sharing
- * Transfer Between Governmental and Business Type Activities

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 is \$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 \$669,633 per year with an adjustment 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 is \$167,408.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 8 - LEASES – (cont'd):

Department of Public Works

Lessor Leases - 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. Therefore, no assets relating to these projects have been recorded by the County. (The future minimum lease payments include other receivables of \$3,172,444 for construction in progress for Water Supply System No. XI. The future payments could not be reasonably measured because the final draw was not made as of December 31, 2006.) (See Note 9)

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

	<u>Principal</u>	<u>Interest</u>
2007	\$ 2,455,000	\$ 1,187,584
2008	2,580,000	1,115,421
2009	2,695,000	1,032,303
2010	2,680,000	945,389
2011	2,755,000	850,690
2012-2016	12,445,000	2,940,107
2017-2021	7,405,600	909,887
2022-2023	<u>450,000</u>	<u>20,820</u>
	33,465,600	9,002,201
Other receivables	<u>3,172,444</u>	<u>-</u>
	<u>\$ 36,638,044</u>	<u>\$ 9,002,201</u>

The aggregate future capital lease payments necessary for the retirement of the debt principal and accrued interest payable at December 31, 2006 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 36,638,044
Accrued interest	<u>228,496</u>
	36,866,540
Less –	
Cash available after current liabilities	(359,559)
Prepaid expense	<u>(134,020)</u>
	<u>\$ 36,372,961</u>

The restricted receivables balance on the Statement of Net Assets also includes \$25,000 restricted for capital improvements.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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, 2006:

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2006</u>	Due Within <u>One Year</u>
<u>Governmental Activities:</u>					
Governmental Fund -					
1996 Building Authority Bonds	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ -
2004 Building Authority Refunding Bonds	9,525,000	-	100,000	9,425,000	500,000
2003 General Obligation Bond	32,850,000	-	700,000	32,150,000	750,000
Installment Purchase	-	22,495	7,972	14,523	7,035
Accumulated Vacation, Sick & Compensatory	4,204,328	1,912,588	1,695,270	4,421,646	250,000
Deferred amounts for -					
Issuance Discounts	(72,156)	-	(3,207)	(68,949)	-
Issuance Premiums	336,934	-	24,066	312,868	-
Refunding Loss	(869,757)	-	(62,125)	(807,632)	-
Total Governmental Funds	<u>46,374,349</u>	<u>1,935,083</u>	<u>2,861,976</u>	<u>45,447,456</u>	<u>1,507,035</u>
Internal Service Fund -					
Workers Compensation Claims Liability	475,000	(125,881)	179,119	170,000	102,000
General, Auto and Property Insurance Claims Liability	<u>420,000</u>	<u>(174,169)</u>	<u>95,831</u>	<u>150,000</u>	<u>75,000</u>
Total Internal Service Fund	<u>895,000</u>	<u>(300,050)</u>	<u>274,950</u>	<u>320,000</u>	<u>177,000</u>
Total Governmental Activities	<u>47,269,349</u>	<u>1,635,033</u>	<u>3,136,926</u>	<u>45,767,456</u>	<u>1,684,035</u>
<u>Business Activities:</u>					
Enterprise Funds -					
Solid Waste Disposal System -					
Closure and Post-closure Costs	13,514,656	1,150,955	-	14,665,611	-
Accumulated Vacation, Sick & Compensatory	22,655	-	-	22,655	-
Delinquent Tax Revolving - Installment Contract	162,335	-	40,584	121,751	40,584
Airport Commission - Accumulated Vacation, Sick & Compensatory	<u>10,010</u>	<u>-</u>	<u>-</u>	<u>10,010</u>	<u>-</u>
Total Enterprise Funds	<u>13,709,656</u>	<u>1,150,955</u>	<u>40,584</u>	<u>14,820,027</u>	<u>40,584</u>
Total Primary Government	<u>\$ 60,979,005</u>	<u>\$ 2,785,988</u>	<u>\$ 3,177,510</u>	<u>\$ 60,587,483</u>	<u>\$ 1,724,619</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 9 - LONG-TERM DEBT – (cont'd):

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

Building Authority Bonds -

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.

\$ 9,425,000

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 \$750,000 to \$2,450,000 through April 1, 2028; plus interest ranging from 2.5 to 4.5 percent, payable semi-annually.

\$ 32,150,000

Installment Purchase -

In 2006, the County entered into an installment purchase agreement for the purchase of a vehicle. The agreement calls for three annual payments of \$7,972 with interest of 6.45% through April 2008.

\$ 14,523

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).

\$ 121,751

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, 2006. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$75,000.

\$ 150,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

Accrued Worker's Compensation Claims -

The County has estimated accrued outstanding workers' compensation insurance claims, including an estimate for claims incurred but not reported (IBNR), at December 31, 2006. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$102,000.

\$ 170,000

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 \$4,421,646, as well as the enterprise fund portion, has been recorded in the government-wide financial statements as a long-term liability. The governmental fund portion is generally liquidated by the General Fund or the fund where the employee is charged.

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, 2006, as reported in the Enterprise Funds (Landfill Fund), amounts to \$14,665,611. See Note 17 for more details regarding this matter.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2006, 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 Loans		G.O. Limited Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 500,000	\$ 368,758	\$ 47,619	\$ 937	\$ 750,000	\$ 1,299,509
2008	475,000	356,883	48,072	483	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	550,000	309,245	-	-	950,000	1,204,321
2012-16	3,055,000	1,255,707	-	-	5,700,000	5,371,920
2017-21	3,730,000	480,000	-	-	7,500,000	3,922,795
2022-26	-	-	-	-	9,900,000	2,122,519
2027-28	-	-	-	-	4,800,000	206,125
	<u>\$ 9,425,000</u>	<u>\$ 3,438,808</u>	<u>\$ 136,274</u>	<u>\$ 1,420</u>	<u>\$32,150,000</u>	<u>\$17,899,029</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - LONG-TERM DEBT – (cont'd):

COMPONENT UNITS -

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

	Balance January 1, <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2006</u>	Due Within <u>One Year</u>
Department of Public Works -					
Bonds Payable	\$ 22,330,000	\$ -	\$ 1,900,000	\$ 20,430,000	\$ 1,540,000
Drinking Water Revolving Loan	12,560,600	3,172,444	725,000	15,008,044	745,000
Revolving Loans	<u>1,370,000</u>	<u>-</u>	<u>170,000</u>	<u>1,200,000</u>	<u>170,000</u>
Total DPW	<u>36,260,600</u>	<u>3,172,444</u>	<u>2,795,000</u>	<u>36,638,044</u>	<u>2,455,000</u>
Road Commission -					
MTF Bonds – Series 1999	4,110,000	-	375,000	3,735,000	390,000
MTF Notes – Series 2001	1,500,000	-	250,000	1,250,000	250,000
Accrued vacation & sick leave	296,000	446,000	444,000	298,000	254,000
Accrued claim liability	<u>59,900</u>	<u>-</u>	<u>-</u>	<u>59,900</u>	<u>45,500</u>
Total Road Commission	<u>5,965,900</u>	<u>446,000</u>	<u>1,069,000</u>	<u>5,342,900</u>	<u>939,500</u>
Drains -					
Notes payable	3,968,350	1,975,000	1,214,317	4,729,033	3,260,317
Bonds payable	-	1,983,902	-	1,983,902	-
Deferred amounts for - Issuance premiums	<u>-</u>	<u>209,511</u>	<u>-</u>	<u>209,511</u>	<u>-</u>
	<u>3,968,350</u>	<u>4,168,413</u>	<u>1,214,317</u>	<u>6,922,446</u>	<u>3,260,317</u>
Mental Health Authority –					
Accrued vacation, sick & compensatory	<u>1,264,594</u>	<u>1,112,725</u>	<u>984,509</u>	<u>1,392,810</u>	<u>990,000</u>
Total Component Units	<u>\$47,459,444</u>	<u>\$ 8,899,582</u>	<u>\$ 6,062,826</u>	<u>\$ 50,296,200</u>	<u>\$ 7,644,817</u>

Department of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works 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:

Purpose	Interest Rate	
Governmental activities	3.375 – 7.10	\$ 11,195,000
Governmental activities – refunding	1.50 – 4.90	9,235,000
		\$ 20,430,000

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.

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

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, 2006 the bonds outstanding of \$960,000, \$3,835,000, \$1,630,000, and \$380,000, 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.

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. In 2006, there was a draw of \$3,172,444 for the construction of Water Supply System No. XI Series 2006 Bonds. As of December 31, 2006, the construction of WSS No. XI (Ira Township) was not completed.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - LONG-TERM DEBT – (cont'd):

The principle and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the 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%	\$ 15,008,044

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%	\$ 1,200,000

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

<u>Year Ending December 31.</u>	<u>General Obligation Bonds</u>		<u>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>
2007	\$ 1,540,000	\$ 832,443	\$ 745,000	\$ 331,141	\$ 170,000	\$ 24,000
2008	1,630,000	777,493	770,000	317,328	180,000	20,600
2009	1,730,000	717,288	785,000	298,015	180,000	17,000
2010	1,695,000	653,723	800,000	278,266	185,000	13,400
2011	1,745,000	582,850	820,000	258,140	190,000	9,700
2012-2016	7,710,000	1,936,813	4,440,000	994,393	295,000	8,900
2017-2021	3,930,000	508,842	3,475,600	401,046	-	-
2022-2023	<u>450,000</u>	<u>20,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 20,430,000</u>	<u>\$ 6,030,272</u>	<u>\$11,835,600</u>	<u>\$2,878,329</u>	<u>\$ 1,200,000</u>	<u>\$ 93,600</u>

In 2006, there was a draw of \$3,172,444 for the construction of Water Supply System No. XI Series 2006 Bonds. As of December 31, 2006, the construction of WSS No. XI (Ira Township) was not completed, and a final payment schedule has not been determined and therefore not included in the annual maturity above.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - LONG-TERM DEBT – (cont'd):

	<u>Interest Rate (Percent)</u>	<u>Balance December 31, 2006</u>
Governmental Activities (G.O. Bonds) -		
Water Supply System No. VI Series 1990 Bonds (Kimball Township)	7.00-7.10	\$ 165,000
Sewage Disposal System No. X – Series 2000 Bonds (Village of Capac)	5.00-5.55	635,000
Water Supply System No. IX – Series 2000 Bonds (Burtchville Township)	4.50-6.00	1,800,000
Sewage Disposal System No. I – Series 1999 Bonds (City of Algonac/Clay and Ira Townships)	5.00-5.125	1,330,000
Water Supply System No. II-A Series 2001 Bonds (Clay Township)	4.00-5.00	4,550,000
Sewage Disposal System No. I – Series 2003 Bonds (City of Algonac/Clay and Ira Townships)	3.375-4.60	<u>2,715,000</u>
		<u>\$ 11,195,000</u>
Governmental Activities (G.O. Refunding) -		
Water Supply System No. IIA – 1999 Refunding Bonds (Clay Township)	3.95-4.90	\$ 995,000
Water Supply System VII – 2003 A Refunding Bonds (Ira Township)	2.25-4.125	3,845,000
Water Supply System VII – 2003 B Refunding Bonds (Ira Township)	2.00-3.80	1,700,000
Sewage Disposal System X – 2004 Refunding Bonds (Village of Capac)	2.00-3.75	355,000
Water Supply System IX – 2004 Refunding Bonds (Burtchville Township)	1.50-3.60	<u>2,340,000</u>
		<u>\$ 9,235,000</u>
Governmental Activities (Revolving Loans) –		
Water Supply System X Series 1999 (City of Algonac/Clay Township)	2.5	\$ 5,515,600
Water Supply System III Series 1999 (Charter Townships of East China and China)	2.5	6,320,000
Water Supply System XI Series 2006 (Ira Township)	2.125	3,172,444
Sewage Disposal System XI Series 1993 (City of Yale)	2.0	985,000
Sewage Disposal System No. X Series 1999 (Village of Capac)	2.0	<u>215,000</u>
		<u>\$16,208,044</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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, 2007 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, 2006 was \$3,735,000.

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, 2007 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, 2006 was \$1,250,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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 \$128,000 for sick leave and \$170,000 for vacation at December 31, 2006.

Accrued Claims Liability -

The Road Commission is self-insured for health care benefits. 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, 2006.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2006, except compensated absences and accrued claims, are as follows:

	<u>MTF Bonds-Series 1999</u>		<u>MTF Notes-Series 2001</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	475,000	99,763	250,000	10,000	834,763
2012-2014	<u>1,575,000</u>	<u>157,375</u>	<u>-</u>	<u>-</u>	<u>1,732,375</u>
	<u>\$ 3,735,000</u>	<u>\$ 853,318</u>	<u>\$1,250,000</u>	<u>\$ 148,500</u>	<u>\$5,986,818</u>

Drain Commission

South Branch of Mill Creek Intercounty Drain Bonds -

In November 2006 the South Branch of Mill Creek Intercounty Drainage District issued \$3,220,000 of bonds for improvements to the drain. The Drainage District includes both St. Clair and Lapeer Counties, and the bonds are backed by the full faith and credit of both Counties. Payments on the bonds have been split 61.61% and 38.39% for St. Clair County and Lapeer County, respectively, and will be paid from special assessments against property and public corporations within the Drainage District. St. Clair County is responsible for maintaining the fund to account for the activity of the issue and the construction, with the respective portions being reported by the two Counties.

