

St. Clair County, Michigan
Comprehensive Annual Financial Report

Administrator/Controller's Office
Year Ending December 31, 2012





COMPREHENSIVE ANNUAL FINANCIAL REPORT

ST. CLAIR COUNTY, MICHIGAN

FOR THE YEAR ENDED DECEMBER 31, 2012

**Current members of the
BOARD OF COMMISSIONERS**

**Jeffrey L. Bohm, Chairperson
Steven L. Simasko, Vice Chairperson
Bill Gratopp
Howard T. Heidemann
Tom Reilly
David Rushing
Karl Tomion**

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

**William Kauffman, Administrator/Controller
Karry Hepting, CPA, Deputy Controller/Finance Director
Dena Alderdyce, Accounting Manager**

ST. CLAIR COUNTY, MICHIGAN

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COUNTY OF ST. CLAIR



Office of the Administrator/Controller

William Kauffman
Administrator/Controller
bkauffman@stclaircounty.org
Phone: 810-989-6900

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

Karry A. Hepting, CPA
Deputy Controller/
Finance Director
khepting@stclaircounty.org
Phone: 810-989-6905

Dena S. Alderdyce
Accounting Manager
dalderdyce@stclaircounty.org
Phone: 810-989-6905

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

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

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

June 20, 2013

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

State law requires that every general purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2012.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Stewart, Beauvais and Whipple, Certified Public Accountants, have issued an unmodified (“clean”) opinion on St. Clair County’s financial statements for the year ended December 31, 2012. The independent auditor’s report is located at the front of the financial section of this report.

The independent audit of the financial statements of St. Clair County, Michigan 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 compliance with legal requirements, with special emphasis on 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.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of St. Clair County

St. Clair County, established in 1820, is located in southeastern Michigan and covers approximately 725 square miles. On the County's eastern border is the sovereign country of Canada, separated by approximately fifty-eight miles of shoreline on Lake Huron, the St. Clair River and Lake St. Clair. The County is less than one hour from downtown Detroit and is the eastern terminus of two major interstate highways, I-94 and I-69, the site of an international airport, two international bridges, two international ferry services, and the site of an international train tunnel. The bridges and train tunnel play an integral part in the "trade corridor" created by the Free Trade Agreement between the United States and Canada. We are the second busiest northern border crossing in America and the third-ranked commercial point of entry in North America. St. Clair County is the nation's principal gateway for international trade with Canada with approximately 27% of total North American land based international trade.

The County has experienced an influx of people from the metropolitan Detroit area, as they looked for an alternative to the "big city" lifestyle. The 2010 census reported the population at 164,040, living in 63,841 households. The Southeastern Michigan Council of Governments currently estimates our population to grow 2.8% between 2010 and 2040, while the region as a whole is projected to grow .8%. The number of jobs in the county is expected to grow by 4.2% by 2015 and 14.2% by 2040. The County is made up of a mix of rural and urban communities, encompassing 9 villages and cities and 23 townships. The county seat is located in Port Huron, which is the largest city in the County, and where a majority of our offices are located.

The County is organized under the various public acts of the State of Michigan and is governed by a seven member Board of Commissioners, elected by district for two-year terms. The Board of Commissioners serve as the legislative body responsible for establishing policy and appropriating funds. The Board of Commissioners appoints an Administrator/Controller who is responsible for carrying out the policies and ordinances of the Board of Commissioners and the day-to-day management of County affairs.

Other elected officials include the Clerk/Register of Deeds, Treasurer, Prosecuting Attorney, 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 Prosecuting Attorney and Sheriff are responsible for law enforcement; the Drain Commissioner is responsible for construction and maintenance of drains; and the Surveyor is responsible for the proper surveying of the boundaries of land parcels.

The court system consists of the 72nd District Court, Probate Court, and the 31st Circuit Court (including the Family Division). The 72nd District Court, with three judges, has jurisdiction over misdemeanors, ordinance and charter violations, civil cases under \$25,000, traffic infractions, and preliminary examinations in felony cases. The Probate Court, with two

judges, is responsible for estates, mental health matters, guardianships, and they act as Circuit Court Judges for certain domestic matters. The 31st Circuit Court, with three judges, has jurisdiction over criminal cases where the minimum penalty is over one year incarceration, civil damage cases over \$25,000, and family matters. All judges are elected, countywide, to staggered six-year terms.

The Board of Commissioners appoints members to the three member Board of Road Commissioners, the three member Department of Public Works Board, the five member Land Bank Authority Board and the twelve member Community Mental Health Authority Board. These boards are governed and controlled by various public acts and statutes, and function as separate entities. Because of these appointments, and the fact that they may receive county appropriations, they are reflected as discretely presented component units in the County's Comprehensive Annual Financial Report, as required by the Governmental Accounting Standards Board.

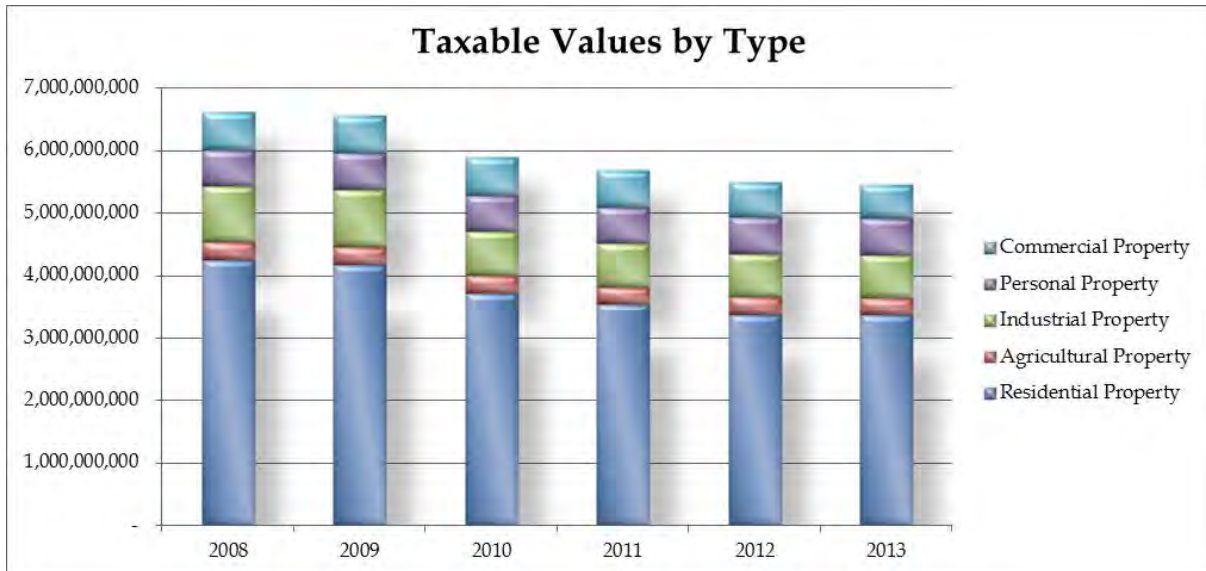
The Board of Commissioners also appoints members to a variety of boards and commissions that have various responsibilities and duties. Some of the more complex of these boards and commissions include the Parks and Recreation Board, the Metropolitan Planning Commission, the Library Board, and the Commission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

The County provides a wide range of services that are either mandated by state statute or authorized by the Board of Commissioners. These general areas include Legislative (i.e. Board of Commissioners), Judicial (i.e. Courts, Friend of the Court, and Probation), General Government (i.e. Elections, Equalization, Administration, Prosecuting Attorney, Clerk/Register of Deeds, Treasurer, Drain Commissioner, Buildings and Grounds Maintenance, and Information Technology), Public Safety (i.e. Sheriff, Jail, Emergency Preparedness, and Animal Control), Public Works (Drains, Airport, and Landfill), Health and Welfare (i.e. Health Department, Veteran's Affairs, Public Guardian, and Child Care), Community & Economic Development (i.e. Planning), and Recreation and Culture (i.e. Parks, and Library).

Local Economy

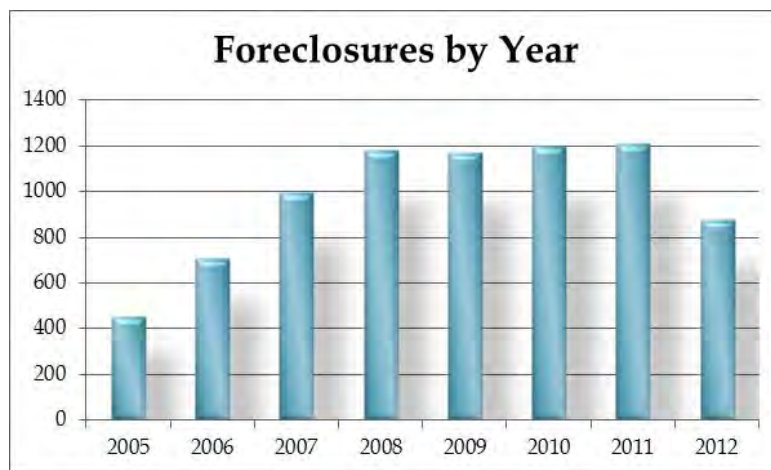
The County, like all governments in Michigan, is still feeling the effects of a general statewide economic downturn. Our manufacturing and industrial base is primarily aimed at the auto industry, which is suffering through a rough economy, and our residential property has been negatively impacted along with all residential properties in southeastern Michigan. As the State of Michigan struggles to get their budgets in order, less State money is made available to local governments for programs and operations. In fact, in 2012 we were again the recipients of reductions in a number of state supported programmatic revenues.

Most of the local units of government in St. Clair County experienced a reduction in taxable property values in 2012. The County overall experienced a decrease in taxable value of 3.0% in 2012 from 2011. The chart below illustrates the changes in taxable values by property type.



Although we saw a small decrease in total taxable values in the County in 2012, it appears we have hit the bottom. 2013 taxable values are fairly flat with a slight decline of .64% and we expect to start seeing increases in 2014 and beyond. Residential property represents about 63% of our total taxable property values. The Industrial property tax loss was driven by a write down in value of the DTE Energy plants in the County.

The decline in residential property has been driven by record high home foreclosures throughout the county. In 2012 the County had 874 foreclosure filings, which is a 27% decrease from the 2011 filings of 1,211. It appears as though foreclosures reached their peak in 2011 and we are now seeing a downward trend. Based on the first four months of activity in 2013, we are estimating a 14% decrease in foreclosures for the year.



Despite the above noted roadblocks to growth: new national and regional retail businesses continue to move to St. Clair County, our population has remained about the same, the County general operating millage rate is at lower than authorized levels (due to Headlee overrides), The County continues balance the General Fund Budget without the use of fund balance, the County bond rating continues to be strong and the County continues to maintain a high level of services to our citizens.

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

- Pilot Flying J constructed a new travel center in Kimball Township that includes a weigh station, overnight parking for truckers, showers and two restaurants. This \$6,000,000 project opened in 2012.
- Menards is currently constructing a new store in Port Huron Township. This store will open late spring of 2013. The total investment for this project is \$11,000,000 and is expected to create 200 new jobs.
- The DaimlerChrysler Corporation has opened their new 750,000 square foot Marysville plant to produce axles and drive train components. The plant has been leased to ZF Group, the 9th largest auto supplier in the world. They are planning a \$23,000,000 expansion in 2013 that is expected to create 183 new jobs.
- SMR Automotive Systems has recently announced its plan for expansions in the City of Port Huron and the City of Marysville. This \$17,000,000 investment is also expected to create 350 new engineering and skilled trade jobs.
- Several new chain restaurants are currently being constructed in Fort Gratiot Township, including Starbucks, Panera Bread, Qdoba, and Texas Roadhouse. These new restaurants are expected to create 150 new jobs.
- The County has invested in a new, Township built, water line in Casco and Ira Townships that will provide a sufficient quantity of clean water to supply the 26 Mile Road industrial corridor. The line was completed in 2012 and businesses along that road are now able to connect to that new source of water.

Long-term Financial Planning and Major Initiatives

The County uses a software product for financial forecasting. The model takes a look six years into the future as to where the finances of the County will be. It utilizes known historical information as well as assumptions as to future revenues and expenditures, and has been accurate in its predictions. Administration uses this model to guide us in our budget deliberations and it is updated as new information is received. We also update the Board of Commissioner's at public meetings as to what is expected to happen financially in the County over the next several years. This information is extremely valuable to the Board as they formulate their thinking regarding our future financial position.

We are taking a hard look at the services we provide, and how we provide them, as we formulate our future budgets. The objective is to continue to deliver high quality and relevant services to the citizens of the County. We are looking internally to determine if we are utilizing automation as efficiently as possible, exploring new revenue sources and reducing expenditures where practical.

St. Clair County actively participates in the economic development initiative in the County. The Economic Development Alliance (EDA) is the agency in the County largely responsible for economic development and of which the County is a member. The mission of the EDA is to accelerate economic growth in the region and to support the core values of the St. Clair County Economic Development Strategic Plan which are people, place, and prosperity.

The County implemented a Development Self-Revolving Fund several years ago that makes loans to local units of government or to businesses that want to make significant improvements to local infrastructure to enhance their ability to create or expand the job base in the County.

The County has implemented the conversion of our landfill cell space to new technology that will enable it to become a “perpetual landfill”. Using a patented process we inject septage into the new cells at the landfill to promote the aggressive decomposition of refuse. After decomposition the cell will be re-filled with refuse, and the process starts over again. This “bio-reactor” has the potential to ensure landfill space well into the future and the technology developed here will be marketed and sold to other landfills for their use. We have also contracted with a Detroit Edison Company to buy the methane gas created by the advanced decomposition at the landfill to produce electric power. Construction of the generating plant is completed and production of electricity began late in 2011. This revenue stream will continue for the life of the landfill

In 2012 the County entered into a partnership with the City of Port Huron, the Blue Water Area Convention and Visitors Bureau, and JB Development to construct a convention center and renovate an existing hotel facility. The convention center will be located on the waterfront with scenic views of the St. Clair River, lower Lake Huron and the Blue Water Bridges international crossing. The convention center will be owned and operated by the County. A Hilton Doubletree hotel along with Freighters restaurant will be owned and operated by private investors.

Baker College has also partnered on this project and is constructing a culinary arts school on the same campus. The facility will include instructional kitchens and all required support facilities including classrooms, a multi-purpose room, staff offices and a student lounge. In addition, it will house a 50-seat educational restaurant that will function for three quarters of the



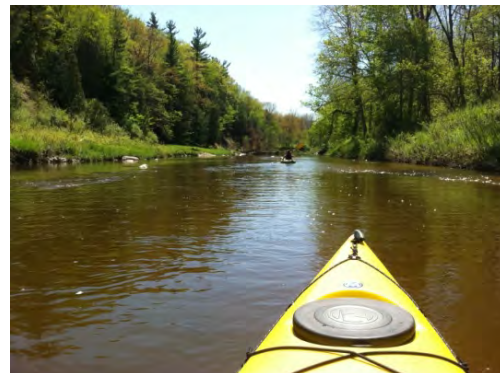
year, allowing students to practice their craft in a real-world restaurant, and giving the public the opportunity to sample creative offerings that represent the results of Baker’s outstanding culinary program. Students at the school will be able to intern at the convention center, hotel and restaurant as part of their curriculum.

The total investment for this project is \$23,000,000 and will create 300 new jobs once complete. Baker College is scheduled to open for classes in the fall of 2013. The hotel and Freighters restaurant along with the existing ballroom facilities are scheduled to open in the summer of 2013. The new convention center portion of the facility will open in late 2014.

In April of 2012 the County library launched a new eBook program through Overdrive. Overdrive is an easy-to-use downloadable module that allows for fast searches of books and quick downloads to an eReader. Cardholders are able to download up to five eBooks at a time and will remain on their eReader for up to 14 days. The books automatically check themselves back in after the lending period expires eliminating fines and overdue materials. This program has been very popular with library patrons.

The St. Clair County Metropolitan Planning Commission and the Blueways of St. Clair Website was awarded the Planning Excellence Award for Outstanding Innovation in Regional Planning—by the Michigan Association of Planning (MAP/APA Michigan) at its annual conference, *Planning Michigan*, on October 17th, 2012.

The St. Clair County Metropolitan Planning Commission created this interactive website to highlight the interconnectivity between tourism, recreation, and economic development. The website showcases 16 different paddling routes over 138 miles of water in St. Clair County’s blueways, and ties recreational resources to points of interest (including hotels, restaurants, museums and other cultural resources) that are near the route. On March 1, 2013 the project got a second award from the Michigan Recreation and Park Association (MRPA). They gave the award in the category of Marketing Award – Website for 2012. More information can be found at www.bluewaysofstclair.org.



In 2010 the County took possession of the 181 year old Fort Gratiot lighthouse, built in 1829, and the former Coast Guard station buildings located at the confluence of Lake Huron and the St. Clair River in the City of Port Huron. This lighthouse, as the oldest in Michigan and the second oldest on the Great Lakes, is of significant historical value to our area. The agreement with the Federal Government requires St. Clair County Parks to oversee the

restoration of the site, following the Historic Structures Report. The report is a guideline for how the site should be restored, beginning with the light tower. Following the report, restoration of the tower began in the fall of 2011 and was completed in the spring of 2012. The Port Huron Museum is responsible for tours of the lighthouse, which are available May through December.

In 2012, the voters of the County approved new special voted millages of 1/4th of a mill for roads, and an additional 3/10^{ths} of a mill for senior services. In 2012, the voters also reapproved a special millage of .2803 mills for Drug Task Force services.

Relevant Financial Policies

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

The General Fund strives to maintain an Unassigned Fund Balance with a minimum amount of 15% and a maximum of 20% of the most currently approved General Fund budget. All Special Revenue Funds will maintain a Fund Balance of 10% of the most currently approved budget.

Annually, at the conclusion of the annual audit, these Funds will be reviewed to determine if they are in compliance with the established policy. Any excess funds, other than those in separate millage supported funds and certain grant funds may be reverted back to the General Fund. If the General Fund is at its maximum of 20% the excess funds will be transferred to the Budget Stabilization Fund, the Public Improvement Fund or be retained in the General Fund and be designated for future budget stabilization.

Awards and Acknowledgements

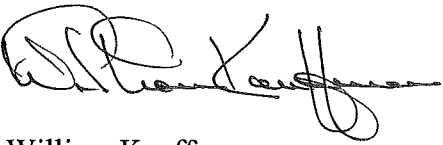
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Clair County for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2011. This was our ninth consecutive award and our nineteenth award overall. In order to be awarded a Certificate of Achievement, a government must publish 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.

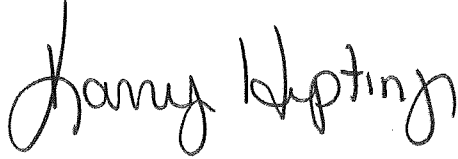
In addition, the County Health Department has met all standards set by the Michigan Local Public Health Accreditation Program and has been awarded accreditation for the period 2009-2012. This accreditation process looks at a mandatory standards-based system for accrediting local public health departments.

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,



William Kauffman
Administrator/Controller



Karry Hepting, CPA
Deputy Controller/Finance Director

**St. Clair County
Elected and Appointed Officials**

Elected Officials

Board of Commissioners

Jeffrey L. Bohm	Chairperson
Steven L. Simasko	Vice-Chairperson
Bill Gratopp	Member
Howard T. Heidemann	Member
Tom Reilly	Member
David Rushing	Member
Karl Tomion	Member

31st Circuit Court

Daniel J. Kelly	Chief Judge
Michael West	Circuit Judge
Cynthia A. Lane	Circuit Judge

72nd District Court

John D. Monaghan	District Judge
Michael L. Hulewicz	District Judge
Cynthia S. Platzer	District Judge

Probate Court

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

Other Elected Officials

Jay DeBoyer	Clerk/Register of Deeds
Robert Wiley	Drain Commissioner
Michael D. Wendling	Prosecuting Attorney
Timothy Donnellon	Sheriff
Steve Bruen	Surveyor
Kelly M. Roberts-Burnett	Treasurer

Appointed Official

William Kauffman	Administrator/Controller
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Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Clair County
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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.

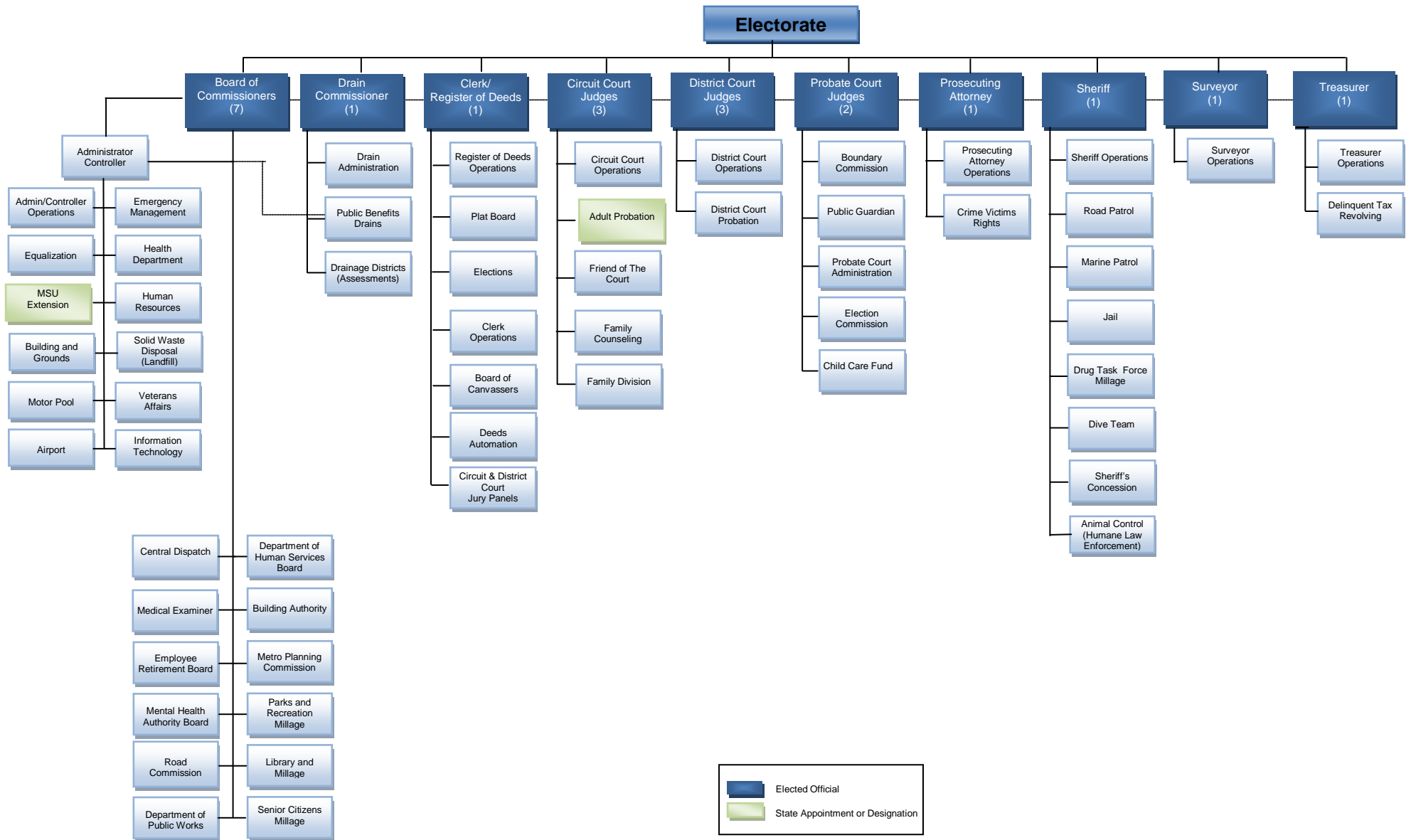


Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-17, the schedule of funding progress and employer contributions on pages 95-96 and budgetary comparison information on pages 97-102 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair County, Michigan's basic financial statements. The combining General Fund schedules, combining and individual nonmajor fund statements and schedules, capital assets used in the operation of governmental funds schedules, combining fund financial statements of the Drainage Districts, the introductory section and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as listed in the table of contents and presented on pages 103-143 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information presented on pages 103-143 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2013 on our consideration of St. Clair County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Clair County's internal control over financial reporting and compliance.


Certified Public Accountants

June 20, 2013

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, 2012. 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, 2012, by \$92,122,402 (net position). Of this amount \$5,097,763 represents unrestricted net position, which may be used to meet the County's ongoing obligations to citizens and creditors. Additionally, \$14,983,450 has been restricted for specific purposes (i.e. specific millage funds, substance abuse, debt service, E-911, etc) and \$72,041,189 represents our investment in capital assets, net of related liabilities.
- The total net position decreased by \$16,763,771 mainly due to GASB Statement No 45 requiring governments to report the liability for other post employment benefits.
- At December 31, 2012, the County's governmental funds reported combined ending fund balances of \$35,061,956 an increase of \$1,931,199. Approximately 14% of this amount (\$4,917,628) is available for spending at the government's discretion (unassigned fund balance).
- The county issued \$24,365,000 of refunding general obligation limited tax bonds. This advance refunding reduced the total debt service payments over the remaining 16 years by \$1,300,939.
- Total outstanding long-term debt increased by \$19,183,395 primarily due to the issuance of bonds to construct a convention center facility and the costs associated with other post-employment benefits.
- For 2012 the Development Revolving Fund as well as the Budget Incentive Fund are included as a sub fund of the Combined General fund and are reflected on pages 103-104. Government Accounting Standards Board requires any fund that is largely supported by transfers from the General Fund be included as part of the General Fund for reporting purposes. Please see Note 18 describing FY 2011 restatement due to this change.
- In 2012 the Board of Commissioners adopted a balanced budget for the 2013 General Fund.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are made up of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary

St. Clair County Management's Discussion and Analysis

information intended to furnish additional detail to support 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 position presents information on all of the County's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused employee vacation leave).

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and debt service. The business-type activities of the County include the Airport, Sheriff's Concession, Solid Waste Disposal System, School Tax Collections, Homestead Exemption Audits, and the Delinquent Tax Revolving Funds.

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

The government-wide financial statements can be found on pages 18-20 of this report.

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

St. Clair County Management's Discussion and Analysis

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

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

The County maintains 33 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 Combined General Fund, Parks and Recreation Fund, Library Fund, Senior Citizens Millage Fund, and Mental Health Building Debt Fund, all of which are considered to be major funds. Data for the other 28 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

As required by state law the County adopts an annual appropriated budget for its Combined General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 21-26 of this report.

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

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Airport, Solid Waste Disposal System, Delinquent Tax Revolving, Sheriff's Concession, School Tax Collections, and Homestead Exemption Audits funds.

St. Clair County Management's Discussion and Analysis

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its various employee benefits and risk programs. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Solid Waste Disposal and Delinquent Tax Revolving Funds, both of which are considered to be major funds of the County. Individual fund data for the 4 non-major Enterprise Funds is provided in the form of combining statements elsewhere in this report. The County's only Internal Service Fund is presented in the proprietary fund financial statements in the Governmental Activities - Internal Service Fund column.

The basic proprietary fund financial statements can be found on pages 27-30 of this report.

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

The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-94 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 and other post-employment benefits to its employees and the budgetary information for five major governmental funds. This required supplementary information is found on pages 95-102 of this report.

The combining statements referred to earlier in connection with the Combined General Fund, 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 103-132 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$92,122,402 at December 31, 2012.

Net Position

	Governmental Activities		Business-Type Activities		Totals	
			Restated		Restated	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	67,283,935	65,950,872	41,270,679	41,261,373	108,554,614	107,212,245
Capital Assets,						
Net of Accumulated Depreciation	95,050,188	93,920,381	24,189,473	23,988,889	119,239,661	117,909,270
Total Assets	162,334,123	159,871,253	65,460,152	65,250,262	227,794,275	225,121,515
Current Liabilities	18,210,792	17,599,174	579,719	938,201	18,790,511	18,537,375
Other Liabilities	99,825,317	81,673,890	17,056,045	16,024,077	116,881,362	97,697,967
Total Liabilities	118,036,109	99,273,064	17,635,764	16,962,278	135,671,873	116,235,342
Net Position						
Net investment in capital assets	54,475,251	53,410,381	17,565,938	17,804,078	72,041,189	71,214,459
Restricted	12,905,364	21,420,124	2,078,086	1,821,859	14,983,450	23,241,983
Unrestricted	(23,082,601)	(14,232,316)	28,180,364	28,662,047	5,097,763	14,429,731
Total Net Position	44,298,014	60,598,189	47,824,388	48,287,984	92,122,402	108,886,173

St. Clair County's Net Position

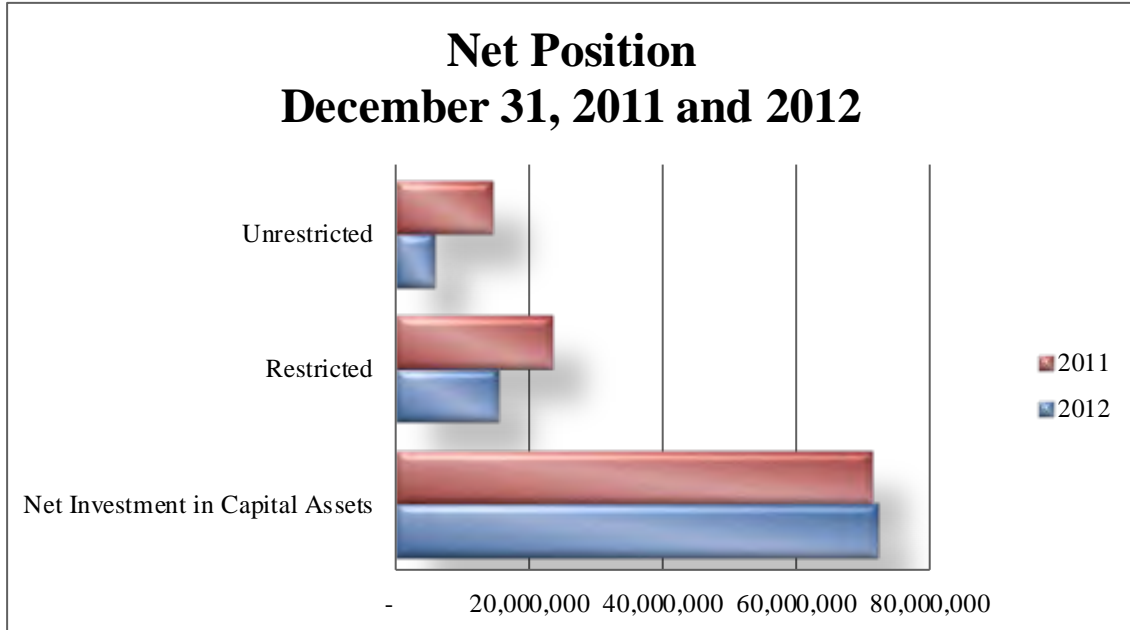
The largest portion of the County's net position (78 percent) reflects our investment in capital assets, (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; 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.

A portion of the County's net position (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (6 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the fiscal year the County was able to report positive balances in all three categories of net position for the government as a whole. The same situation held true for the prior fiscal year.

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

The County's net position decreased by \$16,763,771. This decrease was primarily due to the Government Accounting Standards Board Statement Number 45 requiring governments to record their liability for the cost of other post employment benefits (OPEB).



Governmental Activities. Governmental activities decreased net position by \$16,300,175. The key elements are as follows:

- The recording of other post employment benefit expenses of \$10,524,737.
- The continued depletion of the Revenue Sharing Reserve Fund established pursuant to Michigan Public Act 357 of 2004. This fund was designed to replace annual revenue sharing payments, which were suspended by the State as part of a budget balancing action in 2004. This statute accelerated the County's annual tax levy from a December 1 levy date to a July 1 levy date. As a result the County collected four years of taxes in a three year period. The additional levy was placed in this fund. Annually, an amount will be transferred from this fund to the General Fund to replace revenue sharing suspended by the State. Once this fund has been exhausted in 2013 the State has promised to reinstate the program. The draw for 2012 was \$3,699,755.

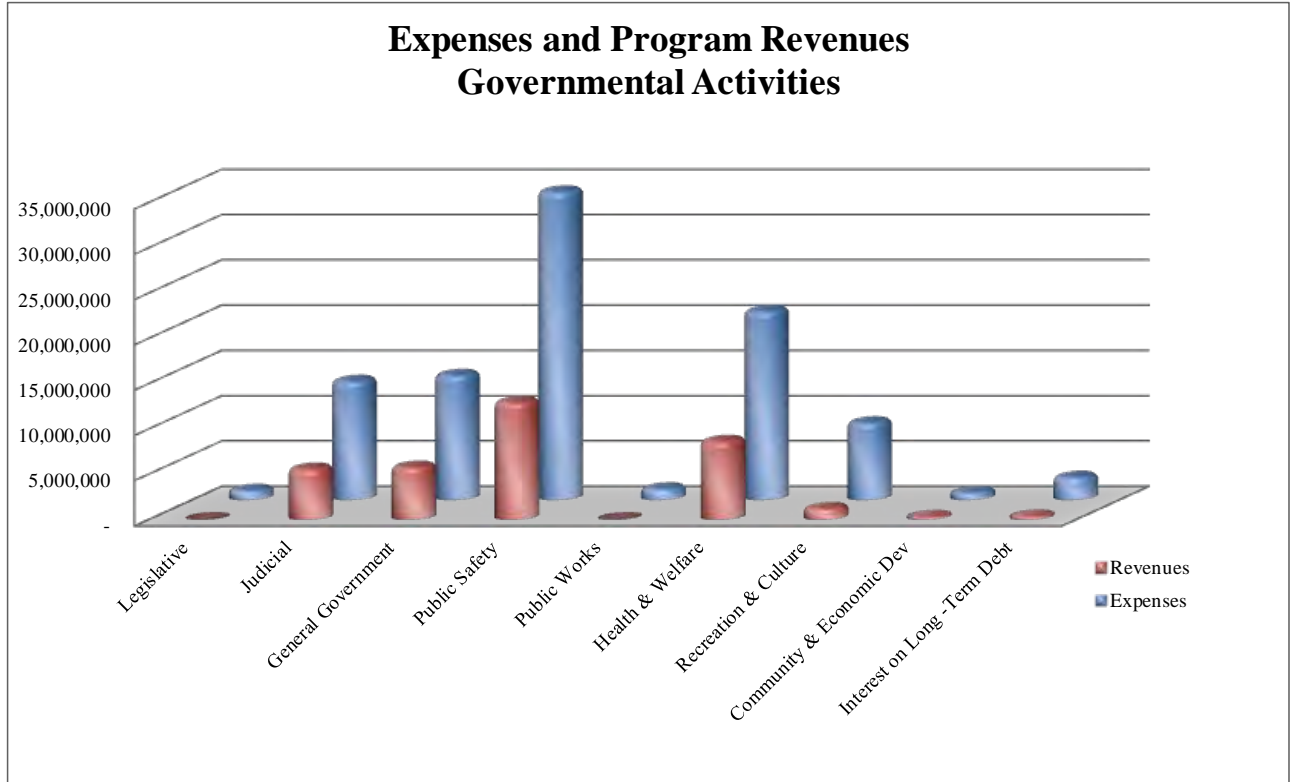
Business-Type Activities. Business-type activities decreased the County's net position by \$463,596. This was primarily due to transfers out to Governmental funds for debt service and road match money.

