



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2008

**Current members of the
BOARD OF COMMISSIONERS**

Wallace Evans, Chairperson
Pamela Wall, Vice Chairperson
Jeff Bohm
Patrick Quain
Howard Heidemann
Dennis Kearns
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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Office of the Administrator/Controller



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

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

June 15, 2009

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, 2008.

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, 2008, 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, 2008, 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 the 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. The County 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, 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 171,017, living in an estimated 66,915 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 staggered 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 Legislative (ie.

Board of Commissioners), Judicial (ie. Courts, Friend of Court, and Probation), General Government (ie. Elections, Equalization, Administration, Prosecuting Attorney, Clerk/Register of Deeds, 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), Community & Economic Development (ie. Planning) 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 2008 budget the Administrator/Controller's office prepared staffing budgets for the departments that adhered to the 2007 staffing levels but were brought up to the expected costs for 2008. All other expenses for 2008 were kept at 2007 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 early October 2007, 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 balanced 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, and our residential property has been negatively impacted along with all residential properties in southeastern Michigan. 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 2008 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, 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 has been recently upgraded, and the County continues to maintain a high level of services to our citizens.

The following projects demonstrate the viability of St. Clair County to compete for new manufacturing growth:

- The DaimlerChrysler Corporation is on schedule to open their new 750,000 square foot St. Clair Township plant to produce axles and drive train components for 2010 model vehicles. The plant has been leased to ZF Group, the 9th largest auto supplier in the world. They will produce axles and drive train components in the most modern axle plant in North America for various automobile manufacturers. The plant is expected to open in the fall of 2009 for pre-production with production expected to start in the spring of 2010, employing about 350 people.
- Keihin Corporation has opened their new \$25,000,000 plant in the Village of Capac to produce intake manifold assemblies and HVAC systems for Honda Motors. The plant now employs about 260 people.
- Energy Components Group has recently announced plans to open an alternative energy manufacturing plant in the City of St. Clair. The company will invest about \$21,000,000 and create 250 jobs over the next several years. They are suppliers to the solar and wind power industries.

Because of what was noted earlier, we have experienced a net negative impact in our total property values of \$40,143,048 (.6%) from 2007 to 2008. From 2006 to 2007 the County had a net gain in total property values of \$284,716,735 (4.61%). Increases in 2008 occurred in the following categories: commercial (\$12,445,057 or 2.1%), agricultural (\$6,898,576 or 2.4%), industrial (\$27,713,324 or 3.1%) and personal property (\$3,940,864

or 6.9%), while a decrease occurred in residential property (\$90,172,758 or 2.1%) and developmental property (\$968,111 or 36.5%).

Although we are currently seeing decreases in total taxable values in the County, it is apparent the decreases are being driven by a decline in housing sales, a housing market that is currently declining and an increase in mortgage foreclosures caused, partially, by relatively high unemployment.

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 have also contracted with Detroit Edison Company to buy the methane gas created by the decomposition at the landfill to produce electric power. This revenue stream will continue for the life of the landfill.

In 2008, the County finalized 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 received a state grant for acquisition of some of the land and have completed the purchase of four parcels, with the county share of the costs coming from the Parks & Recreation millage. Development of the park will start in 2009.

In late 2008 the County finalized the purchase of 44.5 acres in Clyde Township to be developed into a passive recreation day-use park. We received a state grant for 64.5% of the acquisition of the land, with the balance coming from the Parks & Recreation millage. Development of the park will start in 2009.

To enhance the public safety system of the county the Board of Commissioner’s approved the sale of bonds in the amount of \$3,000,000 to build two towers in the central and western portions of the county to improve reception for our 911 communications system. The balance of the \$3.75 million project will come from federal and state grants already received. The bonds will be sold in the summer of 2009. Construction is scheduled to start in late summer of 2009 and be completed in 2010.

The County utilizes a software product for financial forecasting. The model takes a look 6 years into the future as to where the finances of the County will be. It utilizes known historical information as well as assumptions as to future revenues and expenditures, and has been accurate in its predictions. Administration uses this model to guide us in our budget deliberations and it is updated as new information is received.

The County is looking for a long-term solution to what we expect will be ongoing reductions to state program revenues fostered by state budget woes. We are also taking a hard look at the services we provide, and how we provide them, as we formulate our 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. Depending on the institution the County Treasurer may require collateralization by the institution to protect our entire investment principal. Due to the large sums of money the County deals with, and the \$250,000 limitations of federal insurance, it is impractical to place all of our money in insured accounts. The County Treasurer recorded approximately \$ 920,000 in interest earnings in 2008, and approximately \$1,500,000 in interest earnings in 2007, 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-employment 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 2008, the County contributed \$4,312,555 (8.20-11.49% of covered payroll) and the employees

contributed \$2,392,071 (5% of covered payroll) to the plan. As of December 31, 2007, the date of the last actuary report, the plan was 97.3% funded.

Non-union employees and in several negotiated union contracts, new employees hired after January 1, 2009 will be members of a defined contribution pension plan where the county will match the employee contribution, up to a maximum of 8%. When all bargaining units are in this plan the defined benefit plan will effectively be closed to new participants.

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 2008, the County contributed \$3,305,515 (1.51- 4.8% of covered payroll). In 2008, employees contributed \$173,792 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 implement 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 strives 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, other than those in separate millage supported funds and certain grant 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.

Awards and Acknowledgements

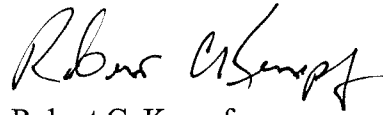
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Clair County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2007. This was our sixth consecutive award and our sixteenth award 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

John D. Monaghan	Chief District Judge
Richard A. Cooley, Jr.	District Judge
Cynthia S. Platzer	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
Robert Wiley	Drain Commissioner
Michael D. Wendling	Prosecuting Attorney
Timothy Donnellon	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, 2007

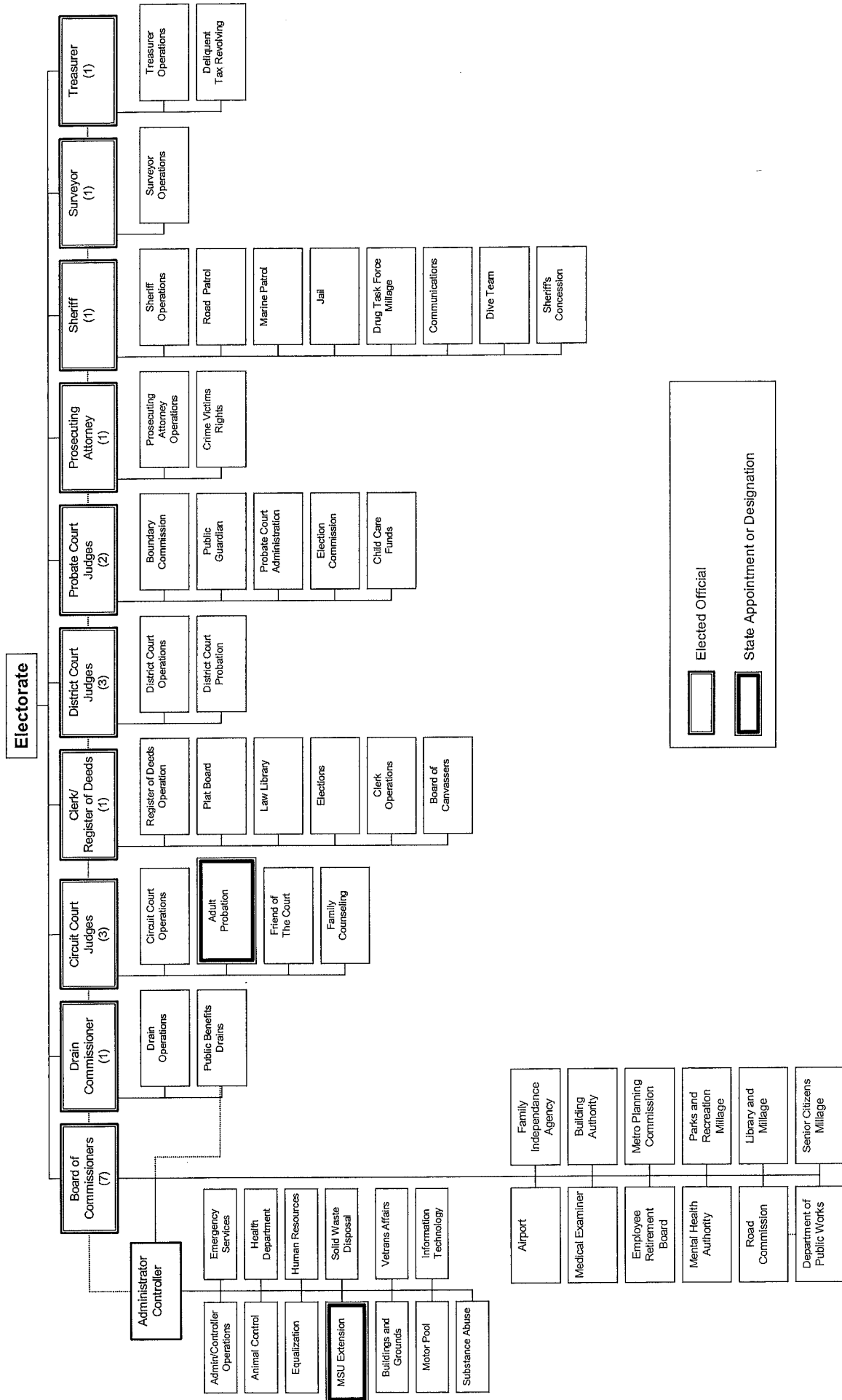
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

St. Clair County Organizational Chart



Elected Official
 State Appointment or Designation

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of St. Clair County
Port Huron, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2008, 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, 2008, 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 19, 2009 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 89 through 97 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 procedures 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, Beauvais & Whipple
Certified Public Accountants

June 19, 2009

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, 2008. 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, 2008 by \$132,214,926. Of this amount \$36,837,825 may be used to meet the County's ongoing obligations to citizens and creditors. Additionally, \$29,403,722 has been restricted for specific purposes (ie. specific millage funds, substance abuse, revenue sharing, E-911, etc) and \$65,973,379 represents our investment in capital assets, net of related liabilities.
- The total net assets decreased by \$11,152,120 mainly due to the implementation of GASB Statement No 45 requiring governments to report the liability for other post employment benefits. The County also agreed to a settlement with the Detroit Edison Company regarding the taxable value of power plants that resulted in a refund of prior years taxes. The details of this settlement are described in Note 18 located on page 88.
- At December 31, 2008 the County's governmental funds reported combined ending fund balances of \$40,091,694, a decrease of \$10,431,780.
- In 2008 the General Fund reported revenues over expenditures of \$324,320 which increased the fund balance to \$8,471,491. Of this amount \$2,040,436 has been designated for a variety of issues, including \$2,000,000 for budget stabilization.
- In 2008 the Board of Commissioner's adopted a balanced budget for the 2009 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's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net assets presents information on all of the County's assets and

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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, community and economic development, recreation and culture, and debt service. The business-type activities of the County include the Airport, Sheriff's Concession, Solid Waste Disposal System, School Tax Collections, Homestead Exemption Audits, 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 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.

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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 32 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, Mental Health Building Debt Fund and the Mental Health Building 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, School Tax Collections, and Homestead Exemption Audits funds. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its various employee benefits and risk programs.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Solid Waste Disposal and Delinquent Tax Revolving Funds, both of

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which are considered to be major funds of the County. Individual fund data for the 4 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 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The largest of the Fiduciary Funds are the County Employees Pension Fund, Other Employee Benefits Fund, the Landfill Perpetual Care Fund and the Trust and Agency Fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 30-31 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 35-88 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 89-97 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 98-122 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 \$132,214,926 at December 31, 2008.

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

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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	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	79,923,850	88,127,087	40,203,279	42,239,500	120,127,129	130,366,587
Capital Assets, Net of Accumulated Depreciation	93,278,342	94,437,016	15,185,621	15,545,891	108,463,963	109,982,907
Total Assets	173,202,192	182,564,103	55,388,900	57,785,391	228,591,092	240,349,494
Current Liabilities	23,359,825	27,558,135	598,781	1,294,165	23,958,606	28,852,300
Other Liabilities	63,523,395	58,919,037	8,894,165	9,211,111	72,417,560	68,130,148
Total Liabilities	86,883,220	86,477,172	9,492,946	10,505,276	96,376,166	96,982,448
Net Assets						
Investment in capital assets, Net of related debt	50,828,342	50,692,627	15,145,037	15,424,140	65,973,379	66,116,767
Restricted	28,468,585	30,141,295	935,137	535,341	29,403,722	30,676,636
Unrestricted	7,022,045	15,253,009	29,815,780	31,320,634	36,837,825	46,573,643
Total Net Assets	86,318,972	96,086,931	45,895,954	47,280,115	132,214,926	143,367,046

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

The government's net assets decreased by \$11,152,120. About half of this decrease was due to the implementation of Government Accounting Standards Board Statement Number 45 requiring governments to record their liability for the cost of other post employment benefits (OPEB). Also contributing to the decrease was the cash settlement paid for prior year taxes as discussed earlier.

Governmental Activities. Governmental activities decreased net assets by \$9,767,959, thereby accounting for 87 percent of the total decrease. Key elements of this decrease are as follows:

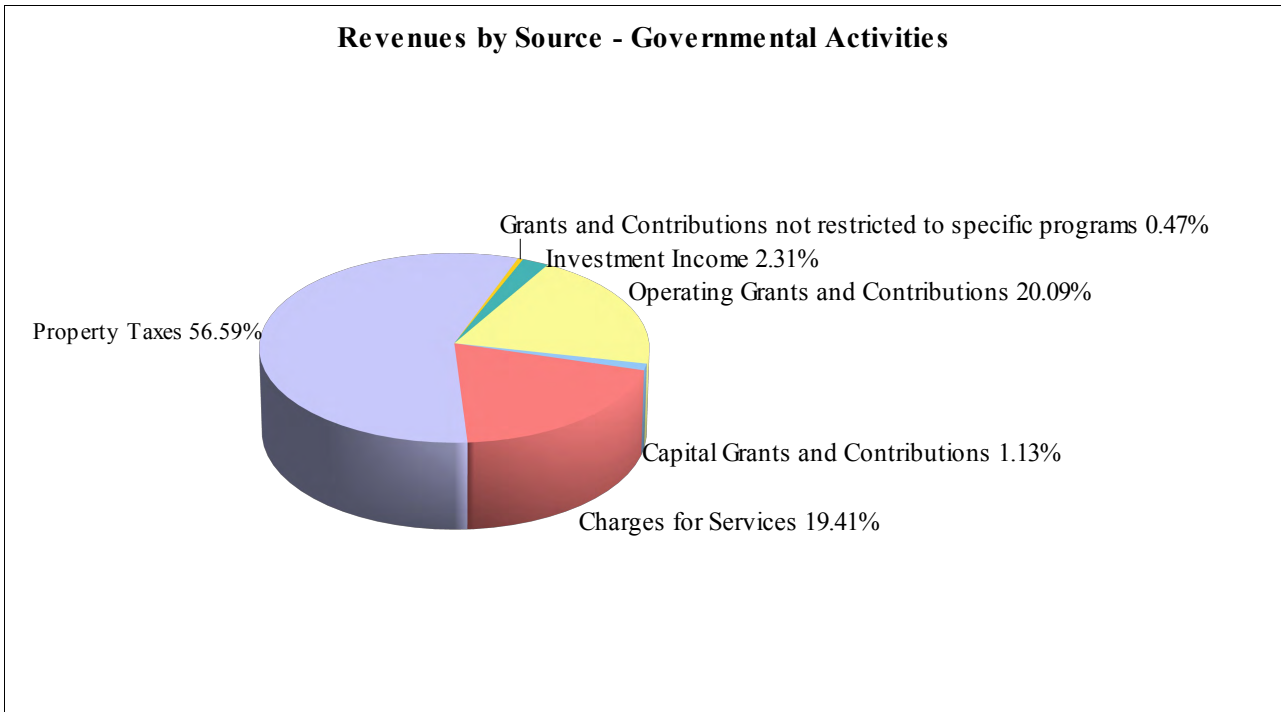
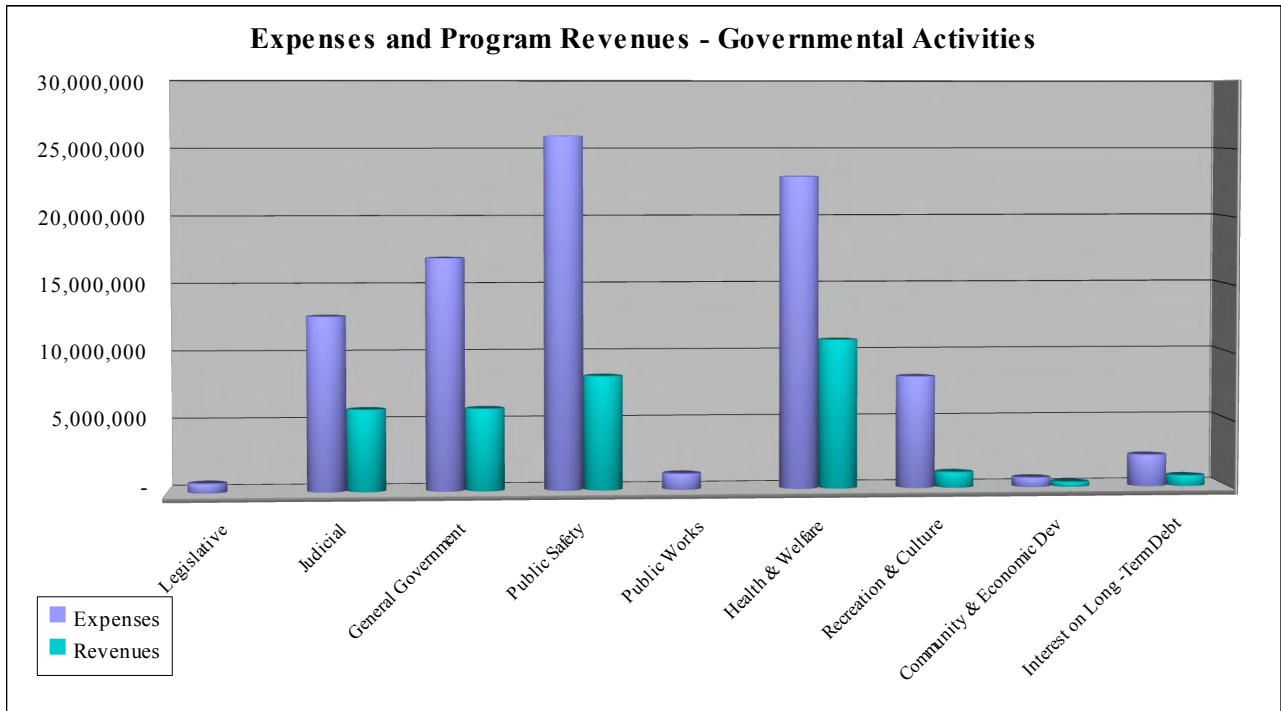
- A tax tribunal settlement of \$4,157,064 for prior year taxes as discussed in Note 18 on page 88.
- The recording of OPEB expenses totaling \$5,081,167.

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Changes in Net Assets

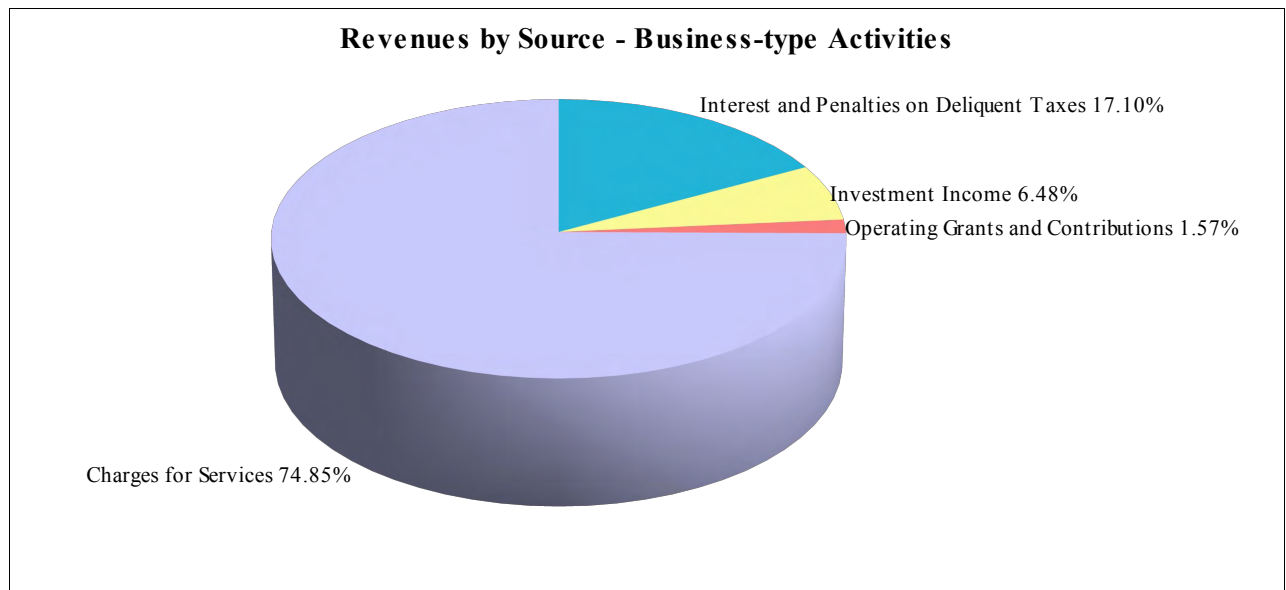
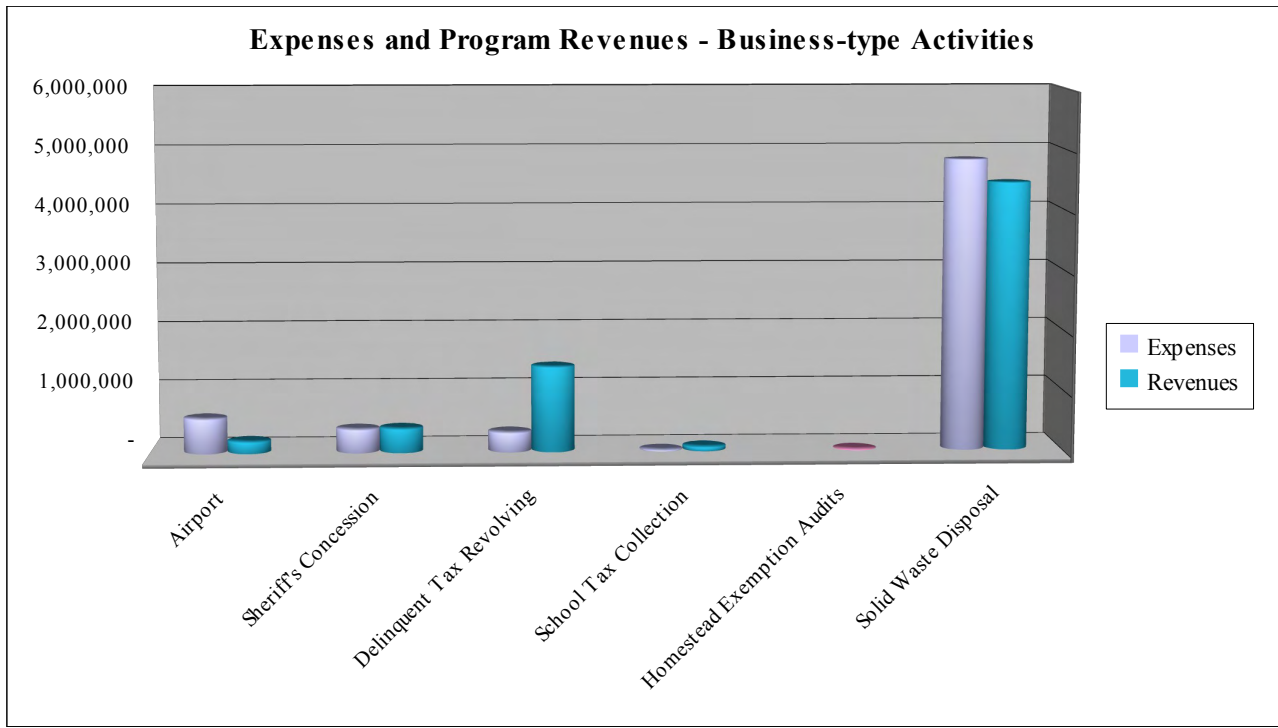
Charges for services	15,985,328	16,647,906	6,368,433	6,428,577	22,353,761	23,076,483
Operating Grants and Contributions	16,538,498	13,973,237	133,815	142,781	16,672,313	14,116,018
Capital Grants and Contributions	933,637	4,145,867	-	46,132	933,637	4,191,999
General revenues:						
Property Taxes	46,593,832	46,894,887	-	-	46,593,832	46,894,887
Intergovernmental revenues	386,036	45,758	-	-	386,036	45,758
Investment earnings	1,900,248	3,643,858	551,014	1,136,466	2,451,262	4,780,324
Other revenues	-	-	1,454,536	1,169,139	1,454,536	1,169,139
Total Revenues	82,337,579	85,351,513	8,507,798	8,923,095	90,845,377	94,274,608
Expenses:						
Legislative	647,708	785,841	-	-	647,708	785,841
Judicial	12,813,240	12,239,464	-	-	12,813,240	12,239,464
General Government	17,056,581	14,797,770	-	-	17,056,581	14,797,770
Public Safety	25,937,503	23,708,174	-	-	25,937,503	23,708,174
Public Works	1,133,666	550,961	-	-	1,133,666	550,961
Health and Welfare	22,970,486	22,473,222	-	-	22,970,486	22,473,222
Recreation and Culture	8,216,967	7,340,159	-	-	8,216,967	7,340,159
Community and Economic Development	651,961	693,303	-	-	651,961	693,303
Interest on Debt Service	2,299,676	2,165,067	-	-	2,299,676	2,165,067
Delinquent Tax Collections	-	-	315,907	238,741	315,907	238,741
Airport	-	-	568,543	474,021	568,543	474,021
Sheriff's Concession	-	-	380,400	350,587	380,400	350,587
School Tax Collections	-	-	6,028	4,000	6,028	4,000
Solid Waste Disposal	-	-	4,841,767	4,630,659	4,841,767	4,630,659
Total Expenses	91,727,788	84,753,961	6,112,645	5,698,008	97,840,433	90,451,969
Increase in Net Assets, before transfers	(9,390,209)	597,552	2,395,153	3,225,087	(6,995,056)	3,822,639
Transfers	3,779,314	2,477,738	(3,779,314)	(3,077,738)	-	(600,000)
Special Item -Tax Settlement	(4,157,064)	-	-	-	(4,157,064)	-
Increase in Net Assets	(9,767,959)	3,075,290	(1,384,161)	147,349	(11,152,120)	3,222,639
Net Assets January 1 (Restated)	96,086,931	93,011,641	47,280,115	47,132,766	143,367,046	140,144,407
Net Assets December 31	86,318,972	96,086,931	45,895,954	47,280,115	132,214,926	143,367,046

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Business-type activities. Business-type activities decreased the County's net assets by \$1,384,161. This was primarily due to transfers made to the general fund to fund a portion of the tax tribunal settlement.



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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, 2008, the County's governmental funds reported combined ending fund balances of \$40,091,694, a decrease of \$10,431,780 in comparison to the prior year. This decrease was primarily due to the construction of a mental health building. Most of this fund balance is unreserved (\$37,716,390), which is available for spending at the County's discretion. A total of \$2,682,093 of the unreserved fund balance has been designated for projects in the Parks (\$636,262) and future budget stabilization/various other items (\$2,045,831), leaving \$35,034,297 for current use. The remainder of fund balance (\$2,375,304) 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, debt service and the permanent funds.

The General Fund is the chief operating fund of the County. At December 31, 2008, the general fund reported an ending fund balance of \$8,471,491. Of that amount \$6,365,191 is unreserved/undesignated, \$2,040,436 is unreserved/designated for future budget stabilization and various programs and \$65,864 is reserved for prepaid expenses. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 13.5 percent and total fund balance represents 13.6 percent of 2008 total general fund expenditures, transfers and special items.

The General Fund balance increased by \$324,320 during the current fiscal year. Key factors in this growth are as follows:

- The implementation of a hiring policy which reviews each employment vacancy to determine if it needs to be refilled. As a result positions have remained vacant longer.
- An increase in the amount charged to other funds for cost allocation.

