



COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2003

BOARD OF COMMISSIONERS

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

Prepared by:

ADMINISTRATOR/CONTROLLER'S OFFICE

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

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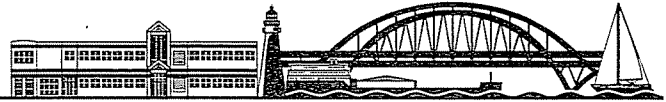
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COUNTY OF ST. CLAIR



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June 24, 2004

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

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

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, 2003.

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

St. Clair County's financial statements have been audited by Stewart, Beauvais & Whipple PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of St. Clair County, for the fiscal year ended December 31, 2003, 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, 2003, 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 new requirements of the Governmental Accounting Standards Board (GASB). Readers of this financial report will notice two significant new statements, entitled Statement of Net Assets and Statement of Activities. These statements will provide readers with the financial position of St. Clair County viewed as a whole. GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. St. Clair County's MD&A can be found immediately following the report of the independent auditors.

Profile of St. Clair County

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

As people and businesses continue to retreat from the urban sprawl of the metropolitan Detroit area, they find our County a desirable alternative. The 2000 census reported that 164,235 citizens populate the County, which is a 12.8% increase over the 1990 census, and they live in 62,072 households. The Southeastern Michigan Council of Governments currently estimates the county population at over 170,299, living in 65,609 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, 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, and guardianships. The 31st Circuit Court, with three judges, has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases over \$25,000, and family matters. All judges are elected, countywide, to six-year terms.

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

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

The County provides a wide range of services that are either mandated by state statute or authorized by the Board of Commissioners. These general areas include judicial (ie. Courts, Friend of Court, and Probation), general government (ie. Elections, Equalization, Administration, Prosecuting Attorney, Clerk/Register of Deeds, Planning, Treasurer, Drain Commissioner, Buildings and Grounds maintenance, and Information Technology), public safety (ie. Sheriff, Jail, Emergency Preparedness, Animal Control), public works (Drains, Airport, Landfill), health and welfare (ie. Health Department, Veteran's Affairs, Public Guardian, Child Care), and recreation and culture (ie. Parks, Library).

Financial Practices

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

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

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

Factors Affecting Financial Condition.

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

Local Economy. The County, like all governments in Michigan, is still reeling from a general nationwide economic downturn. Our manufacturing and industrial base is primarily aimed at the auto industry, which is suffering through a rough economy. Investment rates are at record lows and the State of Michigan is projecting revenue reductions in its budget that will no doubt translate to less State money available to local governments for programs and operations. In fact, we have been the recipients of small reductions in general revenue sharing and programmatic revenues on an ongoing basis.

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

Another positive element is the substantive increase in the taxable value for property. The County experienced increases of \$135,112,093 (2.6%) from 2002 to 2003 and \$354,047,903 (7.4%) from 2001 to 2002. Increases in 2003 occurred in the following categories: residential (\$173,329,762), commercial (\$30,557,558), and agricultural (\$7,650,954). The industrial category saw a reduction in total due to the effects of several power plant reassessments.

Long-term Financial Planning. In 2000 the County started serious discussions regarding the replacement of the jail and juvenile center, and the general programs of our criminal justice system. A decision was made to replace the 50-year-old jail and the 35-year-old juvenile center with a modern adult/juvenile intervention center with the capability to provide intervention programs and a chartered school. In 2002 a design firm was hired and in 2003 the County sold \$34,000,000 in bonds to finance the construction of the facility. Construction has started and at this writing is approximately on time (approximately 45% complete) and on budget, with an expected opening in late spring 2005. The bonds will be paid utilizing the annual interest generated by the Delinquent Tax Revolving Fund (approximately \$1.5 million) and the annual savings incurred by not housing our overflow of prisoners in out-of-county or out-of state facilities (approximately \$1 million).

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

The County has started to look for a long-term solution to what we expect will be ongoing reductions to state shared revenues fostered by state budget woes. The objective is to continue to deliver high quality and relevant services to the citizens of the County. We are looking internally to determine if we are "doing the right things right", utilizing

automation for efficiently, initiating new “core competencies” for all employees, and exploring new revenue sources. In the not distant future citizens will be able to access information and pay for certain services online.

Cash Management. Cash temporarily idle during the year was invested in certificates of deposit and government investment pools offered by commercial banks. All accounts are maintained in institutions insured through federal depository insurance funds although not all amounts are insured to their full value. Due to the large sums of money the County deals with, and the \$100,000 limitations of federal insurance, it is impractical to place all of our money in insured accounts. Despite recent record low investment rates the County Treasurer recorded approximately \$750,000 in interest earned in 2003 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 government agencies with a goal of keeping costs down for the group. The County maintains various levels of risk for general and auto liability, physical damage to property and motor vehicle physical damage. Stop-loss protection is maintained to protect the County from very large claims. The liability deductible is \$150,000 with limits of reinsurance reaching \$15,000,000 per occurrence.

Pension and other post-retirement benefits. The County sponsors a single-employer, defined benefit pension plan for all qualified employees. Each year an independent actuary calculates the percentage of payroll that the County, must contribute to the pension plan to ensure that the fund will meet its full obligation to plan participants. During 2003 the County contributed 0% of covered payroll and the employees contributed 5%. As of December 31, 2002, the date of the last actuarial report, the plan was fully funded.

The County also provides post-employment health and dental benefits for eligible retirees and their dependents. The plan is generally available to retirees who have attained the age of 55 or older (age 50 for certain employees in the Sheriff's Department) and have attained certain levels of service years. During 2003 the County contributed 13% of covered payroll and the employees contributed 0%. Because of the radically increasing cost of health coverage the plan is not currently fully funded, however the County has recently implemented certain changes in the benefits offered with the idea that costs will become more containable.

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, 2002. This was our first award since we last submitted and received the award for our 1996 CAFR. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

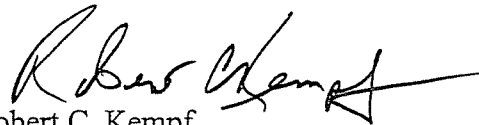
Acknowledgements

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

Respectively submitted,



Troy L. Feltman
Administrator/Controller



Robert C. Kempf
Deputy Controller/Finance Director

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, 2002

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
List of Elected and Appointed Officials

Elected Officials

Board of Commissioners

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

31st Circuit Court

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

72nd District Court

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

Probate Court

| | |
|---------------|------------------------|
| John Monaghan | Chief Judge of Probate |
| Elwood Brown | Judge of Probate |

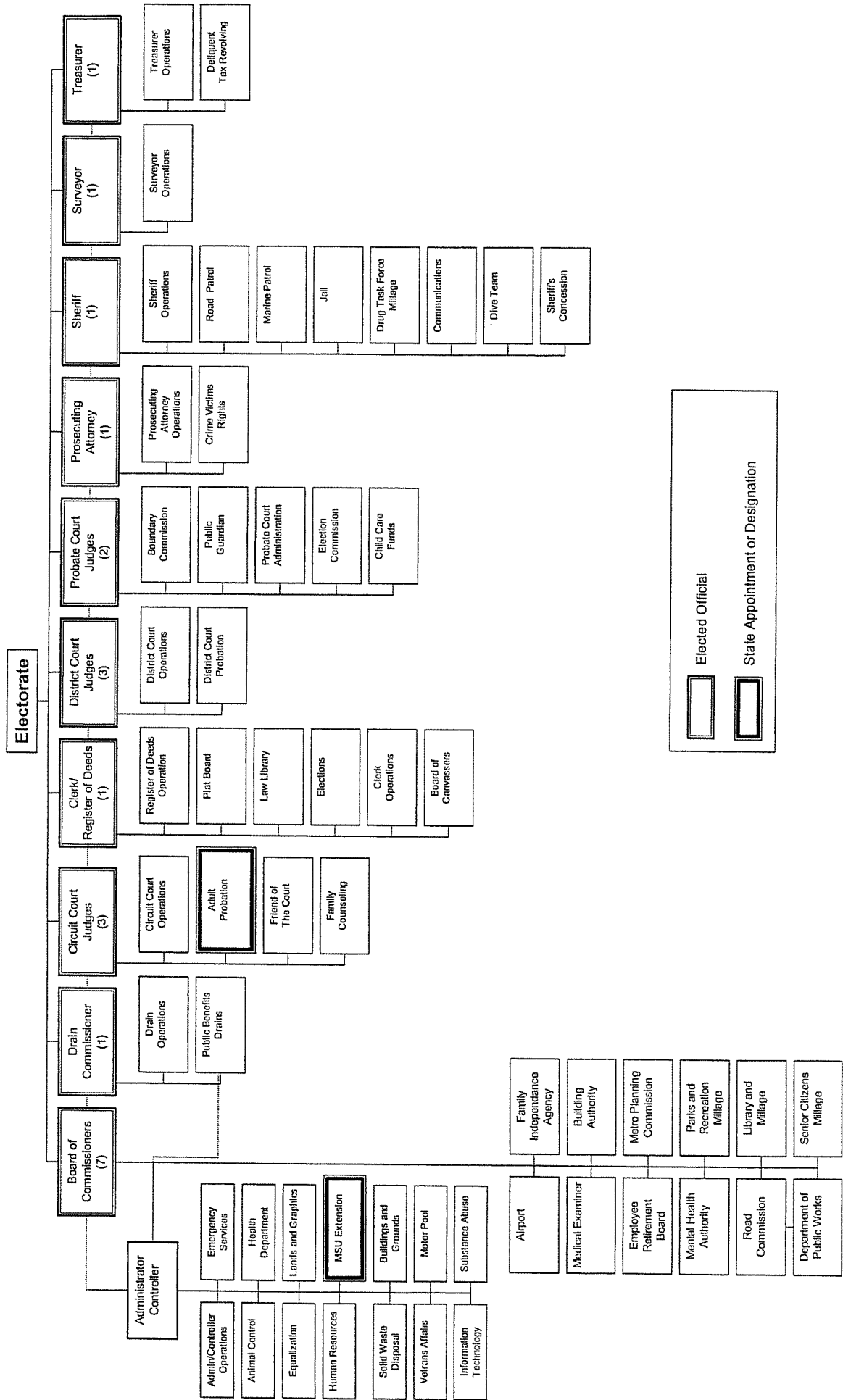
Other Elected Officials

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

Appointed Official

| | |
|-----------------|--------------------------|
| Troy L. Feltman | Administrator/Controller |
|-----------------|--------------------------|

St. Clair County Organizational Chart





INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Clair County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 19, 2004, on our consideration of St. Clair County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 15, and schedule of funding progress, schedule of employer contributions and budgetary comparison on pages 74 through 79 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on its.

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

Stewart, Beavers & Whipple
Certified Public Accountants

May 19, 2004

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, 2003. 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, 2003 by \$102,793,357. Of this amount \$64,346,568 may be used to meet the County's ongoing obligations to citizens and creditors.
- The total net assets increased by \$4,761,646 primarily on the strength of performance of the Solid Waste Disposal System fund, and the Delinquent Tax Revolving fund.
- At December 31, 2003 the County's governmental funds reported combined ending fund balances of \$49,434,446, an increase of \$21,786,770. This dramatic increase was primarily the result of the sale of the bonds for the jail/juvenile construction project.
- The County's total debt increased by \$30,419,155 during 2003. The key factor in this increase was the sale of the \$34,000,000 jail/juvenile facility bond issue. Another issue that significantly affected this increase was a \$491,314 decrease in the engineering estimate for closure and post-closure costs for the Solid Waste Disposal System.
- The County pre-funded the debt requirements on the 2003 sale of \$34,000,000 in bonds for the new Jail/Juvenile facility, for the years during construction.
- In 2003 the Board of Commissioner's adopted balanced budgets for the 2004 General Fund and all Special Revenue funds.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County is reporting these financial statements utilizing the new reporting structure that all state and local governments must implement. These requirements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The County was required to implement the new requirements no later than the fiscal year ending December 31, 2003; however, we elected to early implement in 2002, as permitted by the 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 liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture. The business-type activities of the County include the Airport, Sheriff's Commissary, Landfill and the Delinquent Tax Revolving Fund.

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

The government-wide financial statements can be found on pages 16-18 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds are reported using the modified accrual method of accounting. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Included are the General Fund, the Special Revenue funds, the Debt Service funds, the Capital Project funds and a Permanent fund.

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

The County maintains 24 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, and the Jail/Juvenile Facility Construction Fund, all of which are considered to be major funds. Data for the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 19-22 of this report.

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 23-25 of this report.

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

The basic fiduciary fund financial statements can be found on pages 26-27 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 31-73 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and the budgetary information for the two major governmental funds. This required supplementary information is found on pages 74-79 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 80-113 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$102,793,357 at December 31, 2003.

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

Net Assets

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---------------------------------|-------------------------|--------------------|--------------------------|-------------------|--------------------|--------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Current and Other Assets | 97,449,064 | 73,123,485 | 51,714,621 | 47,681,941 | 149,163,685 | 120,805,426 |
| Capital Assets, | | | | | | |
| Net of Accumulated Depreciation | 48,760,500 | 41,479,178 | 8,905,193 | 5,541,010 | 57,665,693 | 47,020,188 |
| Total Assets | 146,209,564 | 114,602,663 | 60,619,814 | 53,222,951 | 206,829,378 | 167,825,614 |
| Current Liabilities | 43,418,378 | 43,569,333 | 955,992 | 498,074 | 44,374,370 | 44,067,407 |
| Other Liabilities | 48,181,730 | 13,763,265 | 11,479,921 | 11,963,231 | 59,661,651 | 25,726,496 |
| Total Liabilities | 91,600,108 | 57,332,598 | 12,435,913 | 12,461,305 | 104,036,021 | 69,793,903 |
| Net Assets | | | | | | |
| Investment in capital assets, | | | | | | |
| Net of related debt | 29,358,639 | 27,953,178 | 8,905,193 | 5,541,010 | 38,263,832 | 33,494,188 |
| Restricted | 182,957 | 200,158 | - | - | 182,957 | 200,158 |
| Unrestricted | 25,067,860 | 29,116,729 | 39,278,708 | 35,220,636 | 64,346,568 | 64,337,365 |
| Total Net Assets | 54,609,456 | 57,270,065 | 48,183,901 | 40,761,646 | 102,793,357 | 98,031,711 |

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

Under governmental activities: the current and other assets, capital assets, and other liabilities categories increased significantly due to the recording of the activities surrounding the sale of bonds and construction in progress for the Jail/Juvenile Facility.

St. Clair County
Management's Discussion and Analysis

The capital assets in the Business-type activities increased due to the recording of a new cell in the Solid Waste Disposal fund.

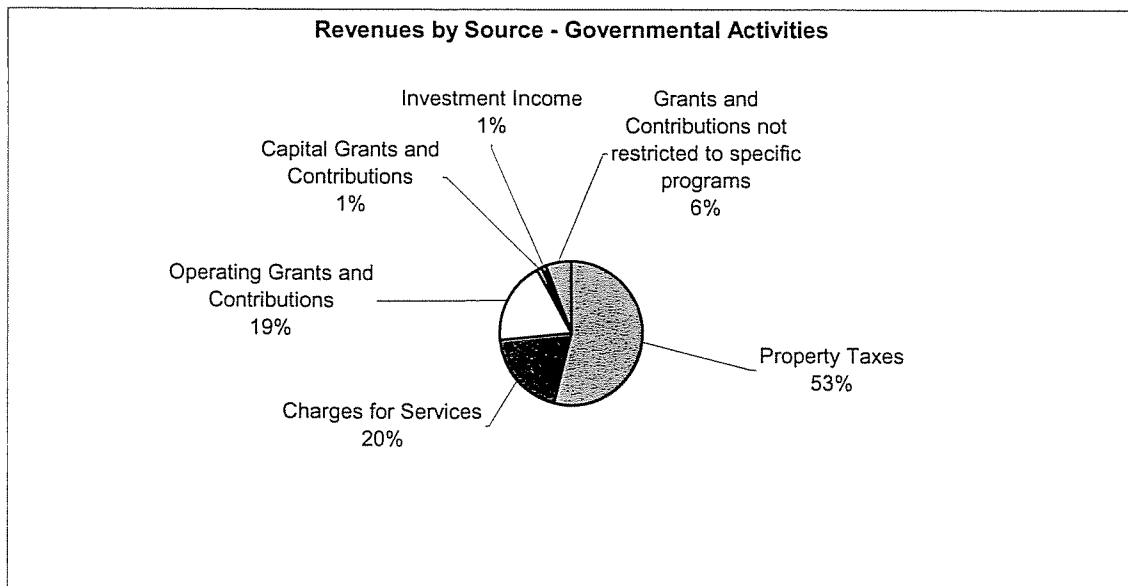
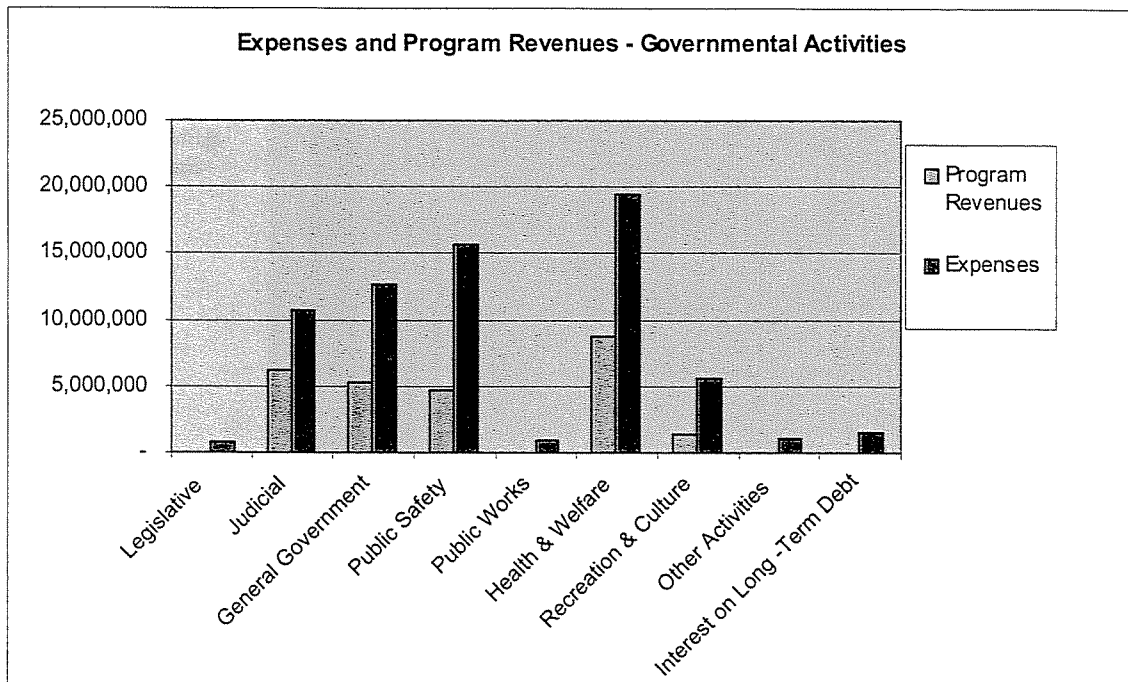
The following condensed financial information was derived from the Government-wide Statement of Activities and reflects how the County's net assets changed during the year.

Changes in Net Assets

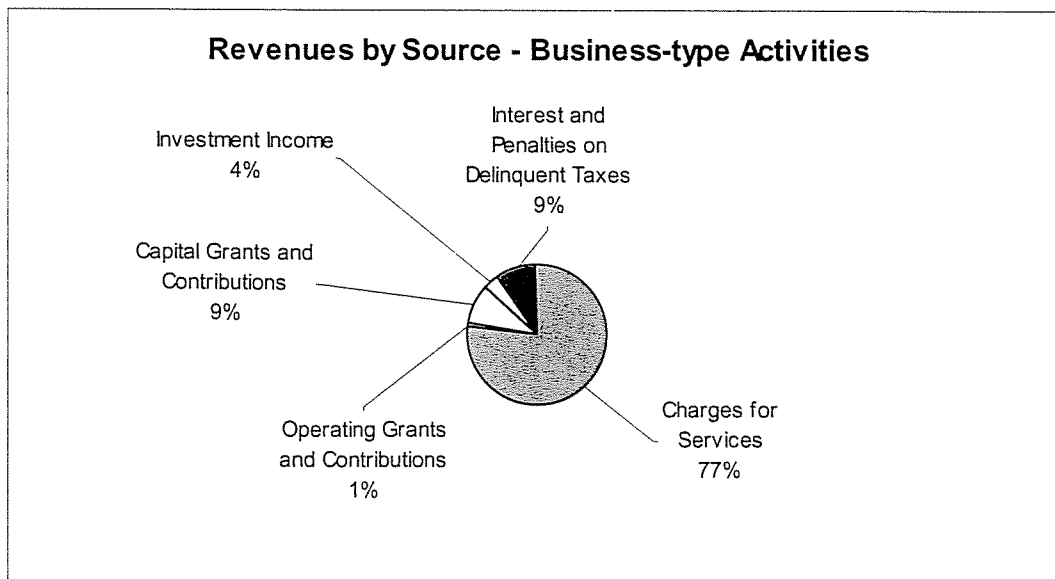
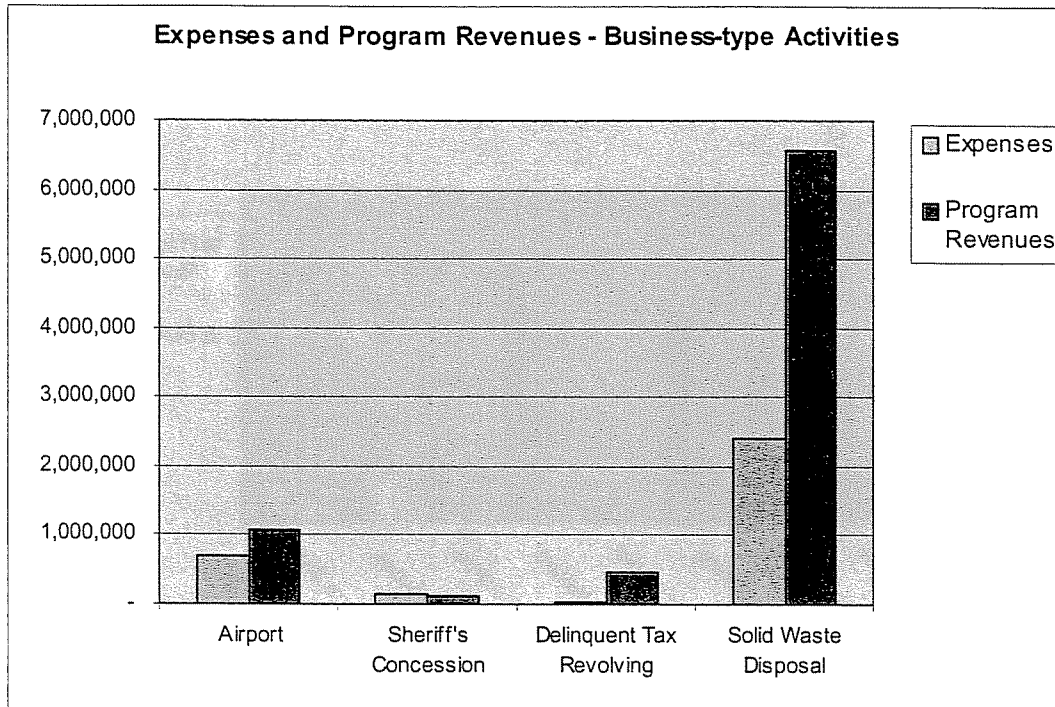
| | Governmental Activities | | Business-Type Activities | | Totals | |
|----------------------------|----------------------------|-------------------|-----------------------------|------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | 13,139,951 | 12,012,489 | 7,214,967 | 5,080,390 | 20,354,918 | 17,092,879 |
| Grants and Contributions | 13,052,274 | 12,711,840 | 974,594 | 136,731 | 14,026,868 | 12,848,571 |
| General revenues: | | | | | - | |
| Property Taxes | 35,909,934 | 33,628,459 | - | - | 35,909,934 | 33,628,459 |
| Intergovernmental revenues | 3,808,634 | 4,231,205 | - | - | 3,808,634 | 4,231,205 |
| Investment earnings | 878,742 | 1,423,029 | 351,878 | 552,576 | 1,230,620 | 1,975,605 |
| Other revenues | - | - | 890,993 | 986,762 | 890,993 | 986,762 |
| Total Revenues | 66,789,535 | 64,007,022 | 9,432,432 | 6,756,459 | 76,221,967 | 70,763,481 |
| Expenses: | | | | | | |
| Legislative | 788,416 | 1,198,055 | - | - | 788,416 | 1,198,055 |
| Judicial | 10,766,559 | 9,970,876 | - | - | 10,766,559 | 9,970,876 |
| General Government | 12,575,346 | 11,909,422 | - | - | 12,575,346 | 11,909,422 |
| Public Safety | 15,628,031 | 14,563,912 | - | - | 15,628,031 | 14,563,912 |
| Public Works | 968,179 | 1,339,252 | - | - | 968,179 | 1,339,252 |
| Health and Welfare | 19,353,729 | 17,361,594 | - | - | 19,353,729 | 17,361,594 |
| Recreation and Culture | 5,589,120 | 5,950,660 | - | - | 5,589,120 | 5,950,660 |
| Other Activities | 1,087,117 | 1,200,000 | - | - | 1,087,117 | 1,200,000 |
| Interest on Debt Service | 1,448,004 | 597,005 | - | - | 1,448,004 | 597,005 |
| Delinquent Tax collections | - | - | 14,753 | 1,022 | 14,753 | 1,022 |
| Airport | - | - | 691,193 | 856,331 | 691,193 | 856,331 |
| Sheriff's Concession | - | - | 142,253 | 100,459 | 142,253 | 100,459 |
| Solid Waste Disposal | - | - | 2,407,621 | 4,681,322 | 2,407,621 | 4,681,322 |
| Total Expenses | 68,204,501 | 64,090,776 | 3,255,820 | 5,639,134 | 71,460,321 | 69,729,910 |
| Increase in Net Assets, | | | | | | |
| before transfers | (1,414,966) | (83,754) | 6,176,612 | 1,117,325 | 4,761,646 | 1,033,571 |
| Transfers | (1,245,643) | (59,855) | 1,245,643 | 59,855 | - | - |
| Increase in Net Assets | (2,660,609) | (143,609) | 7,422,255 | 1,177,180 | 4,761,646 | 1,033,571 |
| Net Assets January 1 | 57,270,065 | 57,413,674 | 40,761,646 | 39,584,466 | 98,031,711 | 96,998,140 |
| Net Assets December 31 | 54,609,456 | 57,270,065 | 48,183,901 | 40,761,646 | 102,793,357 | 98,031,711 |

The County's net assets increased by \$4,761,646 during the fiscal year. The largest factors in this increase were a large increase in Solid Waste Disposal System revenues coupled with lower operating expenses, including closure and post-closure costs. Airport grant revenues were significantly higher than the prior year and while general investment interest was lower.

Governmental activities. Governmental activities decreased the County's net assets by \$2,660,609. Contributing factors were reductions in state revenues, investment earnings, and increases in debt interest payments.



Business-type activities. Business-type activities increased the County's net assets by \$7,422,255. The largest contributing factors to this increase were Solid Waste Disposal System activity which increased revenues and decreased costs due to a change in the closure and post-closure costs computed by the engineers, grant revenues at the Airport, and a Public Improvement Fund transfer to the Airport for the purchase of a new terminal building.



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, 2003, the County's governmental funds reported combined ending fund balances of \$49,434,446, an increase of \$21,786,770 in comparison to the prior year. This increase was primarily due to the bond proceeds that are on hand to pay for the Jail/Juvenile facility construction. About one-half of this fund balance is unreserved (\$24,160,987), which is available for spending at the County's discretion. A total of \$11,507,634 of the unreserved fund balance has been designated for: Parks (\$3,334,927), Drug Task Force (\$92,000), Library (\$163,000), Senior Citizens (\$163,000), debt service (\$3,492,299), and future budget stabilization/a potential tax refund/various other items (\$4,262,408) leaving \$12,653,353 for current use. The remainder of fund balance (\$25,273,459) 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, and advances.

The General Fund is the chief operating fund of the County. At December 31, 2003 the general fund reported fund balance of \$8,425,388. \$4,070,980 of that amount is unreserved/undesignated, \$4,262,408 is unreserved/designated and \$92,000 is reserved. \$2,333,873 of fund balance has been designated for future budget stabilization, \$1,742,000 for a possible tax refund, and \$186,535 for various programs. \$92,000 has been reserved for prepaid expenses. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17 percent of total general fund expenditures and transfers.

The 2003 amended budget of the general fund had revenues and transfers in of \$47,974,746 and expenditures and transfers out of \$48,267,926. Included in the transfers in was \$981,984 of available fund balance in several separate funds. These funds were transferred to the general fund per County policy and Board of Commissioner's resolution. Included in the transfers out were appropriations to several funds that depend on the general fund for operational funds. The budget variance at the end of the year was a negative \$88,925 or .2% of expenditures and transfers out. The fund balance in the general fund actually decreased by \$382,105 or 4.3%.

Another major governmental fund, the Health Department, reported fund balance of \$1,472,304 at December 31, 2003, with \$1,457,314 of that amount unreserved/ undesignated. Revenues and transfers in were reported at \$9,641,196 along with expenditures and transfers out of \$9,990,424. A transfer out of \$783,966 of available fund balance was made to the general fund, as noted above.

The third major governmental fund is the Jail/Juvenile Facility Construction Fund. It had a fund balance at December 31, 2003 of \$24,698,139, which is totally reserved for the construction of the facility.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2003.