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

Changes in Net Position

	Governmental		Business-Type		Totals	
	Activities		Activities			
	2012	2011	2012	Restated 2011	2012	Restated 2011
Revenues:						
Program revenues:						
Charges for services	17,876,587	19,149,266	6,617,015	6,311,167	24,493,602	25,460,433
Operating Grants and Contributions	15,558,113	15,854,691	158,607	77,216	15,716,720	15,931,907
Capital Grants and Contributions	1,042,087	323,326	24,483	42,193	1,066,570	365,519
General revenues:						
Property Taxes	41,670,499	42,494,542	-	-	41,670,499	42,494,542
Intergovernmental revenues	659,700	385,208	-	-	659,700	385,208
Investment earnings	263,374	411,149	56,229	78,402	319,603	489,551
Interest & Penalties on Deliq Taxes	9,627	13,087	2,185,410	2,029,383	2,195,037	2,042,470
Total Revenues	77,079,987	78,631,269	9,041,744	8,538,361	86,121,731	87,169,630
Expenses:						
Legislative	1,086,186	3,021,045	-	-	1,086,186	3,021,045
Judicial	13,139,740	13,052,795	-	-	13,139,740	13,052,795
General Government	13,831,546	15,569,246	-	-	13,831,546	15,569,246
Public Safety	34,739,725	29,256,089	-	-	34,739,725	29,256,089
Public Works	1,247,462	2,045,952	-	-	1,247,462	2,045,952
Health and Welfare	20,888,360	21,410,645	-	-	20,888,360	21,410,645
Recreation and Culture	8,567,281	8,534,157	-	-	8,567,281	8,534,157
Community and Economic Development	844,215	972,084	-	-	844,215	-
Interest on Debt Service	2,530,577	2,341,772	-	-	2,530,577	2,341,772
Delinquent Tax Collections	-	-	556,875	461,842	556,875	461,842
Airport	-	-	490,412	592,512	490,412	592,512
Sheriff's Concession	-	-	508,630	451,022	508,630	451,022
School Tax Collections	-	-	15	-	15	-
Homestead Exemption Audits	-	-	351	621	351	621
Solid Waste Disposal	-	-	4,454,127	5,221,672	4,454,127	5,221,672
Total Expenses	96,875,092	96,203,785	6,010,410	6,727,669	102,885,502	102,931,454
Increase (Decrease) in Net Position, before transfers and Special Item	(19,795,105)	(17,572,516)	3,031,334	1,810,692	(16,763,771)	(15,761,824)
Transfers	3,494,930	3,104,550	(3,494,930)	(3,104,550)	-	-
Special Item	-	1,700,000	-	-	-	1,700,000
Decrease in Net Position	(16,300,175)	(12,767,966)	(463,596)	(1,293,858)	(16,763,771)	(14,061,824)
Net Position January 1	60,598,189	73,366,155	48,287,984	49,581,842	108,886,173	122,947,997
Net Position December 31	44,298,014	60,598,189	47,824,388	48,287,984	92,122,402	108,886,173

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

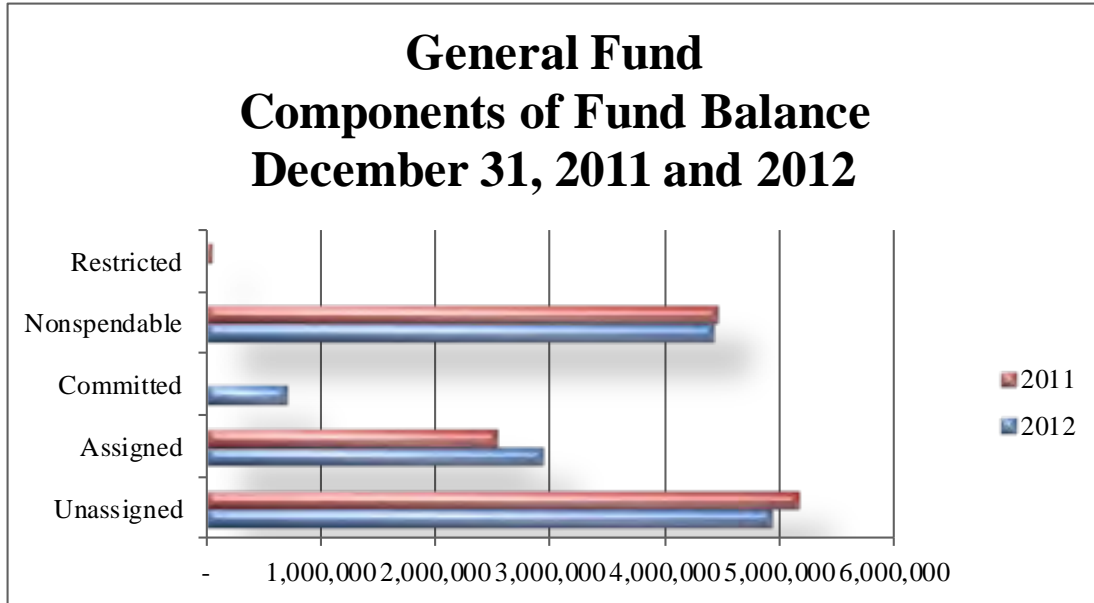


Financial Analysis of Governmental Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

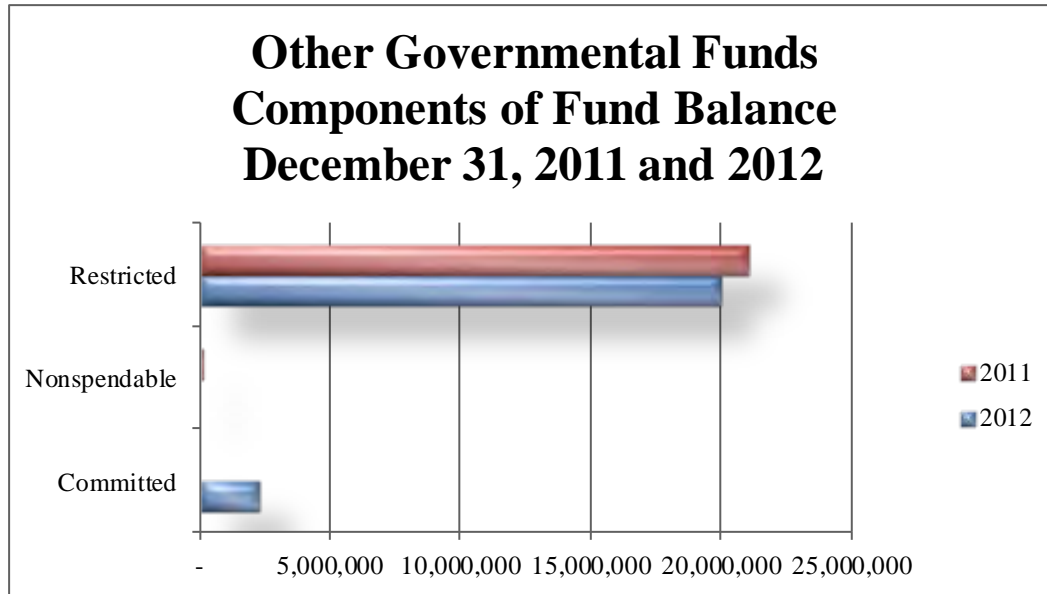
Governmental Funds. The focus of the County’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County’s financing requirements. In particular, assigned and unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At December 31, 2012, the County’s governmental funds reported combined ending fund balances of \$35,061,956, an increase of \$1,931,199 in comparison to the prior year. Approximately 14% of this fund balance (\$4,917,628) constitutes unassigned fund balance, which is available for spending at the government’s discretion. The remainder of fund balance is either nonspendable, restricted, committed or assigned to indicate that it is 1.) not in spendable form (\$4,408,025), 2.) restricted for particular purposes (\$19,720,256), 3.) committed for particular purposes (\$3,087,946), or 4.) assigned for particular purposes (\$2,928,101).



The Combined General Fund is the chief operating fund of the County. At December 31, 2012, the Combined General Fund reported an ending fund balance of \$12,939,433. Of that amount \$4,917,628 is unassigned, \$685,679 is committed for specific departments future budgets, \$2,928,101 is assigned for economic development projects, and \$4,408,025 are nonspendable loans to the Drain Commissioner for fund drain projects and a small loan to a component unit as well as prepayments. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 8.4 percent of total combined general fund expenditures and transfers, while total fund balance represents 22 percent of total general fund expenditures and transfers.

The Combined General Fund fund balance increased by \$774,353 during the current fiscal year. The key factor in this growth was the establishment of a budget incentive program which encouraged departments to make mid-year changes or cuts and “bank” the savings to offset future budget cuts. This program has empowered departments to scrutinize their operations without fear of losing unspent dollars. The \$685,679 saved by departments will be used to offset budget cuts needed in 2013 and 2014.



The second major governmental fund is the special millage Parks and Recreation Fund. At December 31, 2012, Parks and Recreation reported a fund balance of \$1,774,863. Fund balance decreased \$1,135,927 over the prior fiscal year. This decrease was due to budgeted park improvements.

The third major governmental fund is the special millage Library Fund. It reported \$2,532,127 in fund balance at December 31, 2012. Fund balance increased \$59,229 over the prior fiscal year due to higher than anticipated penal fines received.

The fourth major governmental fund is the special millage Senior Citizens fund. It reported \$537,221 in fund balance at December 31, 2012. This fund decreased \$122,754 over the prior year due to increased demand for senior services coupled with decreasing tax revenues. The voters approved a millage increase for senior services that will take effect in 2013.

The last major governmental fund is the Mental Health Building Debt Fund. It reported a fund balance of \$610 at December 31, 2012. This fund accounts for the payment of debt as well as monies received from Community Mental Health to reimburse the County for the debt payment.

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, 2012.

Net position in the Solid Waste Disposal System at the end of the year amounted to \$14,476,686, of this amount \$14,051,411 is invested in capital assets. Net position decreased \$1,165,958 over the prior year mainly due to transfers out to fund the Road Commission local unit match program and airport operations. An increase of \$406,967 to landfill closure and post closure costs also contributed to the decrease.

St. Clair County
Management's Discussion and Analysis

The Delinquent Tax Revolving Fund reported net position of \$29,054,702, an increase of \$728,687 over the prior year. A portion of the earnings in this fund are dedicated to the annual debt payment requirements of the bond secured for the construction of the Jail/Juvenile facility.

General Fund Budgetary Highlights

Original budget compared to final budget. During the year the original budget was amended as needed. The original budget was balanced, while the final amended budget represents a gain of \$92,039. Major changes can be summarized as follows:

- Intergovernmental revenues increased due to various grants received throughout the year.
- Charges for services were increased for additional revenues received by the Register of Deeds office for increased activity.
- Taxes were decreased to reflect the actual tax levy.
- Transfers in were increased to add a transfer in from the Landfill for a portion of local unit's road match money to cover the unpaid portion of central dispatch fees.
- Issuance of debt was increased to account for debt issued due to new obligations associated with the County Drain at Large assessments.
- Expenditures were increased to account for the expenditure side of grants received.

Final budget compared to actual results. The most significant differences between the amended budgets and actual results for revenues were as follows:

- Charges for Services were greater than the amended budget by \$200,891 primarily due to greater than expected activity in the Register of Deeds Office.
- Intergovernmental revenues were \$353,891 less than the amended budget due to the timing of grant revenues with a different fiscal year as well as amounts required to be deferred at year end.
- Interest revenues were \$185,556 less than amended budget due to lower than anticipated interest rates.
- Taxes were \$149,074 more than the amended budget due to a less than anticipated tax increment finance authority recaptures as well as fewer than anticipated tax tribunal refunds.

Amended expenditures and other financing uses differed \$213,648 from actual expenditures and other financing uses. Significant differences between the amended budgets and actual results for expenditures in the departments are as follows:

- Actual transfers out were \$775,346 more than the amended budget mainly due to a transfer to the budget incentive fund.
- Other legislative Activities were over its amended budget due to additional costs

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

- needed for liability insurance.
- Most departments were under their amended budgets due to the budget incentive program mentioned earlier.
- Sheriff Department was over its amended budget by \$162,454 due to overtime and wage costs.

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, 2012, amounted to \$119,239,661 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, and vehicles. The total increase in the County's capital assets for the current fiscal year was \$1,330,391. The governmental activities recorded a 1.2% increase and the business-type activities had a .8% increase.

Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	11,763,795	11,004,442	1,077,858	1,077,858	12,841,653	12,082,300
Buildings and Improvements	64,794,922	64,047,398	6,943,612	3,330,072	71,738,534	67,377,470
Improvements other than Buildings	4,307,836	4,286,537	10,935,936	10,296,740	15,243,772	14,583,277
Equipment and Vehicles	10,212,988	9,961,037	3,009,939	669,557	13,222,927	10,630,594
Books	2,400,285	2,464,475	-	-	2,400,285	2,464,475
Construction in Progress	1,570,362	2,156,492	2,222,128	8,614,662	3,792,490	10,771,154
Total	<u>95,050,188</u>	<u>93,920,381</u>	<u>24,189,473</u>	<u>23,988,889</u>	<u>119,239,661</u>	<u>117,909,270</u>

Major capital asset events during the year included the following:

- The Solid Waste Disposal System continued significant projects at the Landfill that included the completion of a gas to energy facility, leachate pretreatment system and as well continued cell construction.
- The purchase of land and part of an existing convention facility with the intention of renovating the existing facility as well as constructing a new convention center.
- Acquisition of equipment through the federal military surplus asset program. This equipment will be used for marine law and other law enforcement activities.
- Completion of construction of a lodge at Columbus County Park.
- Continued improvements at various County parks.
- Continued technology improvements in all County departments.
- Replacement of various county vehicles.
- Addition of books to the County library collection.

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

Additional information on the County's capital assets can be found in Note 5 beginning on page 56 of this report.

Long-term Debt. At December 31, 2012, the County had total debt outstanding of \$116,881,362. St. Clair County maintains a "AA" rating from Standard and Poor's for general obligation debt.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds	55,665,000	50,185,000	6,623,535	6,184,811	62,288,535	56,369,811
Landfill Closure and Post Closure Costs	-	-	9,969,881	9,562,914	9,969,881	9,562,914
Drain Districts	3,588,472	3,244,497	-	-	3,588,472	3,244,497
Self-insurance Liability	415,000	230,000	-	-	415,000	230,000
Accumulated Employee Vacation, Sick and Compensatory Time	4,570,160	4,489,427	38,925	40,813	4,609,085	4,530,240
Other Post Employment Benefits	34,509,988	23,985,251	423,704	235,539	34,933,692	24,220,790
Deferred Amounts	1,076,697	(460,285)	-	-	1,076,697	(460,285)
Total	99,825,317	81,673,890	17,056,045	16,024,077	116,881,362	97,697,967

Significant portions of the debt include the following:

- The general obligation bonds sold in 2010 to construct a landfill leachate system and a gas to energy facility (\$6,623,535), net of 36.3% of forgivable portion. This debt is issued through the State of Michigan Municipal Bond Authority.
- The general obligation bonds (Series A) sold in 2007 to construct a Mental Health Authority building (\$9,425,000).
- The general obligation bonds (Series B) sold in 2007 for the cost of acquiring and installing equipment related to 911 services (\$2,850,000).
- The general obligation bonds sold in 2003 to finance the construction of the Jail/Juvenile facility (\$1,100,000). As mentioned earlier this debt was refunded in 2012 for a savings of approx. \$1.3 million.
- The outstanding portion of the 2012 refunding of the 2003 issue above for the construction of a Jail/Juvenile facility (\$24,365,000)
- The general obligation bonds sold in 2009 to construct a communications tower and acquire the required equipment (\$2,675,000).
- The outstanding portion of the 2004 refunding (refinanced) of the 1996 issue sold to finance the construction of the Administrative Building (\$6,250,000).
- The general obligation bonds sold in 2012 to construct and equip the Blue Water

St. Clair County Management's Discussion and Analysis

Area Convention Center (\$9,000,000)

- In accordance with Governmental Accounting Standards Board Statement No. 45 an obligation for other post employment benefits has been recorded in the amount of \$34,933,692.
- 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 \$9,969,881.
- Upon their leaving County employment, certain employees of the County have, through collective bargaining agreements or policy, rights to be paid outstanding balances of accrued vacation, sick time, or compensatory time earned. This amount at December 31, 2012 is \$4,609,085.

Additional information on the County's long-term debt can be found in Note 9 beginning on page 66 of this report.

Economic Factors and Next Year's Budgets and Rates

Many factors were considered in preparation of the County's budget for the 2013 fiscal year. Several of the more telling factors are as follows:

- The unemployment rate for the County is currently around 11.8 percent, which is a decrease over a year ago, however is still higher than the state average of 8.3 percent.
- The State of Michigan's budget situation continues to jeopardize payments to local units of government.
- The taxable value of real and personal property within the County is leveling out with a slight decline of .64% in 2013.
- Interest rates are expected to remain at record low levels.
- Departmental budget reductions were implemented in recognition of the decline in revenues.
- Increases are expected in health insurance premiums, as well as pension and other employee benefit costs.
- In the spring of 2013 the county refunded \$5,380,000 of general obligation limited tax bonds. This advance refunding reduced the total debt service payments over the remaining 8 years by \$450,980.

The 2013 budgets are currently balanced and the Board of Commissioners will approve any amendments, as needed.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 27,738,516	\$ 22,813,441	\$ 50,551,957	\$ 18,761,141
Investments	8,642,472	-	8,642,472	67,511
Receivables (net of allowance)	29,927,441	11,845,309	41,772,750	22,800,378
Prepaid expenses and deposits	2,849,822	27,442	2,877,264	774,270
Internal balances	(6,500,000)	6,500,000	-	-
Inventory	-	-	-	1,312,186
Properties held for sale	-	-	-	17,949
Long-term notes receivable	4,338,705	-	4,338,705	-
Advance to component units	50,000	-	50,000	-
Deferred charges	179,832	84,487	264,319	240,636
Net pension asset	57,147	-	57,147	337,644
Restricted assets -				
Cash and cash equivalents	-	-	-	5,688,071
Receivables	-	-	-	22,102,058
Deferred charges	-	-	-	36,488
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	13,334,157	3,299,986	16,634,143	44,955,821
Assets being depreciated	81,716,031	20,889,487	102,605,518	143,655,134
Total Assets	<u>162,334,123</u>	<u>65,460,152</u>	<u>227,794,275</u>	<u>260,749,287</u>
LIABILITIES:				
Payables and accrued liabilities	5,056,907	570,029	5,626,936	6,158,674
Advances and deposits	48,747	-	48,747	1,133,843
Advances from primary government	-	-	-	50,000
Unearned revenue	13,105,138	9,690	13,114,828	1,145,526
Liabilities payable from restricted assets	-	-	-	144,101
Non-current liabilities -				
Net OPEB obligation	34,509,988	423,704	34,933,692	18,210,665
Due within one year	3,032,962	-	3,032,962	10,292,495
Due in more than one year	62,282,367	16,632,341	78,914,708	46,934,694
Total Liabilities	<u>118,036,109</u>	<u>17,635,764</u>	<u>135,671,873</u>	<u>84,069,998</u>
NET POSITION (DEFICIT):				
Net investment in capital assets	54,475,251	17,565,938	72,041,189	155,867,427
Restricted - Expendable -				
Acquisition/construction of capital assets	3,137,557	-	3,137,557	505,901
Debt Service	973,741	-	973,741	1,801,933
Recreation and Cultural	4,306,990	-	4,306,990	-
Revenue Sharing Reserve	2,119,854	-	2,119,854	-
Health and Welfare	1,043,622	-	1,043,622	-
Public Safety	472,784	-	472,784	-
Other Purposes	850,816	2,078,086	2,928,902	3,974,781
Unrestricted	(23,082,601)	28,180,364	5,097,763	14,529,247
Total Net Position	<u>\$ 44,298,014</u>	<u>\$ 47,824,388</u>	<u>\$ 92,122,402</u>	<u>\$ 176,679,289</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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 1,086,186	\$ 80	\$ -	\$ -
Judicial	13,139,740	2,403,604	3,219,074	-
General Government	13,831,546	4,870,589	965,136	-
Public Safety	34,739,725	7,446,330	4,501,723	1,042,087
Public Works	1,247,462	-	-	-
Health and Welfare	20,888,360	1,663,394	6,385,359	-
Community and Economic Development	844,215	72,551	261,068	-
Recreation and Culture	8,567,281	1,026,364	225,753	-
Interest on Long Term Debt	2,530,577	393,675	-	-
Total governmental activities	<u>96,875,092</u>	<u>17,876,587</u>	<u>15,558,113</u>	<u>1,042,087</u>
Business type activities:				
Delinquent Tax Revolving	556,875	1,218,818	-	-
Airport Commission	490,412	127,680	36,624	24,483
Sheriff's Concession	508,630	578,572	-	-
School Tax Collections	15	-	-	-
Homestead Exemption Audits	351	69	-	-
Solid Waste Disposal System	4,454,127	4,691,876	121,983	-
Total business type activities	<u>6,010,410</u>	<u>6,617,015</u>	<u>158,607</u>	<u>24,483</u>
Total Primary Government	<u>\$102,885,502</u>	<u>\$ 24,493,602</u>	<u>\$ 15,716,720</u>	<u>\$ 1,066,570</u>
Component Units				
Road Commission	\$ 22,068,545	\$ 3,862,381	\$ 14,220,512	\$ 3,091,363
Department of Public Works	3,010,308	2,489,889	-	100,000
Community Mental Health Authority	93,724,370	1,262,048	86,090,613	-
Land Bank Authority	-	110,711	-	-
Drainage Districts	1,594,709	3,507,174	-	-
Total Component Units	<u>\$120,397,932</u>	<u>\$ 11,232,203</u>	<u>\$100,311,125</u>	<u>\$ 3,191,363</u>

General revenues:

Property taxes

Grants and contributions not
restricted to specific programs

Unrestricted investment income

Interest and penalties on delinquent taxes

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year as restated

Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(1,086,106)	\$ -	\$(1,086,106)	\$ -
(7,517,062)	-	(7,517,062)	-
(7,995,821)	-	(7,995,821)	-
(21,749,585)	-	(21,749,585)	-
(1,247,462)	-	(1,247,462)	-
(12,839,607)	-	(12,839,607)	-
(510,596)	-	(510,596)	-
(7,315,164)	-	(7,315,164)	-
(2,136,902)	-	(2,136,902)	-
<u>(62,398,305)</u>	<u>-</u>	<u>(62,398,305)</u>	<u>-</u>
-	661,943	661,943	-
-	(301,625)	(301,625)	-
-	69,942	69,942	-
-	(15)	(15)	-
-	(282)	(282)	-
-	359,732	359,732	-
<u>-</u>	<u>789,695</u>	<u>789,695</u>	<u>-</u>
<u>(62,398,305)</u>	<u>789,695</u>	<u>(61,608,610)</u>	<u>-</u>
-	-	-	(894,289)
-	-	-	(420,419)
-	-	-	(6,371,709)
-	-	-	110,711
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,912,465</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,663,241)</u>
41,670,499	-	41,670,499	-
659,700	-	659,700	955,672
263,374	56,229	319,603	184,087
9,627	2,185,410	2,195,037	-
3,494,930	(3,494,930)	-	-
<u>46,098,130</u>	<u>(1,253,291)</u>	<u>44,844,839</u>	<u>1,139,759</u>
(16,300,175)	(463,596)	(16,763,771)	(4,523,482)
<u>60,598,189</u>	<u>48,287,984</u>	<u>108,886,173</u>	<u>181,202,771</u>
<u>\$ 44,298,014</u>	<u>\$ 47,824,388</u>	<u>\$ 92,122,402</u>	<u>\$ 176,679,289</u>

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>Combined General</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Senior Citizens Millage</u>
ASSETS				
Cash and cash equivalents	\$ 3,074,388	\$ 2,159,514	\$ 2,991,330	\$ 1,116,348
Investments	8,500,000	-	-	-
Receivables, net of allowance -				
Property taxes	2,341,574	2,522,697	3,557,424	4,025,557
Interest and accounts	304,052	-	22,527	-
Due from other governmental units -				
Federal/State	1,713,748	26,262	-	-
Local	1,624,870	-	-	-
Due from other funds	190,840	-	-	-
Long-term notes receivable	4,338,705	-	-	-
Advances to component units	50,000	-	-	-
Prepayments and deposits	19,320	-	28,117	-
Total Assets	<u>\$ 22,157,497</u>	<u>\$ 4,708,473</u>	<u>\$ 6,599,398</u>	<u>\$ 5,141,905</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 864,850	\$ 121,031	\$ 103,438	\$ 202,741
Accrued liabilities	1,095,070	19,597	68,673	209
Advances and deposits	650	8,300	-	-
Due to other governmental units -				
Federal/State	18,877	-	-	-
Local	114,569	-	-	-
Due to other funds	6,500,000	-	-	-
Deferred revenue	624,048	2,784,682	3,895,160	4,401,734
Total Liabilities	<u>9,218,064</u>	<u>2,933,610</u>	<u>4,067,271</u>	<u>4,604,684</u>
Fund Balance:				
Nonspendable -				
Long-term notes receivable/advances	4,388,705	-	-	-
Prepayments	19,320	-	-	-
Restricted -				
Acquisition/construction of capital assets	-	-	-	-
Debt Service	-	-	-	-
Recreation and Cultural	-	1,774,863	2,532,127	-
Revenue Sharing Reserve	-	-	-	-
Health and Welfare	-	-	-	537,221
Public Safety	-	-	-	-
Other Purposes	-	-	-	-
Committed	685,679	-	-	-
Assigned	2,928,101	-	-	-
Unassigned	4,917,628	-	-	-
Total Fund Balance	<u>12,939,433</u>	<u>1,774,863</u>	<u>2,532,127</u>	<u>537,221</u>
Total Liabilities and Fund Balance	<u>\$ 22,157,497</u>	<u>\$ 4,708,473</u>	<u>\$ 6,599,398</u>	<u>\$ 5,141,905</u>

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

Mental Health Building Debt	Other Governmental Funds	Total Governmental Funds
\$ 610	\$ 17,279,618	\$ 26,621,808
-	142,472	8,642,472
-	1,931,001	14,378,253
-	861,571	1,188,150
-	892,904	2,632,914
9,425,000	365,097	11,414,967
-	-	190,840
-	-	4,338,705
-	-	50,000
-	-	47,437
<u>\$ 9,425,610</u>	<u>\$ 21,472,663</u>	<u>\$ 69,505,546</u>

\$ -	\$ 422,714	\$ 1,714,774
-	286,403	1,469,952
-	39,797	48,747
-	352,200	371,077
-	-	114,569
-	190,840	6,690,840
9,425,000	2,903,007	24,033,631
<u>9,425,000</u>	<u>4,194,961</u>	<u>34,443,590</u>

-	-	4,388,705
-	-	19,320
-	9,952,449	9,952,449
610	973,131	973,741
-	-	4,306,990
-	2,119,854	2,119,854
-	506,401	1,043,622
-	472,784	472,784
-	850,816	850,816
-	2,402,267	3,087,946
-	-	2,928,101
-	-	4,917,628
<u>610</u>	<u>17,277,702</u>	<u>35,061,956</u>
<u>\$ 9,425,610</u>	<u>\$ 21,472,663</u>	<u>\$ 69,505,546</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Fund Balances - total governmental funds		\$ 35,061,956
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses recorded in the funds on the purchase method		363,745
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		139,318,764
Accumulated depreciation		(44,349,992)
Other postemployment benefits assets do not represent current financial resources and are therefore not recorded in the funds		57,147
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Delinquent personal property taxes	\$ 179,178	
Housing rehabilitation loan	724,179	
Capital lease contract	9,425,000	
Interest receivable on capital lease contract	97,794	
Other	<u>600,136</u>	11,026,287
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 position.		2,644,432
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	(55,665,000)	
Drain District assessments payable	(3,588,472)	
Accrued interest on bonds/notes payable	(610,284)	
Net OPEB obligation	(34,493,544)	
Accrued compensated absences	<u>(4,570,160)</u>	(98,927,460)
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized from net position (netted against bonds payables)		1,442,102
Discounts and premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net position (netted against bonds payables)		
Bond premium	(2,614,044)	
Bond discount	<u>95,245</u>	(2,518,799)
Bond issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net position		<u>179,832</u>
Net Position of governmental activities		<u>\$ 44,298,014</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Combined General</u>	<u>Parks and Recreation</u>	<u>Library</u>	<u>Senior Citizens Millage</u>
Revenues:				
Taxes	\$ 29,752,455	\$ 2,837,282	\$ 4,006,123	\$ 2,863,916
Licenses and permits	513,059	-	-	-
Intergovernmental -				
Federal/State	7,399,891	51,850	116,975	-
Local	1,742,515	-	8,000	-
Charges for services	9,242,602	99,925	90,603	-
Fines and forfeits	363,222	-	760,219	-
Interest and rent	1,001,886	6,843	58,963	3,917
Other	2,425,820	24,023	23,509	-
Total Revenues	<u>52,441,450</u>	<u>3,019,923</u>	<u>5,064,392</u>	<u>2,867,833</u>
Expenditures:				
Current -				
Legislative	1,054,318	-	-	-
Judicial	10,875,391	-	-	-
General Government	11,841,455	-	-	-
Public Safety	23,449,284	-	-	-
Public Works	1,247,462	-	-	-
Health and Welfare	1,578,358	-	-	2,990,587
Community and Economic Development	670,461	-	-	-
Recreation and Cultural	-	4,116,728	5,033,280	-
Capital Outlay	-	-	-	-
Debt Service -				
Principal	278,677	-	-	-
Interest and charges	170,259	-	-	-
Total Expenditures	<u>51,165,665</u>	<u>4,116,728</u>	<u>5,033,280</u>	<u>2,990,587</u>
Revenues over (under) expenditures	<u>1,275,785</u>	<u>(1,096,805)</u>	<u>31,112</u>	<u>(122,754)</u>
Other Financing Sources (Uses):				
Issuance of debt	622,652	-	-	-
Issuance of refunding bonds	-	-	-	-
Premium on debt	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-
Transfers from other funds	6,134,107	-	28,117	-
Transfers to other funds	<u>(7,258,191)</u>	<u>(39,122)</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(501,432)</u>	<u>(39,122)</u>	<u>28,117</u>	<u>-</u>
Net Change in Fund Balances	774,353	(1,135,927)	59,229	(122,754)
Fund Balances at beginning of year as restated	<u>12,165,080</u>	<u>2,910,790</u>	<u>2,472,898</u>	<u>659,975</u>
Fund Balances at end of year	<u>\$ 12,939,433</u>	<u>\$ 1,774,863</u>	<u>\$ 2,532,127</u>	<u>\$ 537,221</u>

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

Mental Health Building Debt	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 2,176,796	\$ 41,636,572
-	204,112	717,171
-	6,807,007	14,375,723
646,175	43,553	2,440,243
-	2,865,976	12,299,106
-	242,820	1,366,261
-	7,735	1,079,344
-	559,691	3,033,043
<u>646,175</u>	<u>12,907,690</u>	<u>76,947,463</u>
-	-	1,054,318
-	387,040	11,262,431
-	115,226	11,956,681
-	1,777,915	25,227,199
-	-	1,247,462
-	14,752,512	19,321,457
-	120,670	791,131
-	-	9,150,008
-	3,501,066	3,501,066
250,000	1,835,000	2,363,677
396,500	1,802,545	2,369,304
<u>646,500</u>	<u>24,291,974</u>	<u>88,244,734</u>
<u>(325)</u>	<u>(11,384,284)</u>	<u>(11,297,271)</u>
-	9,000,000	9,622,652
-	24,365,000	24,365,000
-	2,620,260	2,620,260
-	(26,874,372)	(26,874,372)
325	9,502,496	15,665,045
-	(4,872,802)	(12,170,115)
<u>325</u>	<u>13,740,582</u>	<u>13,228,470</u>
-	2,356,298	1,931,199
610	14,921,404	33,130,757
<u>\$ 610</u>	<u>\$ 17,277,702</u>	<u>\$ 35,061,956</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Net change in fund balances - total governmental funds	\$ 1,931,199
Change in prepaid expenses recorded in the funds on the purchase method	63,933
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.	
Capital outlay	6,299,818
Depreciation expense	(4,564,278)
Loss from sale/disposal of assets	(841,727)
Governmental funds report pension payments as expenditures. However, in the statement of activities the payment above the annual required contribution is recorded as an asset	
	57,147
Governmental funds do not report the fair value of donated assets as revenues and expenditures. However, the fair value is reported as both revenues and expenses in the statement of activities.	
Fair value of donated assets	972,194
Fair value of donated assets	(739,194)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(839,670)
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 position.	
Principal payments on long term liabilities	2,363,677
Note proceeds from drain districts	(622,652)
Bond Proceeds	(33,365,000)
Payments to refunding bond escrow agent	26,874,372
Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, premiums, and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for the purpose of net position.	
Increase in accrued interest payable	(80,309)
Bond premium	(2,620,260)
Amortization of bond premium	198,750
Amortization of bond discount	(60,570)
Amortization of issuance costs	(89,870)
Amortization of deferred loss on refunding	(129,274)
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.	
	(493,825)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Increase in net OPEB obligation	\$(10,533,903)
Increase in accrued compensated absences	<u>(80,733)</u> (10,614,636)
Change in net position of governmental activities	<u><u>\$(16,300,175)</u></u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste	Delinquent	Other	Total	Activities
	Disposal System	Tax Revolving	Proprietary Funds		Internal Service Fund
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 10,341,872	\$ 11,631,558	\$ 840,011	\$ 22,813,441	\$ 1,116,708
Accounts receivable (net of allowance) -					
Delinquent taxes	-	10,824,747	-	10,824,747	-
Interest and accounts	550,422	-	88,754	639,176	215,363
Due from other governmental units	155,312	196,127	-	351,439	-
Prepaid expenses and deposits	6,109	11,355	9,978	27,442	2,438,640
Due from other funds	-	6,500,000	-	6,500,000	-
Total Current Assets	11,053,715	29,163,787	938,743	41,156,245	3,770,711
Noncurrent Assets:					
Capital assets	35,432,352	235,125	12,130,027	47,797,504	105,459
Less - accumulated depreciation	(14,757,406)	(212,730)	(8,637,895)	(23,608,031)	(24,043)
Capital assets, net	20,674,946	22,395	3,492,132	24,189,473	81,416
Notes receivable	-	29,947	-	29,947	-
Deferred charges	84,487	-	-	84,487	-
Total Noncurrent Assets	20,759,433	52,342	3,492,132	24,303,907	81,416
Total Assets	31,813,148	29,216,129	4,430,875	65,460,152	3,852,127
LIABILITIES:					
Current Liabilities:					
Accounts payable	349,840	98,910	37,807	486,557	132,727
Accrued expenses	11,382	2,243	4,697	18,322	643,524
Due to other governmental units	16,275	8,226	-	24,501	-
Accrued interest payable	40,649	-	-	40,649	-
Current portion of long-term liabilities	-	-	-	-	100,000
Unearned revenue	-	-	9,690	9,690	-
Total Current Liabilities	418,146	109,379	52,194	579,719	876,251
Long-Term Liabilities (less current portions):					
Accrued vacation and sick	30,132	-	8,793	38,925	-
Accrued insurance claims	-	-	-	-	315,000
Net OPEB obligation	294,768	52,048	76,888	423,704	16,444
Bonds payable	6,623,535	-	-	6,623,535	-
Estimated closure and post closure costs	9,969,881	-	-	9,969,881	-
Total Long-Term Liabilities	16,918,316	52,048	85,681	17,056,045	331,444
Total Liabilities	17,336,462	161,427	137,875	17,635,764	1,207,695
NET POSITION:					
Net investment in capital assets	14,051,411	22,395	3,492,132	17,565,938	81,416
Restricted - Expendable - Foreclosure sales	-	2,078,086	-	2,078,086	-
Unrestricted	425,275	26,954,221	800,868	28,180,364	2,563,016
Total Net Position	\$ 14,476,686	\$ 29,054,702	\$ 4,293,000	\$ 47,824,388	\$ 2,644,432

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Operating Revenues:					
Intergovernmental -					
Federal/State	\$ 121,983	\$ -	\$ 36,624	\$ 158,607	\$ -
Charges for services	4,685,510	1,218,818	587,258	6,491,586	12,894,327
Interest and rents	-	2,185,410	122,718	2,308,128	-
Other	6,366	-	-	6,366	227,820
Total Operating Revenues	<u>4,813,859</u>	<u>3,404,228</u>	<u>746,600</u>	<u>8,964,687</u>	<u>13,122,147</u>
Operating Expenses:					
Personal services	593,546	154,194	206,534	954,274	393,619
Supplies	88,443	7,731	30,507	126,681	2,834
Other services	2,998,700	372,555	590,248	3,961,503	13,216,637
Depreciation	773,438	22,395	172,119	967,952	2,882
Total Operating Expenses	<u>4,454,127</u>	<u>556,875</u>	<u>999,408</u>	<u>6,010,410</u>	<u>13,615,972</u>
Operating Income (Loss)	359,732	2,847,353	(252,808)	2,954,277	(493,825)
Non-Operating Revenues:					
Interest revenue	30,610	21,964	-	52,574	-
Net Income (Loss) Before Capital Contributions and Transfers	390,342	2,869,317	(252,808)	3,006,851	(493,825)
Capital Contributions	-	-	24,483	24,483	-
Net Income (Loss) Before Transfers	390,342	2,869,317	(228,325)	3,031,334	(493,825)
Transfers:					
Transfers from other funds	-	-	202,000	202,000	-
Transfers to other funds	(1,556,300)	(2,140,630)	-	(3,696,930)	-
Total Transfers	<u>(1,556,300)</u>	<u>(2,140,630)</u>	<u>202,000</u>	<u>(3,494,930)</u>	<u>-</u>
Change in Net Position	(1,165,958)	728,687	(26,325)	(463,596)	(493,825)
Net Position at beginning of year as restated	15,642,644	28,326,015	4,319,325	48,287,984	3,138,257
Net Position at end of year	<u>\$ 14,476,686</u>	<u>\$ 29,054,702</u>	<u>\$ 4,293,000</u>	<u>\$ 47,824,388</u>	<u>\$ 2,644,432</u>