Principal on the bonds is due on June 1, 2008 through 2017 with interest due semi-annually at interest rates ranging from 4.0% to 6.0%. St. Clair County's portion of the bonds at December 31, 2006 was \$1,983,902.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Notes -

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 is made from the special assessment revenues, payment from other government units, etc. During the year the Drain Commission issued \$1,975,000 of drain notes. The balance at December 31, 2006 was as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities -		
Blue River Gardens	4.33 %	\$ 250,000
Dana	5.90	720,000
Huffman & Branches	4.33	800,000
Huffman & Branches	4.35	300,000
Layle-Robbins Drain	4.25	20,000
202 County Drain	4.48	30,000
Moore & Branch No. 1	5.75	160,000
McGeorge & Branches	4.31	56,000
209 County Drain	4.90	96,000
Simpson	2.99	30,600
Stocks Creek & Branch	4.33	225,000
Galbraith County Drain	4.35	300,000
Jackson Creek Intercounty Drain	2.25	38,500
Metcalf	5.54	325,000
211 County Drain	4.35	225,000
South Branch Pine River	4.35	75,000
Carrigan Branches	4.48	10,000
Carrigan Branch Drain	4.25	100,000
Shanahan Drain	4.25	75,000
Scheffler Drain	4.48	50,000
Swertout Drain	4.48	20,000
Coon Creek Intercounty Drain	4.25	25,000
Cox-Doty & Stein County Drain	4.27	75,000
Gossman & Branches County Drain	4.27	75,000
Holland & Branches County Drain	4.27	120,000
King County Drain	4.27	25,000
Lakeland County Drain	4.27	40,000
Macomb County Drain	4.27	60,000
Railroad and Branches County Drain	4.27	50,000
Smith-Cottrellville County Drain	3.85	52,933
Robbins Drain	5.60	<u>300,000</u>
		<u>\$ 4,729,033</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 9 - LONG-TERM DEBT – (cont'd):

Annual debt service requirements to maturities are as follows:

Year Ended December 31,	Bonds		Notes	
	Principle	Interest	Principle	Interest
2007	\$ -	\$ 97,378	\$ 3,260,317	\$ 225,154
2008	184,836	87,051	279,716	82,384
2009	197,158	64,078	206,000	67,719
2010	200,239	52,541	206,000	56,075
2011	200,239	42,688	166,000	44,371
2012-2016	1,001,192	119,007	611,000	87,645
2017	<u>200,238</u>	<u>6,007</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,983,902</u>	<u>\$ 468,750</u>	<u>\$ 4,729,033</u>	<u>\$ 563,348</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, 2005 was composed of 996 active participants, 482 retirees and beneficiaries, and 93 inactive but vested members. In general all employees are eligible for regular retirement as follows:

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

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

NOTE 10 - RETIREMENT PLAN – (cont'd):

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

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability – Sheriff's Department plan members 10 or more years of service, others no age or service requirements but must be in receipt of Worker's Compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,500 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 in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of the Plan.

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, 2006, contributions totaling \$6,457,568 (\$4,211,036 employer and \$2,246,532 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2004. The employer and employee contributions represented 9.50% 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. Most administrative costs of the plan are paid with retirement assets.

The required contribution rate was determined as part of the December 31, 2004 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, 2005 of 24 years.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 10 - RETIREMENT PLAN – (cont'd):

Schedule of Funding Progress -

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b)-(a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered (b-a)/(c)</u>
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
12/31/05*#	153,016,205	159,090,379	6,074,174	96.2	42,622,922	14.3

*Plan amended

#Certain assumptions revised

Schedule of Employer Contributions -

<u>Year Ended December 31,</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 1,408,431	100.00 %	\$ 0
2005	2,791,134	100.00	0
2006	4,211,036	100.00	0

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.

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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2006

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

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. Benefits and refunds are recognized when due and payable, in accordance with the terms of the plan. The plan requires no member contribution except for one contract which specifies employee contributions from .83% to 1.25% effective July 1, 2006.

Contribution and Funding Policy -

During the year ended December 31, 2006, contributions of \$1,635,431 (\$1,613,011 employer and \$22,420 employee) were made. Employer contributions represented approximately 3.5 percent of covered payroll. The actuarial valuation dated December 31, 2004 determined a contribution rate of 17.84 percent of covered payroll for 2006 using an assumed rate of increase of health care costs for 2006 of 9.5%.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government –

One of the County's major taxpayers, the Detroit Edison Company, is appealing its tax assessments for the 2002-2006 tax assessments. The taxpayer has paid the contested amount. Should the taxpayer prevail, the County would be required to refund approximately \$9,922,000 plus interest for the 2002, 2003, 2004 and 2005 tax levies. In addition, the County would be required to refund approximately \$2,713,000 for the 2006 tax levy, which is recorded as revenue by the County in 2007. The County has designated fund balance for 60% of the contested amounts except in the Drug Task Force Fund where approximately 32%, 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.

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

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

Road Commission –

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

NOTE 13 - RISK MANAGEMENT:

Primary Government -

The County is self-insured for property and liability, health care, unemployment, workers' compensation, and disability. Property and liability insurance are charged to participating funds based on the County's cost allocation plan. 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 for health care, unemployment, workers' compensation and disability. 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 2006.

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 \$170,000 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 Municipal Risk Management Authority established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately.

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 13 - RISK MANAGEMENT – (cont'd):

The Authority administers risk management funds providing St. Clair County with loss protection for general and auto liability, 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
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 2006, 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 \$150,000, which is recorded in the Self-Insurance Fund.

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 \$613,926 at December 31, 2006, which is recorded as current liabilities in the Self Insurance (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>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 420,000	\$ 575,000	\$ -	\$ -	\$ -	\$ 96,445
Incurred claims (including IBNR's)	(174,169)	106,913	378,850	293,483	72,461	45,482
Claims Paid	(95,831)	(261,913)	(378,850)	(293,483)	(72,461)	(141,927)
Unpaid claims, end of year	150,000	420,000	-	-	-	-
Less current portion	(75,000)	(210,000)	-	-	-	-
Long-Term Liabilities	<u>\$ 75,000</u>	<u>\$ 210,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 13 - RISK MANAGEMENT – (cont'd):

	<u>Workers Compensation</u>		<u>Health Care</u>		<u>Total</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of year	\$ 475,000	\$ 170,000	\$ 398,065	\$ 573,586	\$ 1,293,065	\$ 1,415,031
Incurred claims (including IBNR's)	(125,881)	487,623	5,397,732	6,727,485	5,548,993	7,660,986
Claims Paid	(179,119)	(182,623)	(5,181,871)	(6,903,006)	(5,908,132)	(7,782,952)
Unpaid claims, end of year	170,000	475,000	613,926	398,065	933,926	1,293,065
Less current portion	(102,000)	(266,400)	(613,926)	(398,065)	(790,926)	(874,465)
Long-Term Liabilities	<u>\$ 68,000</u>	<u>\$208,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,000</u>	<u>\$ 418,600</u>

Component Units -

Road Commission -

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

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

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

The Road Commission is also a member of the County Road Commission Road Association Self-Insurance Fund for Workers' Compensation self-insurance. This 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 is self-insured for health care benefits. 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, 2006, which has been accrued on the Statement of Net Assets.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 13 - RISK MANAGEMENT – (cont'd):

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 \$810,810,349. This represents approximately 13 percent of the taxable value for the County.

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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, 2006:

<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	17,080
	Substance Abuse	<u>364,823</u>
		<u>381,903</u>
Communications Construction	Prepaid Expenditures	<u>30,002</u>
County Library	Prepaid Expenditures	<u>6,000</u>
Non-major Governmental Funds –		
Municipal Building	Capital Project	273,393
Building Authority	Capital Project	63
Permanent Fund –		
Lewis Memorial Endowment		<u>23,906</u>
Total Nonmajor Governmental Funds		<u>297,362</u>
Total Government Funds		<u>807,233</u>
Fiduciary Fund –		
Pension and Other		
Employee Benefits	Pension Benefit	213,372,880
Landfill Perpetual Care	Perpetual Care	<u>1,619,848</u>
		<u>214,992,728</u>
Total Primary Government Reserved Fund Balance		<u>\$ 215,799,961</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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, 2006:

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government -		
General Fund	Potential Tax Refund	\$ 4,127,132
	Budget Stabilization	2,333,873
	Criminal Justice Training Grant	12,957
	Prosecutor's Drug Forfeitures	22,962
	Cooperative Extension Grants	<u>789</u>
		<u>6,497,713</u>
Health Department	Potential Grant Refund	<u>250,000</u>
Parks and Recreation	Potential Tax Refund	415,262
	Future Projects	<u>1,415,000</u>
		<u>1,830,262</u>
Revenue Sharing Reserve	Potential Tax Refund	<u>1,129,369</u>
Library	Potential Tax Refund	<u>418,949</u>
Senior Citizens Millage	Potential Tax Refund	<u>418,949</u>
Nonmajor Funds -		
Special Revenue Funds -		
Drug Task Force	Potential Tax Refund	124,440
County Planning	Agricultural Preservation	<u>9,249</u>
		<u>133,689</u>
Debt Service Funds -		
Communications	Debt Retirement	404,338
Building Authority	Debt Retirement	13,353
Jail/Juvenile Facilities	Debt Retirement	<u>163</u>
		<u>417,854</u>
		<u>551,543</u>
Total Designated Fund Balance – Primary Government		<u>\$ 11,096,785</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 capacity used during the year. The estimated liability for landfill closure and postclosure care costs was \$14,665,611 at December 31, 2006, which is based on the estimated percentage of capacity used to date of 50.6%.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

Currently the County has 75 acres licensed, with an additional 27 acres available for licensing. It is estimated that an additional \$14,302,933 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 17 years.

The estimated total current cost of the landfill closure and post-closure care cost of \$28,968,544 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, 2006. 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 \$2,305,000 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 beginning net assets of the Delinquent Tax Revolving Fund (Business-Type Activities) has been restated by \$692,997 to record the accrued interest, administrative and other fees due on delinquent taxes. Previously these charges were recorded as they were collected.

NOTE 19 – SUBSEQUENT EVENT:

In March of 2007, the County issued general obligation limited tax bonds for the construction of a 911 communication system and a consolidated office building for the Community Mental Health Authority. The bonds were issued with two separate series – 2007A for \$10,490,000 for the Community Mental Health Authority and 2007B for \$3,500,000 for the Communication System. Principal and interest payments on the bonds are due semi-annually through April 2026 and April 2021 for the Series 2007A and 2007B, respectively.

The Community Mental Health Authority has signed a lease agreement to lease the new consolidated office building from the County for the term of the bonds, at which time title to the facility will revert to the Authority. Annual lease payments will equal the debt retirement on the bonds, plus any additional costs incurred by the County.

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>
12/31/96 *	\$ 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	139,409,729	(7,146,852)	105.13%	38,047,803	-18.78%
12/31/04 *	144,411,118	149,377,188	4,966,070	96.68%	39,609,752	12.54%
12/31/05 *,#	153,016,205	159,090,379	6,074,174	96.18%	42,622,922	14.25%

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>
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%
2006	4,211,036	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, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 31,161,288	\$ 32,407,472	\$ 32,535,308	\$ 127,836
Licenses and permits	442,050	442,050	434,443	(7,607)
Intergovernmental -				
Federal/State	7,309,082	8,794,763	8,676,173	(118,590)
Local	1,478,421	1,584,769	1,585,886	1,117
Charges for services	4,979,494	4,979,705	5,067,409	87,704
Fines and forfeits	521,600	523,600	485,792	(37,808)
Interest and rent	1,869,582	2,478,582	2,917,987	439,405
Other	1,717,802	1,813,267	1,828,526	15,259
Total Revenues	<u>49,479,319</u>	<u>53,024,208</u>	<u>53,531,524</u>	<u>507,316</u>
Expenditures:				
Legislative:				
Board of Commissioners	205,493	205,493	201,466	4,027
Other Legislative Activities	412,037	948,087	1,160,990	(212,903)
	<u>617,530</u>	<u>1,153,580</u>	<u>1,362,456</u>	<u>(208,876)</u>
Judicial:				
Circuit Court	1,794,725	1,951,693	1,970,115	(18,422)
District Court	2,341,619	2,354,062	2,390,713	(36,651)
Courthouse Security	382,859	382,859	367,526	15,333
Friend of the Court	2,592,336	2,605,820	2,446,706	159,114
Law Library	500	4,500	4,374	126
Probate Court	809,650	746,160	747,079	(919)
Family Division - Circuit Court	2,122,803	2,200,789	2,222,216	(21,427)
Probation	19,200	22,333	16,538	5,795
District Court Probation	623,192	625,737	608,712	17,025
Family Counseling	20,000	-	-	-
Other Corrections Activities	904,485	890,644	941,176	(50,532)
	<u>11,611,369</u>	<u>11,784,597</u>	<u>11,715,155</u>	<u>69,442</u>
General Government:				
Administrator/Controller	398,895	392,040	383,775	8,265
Elections	132,592	139,592	137,589	2,003
Accounting	431,935	400,021	382,923	17,098
Clerk	884,142	889,859	867,809	22,050
Equalization	916,461	875,196	859,874	15,322
Human Resources	707,890	716,493	707,373	9,120
Prosecuting Attorney	2,445,697	2,496,756	2,438,290	58,466
Victims Rights	10,800	12,800	11,288	1,512
Purchasing	129,991	182,319	173,081	9,238
Register of Deeds	339,801	344,600	329,643	14,957
Boundary Commission	200	200	-	200
Treasurer	656,258	727,793	687,824	39,969
Cooperative Extension	515,216	486,615	471,364	15,251
Information Technology	2,434,443	2,601,343	2,594,985	6,358
Building and Grounds	3,350,482	3,058,397	2,875,299	183,098
Drain Commissioner	431,534	435,668	400,726	34,942
Motor Pool	10,705	11,705	11,003	702
	<u>13,797,042</u>	<u>13,771,397</u>	<u>13,332,846</u>	<u>438,551</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, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Other Corrections Activities	207,516	177,675	87,431	90,244
Sheriff	5,929,747	6,241,116	6,238,525	2,591
Training	10,000	20,000	18,797	1,203
Communications/Radio	1,061,600	1,110,600	1,131,847	(21,247)
Marine Law Enforcement	300,000	353,870	358,052	(4,182)
Dive Team	8,194	22,694	20,686	2,008
Correction / Jail	8,233,843	8,724,773	8,892,080	(167,307)
Jail Population Monitor	-	11,500	10,159	1,341
Emergency Prep	347,344	1,636,479	1,655,378	(18,899)
Hazardous Material Handling	36,582	41,369	40,358	1,011
Animal Shelter/Dog Warden	340,102	351,593	341,224	10,369
	<u>16,474,928</u>	<u>18,691,669</u>	<u>18,794,537</u>	<u>(102,868)</u>
Public Works:				
Road Commission	600,000	600,000	600,000	-
Drains	125,000	136,551	155,127	(18,576)
	<u>725,000</u>	<u>736,551</u>	<u>755,127</u>	<u>(18,576)</u>
Health and Welfare:				
Medical Examiner	-	238,901	236,967	1,934
Mental Health	955,672	955,672	955,672	-
Public Guardian	243,655	269,792	273,157	(3,365)
Veterans Burial	21,300	21,300	15,400	5,900
Veterans Counselor	201,486	239,219	230,500	8,719
Soldiers and Sailors Relief	1,350	1,350	-	1,350
	<u>1,423,463</u>	<u>1,726,234</u>	<u>1,711,696</u>	<u>14,538</u>
Other:				
Insurance	650,000	650,000	650,000	-
Debt Service:				
Principal	7,972	7,972	7,972	-
Total Expenditures	<u>45,307,304</u>	<u>48,522,000</u>	<u>48,329,789</u>	<u>192,211</u>
Revenues over expenditures	<u>4,172,015</u>	<u>4,502,208</u>	<u>5,201,735</u>	<u>699,527</u>
Other Financing Sources (Uses):				
Lease proceeds	-	-	22,495	22,495
Transfers from other funds	3,723,365	3,940,385	3,926,065	(14,320)
Transfers to other funds	<u>(7,895,380)</u>	<u>(8,937,805)</u>	<u>(9,187,805)</u>	<u>(250,000)</u>
Total Other Financing Sources (Uses)	<u>(4,172,015)</u>	<u>(4,997,420)</u>	<u>(5,239,245)</u>	<u>(241,825)</u>
Net Change in Fund Balance	-	(495,212)	(37,510)	457,702
Fund Balance at beginning of year	<u>7,971,628</u>	<u>7,971,628</u>	<u>7,971,628</u>	-
Fund Balance at end of year	<u>\$ 7,971,628</u>	<u>\$ 7,476,416</u>	<u>\$ 7,934,118</u>	<u>\$ 457,702</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, 2006