The Health Department reported fund balance of \$1,189,226 at December 31, 2008. Of that amount \$1,174,140 is unreserved/undesignated. Revenues and transfers in were reported at \$9,268,344 along with expenditures and transfers out of \$9,311,585. Fund balance decreased \$43,241 over the prior year. The fund balance was budgeted to decrease \$341,150 over the prior year. A less than budgeted decrease was due to matching expenditures with reduced revenue.

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The third major governmental fund is the special millage Parks and Recreation Fund. At December 31, 2008, Parks and Recreation reported a fund balance of \$3,612,553. Of this amount, \$2,976,291 is available for operations of the park system and future development and \$636,262 has been designated for specific projects. Fund balance decreased \$12,469 over the prior fiscal year due to the refund of taxes paid in the tax tribunal settlement.

The fourth major governmental fund is the special millage Library Fund. It reported \$1,813,964 in fund balance at December 31, 2008. All of this amount is undesignated and available for operations of the County library system. In 2008 the Library operated on revenues and transfers of \$5,475,365 and expenditures of \$5,292,992. Fund balance decreased \$163,152 over the prior fiscal year due to the refund of taxes paid in the tax tribunal settlement.

The fifth major governmental fund is the Revenue Sharing Reserve Fund. 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, 2008, this fund had \$16,518,625 in unreserved/undesignated fund balance. This fund transferred \$3,587,297 to the General Fund in 2008.

The sixth major governmental fund is the special millage Senior Citizens fund. It reported \$768,106 in fund balance at December 31, 2008. All of this amount is available for operations. This fund decreased \$330,236 over the prior year primarily due to the refund of taxes paid in the tax tribunal settlement.

The seventh major governmental fund is the Mental Health Building Debt Fund. It reported a fund balance of \$1,585 at December 31, 2008. This fund accounts for the payment of debt as well as monies received from Community Mental Health to reimburse the County for the debt payment.

The last major governmental fund is the Mental Health Building Construction Fund. It had a fund balance at December 31, 2008 of \$291,866 which is all reserved for the construction of a new mental health building. Fund balance decreased \$7,242,308 over the prior year as construction on the new facility was completed.

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, 2008.

Net assets in the Solid Waste Disposal System at the end of the year amounted to \$15,856,395, of this amount \$11,484,394 is invested in capital assets. Net assets decreased \$2,245,158 over the prior year due to transfers to the General Fund to fund the refund of taxes paid due to the tax tribunal settlement and a transfer to the Road Commission.

The Delinquent Tax Revolving Fund reported net assets of \$25,992,093, an increase of

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\$980,265 over the prior year. A portion of 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.

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 gain of \$293,026. The 2008 amended budget of the General Fund had revenues and transfers in of \$59,363,035 and expenditures and transfers out of \$59,070,009. Included in the transfers out were appropriations to several funds that depend on the General Fund for operational funds.

Overall during the year the budget was adjusted as follows: the revenues and transfers in were adjusted up by \$1,440,311 (2.5%) and the expenditures and transfers out were adjusted up by \$1,147,285 (2%). Major changes can be summarized as follows:

- Intergovernmental revenues increased due to various grants received throughout the year, and expansion in revenues received for housing federal inmates in our jail, as well as a merger of emergency dispatch operations with the City of Port Huron.
- Interest and rent revenues were decreased due to falling interest rates.
- Tax revenues were decreased to reflect declining property tax collections.
- 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 costs associated with the merger of dispatch operations with the City of Port Huron, contracts for inmate services in the jail, and an expansion of jail bed space to accommodate federal inmates.
- Transfers out were increased due to a transfer to the Public Improvement Fund to pay for facility projects and an additional transfer to the Child Care Fund for half the value of cost allocation not covered by the State.

Amended revenue and transfer-in budgets differed by \$3,091,063 of actual revenues and transfers-in. Significant differences between the amended budgets and actual results for revenues were as follows:

- Actual transfers in were greater than the amended budget due to the effects of the refund owed in the tax tribunal settlement. Additional funds were transferred in from the Revenue Sharing Reserve Fund, the Delinquent Tax Fund as well as the Landfill fund. Current tax revenues were also affected by this settlement.
- Federal/State revenues were \$ 307,555 less than the amended budget due to the timing of payments received by the State. These revenues had to be reported as deferred at year end.
- Charges for Services were greater than the amended budget by \$240,714

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- primarily due to higher than expected collections for jail inmate board and care as well as associated telephone use fees.
- Other revenues were \$117,844 higher than the amended budget primarily due to reimbursements for election costs.

Expenditures and transfers-out, including the special item, differed \$3,059,769 of actual expenditures and transfers-out. Significant differences between the amended budgets and actual results for expenditures in the departments are as follows:

- Many departments were under their amended budgets due to positions held vacant through out the year due to a new hiring freeze policy implemented during the year.
- Other Legislative Activities was under its amended budget by \$203,954 due to less than anticipated legal costs for the defense of contested property taxes.
- Circuit Court was under its amended budget by \$140,298 due to lower than anticipated court appointed attorney costs.
- Buildings and Grounds was under its amended budget by \$172,687 due to cost savings measures implemented to save on energy costs. Also contributing to this savings was a reduction in maintenance services due to the hiring of a master electrician.
- The Sheriff was over his amended budget by \$176,768 due to overtime costs as well as fuel and vehicle repair costs.
- Other Corrections Activities were under its amended budget by \$214,529 to match spending with grant dollars received.
- Corrections/Jail was over its amended budget by \$444,237 due to wage and overtime costs.
- Road Commission was over budget by \$600,000 due to a transfer to the Road Commission. There was a corresponding transfer in from the Landfill Fund to cover this cost.
- A special item was recorded due to a refund owed in the tax tribunal settlement.

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, 2008, amounted to \$108,463,963 (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 decrease in the County's capital assets for the current fiscal year was \$1,518,944 or 1.4%. The governmental activities recorded a 1.2% decrease and the business-type activities had a 2.3% decrease.

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Capital Assets (net of depreciation)

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Land	9,552,147	9,097,033	1,077,858	1,077,858	10,630,005	10,174,891
Buildings and Improvements	68,082,292	69,727,920	1,014,479	1,053,140	69,096,771	70,781,060
Improvements other than Buildings	3,531,916	3,711,158	10,778,805	11,176,268	14,310,721	14,887,426
Equipment and Vehicles	8,326,619	8,521,817	357,645	412,762	8,684,264	8,934,579
Books	2,824,781	2,953,181	-	-	2,824,781	2,953,181
Construction in Progress	960,587	425,907	1,956,834	1,825,863	2,917,421	2,251,770
Total	<u>93,278,342</u>	<u>94,437,016</u>	<u>15,185,621</u>	<u>15,545,891</u>	<u>108,463,963</u>	<u>109,982,907</u>

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 and a bioreactor.
- The construction of pavilions and play structures at County parks.
- Property purchased by the Parks and Recreation Department for Woodsong County Park.
- Replacement of various county vehicles.
- Addition of books to the County library collection.

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, 2008, the County had total debt outstanding of \$72,417,560, which was an increase of \$4,287,412.

Outstanding Debt

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	52,775,000	54,315,000	-	-	52,775,000	54,315,000
Installment Loan Agreements	-	6,551	40,584	121,751	40,584	128,302
Landfill Closure and Post Closure Costs	-	-	8,769,616	9,057,897	8,769,616	9,057,897
Drain Districts	772,882	414,379	-	-	772,882	414,379
Self-insurance Liability	651,000	311,000	-	-	651,000	311,000
Accumulated Employee Vacation, Sick and Compensatory Time	4,848,737	4,526,308	41,835	31,463	4,890,572	4,557,771
Other Post Employment Benefits	5,081,167	-	42,130	-	5,123,297	-
Deferred Amounts	(605,391)	(654,201)	-	-	(605,391)	(654,201)
Total	<u>63,523,395</u>	<u>58,919,037</u>	<u>8,894,165</u>	<u>9,211,111</u>	<u>72,417,560</u>	<u>68,130,148</u>

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Significant portions of the debt include the following:

- The general obligation bonds (Series A) sold in 2007 to construct a Mental Health Authority building (\$10,325,000).
- The general obligation bonds (Series B) sold in 2007 for the cost of acquiring and installing equipment related to 911 services (\$3,400,000).
- The general obligation bonds sold in 2003 to finance the construction of the Jail/Juvenile facility (\$30,600,000).
- In accordance with Governmental Accounting Standards Board Statement No. 45 an obligation for other post employment benefits has been recorded in the amount of \$5,123,297.
- 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 \$8,769,616 at December 31, 2008.
- Upon their leaving County employment, 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. This amount at December 31, 2008 is \$4,890,572.

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

Economic Factors and Next Year's Budgets and Rates

Many factors were considered in preparation of the County's budget for the 2009 fiscal year. Several of the more telling factors are as follows:

- The unemployment rate for the County is currently around 16.5 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.
- Declining housing sales and increased foreclosures causing property values to decrease in total.
- Funding for economic development initiatives to locate new businesses and jobs in our county.

The 2009 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 Ave., 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, 2008**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 24,206,913	\$ 18,607,414	\$ 42,814,327	\$ 15,904,395
Investments	21,925,797	11,620,814	33,546,611	199,000
Deposits with primary government	-	-	-	1,349,293
Receivables (net of allowance)	32,072,398	9,963,153	42,035,551	13,932,244
Prepaid expenses	1,082,865	11,898	1,094,763	664,475
Due from component units	282,918	-	282,918	66,748
Due from primary government	-	-	-	1,810
Inventory	-	-	-	1,770,747
Advance to component units	50,000	-	50,000	-
Advance to primary government	-	-	-	89,281
Deferred charges	284,909	-	284,909	72,597
Temporarily restricted assets -				
Cash and cash equivalents	-	-	-	7,669,861
Receivable	-	-	-	33,743,678
Deferred charges	-	-	-	107,216
Permanently restricted assets - Investment	18,050	-	18,050	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	10,512,734	3,034,692	13,547,426	43,962,337
Assets being depreciated	82,765,608	12,150,929	94,916,537	125,376,337
Total Assets	<u>173,202,192</u>	<u>55,388,900</u>	<u>228,591,092</u>	<u>244,910,019</u>
LIABILITIES:				
Payables and accrued liabilities	10,461,670	496,915	10,958,585	8,379,217
Due to primary government	-	-	-	243,589
Due to component units	307	1,503	1,810	66,748
Advances and deposits	187,945	6,117	194,062	913,250
Advances from component units	-	89,281	89,281	-
Advances from primary government	-	-	-	50,000
Unearned revenue	12,709,903	4,965	12,714,868	2,359,537
Liabilities Payable from restricted assets	-	-	-	342,363
Non-current liabilities -				
Net OPEB Obligation	5,081,167	42,130	5,123,297	3,214,962
Due within one year	2,309,481	40,584	2,350,065	12,881,676
Due in more than one year	56,132,747	8,811,451	64,944,198	52,214,071
Total Liabilities	<u>86,883,220</u>	<u>9,492,946</u>	<u>96,376,166</u>	<u>80,665,413</u>
NET ASSETS:				
Investment in capital assets, net of related debt	50,828,342	15,145,037	65,973,379	140,521,861
Restricted -				
Acquisition/construction of capital assets	3,879,748	-	3,879,748	892,443
Permanent Fund	25,615	-	25,615	-
Debt Service	708,847	-	708,847	-
Recreation and Cultural	5,426,517	-	5,426,517	-
Revenue Sharing Reserve	16,518,625	-	16,518,625	-
Health and Welfare	1,069,793	-	1,069,793	-
Public Safety	323,392	-	323,392	-
Other Purposes	516,048	935,137	1,451,185	6,227,761
Unrestricted	7,022,045	29,815,780	36,837,825	16,602,541
Total Net Assets	<u>\$ 86,318,972</u>	<u>\$ 45,895,954</u>	<u>\$ 132,214,926</u>	<u>\$ 164,244,606</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, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 647,708	\$ -	\$ -	\$ -
Judicial	12,813,240	2,808,989	3,179,857	-
General Government	17,056,581	4,927,186	1,091,981	-
Public Safety	25,937,503	4,483,550	3,206,708	667,836
Public Works	1,133,666	-	-	-
Health and Welfare	22,970,486	2,103,243	8,582,324	265,801
Community and Economic Development	651,961	36,321	272,168	-
Recreation and Culture	8,216,967	894,712	205,460	-
Interest on Long Term Debt	2,299,676	731,327	-	-
Total governmental activities	<u>91,727,788</u>	<u>15,985,328</u>	<u>16,538,498</u>	<u>933,637</u>
Business type activities:				
Delinquent Revolving Tax	315,907	1,414,620	-	-
Airport Commission	568,543	149,999	31,596	-
Sheriff's Concession	380,400	389,120	-	-
School Tax Collections	6,028	57,923	-	-
Homestead Exemption Audits	-	1,170	-	-
Solid Waste Disposal System	4,841,767	4,355,601	102,219	-
Total business type activities	<u>6,112,645</u>	<u>6,368,433</u>	<u>133,815</u>	<u>-</u>
Total Primary Government	<u>97,840,433</u>	<u>22,353,761</u>	<u>16,672,313</u>	<u>933,637</u>
Component Units				
Road Commission	23,355,564	4,445,365	14,588,027	3,394,284
Department of Public Works	5,739,415	5,213,284	-	-
Community Mental Health Authority	81,306,162	844,825	78,502,711	-
Drains	1,017,412	4,780,489	-	39,586
Total Component Units	<u>111,418,553</u>	<u>15,283,963</u>	<u>93,090,738</u>	<u>3,433,870</u>

General revenues:
Property taxes
Grants and contributions not
restricted to specific programs
Unrestricted investment income
Interest and penalties on delinquent taxes
Transfers
Special Item-Tribunal Settlement
Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustments

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
\$(647,708)	\$ -	\$(647,708)	\$ -
(6,824,394)	-	(6,824,394)	-
(11,037,414)	-	(11,037,414)	-
(17,579,409)	-	(17,579,409)	-
(1,133,666)	-	(1,133,666)	-
(12,019,118)	-	(12,019,118)	-
(343,472)	-	(343,472)	-
(7,116,795)	-	(7,116,795)	-
(1,568,349)	-	(1,568,349)	-
<u>(58,270,325)</u>	<u>-</u>	<u>(58,270,325)</u>	<u>-</u>
-	1,098,713	1,098,713	-
-	(386,948)	(386,948)	-
-	8,720	8,720	-
-	51,895	51,895	-
-	1,170	1,170	-
-	(383,947)	(383,947)	-
<u>-</u>	<u>389,603</u>	<u>389,603</u>	<u>-</u>
<u>(58,270,325)</u>	<u>389,603</u>	<u>(57,880,722)</u>	<u>-</u>
-	-	-	(927,888)
-	-	-	(526,131)
-	-	-	(1,958,626)
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,802,663</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>390,018</u>
46,593,832	-	46,593,832	-
386,036	-	386,036	-
1,879,577	551,014	2,430,591	1,202,430
20,671	1,454,536	1,475,207	-
3,779,314	(3,779,314)	-	-
(4,157,064)	-	(4,157,064)	-
<u>48,502,366</u>	<u>(1,773,764)</u>	<u>46,728,602</u>	<u>1,202,430</u>
<u>(9,767,959)</u>	<u>(1,384,161)</u>	<u>(11,152,120)</u>	<u>1,592,448</u>
96,086,931	41,215,980	137,302,911	162,652,158
<u>-</u>	<u>6,064,135</u>	<u>6,064,135</u>	<u>-</u>
<u>96,086,931</u>	<u>47,280,115</u>	<u>143,367,046</u>	<u>162,652,158</u>
<u>\$ 86,318,972</u>	<u>\$ 45,895,954</u>	<u>\$ 132,214,926</u>	<u>\$ 164,244,606</u>

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
ASSETS				
Cash and cash equivalents	\$ 205,005	\$ 825,314	\$ 4,004,782	\$ 2,384,558
Investments	9,300,000	-	-	-
Receivables -				
Current and delinquent property taxes	2,959,716	-	3,028,419	4,244,146
Interest and accounts	235,364	193,650	1,605	5,917
Due from other governmental units -				
Federal/State	1,599,330	1,013,036	-	-
Local	212,302	-	-	-
Due from other funds	17,151	-	214,302	302,832
Due from component units	282,918	-	-	-
Advances to component units	50,000	-	-	-
Prepayments and deposits	15,864	15,086	-	-
	<u>14,877,650</u>	<u>2,047,086</u>	<u>7,249,108</u>	<u>6,937,453</u>
Total Assets	\$ 14,877,650	\$ 2,047,086	\$ 7,249,108	\$ 6,937,453
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,468,749	\$ 41,995	\$ 387,428	\$ 545,857
Accrued liabilities	1,303,283	66,954	6,099	30,654
Advances and deposits	-	187,945	-	-
Due to other governmental units -				
Federal/State	-	328,236	-	-
Local	53,841	-	-	-
Due to other funds	-	-	-	-
Due to component units	-	-	307	-
Deferred revenue	580,286	232,730	3,242,721	4,546,978
	<u>6,406,159</u>	<u>857,860</u>	<u>3,636,555</u>	<u>5,123,489</u>
Total Liabilities	\$ 6,406,159	\$ 857,860	\$ 3,636,555	\$ 5,123,489
Fund Balances:				
Reserved -				
Prepaid Expenditures/Advances	65,864	15,086	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Permanent Funds	-	-	-	-
Unreserved -				
Designated -				
General Fund	2,040,436	-	-	-
Special Revenue Funds	-	-	636,262	-
Undesignated -				
General Fund	6,365,191	-	-	-
Special Revenue Funds	-	1,174,140	2,976,291	1,813,964
Total Equity	<u>8,471,491</u>	<u>1,189,226</u>	<u>3,612,553</u>	<u>1,813,964</u>
Total Liabilities and Fund Equity	\$ 14,877,650	\$ 2,047,086	\$ 7,249,108	\$ 6,937,453

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

Revenue Sharing Reserve	Senior Citizens Millage	Mental Health Building Debt	Mental Health Building Construction	Other Governmental Funds	Total Governmental Funds
\$ 3,621,452	\$ 1,259,296	\$ 1,585	\$ 291,866	\$ 7,508,725	\$ 20,102,583
12,333,325	-	-	-	310,522	21,943,847
-	3,042,220	-	-	1,705,459	14,979,960
563,848	112	-	-	1,320,310	2,320,806
-	-	-	-	790,401	3,402,767
-	-	10,325,000	-	10,840	10,548,142
-	216,302	-	-	200,774	951,361
-	-	-	-	-	282,918
-	-	-	-	-	50,000
-	-	-	-	-	30,950
<u>\$ 16,518,625</u>	<u>\$ 4,517,930</u>	<u>\$ 10,326,585</u>	<u>\$ 291,866</u>	<u>\$ 11,847,031</u>	<u>\$ 74,613,334</u>
\$ -	\$ 491,302	\$ -	\$ -	\$ 423,591	\$ 6,358,922
-	-	-	-	248,884	1,655,874
-	-	-	-	-	187,945
-	-	-	-	124,566	452,802
-	-	-	-	-	53,841
-	-	-	-	15,448	15,448
-	-	-	-	-	307
-	3,258,522	10,325,000	-	3,610,264	25,796,501
-	3,749,824	10,325,000	-	4,422,753	34,521,640
-	-	-	-	-	80,950
-	-	-	291,866	1,268,026	1,559,892
-	-	1,585	-	707,262	708,847
-	-	-	-	25,615	25,615
-	-	-	-	-	2,040,436
-	-	-	-	5,395	641,657
-	-	-	-	-	6,365,191
16,518,625	768,106	-	-	5,417,980	28,669,106
<u>16,518,625</u>	<u>768,106</u>	<u>1,585</u>	<u>291,866</u>	<u>7,424,278</u>	<u>40,091,694</u>
<u>\$ 16,518,625</u>	<u>\$ 4,517,930</u>	<u>\$ 10,326,585</u>	<u>\$ 291,866</u>	<u>\$ 11,847,031</u>	<u>\$ 74,613,334</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, 2008**

Fund Balances - total governmental funds		\$ 40,091,694
Amounts reported for governmental activities in the statement of net assets are different because:		
Expenses recorded in the funds on the purchase method		291,899
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		130,438,696
Accumulated depreciation		(37,246,244)
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)	164,422	
Housing Rehabilitation Loan	1,182,931	
Capital Lease Contract	10,325,000	
Interest Receivable on Capital Lease Contract	107,247	
Other	<u>952,229</u>	12,731,829
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.		3,136,873
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	(52,775,000)	
Drain District assessments payable	(772,882)	
Accrued interest on bonds/notes payable	(547,052)	
Net OPEB obligation	(5,072,404)	
Accrued compensated absences	<u>(4,848,737)</u>	(64,016,075)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets, (netted against bonds payables)		683,381
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	(264,734)	
Bond Discount	<u>186,744</u>	(77,990)
Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets		<u>284,909</u>
Net Assets of governmental activities		<u><u>\$ 86,318,972</u></u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Health Department</u>	<u>Parks and Recreation</u>	<u>Library</u>
Revenues:				
Taxes	\$ 34,223,930	\$ -	\$ 3,089,556	\$ 4,362,463
Licenses and permits	472,154	307,324	-	-
Intergovernmental -				
Federal/State	6,459,132	4,562,702	140,800	147,203
Local	1,831,317	101,970	-	8,000
Charges for services	6,928,039	1,279,980	58,804	55,549
Fines and forfeits	442,701	-	-	674,575
Interest and rent	1,702,110	2,292	139,769	140,456
Other	2,242,564	265,801	12,627	76,626
Total Revenues	<u>54,301,947</u>	<u>6,520,069</u>	<u>3,441,556</u>	<u>5,464,872</u>
Expenditures:				
Current -				
Legislative	624,710	-	-	-
Judicial	11,501,312	-	-	-
General Government	13,465,258	-	-	-
Public Safety	20,080,483	-	-	-
Public Works	677,385	-	-	-
Health and Welfare	1,752,816	9,058,096	-	-
Community and Economic Development	-	-	-	-
Recreation and Cultural	-	-	3,181,160	5,292,992
Other Activities	450,000	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	93,586	-	-	-
Interest	30,935	-	-	-
Total Expenditures	<u>48,676,485</u>	<u>9,058,096</u>	<u>3,181,160</u>	<u>5,292,992</u>
Revenues over (under) expenditures	<u>5,625,462</u>	<u>(2,538,027)</u>	<u>260,396</u>	<u>171,880</u>
Other Financing Sources (Uses):				
Transfers from other funds	8,152,151	2,748,275	-	10,493
Transfers to other funds	<u>(10,271,449)</u>	<u>(253,489)</u>	<u>(28,332)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(2,119,298)</u>	<u>2,494,786</u>	<u>(28,332)</u>	<u>10,493</u>
Special Item - Tribunal Settlement	<u>(3,181,844)</u>	<u>-</u>	<u>(244,533)</u>	<u>(345,525)</u>
Net Change in Fund Balances	324,320	(43,241)	(12,469)	(163,152)
Fund Balances at beginning of year	<u>8,147,171</u>	<u>1,232,467</u>	<u>3,625,022</u>	<u>1,977,116</u>
Fund Balances at end of year	<u>\$ 8,471,491</u>	<u>\$ 1,189,226</u>	<u>\$ 3,612,553</u>	<u>\$ 1,813,964</u>

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

<u>Revenue Sharing Reserve</u>	<u>Senior Citizens Millage</u>	<u>Mental Health Building Debt</u>	<u>Mental Health Building Construction</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,115,365	\$ -	\$ -	\$ 1,747,903	\$ 46,539,217
-	-	-	-	-	779,478
-	-	-	-	3,900,161	15,209,998
-	-	598,025	-	-	2,539,312
-	30	-	-	1,348,526	9,670,928
-	-	-	-	162,740	1,280,016
619,102	40,210	-	76,440	29,553	2,749,932
-	-	-	343	701,045	3,299,006
<u>619,102</u>	<u>3,155,605</u>	<u>598,025</u>	<u>76,783</u>	<u>7,889,928</u>	<u>82,067,887</u>
-	-	-	-	-	624,710
-	-	-	-	213,194	11,714,506
-	-	-	-	104,190	13,569,448
-	-	-	-	1,585,779	21,666,262
-	-	-	-	-	677,385
-	3,233,173	-	-	8,309,564	22,353,649
-	-	-	-	640,224	640,224
-	-	-	-	-	8,474,152
-	-	-	-	-	450,000
-	-	-	7,319,091	756,942	8,076,033
-	-	165,000	-	1,375,000	1,633,586
-	-	433,025	-	1,778,002	2,241,962
<u>-</u>	<u>3,233,173</u>	<u>598,025</u>	<u>7,319,091</u>	<u>14,762,895</u>	<u>92,121,917</u>
<u>619,102</u>	<u>(77,568)</u>	<u>-</u>	<u>(7,242,308)</u>	<u>(6,872,967)</u>	<u>(10,054,030)</u>
-	-	-	-	10,894,588	21,805,507
<u>(3,587,297)</u>	<u>(5,864)</u>	<u>-</u>	<u>-</u>	<u>(3,879,762)</u>	<u>(18,026,193)</u>
<u>(3,587,297)</u>	<u>(5,864)</u>	<u>-</u>	<u>-</u>	<u>7,014,826</u>	<u>3,779,314</u>
<u>-</u>	<u>(246,804)</u>	<u>-</u>	<u>-</u>	<u>(138,358)</u>	<u>(4,157,064)</u>
<u>(2,968,195)</u>	<u>(330,236)</u>	<u>-</u>	<u>(7,242,308)</u>	<u>3,501</u>	<u>(10,431,780)</u>
<u>19,486,820</u>	<u>1,098,342</u>	<u>1,585</u>	<u>7,534,174</u>	<u>7,420,777</u>	<u>50,523,474</u>
<u>\$ 16,518,625</u>	<u>\$ 768,106</u>	<u>\$ 1,585</u>	<u>\$ 291,866</u>	<u>\$ 7,424,278</u>	<u>\$ 40,091,694</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
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - total governmental funds		\$ (10,431,780)
Change in prepaid expenses recorded in the funds on the purchase method		(47,595)
<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		3,066,469
Depreciation expense		(4,182,627)
Loss from sale/disposal of assets		(40,026)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,557,662
<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		1,633,586
Notes to drain districts		(445,538)
Amortization of bond premium		24,067
Amortization of bond discount		(10,752)
Amortization of issuance costs		(19,854)
Amortization of deferred loss on refunding		(62,125)
Internal service funds used by management to charge costs of property, liability, health, disability, workers compensation and life insurance expenses and claims. The net revenues (expenses) attributable to those funds is reported with governmental activities.		(1,316,460)
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.		
Increase in accrued interest payable	(98,153)	
Increase in net OPEB obligation	(5,072,404)	
Increase in accrued compensated absences	(322,429)	(5,492,986)
Change in net assets of governmental activities		<u><u>\$ (9,767,959)</u></u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	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	\$ 11,247,838	\$ 6,801,507	\$ 558,069	\$ 18,607,414	\$ 4,104,330
Investments	1,500,000	10,120,814	-	11,620,814	-
Accounts receivable (net of allowance) -					
Delinquent taxes	-	8,877,145	-	8,877,145	-
Interest and accounts	669,525	139,166	160,493	969,184	224,131
Due from other governmental units	61,331	55,493	-	116,824	-
Prepaid expenses	192	9,978	1,728	11,898	760,016
Total Current Assets	<u>13,478,886</u>	<u>26,004,103</u>	<u>720,290</u>	<u>40,203,279</u>	<u>5,088,477</u>
Property, Plant and Equipment:					
Property, plant and equipment	22,623,468	190,335	11,326,733	34,140,536	99,583
Less - accumulated depreciation	(11,139,074)	(104,818)	(7,711,023)	(18,954,915)	(13,693)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>11,484,394</u>	<u>85,517</u>	<u>3,615,710</u>	<u>15,185,621</u>	<u>85,890</u>
Total Assets	<u>24,963,280</u>	<u>26,089,620</u>	<u>4,336,000</u>	<u>55,388,900</u>	<u>5,174,367</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	267,372	45,429	30,068	342,869	167,793
Accrued expenses	3,138	800	2,084	6,022	622,038
Advances and deposits	-	6,117	-	6,117	-
Due to other governmental units	14,371	-	133,653	148,024	-
Due to other funds	-	-	-	-	587,900
Due to component units	-	-	1,503	1,503	-
Advances from component units	-	-	89,281	89,281	-
Current portion of long-term liabilities	-	40,584	-	40,584	346,000
Unearned revenue	-	-	4,965	4,965	-
Total Current Liabilities	<u>284,881</u>	<u>92,930</u>	<u>261,554</u>	<u>639,365</u>	<u>1,723,731</u>
Long-Term Liabilities (less current portions):					
Accrued vacation and sick	26,850	-	14,985	41,835	-
Accrued insurance claims	-	-	-	-	305,000
Net OPEB obligation	25,538	4,597	11,995	42,130	8,763
Estimated closure and post closure costs	8,769,616	-	-	8,769,616	-
Total Long-Term Liabilities	<u>8,822,004</u>	<u>4,597</u>	<u>26,980</u>	<u>8,853,581</u>	<u>313,763</u>
Total Liabilities	<u>9,106,885</u>	<u>97,527</u>	<u>288,534</u>	<u>9,492,946</u>	<u>2,037,494</u>
NET ASSETS:					
Investment in capital assets, net	11,484,394	44,933	3,615,710	15,145,037	85,890
Restricted - Foreclosure sales	-	935,137	-	935,137	-
Unrestricted	4,372,001	25,012,023	431,756	29,815,780	3,050,983
Total Net Assets	<u>\$ 15,856,395</u>	<u>\$ 25,992,093</u>	<u>\$ 4,047,466</u>	<u>\$ 45,895,954</u>	<u>\$ 3,136,873</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, 2008**