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 5,413,587	\$ 18,875,596	\$ 682,062	\$24,971,245	\$ 398,257
Cash receipts from interfund services	-	-	-	-	12,894,327
Cash payments to suppliers	(3,026,441)	(14,740,582)	(617,207)	(18,384,230)	(14,953,818)
Cash payments to employees	(392,328)	(118,277)	(182,048)	(692,653)	(402,785)
Cash payments for interfund services	(71,691)	-	(366)	(72,057)	-
Other cash receipts	128,349	-	-	128,349	-
Net Cash Provided by (Used for) Operating Activities	<u>2,051,476</u>	<u>4,016,737</u>	<u>(117,559)</u>	<u>5,950,654</u>	<u>(2,064,019)</u>
Cash Flows From Noncapital Financing Activities:					
Cash receipts/payments to other funds	-	500,000	-	500,000	-
Transfers from other funds	-	-	202,000	202,000	-
Transfers to other funds	(1,556,300)	(2,140,630)	-	(3,696,930)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(1,556,300)</u>	<u>(1,640,630)</u>	<u>202,000</u>	<u>(2,994,930)</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from sale of bonds	438,724	-	-	438,724	-
Interest paid	(153,137)	-	-	(153,137)	-
Acquisition and construction of capital assets	(982,171)	(44,790)	(627)	(1,027,588)	(5,876)
Net Cash Used for Capital and Related Financing Activities	<u>(696,584)</u>	<u>(44,790)</u>	<u>(627)</u>	<u>(742,001)</u>	<u>(5,876)</u>
Cash Flows From Investing Activities:					
Interest earned	30,610	21,964	-	52,574	-
Receipts on notes receivable	-	66,994	-	66,994	-
Net Cash Provided by Investing Activities	<u>30,610</u>	<u>88,958</u>	<u>-</u>	<u>119,568</u>	<u>-</u>
Increase (Decrease) in Cash and Cash Equivalents	(170,798)	2,420,275	83,814	2,333,291	(2,069,895)
Cash and Cash Equivalents at Beginning of Year	<u>10,512,670</u>	<u>9,211,283</u>	<u>756,197</u>	<u>20,480,150</u>	<u>3,186,603</u>
Cash and Cash Equivalents at End of Year	<u>\$10,341,872</u>	<u>\$ 11,631,558</u>	<u>\$ 840,011</u>	<u>\$22,813,441</u>	<u>\$ 1,116,708</u>

Continued

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Business Type Activities-Enterprise Funds				Governmental
	Solid Waste Disposal System	Delinquent Tax Revolving	Other Proprietary Funds	Total	Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss) for the year	\$ 359,732	\$ 2,847,353	\$(252,808)	\$ 2,954,277	\$(493,825)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -					
Depreciation	773,438	22,395	172,119	967,952	2,882
Disposal of assets	40,246	-	-	40,246	-
Estimated closure and post closure costs	406,967	-	-	406,967	-
Change in assets and liabilities:					
Receivables	535,426	1,082,783	(37,712)	1,580,497	170,437
Prepays and deposits	(2,912)	(223)	(7,389)	(10,524)	(1,650,449)
Accounts payable/accrued expenses	(251,715)	69,244	35,057	(147,414)	(93,064)
Due to/from other governmental units	190,294	(4,815)	-	185,479	-
Unearned Revenue	-	-	(26,826)	(26,826)	-
Net Cash Provided by (Used for) Operating Activities	<u>\$ 2,051,476</u>	<u>\$ 4,016,737</u>	<u>\$(117,559)</u>	<u>\$ 5,950,654</u>	<u>\$(2,064,019)</u>
Non-Cash Capital and Related Financing Activities:					
Capital contributions	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,483</u>	<u>\$ 24,483</u>	<u>\$ -</u>

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	Basic Retirement System	Other Postemployment Benefits	Landfill Private-Purpose Trust Fund	Agency Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS:				
Cash and cash equivalents	\$ 7,340,705	\$ 2,942,011	\$ 1,966,886	\$ 1,548,744
Investments -				
U.S. Government/Agencies	7,112,906	404,717	-	-
Corporate Debt	33,485,937	2,434,144	-	-
Equity Funds	42,751,114	-	-	-
Stocks	65,474,087	8,809,592	-	-
Foreign Bonds	17,374,747	-	-	-
Mutual Funds	13,071,986	6,378,910	-	-
Real Estate Investment Trust	9,908,824	-	-	-
Municipal Bonds	161,242	253,136	-	-
Invested Court Appointed Trust	-	-	-	60,324
Receivables -				
Interest/dividends and accounts	590,451	26,753	-	12,362,555
Other	221,601	12,359	8,963	-
Due from other funds	199,258	14,067,953	-	-
Prepayments and deposits	-	-	-	2,731
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>197,692,858</u>	<u>35,329,575</u>	<u>1,975,849</u>	<u>\$ 13,974,354</u>
LIABILITIES:				
Accounts payable	373,259	-	-	\$ -
Due to individuals and agencies	55,979	-	-	13,071,143
Due to other governmental units -				
Federal/State	-	-	-	433,967
Local	-	-	-	469,244
Due to other funds	14,067,953	199,258	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>14,497,191</u>	<u>199,258</u>	<u>-</u>	<u>\$ 13,974,354</u>
NET POSITION:				
Restricted for pension benefits	183,195,667	-	-	
Restricted for other postemployment benefits	-	35,130,317	-	
Restricted for landfill perpetual care	-	-	1,975,849	
	<u> </u>	<u> </u>	<u> </u>	
Total Net Position	<u>\$ 183,195,667</u>	<u>\$ 35,130,317</u>	<u>\$ 1,975,849</u>	

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

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Basic Retirement System</u>	<u>Other Postemployment Benefits</u>	<u>Landfill Private-Purpose Trust Fund</u>
Additions:			
Contributions -			
Member contributions	\$ 2,208,258	\$ 508,383	\$ -
Employer contributions	6,749,798	1,541,123	-
Closure/postclosure	-	-	91,029
Total Contributions	<u>8,958,056</u>	<u>2,049,506</u>	<u>91,029</u>
Investment income -			
Net appreciation (depreciation) in fair value of investments	17,317,918	3,057,480	-
Interest/dividends	4,637,288	445,083	1,421
Less investment expense	<u>(1,013,738)</u>	<u>(66,939)</u>	<u>(2,415)</u>
Net investment income	<u>20,941,468</u>	<u>3,435,624</u>	<u>(994)</u>
Other -			
Medicare Part D reimbursements	-	282,254	-
Total Additions	<u>29,899,524</u>	<u>5,767,384</u>	<u>90,035</u>
Deductions:			
Retirement payroll	11,651,429	-	-
Health insurance	-	5,239,846	-
Death benefits	63,000	-	-
Employee refunds	370,614	155,394	-
Administration	105,731	-	-
Professional fees	37,911	84,604	-
Total Deductions	<u>12,228,685</u>	<u>5,479,844</u>	<u>-</u>
Net increase	17,670,839	287,540	90,035
Net position -			
Beginning of year	<u>165,524,828</u>	<u>34,842,777</u>	<u>1,885,814</u>
End of year	<u>\$ 183,195,667</u>	<u>\$ 35,130,317</u>	<u>\$ 1,975,849</u>

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2012**

	Road Commission	Department of Public Works	Community Mental Health Authority
ASSETS			
Cash and cash equivalents	\$ 6,448,257	\$ 98,952	\$ 9,177,497
Investments	-	-	-
Receivables (net of allowance)	3,592,874	428,142	1,514,648
Prepaid expenses	233,738	-	539,058
Inventory	1,312,186	-	-
Properties held for sale	-	-	-
Deferred charges	-	-	53,494
Net pension asset	337,644	-	-
Restricted Assets -			
Cash and cash equivalents	-	1,201,890	4,486,181
Receivables	-	22,102,058	-
Deferred charges	-	36,488	-
Capital Assets (net of accumulated depreciation)			
Assets not being depreciated	38,081,101	83,776	2,105,985
Assets being depreciated	92,350,238	12,352,526	9,851,910
Total Assets	<u>142,356,038</u>	<u>36,303,832</u>	<u>27,728,773</u>
LIABILITIES			
Payables and accrued liabilities	629,970	134,682	4,703,535
Accrued interest	10,828	-	2,054
Advances and deposits	908,792	125,046	-
Advance from primary government	-	-	-
Unearned revenue	1,017,863	-	127,663
Liabilities payable from restricted assets	-	144,101	-
Non-current liabilities -			
Net OPEB obligation	10,287,783	-	7,922,882
Due within one year	695,000	2,745,720	2,925,696
Due in more than one year	573,000	19,944,714	9,420,149
Total Liabilities	<u>14,123,236</u>	<u>23,094,263</u>	<u>25,101,979</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	129,366,339	12,436,302	1,172,330
Restricted -			
Risk corridor financing	-	-	2,984,201
Substance abuse	-	-	990,580
Equipment replacement	-	505,901	-
Debt Service	-	-	-
Unrestricted	<u>(1,133,537)</u>	<u>267,366</u>	<u>(2,520,317)</u>
Total Net Assets	<u><u>\$ 128,232,802</u></u>	<u><u>\$ 13,209,569</u></u>	<u><u>\$ 2,626,794</u></u>

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

<u>Land Bank Authority</u>	<u>Drainage Districts</u>	<u>Totals</u>
\$ 134,084	\$ 2,902,351	\$ 18,761,141
-	67,511	67,511
-	17,264,714	22,800,378
-	1,474	774,270
-	-	1,312,186
17,949	-	17,949
-	187,142	240,636
-	-	337,644
-	-	5,688,071
-	-	22,102,058
-	-	36,488
-	4,684,959	44,955,821
-	29,100,460	143,655,134
<u>152,033</u>	<u>54,208,611</u>	<u>260,749,287</u>
-	527,070	5,995,257
-	150,535	163,417
-	100,005	1,133,843
-	50,000	50,000
-	-	1,145,526
-	-	144,101
-	-	18,210,665
-	3,926,079	10,292,495
29,947	16,966,884	46,934,694
<u>29,947</u>	<u>21,720,573</u>	<u>84,069,998</u>
-	12,892,456	155,867,427
-	-	2,984,201
-	-	990,580
-	-	505,901
-	1,801,933	1,801,933
122,086	17,793,649	14,529,247
<u>\$ 122,086</u>	<u>\$ 32,488,038</u>	<u>\$ 176,679,289</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Road Commission				
Governmental activities:				
Highways and Streets	\$ 22,036,049	\$ 3,862,381	\$ 14,220,512	\$ 3,091,363
Interest on Long Term Debt	32,496	-	-	-
Total Road Commission	<u>22,068,545</u>	<u>3,862,381</u>	<u>14,220,512</u>	<u>3,091,363</u>
Department of Public Works				
Governmental activities:				
Interest on Long Term Debt	845,417	845,417	-	-
Business type activities:				
Water and Sewer	<u>2,164,891</u>	<u>1,644,472</u>	<u>-</u>	<u>100,000</u>
Total Department of Public Works	<u>3,010,308</u>	<u>2,489,889</u>	<u>-</u>	<u>100,000</u>
Community Mental Health Authority				
Governmental activities:				
Health and Welfare	<u>93,724,370</u>	<u>1,262,048</u>	<u>86,090,613</u>	<u>-</u>
Land Bank Authority				
Governmental activities:				
Community and Economic Development	<u>-</u>	<u>110,711</u>	<u>-</u>	<u>-</u>
Drainage Districts				
Governmental activities:				
Public Works	850,718	3,507,174	-	-
Interest on Long Term Debt	<u>743,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Drains	<u>1,594,709</u>	<u>3,507,174</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 120,397,932</u>	<u>\$ 11,232,203</u>	<u>\$ 100,311,125</u>	<u>\$ 3,191,363</u>

General Revenues:

Grants and contributions not restricted
to specific programs
Unrestricted investment income
Total general revenues

Change in net position

Net position at beginning of year as restated
Net position at end of year

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

Net (Expense) Revenue and Change in Net Position

Road Commission	Department of Public Works	Community Mental Health Authority	Land Bank Authority	Drainage Districts	Total
\$(861,793)					\$(861,793)
<u>(32,496)</u>					<u>(32,496)</u>
<u>(894,289)</u>					
	\$ -				-
	<u>(420,419)</u>				<u>(420,419)</u>
	<u>(420,419)</u>				
		<u>\$(6,371,709)</u>			<u>(6,371,709)</u>
			<u>\$ 110,711</u>		110,711
				\$ 2,656,456	2,656,456
				<u>(743,991)</u>	<u>(743,991)</u>
				<u>1,912,465</u>	
					<u>(5,663,241)</u>
-	-	955,672	-	-	955,672
78,350	1,085	101,282	33	3,337	184,087
<u>78,350</u>	<u>1,085</u>	<u>1,056,954</u>	<u>33</u>	<u>3,337</u>	<u>1,139,759</u>
(815,939)	(419,334)	(5,314,755)	110,744	1,915,802	(4,523,482)
<u>129,048,741</u>	<u>13,628,903</u>	<u>7,941,549</u>	<u>11,342</u>	<u>30,572,236</u>	<u>181,202,771</u>
<u>\$ 128,232,802</u>	<u>\$ 13,209,569</u>	<u>\$ 2,626,794</u>	<u>\$ 122,086</u>	<u>\$ 32,488,038</u>	<u>\$ 176,679,289</u>

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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 163,000 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.

BLENDING COMPONENT UNIT -

ST. CLAIR COUNTY BUILDING AUTHORITY - The St. Clair County Building Authority is governed by a three-person authority, which is appointed by the St. Clair County Board of Commissioners. The main function of the Authority at the present time is to pay off building bonds. The St. Clair County Building Authority is reported as if it were a part of the primary government because its sole purpose is to finance the construction of the County's Library and Public Service buildings, and any additional facilities that require financing. The Authority's activity is reported as a Debt Service fund, captioned "Building Authority". Separate financial statements for the Authority are not published.

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, property taxes, 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 Utility Operations and Maintenance Receiving and Wastewater Treatment Funds. The DPW operates under a Board, which consists 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, 2012**

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

DRAINAGE DISTRICTS - The St. Clair County Drain Commissioner is solely responsible for the administration of the drainage districts established pursuant to Act 40, P.A. 1956, as amended, of the Michigan Drain Code. The statutory Inter-County Drainage Boards consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioners, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The Drain Commission and all operations for the Drain Commission office are budgeted and reported as part of the County General Fund, except for maintenance and construction of individual drains, which is accounted for through the various drain funds. Maintenance and construction of individual drains are assessed to the benefited property owner. The full faith and credit of the County may be given for the debt of the drainage district upon authorization of the County Board of Commissioners.

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

ST. CLAIR COUNTY LAND BANK AUTHORITY - Established pursuant to the Michigan Land Bank Fast Track Public Act 258 of 2003 and an Intergovernmental Agreement entered into between the Michigan Land Bank Fast Track Authority and the St. Clair County Treasurer. The Land Bank Authority is governed by a five-member board including the St. Clair County Treasurer, who is, by law, its Chairperson, and four other members appointed by the St. Clair County Board of Commissioners. The Land Bank Authority was created to acquire, hold, manage and develop tax-foreclosed properties, as well as other vacant and abandoned properties. The County Board of Commissioners can significantly influence the operations of the Land Bank Authority.

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

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

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

St. Clair County Community Mental Health Authority
3111 Electric Avenue
Port Huron, MI 48060

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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

The funds associated with the activities of the drainage districts administered by the St. Clair County Drain Commissioner and the Land Bank Authority administered by the County Treasurer are included within the scope of the audit of the basic financial statements. Separate audited financial statements for these component units were not issued.

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

B. Government-wide and fund financial statements -

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

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

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

C. Measurement focus, basis of accounting, and financial statement presentation -

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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 normally collected within 60 days of the end of the current fiscal period except for reimbursement grants, which are recognized if collected within 90 days. 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.

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

The County reports the following major governmental funds:

Combined 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. The Budget Incentive and Development Revolving Funds have been included in the Combined General Fund as revenues come from the General Fund and can be used for General Fund operations.

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

Library - is used to account for a County special millage for the operations of the Public Library.

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

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

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.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Additionally, the County reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for the proceeds that are restricted or committed for expenditures for specific purposes other than debt services or capital projects.

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

Capital Project Funds - are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds).

Proprietary Fund Types -

Enterprise Funds - are used to report operations for services to the general public, financed primarily by user charges intended to recover the cost of services provided, and include the airport, sheriff's concession, homestead exemption audits, and school tax collection.

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.

Fiduciary Fund Types -

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. St. Clair County's fiduciary funds include:

Basic Retirement System - is used to account for activity of the Employees' Retirement System, which accumulates resources for pension payments for qualified retirees.

Other Postemployment Benefits Fund - is used to account for activity of the Employees' OPEB Plan, which accumulates resources for health benefit payments to eligible retirees.

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

Agency Funds - are used to account for assets held by the County as an agent for individuals, private organizations, other governmental units, and other funds, including tax collections, payroll liabilities, and library collections of penal fines.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the Enterprise and Internal Services Funds are charges to customers for sales and services and intergovernmental operating grants. 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 non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Equity -

Deposits and Investments -

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

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are valued 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 their carrying amount which reasonably approximates fair value.

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

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans), "advances to/from other funds" (i.e., the non-current portion of interfund loans), or interfund borrowings (i.e., the non-current portion of interfund loans with component units). 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".

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

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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

Inventories and Prepaid Items -

All inventories are valued at cost, except the Road Commission (component unit) that is stated at the average cost, using the first in/first out (FIFO) method. Inventories of governmental funds are recorded as expenditures when purchased, except the Road Commission, which is recognized using the consumption method (recorded as expense when used).

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide statements, except for prepaid postage and spendable endowment deposits with the Community Foundation which is recorded in the governmental fund financial statements.

Properties Held for Sale -

Properties held for sale in the Land Bank Authority are foreclosure properties purchased from the primary government to hold, manage, and develop to be productive and economically viable. These properties are stated using the specific identification method and are recognized using the consumption method.

Property Tax Calendar -

The property taxes for the County's general fund are levied on July 1 (the lien date), with all special purpose taxes levied on December 1 (the lien date), based on the taxable value of property located in the County as of the preceding December 31, by the various municipalities within the County. The July 1 taxes are due on or before September 15 and the December 1 taxes are due on or before February 15. The General Fund levy is recognized in the year of the levy. The special purpose taxes that are levied on December 1 are recorded as a receivable and deferral since they are budgeted as revenues in the subsequent year. For the year the County levied 5.3265 mills for the General Fund, .4954 mills for Parks and Recreation, .7000 mills for Library, .5000 mills for Senior Citizens, .1000 mills for veterans, .2803 mills for Drug Task Force, and .2500 mills for Roads.

Capital Assets -

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

Major outlays for capital assets and major improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the business-type activities is included as part of the capitalized value of the assets constructed.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

	Years				
	<u>Primary Government</u>	<u>Road Commission</u>	<u>Mental Health</u>	<u>Dept. of Public Works</u>	<u>Drains</u>
Building/Improvements	10-45	20-50	5-40	20-50	-
Drain System	-	-	-	-	50
Road Systems/Other Infrastructure	-	8-50	-	-	-
Utility System	-	-	-	50-60	-
Equipment	3-20	4-20	4-7	5-20	-
Books/Audiovisual	5-10	-	-	-	-

Compensated Absences -

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

Long-Term Obligations -

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

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

Fund Equity -

In the fund financial statements, governmental funds reported fund balances in one or more of the following classifications:

Nonspendable fund balance – the portion of fund balance that is not in a spendable form.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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

Restricted fund balance – the portion of fund balance that is mandated for a specific purpose by external parties, constitutional provisions, or enabling legislation.

Committed fund balance – the portion of fund balance that is set aside for a specific purpose by the County itself, using the highest level of decision-making authority (Board of Commissioners) by the passage of a resolution.

Assigned fund balance – the portion of fund balance that reflects the County's intended use of resources. Currently, the Administrator/Controller has the authority to set aside funds pursuant to the County's Fund Balance Policy. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the Combined General Fund is reported as assigned.

Unassigned fund balance – the portion of fund balance in the Combined General Fund that cannot be classified into one of the four categories above.

When different classifications of fund balance are present, it is the County's policy that expenditures are to be spent from restricted fund balance first, if appropriate, followed in order by committed fund balance, assigned fund balance and lastly, unassigned fund balance.

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, 2013, under separate cover as supplementary information to the Annual Financial Report.

Upcoming Accounting Pronouncements -

Recently the Governmental Accounting Standards Board (GASB) issued the following statements that will have an impact on the County's financial statement when adopted. The County is currently evaluating the implications of each of the pronouncements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was issued in March 2012 and is effective for the County's December 31, 2013 fiscal year. The statement provides additional guidance to GASB 63, adopted December 31, 2012, establishing accounting and financial reporting standard that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

GASB Statement No. 67, *Financial Reporting for Pension Plans* was issued in June 2012 and will become effective for the County's December 31, 2014 fiscal year. The statement establishes accounting and financial reporting as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The statement builds upon the existing framework for financial reports of defined benefits pension plans and enhances note disclosures and required supplementary information for both defined benefit and defined contribution pension plans. The statement also requires the presentation of new information about annual rates of return in the notes to financial statements and in the ten year required supplementary information.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* was issued in June 2012 and will become effective for the County's December 31, 2015 fiscal year. The statement requires governments providing defined benefit plans to report the net pension liability in their statement of net position. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

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

- 1) Prior to November 1, County departments, in conjunction with the Administrator/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 Commissioners' resolution.
- 4) The budgets are legally adopted at the activity level for the General Fund and the functional level for the Special Revenue Funds; however, for control purposes the budgets are maintained at the account level.
- 5) Formal budgetary integration is not employed for the Debt Service or Capital Projects Funds on an annual basis because effective budgetary control is achieved through project length financial plans.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

- 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 extension 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/Controller. Budgetary comparisons have not been made for the component unit financial statements but are available in their separately issued component unit financial statements.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that local governmental units shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

During the year ended December 31, 2012, the County (primary government) incurred expenditures in the General Fund and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level for the General Fund and functional level for the Special Revenue Funds as follows:

Excess of Expenditures over Appropriations -

PRIMARY GOVERNMENT -

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
General Fund -			
Legislative -			
Other Legislative Activities	\$ 695,080	\$ 851,763	\$ 156,683
Judicial -			
Courthouse Security	451,684	461,857	10,173
General Government -			
Elections	237,766	244,440	6,674
Motor Pool	17,500	17,545	45
Public Safety -			
Sheriff	7,737,378	7,899,832	162,454
Dive Team	27,376	27,879	503
Health and Welfare -			
Public Guardian	295,489	296,971	1,482
Transfers to Other Funds	7,168,524	7,943,870	775,346

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

<u>Fund Type/Function/Activity</u>	<u>Appropriations</u>	<u>Expended</u>	<u>Variance</u>
Major Special Revenue Fund -			
Parks and Recreation - Transfer to Other Funds	\$ -	\$ 39,122	\$ 39,122
Nonmajor Special Revenue Funds -			
Friend of Court - Judicial	302,346	331,948	29,602
Brownfield Development - Community & Economic Development	105,000	120,670	15,670
Drug Law Enforcement - Public Safety	175,000	184,121	9,121
Child Care - Health & Welfare	5,711,174	6,113,936	402,762
E-911 - Transfers to other funds	780,000	782,024	2,024
Local Corrections and Training - Public Safety	55,000	55,231	231
Family Counseling - Judicial	50,000	55,092	5,092

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, 2012**

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

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Carrying Amount -

At year-end, the carrying amount of the County Reporting Entity's deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash on Hand -				
Petty cash and cash on hand	\$ 22,116	\$ 3,535	\$ 1,200	\$ 26,851
Deposits with Financial Institutions -				
Checking/Savings/Certificates of Deposit/Money Market	<u>58,153,872</u>	<u>24,445,677</u>	<u>2,940,439</u>	<u>85,539,988</u>
Investments -				
Investment Trust Funds	1,018,441	-	10,917,031	11,935,472
U.S. Government/Agencies	-	67,511	7,517,623	7,585,134
Corporate Debt	-	-	35,920,081	35,920,081
Stocks	-	-	74,283,679	74,283,679
Equity Funds	-	-	42,751,114	42,751,114
Foreign Bonds	-	-	17,374,747	17,374,747
Mutual Funds	-	-	19,450,896	19,450,896
Municipal Bonds	-	-	414,378	414,378
Real Estate Investment Trusts	-	-	9,908,824	9,908,824
Total Investments	<u>1,018,441</u>	<u>67,511</u>	<u>218,538,373</u>	<u>219,624,325</u>
Grand Total	<u>\$ 59,194,429</u>	<u>\$ 24,516,723</u>	<u>\$ 221,480,012</u>	<u>\$305,191,164</u>

Reconciliation to Statements of Net Position -

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash on Hand	\$ 26,851
Cash in Checking/Cash in Savings	
Money Market/Certificate of Deposit	76,837,192
Investment Trust Funds	<u>11,935,472</u>
Total Cash and Cash Equivalents Reported on Statements of Net Position	<u>88,799,515</u>
Reported as Investments -	
Certificates of Deposits	8,702,796
U.S. Government/Agencies	7,585,134
Corporate Debt	35,920,081
Stocks	74,283,679
Equity Funds	42,751,114
Foreign Bonds	17,374,747
Mutual Funds	19,450,896
Municipal Bonds	414,378
Real Estate Investment Trusts	<u>9,908,824</u>
Total Investments Reported on Statements of Net Position	<u>216,391,649</u>
Grand Total - Statements of Net Position	<u>\$ 305,191,164</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Deposits with Financial Institutions -

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

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

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, as of December 31, 2012, the book value of the County's deposits was \$85,539,988 with a corresponding bank balance of \$86,137,359. Insured deposits were \$13,404,551, collateralized by securities held by the pledging financial institution were \$42,138,923, and the remaining \$30,593,885 were uninsured, uncollateralized, and in the County's name.

The County's Investment Policy allows for the use of bank deposits including certificates of deposit. The County's investment policy does not address custodial credit risk for deposits.

An element of the County cash structure is the common account, which is utilized by most of the funds and component units within the reporting entity. Segregation of the bank balance between the primary government and component units was not practical. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

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

Investments (Excluding Retirement)

Credit Risk - Investments - The County has \$1,018,441 excluding retirement, invested in investment trust funds that invest primarily in U.S. Treasuries, U.S. Agencies, repurchase agreements, and commercial paper. The County's investment policy does not specifically address credit risk for investments. The investment trust has been rated as follows:

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Primary Government - MBIA Michigan CLASS	\$ 1,018,441	AAAm	Standard & Poors	43

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

The securities of the pool are safe kept with a third party selected by the counterparty. However, the pool's securities are held in trust for the participants of the fund that are not available to the counterparty if the counterparty should happen to fail. The County's investment policy does not limit the amount of securities that can be held by counterparties.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's formal investment policy attempts to minimize risk by diversifying its investments by maturity dates, individual financial institutions, and/or security type, so that potential loss on individual securities do not exceed the income generated from the remainder of the portfolio. However, the County's policy does not restrict the amount that can be invested with any one issuer, financial institution or type of investment.

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

Investment Types	Fair value	Maturity (years)	
		<1	1-2
Investment Trusts -			
Primary Government	\$ 1,018,441	\$ 1,018,441	\$
Certificates of Deposit (1) -			
Primary Government	8,702,796	7,202,796	1,500,000

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

Investments - Retirement System

The Retirement System investments are made in accordance with Act 314 of the Michigan Public Acts of 1965, as amended, as well as the Investment Policy adopted by the Board of Trustees of the St. Clair County Employees' Retirement System. Investments in stock are limited to no more than 70% in U.S. Stocks and 20% in foreign stocks. Additionally, investments must comply with the following guidelines:

US Large Cap Equities - No more than 5% of the outstanding securities of one issuer, nor more than 5% of the portfolio's assets in the outstanding securities of one issuer.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

US Small/Mid Cap Equities - Each portfolio is permitted up to maximum of 10% of American Depository Receipts. Managers may invest up to 5% in listed REITs.

International Equities - No more than 10% of the portfolio in emerging market countries. No more than 7.5% of the portfolio at cost, or 10% at market in any one security. Cash exposure shall be limited to no more than 5% of the portfolio, except during periods of market disruption.

US Fixed Income - No more than 5% of the portfolio at market value may be invested in one issuer, except Treasury and Agency securities. At least 90% of debt securities must have a quality rating of Baa or higher. The account may invest up to 10% of the portfolio market value in securities rated BB to CCC.

Real Estate - No more than 10% of the portfolio in properties where there is significant leasing risk, no more than 50% of the portfolio's assets will be invested in all types of leverage, no more than 20% of total assets will be invested in publicly traded REITs and no more than 5% of total assets will be invested in non-traditional property types and structures.

Alternative Investments - No more than 8% of the portfolio's assets in the outstanding securities of one hedge fund.

Pension investments are made through the use of investment advisors, which are selected and retained by the Retirement Board. The advisors serve at the pleasure of the Retirement Board as provided by investment agreements. At December 31, 2012 the Retirement System had 11 investment advisors. As of December 31, 2012, the County had the following investment types in its Retirement System:

<u>Investment Types</u>	<u>Fair Value</u>	<u>Percentage</u>
Corporate Debt – Other	\$ 35,920,081	16.44%
U.S. Government/Agency Bonds	7,517,623	3.44
Municipal Bonds	414,378	0.19
Foreign Bonds	17,374,747	7.95
Stocks	74,283,679	33.99
Mutual Funds	19,450,896	8.90
Equity Funds	42,751,114	19.56
Real Estate Investment Trusts	<u>9,908,824</u>	<u>4.53</u>
	207,621,342	95.00
 Investment Trust Funds (1)	 <u>10,917,031</u>	 <u>5.00</u>
 Total	 <u>\$ 218,538,373</u>	 <u>100.00%</u>

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

	<u>Amount</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Average Days to Maturity</u>
Federated Govt. Obligations				
Tx Mgd Fund	\$ 10,917,031	AAAm	Standard & Poors	51

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Credit Risk - The Board's adopted Statement of Investment Policies Procedures and Objectives states that all debt securities, except Treasuries and Agencies, must have a quality rating of B or above at the time of issue and allows up to 25% of the portfolio in BB to CCC rated securities. If more than allowed value of securities is within that investment grade, it shall be reported to the Retirement Board immediately along with a proposed plan of action. As of December 31, 2012, investments held in the Retirement System excluding investment trusts, U.S. government securities, mutual funds, equity funds, and stocks had the following Standard & Poors ratings:

<u>Fair Value</u>	<u>Ratings</u>
\$ 1,944,717	AAA
1,468,761	AA+
1,713,819	AA-
1,877,559	A+
2,689,103	A
4,887,661	A-
7,913,887	BBB+
6,020,613	BBB
8,789,406	BBB-
4,100,660	BB+
1,175,864	BB
1,796,851	BB-
1,398,231	B+
211,261	B
643,497	B-
674,539	CCC
101,222	CC
<u>6,301,555</u>	No Rating
<u>\$ 53,709,206</u>	

Custodial Credit Risk - The risk that, in the event of a failure of the counterparty, the Retirement System would not be able to recover the value of its investments that are in the possession of another side party. The Retirement System's Investment Policy requires that all investment transactions shall be conducted through a custodian that will act as the system's third party. Securities shall be held by the custodian, as designated by the Retirement Board, and shall be evidenced by a custodial report. As of December 31, 2012, \$218,538,373 in investments was held in third party safekeeping in the County's name.

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Interest Rate Risk - The Board's adopted Statement of Investment Policy and Objectives places no limitation on the system's fixed income manager on the length to maturity for fixed income investments. The system's fixed income investments had lengths of maturities ranging from one month to 47 years, which is reasonable given the long-term nature of the system. Having staggered maturities will reduce the retirement system's risk exposure to rising interest rates. As of December 31, 2012, the Retirement System's investments had the following maturities:

Investment	Fair Value	Years			
		<1	1-5	5-10	10>
Corporate Debt Other	\$ 35,920,081	\$ 1,518,440	\$ 6,793,746	\$ 11,747,152	\$ 15,860,743
Municipal Bonds	414,378	50,318	-	202,818	161,242
Foreign Bonds	17,374,747	-	4,603,103	8,100,888	4,670,756
	<u>\$ 53,709,206</u>	<u>\$ 1,568,758</u>	<u>\$ 11,396,849</u>	<u>\$ 20,050,858</u>	<u>\$ 20,692,741</u>

NOTE 4 - RECEIVABLES:

Receivables at December 31, 2012 in the governmental and business type activities are as follows:

	Governmental Activities	Business-type Activities
Property taxes	\$ 14,932,958	\$ 10,824,747
Interest and accounts	1,903,513	926,676
Notes receivable	-	29,947
Intergovernmental -		
Federal/State	2,632,914	155,312
Local	11,512,761	196,127
	30,982,146	12,132,809
Less - allowance for uncollectible	(1,054,705)	(287,500)
	<u>\$ 29,927,441</u>	<u>\$ 11,845,309</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 4 - RECEIVABLES - (cont'd):

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

		<u>Unavailable</u>	<u>Unearned</u>
Combined General Fund	Property Taxes	\$ 115,052	\$ -
	Grants	<u>508,996</u>	<u>-</u>
		<u>624,048</u>	<u>-</u>
Parks and Recreation	Property Taxes	14,655	2,743,765
	Grants	<u>26,262</u>	<u>-</u>
		<u>40,917</u>	<u>2,743,765</u>
Library	Property Taxes	<u>20,662</u>	<u>3,874,498</u>
Senior Citizens Millage	Property Taxes	<u>18,658</u>	<u>4,383,076</u>
Mental Health Building Debt	Lease Contract	<u>9,425,000</u>	<u>-</u>
Non-Major Governmental Funds	Property Taxes	10,151	2,103,799
	Grants	15,928	-
	Revolving Loan	724,179	-
	Fees	<u>48,950</u>	<u>-</u>
		<u>799,208</u>	<u>2,103,799</u>
Total deferred/unearned revenue in governmental funds		<u>\$ 10,928,493</u>	<u>\$ 13,105,138</u>

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2012 was as follows:

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance December 31, 2012</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 11,004,442	\$ 768,353	\$ 9,000	\$ 11,763,795
Construction in progress	<u>2,156,492</u>	<u>3,029,144</u>	<u>3,615,274</u>	<u>1,570,362</u>
Total capital assets, not being depreciated	<u>13,160,934</u>	<u>3,797,497</u>	<u>3,624,274</u>	<u>13,334,157</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Disposals/ Adjustments</u>	<u>Balance December 31, 2012</u>
Capital assets, being depreciated				
Buildings	\$ 87,513,030	\$ 3,434,027	\$ 1,224,220	\$ 89,722,837
Improvements other than buildings	6,922,459	328,566	95,340	7,155,685
Machinery and equipment	22,252,572	2,111,756	3,928,453	20,435,875
Books	<u>9,113,331</u>	<u>491,122</u>	<u>828,784</u>	<u>8,775,669</u>
Total capital assets being depreciated	<u>125,801,392</u>	<u>6,365,471</u>	<u>6,076,797</u>	<u>126,090,066</u>
Less accumulated depreciation for:				
Buildings	23,465,632	2,095,524	633,241	24,927,915
Improvements other than buildings	2,635,922	307,266	95,339	2,847,849
Machinery and equipment	12,291,535	1,609,058	3,677,706	10,222,887
Books	<u>6,648,856</u>	<u>555,312</u>	<u>828,784</u>	<u>6,375,384</u>
Total accumulated depreciation	<u>45,041,945</u>	<u>4,567,160</u>	<u>5,235,070</u>	<u>44,374,035</u>
Total capital assets being depreciated, net	<u>80,759,447</u>	<u>1,798,311</u>	<u>841,727</u>	<u>81,716,031</u>
Governmental activities capital assets, net	<u>\$ 93,920,381</u>	<u>\$ 5,595,808</u>	<u>\$ 4,466,001</u>	<u>\$ 95,050,188</u>
Business-type Activities:				
Capital assets, not being depreciated				
Land	\$ 1,077,858	\$ -	\$ -	\$ 1,077,858
Construction in progress	<u>8,614,662</u>	<u>305,636</u>	<u>6,698,170</u>	<u>2,222,128</u>
Total capital assets, not being depreciated	<u>9,692,520</u>	<u>305,636</u>	<u>6,698,170</u>	<u>3,299,986</u>
Capital assets, being depreciated				
Building	3,919,695	3,764,703	59,314	7,625,084
Improvements other than buildings	31,831,598	1,330,236	308,138	32,853,696
Machinery and equipment	<u>1,566,735</u>	<u>2,506,377</u>	<u>54,374</u>	<u>4,018,738</u>
Total capital assets being depreciated	<u>37,318,028</u>	<u>7,601,316</u>	<u>421,826</u>	<u>44,497,518</u>
Less accumulated depreciation for:				
Building	589,623	141,380	49,531	681,472
Improvements other than buildings	21,534,858	662,867	279,965	21,917,760
Machinery and equipment	<u>897,178</u>	<u>163,705</u>	<u>52,084</u>	<u>1,008,799</u>
	<u>23,021,659</u>	<u>967,952</u>	<u>381,580</u>	<u>23,608,031</u>
Total capital assets being depreciated, net	<u>14,296,369</u>	<u>6,633,364</u>	<u>40,246</u>	<u>20,889,487</u>
Business type activities capital assets, net	<u>\$ 23,988,889</u>	<u>\$ 6,939,000</u>	<u>\$ 6,738,416</u>	<u>\$ 24,189,473</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The business-type capital assets include \$276,760 of capitalized interest. During the year ended December 31, 2012, interest incurred by the County business-type activities was \$156,711, all of which was applied to construction of capital assets.