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ -	\$ -	\$ 302,664	\$ 302,664
Intergovernmental -				
Federal/State	4,930,040	4,930,040	6,049,502	1,119,462
Local	-	-	344,168	344,168
Charges for services	1,862,799	1,859,529	1,249,067	(610,462)
Interest and rent	-	-	10,383	10,383
Other	<u>759,948</u>	<u>759,948</u>	<u>27,113</u>	<u>(732,835)</u>
Total Revenues	<u>7,552,787</u>	<u>7,549,517</u>	<u>7,982,897</u>	<u>433,380</u>
Expenditures:				
Health and Welfare	<u>10,422,882</u>	<u>10,189,481</u>	<u>9,959,195</u>	<u>230,286</u>
Revenues under expenditures	<u>(2,870,095)</u>	<u>(2,639,964)</u>	<u>(1,976,298)</u>	<u>663,666</u>
Other Financing Sources (Uses):				
Transfers from other funds	2,370,095	2,139,964	2,161,091	21,127
Transfers to other funds	<u>-</u>	<u>(29,062)</u>	<u>(29,062)</u>	<u>-</u>
	<u>2,370,095</u>	<u>2,110,902</u>	<u>2,132,029</u>	<u>21,127</u>
Net Change in Fund Balance	(500,000)	(529,062)	155,731	684,793
Fund Balance at beginning of year	<u>1,412,578</u>	<u>1,412,578</u>	<u>1,412,578</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 912,578</u></u>	<u><u>\$ 883,516</u></u>	<u><u>\$ 1,568,309</u></u>	<u><u>\$ 684,793</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, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 2,811,000	\$ 2,887,400	\$ 2,887,163	\$(237)
Intergovernmental - Federal/State	-	-	175,450	175,450
Charges for services	39,000	58,500	61,865	3,365
Interest and rent	35,000	275,980	285,842	9,862
Other	1,000	34,620	34,641	21
Total Revenues	<u>2,886,000</u>	<u>3,256,500</u>	<u>3,444,961</u>	<u>188,461</u>
 Expenditures:				
Recreation and Culture	<u>3,213,000</u>	<u>3,705,705</u>	<u>3,968,790</u>	<u>(263,085)</u>
Net Change in Fund Balance	(327,000)	(449,205)	(523,829)	(74,624)
Fund Balance at beginning of year	<u>4,614,830</u>	<u>4,614,830</u>	<u>4,614,830</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 4,287,830</u></u>	<u><u>\$ 4,165,625</u></u>	<u><u>\$ 4,091,001</u></u>	<u><u>\$(74,624)</u></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, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,895,540	\$ 2,895,540	\$ 2,919,591	\$ 24,051
Intergovernmental -				
Federal/State	182,083	168,083	158,168	(9,915)
Local	8,000	8,000	8,000	-
Charges for services	41,000	41,000	46,785	5,785
Fines and forfeits	925,000	915,000	846,188	(68,812)
Interest and rent	89,600	119,600	183,989	64,389
Other	16,300	16,300	87,529	71,229
Total Revenues	<u>4,157,523</u>	<u>4,163,523</u>	<u>4,250,250</u>	<u>86,727</u>
Expenditures:				
Recreation and Culture	<u>4,786,225</u>	<u>4,658,907</u>	<u>4,634,688</u>	<u>24,219</u>
Net Change in Fund Balance	(628,702)	(495,384)	(384,438)	110,946
Fund Balance at beginning of year	<u>1,909,854</u>	<u>1,909,854</u>	<u>1,909,854</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,281,152</u></u>	<u><u>\$ 1,414,470</u></u>	<u><u>\$ 1,525,416</u></u>	<u><u>\$ 110,946</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, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 10,000,000	\$ 10,000,000	\$ 9,811,782	\$(188,218)
Interest and rent	50,000	57,000	586,127	529,127
Total Revenues	<u>10,050,000</u>	<u>10,057,000</u>	<u>10,397,909</u>	<u>340,909</u>
Other Financing Uses:				
Transfers to other funds	<u>(3,111,558)</u>	<u>(3,214,239)</u>	<u>(3,214,239)</u>	<u>-</u>
Net Change in Fund Balance	6,938,442	6,842,761	7,183,670	340,909
Fund Balance at beginning of year	<u>14,620,557</u>	<u>14,620,557</u>	<u>14,620,557</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 21,558,999</u></u>	<u><u>\$ 21,463,318</u></u>	<u><u>\$ 21,804,227</u></u>	<u><u>\$ 340,909</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SPECIAL REVENUE FUND
SENIOR CITIZENS MILLAGE**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,894,391	\$ 2,894,391	\$ 2,912,775	\$ 18,384
Charges for services	-	-	270	270
Interest and rent	13,000	70,000	81,353	11,353
Total Revenues	<u>2,907,391</u>	<u>2,964,391</u>	<u>2,994,398</u>	<u>30,007</u>
 Expenditures:				
Health and Welfare	<u>3,310,096</u>	<u>3,310,096</u>	<u>2,864,548</u>	<u>445,548</u>
Revenues over (under) expenditures	(402,705)	(345,705)	129,850	475,555
 Other Financing Uses:				
Transfers to other funds	<u>(20,000)</u>	<u>(20,000)</u>	<u>(21,127)</u>	<u>(1,127)</u>
Net Change in Fund Balance	(422,705)	(365,705)	108,723	474,428
Fund Balance at beginning of year	<u>832,244</u>	<u>832,244</u>	<u>832,244</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 409,539</u></u>	<u><u>\$ 466,539</u></u>	<u><u>\$ 940,967</u></u>	<u><u>\$ 474,428</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.

SUPPLEMENTARY INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

Brownfield Redevelopment – is used to account for earmarked funds set aside under Public Act 381 for the St. Clair County Brownfield Redevelopment Authority as well as federal and state grants received by this authority. These funds are used to encourage redevelopment, including tax increment financing revolving loan funds and tax credits.

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

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 after 1987 for renovations made to qualified housing. It is also used to account for the loans resulting from these renovation projects.

HUD 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.

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.

Tax Reserve – is used to account for additional tax revenues collected due to a State mandated collection shift. These funds will be used to smooth the effects of the tax shift in later years.

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 – 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.

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

PERMANENT FUND

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

ASSETS	<u>Friend of Court</u>	<u>County Planning</u>	<u>Brownfield Redevelopment</u>	<u>Public Improvement</u>	<u>Drug Task Force</u>
Cash and cash equivalents	\$ 15,725	\$ 35,216	\$ 2,600	\$ 992,224	\$ 385,258
Investments	180,000	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	1,549,160
Accounts and interest	3,767	-	-	-	-
Due from other governmental units -					
Federal/State	59,807	105,435	-	-	-
Local	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 259,299</u>	<u>\$ 140,651</u>	<u>\$ 2,600</u>	<u>\$ 992,224</u>	<u>\$ 1,934,418</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ 3,871	\$ -	\$ 55,862	\$ 39,053
Accrued liabilities	12,123	18,056	-	-	38,660
Due to other governmental units -					
Federal/State	-	-	-	-	-
Deferred revenue	-	58,971	-	-	1,732,265
Total Liabilities	<u>12,123</u>	<u>80,898</u>	<u>-</u>	<u>55,862</u>	<u>1,809,978</u>
 Fund Balance:					
Reserved -					
Capital Projects	-	-	-	-	-
Permanent Fund - Library Memorial	-	-	-	-	-
Unreserved -					
Designated -					
Potential Tax Refund	-	-	-	-	124,440
Debt Services	-	-	-	-	-
Other	-	9,249	-	-	-
Undesignated - Special Revenue Funds	247,176	50,504	2,600	936,362	-
Total Fund Balance	<u>247,176</u>	<u>59,753</u>	<u>2,600</u>	<u>936,362</u>	<u>124,440</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 259,299</u>	<u>\$ 140,651</u>	<u>\$ 2,600</u>	<u>\$ 992,224</u>	<u>\$ 1,934,418</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>
\$ 235,005	\$ 345,902	\$ 295,278	\$ 95,311	\$ 294,377	\$ 551,227	\$ 8,218
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	532	732,559	333,381	-	3,685	-
1,888	-	-	-	38,304	403,413	-
-	-	-	-	-	-	-
<u>\$ 236,893</u>	<u>\$ 346,434</u>	<u>\$ 1,027,837</u>	<u>\$ 428,692</u>	<u>\$ 332,681</u>	<u>\$ 958,325</u>	<u>\$ 8,218</u>
\$ 2,598	\$ -	\$ 6,212	\$ -	\$ -	\$ 53,169	\$ 697
-	-	-	-	291	129,411	-
-	-	124,385	-	279	-	-
-	-	607,316	333,381	-	87,755	-
<u>2,598</u>	<u>-</u>	<u>737,913</u>	<u>333,381</u>	<u>570</u>	<u>270,335</u>	<u>697</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
234,295	346,434	289,924	95,311	332,111	687,990	7,521
<u>234,295</u>	<u>346,434</u>	<u>289,924</u>	<u>95,311</u>	<u>332,111</u>	<u>687,990</u>	<u>7,521</u>
<u>\$ 236,893</u>	<u>\$ 346,434</u>	<u>\$ 1,027,837</u>	<u>\$ 428,692</u>	<u>\$ 332,681</u>	<u>\$ 958,325</u>	<u>\$ 8,218</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	Special Revenue Funds				
	Local				
	E - 911	Deeds Automation	Corrections and Training	Family Counseling	Tax Reserve
ASSETS					
Cash and cash equivalents	\$ 217,225	\$ 167,910	\$ 56,885	\$ 192,558	\$ 700,000
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	805	-	30	-
Due from other governmental units -					
Federal/State	-	-	-	-	-
Local	-	-	-	-	-
Total Assets	\$ 217,225	\$ 168,715	\$ 56,885	\$ 192,588	\$ 700,000
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 147	\$ 1,824	\$ 260	\$ -	\$ -
Accrued liabilities	-	1,673	882	-	-
Advances and deposits					
Federal/State	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	147	3,497	1,142	-	-
 Fund Balance:					
Reserved -					
Capital Projects	-	-	-	-	-
Permanent Fund - Library Memorial	-	-	-	-	-
Unreserved -					
Designated -					
Potential Tax Refund	-	-	-	-	-
Debt Services	-	-	-	-	-
Future Projects/Technology	-	-	-	-	-
Undesignated - Special Revenue Funds	217,078	165,218	55,743	192,588	700,000
Total Fund Balance	217,078	165,218	55,743	192,588	700,000
 Total Liabilities and Fund Balance	\$ 217,225	\$ 168,715	\$ 56,885	\$ 192,588	\$ 700,000

Debt Service Funds			Capital Projects Funds			Permanent Fund	Total
Communications	Building Authority	Jail/Juvenile Facility	Municipal Building	Building Authority	Jail/Juvenile Facility	Lewis Memorial Endowment	
\$ 375,146	\$ 13,353	\$ 163	\$ 296,674	\$ 63	\$ 1,067,471	\$ 5,163	\$ 6,348,952
-	-	-	-	-	-	18,050	198,050
-	-	-	-	-	-	-	1,549,160
-	-	-	980	-	-	693	1,076,432
-	-	-	-	-	-	-	608,847
29,192	-	-	-	-	-	-	29,192
<u>\$ 404,338</u>	<u>\$ 13,353</u>	<u>\$ 163</u>	<u>\$ 297,654</u>	<u>\$ 63</u>	<u>\$ 1,067,471</u>	<u>\$ 23,906</u>	<u>\$ 9,810,633</u>
\$ -	\$ -	\$ -	\$ 24,261	\$ -	\$ 1,067,471	\$ -	\$ 1,255,425
-	-	-	-	-	-	-	201,096
-	-	-	-	-	-	-	124,664
-	-	-	-	-	-	-	2,819,688
-	-	-	24,261	-	1,067,471	-	4,400,873
-	-	-	273,393	63	-	-	273,456
-	-	-	-	-	-	23,906	23,906
-	-	-	-	-	-	-	124,440
404,338	13,353	163	-	-	-	-	417,854
-	-	-	-	-	-	-	9,249
-	-	-	-	-	-	-	4,560,855
<u>404,338</u>	<u>13,353</u>	<u>163</u>	<u>273,393</u>	<u>63</u>	<u>-</u>	<u>23,906</u>	<u>5,409,760</u>
<u>\$ 404,338</u>	<u>\$ 13,353</u>	<u>\$ 163</u>	<u>\$ 297,654</u>	<u>\$ 63</u>	<u>\$ 1,067,471</u>	<u>\$ 23,906</u>	<u>\$ 9,810,633</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, 2006**