Net assets in the Solid Waste Disposal System at the end of the year amounted to \$16,020,405, an increase of \$4,156,345 over the prior year. \$5,115,819 of the \$16,020,405 was invested in capital assets. As noted earlier this increase provided the largest share of the net gain to the County's total assets. The Delinquent Tax Revolving Fund reported a net increase in net assets of \$1,682,054, to \$28,215,505.

General Fund Budgetary Highlights

Amended revenue and transfer-in budgets were within \$377,985 (.79%) of actual, while expenditures and transfers-out were within \$289,060 (.60%) of actual.

Overall during the year the budget was adjusted as follows: the revenues were adjusted down by \$1,779,012 (3.8%), the expenditures were adjusted down by \$529,585 (1.3%), the transfers-in were adjusted up by \$2,158,500 (627.0%), and the transfers-out were adjusted by \$1,202,253 (15.6%).

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

- Revenues: State revenues were reduced by \$1,172,597 to respond to cuts at the state level for local programs.
- Transfers In: were significantly increased to adjust for the transfer of \$981,984 of fund balance from various funds, adjust \$300,000 for imaging equipment paid for out of the General Fund with Public Improvement Fund money, adjust \$237,797 for wages paid on behalf of the Drug Task Force by the General Fund, and adjust \$350,000 for fees recorded in an E-911 Fund and spent in the General Fund.
- Transfers Out: were increased primarily due to a supplemental appropriation to the Child Care Fund for out of state placement of juveniles.

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, 2003, amounted to \$57,665,693 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, vehicles and infrastructure (e.g., roads, drains, etc). The total increase in the County's capital assets for the current fiscal year was 22.6 percent. The governmental activities recorded a 17.6 percent increase while the business-type activities had a 60.7 percent increase.

Major capital asset events during the year included the following:

- The purchase of a building located at the Airport. It will be utilized as both a terminal building and a centrally located facility for our emergency response equipment and operations.
- The recording of \$6.7 million of construction in progress on the new Jail/Juvenile Facility project.
- A water/sewer line to the Airport property.
- An extension of the Wadhams to Avoca trail project.
- The addition of emergency generators to the Administrative Building and the Courthouse facility.
- Various technology projects that will allow County operations to work more efficiently and also easier access by outside organizations.

Capital Assets (net of depreciation)

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------------|-------------------------|------------|--------------------------|-----------|------------|------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| Land | 1,898,047 | 1,887,583 | 1,077,858 | 1,077,858 | 2,975,905 | 2,965,441 |
| Buildings and Improvements | 28,186,995 | 28,462,710 | 1,192,598 | 243,317 | 29,379,593 | 28,706,027 |
| Improvements other than Buildings | 1,992,460 | 1,103,064 | 2,388,500 | 3,042,341 | 4,380,960 | 4,145,405 |
| Equipment and Vehicles | 3,035,248 | 2,858,685 | 98,363 | 116,767 | 3,133,611 | 2,975,452 |
| Books | 3,724,737 | 3,956,887 | - | - | 3,724,737 | 3,956,887 |
| Construction in Progress | 9,923,013 | 3,210,249 | 4,147,874 | 1,060,727 | 14,070,887 | 4,270,976 |
| Total Capital Assets | 48,760,500 | 41,479,178 | 8,905,193 | 5,541,010 | 57,665,693 | 47,020,188 |

Net of depreciation

Additional information on the County's capital assets can be found in Note 5 beginning on page 45 of this report.

Long-term Debt. At December 31, 2003, the County had total debt outstanding of \$59,661,651, which was \$30,419,155 more than the prior year.

Significant portions of the debt include the following:

- The outstanding general obligation bonds that were sold in 1996 to finance the construction of the Administrative Building (\$10,100,000) and the general obligation bonds sold in 2003 to finance the construction of the Jail/Juvenile facility (\$34,000,000).
- The County operates the Smiths Creek Landfill and is required to record the estimated costs of closure and the post-closure costs of the Landfill to ensure that when the facility is closed in the future there will be sufficient funds available to maintain it in an environmentally sound way. The amount recorded for this obligation is \$11,445,280 at December 31, 2003.
- Certain employees of the County have, through collective bargaining agreements or policy, rights to be paid outstanding balances of accrued vacation, sick time, or compensatory time earned upon their leaving County employment. This amount, at December 31, 2003, is \$3,844,920.

Additional information on the County's long-term debt can be found in Note 9 beginning on page 53 of this report.

Outstanding Debt

| | Governmental Activities | | Business-Type Activities | | Totals | |
|---|-------------------------|-------------------|--------------------------|-------------------|-------------------|-------------------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| General Obligation Bonds | 44,100,000 | 10,400,000 | - | - | 44,100,000 | 10,400,000 |
| General Obligation Tax Loans | - | 3,000,000 | - | - | - | 3,000,000 |
| Installment Loan Agreements | 78,021 | 126,000 | - | - | 78,021 | 126,000 |
| Landfill Closure and Post Closure Costs | - | - | 11,445,280 | 11,936,594 | 11,445,280 | 11,936,594 |
| Self-insurance Liability | 272,000 | 245,000 | - | - | 272,000 | 245,000 |
| Accumulated Employee Vacation, Sick and Compensatory Time | 3,810,279 | 3,508,265 | 34,641 | 26,637 | 3,844,920 | 3,534,902 |
| Deferred Discounts | (78,570) | - | - | - | (78,570) | - |
| Total | 48,181,730 | 17,279,265 | 11,479,921 | 11,963,231 | 59,661,651 | 29,242,496 |

Economic Factors and Next Year's Budgets and Rates

Many factors are considered in preparation of the County's budget for the 2005 fiscal year. Several of the more telling factors are as follows:

- The unemployment rate for the County is currently 9.2 percent, which is an increase over a year ago, and is slightly higher than the state average.
- Inflationary trends in the region compare favorably to national indices.
- Population projections continue to outpace the rest of the southeastern Michigan region.
- The uncertainty of state funding for programs throughout the County.

The 2004 budgets are balanced and any amendments will be approved by the Board of Commissioner's as needed.

Requests for Information

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

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ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2003

| | Primary Government | | Total | Component Units |
|---|----------------------------|-----------------------------|-----------------------|-----------------------|
| | Governmental Activities | Business Type Activities | | |
| ASSETS: | | | | |
| Cash and cash equivalents | \$ 40,345,656 | \$ 47,000,419 | \$ 87,346,075 | \$ 14,054,676 |
| Investments | 13,849,310 | - | 13,849,310 | - |
| Receivables (net of allowance) | 42,127,177 | 4,614,801 | 46,741,978 | 7,723,193 |
| Prepaid expenses | 956,340 | 89,017 | 1,045,357 | 457,689 |
| Internal balances | (10,384) | 10,384 | - | - |
| Due from component units | 8,079 | - | 8,079 | 88,644 |
| Inventory | - | - | - | 993,359 |
| Advance to component units | 50,000 | - | 50,000 | - |
| Advance to primary government | - | - | - | 89,281 |
| Deferred charges | 104,836 | - | 104,836 | - |
| Restricted Assets - | | | | |
| Temporary restricted - | | | | |
| Cash and cash equivalents | - | - | - | 6,850,709 |
| Receivable | - | - | - | 44,396,201 |
| Permanently restricted - Investment | 18,050 | - | 18,050 | - |
| Capital assets (net of accumulated depreciation) | | | | |
| Assets not being depreciated | 11,821,060 | 5,225,732 | 17,046,792 | 32,494,000 |
| Assets being depreciated | 36,939,440 | 3,679,461 | 40,618,901 | 82,653,874 |
| Total Assets | <u>146,209,564</u> | <u>60,619,814</u> | <u>206,829,378</u> | <u>189,801,626</u> |
| LIABILITIES: | | | | |
| Payables and accrued liabilities | 5,262,783 | 832,130 | 6,094,913 | 7,013,496 |
| Accrued interest | 479,448 | - | 479,448 | 147,869 |
| Due to component units | - | - | - | 88,644 |
| Advances and deposits | 170,000 | 34,581 | 204,581 | 1,316,935 |
| Advances from component units | - | 89,281 | 89,281 | - |
| Advances from primary government | - | - | - | 50,000 |
| Deferred revenue | 37,506,147 | - | 37,506,147 | 2,875,936 |
| Liability Payable from restricted assets | - | - | - | 659,541 |
| Non-current liabilities | | | | |
| Due within one year | 1,221,283 | - | 1,221,283 | 4,941,138 |
| Due in more than one year | 46,960,447 | 11,479,921 | 58,440,368 | 49,647,218 |
| Total Liabilities | <u>91,600,108</u> | <u>12,435,913</u> | <u>104,036,021</u> | <u>66,740,777</u> |
| NET ASSETS: | | | | |
| Investment in capital assets, net of related liabilities | 29,358,639 | 8,905,193 | 38,263,832 | 106,766,774 |
| Net assets | | | | |
| Restricted | | | | |
| Acquisition/construction of capital assets | 161,108 | - | 161,108 | 518,212 |
| Lewis Memorial | | | | |
| Expendable | 3,799 | - | 3,799 | - |
| Nonexpendable | 18,050 | - | 18,050 | - |
| Risk Corridor Financing | - | - | - | 4,289,401 |
| Unrestricted | 25,067,860 | 39,278,708 | 64,346,568 | 11,486,462 |
| Total Net Assets | <u>\$ 54,609,456</u> | <u>\$ 48,183,901</u> | <u>\$ 102,793,357</u> | <u>\$ 123,060,849</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, 2003

| Functions/Programs | Expenses | Program Revenues | | |
|--|-------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| Legislative | \$ 788,416 | \$ 58,208 | \$ - | \$ - |
| Judicial | 10,766,559 | 2,829,711 | 3,304,444 | 11,293 |
| General Government | 12,575,346 | 3,984,059 | 1,291,547 | - |
| Public Safety | 15,628,031 | 2,993,499 | 1,050,886 | 662,327 |
| Public Works | 968,179 | - | - | - |
| Health and Welfare | 19,353,729 | 2,131,745 | 6,532,256 | - |
| Recreation and Culture | 5,589,120 | 1,142,729 | 199,521 | - |
| Other Activities | 1,001,520 | - | - | - |
| Interest on Long Term Debt | 1,448,004 | - | - | - |
| Total governmental activities | <u>68,118,904</u> | <u>13,139,951</u> | <u>12,378,654</u> | <u>673,620</u> |
| Business type activities | | | | |
| Delinquent Revolving Tax | 14,753 | 453,936 | - | - |
| Airport Commission | 691,193 | 173,279 | - | 894,259 |
| Sheriff Concession | 142,253 | 104,121 | - | - |
| Solid Waste Disposal System | 2,407,621 | 6,483,631 | 80,335 | - |
| Total business type activities | <u>3,255,820</u> | <u>7,214,967</u> | <u>80,335</u> | <u>894,259</u> |
| Total Primary Government | <u>71,374,724</u> | <u>20,354,918</u> | <u>12,458,989</u> | <u>1,567,879</u> |
| Component Units | | | | |
| Road Commission | 18,335,746 | 3,497,892 | 18,130,862 | - |
| Department of Public Works | 5,852,783 | 5,538,033 | - | 2,872,246 |
| Community Mental Health Authority | 57,189,361 | 1,791,334 | 57,655,959 | - |
| Drains | 466,759 | 312,252 | 185,760 | 688,386 |
| Total Component Units | <u>81,844,649</u> | <u>11,139,511</u> | <u>75,972,581</u> | <u>3,560,632</u> |
| General revenues: | | | | |
| Property taxes | | | | |
| Grants and contribution not - restricted to specific programs | | | | |
| Unrestricted investment income | | | | |
| Interest and penalties on delinquent taxes | | | | |
| Loss on disposal / sale of capital assets | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets at beginning of year | | | | |
| Prior period adjustment | | | | |
| Net assets at beginning of year as restated | | | | |
| Net assets at end of year | | | | |

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

Net (Expense) Revenue and Change in Net Assets

| Primary Government | | | |
|----------------------------|-----------------------------|-----------------------|-----------------------|
| Governmental Activities | Business Type Activities | Total | Component Units |
| \$ (730,208) | \$ - | \$ (730,208) | \$ - |
| (4,621,111) | - | (4,621,111) | - |
| (7,299,740) | - | (7,299,740) | - |
| (10,921,319) | - | (10,921,319) | - |
| (968,179) | - | (968,179) | - |
| (10,689,728) | - | (10,689,728) | - |
| (4,246,870) | - | (4,246,870) | - |
| (1,001,520) | - | (1,001,520) | - |
| (1,448,004) | - | (1,448,004) | - |
| <u>(41,926,679)</u> | <u>-</u> | <u>(41,926,679)</u> | <u>-</u> |
| - | 439,183 | 439,183 | - |
| - | 376,345 | 376,345 | - |
| - | (38,132) | (38,132) | - |
| - | 4,156,345 | 4,156,345 | - |
| <u>-</u> | <u>4,933,741</u> | <u>4,933,741</u> | <u>-</u> |
| <u>(41,926,679)</u> | <u>4,933,741</u> | <u>(36,992,938)</u> | <u>-</u> |
| - | - | - | 3,293,008 |
| - | - | - | 2,557,496 |
| - | - | - | 2,257,932 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>719,639</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>8,828,075</u> |
| 35,909,934 | - | 35,909,934 | - |
| 3,808,634 | - | 3,808,634 | - |
| 875,737 | 351,878 | 1,227,615 | 26,866 |
| 3,005 | 890,993 | 893,998 | - |
| (85,597) | - | (85,597) | - |
| (1,245,643) | 1,245,643 | - | - |
| <u>39,266,070</u> | <u>2,488,514</u> | <u>41,754,584</u> | <u>26,866</u> |
| <u>(2,660,609)</u> | <u>7,422,255</u> | <u>4,761,646</u> | <u>8,854,941</u> |
| 57,270,065 | 40,761,646 | - | 103,667,121 |
| - | - | - | 10,538,787 |
| <u>57,270,065</u> | <u>40,761,646</u> | <u>98,031,711</u> | <u>114,205,908</u> |
| <u>\$ 54,609,456</u> | <u>\$ 48,183,901</u> | <u>\$ 102,793,357</u> | <u>\$ 123,060,849</u> |

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

| | <u>General</u> | <u>Health Department</u> | <u>Jail/Juvenile Facility Construction</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|------------------------------|--|---|---|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 8,008,100 | \$ 1,487,689 | \$ 12,652,031 | \$ 15,353,838 | \$ 37,501,658 |
| Investments | - | - | 13,749,310 | 118,050 | 13,867,360 |
| Receivables - | | | | | |
| Current and delinquent property taxes | 26,748,077 | - | - | 8,903,868 | 35,651,945 |
| Interest and accounts | 43,888 | 106,176 | - | 1,269,961 | 1,420,025 |
| Due from other governmental units - | | | | | |
| Federal/State | 3,414,171 | 1,155,360 | - | 633,874 | 5,203,405 |
| Local | 103,168 | - | - | - | 103,168 |
| Due from other funds | 34,941 | 81,235 | - | - | 116,176 |
| Due from component units | - | 8,079 | - | - | 8,079 |
| Advances to component units | 50,000 | - | - | - | 50,000 |
| Prepayments and deposits | 42,000 | 14,990 | - | 285,373 | 342,363 |
| Total Assets | <u>\$ 38,444,345</u> | <u>\$ 2,853,529</u> | <u>\$ 26,401,341</u> | <u>\$ 26,564,964</u> | <u>\$ 94,264,179</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 728,357 | \$ 338,631 | \$ 1,703,202 | \$ 500,164 | \$ 3,270,354 |
| Accrued liabilities | 710,065 | 160,096 | - | 204,033 | 1,074,194 |
| Advances and deposits | - | 170,000 | - | - | 170,000 |
| Due to other governmental units - | | | | | |
| Federal/State | 7,597 | 77,463 | - | - | 85,060 |
| Due to other funds | 10,384 | - | - | 116,176 | 126,560 |
| Deferred revenue | 28,562,554 | 635,035 | - | 10,905,976 | 40,103,565 |
| Total Liabilities | <u>30,018,957</u> | <u>1,381,225</u> | <u>1,703,202</u> | <u>11,726,349</u> | <u>44,829,733</u> |
| Fund Balances: | | | | | |
| Reserved - | | | | | |
| Prepaid Expenditures | 92,000 | 14,990 | | 285,373 | 392,363 |
| Capital Projects | - | - | 24,698,139 | 161,108 | 24,859,247 |
| Permanent Funds | - | - | - | 21,849 | 21,849 |
| Unreserved - | | | | | |
| Designated - | | | | | |
| General Fund | 4,262,408 | - | - | - | 4,262,408 |
| Special Revenues Fund | - | - | - | 3,752,927 | 3,752,927 |
| Debt Service | - | - | - | 3,492,299 | 3,492,299 |
| Undesignated - | | | | | |
| General Fund | 4,070,980 | - | - | - | 4,070,980 |
| Special Revenue Funds | - | 1,457,314 | - | 7,125,059 | 8,582,373 |
| Total Equity | <u>8,425,388</u> | <u>1,472,304</u> | <u>24,698,139</u> | <u>14,838,615</u> | <u>49,434,446</u> |
| Total Liabilities and Fund Equity | <u>\$ 38,444,345</u> | <u>\$ 2,853,529</u> | <u>\$ 26,401,341</u> | <u>\$ 26,564,964</u> | <u>\$ 94,264,179</u> |

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

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

| | | |
|---|---------------------|-----------------------------|
| Fund Balances - total governmental funds | | \$ 49,434,446 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Prepaid Expenses recorded in the funds on the purchase method | | 123,762 |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | |
| Capital assets | | 74,765,726 |
| Accumulated depreciation | | (26,103,564) |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | |
| Delinquent Personal Property taxes | 246,275 | |
| Housing Rehabilitation Loan | 1,027,636 | |
| Penal Fines | 425,055 | |
| Other | <u>638,450</u> | 2,337,416 |
| Internal Service Fund used by management to charge cost of property, liability, health, disability, workers compensation and life insurance expenses and claims. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. | | |
| | | 2,336,012 |
| 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 | (44,100,000) | |
| Notes payable | (78,021) | |
| Accrued interest on bonds/notes payable | (479,448) | |
| Accrued compensated absence | <u>(3,810,279)</u> | (48,467,748) |
| Discount on bonds are reported as other financing uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables) | | |
| | | 78,570 |
| Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets | | |
| | | <u>104,836</u> |
| Net Assets of governmental activities | | <u><u>\$ 54,609,456</u></u> |

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

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | General | Health Department | Jail/Juvenile Facility Construction | Other Governmental Fund | Total Governmental Funds |
|--|---------------------|----------------------|---|-------------------------------|--------------------------------|
| Revenues: | | | | | |
| Taxes | \$ 26,923,384 | \$ - | \$ - | \$ 8,959,956 | \$ 35,883,340 |
| Licenses and permits | 331,939 | 257,128 | - | - | 589,067 |
| Intergovernmental - | | | | | |
| Federal/State | 8,709,141 | 5,132,148 | - | 2,745,675 | 16,586,964 |
| Local | - | 218,677 | - | 4,000 | 222,677 |
| Charges for services | 6,864,416 | 1,247,069 | 16,800 | 1,000,268 | 9,128,553 |
| Fines and forfeits | 581,362 | - | - | 1,162,296 | 1,743,658 |
| Interest and rent | 1,519,649 | - | 241,201 | 206,967 | 1,967,817 |
| Other | 238,796 | 89,137 | - | 384,912 | 712,845 |
| Total Revenues | <u>45,168,687</u> | <u>6,944,159</u> | <u>258,001</u> | <u>14,464,074</u> | <u>66,834,921</u> |
| Expenditures: | | | | | |
| Current - | | | | | |
| Legislative | 682,985 | - | - | - | 682,985 |
| Judicial | 9,799,774 | - | - | 538,154 | 10,337,928 |
| General Government | 10,696,741 | - | - | 129,888 | 10,826,629 |
| Public Safety | 12,626,811 | - | - | 2,428,473 | 15,055,284 |
| Public Works | 980,546 | - | - | - | 980,546 |
| Health and Welfare | 1,521,532 | 9,021,191 | - | 8,409,712 | 18,952,435 |
| Recreation and Cultural | - | - | - | 4,363,954 | 4,363,954 |
| Other Activities | 1,001,520 | - | - | - | 1,001,520 |
| Capital Outlay | 1,685,833 | 185,267 | 6,374,116 | 2,653,473 | 10,898,689 |
| Debt Service | | | | | |
| Principal | - | - | - | 3,363,000 | 3,363,000 |
| Interest/Issuance Costs | - | - | 106,983 | 1,167,403 | 1,274,386 |
| Total Expenditures | <u>38,995,742</u> | <u>9,206,458</u> | <u>6,481,099</u> | <u>23,054,057</u> | <u>77,737,356</u> |
| Excess of revenues over (under) expenditures | <u>6,172,945</u> | <u>(2,262,299)</u> | <u>(6,223,098)</u> | <u>(8,589,983)</u> | <u>(10,902,435)</u> |
| Other Financing Sources (Uses): | | | | | |
| Bond and loan proceeds | 15,021 | - | 30,919,827 | 3,000,000 | 33,934,848 |
| Transfers from other funds | 2,413,053 | 2,697,037 | - | 6,107,709 | 11,217,799 |
| Transfers to other funds | (8,983,124) | (783,966) | - | (2,696,352) | (12,463,442) |
| Total Other Financing Sources (Uses) | <u>(6,555,050)</u> | <u>1,913,071</u> | <u>30,919,827</u> | <u>6,411,357</u> | <u>32,689,205</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | <u>(382,105)</u> | <u>(349,228)</u> | <u>24,696,729</u> | <u>(2,178,626)</u> | <u>21,786,770</u> |
| Fund Balances at beginning of year | <u>8,807,493</u> | <u>1,821,532</u> | <u>1,410</u> | <u>17,017,241</u> | <u>27,647,676</u> |
| Fund Balances at end of year | <u>\$ 8,425,388</u> | <u>\$ 1,472,304</u> | <u>\$ 24,698,139</u> | <u>\$ 14,838,615</u> | <u>\$ 49,434,446</u> |

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

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2003**

| | | |
|---|----|------------------------|
| Net change in fund balances - total governmental funds | \$ | 21,786,770 |
| Change in prepaid expenses recorded in the funds on the purchase method | | 26,790 |
| <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 | | 10,000,881 |
| Depreciation expense | (| 2,717,060) |
| Proceeds for sale of assets | (| 100,838) |
| Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | 12,635 |
| <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 | | 3,363,000 |
| Bond Proceeds | (| 34,000,000) |
| Bond Discount, net of amortization | | 78,570 |
| Deferred issuance cost | | 104,836 |
| Note Proceeds | (| 15,021) |
| 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. | | (622,305) |
| <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 | (| 276,850) |
| Increase in accrued compensated absences | (| 302,017) |
| | | (578,867) |
| Change in net assets of governmental activities | | <u>\$ (2,660,609)</u> |

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

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Business Type Activities-Enterprise Funds | | | | Governmental |
|--|---|--------------------------------|-------------------------------|----------------------|-----------------------------|
| | Solid Waste Disposal System | Delinquent Tax Revolving | Other Proprietary Funds | Total | Internal Service Fund |
| ASSETS: | | | | | |
| Current Assets: | | | | | |
| Cash and cash equivalents | \$ 22,508,704 | \$ 24,274,292 | \$ 217,423 | \$ 47,000,419 | \$ 2,843,998 |
| Accounts receivable | | | | | |
| Delinquent taxes | - | 3,957,898 | - | 3,957,898 | - |
| Interest and accounts | 592,924 | - | 8,580 | 601,504 | 8,634 |
| Due from other governmental units | 48,183 | 7,216 | - | 55,399 | - |
| Prepaid expenses | - | - | 89,017 | 89,017 | 490,217 |
| Due from other funds | - | - | 10,384 | 10,384 | - |
| Total Current Assets | <u>23,149,811</u> | <u>28,239,406</u> | <u>325,404</u> | <u>51,714,621</u> | <u>3,342,849</u> |
| Property, Plant and Equipment: | | | | | |
| Property, plant and equipment | 10,531,943 | - | 10,557,720 | 21,089,663 | 99,583 |
| Less - accumulated depreciation | (5,416,124) | - | (6,768,346) | (12,184,470) | (1,245) |
| Total Property, Plant and Equipment (net of accumulated depreciation) | <u>5,115,819</u> | <u>-</u> | <u>3,789,374</u> | <u>8,905,193</u> | <u>98,338</u> |
| Total Assets | <u>28,265,630</u> | <u>28,239,406</u> | <u>4,114,778</u> | <u>60,619,814</u> | <u>3,441,187</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| Accounts payable | 744,869 | 43 | 29,427 | 774,339 | 87,366 |
| Accrued expenses | 6,055 | - | 5,207 | 11,262 | 745,809 |
| Advances and deposits | - | 5,658 | 28,923 | 34,581 | - |
| Due to other governmental units - Federal/State | 28,329 | 18,200 | - | 46,529 | - |
| Advances from component units | - | - | 89,281 | 89,281 | - |
| Total Current Liabilities | <u>779,253</u> | <u>23,901</u> | <u>152,838</u> | <u>955,992</u> | <u>833,175</u> |
| Long-Term Liabilities (less current portions): | | | | | |
| Accrued vacation and sick | 20,692 | - | 13,949 | 34,641 | - |
| Accrued insurance claims | - | - | - | - | 272,000 |
| Estimated closure and post closure costs | 11,445,280 | - | - | 11,445,280 | - |
| Total Long-Term Liabilities | <u>11,465,972</u> | <u>-</u> | <u>13,949</u> | <u>11,479,921</u> | <u>272,000</u> |
| Total Liabilities | <u>12,245,225</u> | <u>23,901</u> | <u>166,787</u> | <u>12,435,913</u> | <u>1,105,175</u> |
| NET ASSETS: | | | | | |
| Investment in capital assets, net | 5,115,819 | - | 3,789,374 | 8,905,193 | 98,338 |
| Unrestricted | 10,904,586 | 28,215,505 | 158,617 | 39,278,708 | 2,237,674 |
| Total Net Assets | <u>\$ 16,020,405</u> | <u>\$ 28,215,505</u> | <u>\$ 3,947,991</u> | <u>\$ 48,183,901</u> | <u>\$ 2,336,012</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, 2003**

| | 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 | \$ 80,335 | \$ - | \$ - | \$ 80,335 | \$ - |
| Charges for services | 6,481,633 | 453,936 | 147,828 | 7,083,397 | 7,895,042 |
| Interest | - | 890,993 | - | 890,993 | - |
| Rents | - | - | 114,048 | 114,048 | - |
| Other | 1,998 | - | 15,524 | 17,522 | 4,879 |
| Total Operating Revenues | <u>6,563,966</u> | <u>1,344,929</u> | <u>277,400</u> | <u>8,186,295</u> | <u>7,899,921</u> |
| Operating Expenses: | | | | | |
| Personal services | 241,621 | - | 264,423 | 506,044 | 97,566 |
| Supplies | 65,126 | - | 127,691 | 192,817 | 8,015 |
| Other services | 1,449,491 | 14,753 | 132,478 | 1,596,722 | 8,415,400 |
| Depreciation | 651,383 | - | 308,854 | 960,237 | 1,245 |
| Total Operating Expenses | <u>2,407,621</u> | <u>14,753</u> | <u>833,446</u> | <u>3,255,820</u> | <u>8,522,226</u> |
| Operating Income (Loss) | 4,156,345 | 1,330,176 | (556,046) | 4,930,475 | (622,305) |
| Non-Operating Revenues: | | | | | |
| Interest | - | 351,878 | - | 351,878 | - |
| Net Income (Loss) Before Contributions | 4,156,345 | 1,682,054 | (556,046) | 5,282,353 | (622,305) |
| Capital Contributions | - | - | 894,259 | 894,259 | - |
| Net Income (Loss) Before Transfers | 4,156,345 | 1,682,054 | 338,213 | 6,176,612 | (622,305) |
| Transfers In: | | | | | |
| Transfers from other funds | - | - | 1,245,643 | 1,245,643 | - |
| Net Income (Loss) | 4,156,345 | 1,682,054 | 1,583,856 | 7,422,255 | (622,305) |
| Net Assets at beginning of year | <u>11,864,060</u> | <u>26,533,451</u> | <u>2,364,135</u> | <u>40,761,646</u> | <u>2,958,317</u> |
| Net Assets end of year | <u>\$ 16,020,405</u> | <u>\$ 28,215,505</u> | <u>\$ 3,947,991</u> | <u>\$ 48,183,901</u> | <u>\$ 2,336,012</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, 2003**