Depreciation expense for 2012 was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial	\$ 26,623
General Government	922,753
Public Safety	2,421,343
Health and Welfare	122,948
Recreation and Cultural	<u>1,070,611</u>
Total depreciation expense-governmental activities	4,564,278
Depreciation in the internal service fund	<u>2,882</u>
	<u>\$ 4,567,160</u>
Business-type activities:	
Solid Waste Disposal System	\$ 773,438
Delinquent Tax Revolving	22,395
Airport Commission	<u>172,119</u>
Total depreciation expense-business-type activities	<u>\$ 967,952</u>

Construction/Purchase Commitments

The County has committed to the following contracts at December 31, 2012 (These commitments do not include change orders made after December 31, 2012):

	<u>Contract Amount</u>	<u>Payments Through 12/31/12</u>	<u>Accounts Payable/ Retention</u>	<u>Remaining Balance 12/31/12</u>
Bridge to Bay Trail (a)	\$ 103,564	\$ -	\$ -	\$ 103,564
Blue Water Area Convention Center Manager and Architectural Services (b)	553,697	122,072	26,000	405,625
Landfill Ground Water Monitoring (c)	134,250	4,000	-	130,250
Grant Writing and Legislative Strategies (d)	180,000	30,000	-	150,000
Landfill Cell Maintenance (e)	2,169,146	211,624	52,906	1,904,616

- (a) The County has contracted for signage and trail improvements to the Bridge to Bay Trail.
- (b) The County has contracted a construction manager to oversee and an architect for the Blue Water Area Convention Center.
- (c) The County has contracted for ground water monitoring at the landfill.
- (d) The County has contracted for grant writing services and legislative strategies.
- (e) The County has contracted for cell maintenance at the landfill through December 31, 2015.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Discretely Presented Component Units

Drainage Districts. Activity for the Drainage Districts for the year ended December 31, 2012 was as follows:

	Restated Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>
Capital assets, not being depreciated:				
Right of Ways	\$ 539,511	\$ 88,006	\$ -	\$ 627,517
Construction in progress	<u>3,647,643</u>	<u>3,133,570</u>	<u>2,723,771</u>	<u>4,057,442</u>
	<u>4,187,154</u>	<u>3,221,576</u>	<u>2,723,771</u>	<u>4,684,959</u>
Capital assets, being depreciated:				
Infrastructure	32,131,555	3,080,360	-	35,211,915
Equipment	<u>38,067</u>	<u>-</u>	<u>-</u>	<u>38,067</u>
	<u>32,169,622</u>	<u>3,080,360</u>	<u>-</u>	<u>35,249,982</u>
Less accumulated depreciation for:				
Infrastructure	5,586,287	528,508	-	6,114,795
Equipment	<u>33,057</u>	<u>1,670</u>	<u>-</u>	<u>34,727</u>
	<u>5,619,344</u>	<u>530,178</u>	<u>-</u>	<u>6,149,522</u>
Total capital assets being depreciated, net	<u>26,550,278</u>	<u>2,550,182</u>	<u>-</u>	<u>29,100,460</u>
Total capital assets, net	<u>\$ 30,737,432</u>	<u>\$ 5,771,758</u>	<u>\$ 2,723,771</u>	<u>\$ 33,785,419</u>

Depreciation expense for 2012 was \$530,178.

Road Commission. Activity for the Road Commission for the year ended December 31, 2012 was as follows:

Capital assets, not being depreciated -				
Land	\$ 65,629	\$ -	\$ -	\$ 65,629
Land Improvements	35,317,754	493,639	-	35,811,393
Right of Ways	<u>2,204,079</u>	<u>-</u>	<u>-</u>	<u>2,204,079</u>
Total capital assets, not being depreciated	<u>37,587,462</u>	<u>493,639</u>	<u>-</u>	<u>38,081,101</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Deletions/ Removals</u>	<u>Balance December 31, 2012</u>
Capital assets, being depreciated -				
Building and Improvements	\$ 4,663,067	\$ 13,369	\$ -	\$ 4,676,436
Road Equipment	11,171,202	471,808	45,584	11,597,426
Shop Equipment	695,860	8,451	-	704,311
Office Equipment	260,730	12,713	128,655	144,788
Engineering Equipment	353,452	13,187	53,365	313,274
Infrastructure -				
Roads	96,441,195	3,075,462	1,054,832	98,461,825
Bridges	51,618,476	2,056,179	42,311	53,632,344
Traffic Signals	423,008	37,329	-	460,337
Depletable Assets -				
Gravel Pits	<u>163,455</u>	<u>-</u>	<u>-</u>	<u>163,455</u>
	<u>165,790,445</u>	<u>5,688,498</u>	<u>1,324,747</u>	<u>170,154,196</u>
Less - accumulated depreciation for -				
Buildings and Improvements	2,708,294	98,576	-	2,806,870
Road Equipment	9,729,592	547,232	45,082	10,231,742
Shop Equipment	548,608	21,834	-	570,442
Office Equipment	252,222	5,236	128,655	128,803
Engineering Equipment	271,822	20,235	50,717	241,340
Infrastructure -				
Roads	43,476,006	4,610,879	1,054,832	47,032,053
Bridges	15,374,365	1,021,146	-	16,395,511
Traffic Signals	333,838	17,017	-	350,855
Depletable Assets	<u>46,342</u>	<u>-</u>	<u>-</u>	<u>46,342</u>
	<u>72,741,089</u>	<u>6,342,155</u>	<u>1,279,286</u>	<u>77,803,958</u>
Total capital assets, being depreciated, net	<u>93,049,356</u>	<u>(653,657)</u>	<u>45,461</u>	<u>92,350,238</u>
Total capital asset, net	<u>\$130,636,818</u>	<u>\$(160,018)</u>	<u>\$ 45,461</u>	<u>\$130,431,339</u>

Depreciation expense for 2012 was \$6,342,155.

Department of Public Works. Activity for the Department of Public Works for the year ended December 31, 2012 was as follows:

Business-type activities:

 Capital assets, not being depreciated -

Land	<u>\$ 83,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,776</u>
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ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Capital assets being depreciated -				
Plant	\$ 10,689,915	\$ -	\$ -	\$ 10,689,915
Utility System	16,002,766	-	-	16,002,766
Machinery and Equipment	<u>936,242</u>	<u>6,706</u>	-	<u>942,948</u>
	<u>27,628,923</u>	<u>6,706</u>	-	<u>27,635,629</u>
Less - accumulated depreciation for -				
Plant	5,017,750	213,798	-	5,231,548
Utility System	9,154,588	266,713	-	9,421,301
Machinery and Equipment	<u>576,504</u>	<u>53,750</u>	-	<u>630,254</u>
	<u>14,748,842</u>	<u>534,261</u>	-	<u>15,283,103</u>
Total capital assets, being depreciated, net	<u>12,880,081</u>	<u>(527,555)</u>	-	<u>12,352,526</u>
Total capital assets, net	<u>\$ 12,963,857</u>	<u>\$(527,555)</u>	<u>\$ -</u>	<u>\$ 12,436,302</u>

Depreciation expense was charged to function/programs as follows:

Business-type activities -	
Water and Sewer	<u>\$ 534,261</u>

Community Mental Health Authority. Activity for the Community Mental Health Authority for the year ended September 30, 2012 was as follows:

	Balance October 1, 2011	Additions	Disposals/ Adjustments	Balance September 30, 2012
Capital assets not being depreciated -				
Land	\$ 1,861,382	\$ 12,800	\$ -	\$ 1,874,182
Construction in progress	<u>47,457</u>	<u>251,003</u>	<u>66,657</u>	<u>231,803</u>
Total capital assets, not being depreciated	<u>1,908,839</u>	<u>263,803</u>	<u>66,657</u>	<u>2,105,985</u>
Capital assets being depreciated -				
Building	11,739,413	109,379	-	11,848,792
Leasehold improvements	54,980	-	-	54,980
Equipment and Furniture	<u>2,623,441</u>	<u>153,112</u>	<u>161,736</u>	<u>2,614,817</u>
	<u>14,417,834</u>	<u>262,491</u>	<u>161,736</u>	<u>14,518,589</u>
Less accumulated depreciation for -				
Building	2,166,739	650,594	-	2,817,333
Leasehold improvements	46,733	5,498	-	52,231
Equipment	<u>1,668,130</u>	<u>290,721</u>	<u>161,736</u>	<u>1,797,115</u>
	<u>3,881,602</u>	<u>946,813</u>	<u>161,736</u>	<u>4,666,679</u>
Total capital assets being depreciated, net	<u>10,536,232</u>	<u>(684,322)</u>	-	<u>9,851,910</u>
Total capital assets, net	<u>\$ 12,445,071</u>	<u>\$(420,519)</u>	<u>\$ 66,657</u>	<u>\$ 11,957,895</u>

Depreciation expense for 2012 was \$946,813.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 6 - PAYABLES:

Payables at December 31, 2012 in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Accounts payable/accrued expenses	\$ 2,491,025	\$ 486,557
Wages and fringe benefits	1,469,952	18,322
Accrued interest	610,284	40,649
Intergovernmental -		
Federal/State	371,077	-
Local	<u>114,569</u>	<u>24,501</u>
	<u>\$ 5,056,907</u>	<u>\$ 570,029</u>

NOTE 7 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:

The composition of interfund balances as of December 31, 2012 is as follows:

Due To/From Other Funds -

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government –		
Combined General Fund	E-911 Fund	\$ 190,840 (2)
Delinquent Tax Revolving Fund	Combined General Fund	<u>6,500,000 (1)</u>
		6,690,840
Fiduciary Funds –		
Basic Retirement System	Other Postemployment Benefits	199,258 (3)
Other Postemployment Benefits	Basic Retirement System	<u>14,067,953 (4)</u>
		<u>\$ 20,958,051</u>

- (1) Amount due between funds for short fall in common cash
- (2) Amount due for 4th quarter receipts
- (3) To adjust contributions between pension funds
- (4) Amount due for 401(h) plan monies invested with the Basic Retirement System

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Advances From/To Primary Government & Component Unit -

<u>Receivable Entity</u>	<u>Payable Entity</u>	
Primary Government - General Fund	Component Unit - Drains	\$ <u>50,000</u> (1)

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

Transfers From/To Other Funds -

<u>Receiving Fund</u>	<u>Expending Fund</u>	<u>Amount</u>
Combined General	Drug Task Force	\$ 200,278 (4)
	Solid Waste Disposal System	900,000 (6)*
		454,300 (4)*
	Revenue Sharing Reserve	3,699,755 (5)
	E-911	782,024 (4)
	Parks and Recreation	39,122 (4)
	Veterans' Millage	58,628 (4)
Library	Lewis Memorial Endowment	28,117 (7)
Mental Health Building Debt	Combined General	325 (2)
Nonmajor Governmental Funds -		
Health Department	Combined General	1,705,524 (1)
CDBG Housing	Combined General	10,000 (1)
Human Services	Combined General	304,262 (1)
Child Care	Combined General	3,690,204 (1)
Drug Forfeitures	Combined General	59,542 (4)
Drug Task Force	Drug Law Enforcement	104,000 (4)
Public Improvement	Combined General	430,000 (3)
Jail/Juvenile Facility Debt	Delinquent Tax Revolving	2,140,630 (2)*
	Combined General	450 (2)
Building Authority Debt	Combined General	827,703 (2)
Communications Debt	Combined General	229,931 (2)
Convention Center Debt	Combined General	250 (2)
Airport	Solid Waste Disposal System	<u>202,000</u> (1)
Total Transfers		\$ <u>15,867,045</u>

(1) Annual appropriations for operations

(2) Transfers for the payment of debt

(3) Transfers for construction/equipment

(4) Transfers to cover cost

(5) Substitution for State Revenue Sharing

(6) Transfer to cover Road Appropriation

(7) Transfer from permanent fund due to elimination of restriction

*Transfer Between Governmental and Business-type Activities

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 8 - LEASES:

Primary Government

Lessee Leases - The County has entered into an operating lease agreement for the use of copiers. The agreement calls for fixed annual payments of \$45,510 and additional per copy charges based on usage. The operating lease expires June 1, 2015. The entire cost of the contract is not to exceed \$221,474. The County also entered into a maintenance agreement for their existing copiers for a fee of the cost of copies. The County has the option to terminate the contract with 90 days notice.

Lessor Leases - The County has also entered into an operating lease agreement with the State of Michigan to lease approximately 49.3% (33,694 square feet) of the County Administration Building. The agreement calls for annual rent payments of \$754,218 per year with an adjustment based on actual operating cost after the end of each year. The original lease is for 25 years ending July 31, 2022 with an option to rent for an additional five years. However the lease may be cancelled with the State for various reasons with at least 60 days notice. The noncancellable portion of the lease is \$125,703.

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

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 275,000	\$ 385,675
2014	300,000	374,175
2015	400,000	360,175
2016	450,000	343,175
2017	500,000	324,175
2018-2022	3,800,000	1,211,612
2023-2026	<u>3,700,000</u>	<u>321,600</u>
Total Receivable	<u>\$ 9,425,000</u>	<u>\$ 3,320,587</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 8 - LEASES - (cont'd):

Component Unit - Department of Public Works

Lessor Leases - The DPW (County) has entered into a number of capital lease agreements with various municipalities within the County. Under the agreements, the DPW (County) issued bonds or obtained loans that were used for the construction of water and/or sewage disposal systems. The municipalities agreed to pay the DPW (County) the amount necessary to pay the principal, interest and paying agent fees as they come due. Upon final payment of the respective bonds or loans, ownership of the system will revert to the respective municipality. Therefore, the County has recorded no assets relating to these projects.

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

	<u>Principal</u>	<u>Interest</u>
2013	\$ 2,750,000	\$ 759,892
2014	2,635,000	674,522
2015	2,695,000	590,276
2016	2,580,000	501,361
2017	2,310,000	421,736
2018-2022	6,945,600	1,044,759
2023-2027	2,466,954	253,228
2028-2029	<u>325,000</u>	<u>12,344</u>
	<u>\$ 22,707,554</u>	<u>\$ 4,258,118</u>

The aggregate future capital lease payments necessary for the retirement of the debt principal and accrued interest payable at December 31, 2012 have been reported net of available cash as a capital lease receivable.

Principal due	\$ 22,707,554
Accrued interest	143,988
Net premium (discount)	<u>(17,120)</u>
	22,834,422
Less -	
Cash available after	
current liabilities	<u>(695,876)</u>
Deferred charges	<u>(36,488)</u>
	<u>\$ 22,102,058</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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, 2012:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Funds -					
2007 General Obligation Bonds, Series A	\$ 9,675,000	\$ -	\$ 250,000	\$ 9,425,000	\$ 275,000
2007 General Obligation Bonds, Series B	3,025,000	-	175,000	2,850,000	200,000
2003 General Obligation Bonds	27,900,000	-	26,800,000	1,100,000	1,100,000
2009 General Obligation Bonds	2,800,000	-	125,000	2,675,000	150,000
2004 Building Authority Refunding Bonds	6,785,000	-	535,000	6,250,000	620,000
2012 Refunding Bonds	-	24,365,000	-	24,365,000	-
2012 General Obligation Bonds	-	9,000,000	-	9,000,000	-
Drain Districts	3,244,497	622,652	278,677	3,588,472	277,788
Accumulated Vacation, Sick & Compensatory Leave	4,489,427	352,280	271,547	4,570,160	260,000
Other Postemployment Benefits	23,959,641	11,554,827	1,020,924	34,493,544	-
Deferred amounts for -					
Issuance Discounts	(155,815)	-	(60,570)	(95,245)	(7,657)
Issuance Premiums	192,534	2,620,260	198,750	2,614,044	187,105
Refunding Loss	(497,004)	(1,074,372)	(129,274)	(1,442,102)	(129,274)
Total Governmental Funds	<u>81,418,280</u>	<u>47,440,647</u>	<u>29,465,054</u>	<u>99,393,873</u>	<u>2,932,962</u>
Internal Service Fund -					
Worker's Compensation Claims Liability	150,000	19,107	124,107	45,000	45,000
General, Auto and Property Insurance Claims Liability	80,000	333,211	43,211	370,000	55,000
Other Postemployment Benefits	<u>25,610</u>	-	<u>9,166</u>	<u>16,444</u>	-
Total Internal Service Fund	<u>255,610</u>	<u>352,318</u>	<u>176,484</u>	<u>431,444</u>	<u>100,000</u>
Total Governmental Activities	<u>81,673,890</u>	<u>47,792,965</u>	<u>29,641,538</u>	<u>99,825,317</u>	<u>3,032,962</u>
<u>Business Activities:</u>					
Enterprise Funds -					
Solid Waste Disposal System -					
General Obligation Bonds 2010	6,184,811	438,724	-	6,623,535	-
Closure and Post-closure Costs	9,562,914	406,967	-	9,969,881	-
Accumulated Vacation, Sick & Compensatory Leave	31,528	-	1,396	30,132	-
Other Postemployment Benefits	165,671	139,823	10,726	294,768	-
Delinquent Tax Revolving -					
Other Postemployment Benefits	16,596	38,394	2,942	52,048	-
Airport Commission -					
Accumulated Vacation, Sick & Compensatory Leave	9,285	-	492	8,793	-
Other Postemployment Benefits	<u>53,272</u>	<u>25,578</u>	<u>1,962</u>	<u>76,888</u>	-
Total Enterprise Funds	<u>16,024,077</u>	<u>1,049,486</u>	<u>17,518</u>	<u>17,056,045</u>	-
Total Primary Government	<u>\$ 97,697,967</u>	<u>\$ 48,842,451</u>	<u>\$ 29,659,056</u>	<u>\$ 116,881,362</u>	<u>\$ 3,032,962</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

2007 General Obligation Bonds, Series A -

The County issued \$10,490,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34, Public Acts of Michigan of 2001. The bonds were issued for the cost of acquiring, constructing, and equipping a new consolidated office building to house the Mental Health Authority administrative staff and direct operated programs. The bonds, dated April 1, 2007, are due in annual installments from \$275,000 to \$950,000 through April 1, 2026 with interest ranging from 4.0% to 4.3% payable semi-annually.

\$ 9,425,000

2007 General Obligation Bonds, Series B -

The County issued \$3,500,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34, Public Acts of Michigan of 2001. The bonds were issued for the cost of acquiring and installing equipment related to 911 services located in the County. The bonds, dated April 1, 2007, are due in annual installments from \$200,000 to \$425,000 through April 1, 2021 with interest ranging from 4.0% to 4.15% payable semi-annually.

\$ 2,850,000

2004 Building Authority Refunding Bonds -

The Building Authority issued \$9,625,000 of general obligation limited tax refunding bonds to provide resources to purchase U.S. Government, State and Local Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$9,100,000 of general obligation limited tax bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$994,007. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce the total debt service payments over 16 years by \$369,426 and resulted in an economic gain of \$271,928. The bonds are due in annual installments from \$620,000 to \$785,000 through April 1, 2021 with interest ranging from 3.3% to 5.0%, payable semi-annually.

\$ 6,250,000

ST. CLAIR COUNTY, MICHIGAN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012

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

2003 General Obligation Bonds -

The County issued \$34,000,000 of General Obligation Limited Tax Bonds, pursuant to Act 34, Public Acts of Michigan of 2001. The notes are for the design and construction of a jail and juvenile facility. The bonds, dated June 4, 2003 were partially refunded in 2012 and the final installment is due April 1, 2013; plus interest of 4.0%.

\$ 1,100,000

2009 General Obligation Bonds -

The County issued \$3,000,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34, Public Acts of Michigan. The bonds were issued for the cost of acquiring and constructing communications towers and acquiring and installing related equipment. The bonds, dated September 1, 2009 are due in annual installments from \$150,000 to \$325,000 through April 1, 2024 with interest ranging from 3.0% to 4.125%, payable semi-annually.

\$ 2,675,000

2012 Refunding Bonds -

The County issued \$24,365,000 of general obligation limited tax refunding bonds to provide resources to purchase U.S. Government, State, and Local series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$25,800,000 of general obligation limited tax bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position. The reacquisition price exceeded the net carrying amount of the old debt by \$1,074,372. This amount is being netted against the new debt and amortized over the remaining life of the refunding debt. This advance refunding was undertaken to reduce the total debt service payments over 16 years by \$1,300,939 and a net present value of savings of \$1,218,202. The bonds are due in annual installments from \$1,115,000 to \$2,365,000 through April 1, 2028, with interest ranging from 3.0% to 5.0%, payable semi-annually.

\$ 24,365,000

2012 General Obligation Bonds -

The County issued \$9,000,000 of General Obligation Limited Tax Bonds, pursuant to the provisions of Act 34 Public Acts of Michigan of 2001. The bonds were issued for the cost of acquiring, constructing, and equipping a Convention Center. The bonds, dated September 11, 2012, are due in annual installments from \$200,000 to \$490,000, through April 1, 2042 with interest ranging from 2.0% to 5.0%, payable semi-annually.

\$ 9,000,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

2010 General Obligation Bonds -

The County issued \$14,045,000 of General Obligation Limited Tax Bonds through the Michigan Municipal Bond Authority to finance the construction of the Landfill Leachate System, of which \$5,096,000 or 36.3% of the bonds are forgivable. A capital grant has been reported in 2011 for the forgivable portion of the obligation. At December 31, 2012, the County had drawn \$11,719,535 including the forgivable portion of \$5,096,000. The bonds, dated January 22, 2010, are due in annual installments ranging from \$349,000 to \$560,000 beginning October 1, 2014 through October 1, 2033 with interest of 2.5% payable semi-annually.

\$ 6,623,535

Drain Districts -

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

\$ 3,588,472

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, 2012. The dollar amount of these claims are reflected on the Balance Sheet of the Self-Insurance Fund, including the current portion of \$55,000.

\$ 370,000

Accrued Worker's Compensation Claims -

The County has estimated accrued outstanding worker's compensation insurance claims, including an estimate for claims incurred but not reported (IBNR), at December 31, 2012. The dollar amount of these claims is reflected on the balance Sheet of the Self-Insurance Fund, including the current portion of \$45,000.

\$ 45,000

Accrued Vacation, Sick and Compensatory Leave - In accordance with contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation, sick and compensatory leave under formulas and conditions specified in the contracts. The Enterprise Funds portion of \$38,925 has been recorded as a long-term liability on the government-wide and fund level financial statements. The governmental activities portion of \$4,570,160 has been recorded in the government-wide financial statements as a long-term liability. The governmental activities portion is generally liquidated by the General Fund or other governmental funds where the employee is charged.

Other Postemployment Benefits - In accordance with Governmental Accounting Standards Board (GASB) Statement No. 45, the Net OPEB Obligation was reported in the proprietary funds and business-type activities in the amount of \$423,704 and governmental activities in the government-wide financial statements in the amount of \$34,509,988, (including the internal service fund of \$16,444). See Note 11 for additional information.

Post-Closure Care Landfill Costs - In accordance with the Governmental Accounting Standards Board (GASB) Statement 18, the post-closure care landfill liability at December 31, 2012, as reported in the Solid Waste Disposal System (Enterprise Fund/business activities) amounts to \$9,969,881. See Note 16 for additional information.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Annual Debt Requirements - The Annual requirements to pay the debt outstanding at December 31, 2012, for the following bonds and notes (excluding accrued vacation, sick and compensatory, accrued insurance claims, other postemployment benefits and closure and post-closure landfill costs) of Primary Government are as follows:

Year Ending December 31,	Refunding Bonds		G.O. Limited Tax Bonds		Drain Districts	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 620,000	\$ 1,317,830	\$ 1,725,000	\$ 947,129	\$ 277,788	\$ 161,381
2014	1,725,000	1,280,200	900,000	880,887	270,959	149,031
2015	1,755,000	1,224,675	1,030,000	847,962	251,665	137,101
2016	1,875,000	1,161,525	1,135,000	809,687	252,201	126,264
2017	1,955,000	1,083,950	1,215,000	766,937	253,909	115,268
2018-2022	10,415,000	4,030,150	7,680,000	3,004,305	1,042,210	424,754
2023-2027	9,905,000	1,880,375	5,645,000	1,567,145	919,051	201,360
2028-2032	2,365,000	59,125	1,550,000	986,294	259,409	37,276
2033-2037	-	-	1,880,000	632,780	51,065	8,936
2038-2042	-	-	2,290,000	220,878	10,215	447
	<u>\$ 30,615,000</u>	<u>\$ 12,037,830</u>	<u>\$ 25,050,000</u>	<u>\$ 10,664,004</u>	<u>\$ 3,588,472</u>	<u>\$ 1,361,818</u>

The above annual requirements do not include the 2010 General Obligation Limited Tax Bonds since payments have not been finalized.

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, 2012:

	Restated Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012	Due Within One Year
Department of Public Works -					
Bonds Payable	\$ 14,315,000	\$ 1,360,000	\$ 3,785,000	\$ 11,890,000	\$ 1,530,000
Drinking Water Revolving Loan	11,712,554	-	1,045,000	10,667,554	1,070,000
Revolving Loans	295,000	-	145,000	150,000	150,000
Deferred Amounts for -					
Issuance Premiums	970	-	194	776	194
Issuance Discounts	(22,370)	-	(4,474)	(17,896)	(4,474)
Total DPW	<u>26,301,154</u>	<u>1,360,000</u>	<u>4,970,720</u>	<u>22,690,434</u>	<u>2,745,720</u>
Road Commission -					
MTF Bonds - Series 2009 Refunding	1,580,000	-	515,000	1,065,000	525,000
Accrued Vacation & Sick Leave	211,000	369,000	377,000	203,000	170,000
Other Postemployment Benefits	8,549,233	1,940,490	201,940	10,287,783	-
Total Road Commission	<u>10,340,233</u>	<u>2,309,490</u>	<u>1,093,940</u>	<u>11,555,783</u>	<u>695,000</u>
Drainage Districts -					
Notes Payable	5,387,738	1,355,531	814,754	5,928,515	3,076,053
State Clean Water Revolving Loans	4,159,000	-	162,000	3,997,000	169,000
Bonds Payable	9,651,395	1,900,000	525,232	11,026,163	675,235
Deferred Amounts for -					
Issuance Premiums	68,062	-	12,908	55,154	12,908
Issuance Discounts	(120,985)	-	(7,116)	(113,869)	(7,117)
	<u>19,145,210</u>	<u>3,255,531</u>	<u>1,507,778</u>	<u>20,892,963</u>	<u>3,926,079</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

	<u>Restated Balance January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2012</u>	<u>Due Within One Year</u>
Land Bank Authority - Notes Payable	<u>32,742</u>	<u>39,564</u>	<u>42,359</u>	<u>29,947</u>	<u>-</u>
Community Mental Health Authority (1) -					
Loan Payable	1,342,079	191,641	42,682	1,491,038	1,306,195
Contracts Payable	9,675,000	-	250,000	9,425,000	275,000
Deferred Amounts for -					
Issuance Discounts	(82,478)	-	(5,499)	(76,979)	(5,499)
Accrued Vacation, Sick & Compensatory	1,427,941	1,410,406	1,331,561	1,506,786	1,350,000
Other Postemployment Benefits	<u>5,993,262</u>	<u>2,295,907</u>	<u>366,287</u>	<u>7,922,882</u>	<u>-</u>
Total Mental Health	<u>18,355,804</u>	<u>3,897,954</u>	<u>1,985,031</u>	<u>20,268,727</u>	<u>2,925,696</u>
Total Component Units	<u>\$ 74,175,143</u>	<u>\$ 10,862,539</u>	<u>\$ 9,599,828</u>	<u>\$ 75,437,854</u>	<u>\$ 10,292,495</u>

(1) October 1, 2011 through September 30, 2012

Department of Public Works

General Obligation Bonds -

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal systems for various townships, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended. The original amount of the general obligation bonds issued in prior years was \$23,015,000.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems reverts to the townships, villages or cities. General Obligation Bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.25 - 5.55 %	\$ 6,350,000
Governmental activities - refunding	1.50 - 4.90	<u>5,540,000</u>
		<u>\$ 11,890,000</u>

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

The proceeds from the refunding issues, after payment of issuance costs, were placed in special escrow accounts and invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the DPW Financial Statements. At December 31, 2012 the bonds outstanding of \$425,000, \$2,300,000, and \$650,000 were considered defeased.

Drinking Water Revolving Loans -

Department of Environmental Quality Bonds have been sold through the State of Michigan Drinking Water Revolving Fund to construct water supply systems for three (3) Townships and a City in the County. The County, in turn, is leasing the systems to the townships and city that operate, maintain and manage the systems. The full faith and credit of the Townships, City and County are pledged for the payments to the Drinking Water Revolving Fund. The original amount of the drinking water revolving fund loans drawn in prior years was \$20,837,554.

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

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.125 - 2.5%	<u>\$ 10,667,554</u>

State of Michigan Clean Water Revolving Loans -

State of Michigan Clean Water Revolving Loans have been obtained to construct sewage disposal systems of a Village and City in the County. The County in turn is leasing the systems to the municipalities who operate, maintain and manage the systems. The loans are backed by the full faith and credit of the Village, City and County pursuant to Act 185, Public Act of Michigan 1957, as amended. The original amount of the State of Michigan Clean Water Revolving Loans issued in prior years was \$2,486,552.

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

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.0%	<u>\$ 150,000</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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
2013	\$ 1,530,000	\$ 461,432	\$ 1,070,000	\$ 295,460	\$ 150,000	\$ 3,000
2014	1,535,000	405,221	1,100,000	269,301	-	-
2015	1,570,000	347,867	1,125,000	242,409	-	-
2016	1,430,000	286,448	1,150,000	214,913	-	-
2017	1,130,000	229,990	1,180,000	191,746	-	-
2018-2022	3,230,000	574,052	3,715,600	470,707	-	-
2023-2027	1,140,000	181,588	1,326,954	71,640	-	-
2028-2029	325,000	12,344	-	-	-	-
	<u>\$11,890,000</u>	<u>\$ 2,498,942</u>	<u>\$10,667,554</u>	<u>\$ 1,756,176</u>	<u>\$ 150,000</u>	<u>\$ 3,000</u>

	Interest Rate (Percent)	Balance December 31, 2012
Governmental Activities (G.O. Bonds) -		
Sewage Disposal System No. X - Series 2000 Bonds (Village of Capac)	5.25-5.55	\$ 425,000
Water Supply System No. II-A Series 2001 Bonds (Clay Township)	4.625-5.00	2,600,000
Water Supply System No. XII - Series 2008 Bonds (Cottrellville Township)	3.50-5.00	1,200,000
Water Supply System No. XIII A - Series 2009 Bonds (Cottrellville Township)	2.25-4.20	<u>2,125,000</u>
		<u>6,350,000</u>

Governmental Activities (G.O. Refunding) -		
Water Supply System No. IIA - 1999 Refunding Bonds (Clay Township)	4.65-4.90	420,000
Water Supply System VII - 2003 A Refunding Bonds (Ira Township)	3.55-4.125	2,215,000
Water Supply System VII - 2003 B Refunding Bonds (Ira Township)	3.55-3.80	635,000
Water Supply System IX - 2004 Refunding Bonds (Burtchville Township)	3.50-3.60	910,000
Sewage Disposal System I - 2012 Refunding Bonds (City of Algonac/Clay and Ira Townships)	1.50-2.625	<u>1,360,000</u>
		<u>5,540,000</u>
		<u>\$ 11,890,000</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Governmental Activities (Revolving Loans) -

Water Supply System X Series 1999 (City of Algonac/Clay Township)	2.50	\$ 3,190,600
Water Supply System III Series 1999 (Charter Townships of East China and China)	2.50	3,880,000
Water Supply System XI Series 2006 (Ira Township)	2.125	3,596,954
Sewage Disposal System XI Series 1993 (City of Yale)	2.00	<u>150,000</u>
		<u>\$ 10,817,554</u>

Road Commission

MTF Bonds - Series 2009 Refunding -

The County of St. Clair, Michigan issued \$2,550,000 of Michigan Transportation Refunding Bonds, Series 2009, dated November 19, 2009 for the purpose of refunding the MTF Series 1999 bonds. The bonds are payable from State collected gas and weight taxes received by the Road Commission. As additional security, the County is obligated in the event and to the extent that MTF moneys are not sufficient for the repayment of the bonds.

Principal on the bonds is due on August 1, 2013 and 2014 with interest due semi-annually on February 1 and August 1 at interest rates of 2.25% and 2.625%. The balance as of December 31, 2012 was \$1,065,000.

Letter of Credit -

The Road Commission has a letter of credit as a surety bond issued to the Michigan Department of Environmental Quality for \$80,500. The letter is set to mature on August 2, 2013 with interest of 1.0% in excess of the prime rate and collateralized by a hold on a checking account. As of December 31, 2012, there have been no claims on the letter of credit.

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 \$32,000 for sick leave and \$171,000 for vacation at December 31, 2012.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Post Employment Benefits -

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

The annual requirements to amortize long-term liabilities outstanding at December 31, 2012, excluding compensated absences and other postemployment benefits liability are as follows:

	MTF Bonds		
	Series 2009 Refunding		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 525,000	\$ 25,987	\$ 550,987
2014	<u>540,000</u>	<u>14,175</u>	<u>554,175</u>
	<u>\$ 1,065,000</u>	<u>\$ 40,162</u>	<u>\$ 1,105,162</u>

Drainage Districts

South Branch of Mill Creek Intercounty Drain Bonds -

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

Principal on the bonds is due on June 1 of each year through 2017 with interest due semi-annually at interest rates ranging from 4.0% to 6.0%. St. Clair County's portion of the bonds at December 31, 2012 was \$1,001,163.

Blue River Gardens Drain Drainage District Bonds -

In February 2008, the Blue River Gardens Drain Drainage District issued \$555,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due June 1 of each year through 2027 with interest due semi-annually at interest rates ranging from 3.25% to 5.10%. The balance outstanding at December 31, 2012 was \$450,000.

Bunce Creek & Huffman Drain Drainage District Bonds -

In March 2009, the Bunce Creek & Huffman Drain Drainage District issued \$4,625,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due on April 1 of each year through 2029 with interest due semi-annually at interest rates ranging from 3.0% to 5.375%. The balance outstanding at December 31, 2012 was \$4,160,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Gossman and Branches Drain Drainage District Bonds -

In February 2012, the Gossman and Branches Drain Drainage District issued \$1,900,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due May 1 of each year through 2027 with interest of 3.15% due semi-annually. The balance outstanding at December 31, 2012 was \$1,900,000.

Cox-Doty and Stein Drain Drainage District and Railroad Drain Drainage District Bonds -

In December 2009 the Cox-Doty and Stein Drain and Railroad Drain Drainage Districts issued \$2,380,000 of bonds for improvements to the drainage districts. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due on May 1 of each year through 2030 with interest due semi-annually at interest rates ranging from 3.50% to 4.50%. The balance outstanding at December 31, 2012 was \$2,230,000.

