

Michigan Department of Treasury  
496 (Rev.06/08)

**Auditing Procedures Report V1.04**

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Issued under Public Act 2 of 1968, as amended.

Name	County of Alger, Michigan	County	ALGER	Type	COUNTY	MuniCode	02-0-000
Opinion Date-Use Calendar	Jun 1, 2008	Audit Submitted-Use Calendar	Jun 30, 2008	Fiscal Year-Use Drop List	2007		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- 5. Did the local unit adopt a budget for all required funds?
- 6. Was a public hearing on the budget held in accordance with State statute?
- 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- 12. Is the local unit free of repeated reported deficiencies from previous years?
- 13. Is the audit opinion unqualified?      14. If not, what type of opinion is it?
- 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- 18. Are there reported deficiencies?       19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 2,924,519.00
General Fund Expenditure:	\$ 3,085,945.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 234,263.00
Governmental Activities Long-Term Debt (see instructions):	\$ 1,197,005.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Michael	Last Name	Grentz	Ten Digit License Number	1101027988			
A Street Address	102 W. Washington St., Suite	City	Marquette	State MI	Zip Code	49855	Telephone	+1 (906) 225-1166
CPA Firm Name	Anderson, Tackman & Comp	Unit's Street Address	101 Court Street	City	Munising	LU Zip	49882	

**County of Alger, Michigan**  
**Audited Financial Statements**  
**And Supplemental Information**  
**December 31, 2007**

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Partners

John W. Blemberg, CPA

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members  
of the Board of Commissioners  
County of Alger, Michigan  
101 Court Street  
Munising, Michigan 49862

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 the County of Alger, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Alger, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of County of Alger, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Alger, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 7 through 12 and 41 through 45, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Chairman and Members  
of the Board of Commissioners

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

*Anderson, Tackman & Company, PLLC*

Certified Public Accountants

June 1, 2008

# County of Alger, Michigan

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the County of Alger, Michigan's financial performance provides an overview of the County's financial activities for the year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 13.

### FINANCIAL HIGHLIGHTS

- Net assets for the County as a whole were \$4,845,019. Net assets increased by \$86,786 as a result of this year's operations.
- During the year, the County had expenses for governmental activities that were \$4,021,845 and generated \$3,887,266 in general revenues and other program sources.
- During the year, the County had expenses for business-type activities that were \$52,982 and generated \$274,347 in general revenues and other program sources.
- The general fund reported a net decrease in fund balance of \$27,825. This is \$7,547 higher than the forecasted decrease of \$35,372.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

### Reporting the County as a Whole

Our analysis of the County as a whole begins on page 9. One of the most important questions asked about the County's finances is "Is the County as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's net assets and changes in them. You can think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)**

decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's patron base and the condition of the County's capital assets, to assess the overall financial health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three kinds of activities:

- **Governmental activities** – Most of the County's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-type activities** – The County charges a fee to customers to help it cover all or most of the cost of certain services it provides, the County's various Delinquent Tax funds are reported here.
- **Component units** – The County includes two separate legal entities in its report – the Commission on Aging and the Alger County Road Commission. Although legally separate, these "component units" are important because the County is financially accountable for them.

### **Reporting the County's Most Significant Funds**

Our analysis of the County's major funds begins on page 11. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The County's two kinds of funds - governmental and proprietary - use different accounting approaches.

- **Governmental funds** – Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- **Proprietary funds** – When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

### The County as Trustee

The County is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 22. We exclude these activities from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

### The County as a Whole

Table I provides a summary of the County's net assets as of December 31, 2007 and 2006.

**Table 1  
Net Assets**

	Governmental Activities – 2007	Business-Type Activities – 2007	Total Primary Government – 2007	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006
Current and other assets	\$ 2,520,090	\$ 1,730,382	\$ 4,250,472	\$ 2,480,282	\$ 1,516,966	\$ 3,997,248
Capital assets, net	2,388,939	-	2,388,939	2,501,204	-	2,501,204
Total Assets	<u>4,909,029</u>	<u>1,730,382</u>	<u>6,639,411</u>	<u>4,981,486</u>	<u>1,516,966</u>	<u>6,498,452</u>
Current liabilities	638,638	6,612	645,250	547,050	14,561	561,611
Non-current liabilities	1,149,142	-	1,149,142	1,178,608	-	1,178,608
Total Liabilities	<u>1,787,780</u>	<u>6,612</u>	<u>1,794,392</u>	<u>1,725,658</u>	<u>14,561</u>	<u>1,740,219</u>
Net Assets:						
Invested in capital assets, net of related debt	1,390,477	-	1,390,477	1,478,139	-	1,478,139
Restricted	-	-	-	-	-	-
Unrestricted	<u>1,730,772</u>	<u>1,723,770</u>	<u>3,454,542</u>	<u>1,777,689</u>	<u>1,502,405</u>	<u>3,280,094</u>
Total Net Assets	<u>\$ 3,121,249</u>	<u>\$ 1,723,770</u>	<u>\$ 4,845,019</u>	<u>\$ 3,255,828</u>	<u>\$ 1,502,405</u>	<u>\$ 4,758,233</u>

Net assets of the County's governmental activities stood at \$3,121,249. Unrestricted net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,730,772.

The \$1,730,772 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the County as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 2**  
**Change in Net Assets**

	Governmental Activities – 2007	Business-Type Activities – 2007	Total Primary Government – 2007	Governmental Activities – 2006	Business-Type Activities – 2006	Total Primary Government – 2006
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 762,508	\$ 211,361	\$ 973,869	\$ 769,657	\$ 86,435	\$ 856,092
Operating grants and contributions	772,884	-	772,884	765,368	-	765,368
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Taxes	2,163,984	-	2,163,984	2,504,445	-	2,204,445
Unrestricted intergovernmental sources	60,748	-	60,748	52,222	-	52,222
Interest and investment earnings	110,850	64,344	175,194	128,290	120,094	248,384
Miscellaneous	14,934	-	14,934	91,739	-	91,739
Total Revenues	<u>3,885,908</u>	<u>275,705</u>	<u>4,161,613</u>	<u>4,311,721</u>	<u>206,529</u>	<u>4,518,250</u>
Program Expenses:						
Legislative	26,391	-	26,391	32,526	-	32,526
Judicial	712,415	-	712,415	751,750	-	751,750
General government	1,279,884	-	1,279,884	1,255,508	-	1,255,508
Public safety	1,224,388	-	1,224,388	1,248,235	-	1,248,235
Health and welfare	534,834	-	534,834	515,707	-	515,707
Other	126,970	-	126,970	118,260	-	118,260
Capital Outlay	80,722	-	80,722	101,531	-	101,531
Interest on long-term debt	36,241	-	36,241	35,095	-	35,095
2001 Delinquent Tax Fund	-	-	-	-	-	-
2002 Delinquent Tax Fund	-	-	-	-	2,570	2,570
2003 Delinquent Tax Fund	-	-	-	-	-	-
100 % Delinquent Tax Fund	-	19,733	19,733	-	6,241	6,241
Foreclosure Fund	-	33,249	33,249	-	36,993	36,993
Summer Tax Collection Fund	-	-	-	-	535	535
Total Expenses	<u>4,021,845</u>	<u>52,982</u>	<u>4,074,827</u>	<u>4,058,612</u>	<u>46,339</u>	<u>4,104,951</u>
Excess (deficiency) before transfers	135,937	222,723	86,786	253,109	160,190	413,299
Transfers	1,358	(1,358)	-	(560,863)	560,863	-
Increase (decrease) in net assets	(134,579)	221,365	86,786	(307,754)	721,053	413,299
Net assets, beginning – restated	3,255,828	1,502,405	4,758,233	3,563,582	781,352	4,344,934
Net Assets, Ending	<u>\$ 3,121,249</u>	<u>\$ 1,723,770</u>	<u>\$ 4,845,019</u>	<u>\$ 3,255,828</u>	<u>\$ 1,502,405</u>	<u>\$ 4,758,233</u>

The County's total revenues were \$4,161,613. The total cost of all programs and services was \$4,021,845, leaving an increase in net assets of \$86,786.