| | 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 | \$ 7,090,002 | \$ 1,450,535 | \$ 284,251 | \$ 8,824,788 | \$ 137,952 |
| Cash receipts from interfund services | - | - | - | - | 7,819,186 |
| Cash payments to suppliers | (1,521,004) | (22,541) | (173,377) | (1,716,922) | (8,311,978) |
| Cash payments to employees | (238,315) | - | (258,408) | (496,723) | (94,192) |
| Net Cash Provided (Used) by Operating Activities | <u>5,330,683</u> | <u>1,427,994</u> | <u>(147,534)</u> | <u>6,611,143</u> | <u>(449,032)</u> |
| Cash Flows From Noncapital Financing Activities: | | | | | |
| Transfers from/to other funds | - | - | 1,245,643 | 1,245,643 | - |
| Cash Flows From Capital and Related Financing Activities: | | | | | |
| Capital contributions | - | - | 894,259 | 894,259 | - |
| Acquisition and construction of capital assets | (2,340,080) | - | (1,984,341) | (4,324,421) | (99,583) |
| Net Cash Used by Capital and Related Financing Activities | <u>(2,340,080)</u> | <u>-</u> | <u>(1,090,082)</u> | <u>(3,430,162)</u> | <u>(99,583)</u> |
| Cash Flows From Investing Activities: | | | | | |
| Interest earned | - | 351,878 | - | 351,878 | - |
| Redemption (purchase) of Investment | - | 1,000,000 | - | 1,000,000 | - |
| Net Cash Provided by Investing Activities | <u>-</u> | <u>1,351,878</u> | <u>-</u> | <u>1,351,878</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents for the year | 2,990,603 | 2,779,872 | 8,027 | 5,778,502 | (548,615) |
| Cash and Cash Equivalents at Beginning of Year | <u>19,518,101</u> | <u>21,494,420</u> | <u>209,396</u> | <u>41,221,917</u> | <u>3,392,613</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 22,508,704</u> | <u>\$ 24,274,292</u> | <u>\$ 217,423</u> | <u>\$ 47,000,419</u> | <u>\$ 2,843,998</u> |
| Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | | | |
| Operating income (loss) for the year | \$ 4,156,345 | \$ 1,330,176 | \$(556,046) | \$ 4,930,475 | \$(622,305) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities - | | | | | |
| Depreciation | 651,384 | - | 308,854 | 960,238 | 1,245 |
| Estimated closure and post closure costs | (491,314) | - | - | (491,314) | - |
| Change in assets and liabilities: | | | | | |
| Receivable | 528,499 | 105,606 | (2,182) | 631,923 | 57,217 |
| Prepays and deposits | - | - | 99,915 | 99,915 | (24,526) |
| Inventory | - | - | 16,447 | 16,447 | - |
| Accounts payable/accrued expenses | 473,154 | (4,982) | (23,148) | 445,024 | 139,337 |
| Due to other governmental units | 12,615 | (1,636) | - | 10,979 | - |
| Due to component units | - | - | (407) | (407) | - |
| Advances and deposits | - | (1,170) | 9,033 | 7,863 | - |
| Net Cash Provided (Used) By Operating Activities | <u>\$ 5,330,683</u> | <u>\$ 1,427,994</u> | <u>\$(147,534)</u> | <u>\$ 6,611,143</u> | <u>\$(449,032)</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, 2003

| | Pension and Other Employee Benefit Trust Funds | Landfill Private-Purpose Trust Fund | Agency Funds |
|--|---|---|-----------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| ASSETS: | | | |
| Cash and cash equivalents | \$ 5,152,525 | \$ 1,497,954 | \$ 1,950,793 |
| Investments | 170,836,337 | - | 1,030,703 |
| Receivables | 1,111,881 | - | 4,923,502 |
| Prepayments and deposits | 439,807 | - | - |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>177,540,550</u> | <u>1,497,954</u> | <u>7,904,998</u> |
| | | | |
| LIABILITIES: | | | |
| Accounts payable | 121,433 | - | - |
| Investment settlements and other | 63,120 | - | - |
| Due to individuals and agencies | - | - | 7,092,892 |
| Due to other governmental units - | | | |
| Federal/state | - | - | 668,638 |
| Local | - | - | 143,468 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>184,553</u> | <u>-</u> | <u>7,904,998</u> |
| | | | |
| NET ASSETS: | | | |
| Reserved for - | | | |
| Reserved for employees' pension benefits | 177,355,997 | - | |
| Landfill perpetual care | - | 1,497,954 | |
| | <u> </u> | <u> </u> | |
| Total Net Assets | <u>177,355,997</u> | <u>1,497,954</u> | |
| | | | |
| Total Liabilities and Fund Balances | <u>\$ 177,540,550</u> | <u>\$ 1,497,954</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, 2003

| | Pension and Other Employee Benefit Trust Funds | Landfill Private-Purpose Trust Fund |
|--|---|---|
| | <u>Trust Funds</u> | <u>Trust Fund</u> |
| Additions: | | |
| Contributions | | |
| Member contributions | \$ 1,884,736 | \$ - |
| Employer contributions | 4,873,845 | - |
| Total Contributions | <u>6,758,581</u> | <u>-</u> |
| Investment income | | |
| Net appreciation (depreciation) in fair value of investments | 21,904,875 | - |
| Interest/Dividends | 5,115,242 | 11,728 |
| Net investment income | <u>27,020,117</u> | <u>11,728</u> |
| Total Additions | <u>33,778,698</u> | <u>11,728</u> |
| Deductions: | | |
| Retirement payroll | 5,556,407 | - |
| Health insurance | 3,214,987 | - |
| Death benefits | 34,000 | - |
| Employee refunds | 227,889 | - |
| Administration | 57,575 | - |
| Professional fees | 441,085 | - |
| Miscellaneous | - | 1,969 |
| Total Deductions | <u>9,531,943</u> | <u>1,969</u> |
| Net Increase (Decrease) | 24,246,755 | 9,759 |
| Net assets held in trust for pension benefits | | |
| Beginning of year | <u>153,109,242</u> | <u>1,488,195</u> |
| End of year | <u>\$ 177,355,997</u> | <u>\$ 1,497,954</u> |

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

COMPONENT UNITS

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ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2003**

| | <u>Road Commission</u> | <u>Department of Public Works</u> | <u>Community Mental Health Authority</u> | <u>Drain Commissioner</u> | <u>Totals</u> |
|--|----------------------------|---|--|-------------------------------|---------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 2,814,254 | \$ 1,278,716 | \$ 9,196,259 | \$ 765,447 | \$ 14,054,676 |
| Receivables | 4,299,671 | 819,226 | 2,310,320 | 293,976 | 7,723,193 |
| Due from other component units | 88,644 | - | - | - | 88,644 |
| Advance to other component units | - | 89,281 | - | - | 89,281 |
| Inventories | 993,359 | - | - | - | 993,359 |
| Prepayments and deposits | 249,909 | 349 | 207,431 | - | 457,689 |
| Restricted Assets - | | | | | |
| Cash and cash equivalents | - | 1,437,152 | 5,413,557 | - | 6,850,709 |
| Receivables | - | 44,396,201 | - | - | 44,396,201 |
| Capital Assets (net of accumulated depreciation) | - | | | | |
| Assets not being depreciated | 26,980,828 | 3,502,768 | 20,000 | 1,990,404 | 32,494,000 |
| Assets being depreciated | 60,658,976 | 15,517,026 | 993,070 | 5,484,802 | 82,653,874 |
| Total Assets | <u>96,085,641</u> | <u>67,040,719</u> | <u>18,140,637</u> | <u>8,534,629</u> | <u>189,801,626</u> |
| LIABILITIES | | | | | |
| Payables and current liabilities | 891,276 | 484,692 | 5,523,053 | 114,475 | 7,013,496 |
| Accrued interest | 124,774 | - | - | 23,095 | 147,869 |
| Due to other component units | - | 51,246 | - | 37,398 | 88,644 |
| Deferred revenue | - | - | 2,875,936 | - | 2,875,936 |
| Advances and deposits | 1,094,241 | 222,694 | - | - | 1,316,935 |
| Advance from primary government | - | - | - | 50,000 | 50,000 |
| Liabilities payable from restricted assets | - | 659,541 | - | - | 659,541 |
| Non-current liabilities | | | | | |
| Due within one year | 941,538 | 2,785,000 | - | 1,214,600 | 4,941,138 |
| Due in more than one year | 6,265,962 | 41,895,600 | 1,124,156 | 361,500 | 49,647,218 |
| Total Liabilities | <u>9,317,791</u> | <u>46,098,773</u> | <u>9,523,145</u> | <u>1,801,068</u> | <u>66,740,777</u> |
| NET ASSETS | | | | | |
| Investments in Capital Assets, net of related liabilities | 80,834,804 | 19,019,794 | 1,013,070 | 5,899,106 | 106,766,774 |
| Restricted for: | | | | | |
| Risk corridor financing | - | - | 4,289,401 | - | 4,289,401 |
| Equipment replacement | - | 518,212 | - | - | 518,212 |
| Unrestricted | 5,933,046 | 1,403,940 | 3,315,021 | 834,455 | 11,486,462 |
| Total net assets | <u>\$ 86,767,850</u> | <u>\$ 20,941,946</u> | <u>\$ 8,617,492</u> | <u>\$ 6,733,561</u> | <u>\$ 123,060,849</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, 2003

| Functions/Programs | Expenses | Program Revenues | | |
|--|----------------------|----------------------|------------------------------------|---------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contribution |
| Road Commission | | | | |
| Governmental activities: | | | | |
| Highways and streets | \$ 18,018,713 | \$ 3,497,892 | \$ 18,130,862 | \$ - |
| Interest on Long Term Debt | 317,033 | - | - | - |
| Total Road Commission | <u>18,335,746</u> | <u>3,497,892</u> | <u>18,130,862</u> | <u>-</u> |
| Department of Public Works | | | | |
| Governmental activities: | | | | |
| Interest on Long Term Debt | <u>2,138,920</u> | <u>2,138,920</u> | <u>-</u> | <u>-</u> |
| Business Type Activities | | | | |
| Water and Sewer | 3,542,534 | 3,137,819 | - | 2,872,246 |
| Public Safety | <u>171,329</u> | <u>261,294</u> | <u>-</u> | <u>-</u> |
| Total Proprietary activities | <u>3,713,863</u> | <u>3,399,113</u> | <u>-</u> | <u>2,872,246</u> |
| Total Department of Public Works | <u>5,852,783</u> | <u>5,538,033</u> | <u>-</u> | <u>2,872,246</u> |
| Community Mental Health Authority | | | | |
| Governmental activities: | | | | |
| Health and Welfare | <u>57,189,361</u> | <u>1,791,334</u> | <u>57,655,959</u> | <u>-</u> |
| Drain Commissioners | | | | |
| Governmental activities: | | | | |
| Public works | 424,593 | 312,252 | 185,760 | 688,386 |
| Interest on Long Term Debt | <u>42,166</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Drains | <u>466,759</u> | <u>312,252</u> | <u>185,760</u> | <u>688,386</u> |
| Total Component Units | <u>\$ 81,844,649</u> | <u>\$ 11,139,511</u> | <u>\$ 75,972,581</u> | <u>\$ 3,560,632</u> |

General Revenues:
 Unrestricted investment income
Change in net assets
Net assets at beginning of year
Prior period adjustment
Net assets at beginning of year as restated
Net assets at end of year

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

Net (Expense) Revenue and Change in Net Assets

| Road Commission | Department of Public Works | Community Mental Health Authority | Drains | Total |
|----------------------|----------------------------------|---|---------------------|-----------------------|
| \$ 3,610,041 | | | | \$ 3,610,041 |
| (317,033) | | | | (317,033) |
| <u>3,293,008</u> | | | | |
| | - | | | - |
| | 2,467,531 | | | 2,467,531 |
| | 89,965 | | | 89,965 |
| | <u>2,557,496</u> | | | |
| | <u>2,557,496</u> | | | |
| | | <u>2,257,932</u> | | 2,257,932 |
| | | | 761,805 | 761,805 |
| | | | (42,166) | (42,166) |
| | | | <u>719,639</u> | |
| | | | | <u>8,828,075</u> |
| - | 13,792 | - | 13,074 | 26,866 |
| <u>3,293,008</u> | <u>2,571,288</u> | <u>2,257,932</u> | <u>732,713</u> | <u>8,854,941</u> |
| 72,936,055 | 18,370,658 | 6,359,560 | 6,000,848 | 103,667,121 |
| <u>10,538,787</u> | - | - | - | <u>10,538,787</u> |
| <u>83,474,842</u> | <u>18,370,658</u> | <u>6,359,560</u> | <u>6,000,848</u> | <u>114,205,908</u> |
| <u>\$ 86,767,850</u> | <u>\$ 20,941,946</u> | <u>\$ 8,617,492</u> | <u>\$ 6,733,561</u> | <u>\$ 123,060,849</u> |

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ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity –

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

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

BLENDED COMPONENT UNIT -

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

DISCRETELY PRESENTED COMPONENT UNITS –

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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

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

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

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

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

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

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

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

B. Government-wide and fund financial statements –

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent of fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary governments financially accountable.

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

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

C. Measurement focus, basis of account, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due (2002 levy in 2003). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on December 1, and due on February 28, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

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

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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

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

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

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

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

D. Assets, Liabilities and Net Assets or Equity –

Deposits and Investments –

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

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

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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 the receivables are shown net of an allowance for uncollectible.

Inventories and Prepaid Items –

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

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

Property Tax Calendar –

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

The property taxes levied in 2002 are recognized as revenue in 2003. The property taxes levied December 1, 2003 are budgeted as revenue in the subsequent year, therefore have been accrued as current taxes receivable, with the appropriate deferral.

Capital Assets –

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drain Commission component units. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years, except for the St. Clair County Mental Health

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2003

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

Authority which capitalize assets with an individual cost of \$1,000 or more and the St. Clair County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum costs.. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

Compensated Absences –

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amount is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations –

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, 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 he current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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, 2004, under separate cover as supplementary information to the Annual Financial Statements.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information –

The General and Special Revenue Funds budgets shown in the financial statements were prepared on a basis consistent with accounting principles generally accepted in the United States of America. The County employs the following procedures in establishing the budgetary data reflected in the financial statements.

- 1) Prior to Nov. 1, County departments, in conjunction with the Controller's Office, prepare and submit their proposed operating budgets for the calendar year commencing the following January 1. The operating budgets include proposed expenditures and resources to finance them.
- 2) A Public Hearing is conducted to obtain taxpayers' comments.
- 3) Prior to December 31, the budgets are legally enacted through passage of a Board of Commissioner's resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds, however for control purposes the budgets are maintained at the account level.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

- 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.

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

Excess of Expenditures Over Appropriations –

| <u>Fund Type/Function/Activity</u> | <u>Appropriations</u> | <u>Expended</u> | <u>Variance</u> |
|------------------------------------|-----------------------|-----------------|-----------------|
| PRIMARY GOVERNMENT - | | | |
| General Fund - | | | |
| Judicial – | | | |
| District Court | \$ 2,060,587 | \$ 2,135,346 | \$ 74,759 |
| Law Library | 6,500 | 7,567 | 1,067 |
| General Government – | | | |
| Clerk | 714,743 | 740,386 | 25,643 |
| Equalization | 467,695 | 469,535 | 1,840 |
| Cooperative Extension | 412,712 | 422,100 | 9,388 |
| Motor Pool | 13,250 | 13,910 | 660 |
| Professional Development | 30,000 | 36,653 | 6,653 |
| Public Safety- | | | |
| Sheriff | 5,130,019 | 5,252,041 | 122,022 |
| Dive Team | 11,394 | 13,377 | 1,983 |
| Correction/Jail | 4,970,820 | 5,065,519 | 94,699 |
| Jail Population Monitor | 53,182 | 54,233 | 1,051 |
| Hazardous Material Handling | 27,200 | 28,128 | 928 |
| MI Drive Safety Task Force | - | 10,035 | 10,035 |
| Party Patrol Grant | 8,315 | 9,255 | 940 |
| Other – | | | |
| Insurance | 1,000,000 | 1,001,520 | 1,520 |
| Capital Outlay | 1,561,132 | 1,685,833 | 124,701 |
| Transfer to other funds | 8,932,124 | 8,983,124 | 51,000 |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

| <u>Fund Type/Function/Activity</u> | <u>Appropriations</u> | <u>Expended</u> | <u>Variance</u> |
|------------------------------------|-----------------------|-----------------|-----------------|
| Special Revenue Funds – | | | |
| Health Department – | | | |
| Capital Outlay | \$ 143,401 | \$ 185,267 | \$ 41,866 |
| County Planning – | | | |
| Public Safety | 705,819 | 723,323 | 17,504 |
| Public Improvement – | | | |
| Public Safety | 350,000 | 407,549 | 57,540 |
| Drug Task Force – | | | |
| Public Safety | 1,272,244 | 1,297,601 | 25,357 |
| Capital Outlay | 257,400 | 286,136 | 28,736 |
| Transfer to Other Funds | 33,142 | 237,797 | 204,655 |
| Substance Abuse - | | | |
| Health and Welfare | 290,825 | 372,236 | 81,411 |
| CDBG Housing – | | | |
| Transfers to Other Fund | - | 100,000 | 100,000 |
| HUD Housing – | | | |
| Health and Welfare | - | 29,714 | 29,715 |
| Deeds Automation – | | | |
| General Government | 123,000 | 129,888 | 6,888 |
| Component Units - | | | |

The Component Units adopt budgets at the following levels: the St. Clair County Road Commission adopts its budget at the activity level; the Department of Public Works, Debt Service Funds, and the Drain Debt Service Funds at the account level; St. Clair County Community Mental Health Authority at the total expenditure level. During the year ended December 31, 2003, the Component Units incurred expenditures in excess of the amounts appropriated as follows:

| <u>Fund Type/Function/Activity</u> | <u>Total Appropriations</u> | <u>Amount Expended</u> | <u>Budget Variance</u> |
|------------------------------------|-----------------------------|------------------------|------------------------|
| Road Commission - | | | |
| Current - | | | |
| Primary maintenance | \$ 3,981,439 | \$ 3,981,588 | \$ 149 |
| State maintenance | 2,716,143 | 3,148,252 | 432,109 |
| Debt service | 898,958 | 899,033 | 75 |

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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

Carrying Amount -

At year end, the carrying amount of the County Reporting Entity's deposits and investments is \$302,587,132 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 | \$ 13,450 | \$ 3,330 | \$ - | \$ 16,780 |
| Deposits with Financial Institutions - | | | | |
| Checking/Money Market | 33,036,220 | 16,810,366 | 1,271,840 | 51,118,426 |
| Savings/Certificates of Deposit | | | | |
| Total Deposits | <u>64,420,605</u> | <u>-</u> | <u>127,272</u> | <u>64,547,877</u> |
| | <u>97,470,275</u> | <u>16,813,696</u> | <u>1,399,112</u> | <u>115,683,083</u> |
| Investments - | | | | |
| Investment Trust Funds | 3,743,160 | 4,091,689 | 7,202,160 | 15,037,009 |
| U.S. Government Securities | - | - | 8,356,363 | 8,356,363 |
| Corporate Bonds | - | - | 72,486,072 | 72,486,072 |
| Stocks | - | - | 89,993,902 | 89,993,902 |
| Investments Held by Broker | - | - | 1,030,703 | 1,030,703 |
| Total Investments | <u>3,743,160</u> | <u>4,091,689</u> | <u>179,069,200</u> | <u>186,904,049</u> |
| Grand Total | <u>\$101,213,435</u> | <u>\$20,905,385</u> | <u>\$180,468,312</u> | <u>\$ 302,587,132</u> |

Reconciliation To Combined Balance Sheet

| | |
|---|--------------------|
| Reported as Cash and Cash Equivalents - | |
| Petty Cash and Cash On Hand | \$ 16,780 |
| Cash in Checking | 51,118,426 |
| Cash in Savings | 45,055,517 |
| Certificates of Deposit | 5,625,000 |
| Investment Trust Funds | <u>15,037,009</u> |
| Total Cash and Cash Equivalents Reported on Combined Balance Sheet | <u>116,852,732</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

| | |
|--|--------------------------|
| Reported as Investments - | |
| Certificates of Deposits | \$ 13,867,360 |
| U.S. Government Securities | 8,356,363 |
| Corporate Bonds | 72,486,072 |
| Stocks | 89,993,902 |
| Investments Held by Broker-Dealer | <u>1,030,703</u> |
| Total Investments Reported on Combined Balance Sheet | <u>185,734,400</u> |
| Grand Total - Combined Balance Sheet | <u>\$302,587,132</u> |

Deposits with Financial Institutions -

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

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

An element of the County cash structure is the common account which is utilized by most of the funds and component units within the reporting entity. The common account consists of checking accounts and an investment trust fund. The investment trust portion of \$14,000,512 in the common account is reported in the investment category of this note. The carrying amounts of the common checking accounts at December 31, 2003, are summarized as follows:

| | |
|-----------------------------------|-----------------------|
| Primary Government/Fiduciary Unit | \$ 160,148 |
| Component Units - | |
| Department of Public Works | <u>132,485</u> |
| | <u>\$ 238,633</u> |

The bank balance at December 31, 2003, is \$155,587. Segregation of the bank balance between the primary government and component units was not practical. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

The following summary of the deposits for the primary government and each component unit at December 31, 2003, are exclusive of petty cash, cash on hand and the common account:

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

| | <u>Carrying Amount</u> | <u>Bank Balance</u> | <u>FDIC Coverage</u> | <u>Uninsured/ Uncollateralized</u> |
|--------------------------------------|----------------------------|-------------------------|--------------------------|--|
| Primary Government/Fiduciary | \$ 98,855,937 | \$ 99,024,113 | \$ 569,016 | \$ 98,455,097 |
| Component Units - | | | | |
| Road Commission | 2,071,120 | 2,098,996 | 100,000 | 1,998,996 |
| Department of Public Works | 132,485 | - | - | - |
| Community Mental Health Authority | <u>14,606,761</u> | <u>1,556,005</u> | <u>100,000</u> | <u>1,456,005</u> |
| Total Component Units | <u>16,810,366</u> | <u>3,655,001</u> | <u>200,000</u> | <u>3,455,001</u> |
| Total Reporting Entity | <u>\$115,666,303</u> | <u>\$102,679,114</u> | <u>\$ 769,016</u> | <u>\$101,910,098</u> |

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

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

Investments -

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

An exception to this classification requirement is investments in an investment pool that are not evidenced by securities that exist in physical or book entry form. The Primary Government/Fiduciary Funds and Component Units held investments in various investment pools that are of this type and complied with legal authority and amounted to \$10,945,320 and \$4,091,689, respectively.

As of December 31, 2003, the investments of the primary government and each component unit are susceptible to the following risk categories as summarized in the following table:

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

| | Categories | | | Carrying/Fair Value |
|--|---------------------|-------------|----------------------|----------------------|
| | 1 | 2 | 3 | |
| <u>Fiduciary Unit</u> | | | | |
| U.S. Government securities (at cost net of unamortized premiums and discounts) | \$ 8,356,363 | \$ - | \$ - | \$ 8,356,363 |
| Corporate Bonds (at cost net of unamortized discounts) | - | - | 72,486,072 | 72,486,072 |
| Stocks (at cost) | - | - | <u>89,993,902</u> | <u>89,993,902</u> |
| Total Pension Fund Investments | <u>\$ 8,356,363</u> | <u>\$ -</u> | <u>\$162,479,974</u> | 170,836,337 |
| Investment Trust | | | | 6,630,965 |
| Invested Court Appointed Trust | | | | <u>1,030,703</u> |
| Total Fiduciary Unit | | | | <u>178,498,005</u> |
| <u>Primary Government</u> | | | | |
| Investment Trusts | | | | <u>4,314,355</u> |
| Total Primary Government | | | | <u>182,812,360</u> |
| <u>Component Units</u> | | | | |
| Road Commission - Investment Trust | | | | 742,884 |
| Drain Commission - Investment Trust | | | | 765,447 |
| Department of Public Works Investment Trust | | | | 2,583,358 |
| Community Mental Health Investment Trust | | | | - |
| Total Component Units | | | | <u>4,091,689</u> |
| Total Reporting Entity | | | | <u>\$186,904,049</u> |

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

NOTE 4 – RECEIVABLES:

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

| | <u>Governmental Activities</u> | <u>Business Type Activities</u> |
|--------------------------------------|--------------------------------|---------------------------------|
| Property Taxes | \$ 35,651,945 | \$ 3,957,898 |
| Interest and accounts | 1,428,659 | 601,504 |
| Intergovernmental – Federal/State | 5,203,405 | - |
| Local | <u>103,168</u> | <u>55,399</u> |
| | 42,387,177 | 4,614,801 |
| Less – allowance for uncollectible | <u>(260,000)</u> | <u>-</u> |
| | <u>\$ 42,127,177</u> | <u>\$ 4,614,801</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 4 – RECEIVABLES – (cont'd):

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|--|----------------------|------------------|
| General Fund – | | |
| Property taxes | \$ 28,402,312 | \$ - |
| Penal fines | 6,500 | - |
| Notes receivable | <u>153,742</u> | - |
| | <u>28,562,554</u> | - |
| Health Department – | | |
| Grants | 560,861 | - |
| Grant/fees received prior to meeting all eligibility requirements | - | <u>74,174</u> |
| | <u>560,861</u> | <u>74,174</u> |
| Non-Major Governmental Funds – | | |
| Property taxes | 9,462,440 | - |
| Penal fines | 415,900 | - |
| Revolving loan | <u>1,057,370</u> | - |
| | <u>10,905,976</u> | - |
| Total deferred/unearned receivables in governmental funds | <u>\$ 40,029,391</u> | <u>\$ 74,174</u> |

NOTE 5 – CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2003 was as follows:

| | Adjusted January 1, 2003 | | | December 31, 2003 Balance |
|---|-----------------------------|------------------|------------------|------------------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | |
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,887,583 | \$ 10,464 | \$ - | \$ 1,898,047 |
| Construction in progress | <u>3,210,249</u> | <u>6,712,764</u> | - | <u>9,923,013</u> |
| Total capital assets, not being depreciated | <u>5,097,832</u> | <u>6,723,228</u> | - | <u>11,821,060</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 38,644,746 | 555,595 | - | 39,200,341 |
| Improvement other than buildings | 2,071,247 | 988,901 | - | 3,060,148 |
| Machinery and equipment | 6,977,293 | 1,277,847 | 256,922 | 7,998,218 |
| Books | <u>12,780,683</u> | <u>554,893</u> | <u>549,954</u> | <u>12,785,542</u> |
| Total capital assets being depreciated | <u>60,473,889</u> | <u>3,377,236</u> | <u>806,876</u> | <u>63,044,249</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 – CAPITAL ASSETS – (cont'd):

| | Adjusted January 1, 2003 | | | December 31, 2003 |
|---|-----------------------------|---------------------|-------------------|---------------------|
| | <u>Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | \$10,182,036 | \$ 831,310 | \$ - | \$11,013,346 |
| Improvements other than buildings | 968,183 | 99,505 | - | 1,067,688 |
| Machinery and equipment | 4,118,608 | 1,000,447 | 156,085 | 4,962,970 |
| Books | <u>8,823,716</u> | <u>787,043</u> | <u>549,954</u> | <u>9,060,805</u> |
| Total accumulated depreciation | <u>24,092,543</u> | <u>2,718,305</u> | <u>706,039</u> | <u>26,104,809</u> |
| Total capital assets being depreciated, net | <u>36,381,346</u> | <u>658,931</u> | <u>100,837</u> | <u>36,939,440</u> |
| Governmental activities capital assets, net | <u>\$ 41,479,178</u> | <u>\$7,382,159</u> | <u>\$ 100,837</u> | <u>\$48,760,500</u> |
| Business Type Activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,077,858 | \$ - | \$ - | \$ 1,077,858 |
| Construction in progress | <u>1,060,727</u> | <u>3,087,147</u> | <u>-</u> | <u>4,147,874</u> |
| Total capital assets, not being depreciated | <u>2,138,585</u> | <u>3,087,147</u> | <u>-</u> | <u>5,225,732</u> |
| Capital assets, being depreciated: | | | | |
| Buildings | 481,830 | 972,714 | - | 1,454,544 |
| Improvement other than buildings | 13,710,698 | 252,059 | - | 13,962,757 |
| Machinery and equipment | <u>434,139</u> | <u>12,500</u> | <u>-</u> | <u>446,639</u> |
| Total capital assets being depreciated | <u>14,626,667</u> | <u>1,237,273</u> | <u>-</u> | <u>15,863,940</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 238,513 | 23,433 | - | 261,946 |
| Improvements other than buildings | 10,668,367 | 905,890 | - | 11,574,257 |
| Machinery and equipment | <u>317,362</u> | <u>30,914</u> | <u>-</u> | <u>348,276</u> |
| Total accumulated depreciation | <u>11,224,242</u> | <u>960,237</u> | <u>-</u> | <u>12,184,479</u> |
| Total capital assets being depreciated, net | <u>3,400,425</u> | <u>277,036</u> | <u>-</u> | <u>3,679,461</u> |
| Business activities capital assets, net | <u>\$ 5,541,010</u> | <u>\$ 3,364,183</u> | <u>\$ -</u> | <u>\$ 8,905,193</u> |

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

| | |
|---|---------------------|
| Governmental activities: | |
| Judicial | \$ 91,012 |
| General government | 1,178,160 |
| Public Safety | 370,664 |
| Health and Welfare | 76,685 |
| Recreation and Cultural | <u>1,000,539</u> |
| Total depreciation expense-governmental activities | 2,717,060 |
| Depreciation in the internal service fund | <u>1,245</u> |
| | <u>\$ 2,718,305</u> |
| Business-type activities: | |
| Solid waste disposal system | \$ 308,854 |
| Airport Commission | <u>651,383</u> |
| Total depreciation expense-business-type activities | <u>\$ 960,237</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 – CAPITAL ASSETS – (cont'd):

Construction/Purchase Commitments

The County is in the process of constructing a new Jail/Juvenile facility. In conjunction, as of December 31, 2003 the County has committed to contracts for the construction of the new facility of approximately \$38,505,000, with the contractor earning \$5,943,952 to date.

In addition, the County has agreed to purchase 16 acres of lakefront land for development of a County Park for approximately \$3,225,000. The purchase is expected to be completed in 2004.

Discretely Presented Component Units

Drain Commissioner. Activity for the Drain Commissioner for the year ended December 31, 2003, was as follows:

| | Balance January 1, 2003 | Additions | Deletions | Balance December 31, 2003 |
|---|-------------------------------|-------------------|------------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Construction in progress | \$ 1,329,668 | \$ 660,736 | \$ - | \$ 1,990,404 |
| Capital assets, being depreciated: | | | | |
| Infrastructure | 8,878,311 | 320,534 | 13,547 | 9,185,298 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | <u>3,570,936</u> | <u>129,560</u> | <u>-</u> | <u>3,700,496</u> |
| Total capital assets being depreciated, net | <u>5,307,375</u> | <u>190,974</u> | <u>13,547</u> | <u>5,484,802</u> |
| Drain Commissioner capital assets, net | <u>\$ 6,637,043</u> | <u>\$ 851,710</u> | <u>\$ 13,547</u> | <u>\$ 7,475,206</u> |

Depreciation expense for 2003 was \$129,560.