	<u>Friend of Court</u>	<u>County Planning</u>	<u>Brownfield Redevelopment</u>	<u>Public Improvement</u>	<u>Drug Task Force</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,633,425
Intergovernmental -					
Federal/State	269,308	154,245	-	-	30,974
Charges for services	56,681	43,209	-	-	-
Fines and forfeits	-	-	-	-	1,675
Interest and rent	35,382	-	-	-	1,119
Other	-	7,925	-	-	240
Total Revenues	<u>361,371</u>	<u>205,379</u>	<u>-</u>	<u>-</u>	<u>1,667,433</u>
Expenditures:					
Current -					
Judicial	361,529	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	1,395,388
Health and Welfare	-	-	-	-	-
Community and Economic Development	-	632,834	-	-	-
Capital Outlay	-	-	-	472,357	-
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>361,529</u>	<u>632,834</u>	<u>-</u>	<u>472,357</u>	<u>1,395,388</u>
Revenues over (under) expenditures	<u>(158)</u>	<u>(427,455)</u>	<u>-</u>	<u>(472,357)</u>	<u>272,045</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	403,833	2,600	500,000	-
Transfers to other funds	-	(10,291)	-	-	(285,807)
Total Other Financing Sources (Uses)	<u>-</u>	<u>393,542</u>	<u>2,600</u>	<u>500,000</u>	<u>(285,807)</u>
Net Change in Fund Balance	(158)	(33,913)	2,600	27,643	(13,762)
Fund Balances at beginning of year	<u>247,334</u>	<u>93,666</u>	<u>-</u>	<u>908,719</u>	<u>138,202</u>
Fund Balances at end of year	<u>\$ 247,176</u>	<u>\$ 59,753</u>	<u>\$ 2,600</u>	<u>\$ 936,362</u>	<u>\$ 124,440</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>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,888	-	-	-	485,184	912,430	20,460
-	-	-	-	-	98,773	-
83,622	-	-	-	-	-	-
-	17,597	15,568	-	-	-	-
-	-	43,261	-	98,644	28,094	-
<u>85,510</u>	<u>17,597</u>	<u>58,829</u>	<u>-</u>	<u>583,828</u>	<u>1,039,297</u>	<u>20,460</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
145,231	-	-	-	-	-	-
-	10,900	141,089	-	1,189,292	4,538,385	20,807
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>145,231</u>	<u>10,900</u>	<u>141,089</u>	<u>-</u>	<u>1,189,292</u>	<u>4,538,385</u>	<u>20,807</u>
<u>(59,721)</u>	<u>6,697</u>	<u>(82,260)</u>	<u>-</u>	<u>(605,464)</u>	<u>(3,499,088)</u>	<u>(347)</u>
-	-	10,000	-	734,750	4,181,308	-
-	-	-	-	(76,160)	-	-
-	-	10,000	-	658,590	4,181,308	-
(59,721)	6,697	(72,260)	-	53,126	682,220	(347)
<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>\$ 234,295</u>	<u>\$ 346,434</u>	<u>\$ 289,924</u>	<u>\$ 95,311</u>	<u>\$ 332,111</u>	<u>\$ 687,990</u>	<u>\$ 7,521</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, 2006**

	Special Revenue Funds				
	E - 911	Deeds Automation	Local Corrections And Training	Family Counseling	Tax Reserve
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental -					
Federal/State	-	-	-	-	-
Charges for services	500,391	194,195	40,416	16,670	-
Fines and forfeits	-	-	-	-	-
Interest and rent	-	5,454	-	-	-
Other	-	-	-	-	-
Total Revenues	<u>500,391</u>	<u>199,649</u>	<u>40,416</u>	<u>16,670</u>	<u>-</u>
Expenditures:					
Current -					
Judicial	-	-	-	11,084	-
General Government	-	114,977	-	-	-
Public Safety	32,997	-	32,427	-	-
Health and Welfare	-	-	-	-	-
Community and Economic Development	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>32,997</u>	<u>114,977</u>	<u>32,427</u>	<u>11,084</u>	<u>-</u>
Revenues over (under) expenditures	<u>467,394</u>	<u>84,672</u>	<u>7,989</u>	<u>5,586</u>	<u>-</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	-	-	-	700,000
Transfers to other funds	(962,105)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(962,105)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>700,000</u>
Net Change in Fund Balance	(494,711)	84,672	7,989	5,586	700,000
Fund Balances at beginning of year	<u>711,789</u>	<u>80,546</u>	<u>47,754</u>	<u>187,002</u>	<u>-</u>
Fund Balances at end of year	<u>\$ 217,078</u>	<u>\$ 165,218</u>	<u>\$ 55,743</u>	<u>\$ 192,588</u>	<u>\$ 700,000</u>

Debt Service Funds			Capital Projects Funds			Permanent Fund	Total
Communications	Building Authority	Jail/Juvenile Facility	Municipal Building	Building Authority	Jail/Juvenile Facility	Lewis Memorial Endowment	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,633,425
-	-	-	-	-	-	-	1,874,489
282,680	-	-	83,278	-	-	-	1,316,293
-	-	-	-	-	-	-	85,297
-	-	-	-	-	20,395	916	96,431
-	-	-	-	-	966	-	179,130
<u>282,680</u>	<u>-</u>	<u>-</u>	<u>83,278</u>	<u>-</u>	<u>21,361</u>	<u>916</u>	<u>5,185,065</u>
-	-	-	-	-	-	-	372,613
-	-	-	-	-	-	-	114,977
-	-	-	-	-	-	-	1,606,043
-	-	-	-	-	-	-	5,900,473
-	-	-	-	-	-	-	632,834
-	-	-	51,144	155	626,505	-	1,150,161
-	500,000	700,000	-	-	-	-	1,200,000
-	389,920	1,317,863	-	-	-	-	1,707,783
<u>-</u>	<u>889,920</u>	<u>2,017,863</u>	<u>51,144</u>	<u>155</u>	<u>626,505</u>	<u>-</u>	<u>12,684,884</u>
<u>282,680</u>	<u>(889,920)</u>	<u>(2,017,863)</u>	<u>32,134</u>	<u>(155)</u>	<u>(605,144)</u>	<u>916</u>	<u>(7,499,819)</u>
-	890,196	2,017,863	-	-	596,095	-	10,036,645
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,334,363)</u>
<u>-</u>	<u>890,196</u>	<u>2,017,863</u>	<u>-</u>	<u>-</u>	<u>596,095</u>	<u>-</u>	<u>8,702,282</u>
282,680	276	-	32,134	(155)	(9,049)	916	1,202,463
<u>121,658</u>	<u>13,077</u>	<u>163</u>	<u>241,259</u>	<u>218</u>	<u>9,049</u>	<u>22,990</u>	<u>4,207,297</u>
<u>\$ 404,338</u>	<u>\$ 13,353</u>	<u>\$ 163</u>	<u>\$ 273,393</u>	<u>\$ 63</u>	<u>\$ -</u>	<u>\$ 23,906</u>	<u>\$ 5,409,760</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
FRIEND OF COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 256,364	\$ 269,308	\$ 12,944
Charges for services	1,000	56,681	55,681
Interest and rent	11,938	35,382	23,444
Total Revenues	<u>269,302</u>	<u>361,371</u>	<u>92,069</u>
Expenditures:			
Judicial	<u>385,970</u>	<u>361,529</u>	<u>24,441</u>
Net Change in Fund Balance	(116,668)	(158)	116,510
Fund Balance at beginning of year	<u>247,334</u>	<u>247,334</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 130,666</u>	<u>\$ 247,176</u>	<u>\$ 116,510</u>

COUNTY PLANNING

Revenues:			
Intergovernmental -			
Federal/State	\$ 192,000	\$ 154,245	\$(37,755)
Charges for services	32,900	43,209	10,309
Other	11,400	7,925	(3,475)
Total Revenues	<u>236,300</u>	<u>205,379</u>	<u>(30,921)</u>
Expenditures:			
Community and Economic Development	<u>642,733</u>	<u>632,834</u>	<u>9,899</u>
Revenues under expenditures	<u>(406,433)</u>	<u>(427,455)</u>	<u>(21,022)</u>
Other Financing Sources (Uses):			
Transfers from other funds	403,833	403,833	-
Transfers to other funds	<u>(10,291)</u>	<u>(10,291)</u>	<u>-</u>
Total Other Financing Sources	<u>393,542</u>	<u>393,542</u>	<u>-</u>
Net Change in Fund Balance	(12,891)	(33,913)	(21,022)
Fund Balance at beginning of year	<u>93,666</u>	<u>93,666</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 80,775</u>	<u>\$ 59,753</u>	<u>\$(21,022)</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
BROWNFIELD REDEVELOPMENT			
Revenues:			
Intergovernmental - Federal/State	\$ 15,000	\$ -	\$(15,000)
Expenditures:			
Community and Economic Development	<u>17,600</u>	<u>-</u>	<u>17,600</u>
Revenues under expenditures	(2,600)	-	2,600
Other Financing Sources:			
Transfers from other funds	<u>2,600</u>	<u>2,600</u>	<u>-</u>
Net Change in Fund Balance	-	2,600	2,600
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 2,600</u></u>	<u><u>\$ 2,600</u></u>

PUBLIC IMPROVEMENT

Expenditures:			
Capital Outlay	600,000	472,357	127,643
Other Financing Sources:			
Transfers from other funds	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net Change in Fund Balance	(100,000)	27,643	127,643
Fund Balance at beginning of year	<u>908,719</u>	<u>908,719</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 808,719</u></u>	<u><u>\$ 936,362</u></u>	<u><u>\$ 127,643</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DRUG TASK FORCE			
Revenues:			
Taxes	\$ 1,592,428	\$ 1,633,425	\$ 40,997
Intergovernmental -			
Federal/State	30,500	30,974	474
Fines and forfeits	-	1,675	1,675
Interest and rent	1,250	1,119	(131)
Other	-	240	240
Total Revenues	<u>1,624,178</u>	<u>1,667,433</u>	<u>43,255</u>
Expenditures:			
Public Safety	<u>1,338,371</u>	<u>1,395,388</u>	<u>(57,017)</u>
Revenues over expenditures	285,807	272,045	(13,762)
Other Financing Uses:			
Transfers to other funds	<u>(285,807)</u>	<u>(285,807)</u>	<u>-</u>
Net Change in Fund Balance	-	(13,762)	(13,762)
Fund Balance at beginning of year	<u>138,202</u>	<u>138,202</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 138,202</u>	<u>\$ 124,440</u>	<u>\$(13,762)</u>

DRUG LAW ENFORCEMENT

Revenues:			
Intergovernmental - Federal/State	\$ -	\$ 1,888	1,888
Fines and forfeits	105,000	83,622	(21,378)
Interest and rent	<u>500</u>	<u>-</u>	<u>(500)</u>
Total Revenues	<u>105,500</u>	<u>85,510</u>	<u>(19,990)</u>
Expenditures:			
Public Safety	<u>208,000</u>	<u>145,231</u>	<u>62,769</u>
Net Change in Fund Balance	(102,500)	(59,721)	42,779
Fund Balance at beginning of year	<u>294,016</u>	<u>294,016</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 191,516</u>	<u>\$ 234,295</u>	<u>\$ 42,779</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, 2006**

	<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	-	17,597	17,597
Total Revenues	<u>50,000</u>	<u>17,597</u>	<u>(32,403)</u>
Expenditures:			
Health and Welfare	<u>50,000</u>	<u>10,900</u>	<u>39,100</u>
Net Change in Fund Balance	-	6,697	6,697
Fund Balance at beginning of year	<u>339,737</u>	<u>339,737</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 339,737</u></u>	<u><u>\$ 346,434</u></u>	<u><u>\$ 6,697</u></u>

CDBG HOUSING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 120,000	\$ -	\$(120,000)
Interest	-	15,568	15,568
Other	50,000	43,261	(6,739)
Total Revenues	<u>170,000</u>	<u>58,829</u>	<u>(111,171)</u>
Expenditures:			
Health and Welfare	<u>180,000</u>	<u>141,089</u>	<u>38,911</u>
Revenues over (under) expenditures	(10,000)	(82,260)	(72,260)
Other Financing Sources:			
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	-	(72,260)	(72,260)
Fund Balance at beginning of year	<u>362,184</u>	<u>362,184</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 362,184</u></u>	<u><u>\$ 289,924</u></u>	<u><u>\$(72,260)</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HUD HOUSING			
Net Change in Fund Balance	\$ -	\$ -	\$ -
Fund Balance at beginning of year	<u>95,311</u>	<u>95,311</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 95,311</u></u>	<u><u>\$ 95,311</u></u>	<u><u>\$ -</u></u>
HUMAN SERVICES			
Revenues:			
Intergovernmental -			
Federal/State	\$ 1,290,000	\$ 485,184	\$(804,816)
Other	<u>3,500</u>	<u>98,644</u>	<u>95,144</u>
Total Revenues	<u>1,293,500</u>	<u>583,828</u>	<u>(709,672)</u>
Expenditures:			
Health and Welfare	<u>2,028,250</u>	<u>1,189,292</u>	<u>838,958</u>
Revenues under expenditures	<u>(734,750)</u>	<u>(605,464)</u>	<u>129,286</u>
Other Financing Sources (Uses):			
Transfers from other funds	734,750	734,750	-
Transfers to other funds	<u>(76,160)</u>	<u>(76,160)</u>	<u>-</u>
Total Other Financing Sources and (Uses)	<u>658,590</u>	<u>658,590</u>	<u>-</u>
Net Change in Fund Balance	(76,160)	53,126	129,286
Fund Balance at beginning of year	<u>278,985</u>	<u>278,985</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 202,825</u></u>	<u><u>\$ 332,111</u></u>	<u><u>\$ 129,286</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 512,006	\$ 912,430	\$ 400,424
Charges for services	102,000	98,773	(3,227)
Other	28,500	28,094	(406)
Total Revenues	<u>642,506</u>	<u>1,039,297</u>	<u>396,791</u>
Expenditures:			
Health and Welfare	<u>4,723,814</u>	<u>4,538,385</u>	<u>185,429</u>
Revenues under expenditures	(4,081,308)	(3,499,088)	582,220
Other Financing Sources:			
Transfers from other funds	<u>4,181,308</u>	<u>4,181,308</u>	<u>-</u>
Net Change in Fund Balance	100,000	682,220	582,220
Fund Balance at beginning of year	<u>5,770</u>	<u>5,770</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 105,770</u>	<u>\$ 687,990</u>	<u>\$ 582,220</u>

VETERANS' TRUST			
Revenues:			
Intergovernmental -			
Federal/State	\$ 30,000	\$ 20,460	\$(9,540)
Expenditures:			
Health and Welfare	<u>30,000</u>	<u>20,807</u>	<u>9,193</u>
Net Change in Fund Balance	-	(347)	(347)
Fund Balance at beginning of year	<u>7,868</u>	<u>7,868</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 7,868</u>	<u>\$ 7,521</u>	<u>\$(347)</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
E - 911			
Revenues:			
Charges for services	\$ 499,000	\$ 500,391	\$ 1,391
Expenditures:			
Public Safety	<u>100,000</u>	<u>32,997</u>	<u>67,003</u>
Revenues over expenditures	399,000	467,394	68,394
Other Financing Uses :			
Transfers to other funds	<u>(910,789)</u>	<u>(962,105)</u>	<u>(51,316)</u>
Net Change in Fund Balance	(511,789)	(494,711)	17,078
Fund Balance at beginning of year	<u>711,789</u>	<u>711,789</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 200,000</u></u>	<u><u>\$ 217,078</u></u>	<u><u>\$ 17,078</u></u>

DEEDS AUTOMATION

Revenues:			
Charges for services	\$ 196,100	\$ 194,195	\$(1,905)
Interest	-	5,454	5,454
Other	<u>4,500</u>	<u>-</u>	<u>(4,500)</u>
Total Revenues	200,600	199,649	(951)
Expenditures:			
General Government	<u>200,600</u>	<u>114,977</u>	<u>85,623</u>
Net Change in Fund Balance	-	84,672	84,672
Fund Balance at beginning of year	<u>80,546</u>	<u>80,546</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 80,546</u></u>	<u><u>\$ 165,218</u></u>	<u><u>\$ 84,672</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, 2006**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
LOCAL CORRECTIONS AND TRAINING			
Revenues:			
Charges for services	\$ 35,000	\$ 40,416	\$ 5,416
Expenditures:			
Public Safety	<u>35,000</u>	<u>32,427</u>	<u>2,573</u>
Net Change in Fund Balance	-	7,989	7,989
Fund Balance at beginning of year	<u>47,754</u>	<u>47,754</u>	-
Fund Balance at end of year	<u><u>\$ 47,754</u></u>	<u><u>\$ 55,743</u></u>	<u><u>\$ 7,989</u></u>

FAMILY COUNSELING			
Revenues:			
Charges for services	\$ 20,000	\$ 16,670	\$(3,330)
Expenditures:			
Judicial	<u>20,000</u>	<u>11,084</u>	<u>8,916</u>
Net Change in Fund Balance	-	5,586	5,586
Fund Balance at beginning of year	<u>187,002</u>	<u>187,002</u>	-
Fund Balance at end of year	<u><u>\$ 187,002</u></u>	<u><u>\$ 192,588</u></u>	<u><u>\$ 5,586</u></u>

TAX RESERVE			
Other Financing Sources:			
Transfers from other funds	\$ 450,000	\$ 700,000	\$ 250,000
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 450,000</u></u>	<u><u>\$ 700,000</u></u>	<u><u>\$ 250,000</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.