	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	\$ 102,219	\$ -	\$ 31,596	\$ 133,815	\$ -
Charges for services	4,349,693	1,414,620	456,211	6,220,524	10,811,323
Interest and rents	-	1,426,444	159,629	1,586,073	-
Other	5,908	-	10,464	16,372	440,234
Total Operating Revenues	<u>4,457,820</u>	<u>2,841,064</u>	<u>657,900</u>	<u>7,956,784</u>	<u>11,251,557</u>
Operating Expenses:					
Personal services	298,598	43,462	199,819	541,879	151,261
Supplies	234,812	-	52,333	287,145	4,365
Other services	2,949,825	232,561	471,116	3,653,502	12,409,901
Depreciation	1,358,532	39,884	231,703	1,630,119	2,490
Total Operating Expenses	<u>4,841,767</u>	<u>315,907</u>	<u>954,971</u>	<u>6,112,645</u>	<u>12,568,017</u>
Operating Income (Loss)	(383,947)	2,525,157	(297,071)	1,844,139	(1,316,460)
Non-Operating Revenues (Expenses):					
Interest revenue	<u>23,694</u>	<u>527,320</u>	<u>-</u>	<u>551,014</u>	<u>-</u>
Net Income (Loss) Before Transfers	<u>(360,253)</u>	<u>3,052,477</u>	<u>(297,071)</u>	<u>2,395,153</u>	<u>(1,316,460)</u>
Transfers:					
Transfers from other funds	-	-	202,763	202,763	-
Transfers to other funds	<u>(1,884,905)</u>	<u>(2,072,212)</u>	<u>(24,960)</u>	<u>(3,982,077)</u>	<u>-</u>
	<u>(1,884,905)</u>	<u>(2,072,212)</u>	<u>177,803</u>	<u>(3,779,314)</u>	<u>-</u>
Change in Net Assets	<u>(2,245,158)</u>	<u>980,265</u>	<u>(119,268)</u>	<u>(1,384,161)</u>	<u>(1,316,460)</u>
Net Assets at beginning of year	12,037,418	25,011,828	4,166,734	41,215,980	4,453,333
Prior period adjustments	<u>6,064,135</u>	<u>-</u>	<u>-</u>	<u>6,064,135</u>	<u>-</u>
Net Assets at beginning of year, restated	<u>18,101,553</u>	<u>25,011,828</u>	<u>4,166,734</u>	<u>47,280,115</u>	<u>4,453,333</u>
Net Assets end of year	<u>\$ 15,856,395</u>	<u>\$ 25,992,093</u>	<u>\$ 4,047,466</u>	<u>\$ 45,895,954</u>	<u>\$ 3,136,873</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, 2008**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Funds
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 4,686,344	\$ 787,976	\$ 574,056	\$ 6,048,376	\$ 263,030
Cash receipts from interfund services	-	-	-	-	11,399,223
Cash payments to suppliers	(4,184,953)	(169,051)	(506,477)	(4,860,481)	(12,523,327)
Cash payments to employees	(270,305)	(38,137)	(193,508)	(501,950)	(138,414)
Cash payments for interfund services	(46,078)	(36,694)	-	(82,772)	-
Net Cash Provided (Used) by Operating Activities	<u>185,008</u>	<u>544,094</u>	<u>(125,929)</u>	<u>603,173</u>	<u>(999,488)</u>
Cash Flows From Noncapital Financing Activities:					
Change in due to other funds	-	(53,000)	-	(53,000)	-
Transfers from other funds	-	-	202,763	202,763	-
Transfers to other funds	(1,884,905)	(2,072,212)	(24,960)	(3,982,077)	-
Net Cash Provided (Used) by Financing Activities	<u>(1,884,905)</u>	<u>(2,125,212)</u>	<u>177,803</u>	<u>(3,832,314)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Payments on installment contract	-	(81,167)	-	(81,167)	-
Acquisition and construction of capital assets	(1,208,648)	(5,000)	(56,201)	(1,269,849)	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,208,648)</u>	<u>(86,167)</u>	<u>(56,201)</u>	<u>(1,351,016)</u>	<u>-</u>
Cash Flows From Investing Activities:					
Interest earned	23,694	527,320	-	551,014	-
Sale of investments	8,100,000	2,493,467	-	10,593,467	-
Net Cash Provided by Investing Activities	<u>8,123,694</u>	<u>3,020,787</u>	<u>-</u>	<u>11,144,481</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents for the year	5,215,149	1,353,502	(4,327)	6,564,324	(999,488)
Cash and Cash Equivalents at Beginning of Year	<u>6,032,689</u>	<u>5,448,005</u>	<u>562,396</u>	<u>12,043,090</u>	<u>5,103,818</u>
Cash and Cash Equivalents at End of Year	<u>\$ 11,247,838</u>	<u>\$ 6,801,507</u>	<u>\$ 558,069</u>	<u>\$ 18,607,414</u>	<u>\$ 4,104,330</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss) for the year	\$(383,947)	\$ 2,525,157	\$(297,071)	\$ 1,844,139	\$(1,316,460)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -					
Depreciation	1,358,532	39,884	231,703	1,630,119	2,490
Estimated closure and post closure costs	(288,281)	-	-	(288,281)	-
Change in assets and liabilities:					
Receivable	228,524	(2,053,088)	(126,935)	(1,951,499)	(177,204)
Prepays and deposits	1,984	(5,895)	15,488	11,577	(403,386)
Accounts payable/accrued expenses	(731,804)	38,036	94,101	(599,667)	895,072
Deferred Revenue	-	-	(43,215)	(43,215)	-
Net Cash Provided (Used) By Operating Activities	<u>\$ 185,008</u>	<u>\$ 544,094</u>	<u>\$(125,929)</u>	<u>\$ 603,173</u>	<u>\$(999,488)</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2008**

	Pension and Other Employee Benefit Trust Funds	Landfill Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 3,537,617	\$ 1,729,237	\$ 2,905,466
Investments -			
U.S. Government Securities	20,910	-	-
Corporate Debt	30,876,568	-	-
Equity Funds	24,914,959	-	-
Stocks	52,512,225	-	-
Foreign Bonds	12,714,276	-	-
Mutual Funds	25,956,879	-	-
Municipal Bonds	388,350	-	-
Invested Court Appointed Trust	-	-	117,737
Receivables -			
Interest/dividends and accounts	815,938	-	10,360,942
Other	22,053	-	-
Due from other funds	587,900	-	15,448
Prepayments and Deposits	66,121	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>152,413,796</u>	<u>1,729,237</u>	<u>13,399,593</u>
 LIABILITIES:			
Accounts payable	371,447	-	-
Due to individuals and agencies	753,885	-	11,146,814
Due to other governmental units -			
Federal/state	-	-	409,555
Local	-	-	891,863
Due to other funds	-	-	951,361
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,125,332</u>	<u>-</u>	<u>\$ 13,399,593</u>
 NET ASSETS:			
Reserved for -			
Employees' pension benefits	151,288,464	-	
Landfill perpetual care	-	1,729,237	
	<u> </u>	<u> </u>	
Total Net Assets	<u>\$ 151,288,464</u>	<u>\$ 1,729,237</u>	

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Pension and Other Employee Benefit Trust Funds</u>	<u>Landfill Private-Purpose Trust Fund</u>
Additions:		
Contributions		
Member contributions	\$ 2,596,157	\$ -
Employer contributions	<u>7,696,833</u>	<u>-</u>
Total Contributions	<u>10,292,990</u>	<u>-</u>
Investment income		
Net appreciation (depreciation) in fair value of investments	(68,604,815)	-
Interest/Dividends	5,117,079	32,278
Less investment expense	<u>(1,032,494)</u>	<u>(2,265)</u>
Net investment income	<u>(64,520,230)</u>	<u>30,013</u>
Other		
Medicare Part D reimbursements	<u>302,591</u>	<u>-</u>
Total Additions	<u>(53,924,649)</u>	<u>30,013</u>
Deductions:		
Retirement payroll	8,936,702	-
Health insurance	4,594,065	-
Death benefits	49,000	-
Employee refunds	502,659	-
Administration	58,671	-
Professional fees	<u>144,445</u>	<u>-</u>
Total Deductions	<u>14,285,542</u>	<u>-</u>
Net Increase	(68,210,191)	30,013
Net assets held in trust for pension benefits		
Beginning of year	<u>219,498,655</u>	<u>1,699,224</u>
End of year	<u>\$ 151,288,464</u>	<u>\$ 1,729,237</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, 2008**

	<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Community Mental Health Authority</u>	<u>Drain Commissioner</u>	<u>Totals</u>
ASSETS					
Cash and cash equivalents	\$ 4,536,687	\$ 1,526,021	\$ 8,063,788	\$ 1,777,899	\$ 15,904,395
Investments	-	-	-	199,000	199,000
Deposits with primary government	-	-	1,349,293	-	1,349,293
Receivables (net of allowance)	2,543,867	1,024,302	2,158,483	8,205,592	13,932,244
Prepaid expenses	323,932	-	340,543	-	664,475
Due from other component units	66,748	-	-	-	66,748
Due from primary government	1,810	-	-	-	1,810
Inventory	1,770,747	-	-	-	1,770,747
Deferred charges	-	-	72,597	-	72,597
Advance to primary government	-	89,281	-	-	89,281
Restricted Assets -					
Cash and cash equivalents	-	1,371,052	6,298,809	-	7,669,861
Receivables	-	33,743,678	-	-	33,743,678
Deferred charges	-	107,216	-	-	107,216
Capital Assets (net of accum. depreciation)					
Assets not being depreciated	34,642,196	780,478	1,752,758	6,786,905	43,962,337
Assets being depreciated	83,398,975	15,985,954	12,105,460	13,885,948	125,376,337
Total Assets	<u>127,284,962</u>	<u>54,627,982</u>	<u>32,141,731</u>	<u>30,855,344</u>	<u>244,910,019</u>
LIABILITIES					
Payables and accrued liabilities	787,604	797,561	5,720,079	848,050	8,153,294
Accrued interest	70,946	-	3,360	151,617	225,923
Due to primary government	-	-	-	243,589	243,589
Due to other component units	-	26,050	-	40,698	66,748
Advances and deposits	797,834	115,416	-	-	913,250
Advance from primary government	-	-	-	50,000	50,000
Unearned revenue	-	-	2,359,537	-	2,359,537
Liabilities payable from restricted assets	-	342,363	-	-	342,363
Non-current liabilities -					
Net OPEB obligation	1,983,225	-	1,231,737	-	3,214,962
Due within one year	855,000	2,935,000	2,493,668	6,598,008	12,881,676
Due in more than one year	3,120,000	31,352,554	10,262,868	7,478,649	52,214,071
Total Liabilities	<u>7,614,609</u>	<u>35,568,944</u>	<u>22,071,249</u>	<u>15,410,611</u>	<u>80,665,413</u>
NET ASSETS					
Investments in Capital Assets, net of related liabilities	114,356,171	16,766,432	2,803,062	6,596,196	140,521,861
Restricted for:					
Risk corridor financing	-	-	4,987,465	-	4,987,465
Substance abuse	-	-	451,436	-	451,436
Primary roads	788,860	-	-	-	788,860
Equipment replacement	-	592,029	-	300,414	892,443
Unrestricted	4,525,322	1,700,577	1,828,519	8,548,123	16,602,541
Total net assets	<u>\$ 119,670,353</u>	<u>\$ 19,059,038</u>	<u>\$ 10,070,482</u>	<u>\$ 15,444,733</u>	<u>\$ 164,244,606</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, 2008**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Road Commission				
Governmental activities:				
Highways and streets	\$ 23,168,205	\$ 4,445,365	\$ 14,588,027	\$ 3,394,284
Debt service	187,359	-	-	-
Total Road Commission	<u>23,355,564</u>	<u>4,445,365</u>	<u>14,588,027</u>	<u>3,394,284</u>
Department of Public Works				
Governmental activities:				
Debt service	<u>1,191,797</u>	<u>1,191,797</u>	<u>-</u>	<u>-</u>
Business Type Activities				
Water and Sewer	4,538,856	4,021,487	-	-
Public Safety	8,762	-	-	-
Total Proprietary activities	<u>4,547,618</u>	<u>4,021,487</u>	<u>-</u>	<u>-</u>
Total Department of Public Works	<u>5,739,415</u>	<u>5,213,284</u>	<u>-</u>	<u>-</u>
Community Mental Health Authority				
Governmental activities:				
Health and Welfare	80,709,183	844,825	78,502,711	-
Debt service	596,979	-	-	-
Total Community Mental Health Authority	<u>81,306,162</u>	<u>844,825</u>	<u>78,502,711</u>	<u>-</u>
Drain Commissioners				
Governmental activities:				
Public works	426,588	4,780,489	-	39,586
Interest on Long Term Debt	590,824	-	-	-
Total Drains	<u>1,017,412</u>	<u>4,780,489</u>	<u>-</u>	<u>39,586</u>
Total Component Units	<u>\$ 111,418,553</u>	<u>\$ 15,283,963</u>	<u>\$ 93,090,738</u>	<u>\$ 3,433,870</u>

General Revenues:
 Unrestricted investment income

Change in net assets

Net assets at beginning of year

Net assets at end of year

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

Net (Expense) Revenue and Change in Net Assets

<u>Road Commission</u>	<u>Department of Public Works</u>	<u>Community Mental Health Authority</u>	<u>Drains</u>	<u>Total</u>
\$(740,529)				\$(740,529)
<u>(187,359)</u>				<u>(187,359)</u>
<u>(927,888)</u>				
	-			-
	(517,369)			(517,369)
	<u>(8,762)</u>			<u>(8,762)</u>
	<u>(526,131)</u>			
	<u>(526,131)</u>			
		(1,361,647)		(1,361,647)
		<u>(596,979)</u>		<u>(596,979)</u>
		<u>(1,958,626)</u>		
			4,393,487	4,393,487
			<u>(590,824)</u>	<u>(590,824)</u>
			<u>3,802,663</u>	
				390,018
<u>158,613</u>	<u>58,604</u>	<u>880,808</u>	<u>104,405</u>	<u>1,202,430</u>
(769,275)	(467,527)	(1,077,818)	3,907,068	1,592,448
<u>120,439,628</u>	<u>19,526,565</u>	<u>11,148,300</u>	<u>11,537,665</u>	<u>162,652,158</u>
<u>\$ 119,670,353</u>	<u>\$ 19,059,038</u>	<u>\$ 10,070,482</u>	<u>\$ 15,444,733</u>	<u>\$ 164,244,606</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 require 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, 2008**

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 is 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
3111 Electric Avenue
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 were 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, 2008

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 government is financially accountable.

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

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

C. Measurement focus, basis of 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 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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.

Mental Health Building Debt – is used to account for the debt service requirements related to the construction of a Community Mental Health Building.

Mental Health Building Construction – is used to account for the bond proceeds and construction of a Community Mental Health Building.

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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

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

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.

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 retirees.

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 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 principal 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, 2008**

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 is stated at average cost. Inventories of governmental funds are recorded as expenditures when purchased, except the Road Commission, which is 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, 2008**

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

Property Tax Calendar –

The property taxes for the County’s general fund are levied on July 1 (the lien date), with all special purpose taxes levied on December 1 (the lien date), based on the taxable value of property located in the County as of the proceeding December 31, by the various municipalities within the County. The July 1 taxes are due on or before September 15 and the December 1 taxes are due on or before February 15. The general fund levy is recognized in the year of the levy. The special purpose taxes that are levied on December 1 are recorded as a receivable and deferred since they are budgeted as revenues in the subsequent year. For the year the County levied 5.3265 mills for the General Fund, .4954 mills for Parks and Recreation, .7000 mills for Library, .5000 mills for Senior Citizens and .2803 mills for Drug Task Force.

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. The government defines capital assets 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 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 the asset’s life 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.

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				
	Primary Government	Road Commission	Mental Health	Department of Public Works	Drains
Building/Improvements	20-45	20-50	5-40	20-50	-
Drain System	-	-	-	-	50
Road Systems/Other Infrastructure	-	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.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

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

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.

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, 2009, under separate cover as supplementary information to the Annual Financial Report.

Adoption of GASB 45 –

In the current year, the County implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. This pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). Because of this pronouncement, the government-wide financial statements and proprietary-type funds now recognize the cost of providing these other postemployment benefits over the working life of the employee, rather than at the time the expenses are paid.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

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 November 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.
- 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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>
Judicial -			
District Court	\$ 2,641,584	\$ 2,682,001	\$ 40,417
Probate Court	776,207	799,204	22,997
General Government -			
Administrator/Controller	413,207	416,908	3,701
Elections	242,118	244,104	1,986
Human Resources	584,103	595,616	11,513
Register of Deeds	270,702	284,474	13,772
Cooperative Extension	483,186	496,739	13,553
Information Technology	2,477,308	2,506,059	28,751
Public Safety -			
Sheriff	6,452,878	6,629,646	176,768
Training	15,000	17,814	2,814
Dive Team	30,229	31,155	926
Correction/Jail	9,478,865	9,923,102	444,237
Animal Shelter/Dog Warden	426,546	436,807	10,261
Public Works -			
Road Commission	-	600,000	600,000
Health and Welfare -			
Public Guardian	290,996	300,065	9,069
Medical Examiner	268,503	271,875	3,372
Special Revenue Funds –			
Revenue Sharing Reserve –			
Transfers to other funds	3,409,829	3,587,297	177,468

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Nonmajor Special Revenue Funds –

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Public Improvement - Transfers to other funds	\$ -	\$ 12,143	\$ 12,143
Drug Law Enforcement - Public Safety	25,000	91,716	66,716
Human Services - Health and Welfare	1,278,250	1,301,277	23,027
Child Care - Transfers to other funds	-	1,100,000	1,100,000
E - 911 - Transfers to other funds	759,193	801,257	42,064
Tax Reserve - Transfers to other funds	-	1,080,399	1,080,399

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; and the St. Clair County Community Mental Health Authority at the total expenditure level. During the year ended December 31, 2008, 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 Construction/Capacity Improvements	\$ -	\$ 557,757	\$ 557,757
Primary Preservation/Structural Improvements	2,244,380	3,412,494	1,168,114
Local Preservation/Structural Improvements	1,510,000	1,700,334	190,334
Local Maintenance	4,171,000	5,693,615	1,522,615
State Maintenance	3,250,000	4,154,963	904,963
Debt Service	858,345	859,057	712
Other	625,000	833,074	208,074

Undesignated Fund Balance Deficit -

The Drain Debt fund has an undesignated fund balance deficit of \$669,638 at December 31, 2008 due to interest payments on notes being made before assessments have been made to the benefiting property owners.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments –

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

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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	\$ 16,717	\$ 3,325	\$ 1,200	\$ 21,242
Deposits with Financial Institutions -				
Checking	2,953,357	7,014,271	2,266,700	12,234,328
Savings/Certificates of Deposit/Money Market	<u>67,980,092</u>	<u>14,153,848</u>	<u>250,071</u>	<u>82,384,011</u>
Total	<u>70,950,166</u>	<u>21,171,444</u>	<u>2,517,971</u>	<u>94,639,581</u>
Investments -				
Investment Trust Funds	4,808,008	2,402,812	5,654,349	12,865,169
U.S. Government Securities	620,814	199,000	20,910	840,724
Corporate Debt	-	-	30,876,568	30,876,568
Stocks	-	-	52,512,225	52,512,225
Equity Funds	-	-	24,914,959	24,914,959
Foreign Bonds	-	-	12,714,276	12,714,276
Mutual Funds	-	-	25,956,879	25,956,879
Municipal Bonds	-	-	388,350	388,350
Investments Held by Broker	<u>-</u>	<u>-</u>	<u>117,737</u>	<u>117,737</u>
Total Investments	<u>5,428,822</u>	<u>2,601,812</u>	<u>153,156,253</u>	<u>161,186,887</u>
Grand Total	<u>\$ 76,378,988</u>	<u>\$23,773,256</u>	<u>\$155,674,224</u>	<u>\$ 255,826,468</u>

Reconciliation To Combined Balance Sheet –

Reported as Cash and Cash Equivalents -

Petty Cash and Cash On Hand	\$ 21,242
Cash in Checking	12,234,328
Cash in Savings/Money Market/Certificate of Deposit	49,440,164
Investment Trust Funds	<u>12,865,169</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>74,560,903</u>

Reported as Investments -

Certificates of Deposits	32,943,847
U.S. Government Securities	840,724
Corporate Debt	30,876,568
Stocks	52,512,225
Equity Funds	24,914,959
Foreign Bonds	12,714,276
Mutual Funds	25,956,879
Municipal Bonds	388,350
Investments Held by Broker-Dealer	<u>117,737</u>
Total Investments Reported on Combined Balance Sheet	<u>181,265,565</u>

Grand Total - Combined Balance Sheet

\$255,826,468

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Deposits with Financial Institutions –

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

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

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, as of December 31, 2008, the book value of the County's deposits was \$94,618,339 with a corresponding bank balance of \$96,224,941. Insured deposits were \$7,959,523, and collateralized were \$41,414,443 with the remaining \$46,850,975 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 \$9,005,669 excluding retirement, invested in investment trust funds that invest primarily in U.S. Treasuries, U.S. Agencies, repurchase agreements, and commercial paper. The County's investment policy does not specifically address credit risk for investments. 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	\$ 1,010,323	AAA/V1+	Fitch	45
Fifth Third Institutional Money Market	3,797,685	AAAm	Standard & Poors	48
Component Units -				
Federated Govt Obligations Tx Mgd Fund	2,402,812	AAAm	Standard & Poors	51
Fiduciary Unit -				
Federated Treasury Obligations	1,794,849	AAAm	Standard & Poors	32

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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.

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	\$ 4,808,008	\$ 4,808,008	\$ -
Component Units	2,402,812	2,402,812	-
Fiduciary Unit	1,794,849	1,794,849	-
Certificates of Deposit (1) -			
Primary Government	55,538,092	55,538,092	-
Component Units	13,456,291	13,456,291	-

(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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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

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

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

Pension investments are made through the use of Investment Advisors, which are selected and retained by the Retirement Board. The advisors serve at the leisure of the Retirement Board as provided by investment agreements. At December 31, 2008 the Retirement System had five investment advisors. As of December 31, 2008, 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	\$ 20,910	0.01 %
Corporate Debt - Other	30,876,568	20.42
Municipal Bonds	388,350	0.26
Foreign Bonds	12,714,276	8.41
Stocks	52,512,225	34.72
Mutual Funds	25,956,879	17.16
Equity Funds -		
Index Funds	14,686,903	9.71
Strategy Funds	<u>10,228,056</u>	<u>6.76</u>
	147,384,167	97.45
Investment Trust Funds (1)	<u>3,859,500</u>	<u>2.55</u>
 Total	 <u>\$ 151,243,667</u>	 <u>100.00 %</u>

(1) These investment trusts invest primarily in high quality commercial paper, U.S. Treasuries and government agencies, and other money market securities.

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Federated Government Obligations				
Tx Mgd Fund	\$ 168,101	AAAm	Standard & Poor's	51
Fifth Third Institutional				
Money Market Fund	3,691,399	AAAm	Standard & Poor's	48

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Credit Risk - The Board's adopted Statement of Investment Policies and Objectives states that all debt securities, except Treasuries and Agencies, must have a quality rating of Baa/BBB or above by at least two of the major rating agencies at the time of issue and the overall rating of the portfolio should be AA or better. Any security held in the portfolio that drops below that investment grade shall be reported to the Retirement Board immediately along with a proposed plan of action. As of December 31, 2008, investments held in the Retirement System excluding investment trusts, U.S. government securities, mutual funds, equity funds, and stocks had the following Standard & Poors ratings:

Fair Value	Ratings
\$ 5,395,496	Aaa
114,712	Aa1
1,011,156	Aa2
1,239,617	Aa3
1,035,384	A1
4,427,872	A2
2,125,536	A3
8,209,895	Baa1
8,383,089	Baa2
6,199,490	Baa3
792,326	Ba2
1,020,475	Ba3
230,381	B1
37,964	B3
1,005,443	Caa1
1,762	Caa2
311,350	Caa3
24,501	C
2,412,745	No Rating
\$ 43,979,194	

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, 2008, \$151,243,667 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 one issuer.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Interest Rate Risk - The Board's adopted Statement of Investment Policy and Objectives places no limitation on the system's fixed income manager on the length to maturity for fixed income investments. The system's fixed income investments had lengths of maturities ranging from one month to forty years, which is reasonable given the long-term nature of the system. Having staggered maturities will reduce the retirement system's risk exposure to rising interest rates. As of December 31, 2008, the Retirement System's investments had the following maturities:

Investment	Fair Value	Years			
		<1	1-5	5-10	10>
Corporate Debt Other	\$ 30,876,568	\$ 481,606	\$ 5,030,542	\$ 8,832,647	\$ 16,531,773
Municipal Bonds	388,350	-	-	-	388,350
Foreign Bonds	<u>12,714,276</u>	<u>282,858</u>	<u>2,132,659</u>	<u>4,873,152</u>	<u>5,425,607</u>
	<u>\$ 43,979,194</u>	<u>\$ 764,464</u>	<u>\$ 7,163,201</u>	<u>\$ 13,705,799</u>	<u>\$ 22,345,730</u>

NOTE 4 - RECEIVABLES:

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

	Governmental Activities	Business Type Activities
Property Taxes	\$ 14,979,960	\$ 8,877,145
Due From Fiduciary Funds	951,361	-
Interest and accounts	2,652,184	983,084
Intergovernmental –		
Federal/State	3,402,767	61,331
Local	<u>10,548,142</u>	<u>55,493</u>
	32,534,414	9,977,053
Less – allowance for uncollectible	(462,016)	(13,900)
	<u>\$ 32,072,398</u>	<u>\$ 9,963,153</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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	\$ 443,835	\$ -
	Rent	<u>136,451</u>	<u>-</u>
		<u>580,286</u>	<u>-</u>
Health Department	Grants	<u>215,142</u>	<u>17,588</u>
Parks and Recreation	Property taxes	<u>48,749</u>	<u>3,193,972</u>
Library	Property taxes	<u>56,921</u>	<u>4,490,057</u>
Senior Citizens Millage	Property taxes	<u>49,162</u>	<u>3,209,360</u>
Mental Health Building Debt	Lease Contract	<u>10,325,000</u>	<u>-</u>
Non-Major Governmental Funds	Property taxes	27,771	1,798,926
	Grants	121,254	-
	Revolving loan	1,182,931	-
	Fees	<u>479,382</u>	<u>-</u>
		<u>1,811,338</u>	<u>1,798,926</u>
Total deferred/unearned revenue in governmental funds		<u>\$ 13,086,598</u>	<u>\$ 12,709,903</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2008 was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance December 31, 2008</u>
General Government:				
Capital Assets, not being depreciated				
Land	\$ 9,097,033	\$ 455,114	\$ -	\$ 9,552,147
Construction in progress	<u>425,907</u>	<u>863,066</u>	<u>328,386</u>	<u>960,587</u>
Total capital assets, not being Depreciated	<u>9,522,940</u>	<u>1,318,180</u>	<u>328,386</u>	<u>10,512,734</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - CAPITAL ASSETS - (cont'd):

	Balance January 1, 2008	Additions	Disposals/ Adjustments	Balance December 31, 2008
Capital assets, being depreciated				
Buildings	\$ 86,465,353	\$ 395,906	\$ -	\$ 86,861,259
Improvements other than buildings	5,363,028	53,509	-	5,416,537
Machinery and equipment	16,514,997	1,012,268	379,887	17,147,378
Books	<u>11,319,458</u>	<u>614,992</u>	<u>1,334,079</u>	<u>10,600,371</u>
Total capital assets being depreciated	<u>119,662,836</u>	<u>2,076,675</u>	<u>1,713,966</u>	<u>120,025,545</u>
Less accumulated depreciation for:				
Buildings	16,737,433	2,041,534	-	18,778,967
Improvements other than buildings	1,651,870	232,751	-	1,884,621
Machinery and equipment	7,993,180	1,167,440	339,861	8,820,759
Books	<u>8,366,277</u>	<u>743,392</u>	<u>1,334,079</u>	<u>7,775,590</u>
Total accumulated depreciation	<u>34,748,760</u>	<u>4,185,117</u>	<u>1,673,940</u>	<u>37,259,937</u>
Total capital assets being depreciated, net	<u>84,914,076</u>	<u>(2,108,442)</u>	<u>40,026</u>	<u>82,765,608</u>
Governmental activities capital assets, net	<u>\$ 94,437,016</u>	<u>\$(790,262)</u>	<u>\$ 368,412</u>	<u>\$ 93,278,342</u>
Business Type Activities:				
Capital Assets, not being depreciated				
Land	\$ 1,077,858	\$ -	\$ -	\$ 1,077,858
Construction in progress	<u>1,825,863</u>	<u>486,487</u>	<u>355,516</u>	<u>1,956,834</u>
Total Capital Assets, not being depreciated	<u>2,903,721</u>	<u>486,487</u>	<u>355,516</u>	<u>3,034,692</u>
Capital Assets, being depreciated				
Building	1,447,631	-	-	1,447,631
Improvements other than buildings	27,568,165	1,105,698	-	28,673,863
Machinery and equipment	951,170	33,180	-	984,350
Total capital assets being depreciated	<u>29,966,966</u>	<u>1,138,878</u>	<u>-</u>	<u>31,105,844</u>
Less accumulated depreciation for:				
Building	394,491	38,661	-	433,152
Improvements other than buildings	16,391,897	1,503,161	-	17,895,058
Machinery and equipment	<u>538,408</u>	<u>88,297</u>	<u>-</u>	<u>626,705</u>
	<u>17,324,796</u>	<u>1,630,119</u>	<u>-</u>	<u>18,954,915</u>
Total capital assets being depreciated, net	<u>12,642,170</u>	<u>(491,241)</u>	<u>-</u>	<u>12,150,929</u>
Business type activities capital assets, net	<u>\$ 15,545,891</u>	<u>\$(4,754)</u>	<u>\$ 355,516</u>	<u>\$15,185,621</u>

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

Governmental activities:	
Judicial	\$ 59,927
General government	864,468
Public Safety	2,089,439
Health and Welfare	68,902
Recreation and Cultural	<u>1,099,891</u>
Total depreciation expense-governmental activities	4,182,627
Depreciation in the internal service fund	<u>2,490</u>
	<u>\$ 4,185,117</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Business-type activities:	
Solid Waste Disposal System	\$ 1,358,532
Delinquent Tax Revolving	39,884
Airport Commission	<u>231,703</u>
 Total depreciation expense-business-type activities	 <u>\$ 1,630,119</u>

Construction/Purchase Commitments

The County has committed to the following contracts at December 31, 2008 (These commitments do not include contracts which have been agreed to and all contractual payments have been made or change orders made after December 31, 2008):

	<u>Contract Amount</u>	<u>Payments Through 12/31/08</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 12/31/08</u>
Road at Chrysler Plant	\$ 480,000	\$ -	\$ -	\$ 480,000

The County has committed to contribute to road improvements necessary for the opening of a new Chrysler Plant within the County.