Road Commission. Activity for the Road Commission for the year ended December 31, 2003 was as follows:

| | Balance January 1, 2003 | Additions | Deletions | Adjustments/ Removals | Balance December 31, 2003 |
|---|-------------------------------|------------------|----------------|--------------------------|---------------------------------|
| Capital Assets, not being depreciated – | | | | | |
| Land | \$ 80,829 | \$ - | \$ - | \$ - | \$ 80,829 |
| Land improvements | - | 1,971,130 | - | 23,757,336 | 25,728,466 |
| Right of Ways | <u>1,171,533</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,171,533</u> |
| Total Capital Assets, not being depreciated | <u>1,252,362</u> | <u>1,971,130</u> | <u>-</u> | <u>23,757,336</u> | <u>26,980,828</u> |
| Capital Assets, being depreciated – | | | | | |
| Buildings and improvements | 4,251,085 | 105,935 | - | - | 4,357,020 |
| Road Equipment | 9,234,891 | 769,397 | 239,898 | - | 9,764,390 |
| Shop Equipment | 654,898 | 10,186 | - | - | 665,084 |
| Office Equipment | 685,550 | 20,403 | - | - | 705,953 |
| Engineering equipment | 256,048 | 66,231 | - | - | 322,279 |
| Infrastructure – | | | | | |
| Roads | 95,029,346 | 5,359,644 | - | (37,085,878) | 63,303,112 |
| Bridges | 24,346,604 | 584,737 | - | (86,741) | 24,844,600 |
| Traffic signals | 456,000 | 115,550 | - | (196,364) | 375,186 |
| Depletable assets – | | | | | |
| Gravel pits | <u>163,455</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>163,455</u> |
| | <u>135,077,877</u> | <u>7,032,083</u> | <u>239,898</u> | <u>(37,368,983)</u> | <u>104,501,079</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 – CAPITAL ASSETS – (cont'd):

| | Balance January 1, 2003 | Additions | Deletions | Adjustments/ Removals | Balance December 31, 2003 |
|---|-------------------------------|---------------------|-----------------|--------------------------|---------------------------------|
| Less – accumulated depreciation for – | | | | | |
| Buildings and improvements | \$ 1,770,091 | \$ 82,855 | \$ - | \$ - | \$ 1,852,946 |
| Road Equipment | 6,829,249 | 917,550 | 238,503 | - | 7,508,296 |
| Shop Equipment | 548,895 | 18,814 | - | - | 567,709 |
| Office Equipment | 508,129 | 39,850 | - | - | 547,979 |
| Engineering Equipment | 184,251 | 19,114 | - | - | 203,365 |
| Infrastructure – | | | | | |
| Roads | 43,740,571 | 3,146,903 | - | (23,950,640) | 22,936,834 |
| Bridges | 9,482,339 | 506,414 | - | (213) | 9,988,540 |
| Traffic signals | 371,283 | 18,390 | - | (199,581) | 190,092 |
| Depletable Assets | <u>46,342</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>46,342</u> |
| | <u>63,481,150</u> | <u>4,749,890</u> | <u>238,503</u> | <u>(24,150,434)</u> | <u>43,842,103</u> |
| Total Capital Assets, being depreciated, net | <u>71,596,727</u> | <u>2,282,193</u> | <u>1,395</u> | <u>(13,218,549)</u> | <u>60,658,976</u> |
| Governmental activity capital assets, net | <u>\$ 72,849,089</u> | <u>\$ 4,253,323</u> | <u>\$ 1,395</u> | <u>\$ 10,538,787</u> | <u>\$87,639,804</u> |

Depreciation expense for 2003 was \$4,749,890.

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2003 was as follows:

| | Balance January 1, 2003 | Additions | Adjustments | Balance December 31, 2003 |
|---|-------------------------------|--------------------|-------------------|---------------------------------|
| Business type activities: | | | | |
| Capital assets, not being depreciated – | | | | |
| Land | \$ 864,060 | \$ 75,000 | \$(233,538) | \$ 705,522 |
| Construction in progress | <u>-</u> | <u>2,797,246</u> | <u>-</u> | <u>2,797,246</u> |
| | <u>864,060</u> | <u>2,872,246</u> | <u>(233,538)</u> | <u>3,502,768</u> |
| Capital assets being depreciated – | | | | |
| Plant | 7,706,599 | - | - | 7,706,599 |
| Utility system | 18,614,057 | 63,997 | - | 18,678,054 |
| Machinery and equipment | 1,006,753 | 11,714 | - | 1,018,467 |
| Site Development | <u>-</u> | <u>49,076</u> | <u>233,538</u> | <u>282,614</u> |
| | <u>27,327,409</u> | <u>124,787</u> | <u>233,538</u> | <u>27,685,734</u> |
| Less – accumulated depreciation for – | | | | |
| Site Development | 15,070 | 54,200 | - | 69,270 |
| Plant | 3,225,147 | 154,132 | - | 3,379,279 |
| Utility system | 7,816,953 | 310,590 | - | 8,127,543 |
| Machinery and equipment | <u>539,898</u> | <u>52,718</u> | <u>-</u> | <u>592,616</u> |
| | <u>11,597,068</u> | <u>571,640</u> | <u>-</u> | <u>12,168,708</u> |
| Total Capital Assets, being depreciated, net | <u>15,730,341</u> | <u>(446,853)</u> | <u>233,538</u> | <u>15,517,026</u> |
| Business type activities capital assets, net | <u>\$ 16,594,401</u> | <u>\$2,425,393</u> | <u>\$ -</u> | <u>\$19,019,794</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 5 – CAPITAL ASSETS – (cont'd):

Depreciation expense was charged to function/programs as follows:

Business type activities –
Water and Sewer \$ 571,640

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended December 31, 2003 was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deletions</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|------------------|---------------------------|
| Capital assets not being depreciated – | | | | |
| Land | \$ 20,000 | \$ - | \$ - | \$ 20,000 |
| Capital assets being depreciated – | | | | |
| Building | 141,914 | - | - | 141,914 |
| Leasehold improvements | 229,817 | 144,975 | - | 374,792 |
| Equipment | <u>1,831,364</u> | <u>331,621</u> | <u>222,399</u> | <u>1,940,586</u> |
| | <u>2,203,095</u> | <u>476,596</u> | <u>222,399</u> | <u>2,457,292</u> |
| Less accumulated depreciation for – | | | | |
| Building | 14,468 | 6,758 | - | 21,226 |
| Leasehold improvements | 154,765 | 18,010 | - | 172,775 |
| Equipment | <u>1,215,481</u> | <u>271,789</u> | <u>217,049</u> | <u>1,270,221</u> |
| | <u>1,384,714</u> | <u>296,557</u> | <u>217,049</u> | <u>1,464,222</u> |
| Net capital assets being depreciated | <u>818,381</u> | <u>180,039</u> | <u>5,350</u> | <u>993,070</u> |
| Total capital assets net of depreciated | <u>\$ 838,381</u> | <u>\$ 180,039</u> | <u>\$ 5,350</u> | <u>\$1,013,070</u> |

Depreciation expense for 2003 was \$296,557.

NOTE 6 – PAYABLES:

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

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------------|------------------------------------|-------------------------------------|
| Accounts payable/accrued liabilities | \$ 4,103,529 | \$ 774,339 |
| Wages and fringe benefits | 1,074,194 | 11,262 |
| Intergovernmental – Federal/State | <u>85,060</u> | <u>46,529</u> |
| | <u>\$ 5,262,783</u> | <u>\$ 832,130</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 7 – INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2003:

Due To/From Other Funds –

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|---|---------------------|------------------|
| Nonmajor Business Funds – Sheriff's concession | General Fund | <u>\$ 10,384</u> |

Due To/From Primary Government & Component Units -

| <u>Receiving Entity</u> | | |
|----------------------------------|---|------------------|
| Health Department | Component Unit – Mental Health Authority | <u>\$ 8,079</u> |
| Component Unit – Road Commission | Component Unit – DPW | \$ 51,740 |
| | Component Unit – Drain Commission | <u>36,904</u> |
| Total | | <u>\$ 88,644</u> |

The Health Department owed the St. Clair County Community Mental Health Authority \$8,079 at December 31, 2003, however because the Authority is reported on a September 30 year end there is no offsetting payable.

Advances From/To Primary Government & Component Unit –

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

Transfers From/To Other Funds -

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|---------------------------------|---------------------------------|---------------------|
| General | Health Department | \$ 783,966(1) |
| | Family Independence Agency | 148,018(1) |
| | Planning Commission | 50,000(1) |
| | Public Improvement | 385,642 |
| | Parks and Recreation | 83,658 |
| | Library | 378,021 |
| | Drug Task Force | 237,797 |
| | E-911 | 345,951 |
| Health Department | General Fund | 2,697,037 |
| Nonmajor Governmental Funds – | | |
| Parks and Recreation | General | 116,800 |
| CDBG Housing | General | 10,000 |
| HUD Housing | CDBG Housing | 100,000 |
| Family Independence Agency | General | 668,250 |
| Veterans | General | 68,203 |
| Building Authority | General | 870,050 |
| | Building Authority Construction | 500 |
| Library | General | 378,021 |
| Planning Commission | General | 482,319 |
| Child Care | General | 3,413,366 |
| Building Authority Construction | General | <u>200</u> |
| | | 11,217,799 |
| Nonmajor Business Funds – | | |
| Airport | General | 278,878 |
| | Public Improvement | <u>966,765</u> |
| | | <u>\$12,412,442</u> |

(1) Nonrecurring transfers – transfers of fund equity.

NOTE 8 – LEASES:

Primary Government

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 8 – LEASES – (cont'd):

Discretely Presented Component Units –

The Community Mental Health Authority, a component unit, has entered into certain operating leasing agreements for facilities. At September 30, 2003, the minimum future rental on non-cancellable leases for facilities is as follows: (a number of these leases contain provisions whereby if various funding sources are not available they are cancellable.) The following lease commitment assumes that the funding sources will be available.

| | |
|----------------------|------------------|
| Fiscal Year Ending | |
| <u>September 30,</u> | |
| 2004 | <u>\$ 32,011</u> |

The total of rent expenditures for the fiscal year ended September 30, 2003, is \$832,732.

Department of Public Works

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

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

| | <u>Principal</u> | <u>Interest</u> |
|-----------|----------------------|---------------------|
| 2004 | \$ 2,785,000 | \$ 1,718,951 |
| 2005 | 2,740,000 | 1,592,644 |
| 2006 | 2,630,000 | 1,494,884 |
| 2007 | 2,740,000 | 1,399,851 |
| 2008 | 2,885,000 | 1,304,814 |
| 2009-2013 | 14,785,000 | 4,898,312 |
| 2014-2018 | 12,555,000 | 2,217,559 |
| 2019-2023 | <u>3,560,600</u> | <u>341,500</u> |
| | <u>\$ 44,680,600</u> | <u>\$14,948,515</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003 have been reported net of available cash as a capital lease receivable.

| | |
|--|----------------------|
| Principal due | \$ 44,680,600 |
| Accrued interest | <u>325,668</u> |
| | 45,006,268 |
| Less cash available after current liabilities | <u>610,067</u> |
| | <u>\$ 44,396,201</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, 2003:

| | Balance January 1, 2003 | Additions | Reductions | Balance December 31, 2003 | Due Within One Year |
|--|-------------------------------|---------------------|--------------------|---------------------------------|------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Governmental Fund - | | | | | |
| Building Authority Bonds | \$ 10,400,000 | \$ - | \$ 300,000 | \$ 10,100,000 | \$ 300,000 |
| 2002 General Obligation Bond | 3,000,000 | - | 3,000,000 | - | - |
| 2003 General Obligation Bond | - | 34,000,000 | - | 34,000,000 | 550,000 |
| Installment Loan Agreements | 126,000 | 15,021 | 63,000 | 78,021 | 70,283 |
| Accumulated Vacation, Sick & Compensatory | 3,508,265 | 1,733,742 | 1,431,728 | 3,810,279 | 125,000 |
| Deferred – Discounts | <u>-</u> | <u>(80,173)</u> | <u>(1,603)</u> | <u>(78,570)</u> | <u>-</u> |
| Total Governmental Funds | <u>17,034,265</u> | <u>35,668,590</u> | <u>4,793,125</u> | <u>47,909,730</u> | <u>1,045,283</u> |
| Internal Service Fund – | | | | | |
| Workers Compensation Claims Liability | 175,000 | 201,583 | 174,583 | 202,000 | 113,000 |
| General, Auto and Property Insurance Claims Liability | 70,000 | 82,272 | 82,272 | 70,000 | 63,000 |
| Total Internal Service Fund | <u>245,000</u> | <u>283,855</u> | <u>256,855</u> | <u>272,000</u> | <u>176,000</u> |
| Total Governmental Activities | <u>17,279,265</u> | <u>35,952,445</u> | <u>5,049,980</u> | <u>48,181,730</u> | <u>1,221,283</u> |
| <u>Enterprise Funds:</u> | | | | | |
| Solid Waste Disposal System - | | | | | |
| Closure and Post-closure Costs | 11,936,594 | - | 491,314 | 11,445,280 | - |
| Accumulated Vacation, Sick & Compensatory | 18,656 | 11,256 | 9,220 | 20,692 | - |
| Airport Commission - Accumulated Vacation, Sick & Compensatory | 7,981 | 9,912 | 3,944 | 13,949 | - |
| Total Enterprise Funds | <u>11,963,231</u> | <u>21,168</u> | <u>504,478</u> | <u>11,479,921</u> | <u>-</u> |
| Total Primary Government | <u>\$29,242,496</u> | <u>\$35,973,613</u> | <u>\$5,554,458</u> | <u>\$59,661,651</u> | <u>\$ 1,221,283</u> |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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

Building Authority Bonds -

In connection with the construction of the County Administrative Building, the St. Clair County Building Authority issued \$11,000,000 general obligation limited tax bonds and entered into a lease agreement with the County to be paid from the County General Fund. The bonds, dated October 1, 1996, are due in annual installments increasing from \$300,000 to \$800,000 through April 1, 2021; interest rate ranging from 5.25 to 7.0 percent, payable semi-annually

\$10,100,000

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 \$550,000 to \$2,450,000 through April 1, 2028; plus interest ranging from 2.5 to 4.5 percent, payable semi-annually

\$34,000,000

Installment Loan Agreements -

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

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

\$ 53,000

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

10,000

On April 4, 2003, a lease purchase agreement in the amount of \$15,021. The agreement calls for payments of \$8,222 through April 4, 2005, including interest of 6.25%

15,021

\$ 78,021

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, 2003. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$63,000.

\$ 70,000

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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, 2003. The dollar amount of these claims is reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$113,000.

\$ 202,000

Accrued Vacation, Sick and Compensatory -

In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation, sick and compensatory leave under formulas and conditions specified in the contracts. The Enterprise Fund portion of \$34,641 has been recorded as a long-term liability of the respective fund. The governmental fund portion of \$3,810,279, as well as the enterprise fund portion, has been recorded in the government-wide under financial statements as a long-term liability.

Post-Closure Care Landfill Costs - In accordance with the Governmental Accounting Standards Board (GASB) Statement 18, the post-closure care landfill liability at December 31, 2003, as reported in the Enterprise Funds (Landfill Fund), amounts to \$11,445,280. See Note 17 for more details regarding this matter.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2003, for the following bonds and notes (excluding accrued vacation, sick and compensatory, accrued insurance claims, and closure and post-closure costs) of the Primary Government is as follows:

| Year Ending December 31, | Governmental Activities | | | | | |
|-----------------------------|-------------------------|---------------------|------------------|-----------------|------------------------|---------------------|
| | Authority Bonds | | Installment Loan | | G.O. Limited Tax Bonds | |
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2004 | \$ 300,000 | \$ 548,750 | \$ 70,283 | \$ 2,640 | \$ 550,000 | \$1,348,259 |
| 2005 | 300,000 | 527,750 | 7,738 | 484 | 600,000 | 1,373,884 |
| 2006 | 400,000 | 503,250 | - | - | 700,000 | 1,317,634 |
| 2007 | 400,000 | 477,250 | - | - | 750,000 | 1,299,509 |
| 2008 | 400,000 | 453,750 | - | - | 800,000 | 1,280,134 |
| 2009-13 | 2,600,000 | 1,868,251 | - | - | 4,800,000 | 5,991,995 |
| 2014-18 | 3,300,000 | 1,080,376 | - | - | 6,350,000 | 4,839,295 |
| 2019-23 | 2,400,000 | 189,000 | - | - | 8,350,000 | 3,255,796 |
| 2024-28 | - | - | - | - | 11,100,000 | 1,232,500 |
| | <u>\$10,100,000</u> | <u>\$ 5,648,377</u> | <u>\$ 78,021</u> | <u>\$ 3,124</u> | <u>\$34,000,000</u> | <u>\$21,898,806</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 2003:

| | <u>Balance January 1, 2003</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance December 31, 2003</u> | <u>Due Within One Year</u> |
|---------------------------------------|--|---------------------|---------------------|--|--------------------------------|
| Department of Public Works - | | | | | |
| Bonds Payable | \$27,350,000 | \$ 9,565,000 | \$ 7,900,000 | \$ 29,015,000 | \$ 1,925,000 |
| Drinking Water Revolving Loan | 14,645,600 | - | 680,000 | 13,965,600 | 695,000 |
| Revolving Loans | <u>1,860,000</u> | <u>-</u> | <u>160,000</u> | <u>1,700,000</u> | <u>165,000</u> |
| Total DPW | <u>43,855,600</u> | <u>9,565,000</u> | <u>8,740,000</u> | <u>44,680,600</u> | <u>2,785,000</u> |
| Road Commission - | | | | | |
| MTF Bonds – Series 1999 | 5,125,000 | - | 320,000 | 4,805,000 | 340,000 |
| MTF Notes – Series 2003 | 2,250,000 | - | 250,000 | 2,000,000 | 250,000 |
| Accrued vacation & sick leave | 371,393 | 478,500 | 447,393 | 402,500 | 351,538 |
| Lawsuit settlement | <u>53,000</u> | <u>-</u> | <u>53,000</u> | <u>-</u> | <u>-</u> |
| Total Road Commission | <u>7,799,393</u> | <u>478,500</u> | <u>1,070,393</u> | <u>7,207,500</u> | <u>941,538</u> |
| Drains - | | | | | |
| Notes payable | <u>1,156,500</u> | <u>1,172,700</u> | <u>753,100</u> | <u>1,576,100</u> | <u>1,214,600</u> |
| Mental Health Authority – | | | | | |
| Accrued vacation, sick & compensatory | <u>1,036,727</u> | <u>890,207</u> | <u>802,778</u> | <u>1,124,156</u> | <u>-</u> |
| Total Component Units | <u>\$53,848,220</u> | <u>\$12,106,407</u> | <u>\$11,866,271</u> | <u>\$54,588,356</u> | <u>\$ 4,941,138</u> |

Department of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal system for various township, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended. Original amount of the general obligation bonds issued in prior years was \$35,670,000. During the year \$9,565,000 of general obligation bonds were issued.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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

| Purpose | Interest Rate | Amount |
|--|---------------|----------------------|
| Governmental activities | 3.375 – 7.10 | \$ 20,865,000 |
| Governmental activities – refunding | 2.0 – 6.9 | 8,150,000 |
| | | \$ 29,015,000 |

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

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

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, 2003 the bonds outstanding of \$122,952 and \$1,190,000, respectively are considered defeased.

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

The WSSVII Refunding Bonds Series A was issued net of an original issue discount of \$3,573 and an underwriters discount of \$33,900 in the amount of \$4,482,527. After paying \$45,044 for bond issuance and \$15,737 for insurance costs, the net proceeds amounted to \$4,421,746. The net proceeds along with a contribution of \$111,169 from Ira Township were used to purchase U.S. Treasury Obligations in the amount of \$4,532,346 and to make an initial cash deposit to the escrow account of \$569.

The WSSVII Refunding Bonds Series B was issued net of a premium of \$4,776 and an underwriters discount of \$15,337 in the amount of \$2,034,439. After paying \$24,836 for bond issuance and \$10,000 for insurance costs, the net proceeds amounted to \$1,999,603. The net proceeds along with a contribution of \$49,445 from Ira Township were used to purchase U.S. Treasury Obligations in the amount of \$1,982,273 and to make an initial cash deposit to the escrow account of \$66,775.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

As a result of the advance refunding, the Department of Public Works reduced the total debt service requirements by \$568,351 for the 1994 issue and \$147,062 for the 1995 issue. This resulted in an economic gain (difference between the present value of the old and new debt) of \$347,171 and \$78,748, respectively. The re-acquisition price exceeded the net carryover amount of the old debt, however the difference was not amortized, since it was an adjustment of the amount due from each of the municipalities.

Also, on March 1, 2003, St. Clair County through the Department of Public Works issued \$3,000,000 in SDS No. I Series 2003 Bonds under the provisions of Act 185, Public Acts of Michigan, 1957, as amended for the purpose of paying the construction of sewage disposal system improvements to serve the City of Algonac, the Township of Clay and the Township of Ira.

Drinking Water Revolving Loans

Department of Environmental Quality Bonds have been sold through the State of Michigan Drinking Water Revolving Fund to construct water supply systems for three (3) Townships and a City in the County. The County in turn is leasing the systems to the Townships and City who operate, maintain and manage the systems. The full faith and credit of the Townships, City and County are pledged for the payments to the Drinking Water Revolving Fund. The original amount of the drinking water revolving fund loans drawn in prior years was \$16,255,600.

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

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Amount</u> |
|-------------------------|----------------------|---------------|
| Governmental activities | 2.59 | \$ 13,965,600 |

State of Michigan Revolving Loans

State of Michigan Revolving Loans have been obtained to construct sewage disposal systems of a Village and City in the County. The County in turn is leasing the systems to the municipalities who operate, maintain and manage the systems. The loans are backed by the full faith and credit of the Village, City and County pursuant to Act 185, Public Act of Michigan 1957, as amended. The original amount of the State of Michigan Revolving Loans issued in prior years was \$3,236,961.

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

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Amount</u> |
|-------------------------|----------------------|---------------|
| Governmental activities | 2.00% | \$ 1,700,000 |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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

| Year Ending December 31. | General Obligation Bonds | | Drinking Water Revolving Loans | | Clean Water Revolving Loans | |
|-----------------------------|--------------------------|---------------------|-----------------------------------|--------------------|--------------------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2004 | \$1,925,000 | \$1,300,248 | \$ 695,000 | \$ 384,703 | \$ 165,000 | \$ 34,000 |
| 2005 | 1,865,000 | 1,194,740 | 710,000 | 367,204 | 165,000 | 30,700 |
| 2006 | 1,735,000 | 1,118,093 | 725,000 | 349,391 | 170,000 | 27,400 |
| 2007 | 1,825,000 | 1,044,710 | 745,000 | 331,141 | 170,000 | 24,000 |
| 2008 | 1,935,000 | 966,886 | 770,000 | 317,328 | 180,000 | 20,600 |
| 2009-2013 | 9,820,000 | 3,531,234 | 4,115,000 | 1,298,075 | 850,000 | 49,000 |
| 2014-2018 | 7,885,000 | 1,439,355 | 4,670,000 | 778,204 | - | - |
| 2019-2023 | <u>2,025,000</u> | <u>187,922</u> | <u>1,535,600</u> | <u>153,581</u> | <u>-</u> | <u>-</u> |
| | <u>\$29,015,000</u> | <u>\$10,783,188</u> | <u>\$13,965,600</u> | <u>\$3,979,627</u> | <u>\$ 1,700,000</u> | <u>\$ 185,700</u> |

| Governmental Activities (G.O. Bonds) – | Interest Rate | Amount |
|--|---------------|----------------------|
| Sewage Disposal System No. I Bonds (City of Algonac) | 4.5 | \$ 140,000 |
| Sewage Disposal Systems No. VI Series 1993 Bonds (St. Clair Township) | 5.30 | 470,000 |
| Water Supply System No. VI 1990 Series Bonds (Kimball Township) | 7.00 | 330,000 |
| Sewage Disposal System No. X Bonds (Village of Capac) | 6.40-6.90 | 465,000 |
| Sewage Disposal System No. X – Series 2000 Bonds (Village of Capac) | 5.0-5.55 | 715,000 |
| Water Supply System No. IX Bonds – Series 1996 Bonds (Burtchville Township) | 5.0 | 5,000,000 |
| Water Supply No. II-A 1992 Series Bonds (Clay Township) | 6.10 | 200,000 |
| Sewage Disposal System No. XI (City of Yale) | 6.40-6.75 | 125,000 |
| Water Supply System No. IX – 1999 Series Bonds (Ira Township) | 5.00 | 125,000 |
| Water Supply System No. IX – 1998 Series Bonds (Burtchville Township) | 4.40-5.30 | 875,000 |
| Water Supply System No. IX – Series 2000 Bonds (Burtchville Township) | 4.50-6.0 | 2,025,000 |
| Sewage Disposal System No. I – Series 1999 Bonds (City of Algonac/Clay and Ira Townships) | 4.00-5.00 | 1,870,000 |
| Water Supply System No. II-A Series 2001 Bonds (Clay Township) | 4.00-5.00 | 5,525,000 |
| Sewage Disposal System No. I – Series 2003 Bonds (City of Algonac/Clay and Ira Townships) | 3.375-4.60 | <u>3,000,000</u> |
| | | <u>\$ 20,865,000</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

| | <u>Interest Rate</u> | <u>Amount</u> |
|--|----------------------|---------------------|
| Governmental Activities (G.O. Refunding) - | | |
| Sewage Disposal System III 1989 Refunding | | |
| Bonds (Charter Township of East China and China) | 6.85-6.90 | \$ 320,000 |
| Water Supply System No. IIA – 1999 Refunding Bonds | | |
| (Clay Township) | 3.80-4.9 | 1,265,000 |
| Water Supply System VII – 2003 A Refunding Bonds | | |
| (Ira Township) | 2.00-4.125 | 4,520,000 |
| Water Supply System VII – 2003 B Refunding Bonds | | |
| (Ira Township) | 2.00-3.80 | <u>2,045,000</u> |
| | | <u>\$ 8,150,000</u> |
| Governmental Activities (Revolving Loans) - | | |
| Water Supply System X | | |
| (City of Algonac/Clay Township) | 2.5 | 6,555,600 |
| Water Supply System III | | |
| (Charter Townships of East China and China) | 2.5 | 7,410,000 |
| Water Supply System X | | |
| (City of Yale) | 2.0 | 1,365,000 |
| Sewage Disposal System No. X | | |
| (Village of Capac) | 2.0 | <u>335,000</u> |
| | | <u>\$15,665,600</u> |

Road Commission

MTF Bonds – Series 1999 –

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

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

Principal on the bonds is due on August 1, 2004 through 2014 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 4.375% to 4.95%. The balance as of December 31, 2003 was \$4,805,000.

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, 2004 through 2011 with interest due semi-annually on February 1 and August 1 at interest rates ranging from 3.4% to 4.1%. The balance as of December 31, 2003 was \$2,000,000.

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 \$199,486 for sick leave and \$203,014 for vacation at December 31, 2003.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2003, except compensated absences, are as follows:

| | <u>MTF Bonds-Series 1999</u> | | <u>MTF Notes-Series 2001</u> | | <u>Total</u> |
|-----------|------------------------------|--------------------|------------------------------|-------------------|--------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2004 | \$ 340,000 | \$ 223,082 | \$ 250,000 | \$ 76,376 | \$ 889,458 |
| 2005 | 355,000 | 208,208 | 250,000 | 66,124 | 879,332 |
| 2006 | 375,000 | 192,676 | 250,000 | 57,626 | 875,302 |
| 2007 | 390,000 | 176,270 | 250,000 | 48,874 | 865,144 |
| 2008 | 410,000 | 158,720 | 250,000 | 39,626 | 858,346 |
| 2009-2013 | 2,385,000 | 491,102 | 750,000 | 60,000 | 3,686,102 |
| 2014 | <u>550,000</u> | <u>27,226</u> | <u>-</u> | <u>-</u> | <u>577,226</u> |
| | <u>\$ 4,805,000</u> | <u>\$1,477,284</u> | <u>\$2,000,000</u> | <u>\$ 348,626</u> | <u>\$8,630,910</u> |

Drain Commission –

St. Clair County through the Drain Commission, administers the construction of drains which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Public Acts of 1976. Repayment of the notes are made from the special assessment revenues payment from other government units, etc. During the year the Drain Commission issued \$1,172,700 of drain notes. The balance at December 31, 2003 was as follows:

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

| | <u>Interest Rate</u> | <u>Amount</u> |
|---|----------------------|---------------------|
| Governmental Activities - | | |
| Blue River Gardens – Series 2002 | 2.13 % | \$ 150,000 |
| Dana – Series 2002 | 2.13 | 250,000 |
| Huffman & Brank – Series 2002 | 2.13 | 350,000 |
| Moore & Branch No. 1 – Series 2003 | 1.74 | 100,000 |
| McGeorge & Brandes | 4.31 | 140,000 |
| 209 County Drain | 4.90 | 141,000 |
| Simpson | 2.99 | 122,400 |
| Black Segate & Reid Intercounty Drain | 1.96 | 15,700 |
| Stocks Creek & Branch Series 2002 | 2.13 | 150,000 |
| Jackson Intercounty Drain | 1.96 | 32,000 |
| Howe, Bradmore & Branches Drain – Series 2002 | 2.13 | 75,000 |
| Metcalf Series 2002 | 2.13 | <u>50,000</u> |
| | | <u>\$ 1,576,100</u> |

Annual debt service requirements to maturities are as follows:

| <u>Year Ended December 31.</u> | <u>Principle</u> | <u>Interest</u> |
|------------------------------------|---------------------|------------------|
| 2004 | \$ 1,214,600 | \$ 40,942 |
| 2005 | 105,000 | 14,511 |
| 2006 | 73,600 | 10,889 |
| 2007 | 74,600 | 8,033 |
| 2008 | 44,000 | 5,134 |
| 2009-2012 | <u>64,000</u> | <u>7,835</u> |
| | <u>\$ 1,576,100</u> | <u>\$ 87,344</u> |

NOTE 10 - RETIREMENT PLAN:

Plan Description -

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

The membership at December 31, 2002 was composed of 883 active participants, 435 retirees and beneficiaries, and 92 inactive but vested members. In general all employees are eligible for regular retirement as follows:

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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

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

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

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

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

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

Summary Of Significant Accounting Policies –

Basis of Accounting -

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

Method Used to Value Investment -

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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, 2003, contributions totaling \$1,884,736 (\$0 employer and \$1,884,736 employee) or 0% of covered payroll, were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2000. The employee contributions represented 5.0% of covered payroll. The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners.