School Tax Collection – is used to account for the administrative fees charged to school districts for the collection of their taxes.

ST. CLAIR COUNTY, MICHIGAN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>School Tax Collection</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 84,030	\$ 122,551	\$ 123,543	\$ 330,124
Accounts receivable				
Interest and accounts	24,784	32,219	-	57,003
Prepaid expenses	50,231	-	-	50,231
Inventory	20,429	-	-	20,429
Total Current Assets	<u>179,474</u>	<u>154,770</u>	<u>123,543</u>	<u>457,787</u>
Property, Plant and Equipment:				
Property, plant and equipment	11,227,630	-	-	11,227,630
Less - accumulated depreciation	<u>(7,297,524)</u>	<u>-</u>	<u>-</u>	<u>(7,297,524)</u>
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>3,930,106</u>	<u>-</u>	<u>-</u>	<u>3,930,106</u>
Total Assets	<u>4,109,580</u>	<u>154,770</u>	<u>123,543</u>	<u>4,387,893</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	2,764	16,680	224	19,668
Due to component units	104	-	-	104
Accrued expenses	4,563	538	-	5,101
Due to other governmental units -				
Federal/State	10	-	-	10
Local	-	-	87,236	87,236
Advances from component units	89,281	-	-	89,281
Deferred revenue	32,210	-	-	32,210
Total Current Liabilities	<u>128,932</u>	<u>17,218</u>	<u>87,460</u>	<u>233,610</u>
Long-Term Liabilities:				
Accrued vacation and sick (less current portion)	<u>10,010</u>	<u>-</u>	<u>-</u>	<u>10,010</u>
Total Liabilities	<u>138,942</u>	<u>17,218</u>	<u>87,460</u>	<u>243,620</u>
NET ASSETS:				
Invested in capital assets, net of related debt	3,930,106	-	-	3,930,106
Unrestricted	<u>40,532</u>	<u>137,552</u>	<u>36,083</u>	<u>214,167</u>
Total Net Assets	<u>\$ 3,970,638</u>	<u>\$ 137,552</u>	<u>\$ 36,083</u>	<u>\$ 4,144,273</u>

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>School Tax Collection</u>	<u>Total</u>
Operating Revenues:				
Charges for services	\$ 66,253	\$ 351,970	\$ 31,627	\$ 449,850
Interest and rents	128,942	-	4,456	133,398
Other	3,255	5,330	-	8,585
Total Operating Revenues	<u>198,450</u>	<u>357,300</u>	<u>36,083</u>	<u>591,833</u>
Operating Expenses:				
Personal services	178,579	13,556	-	192,135
Supplies	62,965	14,063	-	77,028
Other services	82,514	326,070	-	408,584
Depreciation	186,118	-	-	186,118
Total Operating Expenses	<u>510,176</u>	<u>353,689</u>	<u>-</u>	<u>863,865</u>
Net Income (Loss) Before Contributions and Transfers	(311,726)	3,611	36,083	(272,032)
Capital Contributions:				
Federal/State	<u>341,628</u>	<u>-</u>	<u>-</u>	<u>341,628</u>
Net Income Before Transfers	29,902	3,611	36,083	69,596
Transfers:				
Transfers from other funds	<u>125,154</u>	<u>-</u>	<u>-</u>	<u>125,154</u>
Change in Net Assets	155,056	3,611	36,083	194,750
Net Assets at beginning of year	<u>3,815,582</u>	<u>133,941</u>	<u>-</u>	<u>3,949,523</u>
Net Assets at end of year	<u>\$ 3,970,638</u>	<u>\$ 137,552</u>	<u>\$ 36,083</u>	<u>\$ 4,144,273</u>

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>School Tax Collection</u>	<u>Total</u>
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 203,958	\$ 328,934	\$ 36,083	\$ 568,975
Cash payments to suppliers	(124,902)	(341,389)	-	(466,291)
Cash payments to employees	(192,440)	(13,448)	-	(205,888)
Other cash payments	-	-	87,460	87,460
Net Cash Provided (Used) by Operating Activities	<u>(113,384)</u>	<u>(25,903)</u>	<u>123,543</u>	<u>(15,744)</u>
Cash Flows From Noncapital Financing Activities:				
Change in due from other funds	-	10,384	-	10,384
Operating transfers from other funds	125,154	-	-	125,154
Net Cash Provided by Noncapital Financing Activities	<u>125,154</u>	<u>10,384</u>	<u>-</u>	<u>135,538</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and construction of capital assets	<u>(27,170)</u>	-	-	<u>(27,170)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(27,170)</u>	<u>-</u>	<u>-</u>	<u>(27,170)</u>
Cash Flows From Investing Activities:				
Sale of investments	76,969	-	-	76,969
Net Cash Provided by Investing Activities	<u>76,969</u>	<u>-</u>	<u>-</u>	<u>76,969</u>
Net Decrease in Cash and Cash Equivalents for the year	61,569	(15,519)	123,543	169,593
Cash and Cash Equivalents at Beginning of Year	<u>22,461</u>	<u>138,070</u>	<u>-</u>	<u>160,531</u>
Cash and Cash Equivalents at End of Year	<u>\$ 84,030</u>	<u>\$ 122,551</u>	<u>\$ 123,543</u>	<u>\$ 330,124</u>
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$(311,726)	\$ 3,611	\$ 36,083	\$(272,032)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	186,118	-	-	186,118
Change in assets and liabilities:				
Accounts receivable	4,954	(28,366)	-	(23,412)
Accounts payable	(2,074)	(1,256)	87,460	84,130
Accrued expenses	(13,861)	108	-	(13,753)
Deferred revenue	554	-	-	554
Inventory	22,651	-	-	22,651
Net Cash Provided (Used) By Operating Activities	<u>\$(113,384)</u>	<u>\$(25,903)</u>	<u>\$ 123,543</u>	<u>\$(15,744)</u>
Non-Cash Capital and Related Financing Activities:				
Capital contributions	<u>\$ 341,628</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,628</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 –

Basic Retirement System is used to account for employer and employee pension contributions, investment income, accumulated assets and payments to beneficiaries including retiree health care. Prior to July 1, 2006, all employer contributions for post retirement benefits were accounted for in the basic retirement system. Starting July 1, 2006, a new "Health Care" fund was established to segregate Postemployment Benefits Other Than Pension.

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.

Health Care – is used to account for employer and employee contributions, investment income, accumulated assets and payments for post employment benefits other than pensions. The fund was established in July 2006 under P.A. 149 to start segregate resources for these benefits. All payments for "Postemployment Benefits Other Than Pension" will continue to be paid for by the Basic Retirement System until assets related to "Postemployment Benefits Other Than Pension" are exhausted.

The Health Care Fund is accounted for in essentially the same manner as Proprietary Funds, but with an important expended 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, 2006**

	Basic Retirement System	Health Care	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 4,205,007	\$ 79,764	\$ 4,284,771
Investments, at fair value			
U.S. Government Securities	28,361,189	-	28,361,189
Corporate Debt	24,505,418	-	24,505,418
Equity Funds	62,715,016	-	62,715,016
Stocks	91,212,686	-	91,212,686
Other	1,774,114	598,041	2,372,155
Receivables -			
Interest and dividends	557,135	-	557,135
Other	38,000	-	38,000
Due from other funds	-	150,949	150,949
Due to component units	46,682	-	46,682
Prepayments and deposits	77,096	-	77,096
	<u>213,492,343</u>	<u>828,754</u>	<u>214,321,097</u>
LIABILITIES:			
Accounts payable	291,603	-	291,603
Accrued liabilities	475,593	-	475,593
Due to former employee	30,072	-	30,072
Due to other funds	150,949	-	150,949
	<u>948,217</u>	<u>-</u>	<u>948,217</u>
NET ASSETS:			
Net assets held in trust for pension benefits	<u>\$ 212,544,126</u>	<u>\$ 828,754</u>	<u>\$ 213,372,880</u>

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, 2006**

	Basic Retirement System				Total
	Member Contributions	Employer Contributions	Pension Payments	Health Care	
Additions:					
Contributions					
Member contributions	\$ 2,246,532	\$ -	\$ -	\$ -	\$ 2,246,532
Employer contributions	-	4,211,036	-	833,026	5,044,062
Total Contributions	2,246,532	4,211,036	-	833,026	7,290,594
Investment income					
Net appreciation in fair value of investments	-	22,304,049	-	-	22,304,049
Interest/Dividends	-	4,908,084	-	-	4,908,084
Less investment expense	-	(495,870)	-	-	(495,870)
Net investment income	-	26,716,263	-	-	26,716,263
Other					
Medicare Part D reimbursements	-	-	-	290,595	290,595
Total Additions	2,246,532	30,927,299	-	1,123,621	34,297,452
Deductions:					
Retirement payroll	-	-	7,717,444	-	7,717,444
Health/dental insurance	-	-	-	3,843,765	3,843,765
Death benefits	-	66,500	-	-	66,500
Employee refunds	417,268	-	-	-	417,268
Administration	-	54,084	-	-	54,084
Professional fees	-	66,082	-	77,179	143,261
Total Deductions	417,268	186,666	7,717,444	3,920,944	12,242,322
Net Increase (Decrease) Before Transfers	1,829,264	30,740,633	(7,717,444)	(2,797,323)	22,055,130
Interfund Transfers In (Out):					
Retirees obligation	(1,796,489)	(9,669,002)	11,465,491	-	-
Interest	484,060	(5,687,416)	3,240,797	1,962,559	-
Net Increase (Decrease)	516,835	15,384,215	6,988,844	(834,764)	22,055,130
Net assets held in trust for pension benefits:					
Beginning of year	24,707,872	65,717,542	64,755,884	35,307,698	190,488,996
End of year	\$ 25,224,707	\$ 81,101,757	\$ 71,744,728	\$ 34,472,934	\$ 212,544,126

(1) Starting on July 1, 2006, the County established a new health care fund under P.A. 149. All new contributions from that date forward are recorded in the new fund. All payments for "postemployment benefits other than pension" will come out of the original fund until the assets are exhausted.

<u>Health Care (1)</u>	<u>Total</u>
\$ 22,420	\$ 2,268,952
<u>779,985</u>	<u>5,824,047</u>
<u>802,405</u>	<u>8,092,999</u>
20,543	22,324,592
7,489	4,915,573
<u>(1,683)</u>	<u>(497,553)</u>
<u>26,349</u>	<u>26,742,612</u>
<u>-</u>	<u>290,595</u>
<u>828,754</u>	<u>35,126,206</u>
-	7,717,444
-	3,843,765
-	66,500
-	417,268
-	54,084
-	143,261
<u>-</u>	<u>12,242,322</u>
828,754	22,883,884
-	-
<u>-</u>	<u>-</u>
828,754	22,883,884
<u>-</u>	<u>190,488,996</u>
<u>\$ 828,754</u>	<u>\$ 213,372,880</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006**

	Agency Funds			
	Trust and Agency	Library Penal Fines	Payroll	Total
ASSETS				
Cash and cash equivalents	\$ 2,554,332	\$ 6,340	\$ 111,899	\$ 2,672,571
Investments	309,180	-	-	309,180
Receivables	8,062,121	5,582	-	8,067,703
Total Assets	\$ 10,925,633	\$ 11,922	\$ 111,899	\$ 11,049,454
 LIABILITIES				
Due to individuals and agencies	\$ 8,874,206	\$ -	\$ 23,669	\$ 8,897,875
Due to other governmental units -				
Federal/state	369,914	-	77,427	447,341
Local	1,681,513	11,922	10,803	1,704,238
Total Liabilities	\$ 10,925,633	\$ 11,922	\$ 111,899	\$ 11,049,454

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 584,585	\$ 214,433,667	\$ 212,345,681	\$ 2,672,571
Investments	2,457,763	22,505,179	24,653,762	309,180
Receivables	<u>7,321,808</u>	<u>986,021</u>	<u>240,126</u>	<u>8,067,703</u>
Total Assets	<u>\$ 10,364,156</u>	<u>\$ 237,924,867</u>	<u>\$ 237,239,569</u>	<u>\$ 11,049,454</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 8,276,412	\$ 72,823,203	\$ 72,201,740	\$ 8,897,875
Other governmental units -				
Federal/State	614,283	17,335,959	17,502,901	447,341
Local	1,473,461	127,136,439	126,905,662	1,704,238
Other funds	<u>-</u>	<u>11,309,566</u>	<u>11,309,566</u>	<u>-</u>
Total Liabilities	<u>\$ 10,364,156</u>	<u>\$ 228,605,167</u>	<u>\$ 227,919,869</u>	<u>\$ 11,049,454</u>
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 515,535	\$ 163,394,811	\$ 161,356,014	\$ 2,554,332
Investments	2,457,763	22,505,179	24,653,762	309,180
Receivables	<u>7,318,223</u>	<u>980,439</u>	<u>236,541</u>	<u>8,062,121</u>
Total Assets	<u>\$ 10,291,521</u>	<u>\$ 186,880,429</u>	<u>\$ 186,246,317</u>	<u>\$ 10,925,633</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 8,259,609	\$ 47,280,228	\$ 46,665,631	\$ 8,874,206
Other governmental units -				
State	584,621	6,154,164	6,368,871	369,914
Local	1,447,291	126,973,916	126,739,694	1,681,513
Other funds	<u>-</u>	<u>5,144,217</u>	<u>5,144,217</u>	<u>-</u>
Total Liabilities	<u>\$ 10,291,521</u>	<u>\$ 185,552,525</u>	<u>\$ 184,918,413</u>	<u>\$ 10,925,633</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 10,626	\$ 763,458	\$ 767,744	\$ 6,340
Accounts receivable	3,585	5,582	3,585	5,582
	<u>\$ 14,211</u>	<u>\$ 769,040</u>	<u>\$ 771,329</u>	<u>\$ 11,922</u>
Liabilities:				
Due to -				
Other governmental units -				
Local	\$ 14,211	\$ 25,392	\$ 27,681	\$ 11,922
Other funds	-	768,584	768,584	-
Total Liabilities	<u>\$ 14,211</u>	<u>\$ 793,976</u>	<u>\$ 796,265</u>	<u>\$ 11,922</u>