The primary reason for the increase was the continued funding of the Revenue Sharing Fund in the current year.

Table 3 presents the cost of each of the four largest programs – General Government, Public Safety, Judicial, and Health and Welfare – as well as each programs net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the County's operation.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
General Government	\$ 1,279,884	\$ (899,071)
Public Safety	1,224,388	(879,828)
Judicial	712,415	(192,096)
Health & Welfare	534,834	(302,121)

### ***Business-type Activities***

As the County completed the year, its business-types funds (as presented in the statement of net assets on page 14) reported a combined fund balance of \$1,723,770, an increase of \$221,365 from the beginning of the year.

The primary reason for the increase was the increase of \$166,550 in the 100% Delinquent Tax Fund related to penalties, interest, and collection/admin fees and the increase of \$55,270 in the Foreclosure Fund related to the sale of foreclosed property.

### **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a combined fund balance of \$1,929,315 a decrease of \$42,817 from the beginning of the year.

This year's decrease is due to standard ups and downs in the governmental funds. It is also relatively minor in comparison to the prior year's decrease of \$234,548.

### **General Fund Budgetary Highlights**

Over the course of the year, the County Commission revised the budget several times.

With these adjustments, actual charges to expenditures were \$28,592 less than the final amended budget and other financing sources (uses) were \$74,394 more than the final amended budget. Conversely, revenues were \$53,349 more than the final budget projection. Revenue budget fluctuations were incurred in Charges for Services, and other miscellaneous revenues.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2007, the County had \$2,388,939 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4)

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 4  
Capital Assets at Year-End  
(Net of Depreciation)

	Governmental Activities – 2007	Governmental Activities – 2006
Land	\$ 160,000	\$ 160,000
Buildings and improvements	1,952,279	2,017,387
Equipment and vehicles	276,660	323,817
Totals	<u>\$ 2,388,939</u>	<u>\$ 2,501,204</u>

Major capital additions in the current year included the purchase of a Dodge Charger to be used by the Sheriffs Department. No major capital additions are planned for next year.

### Debt

At year-end, the County had \$998,462 in bonds outstanding. There were new additions to debt for this year, which was for the purchase of the Dodge Charger in the amount of \$21,229. Further details on long-term debt can be found in Note E.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's elected and appointed officials consider many factors when setting the fiscal year 2008 budget. One of those factors is the economy.

The current economic health of the State of Michigan is of great concern. The prolonged economic turndown has caused a significant reduction in State revenues which threatens to affect Alger County.

### CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer at County of Alger, 101 Court Street, Munising, Michigan 49862.

County of Alger, Michigan

Statement of Net Assets

December 31, 2007

	Primary Government Governmental Activities	Primary Government Business-Type Activities	Primary Government Total	Component Units
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 1,930,233	\$ 1,306,989	\$ 3,237,222	\$ 1,243,955
Receivables (net)	589,857	423,393	1,013,250	643,351
Inventory	-	-	-	203,429
Prepaid expenses and other assets	-	-	-	18,408
<b>TOTAL CURRENT ASSETS</b>	<b>2,520,090</b>	<b>1,730,382</b>	<b>4,250,472</b>	<b>2,109,143</b>
Non-current assets:				
Capital Assets	2,388,939	-	2,388,939	10,139,444
Total Capital Assets	2,388,939	-	2,388,939	10,139,444
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,388,939</b>	<b>-</b>	<b>2,388,939</b>	<b>10,139,444</b>
<b>TOTAL ASSETS</b>	<b>4,909,029</b>	<b>1,730,382</b>	<b>6,639,411</b>	<b>12,248,587</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	90,668	4,126	94,794	298,922
Accrued liabilities	59,787	-	59,787	84,369
Deferred revenue	440,320	2,486	442,806	155,490
Advances	-	-	-	245,558
Current portion of bonds payable	47,863	-	47,863	235,978
<b>TOTAL CURRENT LIABILITIES</b>	<b>638,638</b>	<b>6,612</b>	<b>645,250</b>	<b>1,020,317</b>
Non-current Liabilities:				
Compensated absences	198,543	-	198,543	255,753
Long-term bonds payable	950,599	-	950,599	2,786,145
Other	-	-	-	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,149,142</b>	<b>-</b>	<b>1,149,142</b>	<b>3,041,898</b>
<b>TOTAL LIABILITIES</b>	<b>1,787,780</b>	<b>6,612</b>	<b>1,794,392</b>	<b>4,062,215</b>
<b>NET ASSETS</b>				
Invested in capital assets net of related debt	1,390,477	-	1,390,477	7,117,321
Restricted for:				
Debt Service	-	-	-	144,137
Unrestricted	1,730,772	1,723,770	3,454,542	924,914
<b>TOTAL NET ASSETS</b>	<b>\$ 3,121,249</b>	<b>\$ 1,723,770</b>	<b>\$ 4,845,019</b>	<b>\$ 8,186,372</b>

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

County of Alger, Michigan

Statement of Activities

For the year ended December 31, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Primary Government Business-Type Activities	Primary Government Total	Component Units
<b>Primary Government:</b>								
Governmental Activities:								
Legislative	\$ 26,391	\$ -	\$ -	\$ -	\$ (26,391)	\$ -	\$ (26,391)	\$ -
Judicial	712,415	165,898	354,421	-	(192,096)	-	(192,096)	-
General government	1,279,884	315,571	65,242	-	(899,071)	-	(899,071)	-
Public safety	1,224,388	54,073	290,487	-	(879,828)	-	(879,828)	-
Health and welfare	534,834	224,564	8,149	-	(302,121)	-	(302,121)	-
Other	126,970	2,402	-	-	(124,568)	-	(124,568)	-
Capital outlay	80,722	-	54,585	-	(26,137)	-	(26,137)	-
Interest on long-term debt	36,241	-	-	-	(36,241)	-	(36,241)	-
Total Governmental Activities:	4,021,845	762,508	772,884	-	(2,486,453)	-	(2,486,453)	-
Business-Type Activities:								
100% Delinquent Tax Fund	19,733	123,015	-	-	-	103,282	103,282	-
Foreclosure Fund	33,249	87,443	-	-	-	54,194	54,194	-
Summer Tax Collection Fund	-	903	-	-	-	903	903	-
Total Business-Type Activities	52,982	211,361	-	-	-	158,379	158,379	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 4,074,827</b>	<b>\$ 973,869</b>	<b>\$ 772,884</b>	<b>\$ -</b>	<b>\$ (2,486,453)</b>	<b>\$ 158,379</b>	<b>\$ (2,328,074)</b>	<b>-</b>
<b>Component Units:</b>								
Road Commission	3,907,652	3,325	5,479,511	-	-	-	-	1,575,184
Commission on Aging	584,651	134,152	445,875	-	-	-	-	(4,624)
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 4,492,303</b>	<b>\$ 137,477</b>	<b>\$ 5,925,386</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,570,560</b>
<b>General Revenues:</b>								
Taxes					2,163,984	-	2,163,984	38,663
Unrestricted intergovernmental sources					60,748	-	60,748	-
Interest and investment earnings					110,850	64,344	175,194	43,577
Miscellaneous					14,934	-	14,934	39,421
Transfers in (out)					1,358	(1,358)	-	-
<b>TOTAL GENERAL REVENUES</b>					<b>2,351,874</b>	<b>62,986</b>	<b>2,414,860</b>	<b>121,661</b>
<b>CHANGE IN NET ASSETS</b>					<b>(134,579)</b>	<b>221,365</b>	<b>86,786</b>	<b>1,692,221</b>
Net assets, beginning of year					<b>3,255,828</b>	<b>1,502,405</b>	<b>4,758,233</b>	<b>6,494,151</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,121,249</b>	<b>\$ 1,723,770</b>	<b>\$ 4,845,019</b>	<b>\$ 8,186,372</b>				