Discretely Presented Component Units

Drain Commissioner. Activity for the Drain Commissioner for the year ended December 31, 2008, was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Capital assets, not being depreciated:				
Right of Ways	\$ -	\$ 60,000	\$ -	\$ 60,000
Construction in progress	<u>6,554,196</u>	<u>7,011,673</u>	<u>6,838,964</u>	<u>6,726,905</u>
	<u>6,554,196</u>	<u>7,071,673</u>	<u>6,838,964</u>	<u>6,786,905</u>
Capital assets, being depreciated:				
Infrastructure	11,576,224	6,833,969	-	18,410,193
Equipment	<u>35,217</u>	<u>-</u>	<u>-</u>	<u>35,217</u>
	<u>11,611,441</u>	<u>6,833,969</u>	<u>-</u>	<u>18,445,410</u>
Less accumulated depreciation for:				
Infrastructure	4,273,306	268,436	-	4,541,742
Equipment	<u>10,677</u>	<u>7,043</u>	<u>-</u>	<u>17,720</u>
	<u>4,283,983</u>	<u>275,479</u>	<u>-</u>	<u>4,559,462</u>
Total capital assets being depreciated, net	<u>7,327,458</u>	<u>6,558,490</u>	<u>-</u>	<u>13,885,948</u>
 Drain Commissioner capital assets, net	 <u>\$ 13,881,654</u>	 <u>\$ 13,630,163</u>	 <u>\$ 6,838,964</u>	 <u>\$ 20,672,853</u>

Depreciation expense for 2008 was \$275,479.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Road Commission. Activity for the Road Commission for the year ended December 31, 2008 was as follows:

	Balance January 1, 2008	Additions	Deletions/ Removals	Balance December 31, 2008
Capital Assets, not being depreciated –				
Land	\$ 65,629	\$ -	\$ -	\$ 65,629
Land Improvements	32,905,199	480,570	-	33,385,769
Right of Ways	<u>1,184,033</u>	<u>6,765</u>	-	<u>1,190,798</u>
Total Capital Assets, Not Being Depreciated	<u>34,154,861</u>	<u>487,335</u>		<u>34,642,196</u>
Capital Assets, being depreciated –				
Buildings and Improvements	4,561,617	57,805	-	4,619,422
Road Equipment	11,337,344	76,338	278,887	11,134,795
Shop Equipment	669,836	3,762	-	673,598
Office Equipment		286,260	12,171	-
298,431				
Engineering Equipment	277,476	7,088	-	284,564
Infrastructure –				
Roads	92,809,583	2,540,137	2,215,512	93,134,208
Bridges	33,414,309	2,075,289	-	35,489,598
Traffic Signals	417,425	-	-	417,425
Depletable assets –				
Gravel Pits	<u>163,455</u>	-	-	<u>163,455</u>
	<u>143,937,305</u>	<u>4,772,590</u>	<u>2,494,399</u>	<u>146,215,496</u>
Less – Accumulated Depreciation for –				
Buildings and Improvements	2,305,245	99,753	-	2,404,998
Road Equipment	9,954,126	578,535	277,451	10,255,210
Shop Equipment	494,276	19,099	-	513,375
Office Equipment	255,673	14,235	-	269,908
Engineering Equipment	228,645	14,490	-	243,135
Infrastructure –				
Roads	33,498,946	4,635,503	2,215,512	35,918,937
Bridges	12,208,007	671,614	-	12,879,621
Traffic Signals	266,593	18,402	-	284,995
Depletable Assets	<u>46,342</u>	-	-	<u>46,342</u>
	<u>59,257,853</u>	<u>6,051,631</u>	<u>2,492,963</u>	<u>62,816,521</u>
Total Capital Assets, being depreciated, net	<u>\$ 84,679,452</u>	<u>\$(1,279,041)</u>	<u>\$ 1,436</u>	<u>\$ 83,398,975</u>
Governmental activity capital assets, net	<u>\$118,834,313</u>	<u>\$(791,706)</u>	<u>\$ 1,436</u>	<u>\$118,041,171</u>

Depreciation expense for 2008 was \$6,051,631.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2008 was as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2008</u>
Business-type activities:				
Capital assets, not being depreciated –				
Land	\$ 705,522	\$ -	\$ -	\$ 705,522
Construction In-Progress	<u>-</u>	<u>74,956</u>	<u>-</u>	<u>74,956</u>
	<u>705,522</u>	<u>74,956</u>	<u>-</u>	<u>780,478</u>
Capital assets being depreciated –				
Site Development	288,867	-	-	288,867
Plant	10,603,119	26,525	-	10,629,644
Utility System	18,678,054	23,388	-	18,701,442
Machinery and equipment	<u>1,183,269</u>	<u>197,152</u>	<u>-</u>	<u>1,380,421</u>
	<u>30,753,309</u>	<u>247,065</u>	<u>-</u>	<u>31,000,374</u>
Less – accumulated depreciation for –				
Site Development	122,467	13,338	-	135,805
Plant	4,169,597	212,328	-	4,381,925
Utility System	9,372,746	311,301	-	9,684,047
Machinery and equipment	<u>754,873</u>	<u>57,770</u>	<u>-</u>	<u>812,643</u>
	<u>14,419,683</u>	<u>594,737</u>	<u>-</u>	<u>15,014,420</u>
Total Capital Assets, being depreciated, net	<u>16,333,626</u>	<u>(347,672)</u>	<u>-</u>	<u>15,985,954</u>
Business-type activities capital assets, net	<u>\$ 17,039,148</u>	<u>\$(272,716)</u>	<u>\$ -</u>	<u>\$16,766,432</u>

Depreciation expense was charged to function/programs as follows:

Business-type activities –	
Water and Sewer	<u>\$ 594,737</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 5 - CAPITAL ASSETS - (cont'd):

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended September 30, 2008 was as follows:

	<u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Sept. 30, 2008</u>
	<u>Balance</u>			<u>Balance</u>
Capital assets not being depreciated –				
Land	\$ 1,701,426	\$ 51,332	\$ -	\$ 1,752,758
Construction in Progress	<u>918,311</u>	<u>7,966,778</u>	<u>8,885,089</u>	<u>-</u>
	<u>2,619,737</u>	<u>8,018,110</u>	<u>8,885,089</u>	<u>1,752,758</u>
Capital assets being depreciated –				
Building	2,714,679	8,385,725	-	11,100,404
Leasehold improvements	339,444	-	284,464	54,980
Equipment and Furniture	<u>1,682,999</u>	<u>761,487</u>	<u>379,241</u>	<u>2,065,245</u>
	<u>4,737,122</u>	<u>9,147,212</u>	<u>663,705</u>	<u>13,220,629</u>
Less accumulated depreciation for –				
Building	113,644	151,157	-	264,801
Leasehold improvements	228,261	24,045	222,067	30,239
Equipment	<u>928,712</u>	<u>268,746</u>	<u>377,329</u>	<u>820,129</u>
	<u>1,270,617</u>	<u>443,948</u>	<u>599,396</u>	<u>1,115,169</u>
Net capital assets being depreciated	<u>3,466,505</u>	<u>8,703,264</u>	<u>64,309</u>	<u>12,105,460</u>
Total capital assets net of depreciation	<u>\$ 6,086,242</u>	<u>\$16,721,374</u>	<u>\$ 8,949,398</u>	<u>\$ 13,858,218</u>

Depreciation expense for 2008 was \$443,948.

Construction/Purchase Commitments

The Authority has committed to the following contracts at September 30, 2008 (These commitments do not include contracts which have been agreed to and all contractual payments have been made or changed orders made after September 30, 2008):

	<u>Contract Amount</u>	<u>Payments Through 9/30/08</u>	<u>Remaining Balance 9/30/08</u>
New Building – General Contractor	\$ 8,400,000	\$ 8,070,070	\$ 329,930

The Authority entered into contracts to construct a new building to centralize services. The commitments will be paid from the County Capital Project Fund cash held at the County.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 expenses	\$ 7,164,201	\$ 342,869
Wages and fringe benefits	2,243,774	6,022
Accrued interest	547,052	-
Intergovernmental –		
Federal/State	452,802	-
Local	<u>53,841</u>	<u>148,024</u>
	<u>\$ 10,461,670</u>	<u>\$ 496,915</u>

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2008:

Due To/From Other Funds –

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Trust and Agency	\$ 17,151 (2)
Parks and Recreation	Trust and Agency	214,302 (2)
Library	Trust and Agency	302,832 (2)
Senior Citizens Millage	Trust and Agency	216,302 (2)
Nonmajor Governmental -		
Drug Task Force	Trust and Agency	121,238 (2)
Communications Debt Service	Trust and Agency	79,536 (3)
Fiduciary Funds -		
Trust and Agency	Drug Task Force	15,448 (1)
Healthcare Trust	Insurance Internal Service	<u>587,900 (1)</u>
		<u>\$ 1,554,709</u>

- (1) Amount owed for transfer of funds.
- (2) Amount owed for property tax collections.
- (3) Amount owed for debt collections.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Due To/From Primary Government & Component Units –

<u>Receiving Entity</u>			
Primary Government – General Fund	Component Units –		
	Drains	\$	243,589 (1)
	Community Mental Health Authority		<u>39,329 (2)</u>
		\$	<u>282,918</u>
Component Unit – Road Commission	Component Units –		
	DPW	\$	26,050 (1)
	Drains		<u>40,698 (1)</u>
		\$	<u>66,748</u>
	Primary Government –		
	Airport	\$	1,503 (1)
	Parks and Recreation		<u>307 (1)</u>
		\$	<u>1,810</u>

(1) Amount owed to cover reimbursement of operating costs, charges for services provided.

(2) Amount owed for grant contract.

Due To/From Primary Government & Component Units (cont'd) –

The amounts owed between the St. Clair County Community Mental Health Authority and the Primary Government do not have a correlating payable of \$39,329 because the Authority is reported on a September 30 year-end.

Advances From/To Primary Government & Component Unit -

<u>Receiving Entity</u>			
Primary Government – General Fund	Component Unit - Drains	\$	<u>50,000 (1)</u>
Component Unit – DPW	Airport	\$	<u>89,281 (1)</u>

(1) Represent the long-term loan between funds for cash flow purposes

Transfers From/To Other Funds -

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
General	Senior Citizens Mileage	\$ 5,864 (1)
	Parks and Recreation	28,332 (4)
	Sheriff's Concessions	24,960 (4) *
	Tax Reserve	1,080,399 (8)
	Solid Waste Disposal System -	600,000 (9) *
		1,284,905 (8) *
	Delinquent Tax Revolving	500,000 (8) *
	Drug Task Force	158,610 (1)
	Revenue Sharing Reserve -	3,409,829 (7)
		177,468 (8)
	E - 911	628,295 (4)
	Health Department	253,489 (6)
Health Department	General	2,748,275 (1)
Library	Public Improvement	10,493 (3)

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds –		
Planning Commission	General	\$ 416,766 (1)
Public Improvement –	General	793,330 (3)
	Communications Construction	186,732 (6)
CDBG Housing	General	10,000 (1)
Human Services	General	684,750 (1)
Child Care	General	4,571,083 (1)
Jail/Juvenile Facility Debt Retirement –	Delinquent Tax Revolving	1,572,212 (2) *
	Jail/Juvenile Construction	508,000 (5)
Building Authority Debt Retirement	General	831,882 (2)
Communications Debt Retirement	Communications Construction	32,621 (6)
Day Treatment/Night Watch Building	Child Care	1,100,000 (3)
Brownfield Redevelopment	General	12,600 (1)
Communications Construction –	E - 911	172,962 (3)
	Public Improvement	1,650 (4)
Nonmajor Proprietary Funds –		
Airport		<u>202,763</u> (1) *
Total Transfer		<u>\$ 22,008,270</u>

- (1) Annual appropriations for operations
- (2) Transfers for the payment of debt
- (3) Transfers for construction/equipment
- (4) Transfers to cover cost
- (5) Transfer to closeout fund

- (6) Return of Equity
- (7) Substitution for State Revenue Sharing
- (8) Transfer to cover Tribunal Settlement
- (9) Transfer to cover Road Appropriation
- * 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 \$727,316 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 \$181,829.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 8 - LEASES - (cont'd):

The County has also entered into a capital lease agreement with the Community Mental Health Authority, a component unit of the County, for the use of the new Community Mental Health building. Under this agreement, the County issued bonds that were used for the construction of the facility. The Authority has agreed to pay the County the amount necessary to pay the principle, interest, and paying agent fees as they come due. Upon final payment of the respective bond issue, ownership of the building will revert to the Community Mental Health Authority. The building asset has been recorded in the financial statements of the Community Mental Health Authority.

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

	<u>Principal</u>	<u>Interest</u>
2009	\$ 200,000	\$ 428,988
2010	200,000	419,988
2011	250,000	411,488
2012	250,000	401,174
2013	275,000	385,674
2014-2018	2,250,000	1,703,874
2019-2023	4,100,000	1,048,512
2024-2026	<u>2,800,000</u>	<u>182,525</u>
Total Receivable	<u>\$ 10,325,000</u>	<u>\$ 4,982,223</u>

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, the County has recorded no assets relating to these projects.

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

	<u>Principal</u>	<u>Interest</u>
2009	\$ 2,935,000	\$ 1,183,776
2010	2,950,000	1,090,896
2011	3,030,000	989,750
2012	2,970,000	893,468
2013	2,775,000	798,866
2014-2018	13,025,000	2,609,646
2019-2023	5,155,600	654,772
2024	<u>1,446,954</u>	<u>92,503</u>
	<u>\$ 34,287,554</u>	<u>\$ 8,313,677</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 8 - LEASES - (cont'd):

The aggregate future capital lease payments necessary for the retirement of the debt principal and accrued interest payable at December 31, 2008 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 34,287,554
Accrued interest	<u>218,807</u>
	34,506,361
Less –	
Cash available after current liabilities	(655,467)
Deferred Charges	<u>(107,216)</u>
	<u>\$ 33,743,678</u>

NOTE 9 - LONG-TERM DEBT:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term debt (including current portions) of the Primary Government for the year ended December 31, 2008:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
Governmental Funds -					
2007 General Obligation Bonds, Series A	\$ 10,490,000	\$ -	\$ 165,000	\$ 10,325,000	\$ 200,000
2007 General Obligation Bonds, Series B	3,500,000	-	100,000	3,400,000	100,000
2004 Building Authority Refunding Bonds	8,925,000	-	475,000	8,450,000	565,000
2003 General Obligation Bond Installment Purchase	31,400,000	-	800,000	30,600,000	850,000
Drain Districts	6,551	-	6,551	-	-
Accumulated Vacation, Sick & Compensatory	414,379	445,538	87,035	772,882	87,291
Other Postemployment Benefits	4,526,308	2,009,413	1,686,984	4,848,737	210,000
Deferred amounts for –	-	7,093,303	2,020,899	5,072,404	-
Issuance Discounts	(197,496)	-	(10,752)	(186,744)	(10,752)
Issuance Premiums	288,801	-	24,067	264,734	24,067
Refunding Loss	<u>(745,506)</u>	-	<u>(62,125)</u>	<u>(683,381)</u>	<u>(62,125)</u>
Total Governmental Funds	<u>58,608,037</u>	<u>9,548,254</u>	<u>5,292,659</u>	<u>62,863,632</u>	<u>1,963,481</u>
Internal Service Fund –					
Workers Compensation Claims Liability	211,000	118,254	118,254	211,000	126,000
General, Auto and Property Insurance Claims Liability	100,000	407,036	67,036	440,000	220,000
Other Postemployment Benefits	-	16,483	7,720	8,763	-
Total Internal Service Fund	<u>311,000</u>	<u>541,773</u>	<u>193,010</u>	<u>659,763</u>	<u>346,000</u>
Total Governmental Activities	<u>58,919,037</u>	<u>10,090,027</u>	<u>5,485,669</u>	<u>63,523,395</u>	<u>2,309,481</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

	Restated Balance January 1, <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2008</u>	Due Within <u>One Year</u>
<u>Business Activities:</u>					
Enterprise Funds -					
Solid Waste Disposal System -					
Closure and Post-closure Costs	\$ 9,057,897	\$ -	\$ 288,281	\$ 8,769,616	\$ -
Accumulated Vacation, Sick & Compensatory	16,801	10,049	-	26,850	-
Other Postemployment Benefits	-	34,167	8,629	25,538	-
Delinquent Tax Revolving -					
Installment Contract	121,751	-	81,167	40,584	40,584
Other Postemployment Benefits	-	7,116	2,519	4,597	-
Airport Commission -					
Accumulated Vacation, Sick & Compensatory	14,662	323	-	14,985	-
Other Postemployment Benefits	-	<u>16,837</u>	<u>4,842</u>	<u>11,995</u>	-
Total Enterprise Funds	<u>9,211,111</u>	<u>68,492</u>	<u>385,438</u>	<u>8,894,165</u>	<u>40,584</u>
 Total Primary Government	 <u>\$ 68,130,148</u>	 <u>\$ 10,158,519</u>	 <u>\$ 5,871,107</u>	 <u>\$ 72,417,560</u>	 <u>\$ 2,350,065</u>

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

2007 General Obligation Bonds, Series A -

The County issued \$10,490,000 of General Obligation limited Tax Bonds, Pursuant to the provisions of Act 34, Public Acts of Michigan. The bonds are being issued for the cost of acquiring, constructing, and equipping a new consolidated office building to house the Mental Health Authority administrative staff and direct operated programs. The bonds, dated April 1, 2007, are due in annual installments from \$200,000 to \$950,000 through April 1, 2026 with interest ranging from 4.0% to 4.5% payable semi-annually.

\$ 10,325,000

2007 General Obligation Bonds, Series B -

The County issued \$3,500,000 of General Obligation limited Tax Bonds, Pursuant to the provisions of Act 34, Public Acts of Michigan. The bonds are being issued for the cost of acquiring and installing equipment related to 911 services located in the County. The bonds, dated April 1, 2007, are due in annual installments from \$100,000 to \$425,000 through April 1, 2021 with interest ranging from 4.0% to 4.5% payable semi-annually.

\$ 3,400,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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 16 years by \$369,426 and resulted in an economic gain of \$271,928.

\$ 8,450,000

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 \$800,000 to \$2,450,000 through April 1, 2028; plus interest ranging from 2.5 to 4.5 percent, payable semi-annually.

\$ 30,600,000

Drain Districts -

The St. Clair County Drain Commission has made improvements to various drains and levied multi-year assessments against the County.

\$ 772,882

Installment Contract -

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

\$ 40,584

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, 2008. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$220,000.

\$ 440,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$126,000.

\$ 211,000

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 Funds portion of \$41,835 has been recorded as a long-term liability of the respective funds. The governmental fund portion of \$4,848,737, 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.

Other Postemployment Benefits - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the Net OPEB Obligation as reported in the proprietary funds and governmental activities fund amounts to \$5,123,297. See Note 11 for additional information.

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, 2008, as reported in the Enterprise Funds (Landfill Fund), amounts to \$8,769,616. See Note 17 for more details regarding this matter.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2008, for the following bonds and notes (excluding accrued vacation, sick and compensatory, accrued insurance claims, other postemployment benefits and closure and post-closure costs) of the Primary Government are as follows:

Year Ending December 31,	Authority Bonds		Installment Loans		G.O. Limited Tax Bonds		Drain Districts	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 565,000	\$ 342,470	\$ 40,584	\$ -	\$ 1,150,000	\$ 1,818,821	\$ 87,291	\$ 29,073
2010	550,000	325,745	-	-	1,225,000	1,779,978	76,612	25,379
2011	550,000	309,245	-	-	1,350,000	1,735,884	71,632	21,976
2012	535,000	292,702	-	-	1,425,000	1,683,696	68,641	18,797
2013	620,000	274,180	-	-	1,575,000	1,623,695	65,308	15,786
2014-18	3,280,000	992,825	-	-	10,050,000	6,943,857	188,840	47,146
2019-23	2,350,000	176,000	-	-	13,650,000	4,380,652	124,233	22,877
2024-28	-	-	-	-	<u>13,900,000</u>	<u>1,415,025</u>	<u>90,325</u>	<u>5,523</u>
	<u>\$ 8,450,000</u>	<u>\$ 2,713,167</u>	<u>\$ 40,584</u>	<u>\$ -</u>	<u>\$44,325,000</u>	<u>\$21,381,608</u>	<u>\$ 772,882</u>	<u>\$ 186,557</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008:

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008	Due Within One Year
Department of Public Works -					
Bonds Payable	\$ 18,890,000	\$ 1,475,000	\$ 1,630,000	\$ 18,735,000	\$ 1,780,000
Drinking Water Revolving Loan	15,667,054	-	964,500	14,702,554	975,000
Revolving Loans	<u>1,030,000</u>	<u>-</u>	<u>180,000</u>	<u>850,000</u>	<u>180,000</u>
Total DPW	<u>35,587,054</u>	<u>1,475,000</u>	<u>2,774,500</u>	<u>34,287,554</u>	<u>2,935,000</u>
Road Commission -					
MTF Bonds – Series 1999	3,345,000	-	410,000	2,935,000	430,000
MTF Notes – Series 2001	1,000,000	-	250,000	750,000	250,000
Accrued vacation & sick leave	323,000	480,000	513,000	290,000	175,000
Other Postemployment Benefits	-	2,092,067	108,842	1,983,225	-
Accrued claim liability	<u>59,900</u>	<u>-</u>	<u>59,900</u>	<u>-</u>	<u>-</u>
Total Road Commission	<u>4,727,900</u>	<u>2,572,067</u>	<u>1,341,742</u>	<u>5,958,225</u>	<u>855,000</u>
Drains -					
Notes payable	5,343,716	4,786,000	968,966	9,160,750	6,375,850
State Clean Water Revolving Loan	367,128	2,578,348	-	2,945,476	25,000
Bonds payable	1,983,902	-	184,890	1,799,012	197,158
Deferred amounts for - Issuance premiums	<u>190,465</u>	<u>-</u>	<u>19,046</u>	<u>171,419</u>	<u>19,046</u>
	<u>7,885,211</u>	<u>7,364,348</u>	<u>1,172,902</u>	<u>14,076,657</u>	<u>6,617,054</u>
Community Mental Health Authority -					
Loan Payable	1,243,759	-	24,592	1,219,167	1,219,167
Contracts Payable	10,490,000	-	165,000	10,325,000	200,000
Deferred amounts for - Issuance Discounts	(104,474)	-	(5,499)	(98,975)	(5,499)
Accrued vacation, sick & compensatory	1,426,831	961,233	1,076,720	1,311,344	1,080,000
Other Postemployment Benefits	<u>-</u>	<u>1,740,611</u>	<u>508,874</u>	<u>1,231,737</u>	<u>-</u>
Total Mental Health	<u>13,056,116</u>	<u>2,701,844</u>	<u>1,769,687</u>	<u>13,988,273</u>	<u>2,493,668</u>
Total Component Units	<u>\$ 61,256,281</u>	<u>\$14,113,259</u>	<u>\$ 7,058,831</u>	<u>\$ 68,310,709</u>	<u>\$ 12,900,722</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 \$31,215,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 reverts to the Townships, Villages or Cities. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.00 – 7.10 %	\$ 11,050,000
Governmental activities – refunding	2.50 – 4.90	<u>7,685,000</u>
		<u>\$ 18,735,000</u>

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.

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.

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, 2008 the bonds outstanding of \$790,000, \$3,400,000, \$1,340,000, and \$280,000, are considered defeased.