The required contribution rate was determined as part of the December 31, 2001 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 7.5% net investment rate of return, and (b) projected salary increases of 5% to 8.7% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investment over a five year period. The Plan unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed period, with a remaining amortization period as of December 31, 2002 of 13 years. There is no unfunded accrued liability.

Schedule of Funding Progress -

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered (b-a)/(c) |
|--------------------------------|-------------------------------------|--|-----------------------------------|-----------------------|---------------------------|--|
| 12/31/00* | 146,232,915 | 115,095,600 | (31,137,315) | 127.1 | 32,044,333 | (97.2) |
| 12/31/01* | 151,153,871 | 121,225,557 | (29,928,314) | 124.7 | 32,744,255 | (91.4) |
| 12/31/02* | 148,949,978 | 129,997,329 | (18,952,650) | 114.6 | 35,716,619 | (53.1) |

*Plan amended

#Certain assumptions revised

Schedule of Employer Contributions -

| Year Ended December 31. | Annual Required Contribution | Percentage Contributed |
|----------------------------|---------------------------------|---------------------------|
| 2001 | - | 100.00 |
| 2002 | - | 100.00 |
| 2003 | - | 100.00 |

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN:

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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

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

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

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

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

Summary of Significant Accounting Policies -

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

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

Contribution and Funding Policy -

During the year ended December 31, 2003, contributions of \$4,873,845 were made. Employer contributions represented 13 percent of covered payroll. The actuarial valuation dated December 31, 2001 determined a contribution rate of 26.49 percent of covered payroll for 2003.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government –

One of the County's major taxpayers, the Detroit Edison Company is appealing its tax assessments for the tax year 2002 and 2003. The taxpayer has paid the contested tax amount. Should the taxpayer prevail, the County would be required to refund approximately \$1,160,000 per year plus interest. The County intends to vigorously defend the original assessments and believe they will prevail. Due to the conclusion nature of the appeal it is impossible to estimate any potential liability, if any.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

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

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.

Also as a part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The Michigan Department of Transportation has audited the 1998, 1999, 2000 and 2001 State Trunkline Maintenance contracts and has determined the St. Clair County Road Commission should reimburse the State \$314,628. Several Road Commissions in the State of Michigan are contesting these audits and as a result the State has not withheld the amount from the State Maintenance payments to the Road Commission. Because of the uncertainty of the final amount owed, the Road Commission has recorded a contingent liability of \$314,628 and reduced State Trunkline revenue in 2001 by \$134,995 and 2003 by \$179,633 as would have been the procedure had the audits not been contested.

NOTE 13 - RISK MANAGEMENT:

Primary Government -

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

The County is completely self-insured for unemployment compensation claims, and is self-insured for workers' compensation claims up to an amount of \$350,000 in individual claims for 2003.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 13 - RISK MANAGEMENT – (cont'd):

Based on claims currently pending and past history, the County has estimated accrued claims, including an estimate for claims incurred but not reported (IBNR), of \$0 and \$202,000 for unemployment compensation and worker's compensation, respectively.

In addition, the Primary Government, including the Drain District, is a voluntary member of the Michigan Risk Management Authority established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately.

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

The Authority administers risk management funds providing St. Clair County with loss protection for general and auto liability, motor vehicle physical damage, and property. Under most circumstances the County's maximum loss per occurrence is limited as follows:

| <u>Type of Risk</u> | <u>Maximum Retention Per Occurrence</u> |
|-------------------------------|---|
| General and auto liability | \$ 150,000 |
| Motor vehicle physical damage | 15,000 per vehicle 30,000 per occurrence |
| Property and Crime | 1,000 per occurrence, plus 10% of the next \$100,000 of loss |

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2003, that Stop Loss Program limited the retention for St. Clair County to \$621,000 in aggregate claims paid during the year.

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

The Authority has established a reserved fund balance to pay losses incurred by members which exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that St. Clair County incurs a loss in excess of the resources available, the County is liable for the excess.

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

The County is self-insured for health care benefits with the administrative services of the program are performed on a contractual basis by a third party. The County pays claims up to \$75,000 per contract per contract year. Stop-loss insurance has been purchased to insure the County against losses in excess of these limits. Based on past history, the County has estimated the accrued health care claims, including an estimate for claims incurred but not reported (IBNR), of \$737,000 at December 31, 2003, which is recorded as current liabilities in the Self Insurances (Internal Service) Fund.

Changes in the balance of claims liability during the past two years as reported in the self-insurance (internal service fund) are as follows:

| | <u>Property/Liability Insurance</u> | | <u>Disability Insurance</u> | | <u>Unemployment</u> | |
|------------------------------------|-------------------------------------|-----------------|-----------------------------|-------------|---------------------|-------------|
| | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> |
| Unpaid claims, beginning of year | \$ 100,500 | \$ 70,000 | \$ - | \$ - | \$ - | \$ - |
| Incurred claims (including IBNR's) | 20,582 | 82,272 | 86,728 | 184,478 | 36,865 | 39,744 |
| Claims Paid | (51,082) | (82,272) | (86,728) | (184,478) | (36,865) | (39,744) |
| Unpaid claims, end of year | 70,000 | 70,000 | - | - | - | - |
| Less current portion | (63,000) | (63,000) | - | - | - | - |
| Long-Term Liabilities | <u>\$ 7,000</u> | <u>\$ 7,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

| | <u>Workers Compensation</u> | | <u>Health Care</u> | | <u>Total</u> | |
|------------------------------------|-----------------------------|------------------|--------------------|--------------|------------------|------------------|
| | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> | <u>2002</u> | <u>2003</u> |
| Unpaid claims, beginning of year | \$ 230,000 | \$ 175,000 | \$ 615,000 | \$ 675,000 | \$ 945,500 | \$ 920,000 |
| Incurred claims (including IBNR's) | 65,137 | 201,583 | 5,201,126 | 6,264,430 | 5,410,438 | 6,772,507 |
| Claims Paid | (120,137) | (174,583) | (5,141,126) | (6,202,430) | (5,435,938) | (6,683,507) |
| Unpaid claims, end of year | 175,000 | 202,000 | 675,000 | 737,000 | 920,000 | 1,009,000 |
| Less current portion | (90,000) | (113,000) | (675,000) | (737,000) | (828,000) | (913,000) |
| Long-Term Liabilities | <u>\$ 85,000</u> | <u>\$ 89,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 92,000</u> | <u>\$ 96,000</u> |

Component Units -

Road Commission -

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

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 employee health and accident insurance. the amount of settlements (claims) for the past three years have not exceeded insurance coverage.

Community Mental Health Authority –

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

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

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

State Pool members' limits of coverage (per occurrence) are \$15 million for liability and approximately \$3,300,000 for property and crime. If a loss exceeds these limits or, if for any reason, MMRMA's resources are depleted, the payment of all unpaid losses are the sole obligation of the St. Clair County Community Mental Health Authority.

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

NOTE 14 - PROPERTY TAXES AND TAXES RECEIVABLE:

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

Assessed values are established annually by the County and are equalized by the State at an estimated percentage of the current market value. Real and personal property in St. Clair County for the 2003 and 2002 levies had a State Equalized Value (SEV) of \$6,717,712,399 and \$, respectively, and a taxable value of \$5,305,446,418 and \$5,170,334, for 2003 and 2002, respectively. The property taxes levied at December 1, 2003 are collected in December 2003 and early 2003. The property taxes levied on December 1, 2003 are based on property assessments as of December 31, 2002. The 2003 property taxes become lien on December 1, 2003 and are collected principally by March 1, 2004.

The County levied the following millages during 2003:

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

The property taxes levied in 2002 are recognized as revenue in 2003. The property taxes levied as of December 1, 2003 have been accrued as current taxes receivable, with the appropriate deferral, and are budgeted as revenue in the subsequent year.

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

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

Taxes receivable recorded in the respective funds at December 31, 2003 are as follows:

| Taxes Receivable | General | Other Nonmajor Governmental Funds | | | | Internal Service | Total |
|---------------------|----------------------|-----------------------------------|-----------------------|-------------------------|---------------------|--------------------------------|---------------------|
| | | Senior Citizens Millage | Drug Task Force | Parks and Recreation | Library | Delinquent Tax Revolving | |
| Current | \$ 26,365,368 | \$ 2,473,759 | \$ 1,387,953 | \$ 2,451,869 | \$ 2,466,720 | \$ - | \$35,145,669 |
| Delinquent | <u>382,709</u> | <u>34,883</u> | <u>20,512</u> | <u>34,094</u> | <u>34,078</u> | <u>3,957,898</u> | <u>4,464,174</u> |
| | <u>\$ 26,748,077</u> | <u>\$ 2,508,642</u> | <u>\$ 1,408,465</u> | <u>\$ 2,485,963</u> | <u>\$ 2,500,798</u> | <u>\$3,957,898</u> | <u>\$39,609,843</u> |

The delinquent portion of the taxes receivable represents unpaid personal property taxes in the General Fund and Special Revenue Funds and unpaid real property taxes in the Delinquent Tax Revolving Fund. An allowance for doubtful accounts of \$260,000 has been established at December 31, 2003 for the estimated uncollectible portion.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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

The County is economically dependent upon the Detroit Edison Company that has real and personal property within the County with a taxable value of \$884,539,142 and \$877,957,441 for 2003 and 2002, respectively. This represents approximately 17 percent of the taxable value for 2003 and 2002, respectively.

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

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

NOTE 15 - DEFERRED COMPENSATION:

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

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

NOTE 16 - FUND EQUITY:

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2003:

| Fund Type/Fund | Description | Amount |
|-----------------------------|--|---------------|
| Primary Government - | | |
| General Fund | Prepaid Expenditures | \$ 42,000 |
| | Advance to Other Funds/Component Units | <u>50,000</u> |
| | | 92,000 |
| Special Revenue Funds - | | |
| Health Department | Prepaid Expenditures | 14,990 |
| Jail Construction | Capital Projects | 24,698,139(1) |

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003

NOTE 16 - FUND EQUITY – (cont'd):

| Fund Type/Fund | Description | Amount |
|--|----------------------|----------------------|
| Non-major Governmental Funds – | | |
| Parks and Recreation | Prepaid Expenditures | 285,373 |
| Municipal Building | Capital Project | \$ 160,351 |
| Building Authority | Capital Project | 757 |
| Permanent Fund – | | |
| Lewis Memorial Endowment | | <u>21,849</u> |
| Total Governmental Funds | | <u>25,273,459</u> |
| Fiduciary Fund – | | |
| Pension and Other | | |
| Employee Benefits | Pension Benefit | 177,355,997 |
| Landfill Perpetual Care | Perpetual Care | <u>1,497,954</u> |
| | | <u>178,853,951</u> |
| Total Primary Government Reserved Fund Balance | | <u>\$204,127,410</u> |

(1) The reserved fund balance in the jail/juvenile construction fund has not been shown as a restricted "net asset" in the government-wide statements since it is unspent related debt proceeds.

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, 2003:

| Fund Type/Fund | Description | Amount |
|-----------------------------|---------------------------------|------------------|
| Primary Government - | | |
| General Fund | | |
| | Potential Tax Refund | \$ 1,742,000 |
| | Budget Stabilization | 2,333,873 |
| | Criminal Justice Training Grant | 13,193 |
| | Friend of Court Parent Program | 1,989 |
| | Friend of Court Medical Grant | 3,241 |
| | Prosecutor's Drug Forfeiture | 11,946 |
| | Family Counseling | <u>156,166</u> |
| | | 4,262,408 |
| Nonmajor Fund | | |
| Special Revenue Funds - | | |
| Parks and Recreation | Future Projects | 3,172,927 |
| | Potential Tax Refund | 162,000 |
| Senior Citizens Millage | Potential Tax Refund | 163,000 |
| Drug Task Force | Potential Tax Refund | 92,000 |
| Library | Potential Tax Refund | <u>163,000</u> |
| | | <u>3,752,927</u> |

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2003**

| <u>Fund Type/Fund</u> | <u>Description</u> | <u>Amount</u> |
|--|--------------------------|----------------------|
| Debt Service Funds - | | |
| | Building HVAC Renovation | \$ 8,516 |
| | Building Authority | 175 |
| | Jail/Juvenile Facilities | <u>3,483,608</u> |
| | | <u>3,492,299</u> |
| | | <u>7,245,220</u> |
| Total Designated Fund Balance – Primary Government | | <u>\$ 11,507,634</u> |

NOTE 17 - CLOSURE AND POSTCLOSURE CARE COSTS:

State and Federal laws and regulations require that the County of St. Clair place a final cover on its landfill and performs certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs was \$11,445,280 at December 31, 2003, which is based on 100% usage (filled) of Phase 5, cell 6 and prior cells and 72% cells 2B and 2C were completed in November 2003 and the cells were licensed in January 2004. Currently the County has 68 acres licensed, with an additional 40 acres available for licensing. It is estimated that an additional \$153,690 will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the current cells are expected to be filled to capacity in 2004.

The estimated total current cost of the landfill closure and post-closure care cost of \$11,445,280 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, 2003. However, the actual cost of closure and post-closure care may be higher due to inflation, changes in technology or changes in landfill laws and regulations.

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

NOTE 19 – PRIOR PERIOD ADJUSTMENT:

Component Units –

The Road Commission changed its capitalization policy for the cost of excavating, ditching, tree removal and subgrade preparation of land for roadway construction or reconstruction projects. The cost is reported as land improvements which are not depreciable assets. The prior period adjustment to the government-wide statements of \$10,538,787 represents the accumulated depreciation that had been previously charged on the land improvements.

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ST. CLAIR COUNTY, MICHIGAN

REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEE RETIREMENT SYSTEM

Schedule of Funding Progress

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

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

| Year Ended December 31, | Annual Required Contributions | Percentage Contributed |
|-------------------------------|-------------------------------------|---------------------------|
| 1993 | 1,398,958 | 88.41% |
| 1994 | 1,280,562 | 108.12% |
| 1995 | 1,357,718 | 91.56% |
| 1996 | 1,589,454 | 96.90% |
| 1997 | 1,525,221 | 104.88% |
| 1998 | 1,370,572 | 101.01% |
| 1999 | 773,180 | 98.70% |
| 2000 | - | 100.00% |
| 2001 | - | 0.00% |
| 2002 | - | 0.00% |
| 2003 | - | 0.00% |

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

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Positive (Negative) |
|---|----------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Taxes | \$ 26,675,184 | \$ 26,875,184 | \$ 26,923,384 | \$ 48,200 |
| Licenses and permits | 316,050 | 286,050 | 331,939 | 45,889 |
| Intergovernmental - | | | | |
| Federal/State | 10,184,793 | 9,012,196 | 8,709,141 | (303,055) |
| Charges for services | 6,534,180 | 6,454,952 | 6,864,416 | 409,464 |
| Fines and forfeits | 582,500 | 667,500 | 581,362 | (86,138) |
| Interest and rent | 1,784,400 | 1,408,270 | 1,519,649 | 111,379 |
| Other | 1,173,907 | 767,850 | 238,796 | (529,054) |
| Total Revenues | <u>47,251,014</u> | <u>45,472,002</u> | <u>45,168,687</u> | <u>(303,315)</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Legislative | 803,706 | 734,306 | 682,985 | 51,321 |
| Judicial | 10,132,858 | 9,968,858 | 9,799,774 | 169,084 |
| General Government | 11,536,115 | 11,043,765 | 10,696,741 | 347,024 |
| Public Safety | 12,589,817 | 12,519,232 | 12,626,811 | (107,579) |
| Public Works | 970,292 | 984,292 | 980,546 | 3,746 |
| Health and Welfare | 1,528,467 | 1,524,217 | 1,521,532 | 2,685 |
| Other | 1,300,000 | 1,000,000 | 1,001,520 | (1,520) |
| Capital Outlay | 1,004,132 | 1,561,132 | 1,685,833 | (124,701) |
| Total Expenditures | <u>39,865,387</u> | <u>39,335,802</u> | <u>38,995,742</u> | <u>340,060</u> |
| Excess of revenues over expenditures | <u>7,385,627</u> | <u>6,136,200</u> | <u>6,172,945</u> | <u>36,745</u> |
| Other Financing Sources (Uses): | | | | |
| Bond and loan proceeds | - | - | 15,021 | 15,021 |
| Transfers from other funds | 344,244 | 2,502,744 | 2,413,053 | (89,691) |
| Transfers to other funds | (7,729,871) | (8,932,124) | (8,983,124) | (51,000) |
| Total Other Financing Sources (Uses) | <u>(7,385,627)</u> | <u>(6,429,380)</u> | <u>(6,555,050)</u> | <u>(125,670)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | - | (293,180) | (382,105) | (88,925) |
| Fund Balance at beginning of year | <u>11,467,808</u> | <u>7,705,942</u> | <u>8,807,493</u> | <u>1,101,551</u> |
| Fund Balance at end of year | <u>\$ 11,467,808</u> | <u>\$ 7,412,762</u> | <u>\$ 8,425,388</u> | <u>\$ 1,012,626</u> |

ST. CLAIR COUNTY, MICHIGAN

**GENERAL FUND
SCHEDULE OF EXPENDITURES BY ACTIVITY
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget Positive (Negative)</u> |
|---------------------------------|----------------------------|---------------------------|-------------------|---|
| Legislative: | | | | |
| Board of Commissioners | \$ 803,706 | \$ 734,306 | \$ 682,985 | \$ 51,321 |
| Judicial: | | | | |
| Circuit Court | 1,783,528 | 1,666,528 | 1,645,676 | 20,852 |
| District Court | 1,940,587 | 2,060,587 | 2,135,346 | (74,759) |
| Courthouse Security | 361,639 | 356,639 | 351,624 | 5,015 |
| Friend of Court | 2,083,354 | 1,948,354 | 1,869,396 | 78,958 |
| Law Library | 9,500 | 6,500 | 7,567 | (1,067) |
| Probate Court | 774,902 | 845,902 | 844,450 | 1,452 |
| Family Division - Circuit Court | 1,905,921 | 1,815,921 | 1,780,763 | 35,158 |
| Probation | 26,400 | 23,400 | 21,069 | 2,331 |
| District Court Probation | 502,381 | 500,381 | 484,764 | 15,617 |
| Family Counseling | 20,000 | 20,000 | 1,611 | 18,389 |
| Pretrial Service Grant | 65,456 | 65,456 | 63,506 | 1,950 |
| Probation Resident Services | 659,190 | 659,190 | 594,002 | 65,188 |
| | <u>10,132,858</u> | <u>9,968,858</u> | <u>9,799,774</u> | <u>169,084</u> |
| General Government: | | | | |
| Administrator/Controller | 449,970 | 442,970 | 439,850 | 3,120 |
| Election | 144,128 | 69,128 | 64,360 | 4,768 |
| Accounting | 490,526 | 488,526 | 485,372 | 3,154 |
| Clerk | 714,743 | 714,743 | 740,386 | (25,643) |
| Equalization | 467,695 | 467,695 | 469,535 | (1,840) |
| Human Resources | 736,288 | 634,888 | 596,960 | 37,928 |
| Staff Resources Pool | 324,728 | 289,728 | 272,348 | 17,380 |
| Prosecuting Attorney | 2,256,507 | 2,144,607 | 2,129,069 | 15,538 |
| Prosecutor Drug Forfeiture | - | 750 | 750 | - |
| Child Protection | 7,000 | 7,000 | 2,614 | 4,386 |
| Victims Rights | 14,100 | 14,100 | 9,885 | 4,215 |
| Register of Deeds | 262,887 | 274,887 | 264,991 | 9,896 |
| Property Description | 279,473 | 271,973 | 265,582 | 6,391 |
| Boundary Commission | 350 | 400 | 382 | 18 |
| Plat Board | 300 | - | - | - |
| Treasurer | 622,022 | 521,522 | 519,931 | 1,591 |
| Cooperative Extension | 428,712 | 412,712 | 422,100 | (9,388) |
| Information Technology | 1,364,679 | 1,314,679 | 1,278,837 | 35,842 |
| Imaging Project | - | 50,000 | 36,748 | 13,252 |
| Building and Grounds | 1,679,041 | 1,658,991 | 1,611,839 | 47,152 |
| Drain Commissioner | 502,094 | 502,094 | 355,500 | 146,594 |
| Motor Pool | 3,250 | 13,250 | 13,910 | (660) |
| Federal Nutrition Program | - | 1,500 | 1,355 | 145 |
| Professional Development | - | 30,000 | 36,653 | (6,653) |
| FIA Building Lease Maintenance | 787,622 | 717,622 | 677,784 | 39,838 |
| | <u>11,536,115</u> | <u>11,043,765</u> | <u>10,696,741</u> | <u>347,024</u> |

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF EXPENDITURES BY ACTIVITY
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Positive (Negative) |
|---------------------------------|----------------------|----------------------|----------------------|---|
| Public Safety: | | | | |
| Sheriff | 5,130,019 | 5,130,019 | 5,252,041 | (122,022) |
| Secondary Road Patrol | 193,852 | 193,852 | 186,768 | 7,084 |
| Training | 20,000 | 20,000 | - | 20,000 |
| Communications/Radio | 988,852 | 913,852 | 904,683 | 9,169 |
| Marine Law Enforcement | 326,953 | 308,953 | 301,882 | 7,071 |
| Dive Team | 11,894 | 11,394 | 13,377 | (1,983) |
| Correction / Jail | 5,061,820 | 4,970,820 | 5,065,519 | (94,699) |
| Other Corrections Activities | 106,250 | 106,250 | 53,639 | 52,611 |
| Jail Population Monitor | 45,682 | 53,182 | 54,233 | (1,051) |
| Emergency Services | 200,384 | 294,384 | 292,281 | 2,103 |
| Hazardous Material Handling | 27,200 | 27,200 | 28,128 | (928) |
| Animal Shelter | 338,077 | 338,077 | 333,938 | 4,139 |
| Criminal Justice Training Grant | - | 15,000 | 9,537 | 5,463 |
| Inmate Billing | 137,334 | 117,334 | 104,159 | 13,175 |
| MI Drive Safety Task Force | - | - | 10,035 | (10,035) |
| Spay/Neutering | - | 8,000 | 6,433 | 1,567 |
| Animal Cruelty Custody Program | - | 1,100 | 903 | 197 |
| Party Patrol Grant | - | 8,315 | 9,255 | (940) |
| Sky warn | 1,500 | 1,500 | - | 1,500 |
| | <u>12,589,817</u> | <u>12,519,232</u> | <u>12,626,811</u> | <u>(107,579)</u> |
| Public Works: | | | | |
| Road Commission | 870,292 | 870,292 | 870,292 | - |
| Drains | 100,000 | 114,000 | 110,254 | 3,746 |
| | <u>970,292</u> | <u>984,292</u> | <u>980,546</u> | <u>3,746</u> |
| Health and Welfare: | | | | |
| Mental Health | 955,672 | 955,672 | 955,672 | - |
| Ambulance | 190,670 | 192,670 | 192,651 | 19 |
| Public Guardian | 182,635 | 182,585 | 181,795 | 790 |
| Veterans Burial | 21,300 | 16,300 | 15,980 | 320 |
| Veterans Counselor | 176,340 | 176,140 | 175,434 | 706 |
| Soldiers and Sailors Relief | 1,850 | 850 | - | 850 |
| | <u>1,528,467</u> | <u>1,524,217</u> | <u>1,521,532</u> | <u>2,685</u> |
| Other: | | | | |
| Contingencies | 300,000 | - | - | - |
| Insurance | 1,000,000 | 1,000,000 | 1,001,520 | (1,520) |
| | <u>1,300,000</u> | <u>1,000,000</u> | <u>1,001,520</u> | <u>(1,520)</u> |
| Capital Outlay: | <u>1,004,132</u> | <u>1,561,132</u> | <u>1,685,833</u> | <u>(124,701)</u> |
| Total Expenditures | <u>\$ 39,865,387</u> | <u>\$ 39,335,802</u> | <u>\$ 38,995,742</u> | <u>\$ 340,060</u> |

ST. CLAIR COUNTY, MICHIGAN

GENERAL FUND
 SCHEDULE OF OPERATING TRANSFERS
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Positive (Negative) |
|---------------------------------|---------------------|---------------------|---------------------|---|
| Transfers In: | | | | |
| Family Independence Agency | \$ - | \$ 148,018 | \$ 148,018 | \$ - |
| Health Department | - | 783,966 | 783,966 | - |
| Planning Commission | - | 50,000 | 50,000 | - |
| Public Improvement | 85,642 | 471,284 | 385,642 | (85,642) |
| Park and Recreation | - | 83,658 | 83,658 | - |
| Library | 204,655 | 378,021 | 378,021 | - |
| Drug Task Force | - | 237,797 | 237,797 | - |
| E-911 | - | 350,000 | 345,951 | (4,049) |
| Pension | 53,947 | - | - | - |
| Total | \$ 344,244 | \$ 2,502,744 | \$ 2,413,053 | \$ (89,691) |
| Transfers Out: | | | | |
| Park and Recreation | \$ 116,800 | \$ 116,800 | \$ 116,800 | \$ - |
| Health Department | 2,697,037 | 2,697,037 | 2,697,037 | - |
| Planning Commission | 463,188 | 482,319 | 482,319 | - |
| Library | 378,021 | 378,021 | 378,021 | - |
| CDBG Housing | 10,000 | 10,000 | 10,000 | - |
| Family Independence Agency | 608,250 | 668,250 | 668,250 | - |
| Child Care | 2,427,869 | 3,413,366 | 3,413,366 | - |
| Building Authority Debt | 870,050 | 870,050 | 870,050 | - |
| Building Authority Construction | 200 | 200 | 200 | - |
| Airport | 90,303 | 227,878 | 278,878 | (51,000) |
| Building HVAC Renovation | 68,153 | 68,203 | 68,203 | - |
| Total | \$ 7,729,871 | \$ 8,932,124 | \$ 8,983,124 | \$ (51,000) |

ST. CLAIR COUNTY, MICHIGAN

SPECIAL REVENUE FUND
HEALTH DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| Revenues: | | | | |
| Licenses and permits | \$ - | \$ - | \$ 257,128 | \$ 257,128 |
| Intergovernmental - | | | | |
| Federal/State | 5,065,501 | 5,065,501 | 5,132,148 | 66,647 |
| Local | - | - | 218,677 | 218,677 |
| Charges for services | 1,759,125 | 1,759,125 | 1,247,069 | (512,056) |
| Other | - | - | 89,137 | 89,137 |
| Total Revenues | <u>6,824,626</u> | <u>6,824,626</u> | <u>6,944,159</u> | <u>119,533</u> |
| Expenditures: | | | | |
| Health and Welfare | 10,088,845 | 9,244,879 | 9,021,191 | 223,688 |
| Capital Outlay | 83,401 | 143,401 | 185,267 | (41,866) |
| Total Expenditures | <u>10,172,246</u> | <u>9,388,280</u> | <u>9,206,458</u> | <u>181,822</u> |
| Excess of revenues under expenditures | (3,347,620) | (2,563,654) | (2,262,299) | (62,289) |
| Other Financing Sources (Uses): | | | | |
| Transfers from other funds | 2,697,037 | 2,697,037 | 2,697,037 | - |
| Transfers to other funds | - | (783,966) | (783,966) | - |
| | <u>2,697,037</u> | <u>1,913,071</u> | <u>1,913,071</u> | <u>-</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | (650,583) | (650,583) | (349,228) | 301,355 |
| Fund Balance at beginning of year | <u>1,821,532</u> | <u>1,821,532</u> | <u>1,821,532</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 1,170,949</u> | <u>\$ 1,170,949</u> | <u>\$ 1,472,304</u> | <u>\$ 301,355</u> |

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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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.