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

County of Alger, Michigan

Governmental Funds

Balance Sheet

December 31, 2007

	General Fund	MSU Extension Fund	Ambulance Fund	Wireless 911 Fund	Revenue Sharing Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 258,607	\$ 13,020	\$ 350,062	\$ 402,797	\$ 751,930	\$ 184,824	\$ 1,961,240
Receivables							
Accounts	639	-	-	23,400	-	22,479	46,518
Taxes - current	185,188	73,528	284,623	-	-	-	543,339
Due from other funds	-	-	-	-	23,938	-	23,938
Other assets	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 444,434</u>	<u>\$ 86,548</u>	<u>\$ 634,685</u>	<u>\$ 426,197</u>	<u>\$ 775,868</u>	<u>\$ 207,303</u>	<u>\$ 2,575,035</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>LIABILITIES:</b>							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,007	\$ 31,007
Accounts payable	57,923	223	11,476	-	-	21,046	90,668
Accrued wages	46,141	-	6,597	-	-	7,049	59,787
Due to other funds	23,938	-	-	-	-	-	23,938
Deferred revenue	82,169	73,528	284,623	-	-	-	440,320
Other liabilities	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>210,171</u>	<u>73,751</u>	<u>302,696</u>	<u>-</u>	<u>-</u>	<u>59,102</u>	<u>645,720</u>
<b>FUND BALANCE:</b>							
Unrestricted	<u>234,263</u>	<u>12,797</u>	<u>331,989</u>	<u>426,197</u>	<u>775,868</u>	<u>148,201</u>	<u>1,929,315</u>
<b>TOTAL FUND BALANCE</b>	<u>234,263</u>	<u>12,797</u>	<u>331,989</u>	<u>426,197</u>	<u>775,868</u>	<u>148,201</u>	<u>1,929,315</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 444,434</u>	<u>\$ 86,548</u>	<u>\$ 634,685</u>	<u>\$ 426,197</u>	<u>\$ 775,868</u>	<u>\$ 207,303</u>	<u>\$ 2,575,035</u>

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

County of Alger, Michigan

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS

December 31, 2007

**Total Fund Balances for Governmental Funds** \$ 1,929,315

*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds 2,388,939

Long-term liabilities, including bonds payable, are not due and payable  
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ (47,863)	
Compensated absences	(198,543)	
Long-term portion of bonds payable	<u>(950,599)</u>	
		<u>(1,197,005)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 3,121,249

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

County of Alger, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2007

	General Fund	MSU Extension Fund	Ambulance Fund	Wireless 911 Fund	Revenue Sharing Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Property taxes	\$ 1,822,935	\$ 65,661	\$ 274,072	\$ -	\$ -	\$ -	\$ 2,162,668
Licenses and permits	3,848	-	-	-	-	70,797	74,645
Federal sources	143,908	-	-	-	-	98,928	242,836
State sources	358,247	-	-	98,053	-	58,624	514,924
Local sources	8,535	-	-	-	3,616	35,753	47,904
Contributions from private sources	31,584	-	-	-	-	-	31,584
Charges for services	310,207	2,402	224,564	-	-	46,831	584,004
Fines and forfeits	7,671	-	-	-	-	2,000	9,671
Interest and rentals	215,402	-	-	-	-	1,317	216,719
Other	22,182	-	-	-	-	-	22,182
<b>TOTAL REVENUES</b>	<b>2,924,519</b>	<b>68,063</b>	<b>498,636</b>	<b>98,053</b>	<b>3,616</b>	<b>314,250</b>	<b>3,907,137</b>
<b>EXPENDITURES:</b>							
Current operations:							
Legislative	26,391	-	-	-	-	-	26,391
Judicial	691,809	-	-	-	-	20,606	712,415
General government	1,046,573	73,764	-	-	-	89,619	1,209,956
Public safety	1,000,074	-	-	17,349	-	181,945	1,199,368
Health and welfare	112,055	-	361,698	-	-	39,664	513,417
Other	126,970	-	-	-	-	-	126,970
Capital outlay	-	-	-	-	-	80,722	80,722
Debt service	82,073	-	-	-	-	-	82,073
<b>TOTAL EXPENDITURES</b>	<b>3,085,945</b>	<b>73,764</b>	<b>361,698</b>	<b>17,349</b>	<b>-</b>	<b>412,556</b>	<b>3,951,312</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(161,426)</b>	<b>(5,701)</b>	<b>136,938</b>	<b>80,704</b>	<b>3,616</b>	<b>(98,306)</b>	<b>(44,175)</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Transfers in	197,769	-	-	-	-	64,168	261,937
Transfers out	(64,168)	-	(20,000)	-	(176,411)	-	(260,579)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>133,601</b>	<b>-</b>	<b>(20,000)</b>	<b>-</b>	<b>(176,411)</b>	<b>64,168</b>	<b>1,358</b>
<b>CHANGE IN FUND BALANCE</b>	<b>(27,825)</b>	<b>(5,701)</b>	<b>116,938</b>	<b>80,704</b>	<b>(172,795)</b>	<b>(34,138)</b>	<b>(42,817)</b>
Fund balance, beginning of year	262,088	18,498	215,051	345,493	948,663	182,339	1,972,132
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 234,263</b>	<b>\$ 12,797</b>	<b>\$ 331,989</b>	<b>\$ 426,197</b>	<b>\$ 775,868</b>	<b>\$ 148,201</b>	<b>\$ 1,929,315</b>

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

**County of Alger, 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, 2007

**Net Change in Fund Balances - Total Governmental Funds** \$ (42,817)

*Amounts reported for governmental activities in the statement  
of activities are different because:*

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 as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlays	\$ 21,229	
Depreciation expense	<u>(133,494)</u>	(112,265)

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (21,229)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 45,832

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (4,100)

<b>CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<u>\$ (134,579)</u>
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County of Alger, Michigan