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 that 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 \$20,837,554.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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	2.125 - 2.5%	\$ 14,702,554

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 reverts 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%	\$ 850,000

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>
2009	\$ 1,780,000	\$ 777,663	\$ 975,000	\$ 389,113	\$ 180,000	\$ 17,000
2010	1,770,000	712,223	995,000	365,273	185,000	13,400
2011	1,820,000	639,100	1,020,000	340,950	190,000	9,700
2012	1,780,000	566,554	1,045,000	321,014	145,000	5,900
2013	1,555,000	500,406	1,070,000	295,460	150,000	3,000
2014-2018	7,255,000	1,528,428	5,770,000	1,081,218	-	-
2019-2023	2,400,000	321,426	2,755,600	333,346	-	-
2024-2028	375,000	46,350	1,071,954	46,152	-	-
	<u>\$18,735,000</u>	<u>\$ 5,092,150</u>	<u>\$14,702,554</u>	<u>\$3,172,526</u>	<u>\$ 850,000</u>	<u>\$ 49,000</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

	Balance Interest Rate (Percent)	December 31, 2008
Governmental Activities (G.O. Bonds) -		
Water Supply System No. VI Series 1990 Bonds (Kimball Township)	7.10	\$ 55,000
Sewage Disposal System No. X – Series 2000 Bonds (Village of Capac)	5.00-5.55	575,000
Water Supply System No. IX – Series 2000 Bonds (Burtchville Township)	4.60-5.25	1,625,000
Sewage Disposal System No. I – Series 1999 Bonds (City of Algonac/Clay and Ira Townships)	5.00-5.125	920,000
Water Supply System No. II-A Series 2001 Bonds (Clay Township)	4.20-5.00	3,900,000
Sewage Disposal System No. I – Series 2003 Bonds (City of Algonac/Clay and Ira Townships)	3.40-4.60	2,500,000
Water Supply System No. XII – Series 2008 Bonds (Cottrellville Township)	3.00-5.00	<u>1,475,000</u>
		<u>\$ 11,050,000</u>
Governmental Activities (G.O. Refunding) -		
Water Supply System No. IIA – 1999 Refunding Bonds (Clay Township)	4.25-4.90	\$ 805,000
Water Supply System VII – 2003 A Refunding Bonds (Ira Township)	3.00-4.125	3,340,000
Water Supply System VII – 2003 B Refunding Bonds (Ira Township)	3.00-3.80	1,370,000
Sewage Disposal System X – 2004 Refunding Bonds (Village of Capac)	3.25-3.75	225,000
Water Supply System IX – 2004 Refunding Bonds (Burtchville Township)	2.50-3.60	<u>1,945,000</u>
		<u>\$ 7,685,000</u>
Governmental Activities (Revolving Loans) -		
Water Supply System X Series 1999 (City of Algonac/Clay Township)	2.50	\$ 4,775,600
Water Supply System III Series 1999 (Charter Townships of East China and China)	2.50	5,545,000
Water Supply System XI Series 2006 (Ira Township)	2.125	4,381,954
Sewage Disposal System XI Series 1993 (City of Yale)	2.00	720,000
Sewage Disposal System No. X Series 1999 (Village of Capac)	2.00	<u>130,000</u>
		<u>\$ 15,552,554</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2009 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.5% to 4.95%. The balance as of December 31, 2008 was \$2,935,000.

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, 2009 through 2011 with interest due semi-annually on February 1 and August 1 at an interest rate of 4.0%. The balance as of December 31, 2008 was \$750,000.

Accrued Sick and Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused sick leave and vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the financial statements, amounted to approximately \$102,000 for sick leave and \$188,000 for vacation at December 31, 2008.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Post Employment Benefits -

In addition to pension benefits, the Road Commission provides postemployment health care benefits for eligible retirees and their families as described in Note 11.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2008, except compensated absences and other postemployment benefits liability, 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>
2009	\$ 430,000	\$ 140,270	\$ 250,000	\$ 30,000
2010	455,000	120,920	250,000	20,000
2011	475,000	99,763	250,000	10,000
2012	500,000	77,200	-	-
2013	525,000	52,950	-	-
2014	<u>550,000</u>	<u>27,225</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,935,000</u>	<u>\$ 518,328</u>	<u>\$ 750,000</u>	<u>\$ 60,000</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, 2008 was \$1,799,012.

State Clean Water Revolving Fund Loan -

Department of Environmental Quality Bonds have been sold for \$2,425,000 and \$560,000 through the State of Michigan Clean Water Revolving Fund to construct sanitary sewer improvements, including two sanitary sewage pump stations and a treatment lagoon for the South Branch Pine River Drain Drainage District. Payments on the loans will be paid through special assessments. The amounts drawn as of December 31, 2008, on the Project #2 amounted to \$520,476. The full amount of Project #1, or \$2,425,000, has been expended as of December 31, 2008.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 \$4,786,000 of drain notes. The balance at December 31, 2008 was as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities -		
Blue River Gardens	2.95 %	\$ 555,000
Dana	5.90	560,000
Huffman & Branches	3.25	800,000
Huffman & Branches	3.96	400,000
Huffman & Branches	4.19	1,320,000
Huffman & Branches	3.25	580,000
Huffman & Branches	3.25	300,000
Huffman & Branches	3.63	450,000
Layle-Robbins Drain	3.75	40,000
202 County Drain	3.75	50,000
Moore & Branch No. 1	5.75	80,000
209 County Drain	4.90	64,000
Stocks Creek & Branch	3.25	500,000
Galbraith County Drain	3.96	300,000
Marsac Creek	3.96	65,000
Metcalf	5.54	260,000
211 County Drain	3.96	400,000
Cox-Doty & Stein County Drain	3.00	100,000
Carrigan Branches	3.75	10,000
Carrigan Branch 1	5.69	290,000
Shanahan 2008Q	4.46	200,000
Shea Drain	3.19	60,000
Chase Ext - Coon Creek Intercounty Drain	3.50	236,000
Cox-Doty & Stein County Drain	3.25	100,000
Gossman & Branches County Drain	3.00	150,000
Holland & Branches County Drain	3.00	120,000
King County Drain	3.00	25,000
Lakeland County Drain	3.00	60,000
Macomb County Drain	3.00	60,000
Railroad and Branches County Drain	3.00	50,000
Howe Brandymore & Branches	3.96	150,000
Robbins Drain	5.60	225,000
South Branch of the Pine River	4.23	342,000
Scheffler Drain	4.12	210,000
Hathaway Drain	4.55	<u>48,750</u>
		<u>\$ 9,160,750</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Annual debt service requirements to maturities are as follows:

Year Ended December 31,	Bonds		Notes		Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 197,158	\$ 64,078	\$ 6,375,850	\$ 365,471	\$ 25,000	\$ 36,974
2010	200,239	52,541	450,850	134,009	110,000	38,106
2011	200,239	42,688	360,850	112,817	110,000	36,319
2012	200,239	37,886	349,600	95,471	110,000	34,531
2013	200,239	30,338	333,600	78,326	115,000	32,703
2014-2018	800,898	56,790	1,020,000	180,634	600,000	134,793
2019-2023	-	-	150,000	46,200	650,000	84,012
2024-2028	-	-	120,000	11,955	705,000	29,046
	<u>\$ 1,799,012</u>	<u>\$ 284,321</u>	<u>\$ 9,160,750</u>	<u>\$ 1,024,883</u>	<u>\$ 2,425,000</u>	<u>\$ 426,484</u>

During 2008, there were draws totaling \$520,476 for the construction of the South Branch Pine River Drainage District Project #2. As of December 31, 2008, the construction was not completed on this portion, and a final payment schedule has not been determined. Therefore, the payments are not included in the annual maturity above.

Community Mental Health Authority

Loan Payable –

In August 2007, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes, which will be used to provide mental health services. The loan calls for 119 monthly payments of \$7,503, including interest of 5.19% with a final payment of \$939,864, however is due on demand.

\$ 1,219,167

Contracts Payable –

The Authority has entered into a lease agreement with St. Clair County for the acquisition, construction, and equipping of a new Consolidated office building. The County has issued bonds for the Project, and the debt service payments will be paid through the Lease with the Authority. The bonds were issued on March 30, 2007 for \$10,490,000 payable semi-annually with Interest ranging from 4.0% to 4.5%.

\$ 10,325,000

Accrued Vacation and Sick –

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2008, the vested benefits amounted to \$1,311,344.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Post Employment Benefits -

In addition to pension benefits, the Authority provides postemployment health care benefits for eligible retirees as described in Note 11.

Annual debt requirements to pay the debt outstanding at September 30, 2008 (excluding vacation and sick and other postemployment benefits) are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Loan Payable</u>		<u>Contracts Payable</u>	
	<u>Principle</u>	<u>Interest</u>	<u>Principle</u>	<u>Interest</u>
2009	\$ 27,251	\$ 62,781	\$ 200,000	\$ 424,487
2010	28,700	61,333	200,000	415,738
2011	30,225	59,807	250,000	406,331
2012	31,832	58,201	250,000	396,174
2013	33,524	56,509	275,000	385,674
2014-2018	1,067,635	203,260	2,250,000	1,703,874
2019-2023	-	-	4,100,000	1,048,512
2024-2026	-	-	<u>2,800,000</u>	<u>182,525</u>
	<u>\$ 1,219,167</u>	<u>\$ 501,891</u>	<u>\$10,325,000</u>	<u>\$ 4,963,315</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 (certain employees hired on or after January 1, 2009 are covered by a defined contribution plan). 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, 2007 was composed of 986 active participants, 537 retirees and beneficiaries, and 91 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).

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

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

Other Employees - age 55 with 25 years of service. Benefits are calculated based on the total service times 2.0% of final average compensation. Maximum benefits 64% to 75% of final average compensation.

All Employees - age 60 with 8 years of service.

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

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability – Sheriff's Department plan members 10 or more years of service, others no age or service requirements but must be in receipt of Worker's Compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,500 policy to retirees.

Summary Of Significant Accounting Policies –

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized 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, 2008, contributions totaling \$6,704,626 (\$4,312,555 employer and \$2,392,071 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2006. The employer and employee contributions represented 8.10-11.59% 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

The required contribution rate was determined as part of the December 31, 2006 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, and (b) projected salary increases of 5.5% to 16.0% 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, 2006 of 23 years decreasing by one year, then rolling at 20 years. The assumptions were last revised for the December 31, 2005 valuation.

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered (b-a)/(c)
12/31/05*#	\$ 153,016,205	\$ 159,090,379	\$ 6,074,174	96.2 %	\$ 42,622,922	14.3 %
12/31/06*	165,525,909	171,374,116	5,848,207	96.6	44,015,666	13.3
12/31/07	176,628,933	181,439,996	4,811,063	97.3	44,600,186	10.8

*Plan amended

#Certain assumptions revised

Schedule of Employer Contributions -

Year Ended December 31,	Annual Pension Cost	Percentage Contributed	Net Pension Obligation
2006	\$ 4,211,036	100.00 %	\$ -
2007	4,177,556	100.00	-
2008	4,312,555	100.00	-

The required schedule of funding progress immediately following the notes presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN:

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

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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

Beneficiaries of deceased retirees and survivors of deceased employees are provided Blue Cross and Blue Shield and dental coverages for recipients and dependents beginning no earlier than age 55 if appropriate pension options have been selected.

The County makes contributions based on actuarially determined rates; however, in total the employer contribution does not exceed 13% for both the basic retirement plan and postemployment benefit. The basic retirement plan is funded 100% of the actuarially determined amount with the remaining amount contributed for 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 has adopted Governmental Accounting Standards Board (GASB) Statement 45 prospectively in the current year.

The postemployment benefits are accounted for through two trust funds, one is established under the IRS Code Section 401h, which is combined with the basic retirement plan assets as described in Note 10. The other trust fund was established on July 1, 2006 under Michigan Public Act 149. All contributions on or after July 1, 2006 are recorded in the PA 149 Fund with all payments for "postemployment benefits" being paid from the 401h plan.

The investments of the 401h are invested with the basic retirement plan. The retirement board has established a rate of return on the 401h investments of 6% regardless of actual results of the investments.

Benefits and refunds are recognized when due and payable, in accordance with the terms of the plan. Certain contracts specify member contributions from employees ranging from 1.3% to 2.25%.

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, 2008, contributions of \$3,479,307 (\$3,305,515 employer and \$173,792 employee) were made. Employer contributions ranged from 1.41% to 4.9% of covered payroll. The actuarial valuation dated December 31, 2006 determined a contribution rate ranging from 18.34% to 38.25% of covered payroll for 2008 using an assumed rate of increase of health care costs as follows:

	<u>Medical and Prescription Drug</u>	<u>Dental</u>
2009	9.0 %	5.33 %
2010	8.5	5.00
2011	8.0	5.00
2012	7.5	5.00
2013	7.0	5.00
2014 and after	5.0 - 6.5	5.00

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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 plan assets.

The required contribution rate was determined as part of the December 31, 2006 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 5.3% net investment rate of return, and (b) projected salary increases of 5.5% to 16.0% 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, 2006 of 30 years.

Annual OPEB Cost and net OPEB Obligation –

The County and its component unit's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Annual required contribution	\$ 7,167,906	\$ 3,832,678
Interest on net OPEB obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	<u>7,167,906</u>	<u>3,832,678</u>
Contributions made	<u>(2,044,609)</u>	<u>(617,716)</u>
Increase in net OPEB obligation	5,123,297	3,214,962
NET OPEB obligation – beginning of year	-	-
NET OPEB obligation – end of year	<u>\$ 5,123,297</u>	<u>\$ 3,214,962</u>

Employer contributions shown above differ from supplementary information due to the different year-end of the Community Mental Health Authority.

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered (b-a)/(c)
12/31/05#	\$ 37,605,130	\$ 122,105,333	\$ 84,500,203	30.8 %	\$ 42,622,922	198 %
12/31/06#	38,429,172	193,221,993	154,792,821	19.9	44,015,666	352
12/31/07*	39,332,611	214,700,277	175,367,666	18.3	44,600,186	393

#Certain assumptions revised

*Amortization period changed

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

Schedule of Employer Contributions -

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2006	\$ 8,221,747	19.62 %	\$ 6,608,640
2007	7,363,357	24.84	5,534,299
2008	11,000,584	24.20	8,338,259

GASB Statement No. 45 was implemented in the current year; therefore, no beginning net OPEB obligation was recorded.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government –

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

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

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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 2008.

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 \$211,000 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.

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 2008, that Stop Loss Program limited the retention for St. Clair County to \$733,000 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 \$440,000, which is recorded in the Self-Insurance Fund.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

The County is self-insured for health care benefits with the administrative services of the program being performed on a contractual basis by a third party. The County pays claims up to \$75,000 per contract per contract year. Stop-loss insurance has been purchased to insure the County against losses in excess of these limits. Based on past history, the County has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR), of \$510,000 at December 31, 2008, 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>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning of year	\$ 100,000	\$ 150,000	\$ -	\$ -	\$ -	\$ -
Incurred claims (including IBNR's)	407,036	76,164	342,776	382,008	15,364	75,172
Claims Paid	(67,036)	(126,164)	(342,776)	(382,008)	(15,364)	(75,172)
Unpaid claims, end of year	440,000	100,000	-	-	-	-
Less current portion	(220,000)	(50,000)	-	-	-	-
Long-Term Liabilities	<u>\$ 220,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Workers Compensation</u>		<u>Health Care</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Unpaid claims, beginning of year	\$ 211,000	\$ 170,000	\$ 536,000	\$ 613,926	\$ 847,000	\$ 933,926
Incurred claims (including IBNR's)	118,254	221,528	6,677,091	6,015,657	7,560,521	6,770,529
Claims Paid	(118,254)	(180,528)	(6,703,091)	(6,093,583)	(7,246,521)	(6,857,455)
Unpaid claims, end of year	211,000	211,000	510,000	536,000	1,161,000	847,000
Less current portion	(126,000)	(126,000)	(510,000)	(536,000)	(856,000)	(712,000)
Long-Term Liabilities	<u>\$ 85,000</u>	<u>\$ 85,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 305,000</u>	<u>\$ 135,000</u>

Component Units -

Road Commission -

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2008

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

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 has 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 \$32,000 at December 31, 2008, which is recorded as a current liability.

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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 is self-insured for a portion of health care benefits. The Authority makes monthly payments based on actual claims.

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 \$706,722,581. This represents approximately 11 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, permit 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, 2008**

NOTE 16 - FUND EQUITY:

RESTRICTED NET ASSETS -

The net assets on the government-wide financial statements of the Primary Government have been restricted for the following purposes at December 31, 2008:

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Governmental Activities:			
Investment in capital assets, net of related debt:			
Capital Assets	\$ -	\$ 93,278,342	\$ 93,278,342
Less related debt –			
2007 G.O. Bonds	-	(3,400,000)	(3,400,000)
2004 Authority Bonds	-	(8,450,000)	(8,450,000)
2003 G.O. Bonds	-	(30,600,000)	<u>(30,600,000)</u>
			<u>50,828,342</u>
Acquisition/construction of capital assets:			
Mental Health Building Construction		291,866	291,866
Public Improvement	-	2,319,856	2,319,856
Municipal Building Construction	-	168,026	168,026
Day Treatment/Night Watch Construction		1,100,000	<u>1,100,000</u>
			<u>3,879,748</u>
Permanent Fund:			
Expendable	-	7,565	7,565
Nonexpendable	-	18,050	<u>18,050</u>
			<u>25,615</u>
Debt Service:			
Mental Health Building Debt Fund	-	1,585	1,585
Communications Debt Fund	705,785	-	705,785
Building Authority Debt Fund	-	1,464	1,464
Jail/Juvenile Facility Debt Fund	-	13	<u>13</u>
			<u>708,847</u>
Recreation and Cultural:			
Parks and Recreation	3,612,553	-	3,612,553
Library	1,813,964	-	<u>1,813,964</u>
			<u>5,426,517</u>
Revenue Sharing Reserve Fund	-	16,518,625	<u>16,518,625</u>
Health and Welfare:			
Senior Citizens Millage	768,106	-	768,106
CDBG Housing	-	197,483	197,483
HUD Housing	-	95,311	95,311
Veterans' Trust	-	8,893	<u>8,893</u>
			<u>1,069,793</u>
Public Safety:			
Drug Task Force	92,192	-	92,192
Drug Law Enforcement	-	203,973	203,973
Local Corrections and Training	-	27,227	<u>27,227</u>
			<u>323,392</u>
Other:			
Friend of Court	-	273,693	273,693
Deeds Automation	-	242,355	<u>242,355</u>
			<u>516,048</u>
Total Governmental Activities Restricted Net Assets			<u>\$ 79,296,927</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 16 - FUND EQUITY - (cont'd):

RESTRICTED NET ASSETS (cont'd) -

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Business Type Activities:			
Investment in capital assets, net of related debt:			
Capital Assets	\$ -	\$ 15,185,621	\$ 15,185,621
Less related debt - Installment Contract	-	(40,584)	<u>(40,584)</u>
			<u>15,145,037</u>
Other:			
Foreclosure sales	-	935,137	<u>935,137</u>
Total Business Type Activities Restricted Net Assets			<u>\$ 16,080,174</u>

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, 2008:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
Primary Government -		
General Fund	Prepaid Expenditures	\$ 15,864
	Advance to Other Funds/Component Units	<u>50,000</u>
		<u>65,864</u>
Health Department	Prepaid Expenditures	<u>15,086</u>
Mental Health Building Construction	Capital Project	<u>291,866</u>
Mental Health Building Debt Retirement	Debt Retirement	<u>1,585</u>
Non-major Governmental Funds -		
Municipal Building	Capital Project	168,026
Day Treatment/Night Watch Construction	Capital Project	1,100,000
Communications Debt	Debt Retirement	705,785
Building Authority Debt	Debt Retirement	1,464
Jail/Juvenile Facilities Debt	Debt Retirement	13
Lewis Memorial Endowment	Endowment	<u>25,615</u>
Total Nonmajor Governmental Funds		<u>2,000,903</u>
Total Governmental Funds		<u>2,375,304</u>
Fiduciary Fund -		
Pension and Other		
Employee Benefits	Pension and OPEB Benefits	151,288,464
Landfill Perpetual Care	Perpetual Care	<u>1,729,237</u>
		<u>153,017,701</u>
Total Primary Government Reserved Fund Balance		<u>\$ 155,393,005</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008:

<u>Fund Type/Fund</u>	<u>Purpose</u>	<u>Amount</u>
Primary Government -		
General Fund	Budget Stabilization	\$ 2,000,000
	Criminal Justice Training Grant	8,912
	Prosecutor's Drug Forfeitures	<u>31,524</u>
		<u>2,040,436</u>
Parks and Recreation	Future Projects	<u>636,262</u>
Nonmajor Funds -		
Special Revenue Funds -		
County Planning	Agricultural Preservation	<u>5,395</u>
Total Designated Fund Balance – Primary Government		<u>\$ 2,682,093</u>

The County has also earmarked \$100,894 of the Airport net assets for future construction.

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 \$8,769,616 at December 31, 2008, which is based on the estimated percentage of capacity used to date of 48.7%.

Currently the County has 75 acres licensed, with an additional 27 acres available for licensing. It is estimated that an additional \$16,218,567 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 16 years.

The estimated total current cost of the landfill closure and post-closure care cost of \$24,988,183 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, 2008. 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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

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 \$2,595,000 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 - SPECIAL ITEM-TAX TRIBUNAL SETTLEMENT:

The County and other taxing authorities have agreed to a settlement with the Detroit Edison Company regarding the taxable value of power plants located within the County. Under that settlement the County has agreed to repay \$5,131,037 for the tax years 2002-08, by May 15, 2009. As a result, a liability has been recorded in the amount of \$4,922,978, the \$5,131,037 less the 2008 tax levy for the senior citizens, drug task force, library, and parks and recreation funds, which will be refunded from the 2008 year taxes collected and recognized in 2009. Under the agreement the Detroit Edison Company will make an "additional payment" equal to the reduction in the taxes for the 2009-2012 tax years. The refund for the 2006 and prior tax years has been recorded as a "special item" on the fund financial statements and the statement of activities in the amount of \$4,157,064. Tax revenues for calendar 2008 (2007 tax levy) have been reduced by \$765,914.

NOTE 19 - PRIOR PERIOD ADJUSTMENT:

Primary Government –

The beginning net assets of the Solid Waste Disposal System Fund (Enterprise Fund) and the Business-Type Activities have been increased by \$6,064,135 for a change in the method of calculating the closure/postclosure liability.

NOTE 20 - SUBSEQUENT EVENT:

In March 2009, the Bunce Creek and Huffman Drain Drainage District of St. Clair County issued \$4,625,000 general obligation bonds for drain improvements to the District. The bonds are to be paid by special assessments against various local municipalities. The County has pledged its full faith and credit as additional security for payment on the bonds.

The County Board of Commissioners approved a resolution in April 2009 to issue bonds, not to exceed \$4,000,000 for the construction of communications towers. As of the date of this report, the bonds have not been issued.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
BASIC 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>
12/31/98 *	\$ 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%
12/31/06 *	165,525,909	171,374,116	5,848,207	96.59%	44,015,666	13.29%
12/31/07 *	176,628,933	181,439,996	4,811,063	97.35%	44,600,186	10.79%

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Pension Costs</u>	<u>Percentage Contributed</u>
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%
2007	4,177,556	100.00%
2008	4,312,555	100.00%

Actuarial Cost Method

Individual Entry Age Normal Cost

Asset Valuation Method

Market Value with 5 year Smoothing of Gains and Losses

Principal Actuarial Assumptions (last revised for the 12/31/05 valuation):

Net Investment Return

7.50%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

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

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS**

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>
12/31/04	\$ 35,576,190	\$ 120,502,047	\$ 84,925,857	29.52%	\$ 39,609,752	214.41%
12/31/05 #	37,605,130	122,105,333	84,500,203	30.80%	42,622,922	198.25%
12/31/06 #	38,429,172	193,221,993	154,792,821	19.89%	44,015,666	351.68%
12/31/07 **	39,332,611	214,700,277	175,367,666	18.32%	44,600,186	393.20%

Certain assumptions revised

** Amortization period changed

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual OPEB Costs</u>	<u>Percentage Contributed</u>
2005	\$ 8,051,186	32.90%
2006	8,221,747	19.62%
2007	7,363,357	24.84%
2008	11,000,584	24.20%

Actuarial Cost Method	Individual Entry Age Normal Cost
Asset Valuation Method	Market Value with 5 year Smoothing of Gains and Losses
Principal Actuarial Assumptions -	
Net Investment Return	5.30%
Projected Salary Increases	5.0% pay inflation plus merit and longevity
Cost-of-Living Adjustments	None
Rate of Increase of Healthcare Costs	
Medical and Prescription	5.0% to 9.0%
Dental	5.33% in 2009 and 5.0% thereafter