DEBT SERVICE FUNDS

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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, 2003**

| | Special Revenue Funds | | | |
|---|-----------------------|--------------------|-----------------------|-------------------------------|
| | Friend of Court | County Planning | Public Improvement | Senior Citizens Millage |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 193,268 | \$ - | \$ 2,190,815 | \$ 936,248 |
| Investments | - | - | - | - |
| Receivables - | | | | |
| Current and delinquent property taxes | - | - | - | 2,508,642 |
| Accounts and interest | 190,289 | 10,000 | - | - |
| Due from other governmental units - | | | | |
| Federal/State | - | 111,834 | - | 33,760 |
| Prepaid expenditures and deposits | - | - | - | - |
| | - | - | - | - |
| Total Assets | \$ 383,557 | \$ 121,834 | \$ 2,190,815 | \$ 3,478,650 |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 1,871 | \$ 50,667 | \$ 159,657 |
| Accrued liabilities | 14,475 | 11,306 | - | - |
| Due to other funds | - | 30,252 | - | - |
| Deferred revenue | - | - | - | 2,664,005 |
| Total Liabilities | 14,475 | 43,429 | 50,667 | 2,823,662 |
| Fund Balance: | | | | |
| Reserved - | | | | |
| Prepaid Expenditures | - | - | - | - |
| Capital Projects | - | - | - | - |
| Permanent Fund | - | - | - | - |
| Unreserved - | | | | |
| Designated - | | | | |
| Special Revenue Funds | - | - | - | 163,000 |
| Debt Services | - | - | - | - |
| Undesignated - Special Revenue Funds | 369,082 | 78,405 | 2,140,148 | 491,988 |
| Total Fund Balance | 369,082 | 78,405 | 2,140,148 | 654,988 |
| Total Liabilities and Fund Balance | \$ 383,557 | \$ 121,834 | \$ 2,190,815 | \$ 3,478,650 |

Special Revenue Funds

| <u>Drug Task Force</u> | <u>Parks and Recreation</u> | <u>Substance Abuse</u> | <u>County Library</u> | <u>CDBG Housing</u> | <u>HUD Housing</u> | <u>Family Independence Agency</u> |
|----------------------------|---------------------------------|----------------------------|---------------------------|-------------------------|------------------------|---|
| \$ 778,064 | \$ 3,965,198 | \$ 331,544 | \$ 1,911,633 | \$ 258,855 | \$ - | \$ 160,645 |
| - | - | - | - | - | 100,000 | - |
| 1,408,465 | 2,485,963 | - | 2,500,798 | - | - | - |
| 15,318 | 417 | - | 21,185 | 658,848 | 368,788 | - |
| 18,940 | 33,463 | 303,843 | 33,761 | - | - | 98,273 |
| - | 285,373 | - | - | - | - | - |
| <u>\$ 2,220,787</u> | <u>\$ 6,770,414</u> | <u>\$ 635,387</u> | <u>\$ 4,467,377</u> | <u>\$ 917,703</u> | <u>\$ 468,788</u> | <u>\$ 258,918</u> |
| | | | | | | |
| \$ 29,962 | \$ 36,647 | \$ 36,691 | \$ 66,420 | \$ 2,061 | \$ - | \$ - |
| 26,471 | 11,082 | - | 71,234 | - | - | 445 |
| - | - | 81,235 | - | - | 4,689 | - |
| 1,495,450 | 2,639,932 | - | 3,078,953 | 658,848 | 368,788 | - |
| <u>1,551,883</u> | <u>2,687,661</u> | <u>117,926</u> | <u>3,216,607</u> | <u>660,909</u> | <u>373,477</u> | <u>445</u> |
| | | | | | | |
| - | 285,373 | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 92,000 | 3,334,927 | - | 163,000 | - | - | - |
| - | - | - | - | - | - | - |
| 576,904 | 462,453 | 517,461 | 1,087,770 | 256,794 | 95,311 | 258,473 |
| <u>668,904</u> | <u>4,082,753</u> | <u>517,461</u> | <u>1,250,770</u> | <u>256,794</u> | <u>95,311</u> | <u>258,473</u> |
| | | | | | | |
| <u>\$ 2,220,787</u> | <u>\$ 6,770,414</u> | <u>\$ 635,387</u> | <u>\$ 4,467,377</u> | <u>\$ 917,703</u> | <u>\$ 468,788</u> | <u>\$ 258,918</u> |

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

Special Revenue Funds

| | <u>Child Care</u> | <u>Veterans' Trust</u> | <u>E - 911</u> | <u>Deeds Automation</u> |
|---|-----------------------|----------------------------|-------------------|-----------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 382,679 | \$ 7,992 | \$ 491,727 | \$ 86,344 |
| Investments | - | - | - | - |
| Receivables - | | | | |
| Current and delinquent property taxes | - | - | - | - |
| Accounts and interest | 4,646 | - | - | - |
| Due from other governmental units - | | | | |
| Federal/State | - | - | - | - |
| Prepaid expenditures and deposits | - | - | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 387,325</u> | <u>\$ 7,992</u> | <u>\$ 491,727</u> | <u>\$ 86,344</u> |
| LIABILITIES AND FUND BALANCE | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 113,602 | \$ 496 | \$ - | \$ - |
| Accrued liabilities | 60,566 | - | - | 8,454 |
| Due to other funds | - | - | - | - |
| Deferred revenue | - | - | - | - |
| Total Liabilities | <u>174,168</u> | <u>496</u> | <u>-</u> | <u>8,454</u> |
| Fund Balance: | | | | |
| Reserved - | | | | |
| Prepaid Expenditures | - | - | - | - |
| Capital Projects | - | - | - | - |
| Permanent Fund | - | - | - | - |
| Unreserved - | | | | |
| Designated - | | | | |
| Special Revenue Funds | - | - | - | - |
| Debt Services | - | - | - | - |
| Undesignated - Special Revenue Funds | 213,157 | 7,496 | 491,727 | 77,890 |
| Total Fund Balance | <u>213,157</u> | <u>7,496</u> | <u>491,727</u> | <u>77,890</u> |
| Total Liabilities and Fund Balance | <u>\$ 387,325</u> | <u>\$ 7,992</u> | <u>\$ 491,727</u> | <u>\$ 86,344</u> |

| Debt Service Funds | | | Capital Projects Funds | | Permanent Fund | Total |
|--------------------------|--------------------|------------------------|------------------------|--------------------|--------------------------|----------------------|
| Building HVAC Renovation | Building Authority | Jail/Juvenile Facility | Municipal Building | Building Authority | Lewis Memorial Endowment | |
| \$ 8,516 | \$ 175 | \$ 3,483,608 | \$ 161,971 | \$ 757 | \$ 3,799 | \$ 15,353,838 |
| - | - | - | - | - | 18,050 | 118,050 |
| - | - | - | - | - | - | 8,903,868 |
| - | - | - | 470 | - | - | 1,269,961 |
| - | - | - | - | - | - | 633,874 |
| - | - | - | - | - | - | 285,373 |
| <u>\$ 8,516</u> | <u>\$ 175</u> | <u>\$ 3,483,608</u> | <u>\$ 162,441</u> | <u>\$ 757</u> | <u>\$ 21,849</u> | <u>\$ 26,564,964</u> |
| \$ - | \$ - | \$ - | \$ 2,090 | \$ - | \$ - | \$ 500,164 |
| - | - | - | - | - | - | 204,033 |
| - | - | - | - | - | - | 116,176 |
| - | - | - | - | - | - | 10,905,976 |
| - | - | - | 2,090 | - | - | 11,726,349 |
| - | - | - | - | - | - | 285,373 |
| - | - | - | 160,351 | 757 | - | 161,108 |
| - | - | - | - | - | 21,849 | 21,849 |
| - | - | - | - | - | - | 3,752,927 |
| 8,516 | 175 | 3,483,608 | - | - | - | 3,492,299 |
| - | - | - | - | - | - | 7,125,059 |
| <u>8,516</u> | <u>175</u> | <u>3,483,608</u> | <u>160,351</u> | <u>757</u> | <u>21,849</u> | <u>14,838,615</u> |
| <u>\$ 8,516</u> | <u>\$ 175</u> | <u>\$ 3,483,608</u> | <u>\$ 162,441</u> | <u>\$ 757</u> | <u>\$ 21,849</u> | <u>\$ 26,564,964</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, 2003**

| | Special Revenue Funds | | | |
|--|-----------------------|--------------------|-----------------------|-------------------------------|
| | Friend of Court | County Planning | Public Improvement | Senior Citizens Millage |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 2,522,451 |
| Intergovernmental - | | | | |
| Federal/State | 313,750 | 299,845 | 68,886 | 33,760 |
| Local | - | - | - | - |
| Charges for services | 15,010 | 7,921 | - | 2,160 |
| Fines and forfeits | - | - | - | - |
| Interest and rent | 9,586 | - | - | 17,129 |
| Other | - | 12 | 21,450 | - |
| Total Revenues | 338,346 | 307,778 | 90,336 | 2,575,500 |
| Expenditures: | | | | |
| Current - | | | | |
| Judicial | 538,154 | - | - | - |
| General Government | - | - | - | - |
| Public Safety | - | 723,323 | 407,549 | - |
| Health and Welfare | - | - | - | 2,600,978 |
| Recreation and Cultural | - | - | - | - |
| Capital Outlay | - | - | 669,718 | - |
| Debit Service | | | | |
| Principal | - | - | - | - |
| Interest and charges | - | - | - | - |
| Total Expenditures | 538,154 | 723,323 | 1,077,267 | 2,600,978 |
| Excess of revenues over (under) expenditures | (199,808) | (415,545) | (986,931) | (25,478) |
| Other Financing Sources (Uses): | | | | |
| Proceed from sale of bond | - | - | - | - |
| Transfers from other funds | - | 482,319 | - | - |
| Transfers to other funds | - | (50,000) | (1,352,407) | - |
| Total Other Financing Sources (Uses) | - | 432,319 | (1,352,407) | - |
| Excess of revenues and other sources over (under) expenditures and other uses | (199,808) | 16,774 | (2,339,338) | (25,478) |
| Fund Balances at beginning of year | 568,890 | 61,631 | 4,479,486 | 680,466 |
| Fund Balances at end of year | \$ 369,082 | \$ 78,405 | \$ 2,140,148 | \$ 654,988 |

Special Revenue Funds

| Drug Task Force | Parks and Recreation | Substance Abuse | County Library | CDBG Housing | HUD Housing | Family Independence Agency |
|--------------------|-------------------------|--------------------|---------------------|-------------------|------------------|----------------------------------|
| \$ 1,414,943 | \$ 2,500,189 | \$ - | \$ 2,522,373 | \$ - | \$ - | \$ - |
| 45,938 | 46,263 | 303,843 | 233,282 | 43,603 | - | 679,120 |
| - | - | - | 4,000 | - | - | - |
| - | 50,324 | - | 39,463 | 2,969 | - | - |
| 186,879 | - | - | 880,042 | - | - | - |
| 398 | 64,275 | 5,515 | 94,531 | 3,197 | - | - |
| 70,123 | 71,809 | - | 19,633 | 62,493 | 25,025 | 113,238 |
| <u>1,718,281</u> | <u>2,732,860</u> | <u>309,358</u> | <u>3,793,324</u> | <u>112,262</u> | <u>25,025</u> | <u>792,358</u> |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| 1,297,601 | - | - | - | - | - | - |
| - | - | 372,236 | - | 58,131 | 29,714 | 1,355,860 |
| - | 1,377,235 | - | 2,986,719 | - | - | - |
| 286,136 | 929,058 | - | 666,511 | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>1,583,737</u> | <u>2,306,293</u> | <u>372,236</u> | <u>3,653,230</u> | <u>58,131</u> | <u>29,714</u> | <u>1,355,860</u> |
| 134,544 | 426,567 | (62,878) | 140,094 | 54,131 | (4,689) | (563,502) |
| - | - | - | - | - | - | - |
| - | 116,800 | - | 378,021 | 10,000 | 100,000 | 668,250 |
| <u>(237,797)</u> | <u>(83,658)</u> | <u>-</u> | <u>(378,021)</u> | <u>(100,000)</u> | <u>-</u> | <u>(148,018)</u> |
| <u>(237,797)</u> | <u>33,142</u> | <u>-</u> | <u>-</u> | <u>(90,000)</u> | <u>100,000</u> | <u>520,232</u> |
| (103,253) | 459,709 | (62,878) | 140,094 | (35,869) | 95,311 | (43,270) |
| <u>772,157</u> | <u>3,623,044</u> | <u>580,339</u> | <u>1,110,676</u> | <u>292,663</u> | <u>-</u> | <u>301,743</u> |
| <u>\$ 668,904</u> | <u>\$ 4,082,753</u> | <u>\$ 517,461</u> | <u>\$ 1,250,770</u> | <u>\$ 256,794</u> | <u>\$ 95,311</u> | <u>\$ 258,473</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, 2003**

| | Special Revenue Funds | | | |
|--|-----------------------|--------------------|-------------------|---------------------|
| | Child Care | Veterans' Trust | E - 911 | Deeds Automation |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental - | | | | |
| Federal/State | 655,116 | 22,269 | - | - |
| Local | - | - | - | - |
| Charges for services | 119,629 | - | 494,918 | 267,874 |
| Fines and forfeits | - | - | - | - |
| Interest and rent | - | - | - | 540 |
| Other | 1,129 | - | - | - |
| Total Revenues | <u>775,874</u> | <u>22,269</u> | <u>494,918</u> | <u>268,414</u> |
| Expenditures: | | | | |
| Current - | | | | |
| Judicial | - | - | - | - |
| General Government | - | - | - | 129,888 |
| Public Safety | - | - | - | - |
| Health and Welfare | 3,973,566 | 19,227 | - | - |
| Recreation and Cultural | - | - | - | - |
| Capital Outlay | 2,701 | - | - | 60,636 |
| Debit Service | | | | |
| Principal | - | - | - | - |
| Interest and charges | - | - | - | - |
| Total Expenditures | <u>3,976,267</u> | <u>19,227</u> | <u>-</u> | <u>190,524</u> |
| Excess of revenues over (under) expenditures | <u>(3,200,393)</u> | <u>3,042</u> | <u>494,918</u> | <u>77,890</u> |
| Other Financing Sources (Uses): | | | | |
| Proceed from sale of bond | - | - | - | - |
| Transfers from other funds | 3,413,366 | - | - | - |
| Transfers to other funds | - | - | (345,951) | - |
| Total Other Financing Sources (Uses) | <u>3,413,366</u> | <u>-</u> | <u>(345,951)</u> | <u>-</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 212,973 | 3,042 | 148,967 | 77,890 |
| Fund Balances at beginning of year | <u>184</u> | <u>4,454</u> | <u>342,760</u> | <u>-</u> |
| Fund Balances at end of year | <u>\$ 213,157</u> | <u>\$ 7,496</u> | <u>\$ 491,727</u> | <u>\$ 77,890</u> |

| Debt Service Funds | | | Capital Projects Funds | | Permanent Fund | Total |
|--------------------------|--------------------|------------------------|------------------------|--------------------|--------------------------|---------------|
| Building HVAC Renovation | Building Authority | Jail/Juvenile Facility | Municipal Building | Building Authority | Lewis Memorial Endowment | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,959,956 |
| - | - | - | - | - | - | 2,745,675 |
| - | - | - | - | - | - | 4,000 |
| - | - | - | - | - | - | 1,000,268 |
| - | - | - | 95,375 | - | - | 1,162,296 |
| - | - | 11,293 | - | - | 503 | 206,967 |
| - | - | - | - | - | - | 384,912 |
| - | - | 11,293 | 95,375 | - | 503 | 14,464,074 |
| - | - | - | - | - | - | 538,154 |
| - | - | - | - | - | - | 129,888 |
| - | - | - | - | - | - | 2,428,473 |
| - | - | - | - | - | - | 8,409,712 |
| - | - | - | - | - | - | 4,363,954 |
| - | - | - | 38,552 | 161 | - | 2,653,473 |
| 63,000 | 300,000 | 3,000,000 | - | - | - | 3,363,000 |
| 5,203 | 570,375 | 591,825 | - | - | - | 1,167,403 |
| 68,203 | 870,375 | 3,591,825 | 38,552 | 161 | - | 23,054,057 |
| (68,203) | (870,375) | (3,580,532) | 56,823 | (161) | 503 | (8,589,983) |
| - | - | 3,000,000 | - | - | - | 3,000,000 |
| 68,203 | 870,550 | - | - | 200 | - | 6,107,709 |
| - | - | - | - | (500) | - | (2,696,352) |
| 68,203 | 870,550 | 3,000,000 | - | (300) | - | 6,411,357 |
| - | 175 | (580,532) | 56,823 | (461) | 503 | (2,178,626) |
| 8,516 | - | 4,064,140 | 103,528 | 1,218 | 21,346 | 17,017,241 |
| \$ 8,516 | \$ 175 | \$ 3,483,608 | \$ 160,351 | \$ 757 | \$ 21,849 | \$ 14,838,615 |

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, 2003

| | Amended Budget | Actual | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| FRIEND OF COURT | | | |
| Revenues: | | | |
| Intergovernmental - Federal/State | \$ 318,061 | \$ 313,750 | \$(4,311) |
| Charges for services | 13,680 | 15,010 | 1,330 |
| Interest and rent | 12,000 | 9,586 | (2,414) |
| Total Revenues | <u>343,741</u> | <u>338,346</u> | <u>(5,395)</u> |
| Expenditures: | | | |
| Judicial | <u>550,355</u> | <u>538,154</u> | <u>12,201</u> |
| Excess of revenues over (under) expenditures | (206,614) | (199,808) | 6,806 |
| Fund Balance at beginning of year | <u>568,890</u> | <u>568,890</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 362,276</u> | <u>\$ 369,082</u> | <u>\$ 6,806</u> |

COUNTY PLANNING

| | | | |
|--|------------------|------------------|------------------|
| Revenues: | | | |
| Intergovernmental - Federal/State | \$ 215,000 | \$ 299,845 | \$ 84,845 |
| Charges for services | 8,500 | 7,921 | (579) |
| Other | - | 12 | 12 |
| Total Revenues | <u>223,500</u> | <u>307,778</u> | <u>84,278</u> |
| Expenditures: | | | |
| Public Safety | <u>705,819</u> | <u>723,323</u> | <u>(17,504)</u> |
| Excess of revenues under expenditures | (482,319) | (415,545) | <u>66,774</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 482,319 | 482,319 | - |
| Transfers to other funds | (50,000) | (50,000) | - |
| Total Other Financing Sources and Uses | <u>432,319</u> | <u>432,319</u> | <u>-</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | (50,000) | 16,774 | 66,774 |
| Fund Balance at beginning of year | <u>61,631</u> | <u>61,631</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 11,631</u> | <u>\$ 78,405</u> | <u>\$ 66,774</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, 2003**

| | <u>Amended Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|---------------------------|---------------------|------------------------------------|
| PUBLIC IMPROVEMENT | | | |
| Revenues: | | | |
| Intergovernmental - | | | |
| Federal/State | \$ 111,786 | \$ 68,886 | \$(42,900) |
| Other | - | 21,450 | 21,450 |
| Total Revenues | <u>111,786</u> | <u>90,336</u> | <u>(21,450)</u> |
| Expenditures: | | | |
| Public Safety | 350,000 | 407,549 | (57,549) |
| Capital Outlay | 1,250,000 | 669,718 | 580,282 |
| Total Expenditures | <u>1,600,000</u> | <u>1,077,267</u> | <u>522,733</u> |
| Excess of revenues under expenditures | (1,488,214) | (986,931) | 501,283 |
| Other Financing (Uses): | | | |
| Transfers to other funds | <u>(1,352,407)</u> | <u>(1,352,407)</u> | <u>-</u> |
| Excess of revenues over (under) expenditures and other uses | (2,840,621) | (2,339,338) | 501,283 |
| Fund Balance at beginning of year | <u>4,479,486</u> | <u>4,479,486</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 1,638,865</u> | <u>\$ 2,140,148</u> | <u>\$ 501,283</u> |

SENIOR CITIZENS MILLAGE

| | | | |
|---|-------------------|-------------------|-------------------|
| Revenues: | | | |
| Taxes | \$ 2,492,513 | \$ 2,522,451 | \$ 29,938 |
| Intergovernmental - | | | |
| Federal/State | 35,000 | 33,760 | (1,240) |
| Charges for services | - | 2,160 | 2,160 |
| Interest and rent | 15,000 | 17,129 | 2,129 |
| Total Revenues | <u>2,542,513</u> | <u>2,575,500</u> | <u>32,987</u> |
| Expenditures: | | | |
| Health and Welfare | <u>2,853,210</u> | <u>2,600,978</u> | <u>252,232</u> |
| Excess of revenues over (under) expenditures | (310,697) | (25,478) | 285,219 |
| Fund Balance at beginning of year | <u>680,466</u> | <u>680,466</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 369,769</u> | <u>\$ 654,988</u> | <u>\$ 285,219</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, 2003**

| | <u>Amended Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------------------|-------------------|------------------------------------|
| DRUG TASK FORCE | | | |
| Revenues: | | | |
| Taxes | \$ 1,401,772 | \$ 1,414,943 | \$ 13,171 |
| Intergovernmental - | | | |
| Federal/State | 20,020 | 45,938 | 25,918 |
| Fines and forfeits | 180,000 | 186,879 | 6,879 |
| Interest and rent | - | 398 | 398 |
| Other | 65,000 | 70,123 | 5,123 |
| Total Revenues | <u>1,666,792</u> | <u>1,718,281</u> | <u>51,489</u> |
| Expenditures: | | | |
| Public Safety | 1,272,244 | 1,297,601 | (25,357) |
| Capital Outlay | 257,400 | 286,136 | (28,736) |
| Total Expenditures | <u>1,529,644</u> | <u>1,583,737</u> | <u>(54,093)</u> |
| Excess of revenues over (under) expenditures | 137,148 | 134,544 | (2,604) |
| Other Financing (Uses): | | | |
| Transfers to other funds | <u>(33,142)</u> | <u>(237,797)</u> | <u>(204,655)</u> |
| Excess of revenues over (under) expenditures and other uses | 104,006 | (103,253) | (207,259) |
| Fund Balance at beginning of year | <u>772,157</u> | <u>772,157</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 876,163</u> | <u>\$ 668,904</u> | <u>\$(207,259)</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, 2003

| | Amended Budget | Actual | Variance Positive (Negative) |
|--|---------------------|---------------------|------------------------------------|
| PARKS AND RECREATION | | | |
| Revenues: | | | |
| Taxes | \$ 2,495,000 | \$ 2,500,189 | \$ 5,189 |
| Intergovernmental - Federal/State | 50,800 | 46,263 | (4,537) |
| Charges for services | 39,000 | 50,324 | 11,324 |
| Interest and rent | 60,450 | 64,275 | 3,825 |
| Other | 66,900 | 71,809 | 4,909 |
| Total Revenues | <u>2,712,150</u> | <u>2,732,860</u> | <u>20,710</u> |
| Expenditures: | | | |
| Recreation and Cultural | 1,385,200 | 1,377,235 | 7,965 |
| Capital Outlay | 1,155,671 | 929,058 | 226,613 |
| Total Expenditures | <u>2,540,871</u> | <u>2,306,293</u> | <u>234,578</u> |
| Excess of revenues over expenditures | <u>171,279</u> | <u>426,567</u> | <u>255,288</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 116,800 | 116,800 | - |
| Transfers to other funds | (83,700) | (83,658) | 42 |
| Total Other Financing Sources and Uses | <u>33,100</u> | <u>33,142</u> | <u>42</u> |
| Excess of revenues and other sources over expenditures and other uses | 204,379 | 459,709 | 255,330 |
| Fund Balance at beginning of year | <u>3,623,044</u> | <u>3,623,044</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 3,827,423</u> | <u>\$ 4,082,753</u> | <u>\$ 255,330</u> |

SUBSTANCE ABUSE

| | | | |
|--|-------------------|-------------------|--------------------|
| Revenues: | | | |
| Intergovernmental - Federal/State | \$ 290,825 | \$ 303,843 | \$ 13,018 |
| Interest and rent | - | 5,515 | 5,515 |
| Total Revenues | <u>290,825</u> | <u>309,358</u> | <u>18,533</u> |
| Expenditures: | | | |
| Health and Welfare | <u>290,825</u> | <u>372,236</u> | <u>(81,411)</u> |
| Excess of revenues over (under) expenditures | - | (62,878) | (62,878) |
| Fund Balance at beginning of year | <u>580,339</u> | <u>580,339</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 580,339</u> | <u>\$ 517,461</u> | <u>\$(62,878)</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, 2003

| | Amended Budget | Actual | Variance Positive (Negative) |
|--|-------------------|---------------------|------------------------------------|
| COUNTY LIBRARY | | | |
| Revenues: | | | |
| Taxes | \$ 2,595,908 | \$ 2,522,373 | \$(73,535) |
| Intergovernmental - | | | |
| Federal/State | 234,606 | 233,282 | (1,324) |
| Local | 8,000 | 4,000 | (4,000) |
| Charges for services | 29,928 | 39,463 | 9,535 |
| Fines and forfeits | 841,364 | 880,042 | 38,678 |
| Interest and rent | 73,563 | 94,531 | 20,968 |
| Other | 16,175 | 19,633 | 3,458 |
| Total Revenues | <u>3,799,544</u> | <u>3,793,324</u> | <u>(6,220)</u> |
| Expenditures: | | | |
| Recreation and Cultural | 3,203,575 | 2,986,719 | 216,856 |
| Capital Outlay | 767,412 | 666,511 | 100,901 |
| Total Expenditures | <u>3,970,987</u> | <u>3,653,230</u> | <u>317,757</u> |
| Excess of revenues over (under) expenditures | <u>(171,443)</u> | <u>140,094</u> | <u>311,537</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 378,021 | 378,021 | - |
| Transfers to other funds | <u>(378,021)</u> | <u>(378,021)</u> | <u>-</u> |
| Total Other Financing Sources and Uses | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | <u>(171,443)</u> | <u>140,094</u> | <u>311,537</u> |
| Fund Balance at beginning of year | <u>1,110,676</u> | <u>1,110,676</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 939,233</u> | <u>\$ 1,250,770</u> | <u>\$ 311,537</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, 2003**

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|-------------------|---|
| CDBG HOUSING | | | |
| Revenues: | | | |
| Intergovernmental - | | | |
| Federal/State | \$ 192,000 | \$ 43,603 | \$(148,397) |
| Charges for services | 3,000 | 2,969 | (31) |
| Interest | 1,800 | 3,197 | 1,397 |
| Other | 50,000 | 62,493 | 12,493 |
| Total Revenues | <u>246,800</u> | <u>112,262</u> | <u>(134,538)</u> |
| Expenditures: | | | |
| Health and Welfare | <u>256,800</u> | <u>58,131</u> | <u>198,669</u> |
| Excess of revenues over (under) expenditures | <u>(10,000)</u> | <u>54,131</u> | <u>64,131</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 10,000 | 10,000 | - |
| Transfers to other funds | - | (100,000) | (100,000) |
| Total Other Financing Sources and Uses | <u>10,000</u> | <u>(90,000)</u> | <u>(100,000)</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | - | (35,869) | (35,869) |
| Fund Balance at beginning of year | <u>292,663</u> | <u>292,663</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 292,663</u> | <u>\$ 256,794</u> | <u>\$(35,869)</u> |

HUD HOUSING

| | | | |
|---|------------------|------------------|------------------|
| Revenues: | | | |
| Other | \$ 50,000 | \$ 25,025 | \$(24,975) |
| Expenditures: | | | |
| Health and Welfare | <u>-</u> | <u>29,714</u> | <u>(29,714)</u> |
| Excess of revenues over (under) expenditures | 50,000 | (4,689) | (54,689) |
| Other Financing Sources: | | | |
| Transfers from other funds | <u>10,000</u> | <u>100,000</u> | <u>90,000</u> |
| Excess of revenues and other sources over (under) expenditures | 60,000 | 95,311 | 35,311 |
| Fund Balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 60,000</u> | <u>\$ 95,311</u> | <u>\$ 35,311</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, 2003**

| | <u>Amended Budget</u> | <u>Actual</u> | Variance Positive (Negative) |
|--|---------------------------|-------------------|------------------------------------|
| FAMILY INDEPENDENCE AGENCY | | | |
| Revenues: | | | |
| Intergovernmental - Federal/State | \$ 1,005,518 | \$ 679,120 | \$(326,398) |
| Other | 11,500 | 113,238 | 101,738 |
| Total Revenues | <u>1,017,018</u> | <u>792,358</u> | <u>(224,660)</u> |
| Expenditures: | | | |
| Health and Welfare | <u>1,533,750</u> | <u>1,355,860</u> | <u>177,890</u> |
| Excess of revenues under expenditures | <u>(516,732)</u> | <u>(563,502)</u> | <u>(46,770)</u> |
| Other Financing Sources (Uses): | | | |
| Transfers from other funds | 668,250 | 668,250 | - |
| Transfers to other funds | <u>(148,018)</u> | <u>(148,018)</u> | <u>-</u> |
| Total Other Financing Sources and Uses | <u>520,232</u> | <u>520,232</u> | <u>-</u> |
| Excess of revenues and other sources over (under) expenditures and other uses | 3,500 | <u>(43,270)</u> | <u>(46,770)</u> |
| Fund Balance at beginning of year | <u>301,743</u> | <u>301,743</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 305,243</u> | <u>\$ 258,473</u> | <u>\$(46,770)</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, 2003

| | Amended Budget | Actual | Variance Positive (Negative) |
|---|-------------------|-------------------|------------------------------------|
| CHILD CARE | | | |
| Revenues: | | | |
| Intergovernmental - | | | |
| Federal/State | \$ 683,000 | \$ 655,116 | \$(27,884) |
| Charges for services | 129,000 | 119,629 | (9,371) |
| Other | 19,000 | 1,129 | (17,871) |
| Total Revenues | <u>831,000</u> | <u>775,874</u> | <u>(55,126)</u> |
| Expenditures: | | | |
| Health and Welfare | 4,137,466 | 3,973,566 | 163,900 |
| Capital Outlay | 6,900 | 2,701 | 4,199 |
| Total Expenditures | <u>4,144,366</u> | <u>3,976,267</u> | <u>168,099</u> |
| Excess of revenues under expenditures | (3,313,366) | (3,200,393) | 112,973 |
| Other Financing Sources: | | | |
| Transfers from other funds | <u>3,413,366</u> | <u>3,413,366</u> | <u>-</u> |
| Excess of revenues and other sources over expenditures | 100,000 | 212,973 | 112,973 |
| Fund Balance at beginning of year | <u>184</u> | <u>184</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 100,184</u> | <u>\$ 213,157</u> | <u>\$ 112,973</u> |