Proprietary Funds

Statement of Net Assets

December 31, 2007

	100% Delinquent Tax Fund	Foreclosure Fund	Summer Tax Collection Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash	\$ 1,235,346	\$ 69,377	\$ 2,266	\$ 1,306,989
Receivables - other governmental units	-	-	-	-
Taxes receivable	423,393	-	-	423,393
<b>TOTAL CURRENT ASSETS</b>	1,658,739	69,377	2,266	1,730,382
<b>TOTAL ASSETS</b>	1,658,739	69,377	2,266	1,730,382
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	927	2,033	1,166	4,126
Deferred revenue	-	2,486	-	2,486
<b>TOTAL CURRENT LIABILITIES</b>	927	4,519	1,166	6,612
<b>TOTAL LIABILITIES</b>	927	4,519	1,166	6,612
<b>NET ASSETS</b>				
Unrestricted	1,657,812	64,858	1,100	1,723,770
<b>TOTAL NET ASSETS</b>	\$ 1,657,812	\$ 64,858	\$ 1,100	\$ 1,723,770

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

**County of Alger, Michigan**

Proprietary Funds

Statement of Revenues, Expenses and Changes in Net Assets

For the year ended December 31, 2007

	<b>100% Delinquent Tax Fund</b>	<b>Foreclosure Fund</b>	<b>Summer Tax Collection Fund</b>	<b>Total</b>
<b>OPERATING REVENUES:</b>				
Fees	\$ 123,015	\$ 87,443	\$ 903	\$ 211,361
Expense of sale	-	-	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>123,015</b>	<b>87,443</b>	<b>903</b>	<b>211,361</b>
<b>OPERATING EXPENSES:</b>				
Other operating expenses	19,733	33,249	-	52,982
<b>TOTAL OPERATING EXPENSES</b>	<b>19,733</b>	<b>33,249</b>	<b>-</b>	<b>52,982</b>
<b>OPERATING INCOME (LOSS)</b>	<b>103,282</b>	<b>54,194</b>	<b>903</b>	<b>158,379</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	63,268	1,076	-	64,344
Interest expense	-	-	-	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>63,268</b>	<b>1,076</b>	<b>-</b>	<b>64,344</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>166,550</b>	<b>55,270</b>	<b>903</b>	<b>222,723</b>
Transfers in	-	-	-	-
Transfers (out)	-	-	(1,358)	(1,358)
<b>CHANGE IN NET ASSETS</b>	<b>166,550</b>	<b>55,270</b>	<b>(455)</b>	<b>221,365</b>
Net assets, beginning of year	1,491,262	9,588	1,555	1,502,405
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,657,812</b>	<b>\$ 64,858</b>	<b>\$ 1,100</b>	<b>\$ 1,723,770</b>

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

County of Alger, Michigan

Proprietary Funds

Statement of Cash Flows

For the year ended December 31, 2007

	100% Delinquent Tax Fund	Foreclosure Fund	Summer Tax Collection Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from fees and charges for services	\$ 53,221	\$ 77,781	\$ 903	\$ 131,905
Cash payments to suppliers for goods and services	(18,806)	(33,323)	860	(51,269)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>34,415</u>	<u>44,458</u>	<u>1,763</u>	<u>80,636</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Transfers in (out)	-	-	(1,358)	(1,358)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>(1,358)</u>	<u>(1,358)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	63,268	1,076	-	64,344
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>63,268</u>	<u>1,076</u>	<u>-</u>	<u>64,344</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	97,683	45,534	405	143,622
Cash and cash equivalents, beginning of year	1,137,663	23,843	1,861	1,163,367
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 1,235,346</u>	<u>\$ 69,377</u>	<u>\$ 2,266</u>	<u>\$ 1,306,989</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ 103,282	\$ 54,194	\$ 903	\$ 158,379
Adjustments to reconcile operating income to net cash provided by operating activities:				
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	-	-	-	-
(Increase) decrease in taxes receivable	(69,794)	-	-	(69,794)
Increase (decrease) in accounts payable	927	(74)	860	1,713
Increase (decrease) in deferred revenue	-	(9,662)	-	(9,662)
<b>NET ADJUSTMENTS</b>	<u>(68,867)</u>	<u>(9,736)</u>	<u>860</u>	<u>(77,743)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 34,415</u>	<u>\$ 44,458</u>	<u>\$ 1,763</u>	<u>\$ 80,636</u>

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

**County of Alger, Michigan**

Fiduciary Funds

Combining Statement of Fiduciary Net Assets

December 31, 2007

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 632,121
Accounts receivable	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 632,121</u></u>
<b>LIABILITIES</b>	
Due to others	<u>\$ 632,121</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 632,121</u></u>

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

County of Alger, Michigan

Component Units

Combining Statement of Net Assets

December 31, 2007

	<u>Road Commission</u>	<u>Commission on Aging</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 1,250,805	\$ -	\$ 1,250,805
Receivables, net	590,563	52,788	643,351
Inventory	203,429	-	203,429
Prepaid expenses and other assets	18,408	-	18,408
<b>TOTAL CURRENT ASSETS</b>	<u>2,063,205</u>	<u>52,788</u>	<u>2,115,993</u>
Non-Current Assets:			
Capital Assets	10,132,509	6,935	10,139,444
Total Capital Assets	<u>10,132,509</u>	<u>6,935</u>	<u>10,139,444</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>10,132,509</u>	<u>6,935</u>	<u>10,139,444</u>
<b>TOTAL ASSETS</b>	<u>12,195,714</u>	<u>59,723</u>	<u>12,255,437</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Cash overdraft	-	6,850	6,850
Accounts payable	256,779	42,143	298,922
Accrued wages	71,087	13,282	84,369
Deferred revenue	155,490	-	155,490
Current portion of notes and bonds payable	235,978	-	235,978
Advances	245,558	-	245,558
<b>TOTAL CURRENT LIABILITIES</b>	<u>964,892</u>	<u>62,275</u>	<u>1,027,167</u>
Non-current Liabilities:			
Compensated absences	244,717	11,036	255,753
Bonds payable	2,778,855	7,290	2,786,145
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>3,023,572</u>	<u>18,326</u>	<u>3,041,898</u>
<b>TOTAL LIABILITIES</b>	<u>3,988,464</u>	<u>80,601</u>	<u>4,069,065</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	7,117,676	(355)	7,117,321
Restricted for debt service	144,137	-	144,137
Unrestricted	945,437	(20,523)	924,914
<b>TOTAL NET ASSETS</b>	<u>\$ 8,207,250</u>	<u>\$ (20,878)</u>	<u>\$ 8,186,372</u>

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

County of Alger, Michigan

Component Units

Combining Statement of Activities

For the year ended December 31, 2007

Function / Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Commission on Aging	Total
Road Commission Operations	\$ 3,907,652	\$ 3,325	\$ 5,479,511	\$ -	\$ 1,575,184	\$ -	1,575,184
Commission on Aging Operations	584,651	134,152	445,875	-	-	(4,624)	(4,624)
<b>TOTAL COMPONENT UNITS</b>	<u>\$ 4,492,303</u>	<u>\$ 137,477</u>	<u>\$ 5,925,386</u>	<u>\$ -</u>	<u>1,575,184</u>	<u>(4,624)</u>	<u>1,570,560</u>
General Revenues:							
		Property taxes			-	38,663	38,663
		Interest and investment earnings			43,577	-	43,577
		Miscellaneous			39,388	33	39,421
		<b>TOTAL GENERAL REVENUES AND EXTRAORDINARY ITEMS</b>			<u>82,965</u>	<u>38,696</u>	<u>121,661</u>
		<b>CHANGE IN NET ASSETS</b>			1,658,149	34,072	1,692,221
		Net assets, beginning of year			<u>6,549,101</u>	<u>(54,950)</u>	<u>6,494,151</u>
		<b>NET ASSETS, END OF YEAR</b>			<u>\$ 8,207,250</u>	<u>\$ (20,878)</u>	<u>\$ 8,186,372</u>

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

County of Alger, Michigan  
Notes to Financial Statements  
December 31, 2007

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES:**

**Description of County Operations**

The County of Alger was organized in 1885 and covers an area of 905 square miles with the County seat located in the City of Munising. The County operates under an elected Board of Commissioners (5 members) and provides services to its more than 9,800 residents (2000 census), including legislative, judicial, public safety, health and welfare, social services and ambulance.