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, 2008**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 35,257,227	\$ 34,782,379	\$ 34,223,930	\$(558,449)
Licenses and permits	490,000	490,000	472,154	(17,846)
Intergovernmental -				
Federal/State	5,436,039	6,766,687	6,459,132	(307,555)
Local	1,713,361	1,831,109	1,831,317	208
Charges for services	6,502,525	6,687,325	6,928,039	240,714
Fines and forfeits	529,500	462,000	442,701	(19,299)
Interest and rent	2,239,268	1,691,214	1,702,110	10,896
Other	2,112,311	2,124,720	2,242,564	117,844
Total Revenues	<u>54,280,231</u>	<u>54,835,434</u>	<u>54,301,947</u>	<u>(533,487)</u>
Expenditures:				
Legislative:				
Board of Commissioners	225,871	225,871	218,269	7,602
Other Legislative Activities	960,395	610,395	406,441	203,954
	<u>1,186,266</u>	<u>836,266</u>	<u>624,710</u>	<u>211,556</u>
Judicial:				
Circuit Court	2,088,358	2,088,358	1,948,060	140,298
District Court	2,546,533	2,641,584	2,682,001	(40,417)
Courthouse Security	602,345	602,345	561,399	40,946
Friend of the Court	2,850,664	2,850,664	2,756,363	94,301
Law Library	5,000	5,000	4,623	377
Probate Court	810,007	776,207	799,204	(22,997)
Family Division - Circuit Court	2,165,859	2,165,859	2,103,959	61,900
Probation	13,733	13,733	13,290	443
District Court Probation	639,166	639,166	632,413	6,753
	<u>11,721,665</u>	<u>11,782,916</u>	<u>11,501,312</u>	<u>281,604</u>
General Government:				
Administrator/Controller	413,207	413,207	416,908	(3,701)
Elections	212,118	242,118	244,104	(1,986)
Accounting	435,450	435,450	434,442	1,008
Clerk	916,245	916,245	910,592	5,653
Equalization	956,197	956,197	892,332	63,865
Human Resources	599,657	584,103	595,616	(11,513)
Prosecuting Attorney	2,588,537	2,596,037	2,535,703	60,334
Victims Rights	10,800	10,800	1,918	8,882
Purchasing	205,594	225,594	216,022	9,572
Register of Deeds	304,273	270,702	284,474	(13,772)
Boundary Commission	200	200	-	200
Treasurer	523,126	523,126	507,563	15,563
Cooperative Extension	432,867	483,186	496,739	(13,553)
Information Technology	2,677,308	2,477,308	2,506,059	(28,751)
Building and Grounds	3,323,112	3,173,112	3,000,425	172,687
Drain Commissioner	463,180	454,575	406,497	48,078
Motor Pool	10,500	16,500	15,864	636
	<u>14,072,371</u>	<u>13,778,460</u>	<u>13,465,258</u>	<u>313,202</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, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Sheriff	6,498,075	6,452,878	6,629,646	(176,768)
Training	15,000	15,000	17,814	(2,814)
Communications/Radio	1,248,401	1,581,662	1,557,550	24,112
Marine Law Enforcement	306,717	310,943	299,737	11,206
Dive Team	25,229	30,229	31,155	(926)
Correction / Jail	9,564,101	9,478,865	9,923,102	(444,237)
Other Corrections Activities	430,400	430,400	215,871	214,529
Emergency Preparedness	391,480	956,934	951,259	5,675
Hazardous Material Handling	36,531	23,911	17,542	6,369
Animal Shelter/Dog Warden	411,546	426,546	436,807	(10,261)
	<u>18,927,480</u>	<u>19,707,368</u>	<u>20,080,483</u>	<u>(373,115)</u>
Public Works:				
Road Commission	-	-	600,000	(600,000)
Drains	70,000	77,385	77,385	-
	<u>70,000</u>	<u>77,385</u>	<u>677,385</u>	<u>(600,000)</u>
Health and Welfare:				
Medical Examiner	268,503	268,503	271,875	(3,372)
Mental Health	955,672	955,672	955,672	-
Public Guardian	255,996	290,996	300,065	(9,069)
Veterans	262,699	244,819	225,204	19,615
Soldiers and Sailors Relief	1,000	1,000	-	1,000
	<u>1,743,870</u>	<u>1,760,990</u>	<u>1,752,816</u>	<u>8,174</u>
Other:				
Insurance	700,000	700,000	450,000	250,000
Debt Service:				
Principal	86,551	93,586	93,586	-
Interest	-	30,935	30,935	-
	<u>86,551</u>	<u>124,521</u>	<u>124,521</u>	<u>-</u>
Total Expenditures	<u>48,508,203</u>	<u>48,767,906</u>	<u>48,676,485</u>	<u>91,421</u>
Revenues over expenditures	<u>5,772,028</u>	<u>6,067,528</u>	<u>5,625,462</u>	<u>(442,066)</u>
Other Financing Sources (Uses):				
Transfers from other funds	3,642,493	4,527,601	8,152,151	3,624,550
Transfers to other funds	<u>(9,414,521)</u>	<u>(10,302,103)</u>	<u>(10,271,449)</u>	<u>30,654</u>
Total Other Financing Sources (Uses)	<u>(5,772,028)</u>	<u>(5,774,502)</u>	<u>(2,119,298)</u>	<u>3,655,204</u>
Special Items - Tribunal Settlement	<u>-</u>	<u>-</u>	<u>(3,181,844)</u>	<u>(3,181,844)</u>
Net Change in Fund Balance	-	293,026	324,320	31,294
Fund Balance at beginning of year	<u>8,147,171</u>	<u>8,147,171</u>	<u>8,147,171</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 8,147,171</u>	<u>\$ 8,440,197</u>	<u>\$ 8,471,491</u>	<u>\$ 31,294</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, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ -	\$ 75,000	\$ -	\$(75,000)
Licenses and permits	-	-	307,324	307,324
Intergovernmental -				
Federal/State	3,150,614	3,884,400	4,562,702	678,302
Local	-	-	101,970	101,970
Charges for services	2,279,340	3,304,274	1,279,980	(2,024,294)
Interest and rent	-	-	2,292	2,292
Other	-	-	265,801	265,801
Total Revenues	<u>5,429,954</u>	<u>7,263,674</u>	<u>6,520,069</u>	<u>(743,605)</u>
Expenditures:				
Health and Welfare	<u>8,578,229</u>	<u>10,099,610</u>	<u>9,058,096</u>	<u>1,041,514</u>
Revenues under expenditures	<u>(3,148,275)</u>	<u>(2,835,936)</u>	<u>(2,538,027)</u>	<u>297,909</u>
Other Financing Sources:				
Transfers from other funds	2,748,275	2,748,275	2,748,275	-
Transfers to other funds	-	<u>(253,489)</u>	<u>(253,489)</u>	-
	<u>2,748,275</u>	<u>2,494,786</u>	<u>2,494,786</u>	-
Net Change in Fund Balance	(400,000)	(341,150)	(43,241)	297,909
Fund Balance at beginning of year	<u>1,232,467</u>	<u>1,232,467</u>	<u>1,232,467</u>	-
Fund Balance at end of year	<u><u>\$ 832,467</u></u>	<u><u>\$ 891,317</u></u>	<u><u>\$ 1,189,226</u></u>	<u><u>\$ 297,909</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, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,105,000	\$ 3,131,000	\$ 3,089,556	\$(41,444)
Intergovernmental -				
Federal/State	-	432,640	140,800	(291,840)
Charges for services	49,500	56,000	58,804	2,804
Interest and rent	154,700	124,355	139,769	15,414
Other	16,000	9,700	12,627	2,927
Total Revenues	<u>3,325,200</u>	<u>3,753,695</u>	<u>3,441,556</u>	<u>(312,139)</u>
Expenditures:				
Recreation and Culture	<u>5,297,124</u>	<u>3,353,190</u>	<u>3,181,160</u>	<u>172,030</u>
Revenues over (under) expenditures	(1,971,924)	400,505	260,396	(140,109)
Other Financing Uses:				
Transfers to other funds	(28,700)	(28,700)	(28,332)	368
Special Items - Tribunal Settlement	<u>-</u>	<u>-</u>	<u>(244,533)</u>	<u>(244,533)</u>
Net Change in Fund Balance	(2,000,624)	371,805	(12,469)	(384,274)
Fund Balance at beginning of year	<u>3,625,022</u>	<u>3,625,022</u>	<u>3,625,022</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,624,398</u>	<u>\$ 3,996,827</u>	<u>\$ 3,612,553</u>	<u>\$(384,274)</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, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,491,653	\$ 4,337,861	\$ 4,362,463	\$ 24,602
Intergovernmental -				
Federal/State	79,084	158,168	147,203	(10,965)
Local	8,000	8,000	8,000	-
Charges for services	53,360	42,000	55,549	13,549
Fines and forfeits	802,720	874,177	674,575	(199,602)
Interest and rent	143,122	139,000	140,456	1,456
Other	38,026	24,800	76,626	51,826
Total Revenues	<u>5,615,965</u>	<u>5,584,006</u>	<u>5,464,872</u>	<u>(119,134)</u>
Expenditures:				
Recreation and Culture	<u>5,628,532</u>	<u>5,739,469</u>	<u>5,292,992</u>	<u>446,477</u>
Revenues over (under) expenditures	(12,567)	(155,463)	171,880	327,343
Other Financing Uses:				
Transfers from other funds	-	-	10,493	10,493
Special Item - Tribunal Settlement	<u>-</u>	<u>-</u>	<u>(345,525)</u>	<u>(345,525)</u>
Net Change in Fund Balance	(12,567)	(155,463)	(163,152)	(7,689)
Fund Balance at beginning of year	<u>1,977,116</u>	<u>1,977,116</u>	<u>1,977,116</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 1,964,549</u>	<u>\$ 1,821,653</u>	<u>\$ 1,813,964</u>	<u>\$(7,689)</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, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Interest and rent	\$ 60,000	\$ 600,000	\$ 619,102	\$ 19,102
Other Financing Uses:				
Transfers to other funds	<u>(3,758,162)</u>	<u>(3,409,829)</u>	<u>(3,587,297)</u>	<u>(177,468)</u>
Net Change in Fund Balance	(3,698,162)	(2,809,829)	(2,968,195)	(158,366)
Fund Balance at beginning of year	<u>19,486,820</u>	<u>19,486,820</u>	<u>19,486,820</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 15,788,658</u></u>	<u><u>\$ 16,676,991</u></u>	<u><u>\$ 16,518,625</u></u>	<u><u>\$ (158,366)</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, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 3,197,252	\$ 3,197,252	\$ 3,115,365	\$(81,887)
Charges for services	-	-	30	30
Interest and rent	80,000	80,000	40,210	(39,790)
Total Revenues	<u>3,277,252</u>	<u>3,277,252</u>	<u>3,155,605</u>	<u>(121,647)</u>
Expenditures:				
Health and Welfare	<u>3,556,308</u>	<u>3,556,308</u>	<u>3,233,173</u>	<u>323,135</u>
Revenues under expenditures	(279,056)	(279,056)	(77,568)	201,488
Other Financing Uses:				
Transfers to other funds	(11,728)	(11,728)	(5,864)	5,864
Special Item - Tribunal Settlement	<u>-</u>	<u>-</u>	<u>(246,804)</u>	<u>(246,804)</u>
Net Change in Fund Balance	(290,784)	(290,784)	(330,236)	(39,452)
Fund Balance at beginning of year	<u>1,098,342</u>	<u>1,098,342</u>	<u>1,098,342</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 807,558</u>	<u>\$ 807,558</u>	<u>\$ 768,106</u>	<u>\$(39,452)</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- 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.

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.

Day Treatment/Night Watch (DTNW) Building – is used to account for the construction of a new County Day Treatment/Night Watch facility.

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

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

PERMANENT FUND

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

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	\$ 38,987	\$ 232,057	\$ 27,800	\$ 2,410,666	\$ 332,649
Investments	192,472	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	1,705,459
Accounts and interest	340	15	-	-	327
Due from other governmental units -					
Federal/State	45,088	121,254	-	-	-
Local	-	2,194	-	-	-
Due from other funds	-	-	-	-	121,238
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 276,887</u>	<u>\$ 355,520</u>	<u>\$ 27,800</u>	<u>\$ 2,410,666</u>	<u>\$ 2,159,673</u>
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 1,332	\$ 15,383	\$ -	\$ 90,810	\$ 189,930
Accrued liabilities	1,862	6,124	-	-	35,406
Due to other governmental units -					
Federal/State	-	-	-	-	-
Due to other funds	-	-	-	-	15,448
Deferred revenue	-	121,254	-	-	1,826,697
Total Liabilities	<u>3,194</u>	<u>142,761</u>	<u>-</u>	<u>90,810</u>	<u>2,067,481</u>
 Fund Balance:					
Reserved -					
Capital Projects	-	-	-	-	-
Debt Services	-	-	-	-	-
Permanent Fund - Library Memorial	-	-	-	-	-
Unreserved -					
Designated -					
Other	-	5,395	-	-	-
Undesignated - Special Revenue Funds	273,693	207,364	27,800	2,319,856	92,192
Total Fund Balance	<u>273,693</u>	<u>212,759</u>	<u>27,800</u>	<u>2,319,856</u>	<u>92,192</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 276,887</u>	<u>\$ 355,520</u>	<u>\$ 27,800</u>	<u>\$ 2,410,666</u>	<u>\$ 2,159,673</u>

Special Revenue Funds

<u>Drug Law Enforcement</u>	<u>CDBG Housing</u>	<u>HUD Housing</u>	<u>Human Services</u>	<u>Child Care</u>	<u>Veterans' Trust</u>	<u>E - 911</u>	<u>Deeds Automation</u>
\$ 196,263	\$ 25,921	\$ 95,311	\$ 199,451	\$ 1,155,558	\$ 9,169	\$ -	\$ 242,509
-	100,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
7,710	975,094	333,381	-	2,047	-	-	596
-	70,403	-	55,932	497,724	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 203,973</u>	<u>\$ 1,171,418</u>	<u>\$ 428,692</u>	<u>\$ 255,383</u>	<u>\$ 1,655,329</u>	<u>\$ 9,169</u>	<u>\$ -</u>	<u>\$ 243,105</u>
\$ -	\$ -	\$ -	\$ -	\$ 120,487	\$ 276	\$ -	\$ 750
-	-	-	-	203,367	-	-	-
-	124,385	-	181	-	-	-	-
-	-	-	-	-	-	-	-
-	849,550	333,381	-	479,382	-	-	-
-	<u>973,935</u>	<u>333,381</u>	<u>181</u>	<u>803,236</u>	<u>276</u>	<u>-</u>	<u>750</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
203,973	197,483	95,311	255,202	852,093	8,893	-	242,355
<u>203,973</u>	<u>197,483</u>	<u>95,311</u>	<u>255,202</u>	<u>852,093</u>	<u>8,893</u>	<u>-</u>	<u>242,355</u>
<u>\$ 203,973</u>	<u>\$ 1,171,418</u>	<u>\$ 428,692</u>	<u>\$ 255,383</u>	<u>\$ 1,655,329</u>	<u>\$ 9,169</u>	<u>\$ -</u>	<u>\$ 243,105</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Special Revenue Funds			
	Local			
	Corrections and Training	Family Counseling	Tax Reserve	Communications
ASSETS				
Cash and cash equivalents	\$ 29,352	\$ 199,460	\$ 419,601	\$ 617,603
Investments	-	-	-	-
Receivables -				
Current and delinquent property taxes	-	-	-	-
Accounts and interest	-	-	-	-
Due from other governmental units -				
Federal/State	-	-	-	-
Local	-	-	-	8,646
Due from other funds	-	-	-	79,536
Total Assets	\$ 29,352	\$ 199,460	\$ 419,601	\$ 705,785
 LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ -	\$ 4,523	\$ -	\$ -
Accrued liabilities	2,125	-	-	-
Due to other governmental units -				
Federal/State	-	-	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	2,125	4,523	-	-
 Fund Balance:				
Reserved -				
Capital Projects	-	-	-	-
Debt Services	-	-	-	705,785
Permanent Fund - Library Memorial	-	-	-	-
Unreserved -				
Designated -				
Future Projects/Technology	-	-	-	-
Undesignated - Special Revenue Funds	27,227	194,937	419,601	-
Total Fund Balance	27,227	194,937	419,601	705,785
 Total Liabilities and Fund Balance	\$ 29,352	\$ 199,460	\$ 419,601	\$ 705,785

Debt Service Funds		Capital Projects Funds				Permanent Fund	
Building Authority	Jail/Juvenile Facility	Municipal Building	DTNW Building	Jail/Juvenile Facility	Communications Construction	Lewis Memorial Endowment	Total
\$ 1,464	\$ 13	\$ 167,784	\$ 1,100,000	\$ -	\$ -	\$ 7,107	\$ 7,508,725
-	-	-	-	-	-	18,050	310,522
-	-	-	-	-	-	-	1,705,459
-	-	342	-	-	-	458	1,320,310
-	-	-	-	-	-	-	790,401
-	-	-	-	-	-	-	10,840
-	-	-	-	-	-	-	200,774
<u>\$ 1,464</u>	<u>\$ 13</u>	<u>\$ 168,126</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,615</u>	<u>\$ 11,847,031</u>
\$ -	\$ -	\$ 100	\$ -	\$ -	\$ -	\$ -	\$ 423,591
-	-	-	-	-	-	-	248,884
-	-	-	-	-	-	-	124,566
-	-	-	-	-	-	-	15,448
-	-	-	-	-	-	-	3,610,264
-	-	100	-	-	-	-	4,422,753
-	-	168,026	1,100,000	-	-	-	1,268,026
1,464	13	-	-	-	-	-	707,262
-	-	-	-	-	-	25,615	25,615
-	-	-	-	-	-	-	5,395
-	-	-	-	-	-	-	5,417,980
<u>1,464</u>	<u>13</u>	<u>168,026</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>	<u>25,615</u>	<u>7,424,278</u>
<u>\$ 1,464</u>	<u>\$ 13</u>	<u>\$ 168,126</u>	<u>\$ 1,100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,615</u>	<u>\$ 11,847,031</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, 2008**

	<u>Friend of Court</u>	<u>County Planning</u>	<u>Brownfield Redevelopment</u>	<u>Public Improvement</u>	<u>Drug Task Force</u>
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,747,903
Intergovernmental -					
Federal/State	196,565	159,114	-	-	27,999
Charges for services	47,970	36,321	-	-	-
Fines and forfeits	-	-	-	-	327
Interest and rent	13,107	-	-	-	783
Other	-	1,850	-	7,600	1,400
Total Revenues	<u>257,642</u>	<u>197,285</u>	<u>-</u>	<u>7,600</u>	<u>1,778,412</u>
Expenditures:					
Current -					
Judicial	201,029	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	1,413,871
Health and Welfare	-	-	-	-	-
Community and Economic Development	-	640,224	-	-	-
Capital Outlay	-	-	-	686,046	-
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>201,029</u>	<u>640,224</u>	<u>-</u>	<u>686,046</u>	<u>1,413,871</u>
Revenues over (under) expenditures	<u>56,613</u>	<u>(442,939)</u>	<u>-</u>	<u>(678,446)</u>	<u>364,541</u>
Other Financing Sources (Uses):					
Transfers from other funds	-	416,766	12,600	980,062	-
Transfers to other funds	-	-	-	(12,143)	(158,610)
Total Other Financing Sources (Uses)	<u>-</u>	<u>416,766</u>	<u>12,600</u>	<u>967,919</u>	<u>(158,610)</u>
Special Item - Tribunal Settlement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(138,358)</u>
Net Change in Fund Balance	56,613	(26,173)	12,600	289,473	67,573
Fund Balances at beginning of year	<u>217,080</u>	<u>238,932</u>	<u>15,200</u>	<u>2,030,383</u>	<u>24,619</u>
Fund Balances at end of year	<u>\$ 273,693</u>	<u>\$ 212,759</u>	<u>\$ 27,800</u>	<u>\$ 2,319,856</u>	<u>\$ 92,192</u>

Special Revenue Funds

<u>Drug Law Enforcement</u>	<u>CDBG Housing</u>	<u>HUD Housing</u>	<u>Human Services</u>	<u>Child Care</u>	<u>Veterans' Trust</u>	<u>E - 911</u>	<u>Deeds Automation</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	70,403	-	606,944	2,815,454	23,682	-	-
-	-	-	-	128,397	-	628,295	124,950
162,413	-	-	-	-	-	-	-
-	9,142	-	-	-	-	-	5,776
-	19,396	-	141,477	21,322	-	-	-
<u>162,413</u>	<u>98,941</u>	<u>-</u>	<u>748,421</u>	<u>2,965,173</u>	<u>23,682</u>	<u>628,295</u>	<u>130,726</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	104,190
91,716	-	-	-	-	-	43,969	-
-	88,878	-	1,301,277	6,894,941	24,468	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>91,716</u>	<u>88,878</u>	<u>-</u>	<u>1,301,277</u>	<u>6,894,941</u>	<u>24,468</u>	<u>43,969</u>	<u>104,190</u>
<u>70,697</u>	<u>10,063</u>	<u>-</u>	<u>(552,856)</u>	<u>(3,929,768)</u>	<u>(786)</u>	<u>584,326</u>	<u>26,536</u>
-	10,000	-	684,750	4,571,083	-	-	-
-	-	-	-	(1,100,000)	-	(801,257)	-
-	10,000	-	684,750	3,471,083	-	(801,257)	-
-	-	-	-	-	-	-	-
70,697	20,063	-	131,894	(458,685)	(786)	(216,931)	26,536
<u>133,276</u>	<u>177,420</u>	<u>95,311</u>	<u>123,308</u>	<u>1,310,778</u>	<u>9,679</u>	<u>216,931</u>	<u>215,819</u>
<u>\$ 203,973</u>	<u>\$ 197,483</u>	<u>\$ 95,311</u>	<u>\$ 255,202</u>	<u>\$ 852,093</u>	<u>\$ 8,893</u>	<u>\$ -</u>	<u>\$ 242,355</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, 2008**

	Special Revenue Funds			
	Local Corrections And Training	Family Counseling	Tax Reserve	Communications
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental -				
Federal/State	-	-	-	-
Charges for services	33,634	14,115	-	300,158
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Other	-	-	-	-
Total Revenues	33,634	14,115	-	300,158
Expenditures:				
Current -				
Judicial	-	12,165	-	-
General Government	-	-	-	-
Public Safety	36,223	-	-	-
Health and Welfare	-	-	-	-
Community and Economic Development	-	-	-	-
Capital Outlay	-	-	-	-
Debit Service -				
Principal	-	-	-	100,000
Interest and charges	-	-	-	140,712
Total Expenditures	36,223	12,165	-	240,712
Revenues over (under) expenditures	(2,589)	1,950	-	59,446
Other Financing Sources (Uses):				
Transfers from other funds	-	-	-	32,621
Transfers to other funds	-	-	(1,080,399)	-
Total Other Financing Sources (Uses)	-	-	(1,080,399)	32,621
Special Item - Tribunal Settlement	-	-	-	-
Net Change in Fund Balance	(2,589)	1,950	(1,080,399)	92,067
Fund Balances at beginning of year	29,816	192,987	1,500,000	613,718
Fund Balances at end of year	\$ 27,227	\$ 194,937	\$ 419,601	\$ 705,785

<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>				<u>Permanent Fund</u>	
<u>Building Authority</u>	<u>Jail/Juvenile Facility</u>	<u>Municipal Building</u>	<u>DTNW Building</u>	<u>Jail/Juvenile Facility</u>	<u>Communications Construction</u>	<u>Lewis Memorial Endowment</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,747,903
-	-	-	-	-	-	-	3,900,161
-	-	34,686	-	-	-	-	1,348,526
-	-	-	-	-	-	-	162,740
-	-	-	-	-	-	745	29,553
-	-	-	-	508,000	-	-	701,045
-	-	34,686	-	508,000	-	745	7,889,928
-	-	-	-	-	-	-	213,194
-	-	-	-	-	-	-	104,190
-	-	-	-	-	-	-	1,585,779
-	-	-	-	-	-	-	8,309,564
-	-	-	-	-	-	-	640,224
-	-	28,475	-	-	42,421	-	756,942
475,000	800,000	-	-	-	-	-	1,375,000
356,928	1,280,362	-	-	-	-	-	1,778,002
831,928	2,080,362	28,475	-	-	42,421	-	14,762,895
(831,928)	(2,080,362)	6,211	-	508,000	(42,421)	745	(6,872,967)
831,882	2,080,212	-	1,100,000	-	174,612	-	10,894,588
-	-	-	-	(508,000)	(219,353)	-	(3,879,762)
831,882	2,080,212	-	1,100,000	(508,000)	(44,741)	-	7,014,826
-	-	-	-	-	-	-	(138,358)
(46)	(150)	6,211	1,100,000	-	(87,162)	745	3,501
1,510	163	161,815	-	-	87,162	24,870	7,420,777
\$ 1,464	\$ 13	\$ 168,026	\$ 1,100,000	\$ -	\$ -	\$ 25,615	\$ 7,424,278

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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
FRIEND OF COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 256,364	\$ 196,565	\$(59,799)
Charges for services	1,000	47,970	46,970
Interest and rent	25,000	13,107	(11,893)
Total Revenues	<u>282,364</u>	<u>257,642</u>	<u>(24,722)</u>
Expenditures:			
Judicial	<u>206,358</u>	<u>201,029</u>	<u>5,329</u>
Net Change in Fund Balance	76,006	56,613	(19,393)
Fund Balance at beginning of year	<u>217,080</u>	<u>217,080</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 293,086</u></u>	<u><u>\$ 273,693</u></u>	<u><u>\$(19,393)</u></u>

COUNTY PLANNING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 235,750	\$ 159,114	\$(76,636)
Charges for services	18,000	36,321	18,321
Other	13,600	1,850	(11,750)
Total Revenues	<u>267,350</u>	<u>197,285</u>	<u>(70,065)</u>
Expenditures:			
Community and Economic Development	<u>684,116</u>	<u>640,224</u>	<u>43,892</u>
Revenues under expenditures	(416,766)	(442,939)	(26,173)
Other Financing Sources:			
Transfers from other funds	<u>416,766</u>	<u>416,766</u>	<u>-</u>
Net Change in Fund Balance	-	(26,173)	(26,173)
Fund Balance at beginning of year	<u>238,932</u>	<u>238,932</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 238,932</u></u>	<u><u>\$ 212,759</u></u>	<u><u>\$(26,173)</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
BROWNFIELD REDEVELOPMENT			
Other Financing Sources:			
Transfers from other funds	\$ 12,600	\$ 12,600	\$ -
Fund Balance at beginning of year	<u>15,200</u>	<u>15,200</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 27,800</u></u>	<u><u>\$ 27,800</u></u>	<u><u>\$ -</u></u>

PUBLIC IMPROVEMENT			
Revenues:			
Other	\$ 1,200	\$ 7,600	\$ 6,400
Expenditures:			
Capital Outlay	<u>750,000</u>	<u>686,046</u>	<u>63,954</u>
Revenues under expenditures	<u>(748,800)</u>	<u>(678,446)</u>	<u>70,354</u>
Other Financing Sources:			
Transfers from other funds	980,062	980,062	-
Transfer to other funds	<u>-</u>	<u>(12,143)</u>	<u>(12,143)</u>
Total Other Financing Sources (Uses)	<u>980,062</u>	<u>967,919</u>	<u>(12,143)</u>
Net Change in Fund Balance	231,262	289,473	58,211
Fund Balance at beginning of year	<u>2,030,383</u>	<u>2,030,383</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,261,645</u></u>	<u><u>\$ 2,319,856</u></u>	<u><u>\$ 58,211</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
DRUG TASK FORCE			
Revenues:			
Taxes	\$ 1,800,379	\$ 1,747,903	\$(52,476)
Intergovernmental - Federal/State	23,711	27,999	4,288
Fines and forfeits	-	327	327
Interest and rent	1,000	783	(217)
Other	-	1,400	1,400
Total Revenues	<u>1,825,090</u>	<u>1,778,412</u>	<u>(46,678)</u>
Expenditures:			
Public Safety	<u>1,572,319</u>	<u>1,413,871</u>	<u>158,448</u>
Revenues over expenditures	252,771	364,541	111,770
Other Financing Sources (Uses):			
Transfers to other funds	(158,610)	(158,610)	-
Special Item - Tribunal Settlement	<u>-</u>	<u>(138,358)</u>	<u>(138,358)</u>
Net Change in Fund Balance	94,161	67,573	(26,588)
Fund Balance at beginning of year	<u>24,619</u>	<u>24,619</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 118,780</u></u>	<u><u>\$ 92,192</u></u>	<u><u>\$(26,588)</u></u>

DRUG LAW ENFORCEMENT

Revenues:			
Fines and forfeits	\$ 155,000	\$ 162,413	\$ 7,413
Expenditures:			
Public Safety	<u>25,000</u>	<u>91,716</u>	<u>(66,716)</u>
Revenues over expenditures	130,000	70,697	(59,303)
Fund Balance at beginning of year	<u>133,276</u>	<u>133,276</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 263,276</u></u>	<u><u>\$ 203,973</u></u>	<u><u>\$(59,303)</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
CDBG HOUSING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 147,400	\$ 70,403	\$(76,997)
Interest	-	9,142	9,142
Other	-	19,396	19,396
Total Revenues	<u>147,400</u>	<u>98,941</u>	<u>(48,459)</u>
Expenditures:			
Health and Welfare	<u>157,400</u>	<u>88,878</u>	<u>68,522</u>
Revenues over (under) expenditures	(10,000)	10,063	20,063
Other Financing Sources:			
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	-	20,063	20,063
Fund Balance at beginning of year	<u>177,420</u>	<u>177,420</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 177,420</u></u>	<u><u>\$ 197,483</u></u>	<u><u>\$ 20,063</u></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>

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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
HUMAN SERVICES			
Revenues:			
Intergovernmental -			
Federal/State	\$ 590,000	\$ 606,944	\$ 16,944
Other	3,500	141,477	137,977
Total Revenues	<u>593,500</u>	<u>748,421</u>	<u>154,921</u>
Expenditures:			
Health and Welfare	<u>1,278,250</u>	<u>1,301,277</u>	<u>(23,027)</u>
Revenues under expenditures	(684,750)	(552,856)	131,894
Other Financing Sources:			
Transfers from other funds	<u>684,750</u>	<u>684,750</u>	<u>-</u>
Net Change in Fund Balance	-	131,894	131,894
Fund Balance at beginning of year	<u>123,308</u>	<u>123,308</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 123,308</u></u>	<u><u>\$ 255,202</u></u>	<u><u>\$ 131,894</u></u>

CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 2,911,000	\$ 2,815,454	\$(95,546)
Charges for services	90,000	128,397	38,397
Other	18,000	21,322	3,322
Total Revenues	<u>3,019,000</u>	<u>2,965,173</u>	<u>(53,827)</u>
Expenditures:			
Health and Welfare	<u>7,027,915</u>	<u>6,894,941</u>	<u>132,974</u>
Revenues under expenditures	<u>(4,008,915)</u>	<u>(3,929,768)</u>	<u>79,147</u>
Other Financing Sources (Uses):			
Transfers from other funds	4,571,083	4,571,083	-
Transfers to other funds	<u>-</u>	<u>(1,100,000)</u>	<u>(1,100,000)</u>
	<u>4,571,083</u>	<u>3,471,083</u>	<u>(1,100,000)</u>
Net Change in Fund Balance	562,168	(458,685)	(1,020,853)
Fund Balance at beginning of year	<u>1,310,778</u>	<u>1,310,778</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,872,946</u></u>	<u><u>\$ 852,093</u></u>	<u><u>\$(1,020,853)</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
VETERANS' TRUST			
Revenues:			
Intergovernmental - Federal/State	\$ 30,000	\$ 23,682	\$(6,318)
Expenditures:			
Health and Welfare	<u>30,000</u>	<u>24,468</u>	<u>5,532</u>
Net Change in Fund Balance	-	(786)	(786)
Fund Balance at beginning of year	<u>9,679</u>	<u>9,679</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 9,679</u></u>	<u><u>\$ 8,893</u></u>	<u><u>\$(786)</u></u>

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Revenues:			
Charges for services	\$ 586,231	\$ 628,295	\$ 42,064
Expenditures:			
Public Safety	<u>43,969</u>	<u>43,969</u>	<u>-</u>
Revenues over expenditures	542,262	584,326	42,064
Other Financing Uses :			
Transfers to other funds	<u>(759,193)</u>	<u>(801,257)</u>	<u>(42,064)</u>
Net Change in Fund Balance	(216,931)	(216,931)	-
Fund Balance at beginning of year	<u>216,931</u>	<u>216,931</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	Variance Positive (Negative)
DEEDS AUTOMATION			
Revenues:			
Charges for services	\$ 135,000	\$ 124,950	\$(10,050)
Interest	6,000	5,776	(224)
Total Revenues	<u>141,000</u>	<u>130,726</u>	<u>(10,274)</u>
Expenditures:			
General Government	<u>150,000</u>	<u>104,190</u>	<u>45,810</u>
Net Change in Fund Balance	(9,000)	26,536	35,536
Fund Balance at beginning of year	<u>215,819</u>	<u>215,819</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 206,819</u></u>	<u><u>\$ 242,355</u></u>	<u><u>\$ 35,536</u></u>

LOCAL CORRECTIONS AND TRAINING

Revenues:			
Charges for services	\$ 36,000	\$ 33,634	\$(2,366)
Expenditures:			
Public Safety	<u>45,000</u>	<u>36,223</u>	<u>8,777</u>
Net Change in Fund Balance	(9,000)	(2,589)	6,411
Fund Balance at beginning of year	<u>29,816</u>	<u>29,816</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 20,816</u></u>	<u><u>\$ 27,227</u></u>	<u><u>\$ 6,411</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, 2008**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FAMILY COUNSELING			
Revenues:			
Charges for services	\$ 20,000	\$ 14,115	\$(5,885)
Expenditures:			
Judicial	<u>20,000</u>	<u>12,165</u>	<u>7,835</u>
Net Change in Fund Balance	-	1,950	1,950
Fund Balance at beginning of year	<u>192,987</u>	<u>192,987</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 192,987</u></u>	<u><u>\$ 194,937</u></u>	<u><u>\$ 1,950</u></u>
TAX RESERVE			
Other Financing Uses:			
Transfers to other funds	\$ -	\$(1,080,399)	\$(1,080,399)
Fund Balance at beginning of year	<u>1,500,000</u>	<u>1,500,000</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 1,500,000</u></u>	<u><u>\$ 419,601</u></u>	<u><u>\$(1,080,399)</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.