VETERANS' TRUST

| | | | |
|--|-----------------|-----------------|-----------------|
| Revenues: | | | |
| Intergovernmental - | | | |
| Federal/State | \$ 30,000 | \$ 22,269 | \$(7,731) |
| Expenditures: | | | |
| Health and Welfare | <u>30,000</u> | <u>19,227</u> | <u>10,773</u> |
| Excess of revenues under expenditures | - | 3,042 | 3,042 |
| Fund Balance at beginning of year | <u>4,454</u> | <u>4,454</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ 4,454</u> | <u>\$ 7,496</u> | <u>\$ 3,042</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, 2003**

| | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance Positive (Negative)</u> |
|--|---------------------------|--------------------------|---|
| E - 911 | | | |
| Revenues: | | | |
| Charges for Services | \$ 425,000 | \$ 494,918 | \$ 69,918 |
| Expenditures: | | | |
| Public Safety | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues over expenditures | 425,000 | 494,918 | 69,918 |
| Other Financing (Uses) : | | | |
| Transfers to other funds | <u>(425,000)</u> | <u>(345,951)</u> | <u>79,049</u> |
| Excess of revenues over (under) expenditures and other uses | - | 148,967 | 148,967 |
| Fund Balance at beginning of year | <u>342,760</u> | <u>342,760</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 342,760</u></u> | <u><u>\$ 491,727</u></u> | <u><u>\$ 148,967</u></u> |

DEEDS AUTOMATION

| | | | |
|---|-------------------------|-------------------------|-------------------------|
| Revenues: | | | |
| Charges for Services | \$ 239,500 | \$ 267,874 | \$ 28,374 |
| Interest | 500 | 540 | 40 |
| Total Revenues | <u>240,000</u> | <u>268,414</u> | <u>28,414</u> |
| Expenditures: | | | |
| General Government | 123,000 | 129,888 | (6,888) |
| Capital Outlay | <u>77,000</u> | <u>60,636</u> | <u>16,364</u> |
| | <u>200,000</u> | <u>190,524</u> | <u>9,476</u> |
| Excess of revenues over expenditures | 40,000 | 77,890 | 37,890 |
| Fund Balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance at end of year | <u><u>\$ 40,000</u></u> | <u><u>\$ 77,890</u></u> | <u><u>\$ 37,890</u></u> |

Concluded

NONMAJOR ENTERPRISE FUNDS

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NON-MAJOR ENTERPRISE FUNDS

ENTERPRISE FUNDS

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

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

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

ST. CLAIR COUNTY, MICHIGAN
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2003

| | Airport Commission | Sheriff's Concession | Total |
|--|-----------------------|-------------------------|--------------|
| ASSETS: | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 64,562 | \$ 152,861 | \$ 217,423 |
| Accounts receivable | | | |
| Interest and accounts | 4,727 | 3,853 | 8,580 |
| Due from other funds | - | 10,384 | 10,384 |
| Prepaid expenses | 89,017 | - | 89,017 |
| Total Current Assets | 158,306 | 167,098 | 325,404 |
| Property, Plant and Equipment: | | | |
| Property, plant and equipment | 10,545,355 | 12,365 | 10,557,720 |
| Less - accumulated depreciation | (6,755,981) | (12,365) | (6,768,346) |
| Total Property, Plant and Equipment (net of accumulated depreciation) | 3,789,374 | - | 3,789,374 |
| Total Assets | 3,947,680 | 167,098 | 4,114,778 |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| Accounts payable | 20,811 | 8,616 | 29,427 |
| Accrued expenses | 4,949 | 258 | 5,207 |
| Advances and deposits | 28,923 | - | 28,923 |
| Advances from component units | 89,281 | - | 89,281 |
| Total Current Liabilities | 143,964 | 8,874 | 152,838 |
| Long-Term Liabilities: | | | |
| Accrued vacation and sick (less current portion) | 13,949 | - | 13,949 |
| Total Liabilities | 157,913 | 8,874 | 166,787 |
| NET ASSETS: | | | |
| Invested in capital assets, net of related debt | 3,789,374 | - | 3,789,374 |
| Unrestricted | 393 | 158,224 | 158,617 |
| Total Net Assets | \$ 3,789,767 | \$ 158,224 | \$ 3,947,991 |

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | <u>Airport Commission</u> | <u>Sheriff's Concession</u> | <u>Total</u> |
|---------------------------------------|-------------------------------|---------------------------------|---------------------|
| Operating Revenues: | | | |
| Charges for services | \$ 46,339 | \$ 101,489 | \$ 147,828 |
| Interest and rents | 114,048 | - | 114,048 |
| Other | 12,892 | 2,632 | 15,524 |
| Total Operating Revenues | <u>173,279</u> | <u>104,121</u> | <u>277,400</u> |
| Operating Expenses: | | | |
| Personal services | 216,375 | 48,048 | 264,423 |
| Supplies | 48,285 | 79,406 | 127,691 |
| Other services | 117,679 | 14,799 | 132,478 |
| Depreciation | 308,854 | - | 308,854 |
| Total Operating Expenses | <u>691,193</u> | <u>142,253</u> | <u>833,446</u> |
| Net Income (Loss) Before Contribution | (517,914) | (38,132) | (556,046) |
| Capital Contribution | | | |
| Fed/State | <u>894,259</u> | <u>-</u> | <u>894,259</u> |
| Net Income (Loss) Before Transfers | 376,345 | (38,132) | 338,213 |
| Transfers In : | | | |
| Transfers from other funds | <u>1,245,643</u> | <u>-</u> | <u>1,245,643</u> |
| Change in Net Assets | 1,621,988 | (38,132) | 1,583,856 |
| Net Assets at beginning of year | <u>2,167,779</u> | <u>196,356</u> | <u>2,364,135</u> |
| Net Assets at end of year | <u>\$ 3,789,767</u> | <u>\$ 158,224</u> | <u>\$ 3,947,991</u> |

ST. CLAIR COUNTY, MICHIGAN

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003

| | <u>Airport Commission</u> | <u>Sheriff's Concession</u> | <u>Total</u> |
|---|-------------------------------|---------------------------------|---------------------|
| Cash Flows From Operating Activities: | | | |
| Cash receipts from customers | \$ 183,983 | \$ 100,268 | \$ 284,251 |
| Cash payments to suppliers | (101,103) | (72,274) | (173,377) |
| Cash payments to employees | (210,052) | (48,356) | (258,408) |
| Net Cash Provided (Used) by Operating Activities | <u>(127,172)</u> | <u>(20,362)</u> | <u>(147,534)</u> |
| Cash Flows From Noncapital Financing Activities: | | | |
| Operating transfers from (to) other funds | 1,245,643 | - | 1,245,643 |
| Net Cash Provided by Noncapital Financing Activities | <u>1,245,643</u> | <u>-</u> | <u>1,245,643</u> |
| Cash Flows From Capital and Related Financing Activities: | | | |
| Capital contributions | 894,259 | - | 894,259 |
| Acquisition and construction of capital assets | (1,984,341) | - | (1,984,341) |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,090,082)</u> | <u>-</u> | <u>(1,090,082)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents for the year | 28,389 | (20,362) | 8,027 |
| Cash and Cash Equivalents at Beginning of Year | <u>36,173</u> | <u>173,223</u> | <u>209,396</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 64,562</u> | <u>\$ 152,861</u> | <u>\$ 217,423</u> |
| Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities: | | | |
| Operating income (loss) for the year | \$(517,914) | \$(38,132) | \$(556,046) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities - | | | |
| Depreciation | 308,854 | - | 308,854 |
| Change in assets and liabilities: | | | |
| Accounts receivable | 1,671 | (3,853) | (2,182) |
| Prepays and deposits | 99,915 | - | 99,915 |
| Inventory | - | 16,447 | 16,447 |
| Accounts payable | (34,647) | 5,484 | (29,163) |
| Accrued expenses | 6,323 | (308) | 6,015 |
| Due to component units | (407) | - | (407) |
| Advances and deposits | 9,033 | - | 9,033 |
| Net Cash Provided (Used) By Operating Activities | <u>\$(127,172)</u> | <u>\$(20,362)</u> | <u>\$(147,534)</u> |

FIDUCIARY FUNDS

FIDUCIARY FUNDS

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

Pension Trust Funds –

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

Agency Funds –

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

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

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

ST. CLAIR COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
DECEMBER 31, 2003

ASSETS:

| | |
|----------------------------|--------------------|
| Cash and cash equivalents | \$ 5,152,525 |
| Investments, at fair value | |
| U.S. Government Securities | 8,356,363 |
| Corporate Bonds | 72,486,072 |
| Stocks | 89,993,902 |
| Total Investments | <u>170,836,337</u> |
| Receivables - | |
| Securities sold | 88,610 |
| Interest and dividends | 1,023,271 |
| | <u>1,111,881</u> |
| Prepayments | <u>439,807</u> |
| Total Assets | <u>177,540,550</u> |

LIABILITIES:

| | |
|------------------------|----------------|
| Accounts payable | \$ 121,433 |
| Due to former employee | 63,120 |
| Total Liabilities | <u>184,553</u> |

NET ASSETS:

| | |
|---|-----------------------|
| Net assets held in trust for pension benefits | <u>\$ 177,355,997</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, 2003

| | Net Assets Held in Trust | | | | Total |
|--|--------------------------|------------------------|----------------------|----------------------|----------------------|
| | Member Contributions | Employer Contributions | Pension Payments | Health Care | |
| Additions: | | | | | |
| Contributions | | | | | |
| Member contributions | \$ 1,884,736 | \$ - | \$ - | \$ - | \$ 1,884,736 |
| Employer contributions | - | - | - | 4,873,845 | 4,873,845 |
| Total Contributions | <u>1,884,736</u> | <u>-</u> | <u>-</u> | <u>4,873,845</u> | <u>6,758,581</u> |
| Investment income | | | | | |
| Net appreciation (depreciation) in fair value of investments | - | 21,904,875 | - | - | 21,904,875 |
| Interest/Dividends | - | 5,115,242 | - | - | 5,115,242 |
| Net investment income | <u>-</u> | <u>27,020,117</u> | <u>-</u> | <u>-</u> | <u>27,020,117</u> |
| Total Additions | <u>1,884,736</u> | <u>27,020,117</u> | <u>-</u> | <u>4,873,845</u> | <u>33,778,698</u> |
| Deductions: | | | | | |
| Retirement payroll | - | - | 5,556,407 | - | 5,556,407 |
| Health insurance | - | - | - | 3,214,987 | 3,214,987 |
| Death benefits | - | 34,000 | - | - | 34,000 |
| Employee refunds | 227,889 | - | - | - | 227,889 |
| Administration | - | 57,575 | - | - | 57,575 |
| Professional fees | - | 441,085 | - | - | 441,085 |
| Total Deductions | <u>227,889</u> | <u>532,660</u> | <u>5,556,407</u> | <u>3,214,987</u> | <u>9,531,943</u> |
| Net Increase (Decrease) Before Transfer | 1,656,847 | 26,487,457 | (5,556,407) | 1,658,858 | 24,246,755 |
| Interfund Transfers In (Out) : | | | | | |
| Retirees obligation | (1,544,408) | (6,804,074) | 8,348,482 | - | - |
| Interest | <u>699,064</u> | <u>(5,091,494)</u> | <u>2,667,426</u> | <u>1,725,004</u> | <u>-</u> |
| Net Increase (Decrease) | 811,503 | 14,591,889 | 5,459,501 | 3,383,862 | 24,246,755 |
| Net assets held in trust for pension benefits: | | | | | |
| Beginning of year | <u>22,513,171</u> | <u>57,055,908</u> | <u>45,697,307</u> | <u>27,842,856</u> | <u>153,109,242</u> |
| End of year | <u>\$ 23,324,674</u> | <u>\$ 71,647,797</u> | <u>\$ 51,156,808</u> | <u>\$ 31,226,718</u> | <u>\$177,355,997</u> |

ST. CLAIR COUNTY, MICHIGAN

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 AGENCY FUNDS
 DECEMBER 31, 2003

| | Agency Funds | | | Total |
|-----------------------------------|---------------------|---------------------|------------------|---------------------|
| | Trust and Agency | Library Penal Fines | Payroll | |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 1,924,596 | \$ 11,180 | \$ 15,017 | \$ 1,950,793 |
| Investments | 1,030,703 | - | - | 1,030,703 |
| Receivables | 4,920,347 | 3,155 | - | 4,923,502 |
| Total Assets | <u>\$ 7,875,646</u> | <u>\$ 14,335</u> | <u>\$ 15,017</u> | <u>\$ 7,904,998</u> |
| LIABILITIES | | | | |
| Due to individuals and agencies | \$ 7,077,907 | \$ - | \$ 14,985 | \$ 7,092,892 |
| Due to other governmental units - | | | | |
| Federal/state | 668,606 | - | 32 | 668,638 |
| Local | 129,133 | 14,335 | - | 143,468 |
| Total Liabilities | <u>\$ 7,875,646</u> | <u>\$ 14,335</u> | <u>\$ 15,017</u> | <u>\$ 7,904,998</u> |

ST. CLAIR COUNTY, MICHIGAN

**AGENCY FUNDS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

| | Balance January 1, 2003 | Additions | Reductions | Balance December 31, 2003 |
|---|-------------------------------|-----------------------------|-----------------------------|---------------------------------|
| TOTAL ALL AGENCY FUNDS | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 9,008,688 | \$ 161,864,643 | \$ 168,922,538 | \$ 1,950,793 |
| Investments | 1,105,608 | 6,611,150 | 6,686,055 | 1,030,703 |
| Receivables | 5,913,147 | 174,023 | 1,163,668 | 4,923,502 |
| Due from other governmental units - State | 655 | 67 | 722 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 16,028,098</u> | <u>\$ 168,649,883</u> | <u>\$ 176,772,983</u> | <u>\$ 7,904,998</u> |
| Liabilities: | | | | |
| Due to - | | | | |
| Individuals and agencies | \$ 11,991,313 | \$ 185,624,427 | \$ 190,522,848 | \$ 7,092,892 |
| Other governmental units - | | | | |
| Federal/State | 535,305 | 21,957,498 | 21,824,165 | 668,638 |
| Local | 228,226 | 505,050 | 589,808 | 143,468 |
| Other funds | 3,273,254 | 3,193,651 | 6,466,905 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 16,028,098</u> | <u>\$ 211,280,626</u> | <u>\$ 219,403,726</u> | <u>\$ 7,904,998</u> |
| TRUST AND AGENCY | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 8,478,060 | \$ 120,463,651 | \$ 127,017,115 | \$ 1,924,596 |
| Investments | 1,105,608 | 6,611,150 | 6,686,055 | 1,030,703 |
| Receivables | 5,910,325 | 170,868 | 1,160,846 | 4,920,347 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Assets | <u>\$ 15,493,993</u> | <u>\$ 127,245,669</u> | <u>\$ 134,864,016</u> | <u>\$ 7,875,646</u> |
| Liabilities: | | | | |
| Due to - | | | | |
| Individuals and agencies | \$ 11,956,240 | \$ 163,786,606 | \$ 168,664,939 | \$ 7,077,907 |
| Other governmental units - | | | | |
| State | 456,544 | 12,789,057 | 12,576,995 | 668,606 |
| Local | 204,399 | 347,662 | 422,928 | 129,133 |
| Other funds | 2,876,810 | 2,287,990 | 5,164,800 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total Liabilities | <u>\$ 15,493,993</u> | <u>\$ 179,211,315</u> | <u>\$ 186,829,662</u> | <u>\$ 7,875,646</u> |

Continued

ST. CLAIR COUNTY, MICHIGAN

AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Balance January 1, 2003 | Additions | Reductions | Balance December 31, 2003 |
|----------------------------|-------------------------------|----------------------|----------------------|---------------------------------|
| LIBRARY PENAL FINES | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 407,055 | \$ 862,171 | \$ 1,258,046 | \$ 11,180 |
| Accounts receivable | 2,822 | 3,155 | 2,822 | 3,155 |
| | <u>\$ 409,877</u> | <u>\$ 865,326</u> | <u>\$ 1,260,868</u> | <u>\$ 14,335</u> |
| Liabilities: | | | | |
| Due to - | | | | |
| Individuals and agencies | \$ - | \$ 27,438 | \$ 27,438 | \$ - |
| Other governmental units - | | | | |
| Local | 13,433 | 16,318 | 15,416 | 14,335 |
| Other funds | 396,444 | 905,517 | 1,301,961 | - |
| | <u>\$ 409,877</u> | <u>\$ 949,273</u> | <u>\$ 1,344,815</u> | <u>\$ 14,335</u> |
| PAYROLL FUND | | | | |
| Assets: | | | | |
| Cash and cash equivalents | \$ 123,573 | \$ 40,538,821 | \$ 40,647,377 | \$ 15,017 |
| Due from Individuals | 655 | 67 | 722 | - |
| | <u>\$ 124,228</u> | <u>\$ 40,538,888</u> | <u>\$ 40,648,099</u> | <u>\$ 15,017</u> |
| Liabilities: | | | | |
| Due to - | | | | |
| Individuals and agencies | \$ 35,073 | \$ 21,810,383 | \$ 21,830,471 | \$ 14,985 |
| Other governmental units - | | | | |
| Federal/State | 78,761 | 9,168,441 | 9,247,170 | 32 |
| Local | 10,394 | 141,070 | 151,464 | - |
| Other funds | - | 144 | 144 | - |
| | <u>\$ 124,228</u> | <u>\$ 31,120,038</u> | <u>\$ 31,229,249</u> | <u>\$ 15,017</u> |

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**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, 2003

| | Adjusted Balance January 1, 2003 | Additions | Disposals | Balance December 31, 2003 |
|---|---|---------------------|-------------------|---------------------------------|
| General County: | | | | |
| Land | \$ 1,887,583 | \$ 10,464 | \$ - | \$ 1,898,047 |
| Land improvements | 2,071,247 | 988,901 | - | 3,060,148 |
| Buildings | 38,644,746 | 456,012 | - | 39,100,758 |
| Equipment - | | | | |
| Fixed equipment | 26,523 | - | - | 26,523 |
| Machinery | 2,834,154 | 152,321 | - | 2,986,475 |
| Furniture and fixtures | 42,000 | 28,412 | - | 70,412 |
| Office | 2,379,596 | 626,656 | - | 3,006,252 |
| Vehicles | 1,695,020 | 470,458 | 256,922 | 1,908,556 |
| Books | 12,780,603 | 554,893 | 549,954 | 12,785,542 |
| | <u>62,361,472</u> | <u>3,288,117</u> | <u>806,876</u> | <u>64,842,713</u> |
| Less - accumulated depreciation | <u>(24,092,543)</u> | <u>(2,717,060)</u> | <u>(706,039)</u> | <u>(26,103,564)</u> |
| | 38,268,929 | 571,057 | 100,837 | 38,739,149 |
| Construction in progress | <u>3,210,249</u> | <u>6,712,764</u> | <u>-</u> | <u>9,923,013</u> |
| Net Total Investment in General Fixed Assets | <u>\$ 41,479,178</u> | <u>\$ 7,283,821</u> | <u>\$ 100,837</u> | <u>\$ 48,662,162</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, 2003

| | <u>Total</u> | <u>Land and Improvements</u> | <u>Buildings</u> | <u>Equipment</u> |
|---------------------------------|------------------|----------------------------------|------------------|------------------|
| Judicial: | | | | |
| Circuit Court | \$ 185,932 | \$ - | \$ - | \$ 185,932 |
| Circuit Court - Family Division | 88,927 | - | - | 88,927 |
| District Court | 504,937 | 66,034 | 244,288 | 194,615 |
| Friend of Court | 266,775 | - | 3,200 | 263,575 |
| | <u>1,046,571</u> | <u>66,034</u> | <u>247,488</u> | <u>733,049</u> |
| General Government: | | | | |
| Administrator/Controller | 10,000 | - | - | 10,000 |
| Accounting | 185,942 | - | - | 185,942 |
| Information Technology | 1,423,655 | - | - | 1,423,655 |
| Clerk/Register | 42,319 | - | - | 42,319 |
| Register of Deeds | 40,427 | - | - | 40,427 |
| Equalization | 5,630 | - | - | 5,630 |
| Prosecuting Attorney | 61,289 | - | - | 61,289 |
| Human Resources | 15,741 | - | - | 15,741 |
| Property Description | 90,675 | - | - | 90,675 |
| County Treasurer | 13,000 | - | 7,500 | 5,500 |
| Buildings and Grounds | 131,081 | - | 72,016 | 59,065 |
| Public Improvement | 879,195 | 384,000 | 161,135 | 334,060 |
| Motor Pool | 66,377 | - | - | 66,377 |
| Drain Commissioner | 215,216 | - | - | 215,216 |
| Cooperative Extension | 12,743 | - | - | 12,743 |
| | <u>3,193,290</u> | <u>384,000</u> | <u>240,651</u> | <u>2,568,639</u> |
| Public Safety: | | | | |
| Sheriff and Patrol | 1,087,829 | - | - | 1,087,829 |
| Marine Safety | 399,899 | - | - | 399,899 |
| Jail | 1,960,308 | 15,523 | 1,874,016 | 70,769 |
| Juvenile Center | 625,337 | 40,385 | 501,592 | 83,360 |
| Radio/Communications | 1,627,926 | - | - | 1,627,926 |
| Emergency Services | 102,648 | 9,142 | - | 93,506 |
| Hazardous Materials Handling | 109,398 | - | - | 109,398 |
| Animal Shelter | 350,922 | 19,200 | 262,821 | 68,901 |
| Drug Task Force | 152,792 | - | - | 152,792 |
| Planning Commission | 70,820 | - | - | 70,820 |
| | <u>6,487,879</u> | <u>84,250</u> | <u>2,638,429</u> | <u>3,765,200</u> |
| Health and Welfare: | | | | |
| Veterans Counselor | 7,295 | - | - | 7,295 |
| Day Treatment/Night Watch | 214,139 | 9,173 | 109,915 | 95,051 |
| Health Department | 1,558,912 | 81,920 | 1,179,592 | 297,400 |
| | <u>1,780,346</u> | <u>91,093</u> | <u>1,289,507</u> | <u>399,746</u> |

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
 DECEMBER 31, 2003

| | <u>Total</u> | <u>Land and Improvements</u> | <u>Buildings</u> | <u>Equipment</u> |
|---|----------------------|----------------------------------|----------------------|---------------------|
| Recreation and Cultural: | | | | |
| Parks and Recreation | \$ 5,514,164 | \$ 2,071,684 | \$ 3,191,453 | \$ 251,027 |
| Public Library | 13,946,446 | 87,464 | 792,883 | 13,066,099 |
| | <u>19,460,610</u> | <u>2,159,148</u> | <u>3,984,336</u> | <u>13,317,126</u> |
| General: | | | | |
| Land and improvements | 2,173,670 | 2,173,670 | - | - |
| Buildings | 30,700,347 | - | 30,700,347 | - |
| | <u>32,874,017</u> | <u>2,173,670</u> | <u>30,700,347</u> | <u>-</u> |
| Total General Fixed Assets | 64,842,713 | 4,958,195 | 39,100,758 | 20,783,760 |
| Less: accumulated depreciation | (26,103,564) | (1,067,688) | (11,012,101) | (14,023,775) |
| | <u>38,739,149</u> | <u>3,890,507</u> | <u>28,088,657</u> | <u>6,759,985</u> |
| Construction in progress | <u>9,923,013</u> | <u>-</u> | <u>9,923,013</u> | <u>-</u> |
| Total General Fixed Assets (Net of Accumulated Depreciation) | <u>\$ 48,662,162</u> | <u>\$ 3,890,507</u> | <u>\$ 38,011,670</u> | <u>\$ 6,759,985</u> |

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

Concluded -

ST. CLAIR COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
 SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
 FOR THE YEAR ENDED DECEMBER 31, 2003

| | Balance January 1, 2003 | Additions | Disposals and Adjustments | Balance December 31, 2003 |
|---------------------------------|-------------------------------|------------------|---------------------------------|---------------------------------|
| Judicial: | | | | |
| Circuit Court | \$ 185,932 | \$ - | \$ - | \$ 185,932 |
| Circuit Court - Family Division | 88,927 | - | - | 88,927 |
| District Court | 496,903 | 8,034 | - | 504,937 |
| Friend of Court | 66,368 | 200,407 | - | 266,775 |
| Probate Court - Adult | - | - | - | - |
| Probate Court - Juvenile | - | - | - | - |
| Adult Probation | - | - | - | - |
| Law Library | - | - | - | - |
| Total Judicial | <u>838,130</u> | <u>208,441</u> | <u>-</u> | <u>1,046,571</u> |
| General Government: | | | | |
| Administrator/Controller | 10,000 | - | - | 10,000 |
| Accounting | 185,942 | - | - | 185,942 |
| Information Technology | 1,176,890 | 246,765 | - | 1,423,655 |
| Clerk/Register | 42,319 | - | - | 42,319 |
| Register of Deeds | 23,728 | 16,699 | - | 40,427 |
| Equalization | 5,630 | - | - | 5,630 |
| Prosecuting Attorney | 61,289 | - | - | 61,289 |
| Human Resources | 15,741 | - | - | 15,741 |
| Property Description | 90,675 | - | - | 90,675 |
| County Treasurer | 13,000 | - | - | 13,000 |
| Buildings and Grounds | 131,081 | - | - | 131,081 |
| Public Improvement | 155,495 | 723,700 | - | 879,195 |
| Motor Pool | 65,450 | 29,911 | 28,984 | 66,377 |
| Drain Commissioner | 215,216 | - | - | 215,216 |
| Cooperative Extension | 12,743 | - | - | 12,743 |
| Total General Government | <u>2,205,199</u> | <u>1,017,075</u> | <u>28,984</u> | <u>3,193,290</u> |
| Public Safety: | | | | |
| Sheriff and Patrol | 1,042,104 | 273,663 | 227,938 | 1,087,829 |
| Marine Safety | 382,816 | 17,083 | - | 399,899 |
| Jail | 1,949,844 | 10,464 | - | 1,960,308 |
| Juvenile Center | 625,337 | - | - | 625,337 |
| Radio/Communications | 1,579,400 | 48,526 | - | 1,627,926 |
| Secondary Road Patrol | - | - | - | - |
| Emergency Services | 35,668 | 66,980 | - | 102,648 |
| Hazardous Materials Handling | 109,398 | - | - | 109,398 |
| Animal Shelter | 333,755 | 17,167 | - | 350,922 |
| Drug Task Force | - | 152,792 | - | 152,792 |
| Planning Commission | 70,820 | - | - | 70,820 |
| Total Public Safety | <u>6,129,142</u> | <u>586,675</u> | <u>227,938</u> | <u>6,487,879</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, 2003

| | Balance January 1, 2003 | Additions | Disposals and Adjustments | Balance December 31, 2003 |
|---------------------------------|-------------------------------|--------------------------|---------------------------------|---------------------------------|
| Health and Welfare: | | | | |
| Veterans Counselor | \$ 7,295 | \$ - | \$ - | \$ 7,295 |
| Public Guardian | - | - | - | - |
| Day Treatment/Night Watch | 214,139 | - | - | 214,139 |
| Health Department | 1,508,816 | 50,096 | - | 1,558,912 |
| Total Health and Welfare | <u>1,730,250</u> | <u>50,096</u> | <u>-</u> | <u>1,780,346</u> |
| Recreation and Cultural: | | | | |
| Parks and Recreation | 4,643,227 | 870,937 | - | 5,514,164 |
| Public Library | 13,941,507 | 554,893 | 549,954 | 13,946,446 |
| Total Recreation and Cultural | <u>18,584,734</u> | <u>1,425,830</u> | <u>549,954</u> | <u>19,460,610</u> |
| General: | | | | |
| Land and improvements | 2,173,670 | - | - | 2,173,670 |
| Buildings | 30,700,347 | - | - | 30,700,347 |
| | 32,874,017 | - | - | 32,874,017 |
| Construction in progress | 3,210,249 | 6,712,764 | - | 9,923,013 |
| Total General | <u>36,084,266</u> | <u>6,712,764</u> | <u>-</u> | <u>42,797,030</u> |
| Total General Fixed Assets | <u>\$ 65,571,721</u> | <u>\$ 10,000,881</u> | <u>\$ 806,876</u> | <u>\$ 74,765,726</u> |

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

Concluded

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

DRAIN FUND
BALANCE SHEET
DECEMBER 31, 2003

ASSETS

| | |
|-----------------------------------|---------------------|
| Cash and cash equivalents | \$ 765,447 |
| Special assessments receivable | 287,693 |
| Contracts and account receivables | <u>6,283</u> |
| Total Assets | <u>\$ 1,059,423</u> |

LIABILITIES AND FUND BALANCE

Liabilities:

| | |
|----------------------------------|----------------|
| Accounts payable | \$ 114,475 |
| Due to component units | 37,398 |
| Advances from primary government | 50,000 |
| Deferred revenue | <u>176,234</u> |
| Total Liabilities | 378,107 |

Fund Balance:

| | |
|---------------------------------------|---------------------|
| Unreserved - Undesignated | <u>681,316</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,059,423</u> |