**REPORTING ENTITY**

The County's financial statements present the County (the primary government) and its component units. In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the County may or may not be financially accountable and, as such, be includable within the County's financial statements. The component units discussed below are included in the reporting entity because of the significance of their operational or financial relationship with the County.

**Discretely Presented Component Units**

*Governmental Fund Types*

Road Commission - The Alger County Road Commission, which is established pursuant of the County Road Law (MCL 224.1), is governed by an elected three member Board of County Road Commissioners. The Road Commissioners may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the county, as approved by the county electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

The Road Commission Operating Fund is used to control expenditures of Michigan Transportation Fund monies distributed to the County, which are earmarked by law for street and highway purposes.

A complete financial statement of the component unit can be obtained directly from the administrative office.

Alger County Road Commission  
E9264 M-28  
Munising, Michigan 49862

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

Commission on Aging - The Alger County Commission on Aging is governed by a nine member board appointed by the County Board. It provides services to the elderly residents of Alger County. The financial information presented for this component unit is for the fiscal year ended September 30, 2007.

A complete financial statement of the component unit can be obtained directly from the administrative office.

Alger County Commission on Aging  
101 Court Street  
Munising, Michigan 49862

Economic Development Corporation (EDC) - The Alger County EDC has no balances, is inactive and therefore, not included in the accompanying financial statements.

District Health Department - Luce, Mackinac, Alger and Schoolcraft Counties participate jointly in the operation of the District Health Department. All of the financial operations of the Health department are recorded in the records of Luce County. Alger's appropriation to the District Health Department for the calendar year was \$16,206.

### BASIS OF PRESENTATION

#### Government-Wide Financial Statements

The County's basic financial statements include both government-wide (reporting the County as a whole) and fund financial statements (reporting the County's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The County's public safety, judicial, health and welfare and general government services are classified as governmental activities. The County does not engage in business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets as well as long-term debt and obligations. The County's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs by function are normally covered by general revenues.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

The government-wide focus is more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

### Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The County uses the following fund types:

#### *Governmental Fund Types:*

**General Fund** - This fund is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Fund** - These funds are used to account for specific revenue derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes, as dictated by legal, regulatory or administrative requirements. Special Revenue Funds include the D.A.R.E, Snowmobile Enforcement, Friend of the Court, Circuit Court Probate Oversight, Property Tax, Building Department, Register of Deeds Automation, Emergency Management, Emergency Management Grant, Secondary Road Patrol, Sheriff Grants, Local Corrections, Central Dispatch 911, Drug Law Enforcement, County Law Library, Michigan Justice Training, Probate Child Care, and Veterans Trust Funds.

**Capital Projects Fund** - These funds are used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and special assessments).

**Component Units** - Component units are used to account for the discretely presented component units which follow governmental fund accounting guidelines. These include the Alger County Commission on Aging and the Alger County Road Commission.

#### **Proprietary Fund Types:**

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED):

### **Fiduciary Fund Types:**

**Agency Funds** - These funds account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The primary government's Agency Fund is used to account for the collections of taxes, fees, etc., that have not been remitted to other governments or funds.

The County's fiduciary funds are presented in the fiduciary fund financial statements. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

### **Major Funds:**

The emphasis in fund financial statements is on the major funds. Nonmajor funds are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The County reports the following major governmental funds: the General Fund, MSU Extension Fund, Ambulance Fund, Wireless 911 Fund, and Revenue Sharing Fund. The County reports the following major business-type funds: 100% Delinquent Tax Fund, Foreclosure Fund, and Summer Tax Collection Fund.

### **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

#### *Accrual*

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when 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 revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### *Modified Accrual*

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

### (3) FINANCIAL STATEMENT AMOUNTS

*Budgets and Budgetary Accounting* - The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The County Clerk submits to the County Board of Commissioners proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Courthouse to obtain taxpayer comment.
- c. Pursuant to statute, prior to December 31 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.
- d. The general statute governing County budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Alger County Board of Commissioners, through policy action, specifically directs the Controller not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Alger County Clerk is authorized by means of County policy to make certain transfers:
  1. The Clerk receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or group(s) and amounts to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Commissioners.
  2. The following considerations must be reviewed in determination of transfer approvals:
    - a. Are the transfers consistent with the intent of the Board of Commissioners in adopting the annual budget?
    - b. Will the transfer maintain the financial integrity of the County?
    - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Clerk will then decide whether or not the transfer should be made.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Supplemental appropriations are submitted to and reviewed by the County Clerk and submitted to the Budget Committee for further consideration. If approved, they are transmitted to the County Board of Commissioners for their review and approval. If approved, they are implemented by the Clerk's Office through a budget revision.

- f. The County of Alger adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Commissioners, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.
- g. Budgets for the General Fund were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the County Board of Commissioners.

**Cash Equivalents and Investments** - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and certificates of deposit. Investments are carried at fair value.

**Inventory** - Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the Special Revenue and Enterprise Funds consists of expendable supplies and materials held for consumption. Inventory is charged to operations upon consumption by the various operating funds within the County.

**Capital Assets** - Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	20-40 years
Building, structures and improvements	40 years
Equipment	5-20 years
Water and Sewage System	20 years
Vehicles	5 years
Infrastructure	20-50 years

## NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

**Long-Term Liabilities** - 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 and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. 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 issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, are reported as debt service.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

**Property Taxes** - The County of Alger, Michigan property tax is levied on each December 1<sup>st</sup> and July 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31<sup>st</sup> and July 1<sup>st</sup>.

Although the County of Alger, Michigan 2007 ad valorem tax is levied and collectible on December 1, 2006, and valorem tax is levied and collectible on July 1, 2007, it is the County of Alger, Michigan's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means levied and the tax collection period is within the current fiscal year.

The December 1, 2006 taxable valuation totaled \$287,083,194, on which ad valorem taxes levied consisted of 5.1610 mills for the County of Alger, Michigan operation purposes, .9676 mills for the County Ambulance operating, .2317 mills for the MSU Extension Office and .2317 mills for Commission on Aging. These amounts are recognized in the respective General, Revenue Sharing -Special Revenue Fund, Ambulance - Special Revenue Fund, MSU Extension Office - Special Revenue Fund, Commission on Aging - Component Unit financial statements as revenue.