Homestead Exemption Audits – is used to account for the operations of administering audits of County residents claiming homestead exemption on their property.

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, 2008

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 266,015	\$ 119,662	\$ 13,937	\$ 158,455	\$ 558,069
Accounts receivable					
Interest and accounts	6,035	30,842	123,616	-	160,493
Prepaid expenses	1,728	-	-	-	1,728
Total Current Assets	<u>273,778</u>	<u>150,504</u>	<u>137,553</u>	<u>158,455</u>	<u>720,290</u>
Property, Plant and Equipment:					
Property, plant and equipment	11,326,733	-	-	-	11,326,733
Less - accumulated depreciation	<u>(7,711,023)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,711,023)</u>
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>3,615,710</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,615,710</u>
Total Assets	<u>3,889,488</u>	<u>150,504</u>	<u>137,553</u>	<u>158,455</u>	<u>4,336,000</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	12,006	18,062	-	-	30,068
Due to component units	1,503	-	-	-	1,503
Accrued expenses	1,858	226	-	-	2,084
Due to other governmental units -					
Local	-	-	108,291	25,362	133,653
Advances from component units	89,281	-	-	-	89,281
Unearned revenue	4,965	-	-	-	4,965
Total Current Liabilities	<u>109,613</u>	<u>18,288</u>	<u>108,291</u>	<u>25,362</u>	<u>261,554</u>
Long-Term Liabilities:					
Accrued vacation and sick (less current portion)	14,985	-	-	-	14,985
Net OPEB obligation	11,995	-	-	-	11,995
Total Long-Term Liabilities	<u>26,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,980</u>
Total Liabilities	<u>136,593</u>	<u>18,288</u>	<u>108,291</u>	<u>25,362</u>	<u>288,534</u>
NET ASSETS:					
Invested in capital assets, net of related debt	3,615,710	-	-	-	3,615,710
Unrestricted	<u>137,185</u>	<u>132,216</u>	<u>29,262</u>	<u>133,093</u>	<u>431,756</u>
Total Net Assets	<u>\$ 3,752,895</u>	<u>\$ 132,216</u>	<u>\$ 29,262</u>	<u>\$ 133,093</u>	<u>\$ 4,047,466</u>

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Operating Revenues:					
Intergovernmental -					
Federal/State	\$ 31,596	\$ -	\$ -	\$ -	\$ 31,596
Charges for services	11,898	385,220	1,170	57,923	456,211
Interest and rents	131,537	-	28,092	-	159,629
Other	6,564	3,900	-	-	10,464
Total Operating Revenues	<u>181,595</u>	<u>389,120</u>	<u>29,262</u>	<u>57,923</u>	<u>657,900</u>
Operating Expenses:					
Personal services	180,873	18,946	-	-	199,819
Supplies	30,497	21,836	-	-	52,333
Other services	125,470	339,618	-	6,028	471,116
Depreciation	231,703	-	-	-	231,703
Total Operating Expenses	<u>568,543</u>	<u>380,400</u>	<u>-</u>	<u>6,028</u>	<u>954,971</u>
Operating Income (Loss)	<u>(386,948)</u>	<u>8,720</u>	<u>29,262</u>	<u>51,895</u>	<u>(297,071)</u>
Transfers:					
Transfers from other funds	202,763	-	-	-	202,763
Transfers to other funds	<u>-</u>	<u>(24,960)</u>	<u>-</u>	<u>-</u>	<u>(24,960)</u>
	<u>202,763</u>	<u>(24,960)</u>	<u>-</u>	<u>-</u>	<u>177,803</u>
Change in Net Assets	<u>(184,185)</u>	<u>(16,240)</u>	<u>29,262</u>	<u>51,895</u>	<u>(119,268)</u>
Net Assets at beginning of year	<u>3,937,080</u>	<u>148,456</u>	<u>-</u>	<u>81,198</u>	<u>4,166,734</u>
Net Assets at end of year	<u><u>\$ 3,752,895</u></u>	<u><u>\$ 132,216</u></u>	<u><u>\$ 29,262</u></u>	<u><u>\$ 133,093</u></u>	<u><u>\$ 4,047,466</u></u>

ST. CLAIR COUNTY, MICHIGAN

**NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 138,335	\$ 385,846	\$ 13,937	\$ 35,938	\$ 574,056
Cash payments to suppliers	(145,723)	(356,726)	-	(4,028)	(506,477)
Cash payments to employees	(174,078)	(19,430)	-	-	(193,508)
Net Cash Provided (Used)					
by Operating Activities	<u>(181,466)</u>	<u>9,690</u>	<u>13,937</u>	<u>31,910</u>	<u>(125,929)</u>
Cash Flows From Noncapital Financing Activities:					
Operating transfers to other funds	-	(24,960)	-	-	(24,960)
Operating transfers from other funds	<u>202,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,763</u>
Net Cash Provided (Used)					
by Noncapital Financing Activities	<u>202,763</u>	<u>(24,960)</u>	<u>-</u>	<u>-</u>	<u>177,803</u>
Cash Flows From Capital and Related Financing Activities:					
Acquisition/construction of capital assets	<u>(56,201)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(56,201)</u>
Net Increase (Decrease) in Cash and Cash Equivalents for the year	(34,904)	(15,270)	13,937	31,910	(4,327)
Cash and Cash Equivalents at Beginning of Year	<u>300,919</u>	<u>134,932</u>	<u>-</u>	<u>126,545</u>	<u>562,396</u>
Cash and Cash Equivalents at End of Year	<u>\$ 266,015</u>	<u>\$ 119,662</u>	<u>\$ 13,937</u>	<u>\$ 158,455</u>	<u>\$ 558,069</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating income (loss) for the year	\$(386,948)	\$ 8,720	\$ 29,262	\$ 51,895	\$(297,071)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -					
Depreciation	231,703	-	-	-	231,703
Change in assets and liabilities:					
Accounts receivable	(45)	(3,274)	(123,616)	-	(126,935)
Prepays and deposits	13,488	-	-	2,000	15,488
Accounts payable	(3,244)	4,728	108,291	(21,985)	87,790
Accrued expenses	6,795	(484)	-	-	6,311
Deferred revenue	<u>(43,215)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,215)</u>
Net Cash Provided by Operating Activities	<u>\$(181,466)</u>	<u>\$ 9,690</u>	<u>\$ 13,937</u>	<u>\$ 31,910</u>	<u>\$(125,929)</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.

401h Health Care Fund – is an account within the pension trust fund established to account for employer and employee contributions, investment income, accumulated assets and payment for past employment benefits other than pensions. Starting on July 1, 2006 no new contributions are being recorded in this fund; however, benefit payment will continue to be paid from this fund until all the assets are used.

PA 149 Health Care Fund – was established on July 1, 2006 to account for employer and employee contributions, investment income, accumulated assets and payment for past employment 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.

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, 2008**

	Basic Retirement System	Health Care	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 3,239,307	\$ 298,310	\$ 3,537,617
Investments, at fair value			
U.S. Government Securities	20,910	-	20,910
Corporate Debt	30,876,568	-	30,876,568
Equity Funds	23,321,358	1,593,601	24,914,959
Stocks	52,512,225	-	52,512,225
Foreign Bonds	12,714,276	-	12,714,276
Mutual Funds	23,662,806	2,294,073	25,956,879
Municipal Bonds	388,350	-	388,350
Receivables -			
Interest and dividends	809,175	6,763	815,938
Other	22,053	-	22,053
Due from other funds	-	587,900	587,900
Internal balances	(30,335,458)	30,335,458	-
Prepayments and deposits	66,121	-	66,121
	<u>117,297,691</u>	<u>35,116,105</u>	<u>152,413,796</u>
LIABILITIES:			
Accounts payable	371,447	-	371,447
Accrued liabilities	753,885	-	753,885
	<u>1,125,332</u>	<u>-</u>	<u>1,125,332</u>
NET ASSETS:			
Net assets held in trust for pension benefits	<u>\$ 116,172,359</u>	<u>\$ 35,116,105</u>	<u>\$ 151,288,464</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, 2008**

	Basic Retirement System			
	Member Contributions	Employer Contributions	Pension Payments	Total
Additions:				
Contributions				
Member contributions	\$ 2,392,071	\$ -	\$ -	\$ 2,392,071
Employer contributions	-	4,312,555	-	4,312,555
Member rollover	30,294	-	-	30,294
Employer rollover	-	66,861	-	66,861
Total Contributions	<u>2,422,365</u>	<u>4,379,416</u>	<u>-</u>	<u>6,801,781</u>
Investment income				
Net depreciation in fair value of investments	-	(66,953,045)	-	(66,953,045)
Interest/Dividends	-	4,904,592	-	4,904,592
Less investment expense	-	(1,004,443)	-	(1,004,443)
Net investment income	<u>-</u>	<u>(63,052,896)</u>	<u>-</u>	<u>(63,052,896)</u>
Other				
Medicare Part D reimbursements	-	-	-	-
Total Additions	<u>2,422,365</u>	<u>(58,673,480)</u>	<u>-</u>	<u>(56,251,115)</u>
Deductions:				
Retirement payroll	-	-	8,936,702	8,936,702
Health/dental insurance	-	-	-	-
Death benefits	-	49,000	-	49,000
Employee refunds	502,659	-	-	502,659
Administration	-	58,671	-	58,671
Professional fees	-	53,293	-	53,293
Total Deductions	<u>502,659</u>	<u>160,964</u>	<u>8,936,702</u>	<u>9,600,325</u>
Net Increase (Decrease) Before Transfers	1,919,706	(58,834,444)	(8,936,702)	(65,851,440)
Interfund Transfers In (Out):				
Retirees obligation	(1,843,013)	(20,458,625)	22,301,638	-
Interest	522,856	(7,397,722)	4,785,532	(2,089,334)
Net Increase (Decrease)	599,549	(86,690,791)	18,150,468	(67,940,774)
Net assets held in trust for pension benefits:				
Beginning of year	<u>25,250,924</u>	<u>88,298,190</u>	<u>70,564,019</u>	<u>184,113,133</u>
End of year	<u>\$ 25,850,473</u>	<u>\$ 1,607,399</u>	<u>\$ 88,714,487</u>	<u>\$ 116,172,359</u>

Postemployment Benefits			
401H Health Care	Act 149 Health Care	Total	Total
\$ -	\$ 173,792	\$ 173,792	\$ 2,565,863
-	3,305,515	3,305,515	7,618,070
-	-	-	30,294
-	11,902	11,902	78,763
-	3,491,209	3,491,209	10,292,990
-	(1,651,770)	(1,651,770)	(68,604,815)
-	212,487	212,487	5,117,079
-	(28,051)	(28,051)	(1,032,494)
-	(1,467,334)	(1,467,334)	(64,520,230)
302,591	-	302,591	302,591
302,591	2,023,875	2,326,466	(53,924,649)
-	-	-	8,936,702
4,594,065	-	4,594,065	4,594,065
-	-	-	49,000
-	-	-	502,659
-	-	-	58,671
91,152	-	91,152	144,445
4,685,217	-	4,685,217	14,285,542
(4,382,626)	2,023,875	(2,358,751)	(68,210,191)
-	-	-	-
2,089,334	-	2,089,334	-
(2,293,292)	2,023,875	(269,417)	(68,210,191)
32,628,750	2,756,772	35,385,522	219,498,655
\$ 30,335,458	\$ 4,780,647	\$ 35,116,105	\$ 151,288,464

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008**

	Agency Funds			
	Trust and Agency	Library Penal Fines	Payroll	Total
ASSETS				
Cash and cash equivalents	\$ 2,716,379	\$ 5,693	\$ 183,394	\$ 2,905,466
Investments	117,737	-	-	117,737
Receivables	10,357,470	3,472	-	10,360,942
Due from other funds	15,448	-	-	15,448
Total Assets	<u>\$ 13,207,034</u>	<u>\$ 9,165</u>	<u>\$ 183,394</u>	<u>\$ 13,399,593</u>
 LIABILITIES				
Due to individuals and agencies	\$ 11,129,829	\$ -	\$ 16,985	\$ 11,146,814
Due to other governmental units -				
Federal/state	259,333	-	150,222	409,555
Local	866,511	9,165	16,187	891,863
Due to other funds	951,361	-	-	951,361
Total Liabilities	<u>\$ 13,207,034</u>	<u>\$ 9,165</u>	<u>\$ 183,394</u>	<u>\$ 13,399,593</u>

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,968,717	\$ 215,605,822	\$ 214,669,073	\$ 2,905,466
Investments	168,494	32,521,350	32,572,107	117,737
Receivables	8,323,940	2,380,707	343,705	10,360,942
Due from other funds	-	15,448	-	15,448
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 10,461,151</u>	<u>\$ 250,523,327</u>	<u>\$ 247,584,885</u>	<u>\$ 13,399,593</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 9,230,711	\$ 80,888,626	\$ 78,972,523	\$ 11,146,814
Other governmental units -				
Federal/State	330,849	16,365,838	16,287,132	409,555
Local	899,591	120,583,609	120,591,337	891,863
Other funds	-	2,487,381	1,536,020	951,361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 10,461,151</u>	<u>\$ 220,325,454</u>	<u>\$ 217,387,012</u>	<u>\$ 13,399,593</u>
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 1,910,330	\$ 159,688,176	\$ 158,882,127	\$ 2,716,379
Investments	168,494	32,521,350	32,572,107	117,737
Due from other funds	-	15,448	-	15,448
Receivables	8,319,795	2,377,235	339,560	10,357,470
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 10,398,619</u>	<u>\$ 194,602,209</u>	<u>\$ 191,793,794</u>	<u>\$ 13,207,034</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 9,221,505	\$ 49,009,486	\$ 47,101,162	\$ 11,129,829
Other governmental units -				
State	298,796	3,972,117	4,011,580	259,333
Local	878,318	114,309,838	114,321,645	866,511
Other funds	-	1,902,451	951,090	951,361
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>\$ 10,398,619</u>	<u>\$ 169,193,892</u>	<u>\$ 166,385,477</u>	<u>\$ 13,207,034</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1, 2008	Additions	Reductions	Balance December 31, 2008
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 6,960	\$ 580,469	\$ 581,736	\$ 5,693
Accounts receivable	4,145	3,472	4,145	3,472
	<u>\$ 11,105</u>	<u>\$ 583,941</u>	<u>\$ 585,881</u>	<u>\$ 9,165</u>
Liabilities:				
Due to -				
Other governmental units -				
Local	\$ 11,105	\$ 19,062	\$ 21,002	\$ 9,165
Other funds	-	584,728	584,728	-
Total Liabilities	<u>\$ 11,105</u>	<u>\$ 603,790</u>	<u>\$ 605,730</u>	<u>\$ 9,165</u>

PAYROLL FUND

Assets:				
Cash and cash equivalents	<u>\$ 51,427</u>	<u>\$ 55,337,177</u>	<u>\$ 55,205,210</u>	<u>\$ 183,394</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 9,206	\$ 31,879,140	\$ 31,871,361	\$ 16,985
Other governmental units -				
Federal/State	32,053	12,393,721	12,275,552	150,222
Local	10,168	6,254,709	6,248,690	16,187
Other funds	-	202	202	-
Total Liabilities	<u>\$ 51,427</u>	<u>\$ 50,527,772</u>	<u>\$ 50,395,805</u>	<u>\$ 183,394</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, 2008**

	Balance January 1, 2008	Additions	Disposals/ Adjustments	Balance December 31, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General County:				
Land	\$ 9,097,033	\$ 455,114	\$ -	\$ 9,552,147
Land improvements	5,363,028	53,509	-	5,416,537
Buildings	86,365,770	395,906	-	86,761,676
Equipment -				
Machinery	13,768,265	330,672	23,350	14,075,587
Marine	549,978	334,260	27,188	857,050
Vehicles	2,196,754	347,336	329,349	2,214,741
Books	11,319,458	614,992	1,334,079	10,600,371
	<u>128,660,286</u>	<u>2,531,789</u>	<u>1,713,966</u>	<u>129,478,109</u>
Less - Accumulated depreciation	<u>(34,737,557)</u>	<u>(4,182,627)</u>	<u>(1,673,940)</u>	<u>(37,246,244)</u>
	93,922,729	<u>(1,650,838)</u>	40,026	92,231,865
Construction in progress	<u>425,907</u>	<u>863,066</u>	<u>328,386</u>	<u>960,587</u>
Net Total Investment in Capital Assets	<u>\$ 94,348,636</u>	<u>\$(787,772)</u>	<u>\$ 368,412</u>	<u>\$ 93,192,452</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, 2008**

	<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	650,747	66,034	336,698	248,015
Friend of Court	266,674	-	8,449	258,225
Public Improvement	41,182	-	-	41,182
	<u>1,216,147</u>	<u>66,034</u>	<u>345,147</u>	<u>804,966</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	171,242	-	-	171,242
Information Technology	1,583,227	-	-	1,583,227
Clerk	41,528	-	-	41,528
Register of Deeds	103,799	-	14,700	89,099
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	160,132	-	72,016	88,116
Public Improvement	1,296,378	384,000	161,136	751,242
Drain Commissioner	221,132	-	-	221,132
	<u>3,729,127</u>	<u>384,000</u>	<u>255,352</u>	<u>3,089,775</u>
Public Safety:				
Sheriff and Patrol	1,091,891	-	-	1,091,891
Marine Law Enforcement	658,981	-	-	658,981
Jail	47,823,350	108,394	47,510,777	204,179
Juvenile Center	654,407	40,385	507,792	106,230
Radio/Communications	8,442,889	-	376,202	8,066,687
Secondary Road Patrol	20,661	-	-	20,661
Emergency Services	649,799	9,142	9,975	630,682
Hazardous Materials Handling	958,000	60,895	477,340	419,765
Animal Shelter	319,553	19,200	281,353	19,000
Drug Task Force	442,441	-	-	442,441
Public Improvement	321,157	-	-	321,157
Planning Commission	48,500	-	-	48,500
	<u>61,431,629</u>	<u>238,016</u>	<u>49,163,439</u>	<u>12,030,174</u>
Health and Welfare:				
Veterans Counselor	7,295	-	-	7,295
Day Treatment/Night Watch	203,188	9,173	109,915	84,100
Health Department	2,029,315	114,720	1,627,012	287,583
	<u>2,239,798</u>	<u>123,893</u>	<u>1,736,927</u>	<u>378,978</u>

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2008**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Recreation and Cultural:				
Parks and Recreation	\$ 16,133,485	\$ 11,874,898	\$ 3,760,911	\$ 497,676
Public Library	11,826,527	87,464	792,883	10,946,180
	<u>27,960,012</u>	<u>11,962,362</u>	<u>4,553,794</u>	<u>11,443,856</u>
General:				
Land and improvements	2,194,379	2,194,379	-	-
Buildings	30,707,017	-	30,707,017	-
	<u>32,901,396</u>	<u>2,194,379</u>	<u>30,707,017</u>	<u>-</u>
Total General Fixed Assets	129,478,109	14,968,684	86,761,676	27,747,749
Less: Accumulated depreciation	<u>(37,246,244)</u>	<u>(1,884,621)</u>	<u>(18,765,274)</u>	<u>(16,596,349)</u>
	92,231,865	13,084,063	67,996,402	11,151,400
Construction in progress	<u>960,587</u>	<u>580,565</u>	<u>380,022</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 93,192,452</u>	<u>\$ 13,664,628</u>	<u>\$ 68,376,424</u>	<u>\$ 11,151,400</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 CHANGES IN CAPITAL ASSETS BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Balance January 1, 2008	Additions	Disposals and Adjustments	Balance December 31, 2008
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$ -	\$ 185,932
Circuit Court - Family Division	71,612	-	-	71,612
District Court	650,747	-	-	650,747
Friend of Court	266,674	-	-	266,674
Public Improvement	34,602	6,580	-	41,182
Total Judicial	<u>1,209,567</u>	<u>6,580</u>	<u>-</u>	<u>1,216,147</u>
General Government:				
Administrator/Controller	10,000	-	-	10,000
Accounting	171,242	-	-	171,242
Information Technology	1,583,227	-	-	1,583,227
Clerk/Register	41,528	-	-	41,528
Register of Deeds	103,799	-	-	103,799
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	-	-	13,000
Buildings and Grounds	159,962	21,015	20,845	160,132
Public Improvement	1,123,066	173,312	-	1,296,378
Motor Pool	-	-	-	-
Drain Commissioner	244,032	-	22,900	221,132
Total General Government	<u>3,578,545</u>	<u>194,327</u>	<u>43,745</u>	<u>3,729,127</u>
Public Safety:				
Sheriff and Patrol	1,107,613	100,690	116,412	1,091,891
Marine Law Enforcement	346,414	339,755	27,188	658,981
Jail	47,825,552	18,494	20,696	47,823,350
Juvenile Center	683,567	18,011	47,171	654,407
Radio/Communications	8,404,149	38,740	-	8,442,889
Secondary Road Patrol	-	20,661	-	20,661
Emergency Services	641,061	8,738	-	649,799
Hazardous Materials Handling	958,000	-	-	958,000
Animal Shelter	319,553	-	-	319,553
Drug Task Force	433,065	68,893	59,517	442,441
Public Improvement	341,086	-	19,929	321,157
Planning Commission	48,500	-	-	48,500
Total Public Safety	<u>61,108,560</u>	<u>613,982</u>	<u>290,913</u>	<u>61,431,629</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, 2008**

	Balance January 1, 2008	Additions	Disposals and Adjustments	Balance December 31, 2008
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Health and Welfare:				
Veterans Counselor	\$ 7,295	\$ -	\$ -	\$ 7,295
Day Treatment/Night Watch	165,472	82,945	45,229	203,188
Health Department	1,879,122	150,193	-	2,029,315
Total Health and Welfare	<u>2,051,889</u>	<u>233,138</u>	<u>45,229</u>	<u>2,239,798</u>
Recreation and Cultural:				
Parks and Recreation	15,297,610	835,875	-	16,133,485
Public Library	12,533,428	627,178	1,334,079	11,826,527
Total Recreation and Cultural	<u>27,831,038</u>	<u>1,463,053</u>	<u>1,334,079</u>	<u>27,960,012</u>
General:				
Land and improvements	2,173,670	20,709	-	2,194,379
Buildings	30,707,017	-	-	30,707,017
Total General	<u>32,880,687</u>	<u>20,709</u>	<u>-</u>	<u>32,901,396</u>
Construction in progress	<u>425,907</u>	<u>863,066</u>	<u>328,386</u>	<u>960,587</u>
 Total Capital Assets	 <u>\$ 129,086,193</u>	 <u>\$ 3,394,855</u>	 <u>\$ 2,042,352</u>	 <u>\$ 130,438,696</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.

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

**DRAIN FUNDS
BALANCE SHEET/STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
ASSETS				
Cash and cash equivalents	\$ 1,397,066	\$ 194,998	\$ 40,173	\$ 30,362
Investment	-	-	-	-
Special assessments receivable	376,006	-	-	5,696,348
Due from other governmental units	417,248	-	-	-
Due from other funds	700,000	206,178	-	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,890,320</u>	<u>\$ 401,176</u>	<u>\$ 40,173</u>	<u>\$ 5,726,710</u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$ 846,222	\$ -	\$ -	\$ -
Accrued interest	-	-	-	-
Due to primary government	243,589	-	-	-
Due to other funds	206,178	-	-	700,000
Due to component units	40,698	-	-	-
Advances from primary government	-	50,000	-	-
Deferred revenue	376,006	-	-	5,696,348
Non-current liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	1,712,693	50,000	-	6,396,348

Fund Balance:

Unreserved -				
Undesignated	<u>1,177,627</u>	<u>351,176</u>	<u>40,173</u>	<u>(669,638)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 2,890,320</u>	<u>\$ 401,176</u>	<u>\$ 40,173</u>	<u>\$ 5,726,710</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>
\$ 79,932	\$ 35,368	\$ 1,777,899	\$ -	\$ 1,777,899
199,000	-	199,000	-	199,000
1,694,508	-	7,766,862	-	7,766,862
21,482	-	438,730	-	438,730
-	-	906,178	(906,178)	-
-	-	-	6,786,905	6,786,905
-	-	-	13,885,948	13,885,948
<u>\$ 1,994,922</u>	<u>\$ 35,368</u>	<u>\$ 11,088,669</u>	<u>19,766,675</u>	<u>30,855,344</u>
\$ -	\$ 1,828	\$ 848,050	-	848,050
-	-	-	151,617	151,617
-	-	243,589	-	243,589
-	-	906,178	(906,178)	-
-	-	40,698	-	40,698
-	-	50,000	-	50,000
1,694,508	-	7,766,862	(7,766,862)	-
-	-	-	6,598,008	6,598,008
-	-	-	7,478,649	7,478,649
<u>1,694,508</u>	<u>1,828</u>	<u>9,855,377</u>	<u>5,555,234</u>	<u>15,410,611</u>
<u>300,414</u>	<u>33,540</u>	<u>1,233,292</u>	<u>(1,233,292)</u>	<u>-</u>
<u>\$ 1,994,922</u>	<u>\$ 35,368</u>	<u>\$ 11,088,669</u>		
			6,596,196	6,596,196
			300,414	300,414
			8,548,123	8,548,123
			<u>\$ 15,444,733</u>	<u>\$ 15,444,733</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, 2008**

Fund Balances - Drain Funds		\$ 1,233,292
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		25,232,315
Accumulated depreciation		(4,559,462)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		
Special Assessments		7,766,862
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 long-term debt)		
		(171,419)
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	(9,160,750)	
Bonds payable	(1,799,012)	
Clean water revolving loan	(2,945,476)	
Accrued interest on bonds/notes payable	<u>(151,617)</u>	<u>(14,056,855)</u>
Net Assets of Drain Commissioner		<u>\$ 15,444,733</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, 2008**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
Revenues:				
Intergovernmental -				
Federal/State	\$ 39,586	\$ -	\$ -	\$ -
Charges for services	345,750	-	6,025	576,961
Interest and rent	96,463	-	-	-
Other	89,513	-	-	-
Total Revenues	<u>571,312</u>	<u>-</u>	<u>6,025</u>	<u>576,961</u>
Expenditures/Expenses:				
Public Works	7,188,555	-	580	-
Debt Service	-	-	-	1,243,344
Total Expenditures/Expenses	<u>7,188,555</u>	<u>-</u>	<u>580</u>	<u>1,243,344</u>
Revenues over (under) expenditures	<u>(6,617,243)</u>	<u>-</u>	<u>5,445</u>	<u>(666,383)</u>
Other Financing Sources (Uses):				
Issued notes	4,732,060	-	-	53,940
Loan proceeds	2,578,348	-	-	-
Transfer from other funds	53,552	196,861	-	122,976
Transfer to other funds	<u>(371,205)</u>	<u>(4,495)</u>	<u>(10,009)</u>	<u>-</u>
	<u>6,992,755</u>	<u>192,366</u>	<u>(10,009)</u>	<u>176,916</u>
Net Change in Fund Balance/Net Assets	375,512	192,366	(4,564)	(489,467)
Fund Balances/Net Assets at beginning of year	<u>802,115</u>	<u>158,810</u>	<u>44,737</u>	<u>(180,171)</u>
Fund Balances/Net Assets at end of year	<u>\$ 1,177,627</u>	<u>\$ 351,176</u>	<u>\$ 40,173</u>	<u>\$ (669,638)</u>

<u>Mill Creek Debt</u>	<u>Equipment Rental</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ -	\$ -	\$ 39,586	\$ -	\$ 39,586
492,096	-	1,420,832	3,270,144	4,690,976
7,942	-	104,405	-	104,405
-	-	89,513	-	89,513
<u>500,038</u>	<u>-</u>	<u>1,654,336</u>	<u>3,270,144</u>	<u>4,924,480</u>
-	28,652	7,217,787	(6,791,199)	426,588
452,050	-	1,695,394	(1,104,570)	590,824
<u>452,050</u>	<u>28,652</u>	<u>8,913,181</u>	<u>(7,895,769)</u>	<u>1,017,412</u>
<u>47,988</u>	<u>(28,652)</u>	<u>(7,258,845)</u>	<u>11,165,913</u>	<u>3,907,068</u>
-	-	4,786,000	(4,786,000)	-
-	-	2,578,348	(2,578,348)	-
-	51,368	424,757	(424,757)	-
-	(39,048)	(424,757)	424,757	-
<u>-</u>	<u>12,320</u>	<u>7,364,348</u>	<u>(7,364,348)</u>	<u>-</u>
47,988	(16,332)	105,503	3,801,565	3,907,068
<u>252,426</u>	<u>49,872</u>	<u>1,127,789</u>	<u>10,409,876</u>	<u>11,537,665</u>
<u>\$ 300,414</u>	<u>\$ 33,540</u>	<u>\$ 1,233,292</u>	<u>\$ 14,211,441</u>	<u>\$ 15,444,733</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
FOR THE YEAR ENDED DECEMBER 31, 2008**

Net change in fund balances - Drain Fund	\$	105,503
<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		7,066,678
Depreciation expense	(275,479)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		3,270,144
<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		1,153,856
Note proceeds	(4,786,000)
Loan proceeds	(2,578,348)
Amortization of bond premium		19,046
<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	(<u>68,332</u>)
Change in net assets of Drain Commissioner	\$	<u><u>3,907,068</u></u>

STATISTICAL SECTION

**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.

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	S - 1 to S - 6
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	S - 7 to S - 10
Debt Capacity	
<i>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.</i>	S - 11 to S - 14
Demographic and Economic Information	
<i>These schedules offer demographic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	S - 15 to S - 16
Operating Information	
<i>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.</i>	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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Governmental Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 27,953	\$ 29,358	\$ 35,995	\$ 45,828	\$ 47,087	\$ 50,693	\$ 50,828
Restricted	-	-	-	200	183	18,143	24,711	32,161	30,141	28,469
Unrestricted	-	-	-	29,117	25,068	12,517	11,786	13,764	15,253	7,022
Total Governmental Activities Net Assets	\$ -	\$ -	\$ -	\$ 57,270	\$ 54,609	\$ 66,655	\$ 82,325	\$ 93,012	\$ 96,087	\$ 86,319
Business-Type Activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 5,541	\$ 8,905	\$ 9,605	\$ 12,804	\$ 12,514	\$ 15,424	\$ 15,145
Restricted	-	-	-	-	-	-	85	316	535	935
Unrestricted	-	-	-	35,221	39,279	36,431	29,523	28,239	25,257	29,816
Total Business-Type Activities Net Assets	\$ -	\$ -	\$ -	\$ 40,762	\$ 48,184	\$ 46,036	\$ 42,412	\$ 41,069	\$ 41,216	\$ 45,896
Primary Government										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ -	\$ 33,494	\$ 38,263	\$ 45,600	\$ 58,632	\$ 59,601	\$ 66,117	\$ 65,973
Restricted	-	-	-	200	183	18,143	24,796	32,477	30,676	29,404
Unrestricted	-	-	-	64,338	64,347	48,948	41,309	42,003	40,510	36,838
Total Primary Government Net Assets	\$ -	\$ -	\$ -	\$ 98,032	\$ 102,793	\$ 112,691	\$ 124,737	\$ 134,081	\$ 137,303	\$ 132,215

(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.