ST. CLAIR COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
DRAIN FUND TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2003

| | | | |
|--|---|------------|------------------|
| Fund Balances - Drain Fund | | \$ | 681,316 |
| 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 | | | 11,175,702 |
| Accumulated depreciation | | (| 3,700,496) |
| Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. | | | |
| Special Assessments | | | 176,234 |
| Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | | |
| Notes payable | (| 1,576,100) | |
| Accrued interest on bonds/notes payable | (| 23,095) | (|
| | | | 1,599,195) |
| Net Assets of Drain Commissioner | | \$ | <u>6,733,561</u> |

ST. CLAIR COUNTY, MICHIGAN

DRAIN FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2003

Revenues:

| | |
|---------------------|------------------|
| Intergovernmental - | |
| Federal/State | \$ 185,760 |
| Local | 8,676 |
| Interest and rent | 13,074 |
| Other | <u>1,001,306</u> |
| Total Revenues | <u>1,208,816</u> |

Expenditures:

| | |
|--------------------|------------------|
| Maintenance | 281,484 |
| Debt Service - | 787,304 |
| Capital Outlay | <u>981,270</u> |
| Total Expenditures | <u>2,050,058</u> |

| | |
|---|-----------|
| Excess of revenues over (under) expenditures | (841,242) |
|---|-----------|

Other Financing Sources (Uses):

| | |
|---------------|------------------|
| Note proceeds | <u>1,172,700</u> |
|---------------|------------------|

| | |
|---|---------|
| Excess of revenues and other sources over (under) expenditures | 331,458 |
|---|---------|

| | |
|---------------------------------|----------------|
| Fund Balances beginning of year | <u>349,858</u> |
|---------------------------------|----------------|

| | |
|------------------------------|-----------------------|
| Fund Balances at end of year | <u><u>681,316</u></u> |
|------------------------------|-----------------------|

ST. CLAIR COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF DRAIN FUND
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2003

| | |
|---|-------------------|
| Net change in fund balances - Drain Fund | \$ 331,458 |
| <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 | 981,270 |
| Depreciation expense | (129,560) |
| Removal of prior capitalized assets | (13,547) |
| Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | (9,344) |
| <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 | 753,100 |
| Bond Proceeds | (1,172,700) |
| <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>(7,964)</u> |
| Change in net assets of Drain Commissioner | <u>\$ 732,713</u> |

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ST. CLAIR COUNTY, MICHIGAN

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

| Fiscal Year | Legislative | Judicial | General Government | Public Safety | Public Works | Health and Welfare | Recreation and Culture | Other Activities | Interest on Long-Term Debt | Delinquent Tax Collections | | Airport | Sheriffs Concession | Solid Waste Disposal | | Total |
|-------------|-------------|------------|--------------------|---------------|--------------|--------------------|------------------------|------------------|----------------------------|----------------------------|---------|---------|---------------------|----------------------|----------------------|-------|
| | | | | | | | | | | Delinquent Tax Collections | Airport | | | Sheriffs Concession | Solid Waste Disposal | |
| 1994 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 1995 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1996 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1997 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1998 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1999 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2000 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2001 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 2002 | 1,198,055 | 9,970,876 | 11,909,422 | 14,563,912 | 1,339,252 | 17,361,594 | 5,950,660 | 1,200,000 | 597,005 | 1,022 | 856,331 | 100,459 | 4,681,322 | 69,729,910 | | |
| 2003 | 788,416 | 10,766,559 | 12,575,346 | 15,628,031 | 968,179 | 19,353,729 | 5,589,120 | 1,001,520 | 1,448,004 | 14,753 | 691,193 | 142,253 | 2,407,621 | 71,374,724 | | |

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

ST. CLAIR COUNTY, MICHIGAN

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

| Fiscal Year | Program Revenues | | | General Revenue | | | | | | Total |
|-------------|----------------------|------------------------------------|----------------------------------|-----------------|--|--------------------|--|---------------------------------------|-----------|------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Property Taxes | Grants and Contributions Not Restricted to Specific Programs | Investment Incomes | Interest and Penalties on Delinquent Taxes | Gain (Loss) on Sale of Capital Assets | Transfers | |
| 1994 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - | \$ - |
| 1995 | - | - | - | - | - | - | - | - | - | - |
| 1996 | - | - | - | - | - | - | - | - | - | - |
| 1997 | - | - | - | - | - | - | - | - | - | - |
| 1998 | - | - | - | - | - | - | - | - | - | - |
| 1999 | - | - | - | - | - | - | - | - | - | - |
| 2000 | - | - | - | - | - | - | - | - | - | - |
| 2001 | - | - | - | - | - | - | - | - | - | - |
| 2002 | 17,092,879 | 12,404,888 | 443,683 | 33,628,459 | 4,231,205 | 1,975,605 | 902,628 | 84,134 | - | 70,763,481 |
| 2003 | 20,354,918 | 12,458,989 | 1,567,879 | 35,909,934 | 3,808,634 | 1,227,615 | 893,998 | (85,597) | - | 76,136,370 |

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

ST. CLAIR COUNTY, MICHIGAN

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

| Fiscal Year | Legislative | Judicial | General Government | Public Safety | Public Works | Health & Welfare | Recreation & Culture | Other | Capital Outlay | Debt Service | Total |
|-------------|-------------|--------------|--------------------|---------------|--------------|------------------|----------------------|------------|----------------|--------------|---------------|
| 1994 | \$ 385,956 | \$ 6,895,435 | \$ 5,882,535 | \$ 9,234,381 | \$ 69,235 | \$ 36,750,119 | \$ 2,428,235 | \$ 457,655 | \$ 1,325,779 | \$ 465,923 | \$ 63,895,253 |
| 1995 | 391,183 | 7,165,844 | 5,800,594 | 9,806,013 | 66,383 | 38,275,418 | 2,824,211 | 473,630 | 3,157,081 | 434,397 | 68,394,754 |
| 1996 | 418,195 | 7,703,469 | 6,309,836 | 10,341,118 | 78,565 | 40,184,893 | 3,141,019 | 693,840 | 6,718,543 | 438,925 | 76,028,403 |
| 1997 | 441,252 | 7,677,960 | 6,156,378 | 10,453,895 | 123,228 | 40,265,571 | 6,072,740 | 967,591 | 12,505,578 | 1,063,693 | 85,727,886 |
| 1998 | 491,524 | 7,880,249 | 6,591,602 | 10,980,814 | 79,864 | 40,639,933 | 3,291,912 | 662,619 | 6,534,193 | 1,064,002 | 78,216,712 |
| 1999 | 393,886 | 7,892,265 | 7,356,261 | 11,582,675 | 55,965 | 45,212,079 | 3,564,465 | 788,382 | 4,061,180 | 1,039,384 | 81,946,542 |
| 2000 | 457,009 | 8,820,107 | 7,954,899 | 13,593,402 | 97,012 | 12,779,550 | 4,684,480 | 1,085,000 | 6,155,052 | 999,992 | 56,626,503 |
| 2001 | 608,767 | 9,384,742 | 8,708,213 | 13,930,164 | 270,172 | 13,621,013 | 4,139,885 | 1,100,000 | 9,303,531 | 984,132 | 62,050,619 |
| 2002 | 1,198,055 | 9,755,747 | 10,109,948 | 13,840,111 | 1,339,252 | 17,403,668 | 4,395,614 | 1,200,000 | 8,326,169 | 965,188 | 68,533,752 |
| 2003 | 682,985 | 10,337,928 | 10,826,629 | 15,055,284 | 980,546 | 18,952,435 | 4,363,954 | 1,001,520 | 10,898,689 | 4,637,386 | 77,737,356 |

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

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

ST. CLAIR COUNTY, MICHIGAN

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

| Fiscal Year | Taxes | License & Permits | Intergovernmental Revenues | Charges For | | | Interest & Rents | Other Revenues | Totals |
|-------------|---------------|-------------------|----------------------------|---------------|------------------|--------------|------------------|----------------|--------|
| | | | | Services | Fines & Forfeits | | | | |
| 1994 | \$ 19,465,836 | \$ 395,236 | \$ 21,237,227 | \$ 19,735,112 | \$ 1,101,258 | \$ 2,085,973 | \$ 1,875,236 | \$ 65,895,878 | |
| 1995 | 23,800,344 | 410,579 | 21,927,590 | 20,610,911 | 1,192,731 | 2,205,910 | 1,931,087 | 72,079,152 | |
| 1996 | 24,695,211 | 409,825 | 22,793,756 | 21,192,088 | 1,244,636 | 2,418,258 | 1,966,806 | 74,720,580 | |
| 1997 | 25,740,088 | 400,552 | 21,873,291 | 24,459,871 | 1,249,771 | 2,667,612 | 2,449,583 | 78,840,768 | |
| 1998 | 26,910,454 | 439,460 | 22,300,863 | 25,000,315 | 1,351,166 | 3,075,452 | 2,550,053 | 81,627,763 | |
| 1999 | 28,466,866 | 540,820 | 28,471,852 | 24,947,979 | 1,330,512 | 3,639,198 | 2,701,296 | 90,098,523 | |
| 2000 | 29,797,399 | 547,486 | 16,072,276 | 6,630,623 | 1,419,827 | 4,547,655 | 1,145,891 | 60,161,157 | |
| 2001 | 31,800,759 | 653,572 | 17,253,088 | 6,944,756 | 1,700,737 | 3,747,071 | 878,485 | 62,978,468 | |
| 2002 | 33,565,713 | 766,439 | 17,093,396 | 8,036,122 | 1,659,721 | 2,210,438 | 748,980 | 64,080,809 | |
| 2003 | 35,883,340 | 589,067 | 16,809,641 | 9,128,553 | 1,743,658 | 1,967,817 | 712,845 | 66,834,921 | |

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

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

ST. CLAIR COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS
(Unaudited)

| Year* | Total Tax Levy | Current Tax Collections to March 1 | Percentage of Levy Collected | Delinquent Tax Collections to December 31 | Total Tax Collections | Percentage of Total Tax Collections to Tax Levy | Outstanding Delinquent Taxes** | Percentage of Delinquent Taxes to Tax Levy |
|-------|----------------|------------------------------------|------------------------------|---|-----------------------|---|--------------------------------|--|
| 1994 | \$ 19,449,641 | \$ 17,588,452 | 90.4% | \$ 1,463,723 | \$ 19,052,175 | 98.0% | \$ 397,466 | 2.0% |
| 1995 | 23,815,602 | 22,169,014 | 93.1 | 1,571,901 | 23,740,915 | 99.7 | 74,687 | 0.3 |
| 1996 | 24,775,380 | 23,050,983 | 93.0 | 1,532,589 | 24,583,572 | 99.2 | 191,808 | 0.8 |
| 1997 | 26,921,542 | 25,225,856 | 93.7 | 1,601,239 | 26,827,095 | 99.6 | 94,447 | 0.4 |
| 1998 | 29,591,856 | 27,762,088 | 93.8 | 1,675,235 | 29,437,323 | 99.5 | 154,533 | 0.5 |
| 1999 | 27,651,305 | 25,733,028 | 93.1 | 1,721,305 | 27,454,333 | 99.3 | 196,972 | 0.7 |
| 2000 | 32,906,101 | 30,982,152 | 94.2 | 1,757,285 | 32,739,437 | 99.5 | 166,664 | 0.5 |
| 2001 | 34,525,033 | 32,392,459 | 93.8 | 1,895,853 | 34,288,312 | 99.3 | 236,721 | 0.7 |
| 2002 | 35,906,956 | 34,037,073 | 94.8 | 1,801,235 | 35,838,308 | 99.8 | 68,648 | 0.2 |
| 2003 | 37,388,505 | 34,862,827 | 93.2 | 2,525,678 | 37,171,944 | 99.4 | 216,561 | 0.6 |

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

** Represents Delinquent Personal Property Taxes and Chargebacks

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

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

ST. CLAIR COUNTY, MICHIGAN

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

| Year* | Real Property | | Personal Property | | Total | | Ratio of Total Assessed Value to Total Estimated Actual Value |
|-------|-------------------|---------------------------|-------------------|---------------------------|-------------------|---------------------------|---|
| | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | Assessed Value | Estimated Actual Value | |
| 1994 | \$ 3,041,353,158 | \$ 6,108,881,313 | \$ 357,837,123 | \$ 716,092,131 | \$ 3,399,190,281 | ** \$ 6,824,973,444 | 49.81% |
| 1995 | 3,220,454,361 | 6,476,718,654 | 365,025,353 | 730,053,912 | 3,585,479,714 | 7,206,772,566 | 49.75 |
| 1996 | 3,450,906,694 | 6,921,575,931 | 397,320,752 | 795,073,490 | 3,848,227,446 | 7,716,649,421 | 49.87 |
| 1997 | 3,735,774,477 | 7,506,073,815 | 397,394,240 | 795,135,898 | 4,133,168,717 | 8,301,209,713 | 47.79 |
| 1998 | 4,039,404,022 | 8,117,575,389 | 424,011,426 | 848,037,443 | 4,463,415,448 | 8,965,612,832 | 49.78 |
| 1999 | 4,401,018,135 | 8,854,355,677 | 449,108,028 | 898,232,658 | 4,850,126,163 | 9,752,588,335 | 49.73 |
| 2000 | 4,798,497,754 | 9,656,696,952 | 519,731,001 | 1,039,462,146 | 5,318,228,755 | 10,696,159,098 | 49.72 |
| 2001 | 5,249,085,681 | 10,584,298,648 | 543,671,941 | 1,094,344,259 | 5,792,757,622 | 11,678,642,907 | 49.60 |
| 2002 | 5,831,335,720 | 11,725,878,571 | 540,086,157 | 1,080,010,326 | 6,371,421,877 | 12,805,888,897 | 49.75 |
| 2003 | 6,199,904,634 | 12,465,127,719 | 517,807,765 | 1,034,803,073 | 6,717,712,399 | 13,499,930,792 | 49.76 |

* Year tax was levied

** Assessed value equals State Equalized value

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN YEARS
 (Per \$1,000 of Assessed Value)
 (Unaudited)

| Year* | Township** | | Cities and Villages** | | County | | | | | | | Local Schools** | Total |
|-------|------------|----------|-----------------------|---------|-----------|-----------------|-----------------|---------|---------|-------------------|---------------------|-----------------|-------|
| | | | | | Operating | Senior Citizens | Drug Task Force | Library | Parks | Community College | Intermediate School | | |
| 1994 | \$ 1.92 | \$ 16.16 | \$ 5.39 | \$ 0.47 | \$ 0.28 | \$ 0.50 | \$ 0.50 | \$ 0.50 | \$ 1.41 | \$ 3.48 | \$ 27.27 | \$ 57.38 | |
| 1995 | 1.97 | 16.18 | 5.39 | 0.47 | 0.28 | 0.50 | 0.50 | 1.41 | 3.48 | 27.42 | 57.60 | | |
| 1996 | 2.02 | 16.38 | 5.39 | 0.47 | 0.28 | 0.50 | 0.50 | 1.41 | 3.48 | 27.81 | 58.24 | | |
| 1997 | 2.16 | 16.36 | 5.39 | 0.47 | 0.28 | 0.50 | 0.50 | 1.41 | 3.48 | 28.19 | 58.74 | | |
| 1998 | 2.08 | 16.28 | 5.39 | 0.50 | 0.28 | 0.50 | 0.50 | 1.41 | 3.48 | 28.08 | 58.50 | | |
| 1999 | 2.16 | 16.25 | 5.38 | 0.50 | 0.28 | 0.50 | 0.50 | 1.90 | 3.47 | 28.89 | 59.83 | | |
| 2000 | 2.16 | 18.28 | 5.38 | 0.50 | 0.28 | 0.50 | 0.50 | 1.90 | 3.47 | 28.82 | 61.79 | | |
| 2001 | 2.07 | 17.98 | 5.34 | 0.50 | 0.28 | 0.50 | 0.50 | 1.89 | 3.46 | 29.29 | 61.81 | | |
| 2002 | 2.21 | 17.67 | 5.33 | 0.50 | 0.28 | 0.50 | 0.50 | 1.89 | 3.45 | 29.21 | 61.54 | | |
| 2003 | 2.22 | 15.85 | 5.33 | 0.50 | 0.28 | 0.50 | 0.50 | 1.89 | 3.46 | 27.89 | 58.42 | | |

* Year tax was levied

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

Rounded to two (2) decimal places.

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

PRINCIPAL TAXPAYERS
 DECEMBER 31, 2003
 (Unaudited)

| | | 2003 Taxable Valuation | Percentage of Total Taxable Value |
|--------------------------------|----------------------------------|------------------------------|---|
| Detroit Edison | Electrical Utility | \$ 884,539,142 | 16.67% |
| SEMCO Energy & Affiliates | Gas Utility | 29,410,561 | 0.55% |
| Michigan Consolidated Gas Co. | Natural Gas Storage and Pipeline | 23,918,594 | 0.45% |
| Consumers Power | Liquid Natural Gas Storage | 23,575,950 | 0.44% |
| Mueller Brass Co. & Affiliates | Brass Rod Manufacturing | 22,196,342 | 0.42% |
| E.B. Eddy | Paper Manufacturing | 21,514,702 | 0.41% |
| Daimler Chrysler | Automotive Parts Storage | 20,523,765 | 0.39% |
| ANR Pipeline Co. | Natural Gas Storage and Pipeline | 20,021,322 | 0.38% |
| DNR | Land Holdings | 12,993,051 | 0.24% |
| Birchwood Mall LTD Partnership | Mall Development | 12,652,777 | 0.24% |
| | | <u>\$ 1,071,346,206</u> | 20.19% |

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS
(Unaudited)

| Year* | Current Assessments Due** | Current Assessments Collected to March 1** | Current Assessments Collected - Delinquent Taxes** | Total Outstanding Assessments |
|-------|---------------------------|--|--|-------------------------------|
| 1994 | \$ 31,521 | \$ 27,874 | \$ 3,647 | \$ 59,549 |
| 1995 | 12,294 | 11,908 | 386 | 231,608 |
| 1996 | 24,262 | 23,978 | 284 | 231,546 |
| 1997 | 30,069 | 27,716 | 2,353 | 12,771 |
| 1998 | 12,878 | 12,196 | 682 | 831 |
| 1999 | 84,601 | 77,198 | 7,403 | 80,789 |
| 2000 | 86,965 | 79,916 | 7,049 | 2,606 |
| 2001 | 44,830 | 42,444 | 2,386 | 86,375 |
| 2002 | 113,067 | 107,254 | 5,813 | 175,578 |
| 2003 | 100,353 | 94,717 | 5,636 | 287,693 |

* Year of Collection

** Drain Commissioner's Annual Report

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

ST. CLAIR COUNTY, MICHIGAN
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2003
(Unaudited)

| | |
|---|-------------------------|
| State Equalized Value | <u>\$ 6,717,712,399</u> |
| Legal Debt Limit (10% of State Equalized Value) | \$ 671,771,239 |
| Less: Total Long-Term Debt | <u>97,239,721</u> |
| Legal Debt Margin | <u>\$ 574,531,518</u> |

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

ST CLAIR COUNTY, MICHIGAN

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

| Year | Population* | Assessed Value (000)** | Gross Bonded Debt | Less Debt Service Money Available | Less Self-Supporting Debt*** | Net Bonded Debt | Ratio of Net Bonded Debt to Assessed Value | Net Bonded Debt Per Capita |
|------|-------------|------------------------|-------------------|-----------------------------------|------------------------------|-----------------|--|----------------------------|
| 1994 | 145,607 | \$ 3,399,190 | \$ 22,234,791 | \$ 4,063 | \$ 20,759,791 | \$ 1,470,937 | 0.04 | \$ 10.10 |
| 1995 | 145,607 | 3,585,479 | 23,356,833 | 4,137 | 22,131,833 | 1,220,863 | 0.03 | 8.38 |
| 1996 | 145,607 | 3,848,227 | 38,290,434 | 55,988 | 26,505,434 | 11,729,012 | 0.30 | 80.55 |
| 1997 | 145,607 | 4,133,169 | 35,813,262 | 8,118 | 24,163,262 | 11,641,882 | 0.28 | 79.95 |
| 1998 | 145,607 | 4,463,415 | 34,357,651 | 8,275 | 23,032,651 | 11,316,725 | 0.25 | 77.72 |
| 1999 | 145,607 | 4,850,126 | 39,885,000 | 8,100 | 28,885,000 | 10,991,900 | 0.23 | 75.49 |
| 2000 | 164,235 | 5,318,229 | 41,105,000 | 7,750 | 30,305,000 | 10,792,250 | 0.20 | 65.71 |
| 2001 | 164,235 | 5,792,758 | 45,145,000 | 7,575 | 34,545,000 | 10,592,425 | 0.18 | 64.50 |
| 2002 | 164,235 | 6,371,422 | 42,875,000 | - | 32,475,000 | 10,400,000 | 0.16 | 63.32 |
| 2003 | 164,235 | 6,717,712 | 77,920,000 | 3,483,783 | 33,820,000 | 40,616,217 | 0.60 | 247.31 |

* U.S. Census

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

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

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

ST. CLAIR COUNTY, MICHIGAN

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

| Year | Principal | Interest * | Total Debt Service | Total General Government Expenditures** | Ratio of Debt Service to General Government Expenditures |
|------|------------|------------|--------------------|---|--|
| 1994 | \$ 250,000 | \$ 105,213 | \$ 355,213 | \$ 63,895,253 | 0.56% |
| 1995 | 250,000 | 88,837 | 338,837 | 68,394,754 | 0.50 |
| 1996 | 275,000 | 71,375 | 346,375 | 76,028,403 | 0.46 |
| 1997 | 300,000 | 674,051 | 974,051 | 85,727,886 | 1.14 |
| 1998 | 325,000 | 652,764 | 977,764 | 78,216,712 | 1.25 |
| 1999 | 325,000 | 631,883 | 956,883 | 81,946,542 | 1.17 |
| 2000 | 200,000 | 615,250 | 815,250 | 56,626,503 | 1.44 |
| 2001 | 200,000 | 601,250 | 801,250 | 62,050,619 | 1.29 |
| 2002 | 200,000 | 587,250 | 787,250 | 68,533,752 | 1.15 |
| 2003 | 3,300,000 | 1,162,200 | 4,462,200 | 77,737,356 | 5.74 |

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

** Excludes bond administration charges

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

ST. CLAIR COUNTY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2003
 (Unaudited)

Direct Debt:

| | | | |
|--|----|-------------------|---|
| Building Authority | \$ | 10,100,000 | |
| Jail Construction - General Obligation Bonds | \$ | 34,000,000 | |
| Water and Sewer Systems - General Obligation Bonds and Loans | | 44,680,600 | * |
| Michigan Transportation Fund Bonds | | 4,805,000 | |
| Michigan Transportation Fund Notes | | 2,000,000 | * |
| Installment Loan Agreements | | 78,021 | |
| Drain Notes | | 1,576,100 | |
| | | <u>97,239,721</u> | |
| Less: Self-supporting Debt * | | <u>46,680,600</u> | |
| Net Direct Debt | | 50,559,121 | |

Overlapping Debt:

| | | |
|--|-------------|--------------------|
| Cities | 89,308,806 | |
| Townships | 52,418,478 | |
| Villages | 1,530,000 | |
| School Districts | 182,583,966 | |
| Community College and Intermediate School District | 11,208,389 | <u>337,049,639</u> |

Net Direct and Overlapping Debt \$ 387,608,760

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

ST. CLAIR COUNTY, MICHIGAN

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

1978 Bond Issue (20 Year)

| Year Ended December 31 | Gross Revenue and Transfers In | Debt Service Requirements | | | Times Coverage |
|---------------------------|--------------------------------------|---------------------------|-------------------------------|------------|-------------------|
| | | Principal | Interest and Other Charges | Total | |
| 1994 | \$ 355,745 | \$ 250,000 | \$ 105,726 | \$ 355,726 | 1.00% |
| 1995 | 339,413 | 250,000 | 89,339 | 339,339 | 1.00 |
| 1996 | 346,905 | 275,000 | 71,881 | 346,881 | 1.00 |
| 1997 | 352,608 | 300,000 | 52,478 | 352,478 | 1.00 |
| 1998 | 356,346 | 325,000 | 31,189 | 356,189 | 1.00 |
| 1999 | 330,700 | 325,000 | 10,148 | 335,148 | 0.99 |
| 2000 | - | - | - | - | - |
| 2001 | - | - | - | - | - |
| 2002 | - | - | - | - | - |
| 2003 | - | - | - | - | - |

ST. CLAIR COUNTY, MICHIGAN

DEMOGRAPHIC STATISTICS
LAST TEN YEARS
(Unaudited)

| Year | Population* | U.S. Census | Per Capita Income** | K-12 School Enrollment*** | Unemployment Rate**** |
|------|-------------|----------------|------------------------|---------------------------------|--------------------------|
| 1994 | 152,401 | 145607 | \$ 20,728 | 26,437 | 7.9 |
| 1995 | 154,081 | 145607 | 21,398 | 26,501 | 6.4 |
| 1996 | 155,585 | 145607 | 21,835 | 26,919 | 5.2 |
| 1997 | 157,494 | 145607 | 22,969 | 27,047 | 5.1 |
| 1998 | 159,465 | 145607 | 23,980 | 27,647 | 4.5 |
| 1999 | 161,755 | 145607 | 24,626 | 27,652 | 4.3 |
| 2000 | 164,235 | 164235 | 26,001 | 27,762 | 4.2 |
| 2001 | 166,541 | 164235 | 26,264 | 27,952 | 6.9 |
| 2002 | 167,712 | 164235 | 28,376 | 28,835 | 7.8 |
| 2003 | 170,572 | 164235 | N/A**** | 28,383 | 9.2 |

* Southeast Michigan Council of Governments

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

*** St. Clair County Intermediate School District

**** State of Michigan Employment Security Agency

***** Not Available

ST. CLAIR COUNTY, MICHIGAN

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

| Year | Commercial* Construction Value | Residential* Construction Value | Bank Deposits (000) ** | Total Estimated Property Values* | | | |
|------|--------------------------------------|---------------------------------------|---------------------------|----------------------------------|------------------|----------------|---------------|
| | | | | Industrial Commercial | Residential | Agricultural | Developmental |
| 1994 | \$ 23,978,921 | \$ 75,020,364 | \$ 988,379 | \$ 2,045,499,631 | \$ 3,617,794,358 | \$ 445,587,324 | \$ - |
| 1995 | 31,941,544 | 94,744,301 | 1,008,758 | 2,093,004,648 | 3,928,381,961 | 455,332,045 | - |
| 1996 | 12,878,591 | 87,140,025 | 1,076,387 | 2,142,268,288 | 4,295,955,402 | 483,352,241 | - |
| 1997 | 17,206,058 | 98,233,504 | 1,063,000 | 1,105,042,548 | 2,370,222,029 | 260,509,900 | - |
| 1998 | 19,703,014 | 121,358,980 | 1,050,000 | 1,129,430,233 | 2,625,522,185 | 284,367,879 | 83,725 |
| 1999 | 18,422,123 | 102,978,357 | 1,082,000 | 1,174,602,637 | 2,889,748,170 | 335,236,813 | 1,430,515 |
| 2000 | 13,703,351 | 117,948,980 | 1,110,000 | 1,212,103,891 | 3,232,546,301 | 353,153,972 | 693,590 |
| 2001 | 19,587,317 | 98,134,663 | 1,122,000 | 1,257,923,673 | 3,597,084,752 | 393,531,650 | 545,606 |
| 2002 | 17,250,117 | 106,501,000 | 1,508,000 | 1,413,943,882 | 3,963,247,697 | 453,534,613 | 609,528 |
| 2003 | 27,708,614 | 95,241,719 | 1,758,000 | 1,472,841,569 | 4,236,291,363 | 489,948,402 | 823,300 |

* Equalization Department

**F. D. I. C.

Note: Property was not classified as developmental until 1998.

ST. CLAIR COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS
(Unaudited)

Date of Establishment: March 28, 1820

Date of Organization: May 8, 1821

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

Area: 734 square miles

Year: January 1 through December 31

County Seat: Port Huron, Michigan

Townships: 23

Cities and Villages: 9

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

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

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

Recreation:

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

Sheriff's Protection:

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

Education:

| | |
|-----------------------------|---------------|
| Number of Students (2003)* | |
| Pre-Kindergarten | 254 |
| Kindergarten - Grade 5 | 12,782 |
| Grades 6 - 8 | 6,893 |
| Grades 9 - 12 | 8,454 |
| Adult and Special Education | 517 |
| Alternative Education | 605 |
| | <u>29,505</u> |

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

* Source: Intermediate School District of St. Clair County

ST. CLAIR COUNTY, MICHIGAN

LABOR AGREEMENTS
DECEMBER 31, 2003
(Unaudited)

| <u>Name of Contract</u> | <u>Expiration Date</u> | <u>Number of Employees</u> |
|--|------------------------|--------------------------------|
| District Court Employees - AFSCME | June 30, 2005 | 28 |
| Juvenile Center Employees - Teamsters | December 31, 2003 * | 41 |
| Probate Court Clericals - POAM | June 30, 2005 | 19 |
| Probate Court Juvenile Counselors Association | December 31, 2004 | 14 |
| Probate Court Juvenile Supervisors Association | December 31, 2003 * | 6 |
| Professional Nurses - MNA | December 31, 2004 | 26 |
| Professional Nurses Supervisors - MNA | December 31, 2004 | 3 |
| Prosecuting Attorney Employee Association | December 31, 2003 * | 12 |
| Public Service Employees - AFSCME | June 30, 2005 | 269 |
| Sheriff Correction Supervisors - COAM | June 30, 2004 | 6 |
| Sheriff Department Employees - POAM | June 30, 2003 * | 56 |
| Sheriff Department Employees - POAM | June 30, 2004 | 69 |
| Sheriff Supervisors - COAM | June 30, 2003 * | 12 |
| Friend of the Court Employees - SEIU | December 31, 2005 | 31 |
| Total | | <u>592</u> |

* In negotiation

Source: Human Resources Department