**Compensated Absences** - The County accrues accumulated unpaid vacation and sick leave days and associated employee-related costs when earned (or estimated to be earned) by the employee. The non-current portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*Deferred Revenues* - Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

- (1) The Foreclosure Fund has deferred revenue amounting to \$2,486. This amount represents a pre-foreclosure costs billed, but unearned at year end.
- (2) The General Fund, MSU Extension Fund and Ambulance Fund have deferred revenue of \$82,169, \$72,528 and \$284,623 respectively. This amount represents property taxes levied on December 1<sup>st</sup>, 2007 for the 2008 fiscal year.
- (3) The Alger County Road Commission has deferred revenue of \$155,490. This amount represents advance grant/contract payments from the State of Michigan.

*Interfund Activity* - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**NOTE B - CASH DEPOSITS AND INVESTMENTS:**

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and its component units from the Statement of Net Assets:

	Primary Government	Component Units	Fiduciary Funds	Total
Unrestricted:				
Cash and cash equivalents	\$ 3,237,221	\$ 1,243,955	\$ 632,121	\$ 5,113,297
Investments	-	-	-	-
Restricted:				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
TOTALS	<u>\$ 3,237,221</u>	<u>\$ 1,243,955</u>	<u>\$ 632,121</u>	<u>\$ 5,113,297</u>

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. State law does not require and the County does not have a deposit policy for custodial credit risk. The carrying amounts of the primary government, component unit and fiduciary fund's deposits with financial institutions were \$5,113,297 and the bank balance was \$5,421,123. The bank balance is categorized as follows:

**NOTE B - CASH DEPOSITS AND INVESTMENTS (CONTINUED):**

Amount insured by the FDIC	\$ 510,418
Amount uncollateralized and uninsured	4,910,705
Total Bank Balance	<u>\$ 5,421,123</u>

Investments

As of December 31, 2007, the County had no investments.

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County's investments. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

Michigan statutes (Act 196, PA 1997) authorize the County to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The County has no investment policy that would further limit its investment choices. The County's investments are in accordance with statutory authority.

**NOTE C - CAPITAL ASSETS:**

A summary of the changes in governmental activities capital assets for the year ended December 31, 2007 is as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$ 160,000	\$ -	\$ -	\$ 160,000
Capital assets being depreciated:				
Buildings and improvements	3,128,590	-	-	3,128,590
Equipment and vehicles	695,756	21,229	-	716,985
Total Capital Assets	<u>3,984,346</u>	<u>21,229</u>	<u>-</u>	<u>4,005,575</u>
Less accumulated depreciation:				
Buildings and improvements	(1,111,203)	(65,107)	-	(1,176,310)
Equipment and vehicles	(371,939)	(68,387)	-	(440,326)
Total Accumulated Depreciation	<u>(1,483,142)</u>	<u>(133,494)</u>	<u>-</u>	<u>(1,616,636)</u>
Capital Assets, Net	<u>\$ 2,501,204</u>	<u>\$ (112,265)</u>	<u>\$ -</u>	<u>\$ 2,388,939</u>

**NOTE C - CAPITAL ASSETS (CONTINUED):**

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
General government	\$ 65,828
Public safety	46,249
Health and welfare	21,417
Total Depreciation Expense - Governmental Activities	<u>\$ 133,494</u>

A summary of the changes in component units capital assets for the year ended December 31, 2007 is as follows:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$ 49,332	\$ -	\$ -	\$ 49,332
Capital assets being depreciated:				
Buildings	3,729,482	-	-	3,729,482
Equipment and vehicles	5,061,486	103,829	120,238	5,045,077
Infrastructure	5,360,698	1,799,079	-	7,159,777
Total Capital Assets	<u>14,200,998</u>	<u>1,902,908</u>	<u>120,238</u>	<u>15,983,668</u>
Less accumulated depreciation:				
Buildings	(806,560)	(73,021)	-	(879,581)
Equipment and vehicles	(4,464,469)	(238,654)	(120,238)	(4,582,885)
Infrastructure	(110,508)	(271,250)	-	(381,758)
Total Accumulated Depreciation	<u>(5,381,537)</u>	<u>(582,925)</u>	<u>(120,238)</u>	<u>(5,844,224)</u>
Capital Assets, Net	<u>\$ 8,819,461</u>	<u>\$ 1,319,983</u>	<u>\$ -</u>	<u>\$ 10,139,444</u>

**NOTE D - LONG-TERM DEBT:**

The following is a summary of the long-term debt of the primary government at December 31, 2007:

	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007	Due Within One Year
Sick Leave - County	\$ 194,443	\$ 4,100	\$ -	\$ 198,543	\$ -
Vehicle Note	8,065	-	5,092	2,973	2,973
Vehicle Note	-	21,229	5,740	15,489	4,890
Bonds Payable	1,015,000	-	35,000	980,000	40,000
	<u>\$ 1,217,508</u>	<u>\$ 25,329</u>	<u>\$ 45,832</u>	<u>\$ 1,197,005</u>	<u>\$ 47,863</u>

**Sick Leave**

Employees earn annual vacation and sick leave at various numbers of days per year based on length of service up to a maximum accumulation of days. These benefits are outlined in labor union contracts and administrative policies of the County. At December 31, 2007,

**NOTE D - LONG-TERM DEBT (CONTINUED):**

liabilities for accumulated unpaid sick leave as reported in the Statement of Net Assets total \$198,543. The County does not allow a carry forward of unused vacation benefits to the following operating year unless specifically approved on an individual basis in accordance with union contracts.

**Bond Issue**

The County of Alger Building authority 1999 Building Authority Bond is a \$1,220,200 issue, on which the County has drawn the full amount as of December 31, 2003. The proceeds of the bonds were used in the construction of an addition to the County Courthouse.

The bonds accrue interest at an annual rate of 4.75%, with interest being payable twice a year, on April 1 and October 1. Principal payments are due once each year, on April 1. The following future payment information is presented.

Years	Principal	Interest	Totals
2008	\$40,000	\$45,600	\$85,600
2009	40,000	43,700	83,700
2010	40,000	41,800	81,800
2011	45,000	39,781	84,781
2012	45,000	37,644	82,644
2013-2017	270,000	151,999	421,999
2018-2022	335,000	80,631	415,631
2023-2025	165,000	7,956	172,956
Totals	\$980,000	\$449,111	\$1,429,111

**Note Issue**

Note Issue is for a 2007 Ford Explorer for \$21,705 on November 16, 2006 and matures annually as scheduled below and bears an interest rate of 7% annually on November 11<sup>th</sup> of each year.

Year	Principal	Interest	Total
2008	\$ 2,973	\$ 283	\$ 3,256
Total	\$ 2,973	\$ 283	\$ 3,256

Note Issue is for a 2008 Dodge Charger for \$21,229 on February 6, 2008 and matures annually as scheduled below and bears an interest rate of 5.49% annually on February 6<sup>th</sup> of each year.