PAYROLL FUND

Assets:				
Cash and cash equivalents	<u>\$ 58,424</u>	<u>\$ 50,275,398</u>	<u>\$ 50,221,923</u>	<u>\$ 111,899</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 16,803	\$ 25,542,975	\$ 25,536,109	\$ 23,669
Other governmental units -				
Federal/State	29,662	11,181,795	11,134,030	77,427
Local	11,959	137,131	138,287	10,803
Other funds	-	5,396,765	5,396,765	-
Total Liabilities	<u>\$ 58,424</u>	<u>\$ 42,258,666</u>	<u>\$ 42,205,191</u>	<u>\$ 111,899</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, 2006**

	Balance January 1, 2006	Additions	Disposals/ Adjustments	Balance December 31, 2006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General County:				
Land	\$ 5,786,291	\$ 763,662	\$ -	\$ 6,549,953
Land improvements	3,615,119	500,922	-	4,116,041
Buildings	39,906,118	45,805,650	-	85,711,768
Equipment -				
Fixed	26,523	-	26,523	-
Machinery	3,645,380	414,177	(2,973,315)	7,032,872
Marine	-	24,241	(525,737)	549,978
Furniture and fixtures	70,412	-	70,412	-
Office	3,710,497	-	3,710,497	-
Vehicles	1,942,235	619,334	338,682	2,222,887
Books	12,415,815	633,203	968,641	12,080,377
	<u>71,118,390</u>	<u>48,761,189</u>	<u>1,615,703</u>	<u>118,263,876</u>
Less - Accumulated depreciation	<u>(29,998,394)</u>	<u>(3,933,648)</u>	<u>(1,495,945)</u>	<u>(32,436,097)</u>
	41,119,996	44,827,541	119,758	85,827,779
Construction in progress	<u>46,784,741</u>	<u>4,990,109</u>	<u>46,169,175</u>	<u>5,605,675</u>
 Net Total Investment in General Fixed Assets	 <u>\$ 87,904,737</u>	 <u>\$ 49,817,650</u>	 <u>\$ 46,288,933</u>	 <u>\$ 91,433,454</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.

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2006**

	<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	71,612	-	-	71,612
District Court	597,347	66,034	336,698	194,615
Friend of Court	275,524	-	8,449	267,075
	<u>1,130,415</u>	<u>66,034</u>	<u>345,147</u>	<u>719,234</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	171,242	-	-	171,242
Information Technology	1,575,228	-	-	1,575,228
Clerk/Register	41,528	-	-	41,528
Register of Deeds	83,549	-	14,700	68,849
Equalization	5,630	-	-	5,630
Prosecuting Attorney	27,871	-	-	27,871
Human Resources	15,741	-	-	15,741
Property Description	79,447	-	-	79,447
County Treasurer	13,000	-	7,500	5,500
Buildings and Grounds	159,962	-	72,016	87,946
Public Improvement	1,052,278	384,000	161,136	507,142
Motor Pool	29,911	-	-	29,911
Drain Commissioner	232,037	-	-	232,037
	<u>3,497,424</u>	<u>384,000</u>	<u>255,352</u>	<u>2,858,072</u>
Public Safety:				
Sheriff and Patrol	1,205,710	-	-	1,205,710
Marine Safety	346,414	-	-	346,414
Jail	47,800,552	108,394	47,510,777	181,381
Juvenile Center	683,567	40,385	507,792	135,390
Radio/Communications	1,692,450	-	-	1,692,450
Emergency Services	494,930	9,142	9,975	475,813
Hazardous Materials Handling	958,000	60,895	477,340	419,765
Animal Shelter	354,722	19,200	281,353	54,169
Drug Task Force	452,240	-	-	452,240
Public Improvement	222,536	-	-	222,536
Planning Commission	48,500	-	-	48,500
	<u>54,259,621</u>	<u>238,016</u>	<u>48,787,237</u>	<u>5,234,368</u>
Health and Welfare:				
Veterans Counselor	7,295	-	-	7,295
Day Treatment/Night Watch	165,472	9,173	109,915	46,384
Health Department	1,601,322	81,920	1,298,991	220,411
	<u>1,774,089</u>	<u>91,093</u>	<u>1,408,906</u>	<u>274,090</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2006**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Recreation and Cultural:				
Parks and Recreation	\$ 11,427,177	\$ 7,625,717	\$ 3,415,226	\$ 386,234
Public Library	13,294,463	87,464	792,883	12,414,116
	<u>24,721,640</u>	<u>7,713,181</u>	<u>4,208,109</u>	<u>12,800,350</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	118,263,876	10,665,994	85,711,768	21,886,114
Less: Accumulated depreciation	<u>(32,436,097)</u>	<u>(1,482,776)</u>	<u>(14,706,118)</u>	<u>(16,247,203)</u>
	85,827,779	9,183,218	71,005,650	5,638,911
Construction in progress	<u>5,605,675</u>	<u>1,001,210</u>	<u>306,106</u>	<u>4,298,359</u>
Total General Fixed Assets (Net of Accumulated Depreciation)	<u>\$ 91,433,454</u>	<u>\$ 10,184,428</u>	<u>\$ 71,311,756</u>	<u>\$ 9,937,270</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, 2006**

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$ -	\$ 185,932
Circuit Court - Family Division	88,927	-	17,315	71,612
District Court	582,853	14,494	-	597,347
Friend of Court	280,375	5,249	10,100	275,524
Total Judicial	<u>1,138,087</u>	<u>19,743</u>	<u>27,415</u>	<u>1,130,415</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	185,942	-	14,700	171,242
Information Technology	1,584,228	-	9,000	1,575,228
Clerk/Register	49,853	-	8,325	41,528
Register of Deeds	108,110	-	24,561	83,549
Equalization	5,630	-	-	5,630
Prosecuting Attorney	76,289	-	48,418	27,871
Human Resources	15,741	-	-	15,741
Property Description	90,675	-	11,228	79,447
County Treasurer	13,000	-	-	13,000
Buildings and Grounds	159,962	-	-	159,962
Public Improvement	937,522	114,756	-	1,052,278
Motor Pool	48,144	-	18,233	29,911
Drain Commissioner	232,037	-	-	232,037
Cooperative Extension	12,743	-	12,743	-
Total General Government	<u>3,529,876</u>	<u>114,756</u>	<u>147,208</u>	<u>3,497,424</u>
Public Safety:				
Sheriff and Patrol	1,426,522	23,398	244,210	1,205,710
Marine Safety	346,414	-	-	346,414
Jail	2,032,991	45,779,061	11,500	47,800,552
Juvenile Center	694,346	6,200	16,979	683,567
Radio/Communications	1,627,927	64,523	-	1,692,450
Emergency Services	473,017	62,233	40,320	494,930
Hazardous Materials Handling	647,633	310,367	-	958,000
Animal Shelter	349,034	18,532	12,844	354,722
Drug Task Force	331,398	120,842	-	452,240
Public Improvement	77,890	144,646	-	222,536
Planning Commission	70,820	-	22,320	48,500
Total Public Safety	<u>8,077,992</u>	<u>46,529,802</u>	<u>348,173</u>	<u>54,259,621</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, 2006**

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Health and Welfare:				
Veterans Counselor	\$ 7,295	\$ -	\$ -	\$ 7,295
Day Treatment/Night Watch	171,386	16,005	21,919	165,472
Health Department	1,691,013	-	89,691	1,601,322
Total Health and Welfare	<u>1,869,694</u>	<u>16,005</u>	<u>111,610</u>	<u>1,774,089</u>
Recreation and Cultural:				
Parks and Recreation	9,995,844	1,431,333	-	11,427,177
Public Library	13,626,210	649,550	981,297	13,294,463
Total Recreation and Cultural	<u>23,622,054</u>	<u>2,080,883</u>	<u>981,297</u>	<u>24,721,640</u>
General:				
Land and improvements	2,173,670	-	-	2,173,670
Buildings	30,707,017	-	-	30,707,017
Total General	<u>32,880,687</u>	<u>-</u>	<u>-</u>	<u>32,880,687</u>
Construction in progress	46,784,741	4,990,109	46,169,175	5,605,675
 Total General Fixed Assets	 <u>\$ 117,903,131</u>	 <u>\$ 53,751,298</u>	 <u>\$ 47,784,878</u>	 <u>\$ 123,869,551</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, 2006**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
ASSETS				
Cash and cash equivalents	\$ 2,976,169	\$ -	\$ 50,590	\$ 11,246
Investment	-	-	-	-
Special assessments receivable	204,146	-	-	1,673,395
Due from other governmental units	89,045	-	-	-
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>\$ 3,269,360</u>	<u>\$ 209,480</u>	<u>\$ 50,590</u>	<u>\$ 1,684,641</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 311,289	\$ -	\$ -	\$ -
Accrued interest	-	-	-	-
Deposits	983,569	-	-	-
Due to other funds	209,480	-	-	-
Advances from primary government	-	50,000	-	-
Deferred revenue	204,146	-	-	1,673,395
Non-current liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,708,484	50,000	-	1,673,395

Fund Balance:

Unreserved -				
Undesignated	1,560,876	159,480	50,590	11,246
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 3,269,360</u>	<u>\$ 209,480</u>	<u>\$ 50,590</u>	<u>\$ 1,684,641</u>

Net Assets:

Invested in capital assets, net of related debt
Restricted
Unrestricted

Total Net Assets

<u>Mill Creek Debt</u>	<u>Equipment Rental</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Assets</u>
\$ 158,050	\$ 68,333	\$ 3,264,388	\$ -	\$ 3,264,388
209,511	-	209,511	-	209,511
-	-	1,877,541	-	1,877,541
-	-	89,045	-	89,045
-	-	209,480	(209,480)	-
-	-	-	3,681,547	3,681,547
-	-	-	7,356,388	7,356,388
<u>\$ 367,561</u>	<u>\$ 68,333</u>	<u>\$ 5,649,965</u>	<u>\$ 10,828,455</u>	<u>\$ 16,478,420</u>

\$ -	\$ 8,408	\$ 319,697	\$ -	\$ 319,697
-	-	-	65,289	65,289
-	-	983,569	-	983,569
-	-	209,480	(209,480)	-
-	-	50,000	-	50,000
-	-	1,877,541	(1,877,541)	-
-	-	-	-	-
-	-	-	3,260,317	3,260,317
-	-	-	3,662,129	3,662,129
-	8,408	3,440,287	4,900,714	8,341,001

<u>367,561</u>	<u>59,925</u>	<u>2,209,678</u>	<u>(2,209,678)</u>	<u>-</u>
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<u>\$ 367,561</u>	<u>\$ 68,333</u>	<u>\$ 5,649,965</u>		
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	4,115,489	4,115,489
	378,807	378,807
	3,643,123	3,643,123
	<u>\$ 8,137,419</u>	<u>\$ 8,137,419</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, 2006

Fund Balances - Drain Fund		\$	2,209,678
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			15,154,985
Accumulated depreciation		(	4,117,050)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds			
Special Assessments			1,877,541
Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized form net assets (netted against payables)			
		(	209,511)
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	(	6,712,935)	
Accrued interest on bonds/notes payable	(	<u>65,289</u>	<u>(6,778,224)</u>
Net Assets of Drain Commissioner		\$	<u>8,137,419</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, 2006**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
Revenues:				
Intergovernmental -				
Federal/State	\$ 145,488	\$ -	\$ -	\$ -
Charges for services	311,154	-	15,317	367,931
Interest and rent	113,403	-	-	-
Total Revenues	<u>570,045</u>	<u>-</u>	<u>15,317</u>	<u>367,931</u>
Expenditures/Expenses:				
Public Works	3,075,027	-	5,876	-
Debt Service	-	-	-	1,335,382
Total Expenditures/Expenses	<u>3,075,027</u>	<u>-</u>	<u>5,876</u>	<u>1,335,382</u>
Revenues over (under) expenditures	<u>(2,504,982)</u>	<u>-</u>	<u>9,441</u>	<u>(967,451)</u>
Other Financing Sources:				
Note proceeds	1,375,000	-	-	600,000
Bond proceeds	1,983,902	-	-	-
Premium on debt	209,511	-	-	-
Transfer from other funds	-	-	-	-
Transfer to other funds	(411,112)	-	-	-
	<u>3,157,301</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
Net Change in Fund Balance/Net Assets	652,319	-	9,441	(367,451)
Fund Balances/Net Assets at beginning of year	<u>908,557</u>	<u>159,480</u>	<u>41,149</u>	<u>378,697</u>
Fund Balances/Net Assets at end of year	<u>\$ 1,560,876</u>	<u>\$ 159,480</u>	<u>\$ 50,590</u>	<u>\$ 11,246</u>

<u>Mill Creek Debt</u>	<u>Equipment Rental</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ 145,488	\$ -	\$ 145,488
-	75,729	770,131	348,283	1,118,414
-	-	113,403	-	113,403
<u>-</u>	<u>75,729</u>	<u>1,029,022</u>	<u>348,283</u>	<u>1,377,305</u>
-	83,880	3,164,783	(2,179,275)	985,508
-	-	1,335,382	(1,179,913)	155,469
<u>-</u>	<u>83,880</u>	<u>4,500,165</u>	<u>(3,359,188)</u>	<u>1,140,977</u>
<u>-</u>	<u>(8,151)</u>	<u>(3,471,143)</u>	<u>3,707,471</u>	<u>236,328</u>
-	-	1,975,000	(1,975,000)	-
-	-	1,983,902	(1,983,902)	-
-	-	209,511	(209,511)	-
367,561	43,551	411,112	(411,112)	-
-	-	(411,112)	411,112	-
<u>367,561</u>	<u>43,551</u>	<u>4,168,413</u>	<u>(4,168,413)</u>	<u>-</u>
367,561	35,400	697,270	(460,942)	236,328
-	24,525	1,512,408	6,388,683	7,901,091
<u>\$ 367,561</u>	<u>\$ 59,925</u>	<u>\$ 2,209,678</u>	<u>\$ 5,927,741</u>	<u>\$ 8,137,419</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, 2006**

Net change in fund balances - Drain Fund	\$	697,270
<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		2,340,453
Depreciation expense	(	161,178)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		348,283
<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		1,214,317
Bond Proceeds	(	3,958,902)
Bond Premium, net of amortization	(	209,511)
<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	(	34,404)
Change in net assets of Drain Commissioner	\$	<u>236,328</u>

**STATISTICAL SECTION
(Unaudited)**

This part of St. Clair County, Michigan's comprehensive annual financial report presents detailed information as a context for understanding what the information says about the government's overall financial health.