Pelton Drain Drainage District Bonds -

In August 2011, the Pelton Drain Drainage District issued \$1,300,000 of bonds for improvements to the drainage district. The bonds will be paid from special assessments against property and public corporations within the drainage district. Principal on the bonds is due April 1 of each year through 2031 with interest due semi-annually at 4.25%. The balance outstanding at December 31, 2012 was \$1,285,000.

State Clean Water Revolving Fund Loans -

Department of Environmental Quality Bonds have been sold for \$2,425,000 and \$560,000 through the State of Michigan Clean Water Revolving Fund to construct sanitary sewer improvements, including two sanitary sewage pump stations and a treatment lagoon for the South Branch Pine River Drain Drainage District. Payments on the loans will be paid through special assessments. Principal on the bonds is due on April 1 of each year through 2028 with interest due semi-annually at interest rates of 1.625% and 2.50% for each of the bonds. The balances outstanding at December 31, 2012 were \$2,070,000 and \$470,000.

Department of Agriculture Bonds have been sold for \$1,520,000 through the State of Michigan Clean Water Revolving Fund to finance the acquisition, construction, furnishing and equipping of improvements to the Number 211, Avoca Wastewater Treatment Project Drainage District. Payments on the loan will be paid through special assessments to the drainage district. Principal payments on the loan are due on September 1 of each year through 2039 with interest payable semi-annually at 4.25%. The balance outstanding at December 31, 2012 was \$1,457,000.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Notes -

St. Clair County, through the Drain Commission, administers the construction of drains, which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Public Acts of 1976 or has received loans from the primary government. Repayment of the notes is made from the special assessment revenues, payment from other government units, etc. During the year the Drain Commission issued \$1,355,531 of drain notes. The balance of the obligations at December 31, 2012 was as follows:

	<u>Interest Rate</u>	<u>Amount</u>
Governmental Activities -		
Dana	5.90 %	\$ 240,000
Layle-Robbins Drain	2.60	15,200*
202 County Drain	0.50	90,000*
State Road County Drain	0.50	50,000*
Stocks Creek & Branch	0.50	920,000*
Galbraith County Drain	3.50	472,000*
Richmond/Columbus Intercounty Drain	4.70	381,514
Marsac Creek	3.25	13,000*
Metcalf	3.25	130,000*
Carrigan Branches	0.50	10,000*
Carrigan Branch 1	5.69	174,000
Shanahan 2008Q	3.25	120,000*
Chase Ext - Coon Creek Intercounty Drain	4.00	79,296
Green Drain	0.50	190,000*
Holland & Branches 2010 County Drain	0.50	210,000*
King County Drain	0.50	25,000*
Lakeland County Drain	0.50	60,000*
Macomb County Drain	0.50	60,000*
Howe Brandymore & Branches	0.50	480,000*
Holland & Branches 2012 County Drain	1.00	70,000*
Keewahdin Branch of Carrigan Drain	0.50	180,000*
Baldwin Drain	3.50	424,000*
Robbins Drain	3.25	75,000*
South Branch of the Pine River	4.23	190,000
Scheffler Drain	4.12	90,000
Barringer Drain	3.77	435,000
Shea Drain	3.50	175,933*
Marine City Drain	0.50	140,000*
Price Drain	3.50	428,572*
		<u>\$ 5,928,515</u>

* Amounts held by Primary Government

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Annual debt service requirements to maturities are as follows:

Year Ended December 31,	Bonds		Notes		Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 675,235	\$ 461,804	\$ 3,076,053	\$ 134,348	\$ 169,000	\$ 106,062
2014	725,232	433,760	562,853	99,170	171,000	102,336
2015	765,232	403,432	525,353	77,541	177,000	98,484
2016	775,232	370,769	415,354	57,420	179,000	94,549
2017	775,232	336,260	382,854	43,298	180,000	90,530
2018-2022	2,965,000	1,289,702	780,446	96,289	984,000	387,927
2023-2027	3,070,000	640,954	185,602	92,250	1,105,000	268,623
2028-2032	1,275,000	83,734	-	-	482,000	158,144
2033-2037	-	-	-	-	376,000	86,276
2038-2039	-	-	-	-	174,000	11,178
	<u>\$ 11,026,163</u>	<u>\$ 4,020,415</u>	<u>\$ 5,928,515</u>	<u>\$ 600,316</u>	<u>\$ 3,997,000</u>	<u>\$ 1,404,109</u>

Land Bank Authority

Notes Payable -

The Land Bank Authority issued notes in accordance with Provisions of Act No. 40 of the Michigan Public Acts of 1956, as Amended by Act No. 71 of the Public Acts of 1976. The Land Bank Authority has received a loan from the primary government to acquire foreclosed properties within the County. Repayment of the promissory notes will be made when the properties are ultimately sold. The balance at December 31, 2012 was \$29,947.

Community Mental Health Authority

Loan Payable -

In August 2007, the Authority entered into a loan agreement for \$1,250,000 for the purchase of six homes, which will be used to provide mental health services. The loan calls for 119 monthly payments of \$7,503, including interest of 5.19% with a final payment of \$939,864 on August 21, 2017; however, the entire note is due on demand. \$ 1,104,218

On May 3, 2011, the Authority entered into a promissory note for the purchase of the Allen Road Home for \$124,000. The note is to be repaid in monthly installments of \$917, including interest of 4.0%, through May 3, 2016, at which time the remaining is due. The note is secured by the home. 115,857

On June 28, 2011, the Authority entered into a promissory note for the Strawberry Lane Home for \$86,400. The note is to be repaid in 180 monthly payments of \$743, including interest at the Treasury Security Rate plus 4.633%. 79,322

On July 27, 2012, the Authority entered into a promissory note for the purchase and development of Real Estate for up to \$600,000. The note is due on demand or if no demand on September 5, 2013 plus interest of 3.25%. The Authority had only drawn a portion of the loan at September 30, 2012. 191,641

\$ 1,491,038

Contracts Payable -

The Authority has entered into a lease agreement with St. Clair County for the acquisition, construction, and equipping of a new consolidated office building. The County has issued bonds for the project, and the debt service payments will be paid through the lease with the Authority. The bonds dated April 1, 2007 for \$10,490,000 are due in annual installments of \$275,000 to \$950,000 through April 1, 2026 with interest ranging from 4.0% to 4.3%. \$ 9,425,000

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Accrued Vacation and Sick -

In accordance with contracts negotiated with various employee groups of the Authority, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in the contract. As of September 30, 2012, the vested benefits amounted to \$1,506,786.

Post Employment Benefits -

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

Annual debt requirements to pay the debt outstanding at September 30, 2012 (excluding vacation and sick and other postemployment benefits) are as follows:

Year Ended September 30,	Loan Payable		Contracts Payable	
	Principal *	Interest *	Principal	Interest
2013	\$ 235,500	\$ 66,102 (1)	\$ 275,000	\$ 385,674
2014	46,158	63,803	300,000	374,175
2015	48,578	61,382	400,000	360,175
2016	139,311	57,167	450,000	343,175
2017	963,983	47,783	500,000	324,175
2018-2022	29,999	14,606	3,800,000	1,211,612
2023-2026	27,509	3,776	3,700,000	321,600
	<u>\$ 1,491,038</u>	<u>\$ 314,619</u>	<u>\$ 9,425,000</u>	<u>\$ 3,320,587</u>

* The annual debt requirement for the August 2007 note assumes the bank will not demand payment early.

(1) The interest does not include the amount owed on the July 27, 2012 note since it will be based on when funds were drawn and date paid.

NOTE 10 - RETIREMENT PLAN:

DEFINED BENEFIT PLAN

Plan Description -

The St. Clair County Retirement System is a single employer, defined benefit pension plan, which was established by County ordinance in 1964 to provide retirement and pension benefits for substantially all employees of St. Clair County, the St. Clair County Road Commission and St. Clair County Community Mental Health Authority (certain employees hired on or after January 1, 2009 are covered by a defined contribution plan). The system is administered, managed and operated by a Board composed of 9 trustees, the chairperson of the Board of Commissioners, or their appointee, a member of the Board of Commissioners, a member of the St. Clair County Road Commission Board, one appointed citizen, four elected employees of the retirement system and one retired member elected by the retired members. The benefit provisions are governed by Act No. 427 of the Michigan Public Acts of 1984, as amended. The plan may be amended by the County Board of Commissioners. The plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO BASIC FINANCIAL STATEMENTS DECEMBER 31, 2012

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

The membership at December 31, 2011 was composed of 868 active participants, 618 retirees and beneficiaries, and 101 inactive but vested members. In general all employees are eligible for regular retirement as follows:

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

Road Commission, Community Mental Health, and General County – when age plus service equals 80 and service is at least 25 years. Maximum benefits 75% of final average compensation, except Prosecuting Attorney, which has maximum benefits of 69.6% of final average compensation if service is 25 years or more.

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

All Employees - age 60 with 8 years of service.

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

- Deferred Retirement - 8 or more years of service, benefits begin at 60 or at age 55 with 25 or more years of service.
- Death In-Service - 10 or more years of service.
- Duty Disability - Sheriff's Department plan members 10 or more years of service, others no age or service requirements but must be in receipt of Worker's Compensation payments.
- Non-Duty Disability - 10 or more years of service.
- Life insurance - \$3,500 policy to retirees.
- Supplemental Payments to Retirees Age 65 and Older – retirees with less than 20 years of service receive \$14 per month and those with 20 or more years of service at retirement receive \$16 per month.

Summary of Significant Accounting Policies -

Basis of Accounting -

The St. Clair County Retirement System utilizes the accrual basis of accounting and is reported within the County's reporting entity as a separate Pension Trust Fund. Contributions from employees are recognized in the period in which contributions are paid. Employer contributions are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable, in accordance with the terms of the Plan.

Method Used to Value Investments -

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, 2012**

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 a level dollar amount for General County employees and as percentages of annual covered payroll for Community Mental Health and Road Commission employees, are designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2012, contributions totaling \$8,958,056 (\$6,749,798 employer and \$2,208,258 employee) were made in accordance with contribution requirements determined by an actuarial valuation for the plan as of December 31, 2010. The required employer contributions were \$4,490,006 for General County and 10.36% and 18.90% for Community Mental Health and Road Commission, respectively, of covered payroll. Employee contributions represent 5.0% of covered payroll. (For the Road Commission, employees contributed 7%.) The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the plan are paid with retirement assets. The defined benefit plan for various units of the County and Sheriff, along with the Road Commission, are closed to new hires.

The required contribution rate was determined as part of the December 31, 2010 actuarial valuation using the individual entry age normal cost method. The actuarial assumptions included (a) 7.5% net investment rate of return, and (b) projected salary increases of 5.5% to 11.0% per year, which includes pay inflation at 5.0%. There are no projected cost of living adjustments. The actuarial value was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a five-year period. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open period, with a remaining amortization period as of December 31, 2010 of 20 years for Community Mental Health and the Road Commission and amortized as a level dollar on a closed period with a remaining amortization period, as of December 31, 2010, of 19 years for General Employees.

Annual Pension Cost and Net Pension Asset -

The County and its component units annual pension cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of 20 years for Community Mental Health and the Road Commission and 19 years for the General County. The annual pension cost for the year, the amount actually contributed, and changes in the net pension asset are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Annual required contribution/ Annual pension cost	\$ 4,490,006	\$ 1,870,203
Contributions made	(4,547,153)	(2,207,847)
Increase in net pension asset	(57,147)	(337,644)
Net pension asset – beginning of year	-	-
Net pension asset – end of year	<u>\$(57,147)</u>	<u>\$(337,644)</u>

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/09*	\$ 176,924,494	\$ 203,602,461	\$ 26,677,967	86.9 %	\$ 46,078,581	57.9 %
12/31/10*	180,051,710	209,379,385	29,327,675	86.0	44,623,366	65.7
12/31/11	179,169,959	216,285,667	37,115,708	82.8	43,552,768	85.2

*Plan amended

Schedule of Employer Contributions -

Primary Government

Year Ended December 31,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2010	\$ 3,310,644	100.00 %	\$ -
2011	4,664,029	100.00	-
2012	4,490,006	101.27	57,147

Component Units

Road Commission -

Year Ended December 31,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2010	\$ 717,698	100.00 %	\$ -
2011	735,133	100.00	-
2012	703,742	148.00	337,644

Community Mental Health -

Year Ended September 30,	Annual Pension Cost	Percentage Contributed	Net Pension Asset
2010	\$ 939,547	100.00 %	\$ -
2011	1,072,530	100.00	-
2012	1,166,461	100.00	-

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

DEFINED CONTRIBUTION PLAN

General Government

The County offers to certain employees who have been hired on or after January 1, 2009, the option to participate in a defined contribution plan with contributions being held in accordance with Internal Revenue Code Section 457. The plan is administered by a third party administrator. Participation in the plan is voluntary to eligible full time employees. Employees opting to participate in the plan may contribute to the plan in increments of 1% up to a maximum of 8% of total wages with the County matching contributions. The plan may be amended by the County Board of Commissioners.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

In addition, certain eligible employees have the option to contribute to a 457 deferred compensation plan in lieu of participating in the County's Retiree Health Care Trust Fund Plan. This option requires employee contributions from 1-5% with a matching County contribution of .5-2.5% (50% of employee contribution percentage).

Employer and employee contributions for the year-ended December 31, 2012 were \$208,781 and \$266,409, respectively.

Component Units

The Road Commission provides pension benefits through a defined contribution plan to employees not participating in the defined benefit plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus any investment earnings. The Road Commission matches employee contributions up to 8% of total wages and is subject to forfeiture by the employee based on a 5 year vesting schedule. Employee contributions are 100% vested at the time of contribution.

For the year ended December 31, 2012, the Road Commission contributed \$3,002 and employees contributed \$3,002 to the plan.

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN:

The plan administered through St. Clair County provides postemployment benefits for substantially all employees of the County, including employees of the St. Clair County Road Commission and employees of the St. Clair County Mental Health Authority. Postemployment benefits consist of health, dental and prescription drug coverage. The plan is audited within the scope of the audit of the basic financial statements. Separate audited financial statements are not issued.

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

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

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

Beneficiaries of deceased retirees and survivors of deceased employees are provided health and dental coverage's for recipients and dependents beginning no earlier than age 55 if appropriate pension options have been selected.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

The investments of the 401(h) are invested with the basic retirement plan. The retirement board has established a rate of return on the 401(h) investments to be proportionate to the average net asset balance for the year of the basic retirement plan assets.

Benefits and refunds are recognized when due and payable, in accordance with the terms of the plan. Certain contracts specify member contributions from employees ranging from 2.0% to 3.25%.

Contribution and Funding Policy -

The Plan’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. During the year ended December 31, 2012, contributions of \$2,049,506 (\$1,541,123 employer and \$508,383 employee) were made. Employer contributions were 2.64% of covered payroll for Community Mental Health, 5.0% for the Road Commission and 4.0% (\$1,045,720) for General County employees. New contracts don’t stipulate a required percentage for County contributions. The actuarial valuation dated December 31, 2010 determined a contribution rates of 20.40% and 49.69% of covered payroll for 2012 for Community Mental Health and Road Commission employees, respectively, and \$12,123,180 for General County employees using an assumed rate of increase of health care costs as follows:

	<u>Medical and Prescription Drug</u>	<u>Dental</u>
2012	9.0 %	5.00 %
2013	8.5	5.00
2014	8.0	5.00
2015	7.5	5.00
2016	7.0	5.00
2017 and after	5.0 - 6.5	5.00

The contribution requirement of a plan member and the County are established by the St. Clair County Retirement Board and may be amended by the St. Clair County Board of Commissioners. Most administrative costs of the plan are paid with plan assets.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The required contribution rate was determined as part of the December 31, 2010 actuarial valuation using the individual entry age normal cost method. The actuarial assumption included (a) 5.0% net investment rate of return, (b) projected salary increases of 5.5% to 11.0% per year, which includes pay inflation at 5.0%, (c) an annual healthcare cost trend of 9.0% initially, reduced by decrements to an ultimate rate of 5% after 8 years, and (d) an annual dental cost trend rate of 5%. 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 dollar amount for General County employees and as a level percentage of member payroll for Community Mental Health and Road Commission on an open period, with a remaining amortization period, as of December 31, 2010, of 30 years.

Annual OPEB Cost and Net OPEB Obligation -

The County and its component unit's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents the level of funding necessary to cover the normal cost each year and the amortization of any unfunded actuarial liabilities (or funding excess) amortized over a period of thirty years. The annual OPEB cost for the year, the amount actually contributed, and changes in the net OPEB obligation are as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Annual required contribution	\$ 12,123,180	\$ 4,457,403
Interest on net OPEB obligation	1,211,039	725,004
Adjustment to annual required contribution	<u>(1,575,597)</u>	<u>(946,010)</u>
Annual OPEB cost (expense)	11,758,622	4,236,397
Contributions made	<u>(1,045,720)</u>	<u>(568,227)</u>
Increase in net OPEB obligation	10,712,902	3,668,170
NET OPEB obligation – beginning of year	<u>24,220,790</u>	<u>14,542,495</u>
NET OPEB obligation – end of year	<u>\$ 34,933,692</u>	<u>\$ 18,210,665</u>

Employer contributions shown above differ from supplementary information due to the different year-end of the Community Mental Health Authority and a separate Management Personal Health Care Plan. Separate information on this plan can be found in the separately issued financial statements of the Community Mental Health Authority.

Schedule of Funding Progress -

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/(c)
12/31/09*	\$ 37,213,548	\$ 249,961,670	\$ 212,748,122	14.9 %	\$ 46,078,581	462 %
12/31/10*	36,105,532	244,063,636	207,958,104	14.8	44,623,366	466
12/31/11	35,528,936	223,723,268	188,194,332	15.9	43,482,070	433

*Amortization period changed

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions of the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the program and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Schedule of Employer Contributions -

General Government

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Change In Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
2010	\$ 6,793,235	34.31 %	\$ 4,462,607	\$ 15,388,264
2011	12,453,607	29.08	8,832,526	24,220,790
2012	11,758,622	8.89	10,712,902	34,933,692

Component Units -

Road Commission

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Change In Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
2010	\$ 2,333,012	- %	\$ 2,333,012	\$ 6,389,717
2011	2,159,516	-	2,159,516	8,549,233
2012	1,940,490	10.41	1,738,550	10,287,783

Community Mental Health

<u>Year Ended September 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>	<u>Change In Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
2010	\$ 2,132,759	35.81 %	\$ 1,368,966	\$ 4,241,493
2011	2,433,274	28.00	1,751,769	5,993,262
2012	2,295,907	15.95	1,929,620	7,922,882

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government -

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

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

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

Component Unit - 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 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 amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 13 - RISK MANAGEMENT:

Primary Government -

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

The County is completely self-insured for unemployment compensation and short-term disability claims, and is self-insured for worker's compensation claims up to an amount of \$350,000 in individual claims for 2012.

Based on claims currently pending and past history, the County has estimated accrued claims, including an estimate for claims incurred but not reported (IBNR), of \$0, \$0 and \$45,000 for unemployment compensation, disability and worker's compensation, respectively.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

In addition, the Primary Government and the Drainage Districts (component unit) are voluntary members of the Michigan Municipal Risk Management Authority established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately.

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

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

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 250,000
Property and Crime	1,000 per occurrence, plus 10% of the next \$100,000 of loss

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2012, that Stop Loss Program limited the retention for St. Clair County to \$721,000 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 property and liability claims, including an estimate for claims incurred but not reported (IBNR), of \$370,000, which is recorded in the Self-Insurance Fund.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The County is self-insured for health care benefits with the administrative services of the program being performed on a contractual basis by a third party. The County pays claims up to \$125,000 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 \$550,000 at December 31, 2012, which is recorded as current liabilities in the Self Insurance (Internal Service) Fund. Changes in the balance of claims liability during the past two years as reported in the Self-Insurance (Internal Service) Fund are as follows:

	<u>Property/Liability Insurance</u>		<u>Disability Insurance</u>		<u>Unemployment</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 80,000	\$ 200,000	\$ -	\$ -	\$ -	\$ -
Incurred claims (including IBNR's)	333,211	111,593	390,444	392,472	118,254	162,422
Claims paid	(43,211)	(231,593)	(390,444)	(392,472)	(118,254)	(162,422)
Unpaid claims, end of year	370,000	80,000	-	-	-	-
Less current portion	(55,000)	(40,000)	-	-	-	-
Long-term Liabilities	<u>\$ 315,000</u>	<u>\$ 40,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>Worker's Compensation</u>		<u>Health Care</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Unpaid claims, beginning of year	\$ 150,000	\$ 300,000	\$ 750,000	\$ 600,000	\$ 980,000	\$ 1,100,000
Incurred claims (including IBNR's)	19,107	212	10,803,593	11,741,108	11,664,609	12,407,807
Claims paid	(124,107)	(150,212)	(11,003,593)	(11,591,108)	(11,679,609)	(12,527,807)
Unpaid claims, end of year	45,000	150,000	550,000	750,000	965,000	980,000
Less current portion	(45,000)	(136,000)	(550,000)	(750,000)	(650,000)	(926,000)
Long-term Liabilities	<u>\$ -</u>	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 315,000</u>	<u>\$ 54,000</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, 2012

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 Worker's Compensation self-insurance. This Fund is a municipal self-insurance entity operating within the laws of the State of Michigan. The Fund has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Fund.

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

The Road Commission is self-insured for health care benefits. The administrative services for the self-insured program are performed by the health insurance company. The Road Commission makes monthly payments, based on estimated claims and a stop-loss provision (up to \$30,000 per contract per contract year), which are adjusted quarterly.

The Road Commission has estimated accrued health care claims in excess of the last quarter payments, including an estimate for claims incurred but not reported (IBNR), of \$54,000 at December 31, 2012, which is recorded as a current liability.

Community Mental Health Authority

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

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

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

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

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

The Authority is also self-insured for the difference in the coverage provided through a previous health insurance plan and the current plan. The self-insurance is administered by a third party administrator and any reimbursed claims are billed to the Authority periodically.

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

NOTE 14 - MAJOR TAXPAYER:

The County is economically dependent upon the Detroit Edison Company that has real and personal property within the County with a taxable value of \$686,159,063. This represents approximately 12 percent of the taxable value for the County.

NOTE 15 - DEFERRED COMPENSATION:

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

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

NOTE 16 - FUND EQUITY:

NET INVESTMENT IN CAPITAL ASSETS -

Governmental Activities:

Capital Assets		\$ 95,050,188
Less related debt -		
2007 G.O. Bonds	(	2,850,000)
2004 Authority Refunding Bonds	(	6,250,000)
2003 G.O. Bonds	(	1,100,000)
2009 G.O. Bonds	(	2,675,000)
2012 Refunding Bonds	(	24,365,000)
2012 G.O. Bonds	\$(	9,000,000)
Unspent portion of		
2012 G.O. Bonds	6,814,892	(2,185,108)
Bond premiums	(	2,614,044)
Bond discounts		22,113
Refunding loss		<u>1,442,102</u>
		<u>\$ 54,475,251</u>

Business-type Activities:

Capital Assets		\$ 24,189,473
Less related debt -		
2010 G.O. Bond	(	6,623,535)
		<u>\$ 17,565,938</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

RESTRICTED FUND BALANCE/NET POSITION -

The fund balances and net position the Primary Government have been restricted for the following purposes at December 31, 2012:

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Governmental Funds/Activities:			
Acquisition/construction of capital assets:			
Public Improvement	\$ -	\$ 3,055,852	\$ 3,055,852
Day Treatment/Night Watch Construction	-	80,725	80,725
Convention Center	-	6,814,892	6,814,892
Communications Construction	-	980	<u>980</u>
			<u>9,952,449</u>
Debt Service:			
Mental Health Building Debt Fund	-	610	610
Communications Debt Fund - 2007	971,267	-	971,267
Communications Debt Fund - 2009	75	-	75
Building Authority Debt Fund	-	1,789	<u>1,789</u>
			<u>973,741</u>
Recreation and Cultural:			
Parks and Recreation	1,774,863	-	1,774,863
Library	2,532,127	-	<u>2,532,127</u>
			<u>4,306,990</u>
Revenue Sharing Reserve Fund	-	2,119,854	<u>2,119,854</u>
Health and Welfare:			
Senior Citizens Millage	537,221	-	537,221
CDBG Housing	-	227,321	227,321
HUD Housing	-	95,311	95,311
Veterans' Trust	-	8,631	8,631
Veterans' Millage	175,138	-	<u>175,138</u>
			<u>1,043,622</u>
Public Safety:			
Drug Task Force	172,143	-	172,143
Drug Law Enforcement	-	202,471	202,471
Local Corrections and Training	-	15,817	15,817
Prosecutor's Drug Forfeiture	-	82,353	<u>82,353</u>
			<u>472,784</u>
Other Purposes:			
Friend of Court	-	244,482	244,482
Family Counseling	107,995	-	107,995
Deeds Automation	498,339	-	<u>498,339</u>
			<u>850,816</u>
Total Restricted Fund Balance - Governmental Funds			19,720,256
Unspent Bond Proceeds	-	(6,814,892)	<u>(6,814,892)</u>
Total Restricted Net Position - Governmental Activities			<u>\$ 12,905,364</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

	<u>Enabling Legislation</u>	<u>Other</u>	<u>Total</u>
Business-type Activities:			
Foreclosure sales	\$ -	\$ 2,078,086	<u>\$ 2,078,086</u>

COMMITTED FUND BALANCES -

At December 31, 2012, the Board of Commissioners had committed the following fund balances:

Combined General Fund -			
Budget Incentive		<u>\$ 685,679</u>	
Nonmajor Funds -			
Special Revenue Funds -			
Brownfield Development		41,599	
Health Department		656,444	
Human Services		178,684	
Childcare		1,355,443	
Capital Projects Funds -			
Municipal Building		<u>170,097</u>	
		<u>2,402,267</u>	
		<u>\$ 3,087,946</u>	

ASSIGNED FUND BALANCES -

At December 31, 2012, the Administrator/Controller had assigned the following fund balance:

Combined General Fund -		
Development Revolving		<u>\$ 2,928,101</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 perform 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 the landfill closure and postclosure care costs is based on the amount of the landfill capacity used during the year. The estimated liability for landfill closure and postclosure care costs was \$9,969,881 at December 31, 2012, which is based on the estimated percentage of capacity used to date of 46.2%.

Currently the County has 75 acres licensed, with an additional 27 acres available for licensing. It is estimated that an additional \$13,621,023 will be recognized as closure and post-closure care expense between the date of the balance sheet and the date the landfill is expected to be filled to capacity and monitored for 30 years. The estimated remaining life of the landfill is 14 years.

The estimated total current cost of the landfill closure and post-closure care cost of \$23,590,904 is based on the amount that would be paid if all equipment, facilities and services required to close, monitor, and maintain that landfill were acquired as of December 31, 2012. However, the actual cost of closure and post-closure care may be higher or lower due to inflation, changes in technology or changes in landfill laws and regulations.

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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

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

The County is also required by the State of Michigan to purchase an irrevocable line of credit in the amount of \$2,595,000 that can be drawn on by the State of Michigan to pay any necessary closure and post-closure costs. The County is in compliance with this requirement.

NOTE 18 - PRIOR PERIOD ADJUSTMENTS:

Combined General Fund -

It was determined during the year that the Development Revolving Fund was not restricted by an outside party for capital projects but could be used for other purposes, therefore did not meet the definition of a "capital project" fund and should therefore be combined with the General Fund. As a result, the General Fund beginning fund balance was increased by \$2,892,000. The Development Revolving Fund should have been included in the General Fund beginning January 1, 2011 and would have increased the beginning fund balance of the General Fund by \$1,380,000 and the activity of 2011 by \$1,512,000.

Drain (Component Unit) -

Drain special assessments receivables were over reported in years prior to 2011 by \$1,398,443 due to recording entire assessments, though some entities' assessments were paid in advance. Drain net position was also overstated by \$22,074 due to recording an entire inter county drain's assets (\$94,762) and debt (\$72,688) as St. Clair County's. This restatement would have no effect on the net position of the drains in 2011.

Business-type Activities/Airport Commission (nonmajor enterprise fund) and Department of Public Works (Component Unit) -

The Department of Public Works had supplied and maintained the sewer system for the St. Clair County Airport Commission in previous years. In 2010, the Department of Public Works returned capital to the St. Clair County Airport Commission, which should have included a repayment of an advance; however, the adjustment was not made. The effect on net position at December 31, 2010 and 2011 of the Airport Commission was an understatement of \$89,281 and the Department of Public Works was an overstatement of \$89,281.

Community Mental Health Authority (Component Unit) -

Net position of Community Mental Health has been restated to reflect amendments to fiscal year 2011 settlement with Michigan Department of Community Health. The effect of the restatement increased net position at September 30, 2011 by \$53,538 as the revenues of 2011 should have been increased by \$53,538.

NOTE 19 - SUBSEQUENT EVENT:

On April 18, 2013, the Board of Commissioners authorized the refunding of the 2004 Building Authority Refunding Bonds for \$5,380,000 of 2013 Limited Tax General Obligation Refunding Bonds (Taxable) dated May 16, 2013 for a savings of \$450,980 over the remaining eight years.

REQUIRED SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
BASIC 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
12/31/02 *	\$ 148,949,978	\$ 129,997,328	\$(18,952,650)	114.58%	\$ 35,716,619	-53.06%
12/31/03 *	146,556,581	139,409,729	(7,146,852)	105.13%	38,047,803	-18.78%
12/31/04 *	144,411,118	149,377,188	4,966,070	96.68%	39,609,752	12.54%
12/31/05 *,#	153,016,205	159,090,379	6,074,174	96.18%	42,622,922	14.25%
12/31/06 *	165,525,909	171,374,116	5,848,207	96.59%	44,015,666	13.29%
12/31/07 *	176,628,933	181,439,996	4,811,063	97.35%	44,600,186	10.79%
12/31/08 *	175,091,222	191,638,371	16,547,149	91.37%	45,511,253	36.36%
12/31/09 *	176,924,494	203,602,461	26,677,967	86.90%	46,078,581	57.90%
12/31/10 *	180,051,710	209,379,385	29,327,675	85.99%	44,623,366	65.72%
12/31/11	179,169,959	216,285,667	37,115,708	82.84%	43,552,768	85.22%

* Plan amended

Certain assumptions revised

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Percentage Contributed
2003	\$ -	0.00%
2004	1,408,431	100.00%
2005	2,791,134	100.00%
2006	4,211,036	100.00%
2007	4,177,556	100.00%
2008	4,312,555	100.00%
2009	4,382,161	100.00%
2010	5,067,619	100.00%
2011	6,513,424	100.00%
2012	6,360,209	106.21%

Actuarial Cost Method

Individual Entry Age Normal Cost

Asset Valuation Method

Market Value with 5 year Smoothing of Gains and Losses

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

Net Investment Return

7.50%

Projected Salary Increases

5.0% pay inflation plus merit and longevity

Cost-of-Living Adjustments

None

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

ST. CLAIR COUNTY, MICHIGAN

**REQUIRED SUPPLEMENTARY INFORMATION
RETIREE HEALTH BENEFITS**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/04	\$ 35,576,190	\$ 120,502,047	\$ 84,925,857	29.52%	\$ 39,609,752	214.41%
12/31/05 #	37,605,130	122,105,333	84,500,203	30.80%	42,622,922	198.25%
12/31/06 #	38,429,172	193,221,993	154,792,821	19.89%	44,015,666	351.68%
12/31/07 **	39,332,611	214,700,277	175,367,666	18.32%	44,600,186	393.20%
12/31/08 **	38,496,962	214,789,128	176,292,166	17.92%	45,511,253	387.36%
12/31/09 **	37,213,548	249,961,670	212,748,122	14.89%	46,078,581	461.71%
12/31/10 **	36,105,532	244,063,636	207,958,104	14.79%	44,623,366	466.03%
12/31/11	35,528,936	223,723,268	188,194,332	15.88%	43,482,070	432.81%

Certain assumptions revised

** Amortization period changed

Schedule of Employer Contributions

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 8,051,186	32.90%
2006	8,221,747	19.62%
2007	7,363,357	24.84%
2008	11,000,584	24.20%
2009	12,277,448	21.52%
2010	11,513,436	26.88%
2011	17,395,598	24.73%
2012	16,580,583	9.73%

Actuarial Cost Method	Individual Entry Age Normal Cost
Asset Valuation Method	Market Value with 5 year Smoothing of Gains and Losses
Principal Actuarial Assumptions -	
Net Investment Return	5.00%
Projected Salary Increases	5.0% pay inflation plus merit and longevity
Cost-of-Living Adjustments	None
Rate of Increase of Healthcare Costs	
Medical and Prescription	5.0% to 9.0%
Dental	5.0%

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

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 30,385,381	\$ 29,603,381	\$ 29,752,455	\$ 149,074
Licenses and permits	511,000	501,000	513,059	12,059
Intergovernmental -				
Federal/State	6,240,033	7,743,256	7,399,891	(343,365)
Local	1,682,880	1,753,041	1,742,515	(10,526)
Charges for services	8,709,543	9,041,711	9,242,602	200,891
Fines and forfeits	374,500	359,500	363,222	3,722
Interest and rent	1,160,188	1,187,442	1,001,886	(185,556)
Other	2,684,590	2,425,799	2,375,820	(49,979)
Total Revenues	<u>51,748,115</u>	<u>52,615,130</u>	<u>52,391,450</u>	<u>(223,680)</u>
Expenditures:				
Legislative -				
Board of Commissioners	209,516	209,516	202,555	6,961
Other Legislative Activities	1,395,080	695,080	851,763	(156,683)
	<u>1,604,596</u>	<u>904,596</u>	<u>1,054,318</u>	<u>(149,722)</u>
Judicial -				
Circuit Court	1,860,827	1,860,827	1,840,737	20,090
District Court	2,464,029	2,464,029	2,371,562	92,467
Courthouse Security	451,684	451,684	461,857	(10,173)
Friend of the Court	2,832,240	2,781,140	2,688,120	93,020
Probate Court	1,022,878	916,804	877,989	38,815
Family Division - Circuit Court	1,866,585	1,931,767	1,921,651	10,116
Probation	13,383	9,383	9,252	131
District Court Probation	712,962	712,962	704,223	8,739
	<u>11,224,588</u>	<u>11,128,596</u>	<u>10,875,391</u>	<u>253,205</u>
General Government -				
Administrator/Controller	406,562	412,462	408,852	3,610
Elections	252,766	237,766	244,440	(6,674)
Accounting	395,993	395,993	297,377	98,616
Clerk	897,933	897,933	822,845	75,088
Equalization	932,740	958,335	909,140	49,195
Human Resources	331,114	331,114	303,876	27,238
Prosecuting Attorney	2,592,602	2,663,227	2,554,335	108,892
Victims Rights	10,800	10,800	2,520	8,280
Purchasing	207,635	207,635	166,317	41,318
Register of Deeds	119,127	119,127	117,055	2,072
Treasurer	479,522	449,522	402,889	46,633
Cooperative Extension	307,857	313,657	269,901	43,756
Information Technology	2,288,033	2,333,033	2,283,151	49,882
Building and Grounds	2,561,197	2,561,197	2,393,959	167,238
Drain Commissioner	684,545	684,545	647,253	37,292
Motor Pool	12,500	17,500	17,545	(45)
	<u>12,480,926</u>	<u>12,593,846</u>	<u>11,841,455</u>	<u>752,391</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety -				
Sheriff	\$ 7,355,275	\$ 7,737,378	\$ 7,899,832	\$(162,454)
Training	14,000	13,186	8,852	4,334
Communications/Radio	1,855,695	1,755,695	1,641,137	114,558
Marine Law Enforcement	224,207	224,207	211,460	12,747
Dive Team	27,376	27,376	27,879	(503)
Corrections / Jail	10,871,089	11,565,664	11,551,165	14,499
Other Corrections Activities	519,857	361,757	325,230	36,527
Emergency Preparedness	512,624	1,468,863	1,432,440	36,423
Hazardous Material Handling	16,688	21,688	15,882	5,806
Animal Shelter/Dog Warden	312,513	342,513	335,407	7,106
	<u>21,709,324</u>	<u>23,518,327</u>	<u>23,449,284</u>	<u>69,043</u>
Public Works -				
Road Commission	900,000	900,000	900,000	-
Drains	500,000	347,462	347,462	-
	<u>1,400,000</u>	<u>1,247,462</u>	<u>1,247,462</u>	<u>-</u>
Health and Welfare -				
Medical Examiner	306,973	306,972	303,080	3,892
Mental Health	955,672	955,673	955,673	-
Public Guardian	281,489	295,489	296,971	(1,482)
Veterans' Burial	24,800	24,800	22,634	2,166
	<u>1,568,934</u>	<u>1,582,934</u>	<u>1,578,358</u>	<u>4,576</u>
Community and Economic Development -				
Planning Commission	537,533	699,813	651,715	48,098
Transportation Planning	-	16,250	4,847	11,403
	<u>537,533</u>	<u>716,063</u>	<u>656,562</u>	<u>59,501</u>
Other	147,011	-	-	-
Debt Service -				
Principal	-	278,677	278,677	-
Interest	-	170,259	170,259	-
	<u>-</u>	<u>448,936</u>	<u>448,936</u>	<u>-</u>
Total Expenditures	<u>50,672,912</u>	<u>52,140,760</u>	<u>51,151,766</u>	<u>988,994</u>
Revenues over (under) expenditures	<u>1,075,203</u>	<u>474,370</u>	<u>1,239,684</u>	<u>765,314</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Other Financing Sources (Uses):				
Issuance of debt	\$ -	\$ 622,652	\$ 622,652	\$ -
Transfers from other funds	5,196,809	6,163,541	6,134,107	(29,434)
Transfers to other funds	<u>(6,272,012)</u>	<u>(7,168,524)</u>	<u>(7,943,870)</u>	<u>(775,346)</u>
Total Other Financing Sources (Uses)	<u>(1,075,203)</u>	<u>(382,331)</u>	<u>(1,187,111)</u>	<u>(804,780)</u>
Net Change in Fund Balance	-	92,039	52,573	(39,466)
Fund Balance at beginning of year	<u>9,273,080</u>	<u>9,273,080</u>	<u>9,273,080</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 9,273,080</u></u>	<u><u>\$ 9,365,119</u></u>	<u><u>\$ 9,325,653</u></u>	<u><u>\$ (39,466)</u></u>