Year	Principal	Interest	Total
2008	\$-	\$-	\$-
2009	4,890	850	5,740
2010	5,158	582	5,740
2011	5,441	299	5,740
Total	\$15,489	\$1,731	\$17,220

**NOTE D - LONG-TERM DEBT (CONTINUED):**

**ANNUAL MATURES**

Years	Principal	Interest	Totals
2008	\$ 47,863	\$ 45,883	\$ 93,746
2009	40,000	44,550	84,550
2010	45,158	42,382	87,540
2011	50,441	40,080	90,521
2012	45,000	37,644	82,644
2013-2017	270,000	151,999	421,999
2018-2022	335,000	80,631	415,631
2023-2025	165,000	7,956	172,956
<b>Totals</b>	<b>\$ 998,462</b>	<b>\$ 451,125</b>	<b>\$ 1,449,587</b>

**NOTE E - FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

The County of Alger, Michigan reports inter-fund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of inter-fund balances presented in the statements of net assets/balance sheet for governmental funds. Inter-fund transactions resulting in inter-fund receivables and payables are as follows:

		Due To Other Funds	
		General Fund	Total
Due From Other Funds	Revenue Sharing Fund	\$ 23,938	\$ 23,938
	<b>Total</b>	<b>\$ 23,938</b>	<b>\$ 23,938</b>

All balances resulted from the time lag between the dates that (1) inter-fund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

		Transfer Out To Other Funds				
		General Fund	Ambulance	Revenue Sharing Fund	Summer Tax Fund	Total
Transfer In From Other Funds	General Fund	\$ -	\$ 20,000	\$ 176,411	\$ 1,358	\$ 197,769
	Non-Major Governmental Funds	64,168	-	-	-	64,168
	<b>Total</b>	<b>\$ 64,168</b>	<b>\$ 20,000</b>	<b>\$ 176,411</b>	<b>\$ 1,358</b>	<b>\$ 261,937</b>

#### **NOTE E - FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS): (Continued)**

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

#### **NOTE F - RENTAL INCOME:**

The County leases office space to other governmental units under operating leases which are renewable annually. The rental income on these leases was \$109,485 in 2007. The cost of the facilities used has not been determined.

#### **NOTE G - PENAL FINES:**

The Alger County Treasurer collects penal fines for the Alger County Law Library and for the Munising Public School Library in accordance with the provisions of Public Act 59, 1964. This act requires that penal fine revenues collected by the County Treasurer be distributed to public libraries and county law libraries.

#### **NOTE H - RISK MANAGEMENT:**

The County is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The County, with other municipalities, participates in the Michigan Municipal Risk Management Authority. The County pays an annual premium for its general liability, excess liability, auto liability, errors and omissions, and physical damage insurance coverage. The agreement provides that the pool will cover liability claims in excess of \$75,000 for each insured event to a maximum of \$10,000,000 and property and crime claims in excess of \$1,000 plus 10% of the next \$100,000. If a covered loss exceeds the Authority's limits, all further payments for such loss are the sole obligation of the County. If for any reason, the Authorities resources available to pay losses are depleted, the payment of all unpaid losses of the county is the sole obligation of the County. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

The County continues to carry commercial insurance for other risk of loss, including worker's compensation and employee health insurance.

#### **NOTE I - PENSION PLANS:**

The County has two pension plans in an agent multi-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. One is for the primary unit, the other for a component unit (County Road Commission). The County does not include here all of the disclosures required by generally accepted accounting principles relating to these plans. Readers are referred to annual reports of the Plans for further information.

**NOTE I - PENSION PLANS: (Continued)**

The County's payroll for employees covered by the System for the year ended December 31, 2007 was approximately \$1,406,000 and the total payroll was approximately \$1,587,306. Employer contributions totaled \$279,875 for 2007. This Plan covers all of the County's regular full-time employees.

**NOTE J - DEFERRED COMPENSATION PLAN:**

The County of Alger offers its employees two 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 current salary until the employee's termination, retirement, death or unforeseeable emergency. The amounts deferred under the plans are held in trust for the exclusive benefit of plan participants and their beneficiaries.

The Plans are administered by the National Association of Counties (NACo) through Nationwide Retirement Solutions (formerly known as PEBSCO) and the Variable Annuity Life Insurance Company (VALIC). NACo and VALIC, as Plan Administrators, agree to hold harmless and indemnify the County, its appointed and elected officers and participating employees from any loss resulting from NACo, VALIC or their agent's failure to perform their duties and services pursuant to the program.

In accordance with GASB Statement No. 32 plan balances and activities are not reflected in the County's financial statements.

**NOTE K - MICHIGAN UNIFORM ACCOUNTING AND BUDGETING ACT:**

The County Board of Commissioners amended the budget of the General Fund during the fiscal year. The financial statements reflected these amended budgets. The budget is adopted on a basis consistent with the basis of accounting used by the General Fund, generally the modified cash basis. Budgeted appropriations lapse at year end.

The Act requires that the budget be amended before the additional expenditures are incurred. The County amended the general fund budget at year end, after expenditures were incurred. Therefore, the final budget revision was not made in accordance with the Budget Act. The following line items had excess expenditures over appropriations at December 31, 2007:

General Government	\$ 7,500
Public Safety	1,391
Other Expenditures	5,071

The County Board of Commissioners did not adopt budgets for the special revenue funds as required by the Budget Act.

**NOTE L - DEFICIT FUND BALANCE:**

The following deficit fund balances existed at December 31, 2007. The County plans to eliminate these deficit fund balances through transfers in the subsequent year.

**NOTE L - DEFICIT FUND BALANCE: (Continued)**

D.A.R.E.	\$ 713
Snowmobile Enforcement Fund	6,575
Circuit Court Probate Oversight Fund	45
Secondary Road Patrol	50
Sheriff Grants	9,581

**NOTE M - JOINT VENTURE COMMUNITY MENTAL HEALTH SERVICES:**

Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995, the Counties of Alger, Marquette, Delta, and Luce created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Pathways to Health Living. Under such provisions, Pathways to Health Living became a separate legal entity from the counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective counties. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code.

Summary financial information as of and for the fiscal year ended September 30, 2007 (the latest available report), for the Board is as follows:

Assets	\$ 11,344,529
Liabilities	10,963,083
Net Assets	381,446
Total Revenues	82,824,064
Total Expenses	82,274,765
Change in Net Assets	549,299

The separately issued financial statements can be obtained from the administrative office of the Board at: Pathways to Health Living, 200 West Spring Street, Marquette, Michigan 49855.

# Required Supplementary Information

**County of Alger, Michigan**

General Fund

Budgetary Comparison Schedule

For the year ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP</u>	<u>Final Budget</u>
			<u>Basis</u>	<u>Positive</u>
				<u>(Negative)</u>
<b>REVENUES:</b>				
Taxes	\$ 1,715,132	\$ 1,722,276	\$ 1,822,935	\$ 100,659
Licenses and permits	2,750	3,500	3,848	348
Federal sources	146,000	146,000	143,908	(2,092)
State sources	362,298	362,765	358,247	(4,518)
Local sources	6,000	6,000	8,535	2,535
Contributions from private sources	19,000	19,337	31,584	12,247
Charges for services	316,350	320,706	310,207	(10,499)
Fines and forfeitures	15,000	15,000	7,671	(7,329)
Interest and rentals	156,000	177,192	215,402	38,210
Other revenues	50,000	98,394	22,182	(76,212)
<b>TOTAL REVENUES</b>	<u>2,788,530</u>	<u>2,871,170</u>	<u>2,924,519</u>	<u>53,349</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	36,464	32,464	26,391	6,073
Judicial	875,310	722,986	691,809	31,177
General government	861,117	1,039,073	1,046,573	(7,500)
Public safety	949,645	998,683	1,000,074	(1,391)
Health and welfare	97,781	115,697	112,055	3,642
Other expenditures	212,208	121,899	126,970	(5,071)
Capital outlay	-	-	-	-
Debt service	-	83,735	82,073	1,662
<b>TOTAL EXPENDITURES</b>	<u>3,032,525</u>	<u>3,114,537</u>	<u>3,085,945</u>	<u>28,592</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(243,995)</u>	<u>(243,367)</u>	<u>(161,426)</u>	<u>81,941</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	270,995	270,995	197,769	(73,226)
Transfers (out)	27,000	(63,000)	(64,168)	(1,168)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>297,995</u>	<u>207,995</u>	<u>133,601</u>	<u>(74,394)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>54,000</u>	<u>(35,372)</u>	<u>(27,825)</u>	<u>7,547</u>
Fund balance, beginning of year	262,088	262,088	262,088	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 316,088</u>	<u>\$ 226,716</u>	<u>\$ 234,263</u>	<u>\$ 7,547</u>