Contents

Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

S - 1 to S - 6

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

S - 7 to S - 10

Debt Capacity

These schedules present the information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

S - 11 to S - 14

Demographic and Economic Information

These schedules offer demographic indicators to help the reader understand the environment within which the government's financial activities take place.

S - 15 to S - 16

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

S - 17 to S - 20

Source: Unless otherwise noted, the information in these schedules is derived from the comprehensive financial reports for the relevant year.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 1

**NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS (A) - UNAUDITED
(accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Governmental Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,953	\$ 29,358	\$ 35,995	\$ 45,828	\$ 47,086
Restricted	-	-	-	-	-	200	183	18,143	24,711	32,161
Unrestricted	-	-	-	-	-	29,117	25,068	12,517	11,786	13,672
Total Governmental Activities Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,270</u>	<u>\$ 54,609</u>	<u>\$ 66,655</u>	<u>\$ 82,325</u>	<u>\$ 92,919</u>
Business-Type Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,541	\$ 8,905	\$ 9,605	\$ 12,804	\$ 12,514
Restricted	-	-	-	-	-	-	-	-	85	316
Unrestricted	-	-	-	-	-	35,221	39,279	36,431	28,830	28,239
Total Business-Type Activities Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,762</u>	<u>\$ 48,184</u>	<u>\$ 46,036</u>	<u>\$ 41,719</u>	<u>\$ 41,069</u>
Primary Government										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,494	\$ 38,263	\$ 45,600	\$ 58,632	\$ 59,600
Restricted	-	-	-	-	-	200	183	18,143	24,796	32,477
Unrestricted	-	-	-	-	-	64,338	64,347	48,948	40,616	41,911
Total Primary Government Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,032</u>	<u>\$ 102,793</u>	<u>\$ 112,691</u>	<u>\$ 124,044</u>	<u>\$ 133,988</u>

(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

SCHEDULE 2

CHANGES IN NET ASSETS
 LAST TEN FISCAL YEARS (A) - UNAUDITED
 (accrual basis of accounting)
 (amounts expressed in thousands)

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Expenses										
Governmental Activities:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,198	\$ 788	\$ 1,154	\$ 1,000	\$ 1,349
Judicial	-	-	-	-	-	9,971	10,767	10,893	11,074	11,850
General Government	-	-	-	-	-	11,909	12,575	13,673	13,432	14,611
Public Safety	-	-	-	-	-	14,564	15,628	17,721	20,780	22,012
Public Works	-	-	-	-	-	1,339	968	826	607	737
Health and Welfare	-	-	-	-	-	17,362	19,354	18,448	19,140	20,301
Community and Economic Development	-	-	-	-	-	-	-	-	-	633
Recreation and Culture	-	-	-	-	-	5,951	5,589	6,109	6,056	6,672
Other Activities	-	-	-	-	-	1,200	1,002	800	800	-
Interest on Long Term Debt	-	-	-	-	-	597	1,448	151	1,797	1,752
Total Governmental Activities Expenses	-	-	-	-	-	64,091	68,119	69,775	74,686	79,917
Business-Type Activities:										
Delinquent Revolving Tax	-	-	-	-	-	1	15	57	76	231
Airport Commission	-	-	-	-	-	856	691	534	688	510
Sheriff Concession	-	-	-	-	-	101	142	157	163	354
Solid Waste Disposal System	-	-	-	-	-	4,681	2,408	4,699	4,935	5,504
Total Business-Type Activities Expenses	-	-	-	-	-	5,639	3,256	5,447	5,862	6,599
Total Primary Government Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,730	\$ 71,375	\$ 75,222	\$ 80,548	\$ 86,516
Program Revenues										
Governmental Activities:										
Charges for Services:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58	\$ 123	\$ 7	\$ -
Judicial	-	-	-	-	-	2,766	2,830	3,060	3,227	3,077
General Government	-	-	-	-	-	3,365	3,984	4,737	4,429	4,636
Public Safety	-	-	-	-	-	2,866	2,993	3,151	3,561	4,472
Health and Welfare	-	-	-	-	-	1,994	2,132	1,632	1,760	1,929
Community and Economic Development	-	-	-	-	-	-	-	-	-	51
Recreation and Culture	-	-	-	-	-	1,022	1,143	1,151	1,113	1,051
Operating Grants and Contributions	-	-	-	-	-	12,329	12,379	13,353	14,807	14,548
Capital Grants and Contributions	-	-	-	-	-	383	674	877	3,597	1,580
Total Governmental Activities Program Revenues	-	-	-	-	-	24,725	26,193	28,084	32,501	31,344

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Business-Type Activities:										
Charges for Services:										
Delinquent Revolving Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 446	\$ 454	\$ 442	\$ 570	\$ 897
Airport Commission	-	-	-	-	-	194	173	168	298	197
Sheriff Concession	-	-	-	-	-	112	104	145	151	357
School Tax Collection	-	-	-	-	-	-	-	-	-	32
Solid Waste Disposal System	-	-	-	-	-	4,328	6,484	5,182	5,130	4,468
Operating Grants and Contributions	-	-	-	-	-	76	80	342	403	133
Capital Grants and Contributions	-	-	-	-	-	60	894	26	702	342
Total Business-Type Activities Program Revenues	-	-	-	-	-	5,216	8,189	6,305	7,254	6,426
Total Primary Government Program Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,941	\$ 34,382	\$ 34,389	\$ 39,755	\$ 37,770
Net (expense)/revenue										
Governmental Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (39,366)	\$ (41,926)	\$ (41,691)	\$ (42,185)	\$ (48,573)
Business-Type Activities	-	-	-	-	-	(423)	4,933	858	1,392	(173)
Total Primary Government Net Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (39,789)	\$ (36,993)	\$ (40,833)	\$ (40,793)	\$ (48,746)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33,629	\$ 35,910	\$ 47,254	\$ 49,590	\$ 52,637
Unrestricted Grants and Contributions	-	-	-	-	-	4,231	3,809	1,331	378	393
Unrestricted Investment Income	-	-	-	-	-	1,423	876	871	2,026	3,119
Interest and Penalties on Delinquent Taxes	-	-	-	-	-	-	3	9	21	29
Gain (Loss) on Disposal/Sale of Capital Assets	-	-	-	-	-	-	(86)	-	-	-
Transfers	-	-	-	-	-	(60)	(1,246)	4,271	7,323	2,989
Total Governmental Activities	-	-	-	-	-	39,223	39,266	53,736	59,338	59,167
Business-Type Activities										
Unrestricted Investment Income	-	-	-	-	-	553	352	379	728	1,819
Interest and Penalties on Delinquent Taxes	-	-	-	-	-	903	891	887	856	-
Gain on Sale of Capital Assets	-	-	-	-	-	84	-	-	30	-
Transfers	-	-	-	-	-	60	1,246	(4,271)	(7,323)	(2,989)
Total Business-Type Activities	-	-	-	-	-	1,600	2,489	(3,005)	(5,709)	(1,170)
Total Primary Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,823	\$ 41,755	\$ 50,731	\$ 53,629	\$ 57,997
Change in Net Assets										
Governmental Activities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (143)	\$ (2,660)	\$ 12,045	\$ 17,153	\$ 10,594
Business-Type Activities	-	-	-	-	-	1,177	7,422	(2,147)	(4,317)	(1,343)
Total Primary Government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,034	\$ 4,762	\$ 9,898	\$ 12,836	\$ 9,251

(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

SCHEDULE 3

**FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$ 114	\$ 114	\$ 114	\$ 85	\$ 90	\$ 94	\$ 92	\$ 92	\$ 92	\$ 92
Unreserved	6,444	6,676	9,441	10,193	11,378	8,714	8,333	8,693	7,880	7,842
Total General Fund	<u>\$ 6,558</u>	<u>\$ 6,790</u>	<u>\$ 9,555</u>	<u>\$ 10,278</u>	<u>\$ 11,468</u>	<u>\$ 8,808</u>	<u>\$ 8,425</u>	<u>\$ 8,785</u>	<u>\$ 7,972</u>	<u>\$ 7,934</u>
All other Governmental Funds										
Reserved	\$ 1,018	\$ 1,036	\$ 1,292	\$ 50	\$ 184	\$ 515	\$ 25,182	\$ 3,397	\$ 644	\$ 715
Unrestricted, reported in:										
Special Revenue Funds	13,125	16,677	19,346	15,278	16,076	14,325	12,335	20,870	26,818	31,284
Debt Service Funds	-	-	-	-	-	4,000	3,492	1,598	135	418
Capital Project Funds	1,317	166	107	967	8	-	-	-	-	-
Total all other Governmental Funds	<u>\$ 15,460</u>	<u>\$ 17,879</u>	<u>\$ 20,745</u>	<u>\$ 16,295</u>	<u>\$ 16,268</u>	<u>\$ 18,840</u>	<u>\$ 41,009</u>	<u>\$ 25,865</u>	<u>\$ 27,597</u>	<u>\$ 32,417</u>

ST. CLAIR COUNTY, MICHIGAN

**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS - UNAUDITED
(modified accrual basis of accounting)
(amounts expressed in thousands)**

	Fiscal Year				
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Revenues:					
Taxes	\$ 25,740	\$ 26,911	\$ 28,467	\$ 29,797	\$ 31,801
Licenses and Permits	400	439	541	547	653
Intergovernmental	21,873	22,301	47,155	16,072	17,253
Charges for Services	24,460	25,000	6,265	6,631	6,945
Fines and Forfeits	1,250	1,351	1,331	1,420	1,701
Interest and Rent	2,668	3,076	3,639	4,549	3,749
Other	2,450	2,550	2,701	1,146	878
Total Revenues	<u>78,841</u>	<u>81,628</u>	<u>90,099</u>	<u>60,162</u>	<u>62,980</u>
Expenditures:					
Legislative	441	491	394	457	609
Judicial	7,678	7,880	7,892	8,820	9,385
General Government	6,156	6,592	7,356	7,955	8,708
Public Safety	10,454	10,981	11,583	13,593	13,930
Public Works	123	80	56	97	270
Health and Welfare	40,266	40,640	45,212	12,779	13,621
Community and Economic Development	-	-	-	-	-
Recreation and Cultural	6,073	3,292	3,565	4,684	4,140
Other Activities	968	663	788	1,087	1,100
Capital Outlay	12,505	6,534	4,061	6,155	9,304
Debt Service					
Principal	363	388	388	352	263
Interest/Issuance Costs	701	676	652	648	721
Total Expenditures	<u>85,728</u>	<u>78,217</u>	<u>81,947</u>	<u>56,627</u>	<u>62,051</u>
Excess of revenues over (under) expenditures	<u>(6,887)</u>	<u>3,411</u>	<u>8,152</u>	<u>3,535</u>	<u>929</u>
Other Financing Sources (Uses):					
Transfers In	12,494	11,997	11,600	10,282	9,916
Transfers Out	(12,727)	(12,757)	(14,337)	(12,380)	(9,683)
Bond/Loan Proceeds	-	-	-	-	-
Premium on Debt	-	-	-	-	-
Payment to Refunding Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(233)</u>	<u>(760)</u>	<u>(2,737)</u>	<u>(2,098)</u>	<u>233</u>
Net Change in Fund Balances	<u>\$ (7,120)</u>	<u>\$ 2,651</u>	<u>\$ 5,415</u>	<u>\$ 1,437</u>	<u>\$ 1,162</u>
 Debt Service as a Percentage of Noncapital Expenditures	 <u>1.45%</u>	 <u>1.48%</u>	 <u>1.34%</u>	 <u>1.98%</u>	 <u>1.87%</u>

SCHEDULE 4

Fiscal Year				
2002	2003	2004	2005	2006
\$ 33,566	\$ 35,883	\$ 47,233	\$ 49,609	\$ 52,700
767	589	669	536	737
17,093	16,810	15,135	19,473	18,872
8,036	9,128	8,912	7,835	7,742
1,660	1,744	1,808	1,534	1,417
2,210	1,968	1,937	2,908	4,162
749	713	1,854	2,149	2,157
<u>64,081</u>	<u>66,835</u>	<u>77,548</u>	<u>84,044</u>	<u>87,787</u>
1,198	683	1,151	1,016	1,362
9,756	10,338	10,649	11,289	12,088
10,110	10,827	11,946	12,828	13,448
13,840	15,055	18,250	20,463	20,401
1,339	980	828	628	755
17,404	18,952	18,390	19,327	20,436
-	-	-	-	633
4,396	4,364	6,052	9,810	8,603
1,200	1,002	800	800	650
8,326	10,899	26,173	11,528	4,724
363	3,363	920	1,008	1,208
602	1,274	1,777	1,751	1,708
<u>68,534</u>	<u>77,737</u>	<u>96,936</u>	<u>90,448</u>	<u>86,016</u>
<u>(4,453)</u>	<u>(10,902)</u>	<u>(19,388)</u>	<u>(6,404)</u>	<u>1,771</u>
23,402	11,218	16,150	19,672	16,775
(23,462)	(12,464)	(11,878)	(12,348)	(13,787)
3,000	33,935	9,625	-	23
55	-	385	-	-
-	-	(10,094)	-	-
<u>2,995</u>	<u>32,689</u>	<u>4,188</u>	<u>7,324</u>	<u>3,011</u>
<u>\$ (1,458)</u>	<u>\$ 21,787</u>	<u>\$ (15,200)</u>	<u>\$ 920</u>	<u>\$ 4,782</u>
<u>1.60%</u>	<u>6.94%</u>	<u>3.81%</u>	<u>3.50%</u>	<u>3.59%</u>

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 5

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year Ended December 31,	Real Property				Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property	Other Property					
1997	3,735,774,477	*	*	*	397,394,240	4,133,168,717	5.3869	8,301,209,713	49.79%
1998	4,039,404,022	*	*	*	424,011,426	4,463,415,448	5.3869	8,965,612,832	49.78%
1999	4,401,018,135	*	*	*	449,108,028	4,850,126,163	5.3755	9,752,588,335	49.73%
2000	4,798,497,754	*	*	*	519,731,001	5,318,228,755	5.3755	10,696,159,098	49.72%
2001	3,597,084,752	480,990,376	776,933,297	394,077,256	543,671,941	5,792,757,622	5.3448	11,678,642,907	49.60%
2002	3,963,247,697	528,342,214	885,601,668	454,144,141	540,086,157	6,371,421,877	5.3287	12,805,888,897	49.75%
2003	4,236,291,363	566,571,526	906,270,043	490,771,702	517,807,765	6,717,712,399	5.3287	13,499,930,792	49.76%
2004	4,490,834,960	599,504,098	913,180,592	518,309,171	534,108,319	7,055,937,140	5.2387	14,191,013,880	49.72%
2005	4,748,425,166	647,424,324	1,324,052,903	560,127,617	565,327,870	7,845,357,880	5.3265	15,785,539,048	49.70%
2006	5,053,480,633	670,202,027	1,362,439,979	549,748,926	545,477,448	8,181,349,013	5.3265	16,418,998,179	49.83%

* Previously, this information was not shown in the statistical section. Unable to locate the forms prior to 2001, therefore, all real property was shown as residential property.