Reconciliation of Budget-Basis to GAAP-Basis Reporting:

Net Change in General Fund Fund Balance (Budgetary Basis)	\$ 52,573
Perspective difference -	
Other Budgeted Funds Net Change Allocated to the General Fund for GAAP-basis reporting	
Budget Incentive	685,679
Development Revolving	<u>36,101</u>
Net Change in Combined General Fund Fund Balance (GAAP-Basis)	<u><u>\$ 774,353</u></u>

Concluded

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
PARKS AND RECREATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ 2,827,700	\$ 2,841,500	\$ 2,837,282	\$(4,218)
Intergovernmental -				
Federal/State	180,000	121,850	51,850	(70,000)
Charges for services	74,000	80,900	99,925	19,025
Interest and rent	10,500	6,600	6,843	243
Other	1,200	23,400	24,023	623
Total Revenues	<u>3,093,400</u>	<u>3,074,250</u>	<u>3,019,923</u>	<u>(54,327)</u>
Expenditures:				
Recreation and Cultural	<u>3,904,000</u>	<u>4,172,501</u>	<u>4,116,728</u>	<u>55,773</u>
Revenues under expenditures	(810,600)	(1,098,251)	(1,096,805)	1,446
Other Financing Uses:				
Transfers to other funds	<u>-</u>	<u>-</u>	<u>(39,122)</u>	<u>(39,122)</u>
Net Change in Fund Balance	(810,600)	(1,098,251)	(1,135,927)	(37,676)
Fund Balance at beginning of year	<u>2,910,790</u>	<u>2,910,790</u>	<u>2,910,790</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,100,190</u></u>	<u><u>\$ 1,812,539</u></u>	<u><u>\$ 1,774,863</u></u>	<u><u>\$(37,676)</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
LIBRARY
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,105,000	\$ 4,105,000	\$ 4,006,123	\$(98,877)
Intergovernmental -				
Federal/State	104,965	104,965	116,975	12,010
Local	8,000	8,000	8,000	-
Charges for services	90,000	90,000	90,603	603
Fines and forfeits	638,000	638,000	760,219	122,219
Interest and rent	61,000	61,000	58,963	(2,037)
Other	11,250	11,250	23,509	12,259
Total Revenues	<u>5,018,215</u>	<u>5,018,215</u>	<u>5,064,392</u>	<u>46,177</u>
Expenditures:				
Recreation and Cultural	<u>5,163,215</u>	<u>5,163,215</u>	<u>5,033,280</u>	<u>129,935</u>
Revenues over (under) expenditures	(145,000)	(145,000)	31,112	176,112
Other Financing Sources:				
Transfers from other funds	<u>-</u>	<u>-</u>	<u>28,117</u>	<u>28,117</u>
Net Change in Fund Balance	(145,000)	(145,000)	59,229	204,229
Fund Balance at beginning of year	<u>2,472,898</u>	<u>2,472,898</u>	<u>2,472,898</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,327,898</u></u>	<u><u>\$ 2,327,898</u></u>	<u><u>\$ 2,532,127</u></u>	<u><u>\$ 204,229</u></u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
SENIOR CITIZENS MILLAGE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,835,451	\$ 2,855,451	\$ 2,863,916	\$ 8,465
Interest and rent	10,000	10,000	3,917	(6,083)
Total Revenues	<u>2,845,451</u>	<u>2,865,451</u>	<u>2,867,833</u>	<u>2,382</u>
Expenditures:				
Health and Welfare	<u>3,035,242</u>	<u>3,035,242</u>	<u>2,990,587</u>	<u>44,655</u>
Net Change in Fund Balance	(189,791)	(169,791)	(122,754)	47,037
Fund Balance at beginning of year	<u>659,975</u>	<u>659,975</u>	<u>659,975</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 470,184</u></u>	<u><u>\$ 490,184</u></u>	<u><u>\$ 537,221</u></u>	<u><u>\$ 47,037</u></u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

SUPPLEMENTARY INFORMATION

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
COMBINED GENERAL FUND
DECEMBER 31, 2012**

	<u>General</u>	<u>Budget Incentive</u>	<u>Development Revolving</u>	<u>Combined General</u>
ASSETS				
Cash and cash equivalents	\$ 347,976	\$ 685,679	\$ 2,040,733	\$ 3,074,388
Investments	8,500,000	-	-	8,500,000
Receivables -				
Property taxes, net of allowance	2,341,574	-	-	2,341,574
Interest and accounts	304,052	-	-	304,052
Due from other governmental units -				
Federal/State	1,713,748	-	-	1,713,748
Local	731,203	-	893,667	1,624,870
Due from other funds	190,840	-	-	190,840
Long-term notes receivable	4,338,705	-	-	4,338,705
Advances to component units	50,000	-	-	50,000
Prepayments and deposits	19,320	-	-	19,320
	<u>\$ 18,537,418</u>	<u>\$ 685,679</u>	<u>\$ 2,934,400</u>	<u>\$ 22,157,497</u>
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	\$ 858,551	\$ -	\$ 6,299	\$ 864,850
Accrued liabilities	1,095,070	-	-	1,095,070
Advances and deposits	650	-	-	650
Due to other governmental units -				
Federal/State	18,877	-	-	18,877
Local	114,569	-	-	114,569
Due to other funds	6,500,000	-	-	6,500,000
Deferred revenue	624,048	-	-	624,048
	<u>9,211,765</u>	<u>-</u>	<u>6,299</u>	<u>9,218,064</u>
Fund Balance:				
Nonspendable -				
Long-term notes receivable/advances	4,388,705	-	-	4,388,705
Prepayments	19,320	-	-	19,320
Committed	-	685,679	-	685,679
Assigned	-	-	2,928,101	2,928,101
Unassigned	4,917,628	-	-	4,917,628
	<u>9,325,653</u>	<u>685,679</u>	<u>2,928,101</u>	<u>12,939,433</u>
Total Fund Balance	<u>9,325,653</u>	<u>685,679</u>	<u>2,928,101</u>	<u>12,939,433</u>
Total Liabilities and Fund Balance	<u>\$ 18,537,418</u>	<u>\$ 685,679</u>	<u>\$ 2,934,400</u>	<u>\$ 22,157,497</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
COMBINED GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Budget Incentive</u>	<u>Development Revolving</u>	<u>Eliminations</u>	<u>Combined General</u>
Revenues:					
Taxes	\$ 29,752,455	\$ -	\$ -	\$ -	\$ 29,752,455
Licenses and permits	513,059	-	-	-	513,059
Intergovernmental -					
Federal/State	7,399,891	-	-	-	7,399,891
Local	1,742,515	-	-	-	1,742,515
Charges for services	9,242,602	-	-	-	9,242,602
Fines and forfeits	363,222	-	-	-	363,222
Interest and rent	1,001,886	-	-	-	1,001,886
Other	2,375,820	-	50,000	-	2,425,820
Total Revenues	<u>52,391,450</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>52,441,450</u>
Expenditures:					
Current -					
Legislative	1,054,318	-	-	-	1,054,318
Judicial	10,875,391	-	-	-	10,875,391
General Government	11,841,455	-	-	-	11,841,455
Public Safety	23,449,284	-	-	-	23,449,284
Public Works	1,247,462	-	-	-	1,247,462
Health and Welfare	1,578,358	-	-	-	1,578,358
Community and Economic					
Development	656,562	-	13,899	-	670,461
Debt Service -					
Principal	278,677	-	-	-	278,677
Interest	170,259	-	-	-	170,259
Total Expenditures	<u>51,151,766</u>	<u>-</u>	<u>13,899</u>	<u>-</u>	<u>51,165,665</u>
Revenues over expenditures	<u>1,239,684</u>	<u>-</u>	<u>36,101</u>	<u>-</u>	<u>1,275,785</u>
Other Financing Sources (Uses):					
Issuance of debt	622,652	-	-	-	622,652
Transfers from other funds	6,134,107	685,679	-	(685,679)	6,134,107
Transfers to other funds	(7,943,870)	-	-	685,679	(7,258,191)
Total Other Financing					
Sources (Uses)	<u>(1,187,111)</u>	<u>685,679</u>	<u>-</u>	<u>-</u>	<u>(501,432)</u>
Net Change in Fund Balance	52,573	685,679	36,101	-	774,353
Fund Balance at beginning of year as restated	<u>9,273,080</u>	<u>-</u>	<u>2,892,000</u>	<u>-</u>	<u>12,165,080</u>
Fund Balance at end of year	<u>\$ 9,325,653</u>	<u>\$ 685,679</u>	<u>\$ 2,928,101</u>	<u>\$ -</u>	<u>\$ 12,939,433</u>

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
BUDGET INCENTIVE
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Other Financing Sources:			
Transfers from other funds	\$ 317,732	\$ 685,679	\$ 367,947
Net Change in Fund Balance	317,732	685,679	367,947
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 317,732</u>	<u>\$ 685,679</u>	<u>\$ 367,947</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, debt service, or capital projects) that are restricted or committed to expenditures for specified purposes. The Nonmajor 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.

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.

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

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

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.

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

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

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

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

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

Veterans' Millage – is used to account for a County special millage to be used for Veterans' aid.

Emergency 911 (E-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.

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

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

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

Prosecutor’s Drug Forfeitures – is used to account for the prosecuting attorney’s proceeds for vehicle and drug forfeitures.

DEBT SERVICE FUNDS

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

Communications Series 2007B – is used to account for the debt service requirements related to the 2007 communications system.

Communications Series 2009 – is used to account for the debt service requirements related to the 2009 communications system.

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

Convention Center – is used to account for the debt service requirements related to the Blue Water Area Convention Center.

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

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

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

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

Convention Center – is used to account for the construction of the Blue Water Area Convention Center.

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

PERMANENT FUND

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>Friend of Court</u>	<u>Drug Task Force</u>	<u>Brownfield Redevelopment</u>	<u>Drug Law Enforcement</u>	<u>Health Department</u>
ASSETS					
Cash and cash equivalents	\$ 61,899	\$ 362,394	\$ 491	\$ 191,046	\$ 798,931
Investments	142,472	-	-	-	-
Receivables -					
Property taxes, net of allowance	-	1,427,090	-	-	-
Interest and accounts	719	-	-	5,766	23,645
Due from other governmental units -					
Federal/State	49,921	-	53,817	15,962	258,019
Local	-	-	-	-	153,102
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 255,011</u>	<u>\$ 1,789,484</u>	<u>\$ 54,308</u>	<u>\$ 212,774</u>	<u>\$ 1,233,697</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 4,000	\$ 23,233	\$ 12,709	\$ 10,303	\$ 126,186
Accrued liabilities	6,529	33,635	-	-	142,806
Advances and deposits	-	-	-	-	39,797
Due to other governmental units -					
Federal/State	-	-	-	-	252,536
Due to other funds	-	-	-	-	-
Deferred revenue	-	1,560,473	-	-	15,928
	<u>10,529</u>	<u>1,617,341</u>	<u>12,709</u>	<u>10,303</u>	<u>577,253</u>
Fund Balance:					
Restricted -					
Acquisition/construction of capital assets	-	-	-	-	-
Debt Service	-	-	-	-	-
Revenue Sharing Reserve	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Public Safety	-	172,143	-	202,471	-
Other Purposes	244,482	-	-	-	-
Committed	-	-	41,599	-	656,444
	<u>244,482</u>	<u>172,143</u>	<u>41,599</u>	<u>202,471</u>	<u>656,444</u>
Total Fund Balance	<u>244,482</u>	<u>172,143</u>	<u>41,599</u>	<u>202,471</u>	<u>656,444</u>
Total Liabilities and Fund Balance	<u>\$ 255,011</u>	<u>\$ 1,789,484</u>	<u>\$ 54,308</u>	<u>\$ 212,774</u>	<u>\$ 1,233,697</u>

Special Revenue Funds

HUD Housing	CDBG Housing	Human Services	Child Care	Veterans' Trust	Veterans' Millage	E - 911	Deeds Automation
\$ 95,311	\$ 303,598	\$ 157,723	\$ 1,073,061	\$ 8,631	\$ 236,108	\$ -	\$ 494,941
-	-	-	-	-	-	-	-
-	-	-	-	-	503,911	-	-
208,381	615,183	-	1,586	-	-	-	4,964
-	22,301	21,314	471,570	-	-	-	-
-	2,300	-	3,067	-	-	190,840	-
<u>\$ 303,692</u>	<u>\$ 943,382</u>	<u>\$ 179,037</u>	<u>\$ 1,549,284</u>	<u>\$ 8,631</u>	<u>\$ 740,019</u>	<u>\$ 190,840</u>	<u>\$ 499,905</u>
\$ -	\$ 100,878	\$ -	\$ 48,603	\$ -	\$ 5,899	\$ -	\$ -
-	-	74	96,288	-	5,505	-	1,566
-	-	-	-	-	-	-	-
-	99,385	279	-	-	-	-	-
-	-	-	-	-	-	190,840	-
208,381	515,798	-	48,950	-	553,477	-	-
<u>208,381</u>	<u>716,061</u>	<u>353</u>	<u>193,841</u>	<u>-</u>	<u>564,881</u>	<u>190,840</u>	<u>1,566</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
95,311	227,321	-	-	8,631	175,138	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	498,339
-	-	178,684	1,355,443	-	-	-	-
<u>95,311</u>	<u>227,321</u>	<u>178,684</u>	<u>1,355,443</u>	<u>8,631</u>	<u>175,138</u>	<u>-</u>	<u>498,339</u>
<u>\$ 303,692</u>	<u>\$ 943,382</u>	<u>\$ 179,037</u>	<u>\$ 1,549,284</u>	<u>\$ 8,631</u>	<u>\$ 740,019</u>	<u>\$ 190,840</u>	<u>\$ 499,905</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Special Revenue Funds				Debt Service Funds	
	Revenue	Local		Prosecutor's	Communications	
	Sharing	Corrections and	Family	Drug	Series 2007 B	Series 2009
	Reserve	Training	Counseling	Forfeitures		
ASSETS						
Cash and cash equivalents	\$ 2,119,854	\$ 16,392	\$ 115,791	\$ 77,102	\$ 960,990	\$ 75
Investments	-	-	-	-	-	-
Receivables -						
Property taxes, net of allowance	-	-	-	-	-	-
Interest and accounts	-	1,181	60	-	-	-
Due from other governmental units -						
Federal/State	-	-	-	-	-	-
Local	-	-	-	5,511	10,277	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,511</u>	<u>10,277</u>	<u>-</u>
Total Assets	<u>\$ 2,119,854</u>	<u>\$ 17,573</u>	<u>\$ 115,851</u>	<u>\$ 82,613</u>	<u>\$ 971,267</u>	<u>\$ 75</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ -	\$ 1,756	\$ 7,856	\$ 260	\$ -	\$ -
Accrued liabilities	-	-	-	-	-	-
Advances and deposits	-	-	-	-	-	-
Due to other governmental units -						
Federal/State	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>1,756</u>	<u>7,856</u>	<u>260</u>	<u>-</u>	<u>-</u>
Fund Balance:						
Restricted -						
Acquisition/construction						
of capital assets	-	-	-	-	-	-
Debt Service	-	-	-	-	971,267	75
Revenue Sharing Reserve	2,119,854	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-
Public Safety	-	15,817	-	82,353	-	-
Other Purposes	-	-	107,995	-	-	-
Committed	-	-	-	-	-	-
Total Fund Balance	<u>2,119,854</u>	<u>15,817</u>	<u>107,995</u>	<u>82,353</u>	<u>971,267</u>	<u>75</u>
Total Liabilities						
and Fund Balance	<u>\$ 2,119,854</u>	<u>\$ 17,573</u>	<u>\$ 115,851</u>	<u>\$ 82,613</u>	<u>\$ 971,267</u>	<u>\$ 75</u>

Debt Service Funds			Capital Projects Funds				
Building Authority	Convention Center	Jail/Juvenile Facility	Public Improvement	Municipal Building	DTNW Building	Convention Center	Communications Construction
\$ 1,789	\$ -	\$ -	\$ 3,069,273	\$ 187,474	\$ 80,725	\$ 6,865,039	\$ 980
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	86	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,069,273</u>	<u>\$ 187,560</u>	<u>\$ 80,725</u>	<u>\$ 6,865,039</u>	<u>\$ 980</u>
\$ -	\$ -	\$ -	\$ 13,421	\$ 17,463	\$ -	\$ 50,147	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	13,421	17,463	-	50,147	-
-	-	-	-	-	-	-	-
-	-	-	3,055,852	-	80,725	6,814,892	980
1,789	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	170,097	-	-	-
<u>1,789</u>	<u>-</u>	<u>-</u>	<u>3,055,852</u>	<u>170,097</u>	<u>80,725</u>	<u>6,814,892</u>	<u>980</u>
<u>\$ 1,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,069,273</u>	<u>\$ 187,560</u>	<u>\$ 80,725</u>	<u>\$ 6,865,039</u>	<u>\$ 980</u>

Continued

ST. CLAIR COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	Permanent Fund Lewis Memorial Endowment	Total
ASSETS		
Cash and cash equivalents	\$ -	\$ 17,279,618
Investments	-	142,472
Receivables -		
Property taxes, net of allowance	-	1,931,001
Interest and accounts	-	861,571
Due from other governmental units -		
Federal/State	-	892,904
Local	-	365,097
	-	365,097
Total Assets	\$ -	\$ 21,472,663
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 422,714
Accrued liabilities	-	286,403
Advances and deposits	-	39,797
Due to other governmental units -		
Federal/State	-	352,200
Due to other funds	-	190,840
Deferred revenue	-	2,903,007
Total Liabilities	-	4,194,961
Fund Balance:		
Restricted -		
Acquisition/construction of capital assets	-	9,952,449
Debt Service	-	973,131
Revenue Sharing Reserve	-	2,119,854
Health and Welfare	-	506,401
Public Safety	-	472,784
Other Purposes	-	850,816
Committed	-	2,402,267
Total Fund Balance	-	17,277,702
Total Liabilities and Fund Balance	\$ -	\$ 21,472,663

Concluded

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Friend of Court</u>	<u>Drug Task Force</u>	<u>Brownfield Redevelopment</u>	<u>Drug Law Enforcement</u>	<u>Health Department</u>
Revenues:					
Taxes	\$ -	\$ 1,605,069	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	204,112
Intergovernmental -					
Federal/State	269,294	-	161,926	43,941	2,869,776
Local	-	-	-	-	43,553
Charges for services	62,110	-	-	-	1,107,301
Fines and forfeits	-	566	-	194,948	-
Interest and rent	922	350	-	-	-
Other	-	686	-	-	445,755
Total Revenues	<u>332,326</u>	<u>1,606,671</u>	<u>161,926</u>	<u>238,889</u>	<u>4,670,497</u>
Expenditures:					
Current -					
Judicial	331,948	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	1,515,731	-	184,121	-
Health and Welfare	-	-	-	-	6,991,553
Community and Economic Development	-	-	120,670	-	-
Capital Outlay	-	-	-	-	-
Debit Service -					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	<u>331,948</u>	<u>1,515,731</u>	<u>120,670</u>	<u>184,121</u>	<u>6,991,553</u>
Revenues over (under) expenditures	<u>378</u>	<u>90,940</u>	<u>41,256</u>	<u>54,768</u>	<u>(2,321,056)</u>
Other Financing Sources (Uses):					
Issuance of debt	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-
Premium on debt	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-
Transfers from other funds	-	104,000	-	-	1,705,524
Transfers to other funds	-	(200,278)	-	(104,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(96,278)</u>	<u>-</u>	<u>(104,000)</u>	<u>1,705,524</u>
Net Change in Fund Balances	378	(5,338)	41,256	(49,232)	(615,532)
Fund Balances at beginning of year	<u>244,104</u>	<u>177,481</u>	<u>343</u>	<u>251,703</u>	<u>1,271,976</u>
Fund Balances at end of year	<u>\$ 244,482</u>	<u>\$ 172,143</u>	<u>\$ 41,599</u>	<u>\$ 202,471</u>	<u>\$ 656,444</u>

Special Revenue Funds

HUD Housing	CDBG Housing	Human Services	Child Care	Veterans' Trust	Veterans' Millage	E - 911	Deeds Automation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 571,727	\$ -	\$ -
-	-	-	-	-	-	-	-
-	556,496	193,037	2,689,845	22,692	-	-	-
-	-	-	-	-	-	-	-
-	90,351	-	268,179	-	2,500	782,024	158,040
-	-	-	-	-	-	-	-
-	624	-	-	-	20	-	553
-	34	74,461	28,050	-	-	-	-
-	647,505	267,498	2,986,074	22,692	574,247	782,024	158,593
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	115,226
-	-	-	-	-	-	-	-
-	608,149	671,052	6,113,936	22,264	345,558	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	608,149	671,052	6,113,936	22,264	345,558	-	115,226
-	39,356	(403,554)	(3,127,862)	428	228,689	782,024	43,367
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,000	304,262	3,690,204	-	-	-	-
-	-	-	-	-	(58,628)	(782,024)	-
-	10,000	304,262	3,690,204	-	(58,628)	(782,024)	-
-	49,356	(99,292)	562,342	428	170,061	-	43,367
95,311	177,965	277,976	793,101	8,203	5,077	-	454,972
\$ 95,311	\$ 227,321	\$ 178,684	\$ 1,355,443	\$ 8,631	\$ 175,138	\$ -	\$ 498,339

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Special Revenue Funds				Debt Service Funds	
	Revenue	Local	Family	Prosecutor's	Communications	
	Sharing Reserve	Corrections And Training	Counseling	Drug Forfeitures	Series 2007 B	Series 2009
Revenues:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental -						
Federal/State	-	-	-	-	-	-
Local	-	-	-	-	-	-
Charges for services	-	28,956	13,875	24,267	328,373	-
Fines and forfeits	-	-	-	21,376	-	-
Interest and rent	183	-	-	-	-	-
Other	-	1,181	-	-	-	-
Total Revenues	<u>183</u>	<u>30,137</u>	<u>13,875</u>	<u>45,643</u>	<u>328,373</u>	<u>-</u>
Expenditures:						
Current -						
Judicial	-	-	55,092	-	-	-
General Government	-	-	-	-	-	-
Public Safety	-	55,231	-	22,832	-	-
Health and Welfare	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debit Service -						
Principal	-	-	-	-	175,000	125,000
Interest and charges	-	-	-	-	118,637	104,931
Total Expenditures	<u>-</u>	<u>55,231</u>	<u>55,092</u>	<u>22,832</u>	<u>293,637</u>	<u>229,931</u>
Revenues over (under) expenditures	<u>183</u>	<u>(25,094)</u>	<u>(41,217)</u>	<u>22,811</u>	<u>34,736</u>	<u>(229,931)</u>
Other Financing Sources (Uses):						
Issuance of debt	-	-	-	-	-	-
Issuance of refunding bonds	-	-	-	-	-	-
Premium on debt	-	-	-	-	-	-
Payment to refunding bond escrow agent	-	-	-	-	-	-
Transfers from other funds	-	-	-	59,542	-	229,931
Transfers to other funds	(3,699,755)	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>(3,699,755)</u>	<u>-</u>	<u>-</u>	<u>59,542</u>	<u>-</u>	<u>229,931</u>
Net Change in Fund Balances	<u>(3,699,572)</u>	<u>(25,094)</u>	<u>(41,217)</u>	<u>82,353</u>	<u>34,736</u>	<u>-</u>
Fund Balances at beginning of year	<u>5,819,426</u>	<u>40,911</u>	<u>149,212</u>	<u>-</u>	<u>936,531</u>	<u>75</u>
Fund Balances at end of year	<u>\$ 2,119,854</u>	<u>\$ 15,817</u>	<u>\$ 107,995</u>	<u>\$ 82,353</u>	<u>\$ 971,267</u>	<u>\$ 75</u>

Debt Service Funds			Capital Projects Funds				
Building Authority	Convention Center	Jail/Juvenile Facility	Public Improvement	Municipal Building	DTNW Building	Convention Center	Communications Construction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	25,930	-	-	-
-	-	-	-	-	-	3,194	-
-	-	-	9,524	-	-	-	-
-	-	-	9,524	25,930	-	3,194	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	1,226,759	25,422	-	2,154,246	94,639
535,000	-	1,000,000	-	-	-	-	-
292,703	250	1,251,968	-	-	-	34,056	-
827,703	250	2,251,968	1,226,759	25,422	-	2,188,302	94,639
(827,703)	(250)	(2,251,968)	(1,217,235)	508	-	(2,185,108)	(94,639)
-	-	-	-	-	-	9,000,000	-
-	-	24,365,000	-	-	-	-	-
-	-	2,620,260	-	-	-	-	-
-	-	(26,874,372)	-	-	-	-	-
827,703	250	2,141,080	430,000	-	-	-	-
-	-	-	-	-	-	-	-
827,703	250	2,251,968	430,000	-	-	9,000,000	-
-	-	-	(787,235)	508	-	6,814,892	(94,639)
1,789	-	-	3,843,087	169,589	80,725	-	95,619
\$ 1,789	\$ -	\$ -	\$ 3,055,852	\$ 170,097	\$ 80,725	\$ 6,814,892	\$ 980

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Permanent Fund <u>Lewis Memorial Endowment</u>	<u>Total</u>
Revenues:		
Taxes	\$ -	\$ 2,176,796
Licenses and permits	-	204,112
Intergovernmental -		
Federal/State	-	6,807,007
Local	-	43,553
Charges for services	-	2,865,976
Fines and forfeits	-	242,820
Interest and rent	1,889	7,735
Other	-	559,691
Total Revenues	<u>1,889</u>	<u>12,907,690</u>
Expenditures:		
Current -		
Judicial	-	387,040
General Government	-	115,226
Public Safety	-	1,777,915
Health and Welfare	-	14,752,512
Community and Economic Development	-	120,670
Capital Outlay	-	3,501,066
Debit Service -		
Principal	-	1,835,000
Interest and charges	-	1,802,545
Total Expenditures	<u>-</u>	<u>24,291,974</u>
Revenues over (under) expenditures	<u>1,889</u>	<u>(11,384,284)</u>
Other Financing Sources (Uses):		
Issuance of debt	-	9,000,000
Issuance of refunding bonds	-	24,365,000
Premium on debt	-	2,620,260
Payment to refunding bond escrow agent	-	(26,874,372)
Transfers from other funds	-	9,502,496
Transfers to other funds	<u>(28,117)</u>	<u>(4,872,802)</u>
Total Other Financing Sources (Uses)	<u>(28,117)</u>	<u>13,740,582</u>
Net Change in Fund Balances	<u>(26,228)</u>	2,356,298
Fund Balances at beginning of year	<u>26,228</u>	<u>14,921,404</u>
Fund Balances at end of year	<u>\$ -</u>	<u>\$ 17,277,702</u>

Concluded

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FRIEND OF COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 267,500	\$ 269,294	\$ 1,794
Charges for services	-	62,110	62,110
Interest and rent	-	922	922
Total Revenues	<u>267,500</u>	<u>332,326</u>	<u>64,826</u>
Expenditures:			
Judicial	<u>302,346</u>	<u>331,948</u>	<u>(29,602)</u>
Net Change in Fund Balance	(34,846)	378	35,224
Fund Balance at beginning of year	<u>244,104</u>	<u>244,104</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 209,258</u></u>	<u><u>\$ 244,482</u></u>	<u><u>\$ 35,224</u></u>

DRUG TASK FORCE			
Revenues:			
Taxes	\$ 1,604,554	\$ 1,605,069	\$ 515
Fines and forfeits	-	566	566
Interest and rent	1,000	350	(650)
Other	-	686	686
Total Revenues	<u>1,605,554</u>	<u>1,606,671</u>	<u>1,117</u>
Expenditures:			
Public Safety	<u>1,568,455</u>	<u>1,515,731</u>	<u>52,724</u>
Revenues over expenditures	<u>37,099</u>	<u>90,940</u>	<u>53,841</u>
Other Financing Sources (Uses):			
Transfers from other funds	129,000	104,000	(25,000)
Transfers to other funds	<u>(200,278)</u>	<u>(200,278)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>(71,278)</u>	<u>(96,278)</u>	<u>(25,000)</u>
Net Change in Fund Balance	(34,179)	(5,338)	28,841
Fund Balance at beginning of year	<u>177,481</u>	<u>177,481</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 143,302</u></u>	<u><u>\$ 172,143</u></u>	<u><u>\$ 28,841</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
BROWNFIELD REDEVELOPMENT			
Revenues:			
Intergovernmental - Federal/State	\$ 120,000	\$ 161,926	\$ 41,926
Expenditures:			
Community and Economic Development	<u>105,000</u>	<u>120,670</u>	<u>(15,670)</u>
Revenues over expenditures	15,000	41,256	26,256
Other Financing Sources:			
Transfers to other funds	<u>(15,000)</u>	<u>-</u>	<u>15,000</u>
Net Change in Fund Balance	-	41,256	41,256
Fund Balance at beginning of year	<u>343</u>	<u>343</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 343</u></u>	<u><u>\$ 41,599</u></u>	<u><u>\$ 41,256</u></u>

DRUG LAW ENFORCEMENT			
Revenues:			
Intergovernmental - Federal/State	\$ -	\$ 43,941	\$ 43,941
Fines and forfeits	<u>160,000</u>	<u>194,948</u>	<u>34,948</u>
Total Revenues	160,000	238,889	78,889
Expenditures:			
Public Safety	<u>175,000</u>	<u>184,121</u>	<u>(9,121)</u>
Revenues over (under) expenditures	<u>(15,000)</u>	54,768	69,768
Other Financing Uses:			
Transfers to other funds	<u>(129,000)</u>	<u>(104,000)</u>	<u>25,000</u>
Net Change in Fund Balance	<u>(144,000)</u>	<u>(49,232)</u>	<u>94,768</u>
Fund Balance at beginning of year	<u>251,703</u>	<u>251,703</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 107,703</u></u>	<u><u>\$ 202,471</u></u>	<u><u>\$ 94,768</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
HEALTH DEPARTMENT			
Revenues:			
Licenses and permits	\$ -	\$ 204,112	\$ 204,112
Intergovernmental -			
Federal/State	3,205,267	2,869,776	(335,491)
Local	-	43,553	43,553
Charges for services	2,065,688	1,107,301	(958,387)
Other	-	445,755	445,755
Total Revenues	<u>5,270,955</u>	<u>4,670,497</u>	<u>(600,458)</u>
Expenditures:			
Health and Welfare	<u>7,253,444</u>	<u>6,991,553</u>	<u>261,891</u>
Revenues under expenditures	(1,982,489)	(2,321,056)	(338,567)
Other Financing Sources:			
Transfers from other funds	<u>1,705,524</u>	<u>1,705,524</u>	<u>-</u>
Net Change in Fund Balance	(276,965)	(615,532)	(338,567)
Fund Balance at beginning of year	<u>1,271,976</u>	<u>1,271,976</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 995,011</u></u>	<u><u>\$ 656,444</u></u>	<u><u>\$(338,567)</u></u>
HUD HOUSING			
Net Change in Fund Balance	\$ -	\$ -	\$ -
Fund Balance at beginning of year	<u>95,311</u>	<u>95,311</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 95,311</u></u>	<u><u>\$ 95,311</u></u>	<u><u>\$ -</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CDBG HOUSING			
Revenues:			
Intergovernmental - Federal/State	\$ 650,000	\$ 556,496	\$(93,504)
Charges for services	-	90,351	90,351
Interest	-	624	624
Other	<u>175,000</u>	<u>34</u>	<u>(174,966)</u>
Total Revenues	<u>825,000</u>	<u>647,505</u>	<u>(177,495)</u>
Expenditures:			
Health and Welfare	<u>835,000</u>	<u>608,149</u>	<u>226,851</u>
Revenues over (under) expenditures	(10,000)	39,356	49,356
Other Financing Sources:			
Transfers from other funds	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net Change in Fund Balance	-	49,356	49,356
Fund Balance at beginning of year	<u>177,965</u>	<u>177,965</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 177,965</u></u>	<u><u>\$ 227,321</u></u>	<u><u>\$ 49,356</u></u>
HUMAN SERVICES			
Revenues:			
Intergovernmental - Federal/State	\$ 590,000	\$ 193,037	\$(396,963)
Other	<u>3,500</u>	<u>74,461</u>	<u>70,961</u>
Total Revenues	<u>593,500</u>	<u>267,498</u>	<u>(326,002)</u>
Expenditures:			
Health and Welfare	<u>956,000</u>	<u>671,052</u>	<u>284,948</u>
Revenues under expenditures	(362,500)	(403,554)	(41,054)
Other Financing Sources:			
Transfers from other funds	<u>304,262</u>	<u>304,262</u>	<u>-</u>
Net Change in Fund Balance	(58,238)	(99,292)	(41,054)
Fund Balance at beginning of year	<u>277,976</u>	<u>277,976</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 219,738</u></u>	<u><u>\$ 178,684</u></u>	<u><u>\$(41,054)</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	\$ 1,876,458	\$ 2,689,845	\$ 813,387
Charges for services	130,000	268,179	138,179
Other	18,000	28,050	10,050
Total Revenues	<u>2,024,458</u>	<u>2,986,074</u>	<u>961,616</u>
Expenditures:			
Health and Welfare	<u>5,711,174</u>	<u>6,113,936</u>	<u>(402,762)</u>
Revenues under expenditures	<u>(3,686,716)</u>	<u>(3,127,862)</u>	<u>558,854</u>
Other Financing Sources (Uses):			
Transfers from other funds	3,690,204	3,690,204	-
Transfers to other funds	<u>(3,488)</u>	<u>-</u>	<u>3,488</u>
Total Other Financing Sources (Uses)	<u>3,686,716</u>	<u>3,690,204</u>	<u>3,488</u>
Net Change in Fund Balance	-	562,342	562,342
Fund Balance at beginning of year	<u>793,101</u>	<u>793,101</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 793,101</u></u>	<u><u>\$ 1,355,443</u></u>	<u><u>\$ 562,342</u></u>

VETERANS' TRUST			
Revenues:			
Intergovernmental -			
Federal/State	\$ 25,000	\$ 22,692	\$(2,308)
Expenditures:			
Health and Welfare	<u>25,000</u>	<u>22,264</u>	<u>2,736</u>
Net Change in Fund Balance	-	428	428
Fund Balance at beginning of year	<u>8,203</u>	<u>8,203</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 8,203</u></u>	<u><u>\$ 8,631</u></u>	<u><u>\$ 428</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
VETERANS' MILLAGE			
Revenues:			
Taxes	\$ 567,175	\$ 571,727	\$ 4,552
Charges for services	-	2,500	2,500
Interest and rent	500	20	(480)
Total Revenues	<u>567,675</u>	<u>574,247</u>	<u>6,572</u>
Expenditures:			
Health and Welfare	<u>446,733</u>	<u>345,558</u>	<u>101,175</u>
Revenues over expenditures	120,942	228,689	107,747
Other Financing Uses:			
Transfers to other funds	<u>(58,628)</u>	<u>(58,628)</u>	<u>-</u>
Net Change in Fund Balance	62,314	170,061	107,747
Fund Balance at beginning of year	<u>5,077</u>	<u>5,077</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 67,391</u></u>	<u><u>\$ 175,138</u></u>	<u><u>\$ 107,747</u></u>