* The Change of the balances between 2007 and 2008 for the Net Assets of the Business-Type Activities differs from the amount shown on Schedule 2 due to the prior period adjustment for a change in methodology of calculating the closure/post-closure liability.

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Expenses										
Governmental Activities:										
Legislative	\$ -	\$ -	\$ -	\$ 1,198	\$ 788	\$ 1,154	\$ 1,000	\$ 1,349	\$ 786	\$ 648
Judicial	-	-	-	9,971	10,767	10,893	11,074	11,850	12,240	12,813
General Government	-	-	-	11,909	12,575	13,673	13,432	14,519	14,798	17,057
Public Safety	-	-	-	14,564	15,628	17,721	20,780	22,012	23,708	25,937
Public Works	-	-	-	1,339	968	826	607	737	551	1,134
Health and Welfare	-	-	-	17,362	19,354	18,448	19,140	20,301	22,473	22,970
Community and Economic Development	-	-	-	-	-	-	-	633	693	652
Recreation and Culture	-	-	-	5,951	5,589	6,109	6,056	6,672	7,340	8,217
Other Activities	-	-	-	1,200	1,002	800	800	-	-	-
Interest on Long Term Debt	-	-	-	597	1,448	151	1,797	1,751	2,165	2,300
Total Governmental Activities Expenses	-	-	-	64,091	68,119	69,775	74,686	79,824	84,754	91,728
Business-Type Activities:										
Delinquent Revolving Tax	-	-	-	1	15	57	76	231	239	316
Airport Commission	-	-	-	856	691	534	688	510	474	569
Sheriff Concession	-	-	-	101	142	157	163	354	350	380
School Tax Collection	-	-	-	-	-	-	-	-	4	6
Solid Waste Disposal System	-	-	-	4,681	2,408	4,699	4,935	5,504	4,631	4,842
Total Business-Type Activities Expenses	-	-	-	5,639	3,256	5,447	5,862	6,599	5,698	6,113
Total Primary Government Expenses	\$ -	\$ -	\$ -	\$ 69,730	\$ 71,375	\$ 75,222	\$ 80,548	\$ 86,423	\$ 90,452	\$ 97,841
Program Revenues										
Governmental Activities:										
Charges for Services:										
Legislative	\$ -	\$ -	\$ -	\$ -	\$ 58	\$ 123	\$ 7	\$ -	\$ -	\$ -
Judicial	-	-	-	2,766	2,830	3,060	3,227	3,077	3,113	2,809
General Government	-	-	-	3,365	3,984	4,737	4,429	4,635	4,305	4,927
Public Safety	-	-	-	2,866	2,993	3,151	3,561	4,472	5,353	4,484
Health and Welfare	-	-	-	1,994	2,132	1,632	1,760	1,929	2,487	2,103
Community and Economic Development	-	-	-	-	-	-	-	51	37	36
Recreation and Culture	-	-	-	1,022	1,143	1,151	1,113	1,051	983	895
Interest on Long Term Debt	-	-	-	-	-	-	-	-	370	731
Operating Grants and Contributions	-	-	-	12,329	12,379	13,353	14,807	14,549	13,973	16,538
Capital Grants and Contributions	-	-	-	383	674	877	3,597	1,580	4,146	934
Total Governmental Activities Program Revenues	-	-	-	24,725	26,193	28,084	32,501	31,344	34,767	33,457

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Business-Type Activities:										
Charges for Services:										
Delinquent Revolving Tax	\$ -	\$ -	\$ -	\$ 446	\$ 454	\$ 442	\$ 570	\$ 897	\$ 995	\$ 1,415
Airport Commission	-	-	-	194	173	168	298	197	74	150
Sheriff Concession	-	-	-	112	104	145	151	357	361	389
School Tax Collection	-	-	-	-	-	-	-	32	48	58
Homestead Exemption Audits	-	-	-	-	-	-	-	-	-	1
Solid Waste Disposal System	-	-	-	4,328	6,484	5,182	5,130	4,468	4,950	4,355
Operating Grants and Contributions	-	-	-	76	80	342	403	133	143	134
Capital Grants and Contributions	-	-	-	60	894	26	702	342	46	-
Total Business-Type Activities Program Revenues	-	-	-	5,216	8,189	6,305	7,254	6,426	6,617	6,502
Total Primary Government Program Revenues	\$ -	\$ -	\$ -	\$ 29,941	\$ 34,382	\$ 34,389	\$ 39,755	\$ 37,770	\$ 41,384	\$ 39,959
Net (expense)/revenue										
Governmental Activities	\$ -	\$ -	\$ -	\$ (39,366)	\$ (41,926)	\$ (41,691)	\$ (42,185)	\$ (48,480)	\$ (49,987)	\$ (58,271)
Business-Type Activities	-	-	-	(423)	4,933	858	1,392	(173)	919	389
Total Primary Government Net Expense	\$ -	\$ -	\$ -	\$ (39,789)	\$ (36,993)	\$ (40,833)	\$ (40,793)	\$ (48,653)	\$ (49,068)	\$ (57,882)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes	\$ -	\$ -	\$ -	\$ 33,629	\$ 35,910	\$ 47,254	\$ 49,590	\$ 52,637	\$ 46,895	\$ 46,594
Unrestricted Grants and Contributions	-	-	-	4,231	3,809	1,331	378	393	46	386
Unrestricted Investment Income	-	-	-	1,423	876	871	2,026	3,119	3,626	1,880
Interest and Penalties on Delinquent Taxes	-	-	-	-	3	9	21	29	17	21
Gain (Loss) on Disposal/Sale of Capital Assets	-	-	-	-	(86)	-	-	-	-	-
Transfers	-	-	-	(60)	(1,246)	4,271	7,323	2,989	2,478	3,779
Special Item - Tribunal Settlement	-	-	-	-	-	-	-	-	-	(4,157)
Total Governmental Activities	-	-	-	39,223	39,266	53,736	59,338	59,167	53,062	48,503
Business-Type Activities										
Unrestricted Investment Income	-	-	-	553	352	379	728	1,819	1,137	551
Interest and Penalties on Delinquent Taxes	-	-	-	903	891	887	856	-	1,110	1,455
Gain on Sale of Capital Assets	-	-	-	84	-	-	30	-	59	-
Other/Road Commission	-	-	-	-	-	-	-	-	(600)	-
Transfers	-	-	-	60	1,246	(4,271)	(7,323)	(2,989)	(2,478)	(3,779)
Total Business-Type Activities	-	-	-	1,600	2,489	(3,005)	(5,709)	(1,170)	(772)	(1,773)
Total Primary Government	\$ -	\$ -	\$ -	\$ 40,823	\$ 41,755	\$ 50,731	\$ 53,629	\$ 57,997	\$ 52,290	\$ 46,730
Change in Net Assets										
Governmental Activities	\$ -	\$ -	\$ -	\$ (143)	\$ (2,660)	\$ 12,045	\$ 17,153	\$ 10,687	\$ 3,075	\$ (9,768)
Business-Type Activities	-	-	-	1,177	7,422	(2,147)	(4,317)	(1,343)	147	(1,384)
Total Primary Government	\$ -	\$ -	\$ -	\$ 1,034	\$ 4,762	\$ 9,898	\$ 12,836	\$ 9,344	\$ 3,222	\$ (11,152)

(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.

(Concluded)

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									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund										
Reserved	\$ 114	\$ 85	\$ 90	\$ 94	\$ 92	\$ 92	\$ 92	\$ 92	\$ 65	\$ 66
Unreserved	9,441	10,193	11,378	8,714	8,333	8,693	7,880	7,842	8,082	8,406
Total General Fund	<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>	<u>\$ 8,147</u>	<u>\$ 8,472</u>
All other Governmental Funds										
Reserved	\$ 1,292	\$ 50	\$ 184	\$ 515	\$ 25,182	\$ 3,397	\$ 644	\$ 715	\$ 8,440	\$ 2,309
Unrestricted, reported in:										
Special Revenue Funds	19,346	15,278	16,076	14,325	12,335	20,870	26,818	31,284	33,936	29,311
Debt Service Funds	-	-	-	4,000	3,492	1,598	135	418	-	-
Capital Project Funds	107	967	8	-	-	-	-	-	-	-
Total all other Governmental Funds	<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>	<u>\$ 42,376</u>	<u>\$ 31,620</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				
	1999	2000	2001	2002	2003
Revenues					
Taxes	\$ 28,467	\$ 29,797	\$ 31,801	\$ 33,566	\$ 35,883
Licenses and Permits	541	547	653	767	589
Intergovernmental	47,155	16,072	17,253	17,093	16,810
Charges for Services	6,265	6,631	6,945	8,036	9,128
Fines and Forfeits	1,331	1,420	1,701	1,660	1,744
Interest and Rent	3,639	4,549	3,749	2,210	1,968
Other	2,701	1,146	878	749	713
Total Revenues	90,099	60,162	62,980	64,081	66,835
Expenditures					
Legislative	394	457	609	1,198	683
Judicial	7,892	8,820	9,385	9,756	10,338
General Government	7,356	7,955	8,708	10,110	10,827
Public Safety	11,583	13,593	13,930	13,840	15,055
Public Works	56	97	270	1,339	980
Health and Welfare	45,212	12,779	13,621	17,404	18,952
Community and Economic Development	-	-	-	-	-
Recreation and Cultural	3,565	4,684	4,140	4,396	4,364
Other Activities	788	1,087	1,100	1,200	1,002
Capital Outlay	4,061	6,155	9,304	8,326	10,899
Debt Service					
Principal	388	352	263	363	3,363
Interest/Issuance Costs	652	648	721	602	1,274
Total Expenditures	81,947	56,627	62,051	68,534	77,737
Revenues over (under) expenditures	8,152	3,535	929	(4,453)	(10,902)
Other Financing Sources (Uses)					
Transfers In	11,600	10,282	9,916	23,402	11,218
Transfers Out	(14,337)	(12,380)	(9,683)	(23,462)	(12,464)
Bond/Loan Proceeds	-	-	-	3,000	33,935
Premium on Debt	-	-	-	55	-
Payment to Refunding Bond Escrow Agent	-	-	-	-	-
Total Other Financing Sources (Uses)	(2,737)	(2,098)	233	2,995	32,689
Special Item - Tribunal Settlement	-	-	-	-	-
Net Change in Fund Balances	\$ 5,415	\$ 1,437	\$ 1,162	\$ (1,458)	\$ 21,787
Debt Service as a Percentage of Noncapital Expenditures	1.31%	1.98%	1.74%	1.55%	6.86%

SCHEDULE 4

Fiscal Year				
2004	2005	2006	2007	2008
\$ 47,233	\$ 49,609	\$ 52,700	\$ 46,969	\$ 46,539
669	536	737	746	780
15,135	19,473	18,872	22,015	17,749
8,912	7,835	7,742	8,059	9,671
1,808	1,534	1,417	1,431	1,280
1,937	2,908	4,162	4,683	2,750
1,854	2,149	2,157	1,834	3,299
<u>77,548</u>	<u>84,044</u>	<u>87,787</u>	<u>85,737</u>	<u>82,068</u>
1,151	1,016	1,362	788	625
10,649	11,289	12,088	12,083	11,715
11,946	12,828	13,448	13,329	13,569
18,250	20,463	20,401	21,573	21,666
828	628	755	68	677
18,390	19,327	20,436	22,596	22,354
-	-	633	630	640
6,052	9,810	8,603	10,232	8,474
800	800	650	802	450
26,173	11,528	4,724	6,646	8,076
920	1,008	1,208	1,327	1,634
1,777	1,751	1,708	1,959	2,242
<u>96,936</u>	<u>90,448</u>	<u>86,016</u>	<u>92,033</u>	<u>92,122</u>
<u>(19,388)</u>	<u>(6,404)</u>	<u>1,771</u>	<u>(6,296)</u>	<u>(10,054)</u>
16,150	19,672	16,775	18,268	21,805
(11,878)	(12,348)	(13,787)	(15,790)	(18,026)
9,625	-	23	13,990	-
385	-	-	-	-
(10,094)	-	-	-	-
<u>4,188</u>	<u>7,324</u>	<u>3,011</u>	<u>16,468</u>	<u>3,779</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,157)</u>
<u>\$ (15,200)</u>	<u>\$ 920</u>	<u>\$ 4,782</u>	<u>\$ 10,172</u>	<u>\$ (10,432)</u>
<u>4.05%</u>	<u>3.64%</u>	<u>3.74%</u>	<u>3.86%</u>	<u>4.35%</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					
1999	4,401,018,135	*	*	*	449,108,028	4,850,126,163	7.1508	9,752,588,335	49.73%
2000	4,798,497,754	*	*	*	519,731,001	5,318,228,755	7.1508	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	7.1201	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	7.1040	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	7.1040	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	7.1040	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	7.1018	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	7.3022	16,418,998,179	49.83%
2007	5,248,267,837	697,916,720	1,371,541,451	585,605,328	558,278,662	8,461,609,998	7.3022	17,048,618,161	49.63%
2008	5,231,341,989	711,841,017	1,380,728,677	589,786,748	577,689,370	8,491,387,801	7.3022	17,123,796,731	49.59%

* 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				
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
2007	2.50	15.87	5.33	0.50	0.28	0.70	0.50	1.89	3.43	23.25	54.25
2008	2.55	15.39	5.33	0.50	0.28	0.70	0.50	1.89	3.43	26.90	57.47

** 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
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

		2008			1999		
		Taxable	Rank	Percentage	Taxable	Rank	Percentage
		Valuation		of Total	Valuation		of Total
				Taxable Value			Taxable Value
Detroit Edison	Electrical Utility	\$ 731,190,353	1	11.06%	\$ 750,637,506	1	17.58%
Michigan Consolidated Gas Co.	Natural Gas Storage and Pipeline	46,481,900	2	0.70%	21,114,392	6	0.49%
Daimler Chrysler	Automotive Parts Storage	21,188,900	3	0.32%	N/A	-	N/A
Blue Water Gas Storage	Natural Gas Storage	16,170,000	4	0.24%	N/A	-	N/A
Birchwood Mall	Mall	13,784,922	5	0.21%	11,558,124	10	0.27%
Acheson Ventures L.L.C.	Community Development	13,507,242	6	0.20%	N/A	-	N/A
International Transmission	Electrical Utility	12,316,400	7	0.19%	N/A	-	N/A
E.B. Eddy	Paper Manufacturing	12,062,600	8	0.18%	28,361,525	4	0.66%
Mueller Brass Co. & Affiliates	Brass Rod Manufacturing	10,512,700	9	0.16%	17,210,310	8	0.40%
Consumers Energy	Liquid Natural Gas Storage	9,452,296	10	0.14%	26,617,740	5	0.62%
SEMCO Energy & Affiliates	Gas Storage	N/A	-	N/A	31,565,640	3	0.74%
American Natural Resources		N/A	-	N/A	33,676,560	2	0.79%
Huntsman Polypropylene Corp.		N/A	-	N/A	17,547,054	7	0.41%
Crown Paper Company		N/A	-	N/A	11,834,314	9	0.28%
		<u>\$ 886,667,313</u>		13.42%	<u>\$ 950,123,165</u>		22.25%

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>
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%
2007	47,496,559	43,688,419	92.0%	3,728,541	47,416,960	99.8%	79,599	0.2%
2008	48,647,762	44,401,581	91.3%	3,845,115	48,246,696	99.2%	307,466	0.6%

** 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	Drain Districts	Capital Leases	Closure & Post-Closure Costs	Capital Leases			
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	1.13%	338.68
2004	43,775,000	-	7,738	12,450,088	-	56,232,826	1.13%	342.39
2005	42,775,000	-	-	13,514,656	162,335	56,451,991	1.10%	343.73
2006	41,575,000	-	14,523	14,665,611	121,751	56,376,885	1.10%	343.27
2007	54,315,000	414,379	6,551	15,122,032	121,751	69,979,713	1.37%	426.10
2008	52,775,000	772,882	-	8,769,616	40,584	62,358,082	1.22%	379.69

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**

<u>Fiscal Year</u>	<u>Population *</u>	<u>Assessed Value (000)</u>	<u>Gross Bonded Debt</u>	<u>Less: Amounts Available in Debt Service Funds</u>	<u>Less: Self-Supporting Debt **</u>	<u>Total</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Per Capita</u>
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
2007	164,235	8,461,610	78,533,902	616,976	20,873,902	57,043,024	0.67	347.33
2008	164,235	8,491,388	76,244,012	708,847	20,534,012	55,001,153	0.65	334.89

* 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, 2008 - UNAUDITED

Direct Debt:

Building Authority		\$	8,450,000
Jail Construction - General Obligation Bonds			30,600,000
Communication System - General Obligation Bonds			3,400,000
Comm. Mental Health - General Obligation Bonds			10,325,000
Community Mental Health Loans			1,219,167
Water and Sewer Systems - General Obligation Bonds and Loans			34,287,554 *
Michigan Transportation Fund Bonds			2,935,000
Michigan Transportation Fund Notes			750,000
Drain Bonds			1,799,012 *
Drain Revolving Loan			2,945,476 *
Drain Notes			9,160,750
			<u>105,871,959</u>
Less: Self-Supporting Debt *			<u>39,032,042</u>
Net Direct Debt			66,839,917

Overlapping Debt:

Cities	101,176,194	
Townships	36,379,677	
Villages	935,000	
School Districts	251,661,579	
Intermediate School District	5,883,528	
Community College	4,187,547	
	<u>400,223,525</u>	

Net Direct and Overlapping Debt \$ 467,063,442

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
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	728,020,929
2007	845,645,189	103,185,559	742,459,630
2008	849,227,458	105,871,959	743,355,499

Legal Debt Margin Calculation for Fiscal Year 2008

State Equalized Value	<u>\$ 8,492,274,582</u>
Legal Debt Limit (10% of State Equalized Value)	\$ 849,227,458
Less: Total Long-Term Debt	<u>105,871,959</u>
Legal Debt Margin	<u>\$ 743,355,499</u>

Note: Total Long-Term Debt does not include accumulated vacation, sick and compensatory time, net OPEB obligation, 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>
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	4,912,828	29,005	28,383	9.2
2004	171,661	164,235	4,955,516	29,017	28,211	9.4
2005	172,546	164,235	5,119,100	29,922	28,235	7.6
2006	172,866	164,235	5,119,100	30,845	27,692	8.4
2007	174,954	164,235	5,119,100	30,845	26,890	9.1
2008	171,017	164,235	5,119,100	30,942	26,132	10.4

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 NINE YEARS AGO - UNAUDITED

Employer	Product/Service	2008			1999		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Port Huron School District	Public Education	1,462	1	1.92%	N/A	N/A	N/A
Port Huron Hospital	Health Care Services	1,057	2	1.39%	1,150	1	2.03%
DTE Energy	Public Utility	1,044	3	1.37%	920	4	1.63%
K-Mart Corporation	Retail Merchandise	850	4	1.12%	380	12	0.67%
St. Clair County	Municipal Government	832	5	1.09%	1,011	3	1.79%
Mercy Hospital	Health Care Services	693	6	0.91%	900	5	1.59%
East China Public Schools	Public Education	594	7	0.78%	N/A	N/A	N/A
Visiocorp	Rearview Mirrors	500	8	0.66%	N/A	N/A	N/A
AT&T	Public Utility	459	9	0.60%	N/A	N/A	N/A
International Automotive Comp.	Automotive Carpeting	450	10	0.59%	N/A	N/A	N/A
Mueller Brass Company	Metal Forgings	400	15	0.53%	430	7	0.76%
River District Hospital	Health Care Services	393	16	0.52%	425	9	0.75%
Cargill Salt	Salt, Condiments	260	30	0.34%	475	6	0.84%
Huron Manufacturing	Tubular Products	N/A	N/A	N/A	428	8	0.76%
Britax Rainsford	Glass Products	N/A	N/A	N/A	370	13	0.65%
Blue Water Plastics	Plastics	N/A	N/A	N/A	1,017	2	1.80%
Davidson Interior Trim Textron	Automotive Interior Trim	N/A	N/A	N/A	400	10	0.71%
		<u>8,994</u>		<u>11.82%</u>	<u>7,906</u>		<u>13.97%</u>

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

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,									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Legislative										
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Judicial										
Circuit Court	17	17	16	16	15	13	14	14	14	13
District Court	32	35	21	26	25	27	29	28	28	30
Courthouse Security	0	0	5	6	6	7	7	7	7	7
Friend of the Court	37	37	37	38	38	33	40	41	40	40
Probate Court - Adult	10	10	8	10	9	9	7	10	10	9
Probate Court - Juvenile	23	23	22	23	24	27	28	23	23	23
Probation - Adult	0	0	5	5	5	6	7	8	8	8
General Government										
Administrator/Controller	9	8	3	4	4	5	4	4	4	3
Elections	0	1	1	1	1	1	1	1	1	1
Accounting	0	0	4	6	6	5	5	5	4	4
Purchasing	0	0	0	0	0	0	0	2	3	3
Clerk	14	14	16	16	14	11	11	11	11	11
Equalization	7	7	7	7	7	7	9	11	11	11
Human Resources	3	5	6	7	7	8	8	8	5	6
Staff Resource Pool	0	0	5	5	6	6	6	0	0	0
Prosecuting Attorney	26	26	26	26	26	26	26	26	26	25
Register of Deeds	0	0	6	5	6	6	6	6	6	4
Lands and Graphics/Property Description	3	4	4	5	5	5	0	0	0	0
Treasurer	8	8	8	8	7	7	7	8	8	7
Cooperative Extension	5	5	5	5	5	5	5	5	5	4
Information Technology	2	3	4	4	6	11	11	16	16	14
Buildings and Grounds	24	29	32	31	30	27	27	25	27	23
Drain Commissioner	4	4	4	6	7	8	9	9	9	8
Public Safety										
Sheriff Department	68	64	65	70	73	78	80	85	86	76
Communications	11	11	11	12	14	15	15	15	15	23
Marine Patrol	1	1	1	1	1	1	1	1	1	1
Jail	37	39	45	49	50	55	94	94	94	97
Emergency Services	2	2	2	2	3	3	4	5	5	4
Animal Control	4	4	4	4	5	5	5	4	4	3
Metropolitan Planning	7	6	7	7	7	7	7	7	7	7

Full - Time Equivalent Employees as of December 31,

Function	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Health and Welfare										
Medical Examiner	0	0	0	0	0	0	0	0	1	1
Veterans Counselor	2	2	2	3	3	3	3	4	4	3
Public Guardian	3	3	3	3	3	3	3	4	3	3
Health Department	88	85	84	86	85	93	93	93	93	79
Child Care	30	30	30	31	24	27	34	45	47	50
Recreation and Culture										
Parks and Recreation	4	5	5	6	7	7	7	7	7	9
Library	34	30	29	33	39	38	35	37	37	37
Proprietary Activities										
Landfill	2	2	2	2	2	3	3	3	3	3
Airport	1	2	2	3	3	4	4	3	3	2

(Concluded)

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Judicial										
Circuit Court Cases Filed	(1)	(1)	(1)	4,464	4,645	4,487	4,232	4,337	4,359	4,293
Circuit Court Cases Dispositions	(1)	(1)	(1)	4,527	4,643	4,952	4,423	4,327	4,647	4,429
General Government										
Marriage licenses	1,206	1,205	1,246	1,172	1,121	1,080	1,108	1,124	945	946
Births Certificates	1,941	2,013	1,917	1,847	1,912	1,948	1,891	1,860	1,798	1,746
Divorces Recorded	739	700	767	763	711	705	635	687	625	638
Death Certificates	1,484	1,451	1,411	1,599	1,490	1,420	1,454	1,445	1,487	1,535
Public Safety										
Inmate bookings	5,619	5,669	5,776	6,049	6,034	5,789	5,652	5,960	6,052	6,165
Dispatch Calls	39,729	40,386	41,210	41,420	41,119	47,961	56,061	58,623	66,814	88,680
Dog Licenses Issued	23,029	23,327	23,827	23,127	23,525	23,267	23,550	24,996	26,000	24,198
Airport										
Take-offs and Landings (2)	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	30,000	36,000
Landfill										
Tons of Waste Collected	(3)	(3)	(3)	33,548	390,266	268,059	241,074	207,483	245,662	219,362

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

(3) Due to a change in the software used the information was not available for prior to 2002 and only a partial year was available for 2002.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 17

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Judicial										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	1
General Government										
Buildings	3	3	3	3	3	3	3	3	3	3
Vehicles	9	10	8	8	8	10	11	11	12	11
Public Safety										
Buildings	3	3	3	3	3	4	5	5	5	5
Jail Beds Available	170	170	170	170	170	170	400	400	400	450
Vehicles										
Patrol	31	44	48	47	58	54	50	49	47	44
Other	12	16	19	16	15	16	19	20	20	19
Health & Welfare										
Buildings	2	2	2	2	2	2	2	2	2	2
Vehicles	0	1	2	2	2	2	2	2	2	5
Recreation & Cultural										
Buildings	35	36	36	36	36	36	36	37	37	37
Vehicles	3	3	4	5	6	6	6	8	8	8
Park Acreage	121	121	121	121	121	121	137	232	523	559
Airport										
Buildings	5	6	6	6	7	7	7	7	7	7
Vehicles	1	2	2	2	2	2	2	3	2	2
Landfill										
Buildings	1	1	1	1	1	1	1	1	1	1

Source: Accounting Department