Source: County Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 6

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS - UNAUDITED**

(Per \$1,000 of Assessed Value)

Fiscal Year	Townships**	Cities and Villages**	County					Community College	Intermediate School	Local Schools**	Total
			Operating	Senior Citizens	Drug Task Force	Library	Parks				
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
2006	2.36	15.38	5.33	0.50	0.28	0.70	0.50	1.89	3.43	28.13	58.50

** 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

SCHEDULE 7

PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2006 - UNAUDITED

		<u>2006 Taxable Valuation</u>	<u>Percentage of Total Taxable Value</u>
Detroit Edison	Electrical Utility	\$ 810,810,349	13.13%
Michigan Consolidated Gas Co.	Natural Gas Storage and Pipeline	31,287,395	0.51%
Acheson Ventures L.L.C.	Community Development	22,105,009	0.36%
SEMCO Energy & Affiliates	Gas Utility	21,440,897	0.35%
Blue Water Gas Storage	Natural Gas Storage	20,552,488	0.33%
Daimler Chrysler	Automotive Parts Storage	20,078,673	0.33%
E.B. Eddy	Paper Manufacturing	19,580,290	0.32%
Mueller Brass Co. & Affiliates	Brass Rod Manufacturing	18,017,187	0.29%
International Transmission Co.	Electrical Utility	15,304,064	0.25%
Consumers Power	Liquid Natural Gas Storage	<u>15,136,505</u>	0.25%
		<u>\$ 994,312,857</u>	16.11%

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 8

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL 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>
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
2006	45,433,336	41,803,246	92.0	3,552,794	45,356,040	99.8	77,296	0.2

** 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).

Source: County Treasurer's Office

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 9

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS - UNAUDITED**

Fiscal Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Capital Leases	Closure & Post-Closure Costs	Capital Leases			
1997	\$ 11,650,000	\$ 441,000	\$ 6,049,191	\$ -	\$ 18,140,191	0.48%	\$ 124.58
1998	11,325,000	378,000	6,455,941	-	18,158,941	0.44%	124.71
1999	11,000,000	315,000	7,756,423	-	19,071,423	0.44%	130.98
2000	10,800,000	446,472	7,841,103	-	19,087,575	0.42%	116.22
2001	10,600,000	289,040	9,368,123	-	20,257,163	0.44%	123.34
2002	13,400,000	126,000	11,936,594	-	25,462,594	0.54%	155.04
2003	44,100,000	78,021	11,445,280	-	55,623,301	1.12%	338.68
2004	43,775,000	7,738	12,450,088	-	56,232,826	1.12%	342.39
2005	42,775,000	-	13,514,656	162,335	56,451,991	1.12%	343.73
2006	41,575,000	14,523	14,665,611	121,751	56,376,885	1.12%	343.27

Note: Details regarding the county's outstanding debt can be found in the notes to the financial statements.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 10

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Population *	Assessed Value (000)	Gross Bonded Debt	Less: Amounts Available in Debt Service Funds	Less: Self-Supporting Debt **	Total	Ratio of Net Bonded Debt to Assessed Value	Per Capita
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
2006	164,235	8,181,349	67,723,902	417,854	22,413,902	44,892,146	0.55	273.34

* U.S. Census

** 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

SCHEDULE 11

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2006 - UNAUDITED**

Direct Debt:

Building Authority		\$ 9,425,000
Jail Construction - General Obligation Bonds		32,150,000
Water and Sewer Systems - General Obligation Bonds and Loans		36,638,044 *
Michigan Transportation Fund Bonds		3,735,000
Michigan Transportation Fund Notes		1,250,000
Drain Bonds		1,983,902 *
Drain Notes		4,729,033
		<hr/>
		89,910,979
Less: Self-Supporting Debt *		<hr/>
		38,621,946
Net Direct Debt		51,289,033

Overlapping Debt:

Cities	104,753,285	
Townships	42,329,852	
Villages	1,215,000	
School Districts	170,822,215	
Intermediate School District	7,215,930	
Community College	4,589,946	
		<hr/>
		330,926,228

Net Direct and Overlapping Debt		\$ 382,215,261
		<hr/> <hr/>

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 12

**LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin
1997	\$ 413,316,872	\$ 39,487,014	\$ 373,829,858
1998	446,341,545	37,913,351	408,428,194
1999	485,012,616	50,532,219	434,480,397
2000	531,822,876	58,618,971	473,203,905
2001	579,275,762	65,846,305	513,429,457
2002	637,142,188	65,913,100	571,229,088
2003	671,771,239	97,239,721	574,531,518
2004	705,593,714	90,826,838	614,766,876
2005	784,535,788	88,613,950	695,921,838
2006	817,931,908	89,910,979	726,784,831

Legal Debt Margin Calculation for Fiscal Year 2006

State Equalized Value	<u>\$ 8,179,319,075</u>
Legal Debt Limit (10% of State Equalized Value)	\$ 817,931,908
Less: Total Long-Term Debt	<u>89,910,979</u>
Legal Debt Margin	<u>\$ 728,020,929</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

SCHEDULE 13

DEMOGRAPHIC AND ECONOMICAL STATISTICS
LAST TEN FISCAL YEARS - UNAUDITED

<u>Fiscal Year</u>	<u>Population *</u>	<u>U. S. Census</u>	<u>Personal Income *****</u>	<u>Per Capita Income **</u>	<u>K - 12 School Enrollment ***</u>	<u>Unemployment Rate ****</u>
1997	157,494	145,607	\$ 3,783,257	\$ 23,860	27,047	5.1
1998	159,465	145,607	4,093,964	25,472	27,647	4.5
1999	161,755	145,607	4,318,239	26,477	27,652	4.3
2000	164,235	164,235	4,584,752	27,831	27,762	4.2
2001	166,541	164,235	4,571,141	27,710	27,952	6.9
2002	167,712	164,235	4,702,627	28,102	28,835	7.8
2003	170,572	164,235	4,973,839	29,005	28,383	9.2
2004	171,661	164,235	5,021,952	29,017	28,211	9.4
2005	172,546	164,235	5,021,952	29,922	28,235	7.6
2006	172,866	164,235	5,021,952	29,922	27,692	8.4

Sources

- * 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
- ***** U.S. Census Bureau - Expressed in Thousands

Bold Data was not available at the time of publication, so the previous year data was used.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 14

PRINCIPAL EMPLOYERS
CURRENT YEAR AND EIGHT YEARS AGO - UNAUDITED

Employer	Product/Service	2006			1998		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Port Huron School District	Public Education	1,462	1	2.58%	N/A	N/A	N/A
Port Huron Hospital	Health Care Services	1,057	2	1.87%	1,150	1	2.03%
DTE Energy	Public Utility	1,044	3	1.84%	920	4	1.63%
K-Mart Corporation	Retail Merchandise	850	4	1.50%	380	12	0.67%
St. Clair County	Municipal Government	832	5	1.47%	1,011	3	1.79%
Schefenacker Vision Systems, Inc.	Rearview Mirrors	832	6	1.47%	N/A	N/A	N/A
Collins & Ackman Products, Co.	Automotive Products	700	7	1.24%	N/A	N/A	N/A
Mercy Hospital	Health Care Services	693	8	1.22%	900	5	1.59%
Bundy Corporation	Motor Vehicle Parts	620	9	1.10%	N/A	N/A	N/A
East China Public Schools	Public Education	594	10	1.05%	N/A	N/A	N/A
Mueller Brass Company	Metal Forgings	400	16	0.71%	430	7	0.76%
River District Hospital	Health Care Services	393	17	0.69%	425	9	0.75%
Cargill Salt	Salt, Condiments	260	31	0.46%	475	6	0.84%
Huron Manufacturing	Tubular Products	121	47	0.21%	428	8	0.76%
Blue Water Plastics	Plastics	101	51	0.18%	1,017	2	1.80%
Davidson Interior Trim Textron	Automotive Interior Trim	N/A	N/A	N/A	400	10	0.71%
		<u>9,959</u>		<u>17.60%</u>	<u>7,536</u>		<u>13.32%</u>

Source: St. Clair County Metropolitan Planning, Bendzinski & Co., Economic Development Alliance of St. Clair County

Note: Employer information was not available for 1997 so 1998 was used instead.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 15

FULL - TIME EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	Full - Time Equivalent Employees as of December 31,									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Legislative										
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Judicial										
Circuit Court	15	18	17	17	16	16	15	13	14	14
District Court	32	33	32	35	21	26	25	27	29	28
Courthouse Security	0	0	0	0	5	6	6	7	7	7
Friend of the Court	37	37	37	37	37	38	38	33	40	41
Probate Court - Adult	10	10	10	10	8	10	9	9	7	10
Probate Court - Juvenile	24	23	23	23	22	23	24	27	28	23
Probation - Adult	0	0	0	0	5	5	5	6	7	8
General Government										
Administrator/Controller	9	9	9	8	3	4	4	5	4	4
Elections	1	1	0	1	1	1	1	1	1	1
Accounting	0	0	0	0	4	6	6	5	5	5
Purchasing	0	0	0	0	0	0	0	0	0	2
Clerk	13	13	14	14	16	16	14	11	11	11
Equalization	7	7	7	7	7	7	7	7	9	11
Human Resources	3	3	3	5	6	7	7	8	8	8
Staff Resource Pool	0	0	0	0	5	5	6	6	6	0
Prosecuting Attorney	20	23	26	26	26	26	26	26	26	26
Register of Deeds	0	0	0	0	6	5	6	6	6	6
Lands and Graphics/Property Description	4	4	3	4	4	5	5	5	0	0
Treasurer	8	8	8	8	8	8	7	7	7	8
Cooperative Extension	6	5	5	5	5	5	5	5	5	5
Information Technology	2	2	2	3	4	4	6	11	11	16
Buildings and Grounds	24	23	24	29	32	31	30	27	27	25
Drain Commissioner	5	5	4	4	4	6	7	8	9	9
Public Safety										
Sheriff Department	62	65	68	64	65	70	73	78	80	85
Communications	11	11	11	11	11	12	14	15	15	15
Marine Patrol	1	1	1	1	1	1	1	1	1	1
Jail	36	38	37	39	45	49	50	55	94	94
Emergency Services	2	2	2	2	2	2	3	3	4	5
Animal Control	4	4	4	4	4	4	5	5	5	4
Metropolitan Planning	7	7	7	6	7	7	7	7	7	7

Full - Time Equivalent Employees as of December 31,

Function	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Health and Welfare										
Veterans Counselor	2	2	2	2	2	3	3	3	3	4
Public Guardian	3	3	3	3	3	3	3	3	3	4
Health Department	74	88	88	85	84	86	85	93	93	93
Child Care	28	30	30	30	30	31	24	27	34	45
Recreation and Culture										
Parks and Recreation	4	4	4	5	5	6	7	7	7	7
Library	25	34	34	30	29	33	39	38	35	37
Proprietary Activities										
Landfill	1	2	2	2	2	2	2	3	3	3
Airport	1	1	1	2	2	3	3	4	4	3

Source: Accounting Department, Annual Budget by Department Sheets

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 16

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Judicial										
Circuit Court Cases Filed	(1)	(1)	(1)	(1)	(1)	4,464	4,645	4,487	4,232	4,337
Circuit Court Cases Dispositions	(1)	(1)	(1)	(1)	(1)	4,527	4,643	4,952	4,423	4,327
General Government										
Marriage licenses	1,193	1,148	1,206	1,205	1,246	1,172	1,121	1,080	1,108	1,124
Births Certificates	1,746	1,817	1,941	2,013	1,917	1,847	1,912	1,948	1,891	1,860
Divorces Recorded	718	707	739	700	767	763	711	705	635	687
Death Certificates	1,356	1,418	1,484	1,451	1,411	1,599	1,490	1,420	1,454	1,445
Public Safety										
Inmate bookings	5,681	5,935	5,619	5,669	5,776	6,049	6,034	5,789	5,652	5,960
Dispatch Calls	36,218	36,310	39,729	40,386	41,210	41,420	41,119	47,961	56,061	58,623
Dog Licenses Issued	21,461	21,455	23,029	23,327	23,827	23,127	23,525	23,267	23,550	24,996
Airport										
Take-offs and Landings (2)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000

Source: Various County Departments

(1) Due to the reorganization of the Circuit Court System, the numbers were not comparable prior to 2002.

(2) These numbers were estimates

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 17

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Judicial										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	0	1	1	1	1	1	1	1	1	1
General Government										
Buildings	2	2	3	3	3	3	3	3	3	3
Vehicles	5	6	9	10	8	8	8	10	11	11
Public Safety										
Buildings	3	3	3	3	3	3	3	4	5	5
Jail Beds Available	170	170	170	170	170	170	170	170	400	400
Vehicles										
Patrol	12	21	31	44	48	47	58	54	50	49
Other	10	10	12	16	19	16	15	16	19	20
Health & Welfare										
Buildings	2	2	2	2	2	2	2	2	2	2
Vehicles	0	0	0	1	2	2	2	2	2	2
Recreation & Cultural										
Buildings	32	33	35	36	36	36	36	36	36	37
Vehicles	3	3	3	3	4	5	6	6	6	8
Park Acreage	121	121	121	121	121	121	121	121	137	232
Airport										
Buildings	4	5	5	6	6	6	7	7	7	7
Vehicles	1	1	1	2	2	2	2	2	2	3
Landfill										
Buildings	1	1	1	1	1	1	1	1	1	1

Source: Accounting Department