E - 911

Revenues:			
Charges for services	\$ 780,000	\$ 782,024	\$ 2,024
Other Financing Uses:			
Transfers to other funds	<u>(780,000)</u>	<u>(782,024)</u>	<u>(2,024)</u>
Net Change in Fund Balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
DEEDS AUTOMATION			
Revenues:			
Charges for services	\$ 160,500	\$ 158,040	\$(2,460)
Interest	1,500	553	(947)
Total Revenues	<u>162,000</u>	<u>158,593</u>	<u>(3,407)</u>
Expenditures:			
General Government	<u>135,000</u>	<u>115,226</u>	<u>19,774</u>
Net Change in Fund Balance	27,000	43,367	16,367
Fund Balance at beginning of year	<u>454,972</u>	<u>454,972</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 481,972</u></u>	<u><u>\$ 498,339</u></u>	<u><u>\$ 16,367</u></u>

REVENUE SHARING RESERVE			
Revenues:			
Interest and rent	\$ 122	\$ 183	\$ 61
Other Financing Uses:			
Transfers to other funds	<u>(3,699,755)</u>	<u>(3,699,755)</u>	<u>-</u>
Net Change in Fund Balance	(3,699,633)	(3,699,572)	61
Fund Balance at beginning of year	<u>5,819,426</u>	<u>5,819,426</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 2,119,793</u></u>	<u><u>\$ 2,119,854</u></u>	<u><u>\$ 61</u></u>

LOCAL CORRECTIONS AND TRAINING			
Revenues:			
Charges for services	\$ 30,000	\$ 28,956	\$(1,044)
Other	-	1,181	1,181
Total Revenues	<u>30,000</u>	<u>30,137</u>	<u>137</u>
Expenditures:			
Public Safety	<u>55,000</u>	<u>55,231</u>	<u>(231)</u>
Net Change in Fund Balance	(25,000)	(25,094)	(94)
Fund Balance at beginning of year	<u>40,911</u>	<u>40,911</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 15,911</u></u>	<u><u>\$ 15,817</u></u>	<u><u>\$(94)</u></u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
FAMILY COUNSELING			
Revenues:			
Charges for services	\$ 20,000	\$ 13,875	\$(6,125)
Expenditures:			
Judicial	<u>50,000</u>	<u>55,092</u>	<u>(5,092)</u>
Net Change in Fund Balance	(30,000)	(41,217)	(11,217)
Fund Balance at beginning of year	<u>149,212</u>	<u>149,212</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 119,212</u></u>	<u><u>\$ 107,995</u></u>	<u><u>\$(11,217)</u></u>

PROSECUTOR'S DRUG FORFEITURES			
Revenues:			
Charges for services	\$ 20,000	\$ 24,267	\$ 4,267
Fines and forfeits	17,000	21,376	4,376
Total Revenues	<u>37,000</u>	<u>45,643</u>	<u>8,643</u>
Expenditures:			
Public Safety	<u>40,000</u>	<u>22,832</u>	<u>17,168</u>
Revenues over (under) expenditures	(3,000)	22,811	25,811
Other Financing Sources:			
Transfers from other funds	<u>59,542</u>	<u>59,542</u>	<u>-</u>
Net Change in Fund Balance	56,542	82,353	25,811
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ 56,542</u></u>	<u><u>\$ 82,353</u></u>	<u><u>\$ 25,811</u></u>

Concluded

NON-MAJOR ENTERPRISE FUNDS

ENTERPRISE FUNDS

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

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

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

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

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

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2012**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
ASSETS:					
Current Assets:					
Cash and cash equivalents	\$ 527,400	\$ 166,029	\$ 31,949	\$ 114,633	\$ 840,011
Accounts receivable					
Interest and accounts	4,334	84,420	-	-	88,754
Prepaid expenses and deposits	9,978	-	-	-	9,978
Total Current Assets	<u>541,712</u>	<u>250,449</u>	<u>31,949</u>	<u>114,633</u>	<u>938,743</u>
Noncurrent Assets:					
Capital assets	12,130,027	-	-	-	12,130,027
Less - accumulated depreciation	<u>(8,637,895)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,637,895)</u>
Total Noncurrent Assets	<u>3,492,132</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,492,132</u>
Total Assets	<u>4,033,844</u>	<u>250,449</u>	<u>31,949</u>	<u>114,633</u>	<u>4,430,875</u>
LIABILITIES:					
Current Liabilities:					
Accounts payable	9,102	28,705	-	-	37,807
Accrued expenses	4,240	457	-	-	4,697
Unearned revenue	9,690	-	-	-	9,690
Total Current Liabilities	<u>23,032</u>	<u>29,162</u>	<u>-</u>	<u>-</u>	<u>52,194</u>
Long-Term Liabilities:					
Accrued vacation and sick (less current portion)	8,793	-	-	-	8,793
Net OPEB obligation	76,888	-	-	-	76,888
Total Long-Term Liabilities	<u>85,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,681</u>
Total Liabilities	<u>108,713</u>	<u>29,162</u>	<u>-</u>	<u>-</u>	<u>137,875</u>
NET POSTION:					
Net investment in capital assets	3,492,132	-	-	-	3,492,132
Unrestricted	432,999	221,287	31,949	114,633	800,868
Total Net Position	<u>\$ 3,925,131</u>	<u>\$ 221,287</u>	<u>\$ 31,949</u>	<u>\$ 114,633</u>	<u>\$ 4,293,000</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Operating Revenues:					
Intergovernmental -					
Federal/State	\$ 36,624	\$ -	\$ -	\$ -	\$ 36,624
Charges for services	8,617	578,572	69	-	587,258
Interest and rents	119,063	-	3,655	-	122,718
Total Operating Revenues	<u>164,304</u>	<u>578,572</u>	<u>3,724</u>	<u>-</u>	<u>746,600</u>
Operating Expenses:					
Personal services	186,649	19,885	-	-	206,534
Supplies	15,674	14,833	-	-	30,507
Other services	115,970	473,912	351	15	590,248
Depreciation	172,119	-	-	-	172,119
Total Operating Expenses	<u>490,412</u>	<u>508,630</u>	<u>351</u>	<u>15</u>	<u>999,408</u>
Operating Income (Loss)	(326,108)	69,942	3,373	(15)	(252,808)
Capital Contributions	<u>24,483</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,483</u>
Net Income (Loss) Before Transfers	(301,625)	69,942	3,373	(15)	(228,325)
Transfers:					
Transfers from other funds	<u>202,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,000</u>
Change in Net Position	(99,625)	69,942	3,373	(15)	(26,325)
Net Position at beginning of year as restated	<u>4,024,756</u>	<u>151,345</u>	<u>28,576</u>	<u>114,648</u>	<u>4,319,325</u>
Net Position at end of year	<u>\$ 3,925,131</u>	<u>\$ 221,287</u>	<u>\$ 31,949</u>	<u>\$ 114,633</u>	<u>\$ 4,293,000</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Airport Commission</u>	<u>Sheriff's Concession</u>	<u>Homestead Exemption Audits</u>	<u>School Tax Collection</u>	<u>Total</u>
Cash Flows From Operating Activities:					
Cash receipts from customers	\$ 134,956	\$ 543,382	\$ 3,724	\$ -	\$ 682,062
Cash payments to suppliers	(136,986)	(480,221)	-	-	(617,207)
Cash payments to employees	(162,240)	(19,808)	-	-	(182,048)
Cash payments for interfund services	-	-	(351)	(15)	(366)
Net Cash Provided by (Used for)					
Operating Activities	(164,270)	43,353	3,373	(15)	(117,559)
Cash Flows From Noncapital Financing Activities:					
Operating transfers from other funds	202,000	-	-	-	202,000
Cash Flows From Capital and Related Financing Activities:					
Acquisition/construction of capital assets	(627)	-	-	-	(627)
Net Increase (Decrease) in Cash and Cash Equivalents	37,103	43,353	3,373	(15)	83,814
Cash and Cash Equivalents at Beginning of Year	<u>490,297</u>	<u>122,676</u>	<u>28,576</u>	<u>114,648</u>	<u>756,197</u>
Cash and Cash Equivalents at End of Year	<u>\$ 527,400</u>	<u>\$ 166,029</u>	<u>\$ 31,949</u>	<u>\$ 114,633</u>	<u>\$ 840,011</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Operating income (loss) for the year	\$(326,108)	\$ 69,942	\$ 3,373	\$(15)	\$(252,808)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities -					
Depreciation	172,119	-	-	-	172,119
Change in assets and liabilities:					
Accounts receivable	(2,522)	(35,190)	-	-	(37,712)
Prepays and deposits	(7,389)	-	-	-	(7,389)
Accounts payable	2,047	8,524	-	-	10,571
Accrued expenses	24,409	77	-	-	24,486
Deferred revenue	(26,826)	-	-	-	(26,826)
Net Cash Provided by (Used for)					
Operating Activities	<u>\$(164,270)</u>	<u>\$ 43,353</u>	<u>\$ 3,373</u>	<u>\$(15)</u>	<u>\$(117,559)</u>
Non-Cash Capital and Related Financing Activities:					
Capital contributions	<u>\$ 24,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,483</u>

FIDUCIARY FUNDS

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

Pension and Other Employee Benefit Trust Funds –

Basic Retirement System – is used to account for employer and employee pension contributions, investment income, accumulated assets and payments to beneficiaries including retiree health care.

Other Postemployment Benefits –

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

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

The Pension and Other Employee Benefit Trust Funds are accounted for in essentially the same manner as Proprietary Funds, but with an important expanded emphasis on net position restricted 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 POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
DECEMBER 31, 2012**

	Basic Retirement System	Other Postemployment Benefits	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 7,340,705	\$ 2,942,011	\$ 10,282,716
Investments, at fair value			
U.S. Government/Agencies	7,112,906	404,717	7,517,623
Corporate Debt	33,485,937	2,434,144	35,920,081
Equity Funds	42,751,114	-	42,751,114
Stocks	65,474,087	8,809,592	74,283,679
Foreign Bonds	17,374,747	-	17,374,747
Mutual Funds	13,071,986	6,378,910	19,450,896
Real Estate Investment Trust	9,908,824	-	9,908,824
Municipal Bonds	161,242	253,136	414,378
Receivables -			
Interest and dividends	590,451	26,753	617,204
Other	221,601	12,359	233,960
Due from other funds	<u>199,258</u>	<u>14,067,953</u>	<u>14,267,211</u>
Total Assets	<u>197,692,858</u>	<u>35,329,575</u>	<u>233,022,433</u>
 LIABILITIES:			
Accounts payable	373,259	-	373,259
Accrued liabilities	55,979	-	55,979
Due to other funds	<u>14,067,953</u>	<u>199,258</u>	<u>14,267,211</u>
Total Liabilities	<u>14,497,191</u>	<u>199,258</u>	<u>14,696,449</u>
 NET POSITION:			
Restricted for pension benefits	183,195,667	-	183,195,667
Restricted for other postemployment benefits	<u>-</u>	<u>35,130,317</u>	<u>35,130,317</u>
	<u>\$ 183,195,667</u>	<u>\$ 35,130,317</u>	<u>\$ 218,325,984</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Basic Retirement System			
	Member Contributions	Employer Contributions	Pension Payments	Total
Additions:				
Contributions				
Member contributions	\$ 2,208,258	\$ -	\$ -	\$ 2,208,258
Employer contributions	-	6,749,798	-	6,749,798
Total contributions	<u>2,208,258</u>	<u>6,749,798</u>	<u>-</u>	<u>8,958,056</u>
Investment income				
Net appreciation (depreciation) in fair value of investments	-	17,317,918	-	17,317,918
Interest/Dividends	-	4,637,288	-	4,637,288
Less investment expense	-	(1,013,738)	-	(1,013,738)
Net investment income	<u>-</u>	<u>20,941,468</u>	<u>-</u>	<u>20,941,468</u>
Other				
Medicare Part D reimbursements	-	-	-	-
Total Additions	<u>2,208,258</u>	<u>27,691,266</u>	<u>-</u>	<u>29,899,524</u>
Deductions:				
Retirement payroll	-	-	11,651,429	11,651,429
Health/dental insurance	-	-	-	-
Death benefits	63,000	-	-	63,000
Employee refunds	370,614	-	-	370,614
Administration	-	105,731	-	105,731
Professional fees	-	37,911	-	37,911
Total Deductions	<u>433,614</u>	<u>143,642</u>	<u>11,651,429</u>	<u>12,228,685</u>
Net Increase (Decrease) Before Transfers	1,774,644	27,547,624	(11,651,429)	17,670,839
Interfund Transfers In (Out):				
Retirees obligation	(1,671,753)	(18,230,619)	19,902,372	-
Interest	<u>567,828</u>	<u>(16,067,676)</u>	<u>15,499,848</u>	<u>-</u>
Net Increase (Decrease)	670,719	(6,750,671)	23,750,791	17,670,839
Net position restricted for pension benefits and other postemployment benefits:				
Beginning of year	<u>28,289,477</u>	<u>38,238,233</u>	<u>98,997,118</u>	<u>165,524,828</u>
End of year	<u>\$ 28,960,196</u>	<u>\$ 31,487,562</u>	<u>\$ 122,747,909</u>	<u>\$ 183,195,667</u>

Other Postemployment Benefits

401H Health Care	Act 149 Health Care	Total	Total
\$ -	\$ 508,383	\$ 508,383	\$ 2,716,641
<u>-</u>	<u>1,541,123</u>	<u>1,541,123</u>	<u>8,290,921</u>
<u>-</u>	<u>2,049,506</u>	<u>2,049,506</u>	<u>11,007,562</u>
1,888,353	1,169,127	3,057,480	20,375,398
-	445,083	445,083	5,082,371
<u>-</u>	<u>(66,939)</u>	<u>(66,939)</u>	<u>(1,080,677)</u>
<u>1,888,353</u>	<u>1,547,271</u>	<u>3,435,624</u>	<u>24,377,092</u>
<u>282,254</u>	<u>-</u>	<u>282,254</u>	<u>282,254</u>
<u>2,170,607</u>	<u>3,596,777</u>	<u>5,767,384</u>	<u>35,666,908</u>
-	-	-	11,651,429
5,239,846	-	5,239,846	5,239,846
-	-	-	63,000
155,394	-	155,394	526,008
-	-	-	105,731
84,604	-	84,604	122,515
<u>5,479,844</u>	<u>-</u>	<u>5,479,844</u>	<u>17,708,529</u>
(3,309,237)	3,596,777	287,540	17,958,379
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,309,237)	3,596,777	287,540	17,958,379
<u>17,377,190</u>	<u>17,465,587</u>	<u>34,842,777</u>	<u>200,367,605</u>
<u>\$ 14,067,953</u>	<u>\$ 21,062,364</u>	<u>\$ 35,130,317</u>	<u>\$ 218,325,984</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2012**

	<u>Trust and Agency</u>	<u>Library Penal Fines</u>	<u>Payroll</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	\$ 1,417,481	\$ 16,367	\$ 114,896	\$ 1,548,744
Investments	60,324	-	-	60,324
Receivables	12,352,798	9,757	-	12,362,555
Due from individuals	<u>-</u>	<u>-</u>	<u>2,731</u>	<u>2,731</u>
Total Assets	<u>\$ 13,830,603</u>	<u>\$ 26,124</u>	<u>\$ 117,627</u>	<u>\$ 13,974,354</u>
LIABILITIES				
Due to individuals and agencies	\$ 13,071,143	\$ -	\$ -	\$ 13,071,143
Due to other governmental units -				
Federal/State	325,331	-	108,636	433,967
Local	<u>434,129</u>	<u>26,124</u>	<u>8,991</u>	<u>469,244</u>
Total Liabilities	<u>\$ 13,830,603</u>	<u>\$ 26,124</u>	<u>\$ 117,627</u>	<u>\$ 13,974,354</u>

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 1,780,368	\$ 200,156,904	\$ 200,388,528	\$ 1,548,744
Investments	80,622	-	20,298	60,324
Receivables	12,713,687	135,133	486,265	12,362,555
Due from individuals	<u>3,258</u>	<u>33,878,524</u>	<u>33,879,051</u>	<u>2,731</u>
Total Assets	<u>\$ 14,577,935</u>	<u>\$ 234,170,561</u>	<u>\$ 234,774,142</u>	<u>\$ 13,974,354</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 13,222,860	\$ 39,724,214	\$ 39,875,931	\$ 13,071,143
Other governmental units -				
Federal/State	473,069	15,540,511	15,579,613	433,967
Local	<u>881,946</u>	<u>111,058,671</u>	<u>111,471,373</u>	<u>469,244</u>
Total Liabilities	<u>\$ 14,577,875</u>	<u>\$ 166,323,396</u>	<u>\$ 166,926,917</u>	<u>\$ 13,974,354</u>

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
TRUST AND AGENCY				
Assets:				
Cash and cash equivalents	\$ 1,599,569	\$ 133,897,532	\$ 134,079,620	\$ 1,417,481
Investments	80,622	-	20,298	60,324
Receivables	<u>12,698,318</u>	<u>125,376</u>	<u>470,896</u>	<u>12,352,798</u>
Total Assets	<u>\$ 14,378,509</u>	<u>\$ 134,022,908</u>	<u>\$ 134,570,814</u>	<u>\$ 13,830,603</u>
Liabilities:				
Due to -				
Individuals and agencies	\$ 13,222,860	\$ 39,724,214	\$ 39,875,931	\$ 13,071,143
Other governmental units -				
State	316,666	4,163,094	4,154,429	325,331
Local	<u>838,923</u>	<u>103,521,818</u>	<u>103,926,612</u>	<u>434,129</u>
Total Liabilities	<u>\$ 14,378,449</u>	<u>\$ 147,409,126</u>	<u>\$ 147,956,972</u>	<u>\$ 13,830,603</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Balance January 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2012</u>
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	\$ 12,204	\$ 685,291	\$ 681,128	\$ 16,367
Accounts receivable	<u>15,369</u>	<u>9,757</u>	<u>15,369</u>	<u>9,757</u>
Total Assets	<u>\$ 27,573</u>	<u>\$ 695,048</u>	<u>\$ 696,497</u>	<u>\$ 26,124</u>
Liabilities:				
Due to other governmental units - local	<u>\$ 27,573</u>	<u>\$ 19,767</u>	<u>\$ 21,216</u>	<u>\$ 26,124</u>
PAYROLL FUND				
Assets:				
Cash and cash equivalents	\$ 168,595	\$ 65,574,081	\$ 65,627,780	\$ 114,896
Due from individuals	<u>3,258</u>	<u>33,878,524</u>	<u>33,879,051</u>	<u>2,731</u>
Total Assets	<u>\$ 171,853</u>	<u>\$ 99,452,605</u>	<u>\$ 99,506,831</u>	<u>\$ 117,627</u>
Liabilities:				
Due to other governmental units -				
Federal/State	\$ 156,403	\$ 11,377,417	\$ 11,425,184	\$ 108,636
Local	<u>15,450</u>	<u>7,517,086</u>	<u>7,523,545</u>	<u>8,991</u>
Total Liabilities	<u>\$ 171,853</u>	<u>\$ 18,894,503</u>	<u>\$ 18,948,729</u>	<u>\$ 117,627</u>

Concluded

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1, 2012	Additions	Disposals/ Adjustments	Balance December 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General County:				
Land	\$ 11,004,442	\$ 768,353	\$ 9,000	\$ 11,763,795
Land improvements	6,922,459	328,566	95,340	7,155,685
Buildings	87,413,447	3,428,151	1,224,220	89,617,378
Equipment -				
Machinery	18,539,198	1,597,850	3,522,131	16,614,917
Marine	1,104,808	280,618	101,151	1,284,275
Vehicles	2,608,566	233,288	305,171	2,536,683
Books	9,113,331	491,122	828,784	8,775,669
	<u>136,706,251</u>	<u>7,127,948</u>	<u>6,085,797</u>	<u>137,748,402</u>
Less - Accumulated depreciation	<u>(45,020,784)</u>	<u>(4,564,278)</u>	<u>(5,235,070)</u>	<u>(44,349,992)</u>
	91,685,467	2,563,670	850,727	93,398,410
Construction in progress	<u>2,156,492</u>	<u>3,029,144</u>	<u>3,615,274</u>	<u>1,570,362</u>
Total Capital Assets, Net	<u><u>\$ 93,841,959</u></u>	<u><u>\$ 5,592,814</u></u>	<u><u>\$ 4,466,001</u></u>	<u><u>\$ 94,968,772</u></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 position.

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2012**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Judicial:				
Circuit Court	\$ 5,890	\$ -	\$ -	\$ 5,890
District Court	524,117	50,050	343,368	130,699
Friend of Court	252,915	-	8,449	244,466
Courthouse Security	6,600	-	-	6,600
Public Improvement	412,407	5,900	76,510	329,997
	<u>1,201,929</u>	<u>55,950</u>	<u>428,327</u>	<u>717,652</u>
General Government:				
Administrator/Controller	872,050	872,050	-	-
Communications	549,616	-	-	549,616
Information Technology	418,430	-	-	418,430
Clerk	18,478	-	-	18,478
Register of Deeds	125,427	-	14,700	110,727
Equalization	46,225	-	-	46,225
Prosecuting Attorney	15,000	-	-	15,000
Human Resources	6,715	-	-	6,715
Property Description	31,777	-	-	31,777
County Treasurer	7,500	-	7,500	-
Buildings and Grounds	138,350	-	72,017	66,333
Public Improvement	2,012,586	457,988	386,158	1,168,440
Motor Pool	20,840	-	-	20,840
Drain Commissioner	317,771	-	-	317,771
	<u>4,580,765</u>	<u>1,330,038</u>	<u>480,375</u>	<u>2,770,352</u>
Public Safety:				
Sheriff and Patrol	1,632,108	-	-	1,632,108
Marine Law Enforcement	1,132,473	-	-	1,132,473
Jail	45,955,298	103,335	45,636,761	215,202
Juvenile Center	53,501	-	-	53,501
Radio/Communications	11,120,067	-	376,203	10,743,864
Secondary Road Patrol	9,454	-	-	9,454
Energy Efficiency	465,696	-	465,696	-
Emergency Services	743,962	9,142	9,976	724,844
Hazardous Materials Handling	981,395	60,895	477,340	443,160
Animal Shelter	295,866	19,200	262,546	14,120
Drug Task Force	448,539	-	99,542	348,997
Public Improvement	323,457	8,700	157,911	156,846
Planning Commission	23,200	-	-	23,200
	<u>63,185,016</u>	<u>201,272</u>	<u>47,485,975</u>	<u>15,497,769</u>

Continued

ST. CLAIR COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2012**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>
Health and Welfare:				
Veterans Counselor	\$ 8,323	\$ -	\$ 8,323	\$ -
Medical Examiner	50,845	-	19,500	31,345
Day Treatment/Night Watch	1,781,595	141,581	1,548,943	91,071
Health Department	1,665,398	81,920	1,328,070	255,408
Public Improvement	310,600	32,800	277,800	-
	<u>3,816,761</u>	<u>256,301</u>	<u>3,182,636</u>	<u>377,824</u>
Recreation and Cultural:				
Parks and Recreation	\$ 22,233,862	\$ 14,816,386	\$ 6,641,905	\$ 775,571
Public Library	10,006,206	111,759	864,383	9,030,064
Public Improvement	14,711	-	6,242	8,469
	<u>32,254,779</u>	<u>14,928,145</u>	<u>7,512,530</u>	<u>9,814,104</u>
General:				
Land and improvements	2,147,774	2,147,774	-	-
Buildings	30,527,535	-	30,527,535	-
Equipment	33,843	-	-	33,843
	<u>32,709,152</u>	<u>2,147,774</u>	<u>30,527,535</u>	<u>33,843</u>
Total General Fixed Assets	137,748,402	18,919,480	89,617,378	29,211,544
Less: Accumulated depreciation	<u>(44,349,992)</u>	<u>(2,847,849)</u>	<u>(24,903,873)</u>	<u>(16,598,270)</u>
	93,398,410	16,071,631	64,713,505	12,613,274
Construction in progress	<u>1,570,362</u>	<u>164,502</u>	<u>1,219,208</u>	<u>186,652</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 94,968,772</u>	<u>\$ 16,236,133</u>	<u>\$ 65,932,713</u>	<u>\$ 12,799,926</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 position.

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, 2012**

	Balance January 1, 2012	Additions	Disposals/ Adjustments	Balance December 31, 2012
Judicial:				
Circuit Court	\$ 185,932	\$ -	\$(180,042)	\$ 5,890
Circuit Court - Family Division	71,612	-	(71,612)	-
District Court	677,262	24,081	(177,226)	524,117
Friend of Court	266,674	-	(13,759)	252,915
Courthouse Security	-	-	6,600	6,600
Public Improvement	460,143	-	(47,736)	412,407
Total Judicial	<u>1,661,623</u>	<u>24,081</u>	<u>(483,775)</u>	<u>1,201,929</u>
General Government:				
Administrator/Controller	10,000	872,050	(10,000)	872,050
Accounting	171,242	-	(171,242)	-
Communications	-	549,616	-	549,616
Information Technology	1,617,359	-	(1,198,929)	418,430
Clerk/Register	41,528	-	(23,050)	18,478
Register of Deeds	103,798	5,179	16,450	125,427
Equalization	5,630	40,595	-	46,225
Prosecuting Attorney	27,871	-	(12,871)	15,000
Human Resources	15,741	-	(9,026)	6,715
Property Description	79,447	-	(47,670)	31,777
County Treasurer	13,000	-	(5,500)	7,500
Buildings and Grounds	136,645	-	1,705	138,350
Public Improvement	1,233,146	996,179	(216,739)	2,012,586
Motor Pool	-	-	20,840	20,840
Drain Commissioner	213,075	113,325	(8,629)	317,771
Total General Government	<u>3,668,482</u>	<u>2,576,944</u>	<u>(1,664,661)</u>	<u>4,580,765</u>
Public Safety:				
Sheriff and Patrol	1,718,858	94,208	(180,958)	1,632,108
Marine Law Enforcement	935,337	298,287	(101,151)	1,132,473
Jail	46,917,484	-	(962,186)	45,955,298
Juvenile Center	210,533	-	(157,032)	53,501
Radio/Communications	11,814,243	196,659	(890,835)	11,120,067
Secondary Road Patrol	-	9,454	-	9,454
Energy Efficiency	-	465,696	-	465,696
Emergency Services	754,849	73,353	(84,240)	743,962
Hazardous Materials Handling	958,000	15,000	8,395	981,395
Animal Shelter	301,021	-	(5,155)	295,866
Drug Task Force	401,742	133,028	(86,231)	448,539
Public Improvement	383,244	-	(59,787)	323,457
Planning Commission	48,500	-	(25,300)	23,200
Total Public Safety	<u>64,443,811</u>	<u>1,285,685</u>	<u>(2,544,480)</u>	<u>63,185,016</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, 2012**

	Balance January 1, 2012	Additions	Disposals/ Adjustments	Balance December 31, 2012
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Health and Welfare:				
Veterans Counselor	\$ 8,323	\$ -	\$ -	\$ 8,323
Medical Examiner	50,845	-	-	50,845
Day Treatment/Night Watch	1,866,260	-	(84,665)	1,781,595
Health Department	1,739,887	-	(74,489)	1,665,398
Public Improvement	310,600	-	-	310,600
Total Health and Welfare	<u>3,975,915</u>	<u>-</u>	<u>(159,154)</u>	<u>3,816,761</u>
Recreation and Cultural:				
Parks and Recreation	19,616,188	2,720,345	(102,671)	22,233,862
Public Library	10,547,936	520,893	(1,062,623)	10,006,206
Public Improvement	14,711	-	-	14,711
Total Recreation and Cultural	<u>30,178,835</u>	<u>3,241,238</u>	<u>(1,165,294)</u>	<u>32,254,779</u>
General:				
Land and improvements	2,173,670	-	(25,896)	2,147,774
Buildings	30,549,577	-	(22,042)	30,527,535
Equipment	54,338	-	(20,495)	33,843
Total General	<u>32,777,585</u>	<u>-</u>	<u>(68,433)</u>	<u>32,709,152</u>
Construction in progress	<u>2,156,492</u>	<u>3,029,144</u>	<u>(3,615,274)</u>	<u>1,570,362</u>
 Total Capital Assets	 <u>\$ 138,862,743</u>	 <u>\$ 10,157,092</u>	 <u>\$(9,701,071)</u>	 <u>\$ 139,318,764</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 position.

Concluded

DRAIN COMMISSIONER

ST. CLAIR COUNTY, MICHIGAN

**BALANCE SHEET/STATEMENT OF NET POSITION
DRAIN FUNDS
DECEMBER 31, 2012**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
ASSETS				
Cash and cash equivalents	\$ 1,882,624	\$ 197,022	\$ 13,610	\$ 536,674
Investment	-	-	-	-
Special assessments receivable	285,613	-	-	16,130,954
Prepaid expenses	-	-	-	-
Deferred charges	-	-	-	-
Due from other funds	-	206,178	-	-
Capital assets (net of accumulated depreciation) -				
Assets not being depreciated	-	-	-	-
Assets being depreciated	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,168,237</u>	<u>\$ 403,200</u>	<u>\$ 13,610</u>	<u>\$ 16,667,628</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 511,239	\$ -	\$ -	\$ -
Accrued interest	8,510	-	-	-
Due to other funds	206,178	-	-	-
Escrow deposit	100,005	-	-	-
Advances from primary government	-	50,000	-	-
Deferred revenue	285,613	-	-	16,130,954
Non-current liabilities				
Due within one year	-	-	-	-
Due in more than one year	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>1,111,545</u>	<u>50,000</u>	<u>-</u>	<u>16,130,954</u>
Fund Balance (Deficit):				
Restricted	1,056,692	-	-	536,674
Committed	-	353,200	13,610	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 2,168,237</u>	<u>\$ 403,200</u>	<u>\$ 13,610</u>	<u>\$ 16,667,628</u>
Net Position:				
Net investment in capital assets				
Restricted				
Unrestricted				
Total Net Position				

<u>Mill Creek Debt</u>	<u>Equipment</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Net Position</u>
\$ 154,471	\$ 117,950	\$ 2,902,351	\$ -	\$ 2,902,351
67,511	-	67,511	-	67,511
848,147	-	17,264,714	-	17,264,714
-	-	-	1,474	1,474
-	-	-	187,142	187,142
-	-	206,178	(206,178)	-
-	-	-	4,684,959	4,684,959
-	-	-	29,100,460	29,100,460
<u>\$ 1,070,129</u>	<u>\$ 117,950</u>	<u>\$ 20,440,754</u>	<u>33,767,857</u>	<u>54,208,611</u>
\$ 13,415	\$ 2,416	\$ 527,070	-	527,070
-	-	8,510	142,025	150,535
-	-	206,178	(206,178)	-
-	-	100,005	-	100,005
-	-	50,000	-	50,000
848,147	-	17,264,714	(17,264,714)	-
-	-	-	3,926,079	3,926,079
-	-	-	16,966,884	16,966,884
<u>861,562</u>	<u>2,416</u>	<u>18,156,477</u>	<u>3,564,096</u>	<u>21,720,573</u>
208,567	-	1,801,933	(1,801,933)	-
-	115,534	482,344	(482,344)	-
<u>208,567</u>	<u>115,534</u>	<u>2,284,277</u>	<u>(2,284,277)</u>	<u>-</u>
<u>\$ 1,070,129</u>	<u>\$ 117,950</u>	<u>\$ 20,440,754</u>		
			12,892,456	12,892,456
			1,801,933	1,801,933
			17,793,649	17,793,649
			<u>\$ 32,488,038</u>	<u>\$ 32,488,038</u>

ST. CLAIR COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
DRAIN FUNDS TO NET POSITION OF DRAIN ACTIVITIES
ON THE STATEMENT OF NET POSITION
DECEMBER 31, 2012**

Fund Balances - Drain Funds		\$ 2,284,277
Amounts reported for governmental activities in the statement of net position are different because:		
Expenses recorded in the funds on the purchase method		1,474
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Capital assets		39,934,941
Accumulated depreciation		(6,149,522)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds		
Special assessments		17,264,714
Discounts and premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net position (netted against long-term debt)		
Bond premium		(55,154)
Bond discount		113,869
Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net position		
		187,142
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	\$(5,928,515)	
Bonds payable	(11,026,163)	
Clean water revolving loan	(3,997,000)	
Accrued interest on bonds/notes payable	(142,025)	(21,093,703)
Net Position of Drain Commissioner		<u>\$ 32,488,038</u>

ST. CLAIR COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES/STATEMENT OF ACTIVITIES
DRAIN FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>County Drain</u>	<u>Drain Revolving</u>	<u>Special Services</u>	<u>Drain Debt</u>
Revenues:				
Charges for services	\$ 994,889	\$ -	\$ 9,296	\$ 2,235,986
Interest and rent	3,337	-	-	-
Other	<u>47,528</u>	<u>-</u>	<u>-</u>	<u>39,770</u>
Total Revenues	<u>1,045,754</u>	<u>-</u>	<u>9,296</u>	<u>2,275,756</u>
Expenditures/Expenses:				
Public Works	3,755,753	-	-	-
Debt Service	<u>72,717</u>	<u>-</u>	<u>-</u>	<u>1,929,788</u>
Total Expenditures/Expenses	<u>3,828,470</u>	<u>-</u>	<u>-</u>	<u>1,929,788</u>
Revenues over (under) expenditures	<u>(2,782,716)</u>	<u>-</u>	<u>9,296</u>	<u>345,968</u>
Other Financing Sources (Uses):				
Issuance of debt	2,933,531	-	-	322,000
Transfer from other funds	34,445	-	-	348,283
Transfer to other funds	<u>(464,146)</u>	<u>-</u>	<u>(8,414)</u>	<u>(14,473)</u>
Total Other Financing Sources (Uses)	<u>2,503,830</u>	<u>-</u>	<u>(8,414)</u>	<u>655,810</u>
Net Change in Fund Balance/Net Position	<u>(278,886)</u>	<u>-</u>	<u>882</u>	<u>1,001,778</u>
Fund Balances/Net Position at beginning of year as restated	<u>1,335,578</u>	<u>353,200</u>	<u>12,728</u>	<u>(465,104)</u>
Fund Balances/Net Position at end of year	<u>\$ 1,056,692</u>	<u>\$ 353,200</u>	<u>\$ 13,610</u>	<u>\$ 536,674</u>

<u>Mill Creek Debt</u>	<u>Equipment</u>	<u>Total</u>	<u>GASB 34 Adjustments</u>	<u>Statement of Activities</u>
\$ 223,442	\$ -	\$ 3,463,613	\$ (43,837)	\$ 3,419,776
-	-	3,337	-	3,337
-	100	87,398	-	87,398
<u>223,442</u>	<u>100</u>	<u>3,554,348</u>	<u>(43,837)</u>	<u>3,510,511</u>
-	144,426	3,900,179	(3,049,461)	850,718
259,301	-	2,261,806	(1,517,815)	743,991
<u>259,301</u>	<u>144,426</u>	<u>6,161,985</u>	<u>(4,567,276)</u>	<u>1,594,709</u>
<u>(35,859)</u>	<u>(144,326)</u>	<u>(2,607,637)</u>	<u>4,523,439</u>	<u>1,915,802</u>
-	-	3,255,531	(3,255,531)	-
-	115,863	498,591	(498,591)	-
-	(11,558)	(498,591)	498,591	-
<u>-</u>	<u>104,305</u>	<u>3,255,531</u>	<u>(3,255,531)</u>	<u>-</u>
(35,859)	(40,021)	647,894	1,267,908	1,915,802
244,426	155,555	1,636,383	28,935,853	30,572,236
<u>\$ 208,567</u>	<u>\$ 115,534</u>	<u>\$ 2,284,277</u>	<u>\$ 30,203,761</u>	<u>\$ 32,488,038</u>

ST. CLAIR COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF DRAIN FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - Drain Fund	\$	647,894
Change in prepaid expenses recorded in the funds on the purchase method		1,474
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.		
Capital outlay		3,578,165
Depreciation expense	(	530,178)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
	(	43,837)
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 position.		
Principal payments on long term liabilities		1,501,986
Note proceeds	(	1,355,531)
Bond/loan proceeds	(	1,900,000)
Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, and premiums are not recorded by governmental funds, but are reported under interest and fiscal charges for the purpose of net position.		
Decrease in accrued interest payable		22,256
Amortization of bond premium		12,908
Amortization of bond discount	(	7,116)
Amortization of issuance costs	(	12,219)
Change in net position of Drain Commissioner	\$	<u>1,915,802</u>

STATISTICAL SECTION

**STATISTICAL SECTION
(Unaudited)**

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

<u>Contents</u>	<u>Page</u>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	S - 1 to S - 6
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	S - 7 to S - 10
Debt Capacity	
<i>These schedules present the information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	S - 11 to S - 14
Demographic and Economic Information	
<i>These schedules offer demographic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	S - 15 to S - 16
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	S - 17 to S - 20

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 1

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Net investment in capital assets	\$ 29,358	\$ 35,995	\$ 45,828	\$ 47,087	\$ 50,693	\$ 50,828	\$ 49,646	\$ 52,622	\$ 53,410	\$ 54,475
Restricted	183	18,143	24,711	32,161	30,141	28,469	28,607	24,480	21,420	12,905
Unrestricted	25,068	12,517	11,786	13,764	15,253	7,022	1,374	(3,736)	(14,232)	(23,082)
Total Governmental Activities Net Position	\$ 54,609	\$ 66,655	\$ 82,325	\$ 93,012	\$ 96,087	\$ 86,319	\$ 79,627	\$ 73,366	\$ 60,598	\$ 44,298
Business-Type Activities										
Net investment in capital assets	\$ 8,905	\$ 9,605	\$ 12,804	\$ 12,514	\$ 15,424	\$ 15,145	\$ 15,991	\$ 18,264	\$ 17,804	\$ 17,566
Restricted	-	-	85	316	535	935	1,272	1,518	1,822	2,078
Unrestricted	39,279	36,431	29,523	28,239	25,257	29,816	27,923	29,800	28,662	28,180
Total Business-Type Activities Net Position	\$ 48,184	\$ 46,036	\$ 42,412	\$ 41,069	\$ 41,216	\$ 45,896	\$ 45,186	\$ 49,582	\$ 48,288	\$ 47,824
Primary Government										
Net investment in capital assets	\$ 38,263	\$ 45,600	\$ 58,632	\$ 59,601	\$ 66,117	\$ 65,973	\$ 65,637	\$ 70,886	\$ 71,214	\$ 72,041
Restricted	183	18,143	24,796	32,477	30,676	29,404	29,879	25,998	23,242	14,983
Unrestricted	64,347	48,948	41,309	42,003	40,510	36,838	29,297	26,064	14,430	5,098
Total Primary Government Net Position	\$ 102,793	\$ 112,691	\$ 124,737	\$ 134,081	\$ 137,303	\$ 132,215	\$ 124,813	\$ 122,948	\$ 108,886	\$ 92,122

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 2

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
Legislative	\$ 788	\$ 1,154	\$ 1,000	\$ 1,349	\$ 786	\$ 648	\$ 606	\$ 759	\$ 3,021	\$ 1,086
Judicial	10,767	10,893	11,074	11,850	12,240	12,813	12,834	11,985	13,053	13,140
General Government	12,575	13,673	13,432	14,519	14,798	17,057	15,610	15,197	15,569	13,832
Public Safety	15,628	17,721	20,780	22,012	23,708	25,937	28,314	27,820	29,256	34,740
Public Works	968	826	607	737	551	1,134	1,520	2,340	2,046	1,247
Health and Welfare	19,354	18,448	19,140	20,301	22,473	22,970	20,861	21,595	21,411	20,888
Community and Economic Development	-	-	-	633	693	652	819	678	972	844
Recreation and Culture	5,589	6,109	6,056	6,672	7,340	8,217	8,321	8,087	8,534	8,567
Other Activities	1,002	800	800	-	-	-	-	-	-	-
Interest on Long Term Debt	1,448	151	1,797	1,751	2,165	2,300	2,254	2,342	2,342	2,531
Total Governmental Activities Expenses	<u>68,119</u>	<u>69,775</u>	<u>74,686</u>	<u>79,824</u>	<u>84,754</u>	<u>91,728</u>	<u>91,139</u>	<u>90,803</u>	<u>96,204</u>	<u>96,875</u>
Business-Type Activities:										
Delinquent Revolving Tax	15	57	76	231	239	316	400	487	462	557
Airport Commission	691	534	688	510	474	569	683	583	592	490
Sheriff Concession	142	157	163	354	350	380	424	430	451	509
School Tax Collection	-	-	-	-	4	6	9	14	-	-
Homestead Exemption Audits	-	-	-	-	-	-	2	1	1	-
Solid Waste Disposal System	2,408	4,699	4,935	5,504	4,631	4,842	4,530	5,260	5,221	4,454
Total Business-Type Activities Expenses	<u>3,256</u>	<u>5,447</u>	<u>5,862</u>	<u>6,599</u>	<u>5,698</u>	<u>6,113</u>	<u>6,048</u>	<u>6,775</u>	<u>6,727</u>	<u>6,010</u>
Total Primary Government Expenses	<u>\$ 71,375</u>	<u>\$ 75,222</u>	<u>\$ 80,548</u>	<u>\$ 86,423</u>	<u>\$ 90,452</u>	<u>\$ 97,841</u>	<u>\$ 97,187</u>	<u>\$ 97,578</u>	<u>\$ 102,931</u>	<u>\$ 102,885</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
Legislative	\$ 58	\$ 123	\$ 7	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ -	\$ -
Judicial	2,830	3,060	3,227	3,077	3,113	2,809	2,581	2,436	2,330	2,404
General Government	3,984	4,737	4,429	4,635	4,305	4,927	5,175	4,866	4,552	4,871
Public Safety	2,993	3,151	3,561	4,472	5,353	4,484	4,801	6,279	8,033	7,446
Health and Welfare	2,132	1,632	1,760	1,929	2,487	2,103	2,534	2,737	2,761	1,663
Community and Economic Development	-	-	-	51	37	36	10	47	81	73
Recreation and Culture	1,143	1,151	1,113	1,051	983	895	842	882	988	1,026
Interest on Long Term Debt	-	-	-	-	370	731	757	414	404	394
Operating Grants and Contributions	12,379	13,353	14,807	14,549	13,973	16,538	15,777	16,531	15,855	15,558
Capital Grants and Contributions	674	877	3,597	1,580	4,146	934	1,236	1,398	323	1,042
Total Governmental Activities Program Revenues	<u>26,193</u>	<u>28,084</u>	<u>32,501</u>	<u>31,344</u>	<u>34,767</u>	<u>33,457</u>	<u>33,715</u>	<u>35,590</u>	<u>35,327</u>	<u>34,477</u>

Business-Type Activities:

Charges for Services:

Delinquent Revolving Tax	454	442	570	897	995	1,415	1,226	1,271	1,288	1,219
Airport Commission	173	168	298	197	74	150	130	124	122	128
Sheriff Concession	104	145	151	357	361	389	400	408	517	578
School Tax Collection	-	-	-	32	48	58	5	-	-	-
Homestead Exemption Audits	-	-	-	-	-	1	-	-	-	-
Solid Waste Disposal System	6,484	5,182	5,130	4,468	4,950	4,355	3,785	3,996	4,384	4,692
Operating Grants and Contributions	80	342	403	133	143	134	168	84	77	159
Capital Grants and Contributions	894	26	702	342	46	-	122	5,576	42	24
Total Business-Type Activities Program Revenues	8,189	6,305	7,254	6,426	6,617	6,502	5,836	11,459	6,430	6,800

Total Primary Government Program Revenues	\$ 34,382	\$ 34,389	\$ 39,755	\$ 37,770	\$ 41,384	\$ 39,959	\$ 39,551	\$ 47,049	\$ 41,757	\$ 41,277
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Net (expense)/revenue

Governmental Activities	\$ (41,926)	\$ (41,691)	\$ (42,185)	\$ (48,480)	\$ (49,987)	\$ (58,271)	\$ (57,424)	\$ (55,213)	\$ (60,877)	\$ (62,398)
Business-Type Activities	4,933	858	1,392	(173)	919	389	(212)	4,684	(297)	790
Total Primary Government Net Expense	\$ (36,993)	\$ (40,833)	\$ (40,793)	\$ (48,653)	\$ (49,068)	\$ (57,882)	\$ (57,636)	\$ (50,529)	\$ (61,174)	\$ (61,608)

General Revenues and Other Changes in Net Position

Governmental Activities:

Property Taxes	\$ 35,910	\$ 47,254	\$ 49,590	\$ 52,637	\$ 46,895	\$ 46,594	\$ 47,200	\$ 44,677	\$ 42,495	\$ 41,670
Unrestricted Grants and Contributions	3,809	1,331	378	393	46	386	387	382	386	660
Unrestricted Investment Income	876	871	2,026	3,119	3,626	1,880	509	414	411	263
Interest and Penalties on Delinquent Taxes	3	9	21	29	17	21	2	28	13	10
Gain (Loss) on Disposal/Sale of Capital Assets	(86)	-	-	-	-	-	-	-	-	-
Transfers	(1,246)	4,271	7,323	2,989	2,478	3,779	2,634	2,934	3,104	3,495
Special Items	-	-	-	-	-	(4,157)	-	-	1,700	-
Total Governmental Activities	39,266	53,736	59,338	59,167	53,062	48,503	50,732	48,435	48,109	46,098

Business-Type Activities

Unrestricted Investment Income	352	379	728	1,819	1,137	551	20	84	78	56
Interest and Penalties on Delinquent Taxes	891	887	856	-	1,110	1,455	2,116	2,052	2,029	2,185
Gain on Sale of Capital Assets	-	-	30	-	59	-	-	-	-	-
Other/Road Commission	-	-	-	-	(600)	-	-	-	-	-
Transfers	1,246	(4,271)	(7,323)	(2,989)	(2,478)	(3,779)	(2,634)	(2,934)	(3,104)	(3,495)
Special Item – Return of contribution	-	-	-	-	-	-	-	509	-	-
Total Business-Type Activities	2,489	(3,005)	(5,709)	(1,170)	(772)	(1,773)	(498)	(289)	(997)	(1,254)

Total Primary Government	\$ 41,755	\$ 50,731	\$ 53,629	\$ 57,997	\$ 52,290	\$ 46,730	\$ 50,234	\$ 48,146	\$ 47,112	\$ 44,844
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Change in Net Position

Governmental Activities	\$ (2,660)	\$ 12,045	\$ 17,153	\$ 10,687	\$ 3,075	\$ (9,768)	\$ (6,692)	\$ (6,778)	\$ (12,768)	\$ (16,300)
Business-Type Activities	7,422	(2,147)	(4,317)	(1,343)	147	(1,384)	(710)	4,395	(1,294)	(464)
Total Primary Government	\$ 4,762	\$ 9,898	\$ 12,836	\$ 9,344	\$ 3,222	\$ (11,152)	\$ (7,402)	\$ (2,383)	\$ (14,062)	\$ (16,764)

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 3

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Combined General Fund										
Reserved	\$ 92	\$ 92	\$ 92	\$ 92	\$ 65	\$ 66	\$ 2,785	\$ 3,055	\$ -	\$ -
Unreserved	8,333	8,693	7,880	7,842	8,082	8,406	5,919	5,894	-	-
Nonspendable	-	-	-	-	-	-	-	-	4,076	4,408
Restricted	-	-	-	-	-	-	-	-	45	-
Committed	-	-	-	-	-	-	-	-	-	686
Assigned	-	-	-	-	-	-	-	-	2,892	2,928
Unassigned	-	-	-	-	-	-	-	-	5,152	4,917
Total General Fund	\$ 8,425	\$ 8,785	\$ 7,972	\$ 7,934	\$ 8,147	\$ 8,472	\$ 8,704	\$ 8,949	\$ 12,165	\$ 12,939
All other Governmental Funds										
Reserved	\$ 25,182	\$ 3,397	\$ 644	\$ 715	\$ 8,440	\$ 2,309	\$ 5,961	\$ 3,267	\$ -	\$ -
Unreserved, reported in:										
Special Revenue Funds	12,335	20,870	26,818	31,284	33,936	29,311	26,301	25,100	-	-
Debt Service Funds	3,492	1,598	135	418	-	-	-	-	-	-
Capital Project Funds	-	-	-	-	-	-	-	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	18	-
Restricted	-	-	-	-	-	-	-	-	18,465	19,720
Committed	-	-	-	-	-	-	-	-	-	2,402
Assigned	-	-	-	-	-	-	-	-	2,482	-
Total all other Governmental Funds	\$ 41,009	\$ 25,865	\$ 27,597	\$ 32,417	\$ 42,376	\$ 31,620	\$ 32,262	\$ 28,367	\$ 20,965	\$ 22,122

NOTE: In 2011, the County implemented GASB statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

ST. CLAIR COUNTY, MICHIGAN

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Revenues:					
Taxes	\$ 35,883	\$ 47,233	\$ 49,609	\$ 52,700	\$ 46,969
Licenses and Permits	589	669	536	737	746
Intergovernmental	16,810	15,135	19,473	18,872	22,015
Charges for Services	9,128	8,912	7,835	7,742	8,059
Fines and Forfeits	1,744	1,808	1,534	1,417	1,431
Interest and Rent	1,968	1,937	2,908	4,162	4,683
Other	713	1,854	2,149	2,157	1,834
Total Revenues	<u>66,835</u>	<u>77,548</u>	<u>84,044</u>	<u>87,787</u>	<u>85,737</u>
Expenditures:					
Legislative	683	1,151	1,016	1,362	788
Judicial	10,338	10,649	11,289	12,088	12,083
General Government	10,827	11,946	12,828	13,448	13,329
Public Safety	15,055	18,250	20,463	20,401	21,573
Public Works	980	828	628	755	68
Health and Welfare	18,952	18,390	19,327	20,436	22,596
Community and Economic Development	-	-	-	633	630
Recreation and Cultural	4,364	6,052	9,810	8,603	10,232
Other Activities	1,002	800	800	650	802
Capital Outlay	10,899	26,173	11,528	4,724	6,646
Debt Service					
Principal	3,363	920	1,008	1,208	1,327
Interest/Issuance Costs	1,274	1,777	1,751	1,708	1,959
Total Expenditures	<u>77,737</u>	<u>96,936</u>	<u>90,448</u>	<u>86,016</u>	<u>92,033</u>
Revenues over (under) expenditures	<u>(10,902)</u>	<u>(19,388)</u>	<u>(6,404)</u>	<u>1,771</u>	<u>(6,296)</u>
Other Financing Sources (Uses):					
Transfers In	11,218	16,150	19,672	16,775	18,268
Transfers Out	(12,464)	(11,878)	(12,348)	(13,787)	(15,790)
Issuance of debt	33,935	9,625	-	23	13,990
Issuance of Refunding Bonds	-	-	-	-	-
Premium on Debt	-	385	-	-	-
Payment to Refunding Bond Escrow Agent	-	(10,094)	-	-	-
Total Other Financing Sources (Uses)	<u>32,689</u>	<u>4,188</u>	<u>7,324</u>	<u>3,011</u>	<u>16,468</u>
Special Item - Tribunal Settlement	-	-	-	-	-
Net Change in Fund Balances	<u>\$ 21,787</u>	<u>\$ (15,200)</u>	<u>\$ 920</u>	<u>\$ 4,782</u>	<u>\$ 10,172</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>6.86%</u>	<u>4.05%</u>	<u>3.64%</u>	<u>3.74%</u>	<u>3.86%</u>

SCHEDULE 4

	2008	2009	2010	2011	2012
\$	46,539	\$ 47,172	\$ 44,746	\$ 42,472	\$ 41,637
	780	776	792	765	717
	17,749	18,386	18,806	16,917	16,816
	9,671	10,705	11,707	13,444	12,299
	1,280	1,243	1,102	1,082	1,366
	2,750	1,350	1,390	1,243	1,079
	3,299	2,524	2,957	2,822	3,033
	<u>82,068</u>	<u>82,156</u>	<u>81,500</u>	<u>78,745</u>	<u>76,947</u>
	625	582	2,002	2,996	1,054
	11,715	11,730	11,144	11,153	11,262
	13,569	12,689	11,903	11,613	11,957
	21,666	23,485	24,297	23,913	25,227
	677	1,521	2,340	2,046	1,248
	22,354	20,597	20,909	19,822	19,321
	640	831	678	961	791
	8,474	9,784	8,044	8,187	9,150
	450	700	-	-	-
	8,076	1,804	3,950	1,957	3,501
	1,634	1,840	2,014	2,242	2,364
	2,242	2,220	2,289	2,286	2,369
	<u>92,122</u>	<u>87,783</u>	<u>89,570</u>	<u>87,176</u>	<u>88,244</u>
	<u>(10,054)</u>	<u>(5,627)</u>	<u>(8,070)</u>	<u>(8,431)</u>	<u>(11,297)</u>
	21,805	20,163	16,662	15,871	15,665
	(18,026)	(17,529)	(13,728)	(12,767)	(12,170)
	-	3,867	1,486	1,141	9,622
	-	-	-	-	24,365
	-	-	-	-	2,620
	-	-	-	-	(26,874)
	<u>3,779</u>	<u>6,501</u>	<u>4,420</u>	<u>4,245</u>	<u>13,228</u>
	<u>(4,157)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>(10,432)</u>	<u>\$ 874</u>	<u>\$ (3,650)</u>	<u>\$ (4,186)</u>	<u>\$ 1,931</u>
	<u>4.35%</u>	<u>4.88%</u>	<u>5.12%</u>	<u>5.42%</u>	<u>5.78%</u>

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 5

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

Fiscal Year Ended 12/31/2012	Real Property				Total Personal Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Industrial Property	Other Property					
2003	4,236,291,363	566,571,526	906,270,043	490,771,702	517,807,765	6,717,712,399	7.1040	13,499,930,792	49.76%
2004	4,490,834,960	599,504,098	913,180,592	518,309,171	534,108,319	7,055,937,140	7.1040	14,191,013,880	49.72%
2005	4,748,425,166	647,424,324	1,324,052,903	560,127,617	565,327,870	7,845,357,880	7.1018	15,785,539,048	49.70%
2006	5,053,480,633	670,202,027	1,362,439,979	549,748,926	545,477,448	8,181,349,013	7.3022	16,418,998,179	49.83%
2007	5,248,267,837	697,916,720	1,371,541,451	585,605,328	558,278,662	8,461,609,998	7.3022	17,048,618,161	49.63%
2008	5,231,341,989	711,841,017	1,380,728,677	589,786,748	577,689,370	8,491,387,801	7.3022	17,123,796,731	49.59%
2009	4,758,585,316	711,281,355	1,389,976,448	562,192,556	581,871,212	8,003,906,887	7.3022	16,106,193,867	49.69%
2010	3,971,598,924	703,012,594	749,672,675	469,173,055	578,004,195	6,471,461,443	7.3022	13,015,713,760	49.72%
2011	3,750,886,322	653,641,431	717,718,570	434,665,345	580,347,808	6,137,259,476	7.4022	12,363,112,485	49.64%
2012	3,538,223,638	610,977,218	698,943,058	401,257,193	595,313,942	5,844,715,049	7.9522	11,753,145,749	49.73%

Source: County Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 6

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

(Per \$1,000 of Assessed Value)

Fiscal Year	Townships**	Cities and Villages**	County							Community College	Intermediate School	Local Schools**	Total
			Operating	Senior Citizens	Drug Task Force	Library	Parks	Roads	Veterans				
2003	2.22	15.85	5.33	0.50	0.28	0.50	0.50	0.00	0.00	1.89	3.46	27.89	58.42
2004	2.74	15.74	5.33	0.50	0.28	0.50	0.50	0.00	0.00	1.89	3.45	28.06	58.99
2005	2.52	15.51	5.33	0.50	0.28	0.50	0.50	0.00	0.00	1.89	3.45	28.18	58.66
2006	2.36	15.38	5.33	0.50	0.28	0.70	0.50	0.00	0.00	1.89	3.43	28.13	58.50
2007	2.50	15.87	5.33	0.50	0.28	0.70	0.50	0.00	0.00	1.89	3.43	23.25	54.25
2008	2.55	15.39	5.33	0.50	0.28	0.70	0.50	0.00	0.00	1.89	3.43	26.90	57.47
2009	2.30	15.30	5.33	0.50	0.28	0.70	0.50	0.00	0.00	1.89	3.43	28.90	59.13
2010	2.36	15.34	5.33	0.50	0.28	0.70	0.50	0.00	0.00	1.89	3.43	29.48	59.80
2011	2.32	14.46	5.33	0.50	0.28	0.70	0.50	0.00	0.10	1.89	3.43	29.62	59.12
2012	2.55	15.06	5.33	0.80	0.28	0.70	0.50	0.25	0.10	1.89	3.43	29.78	60.66

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

Rounded to two (2) decimal places.

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 7

PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

		2012			2003		
		Taxable	Rank	Percentage of Total County Taxable Assessed Value	Taxable	Rank	Percentage of Total County Taxable Assessed Value
		Valuation			Valuation		
Detroit Edison	Electrical Utility	\$ 686,159,063	1	11.74%	\$ 884,539,142	1	16.67%
Mich-Con	Gas Production	62,862,528	2	1.08%	N/A	-	N/A
International Transmission	Electrical Transmission	55,663,568	3	0.95%	N/A	-	N/A
ZF Industries	Automobile Manufacturing	43,519,100	4	0.74%	N/A	-	N/A
SEMCO Energy Gas Co	Natural Gas Co	26,769,198	5	0.46%	29,410,561	2	0.55%
Marysville Ethanol	Gas Production	20,138,876	6	0.34%	N/A	-	N/A
Blue Water Gas Storage	Gas Production	20,132,873	7	0.34%	N/A	-	N/A
Birchwood Mall	Retail	14,852,037	8	0.25%	12,652,777	10	0.24%
Meijer Inc	Retail	14,122,500	9	0.24%	N/A	-	N/A
Consumers Energy	Natural Gas Co	13,788,200	10	0.24%	23,575,950	4	0.44%
Domtar Ind	Paper Production	13,316,500	11	0.23%	N/A	-	N/A
Mueller Brass Company		N/A	-	N/A	22,196,342	5	0.42%
E.B. Eddy		N/A	-	N/A	21,514,702	6	0.41%
Michigan Consolidated Gas Co.		N/A	-	N/A	23,918,594	3	0.45%
Daimler Chrysler		N/A	-	N/A	20,523,765	7	0.39%
ANR Pipeline Co.		N/A	-	N/A	20,021,322	8	0.38%
DNR		N/A	-	N/A	12,993,051	9	0.24%
Huntsman Polypropylene Corp.		N/A	-	N/A	N/A	-	N/A
		<u>\$ 971,324,443</u>		16.62%	<u>\$ 1,071,346,206</u>		20.19%

Source: Equalization Department

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 8

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED**

<u>Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections to March 1</u>	<u>Percentage of Levy Collected</u>	<u>Delinquent Tax Collections to December 31</u>	<u>Total Tax Collections</u>	<u>Percentage of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes **</u>	<u>Percentage of Delinquent Taxes to Tax Levy</u>
2003	37,388,505	34,862,827	93.2%	2,309,117	37,171,944	99.4%	216,561	0.6%
2004	39,237,971	36,507,284	93.0%	2,647,560	39,154,844	99.8%	83,127	0.2%
2005	41,162,593	38,683,746	94.0%	2,402,738	41,086,484	99.8%	76,109	0.2%
2006	45,433,336	41,803,246	92.0%	3,552,794	45,356,040	99.8%	77,296	0.2%
2007	47,496,559	43,688,419	92.0%	3,728,541	47,416,960	99.8%	79,599	0.2%
2008	48,647,762	44,401,581	91.3%	3,938,715	48,340,296	99.4%	307,466	0.6%
2009	47,259,128	44,346,907	93.8%	2,554,609	46,901,516	99.2%	357,612	0.8%
2010	43,598,158	40,993,146	94.0%	2,379,194	43,372,340	99.5%	225,818	0.5%
2011	42,634,713	40,385,017	94.7%	2,031,428	42,416,445	99.5%	218,268	0.5%
2012	44,247,974	42,158,910	95.3%	1,894,263	44,053,173	99.6%	194,801	0.4%

** 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 six extra-voted millages (Senior Citizens, Drug Task Force, Library, Veterans, Roads, and Parks).

Source: County Treasurer's Office

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 9

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

Fiscal Year	Governmental Activities			Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Drain Notes	Capital Leases	General Obligation Bonds	Capital Leases			
2003	44,100,000	-	78,021	-	-	44,178,021	0.90%	268.99
2004	43,775,000	-	7,738	-	-	43,782,738	0.88%	266.59
2005	42,775,000	-	-	-	162,335	42,937,335	0.84%	261.44
2006	41,575,000	-	14,523	-	121,751	41,711,274	0.81%	253.97
2007	54,315,000	414,379	6,551	-	121,751	54,857,681	1.02%	334.02
2008	52,775,000	772,882	-	-	40,584	53,588,466	0.99%	326.29
2009	54,060,000	1,514,539	-	-	-	55,574,539	1.05%	338.38
2010	52,185,000	2,862,168	-	4,830,496	-	59,877,664	1.15%	367.26
2011	50,185,000	3,244,497	-	6,184,811	-	59,614,308	1.10%	365.64
2012	55,665,000	3,588,472	-	6,623,535	-	65,877,007	1.22%	404.05

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 10

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

Fiscal Year	Population *	Assessed Value (000)	Gross Bonded Debt	Less: Amounts Available in Debt Service Funds	Less: Self-Supporting Debt **	Total	Ratio of Net Bonded Debt to Assessed Value	Per Capita
2003	164,235	6,717,712	44,100,000	3,483,783	-	40,616,217	0.60	247.31
2004	164,235	7,055,937	43,775,000	1,597,972	-	42,177,028	0.60	256.81
2005	164,235	7,845,357	42,775,000	134,898	-	42,640,102	0.54	259.63
2006	164,235	8,181,349	41,575,000	417,854	-	41,157,146	0.50	250.60
2007	164,235	8,461,610	54,315,000	616,976	-	53,698,024	0.63	326.96
2008	164,235	8,491,388	52,775,000	708,847	-	52,066,153	0.61	317.02
2009	164,235	8,003,907	54,060,000	807,732	-	53,252,268	0.67	324.24
2010	163,040	6,471,461	57,015,496	883,296	4,830,496	51,301,704	0.79	314.66
2011	163,040	6,137,259	56,369,811	939,005	6,184,811	49,245,995	0.80	302.05
2012	163,040	5,844,715	62,288,535	973,741	6,623,535	54,691,259	0.94	335.45

* U.S. Census

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

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 11

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2011 - UNAUDITED**

Direct Debt:

Building Authority	\$ 6,250,000
Jail Construction - General Obligation Bonds	1,100,000
Communication System - General Obligation Bonds	2,850,000
Comm. Mental Health - General Obligation Bonds	9,425,000
Communication System - General Obligation Bonds	2,675,000
Jail Construction - Refunding Bonds	24,365,000
Convention Center - General Obligation Bonds	9,000,000
Drainage Districts	<u>3,588,472</u>

Direct Debt 59,253,472

Overlapping Debt:

Cities	98,053,603	
Townships	25,782,577	
Villages	460,292	
School Districts	260,531,244	
Intermediate School District	3,299,264	
Community College	<u>3,270,743</u>	<u>391,397,723</u>

Net Direct and Overlapping Debt \$ 450,651,195

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 12

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

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>
2003	671,771,239	44,100,000	627,671,239
2004	705,593,714	43,775,000	661,818,714
2005	784,535,788	42,775,000	741,760,788
2006	817,931,908	41,575,000	776,356,908
2007	845,645,189	54,729,379	790,915,810
2008	849,227,458	53,547,882	795,679,576
2009	800,388,624	55,574,539	744,814,085
2010	647,034,586	59,877,664	587,156,922
2011	613,544,334	59,614,308	553,930,026
2012	584,459,452	59,253,472	525,205,980

Legal Debt Margin Calculation for Fiscal Year 2012

State Equalized Value	<u><u>\$ 5,844,594,517</u></u>
Legal Debt Limit (10% of State Equalized Value)	\$ 584,459,452
Less: Total Long-Term Debt	<u>59,253,472</u>
Legal Debt Margin	<u><u>\$ 525,205,980</u></u>

Note: Total Long-Term Debt does not include accumulated vacation, sick and compensatory time, net OPEB obligation, accrued insurance liability claims, and Landfill closure and post-closure costs.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 13

DEMOGRAPHIC AND ECONOMICAL STATISTICS
LAST TEN FISCAL YEARS - UNAUDITED

<u>Fiscal Year</u>	<u>Population *</u>	<u>U. S. Census</u>	<u>Personal Income **</u>	<u>Per Capita Income **</u>	<u>K - 12 School Enrollment ***</u>	<u>Unemployment Rate ****</u>
2003	170,572	164,235	4,912,828	29,005	28,383	9.2
2004	171,661	164,235	4,955,516	29,017	28,211	9.4
2005	172,546	164,235	5,119,100	29,922	28,235	7.6
2006	172,866	164,235	5,171,399	30,845	27,692	8.4
2007	174,954	164,235	5,358,337	30,942	26,890	9.1
2008	171,017	164,235	5,419,462	31,956	26,132	10.4
2009	166,842	164,235	5,290,584	31,574	25,477	17.5
2010	163,040	163,040	5,200,174	31,956	25,005	14.9
2011	162,569	163,040	5,408,369	33,459	24,408	13.1
2012	160,182	163,040	5,408,369	33,459	23,523	12.2

Sources

- * Southeast Michigan Council of Governments
- ** U.S. Department of Commerce - Bureau of Economic Analysis
- *** St. Clair County Regional Educational Service Agency
- **** Michigan Department of Labor and Economic Growth

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

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 14

PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

Employer	Product/Service	2012*			2003		
		Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Port Huron Hospital	Health Care Services	1,750	1	2.82%	1,057	2	1.57%
Port Huron School District	Public Education	1,111	2	1.79%	1,462	1	2.17%
St. Clair County	Municipal Government	988	3	1.59%	832	5	1.24%
DTE Energy	Public Utility	915	4	1.47%	1,044	3	1.55%
Mercy Hospital	Health Care Services	770	5	1.24%	693	6	1.03%
Meijer	Grocery/Retail	650	6	1.05%	N/A	N/A	N/A
East China Public Schools	Public Education	600	7	0.97%	594	8	0.88%
AT&T	Public Utility	500	8	0.81%	459	10	0.68%
St. John River District Hospital	Health Care Services	450	9	0.72%	N/A	N/A	N/A
SMR (Previously Visiocrp USA)	Manufacturer	425	10	0.68%	N/A	N/A	N/A
Bundy Corporation	Motor Vehicle Parts	N/A	N/A	N/A	620	7	0.92%
K-Mart Corporation	Grocery/Retail	N/A	N/A	N/A	850	4	1.26%
Britax Rainsford	Glass Products	N/A	N/A	N/A	591	9	0.88%
		<u>8,159</u>		<u>10.72%</u>	<u>8,202</u>		<u>14.49%</u>

*Data was not surveyed in 2012; thus, most recent data was used which was 2011.

Source: St. Clair County Metropolitan Planning, Bendzinski & Co., Economic Development Alliance of St. Clair County, and U.S. Bureau of Economic Analysis

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 15

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

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Legislative										
Board of Commissioners	7	7	7	7	7	7	7	7	7	7
Judicial										
Circuit Court	15	13	14	14	14	13	13	13	13	13
District Court	25	27	29	28	28	30	30	27	27	27
Courthouse Security	6	7	7	7	7	7	7	7	7	7
Friend of the Court	38	33	40	41	40	40	40	40	35	35
Probate Court - Adult	9	9	7	10	10	9	9	9	9	9
Probate Court - Juvenile	24	27	28	23	23	23	23	21	19	19
Probation - Adult	5	6	7	8	8	8	8	8	8	8
General Government										
Administrator/Controller	4	5	4	4	4	3	3	3	3	3
Elections	1	1	1	1	1	1	1	1	1	1
Accounting	6	5	5	5	4	4	4	4	4	4
Purchasing	0	0	0	2	3	3	2	2	2	2
Clerk	14	11	11	11	11	11	11	10	10	10
Equalization	7	7	9	11	11	11	11	10	10	10
Human Resources	7	8	8	8	5	6	6	6	4	4
Staff Resource Pool	6	6	6	0	0	0	0	0	0	0
Prosecuting Attorney	26	26	26	26	26	25	25	24	25	25
Register of Deeds	6	6	6	6	6	4	4	3	1	1
Lands and Graphics/Property Description	5	5	0	0	0	0	0	0	0	0
Treasurer	7	7	7	8	8	7	7	7	7	7
Cooperative Extension	5	5	5	5	5	4	4	3	2	2
Information Technology	6	11	11	16	16	14	14	13	12	14
Buildings and Grounds	30	27	27	25	27	23	23	21	20	20
Drain Commissioner	7	8	9	9	9	8	8	8	8	8
Public Safety										
Sheriff Department	73	78	80	85	86	76	76	77	77	79
Communications	14	15	15	15	15	23	23	23	23	26
Marine Patrol	1	1	1	1	1	1	1	1	1	1
Jail	50	55	94	94	94	97	97	96	96	96
Emergency Services	3	3	4	5	5	4	4	3	3	3
Animal Control	5	5	5	4	4	3	3	1	1	3
Metropolitan Planning	7	7	7	7	7	7	7	7	7	5

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Health and Welfare										
Medical Examiner	0	0	0	0	1	1	1	1	1	2
Veterans Counselor	3	3	3	4	4	3	2	2	2	4
Public Guardian	3	3	3	4	3	3	3	3	3	3
Health Department	85	93	93	93	93	79	79	79	75	75
Child Care	24	27	34	45	47	50	50	48	48	48
Recreation and Culture										
Parks and Recreation	7	7	7	7	7	9	9	9	10	10
Library	39	38	35	37	37	37	37	37	37	37
Proprietary Activities										
Landfill	2	3	3	3	3	3	3	3	4	5
Airport	3	4	4	3	3	2	2	2	1	1

Source: Accounting Department, Annual Budget by Department Sheets and Annual Budget book.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 16

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Judicial										
Circuit Court Cases Filed	4,645	4,487	4,232	4,337	4,359	4,293	4,138	3,793	3,795	3,764
Circuit Court Cases Dispositions	4,643	4,952	4,423	4,327	4,647	4,429	4,295	3,952	3,851	3,952
General Government										
Marriage licenses	1,121	1,080	1,108	1,124	945	946	880	842	957	937
Births Certificates	1,912	1,948	1,891	1,860	1,798	1,746	1,705	1,536	1,605	1,496
Divorces Recorded	711	705	635	687	625	638	621	715	635	743
Death Certificates	1,490	1,420	1,454	1,445	1,487	1,535	1,517	1,569	1,551	1,472
Public Safety										
Inmate bookings	6,034	5,789	5,652	5,960	6,052	6,165	5,908	5,789	5,451	5,794
Dispatch Calls	41,119	47,961	56,061	58,623	66,814	88,680	106,349	109,642	118,511	123,958
Dog Licenses Issued	23,525	23,267	23,550	24,996	26,000	24,198	22,196	22,389	25,816	27,023
Airport										
Take-offs and Landings (1)	50,000	50,000	50,000	50,000	30,000	36,000	27,000	20,000	32,000	18,775
Landfill										
Tons of Waste Collected	390,266	268,059	241,074	207,483	245,662	219,362	190,680	188,541	238,254	171,072

Source: Various County Departments

(1) These numbers are estimates

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE 17

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Judicial										
Buildings	1	1	1	1	1	1	1	1	1	1
Vehicles	1	1	1	1	1	1	1	1	1	3
General Government										
Buildings	3	3	3	3	3	3	3	3	2	2
Vehicles	8	10	11	11	12	11	11	10	10	20
Public Safety										
Buildings	3	4	5	5	5	5	5	5	3	3
Jail Beds Available	170	170	400	400	400	450	450	478	491	491
Vehicles										
Patrol	58	54	50	49	47	44	46	45	41	43
Other	15	16	19	20	20	19	20	22	28	30
Health & Welfare										
Buildings	2	2	2	2	2	2	2	3	2	2
Vehicles	2	2	2	2	2	5	5	6	6	6
Recreation & Cultural										
Buildings	36	36	36	37	37	37	37	37	37	43
Vehicles	6	6	6	8	8	8	9	10	10	10
Park Acreage	121	121	137	232	523	559	559	559	562	562
Airport										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	2	2	2	3	2	2	2	2	2	2
Landfill										
Buildings	1	1	1	1	1	1	1	1	2	3
Vehicles	0	0	0	0	0	0	1	1	2	3

Source: Accounting Department