County of Alger, Michigan

MSU Extension Fund

Budgetary Comparison Schedule

For the year ended December 31, 2007

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 65,661	\$ 65,661
Licenses and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Contributions from private sources	-	-	-	-
Charges for services	-	-	2,402	2,402
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>-</b>	<b>68,063</b>	<b>68,063</b>
<b>EXPENDITURES:</b>				
Current:				
Legislative	-	-	-	-
Judicial	-	-	-	-
General government	-	-	73,764	(73,764)
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>73,764</b>	<b>(73,764)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>(5,701)</b>	<b>(5,701)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>(5,701)</b>	<b>(5,701)</b>
Fund balance, beginning of year	18,498	18,498	18,498	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ 18,498</b>	<b>\$ 18,498</b>	<b>\$ 12,797</b>	<b>\$ (5,701)</b>

**County of Alger, Michigan**

Ambulance Fund

Budgetary Comparison Schedule

For the year ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ 274,072	\$ 274,072
Licenses and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Contributions from private sources	-	-	-	-
Charges for services	-	-	224,564	224,564
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>498,636</u>	<u>498,636</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	-	-	-	-
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	361,698	(361,698)
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>361,698</u>	<u>(361,698)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>136,938</u>	<u>136,938</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	(20,000)	(20,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>116,938</u>	<u>116,938</u>
Fund balance, beginning of year	<u>215,051</u>	<u>215,051</u>	<u>215,051</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 215,051</u>	<u>\$ 215,051</u>	<u>\$ 331,989</u>	<u>\$ 116,938</u>

**County of Alger, Michigan**

Wireless 911 Fund

Budgetary Comparison Schedule

For the year ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	98,053	98,053
Local sources	-	-	-	-
Contributions from private sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>98,053</u>	<u>98,053</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	-	-	-	-
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	17,349	(17,349)
Health and welfare	-	-	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>17,349</u>	<u>(17,349)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>80,704</u>	<u>80,704</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>80,704</u>	<u>80,704</u>
Fund balance, beginning of year	<u>345,493</u>	<u>345,493</u>	<u>345,493</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 345,493</u>	<u>\$ 345,493</u>	<u>\$ 426,197</u>	<u>\$ 80,704</u>

**County of Alger, Michigan**

Revenue Sharing Fund

Budgetary Comparison Schedule

For the year ended December 31, 2007

	<u>Budgeted Amounts</u>		<u>Actual GAAP Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	3,616	3,616
Contributions from private sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest and rentals	-	-	-	-
Other revenues	-	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>3,616</u>	<u>3,616</u>
<b>EXPENDITURES:</b>				
Current:				
Legislative	-	-	-	-
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Other expenditures	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>-</u>	<u>-</u>	<u>3,616</u>	<u>3,616</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	(176,411)	(176,411)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>(176,411)</u>	<u>(176,411)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>(172,795)</u>	<u>(172,795)</u>
Fund balance, beginning of year	<u>948,663</u>	<u>948,663</u>	<u>948,663</u>	<u>-</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 948,663</u>	<u>\$ 948,663</u>	<u>\$ 775,868</u>	<u>\$ (172,795)</u>

## **Other Financial Information**

**County of Alger, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended December 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>			
Taxes:			
Current levy	\$ 1,388,350	\$ 1,498,242	\$ 109,892
Delinquent personal taxes	2,200	2,600	400
Payment in lieu of taxes	185,726	182,184	(3,542)
Swampland	92,000	92,144	144
Commercial forest reserve	54,000	47,765	(6,235)
Total Taxes	<u>1,722,276</u>	<u>1,822,935</u>	<u>100,659</u>
Licenses and Permits:			
Dog licenses	900	940	40
Pistol permits	2,100	2,366	266
Marriage licenses	350	390	40
Other	150	152	2
Total Licenses and Permits	<u>3,500</u>	<u>3,848</u>	<u>348</u>
Federal Sources:			
Prosecuting attorney - ADC Coop. Rem.	32,000	18,461	(13,539)
Friend of the Court - Title IV Incentive	13,000	22,792	9,792
Friend of the Court - Coop. Rem.	95,000	102,655	7,655
Federal park patrol public safety	6,000	-	(6,000)
Total Federal Sources	<u>146,000</u>	<u>143,908</u>	<u>(2,092)</u>
State Sources:			
Probate judge salary	94,200	102,059	7,859
Judicial standardization	29,931	26,520	(3,411)
Sheriffs road patrol	44,000	45,583	1,583
State inmate housing	20,000	7,013	(12,987)
County juvenile officer	27,317	27,317	-
Attorney fees for state inmates	1,467	-	(1,467)
County diversion officer	10,000	9,027	(973)
Community corrections	17,500	14,420	(3,080)
Convention facility tax	38,000	41,470	3,470
Cigarette tax	5,790	4,759	(1,031)
Court equity fund	54,000	59,581	5,581
Prosecuting attorney - crime victims rights	20,530	17,508	(3,022)
Other	30	2,990	2,960
Total State Sources	<u>362,765</u>	<u>358,247</u>	<u>(4,518)</u>

**County of Alger, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended December 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Contributions from Local Units:			
Township liquor licenses	\$ 6,000	\$ 8,535	\$ 2,535
Total Contributions from Local Units	6,000	8,535	2,535
Contributions from Private Sources:			
Gaming revenue sharing	16,000	25,600	9,600
Family Independent Agency	3,337	5,984	2,647
Total Contributions from Private Sources	19,337	31,584	12,247
Charges for Services:			
Circuit court costs	12,318	13,782	1,464
District court costs	130,000	91,076	(38,924)
Circuit court fees	-	8,317	8,317
District court fees	10,000	13,169	3,169
Friend of the court	5,000	5,806	806
Probate court	4,000	2,653	(1,347)
Probate court attorney fees	500	1,457	957
Treasurer services	1,500	909	(591)
Clerk services	10,000	13,484	3,484
Register of deeds	55,000	59,648	4,648
Real estate transfer tax	30,000	36,491	6,491
Sheriff services	9,000	11,365	2,365
Current services - sales:			
Postage	4,488	4,000	(488)
Other	32,900	32,164	(736)
County inmate room and board	16,000	15,886	(114)
Total Charges for Services	320,706	310,207	(10,499)
Fines and Forfeitures:			
Forfeitures	8,000	1,380	(6,620)
Penalties	1,000	391	(609)
Penal fines	6,000	5,900	(100)
Total Fines and Forfeitures	15,000	7,671	(7,329)
Interest and Rentals:			
Interest on Investments	67,192	105,917	38,725
Rents	110,000	109,485	(515)
Total Interest and Rentals	177,192	215,402	38,210

**County of Alger, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended December 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Other Revenue:			
Other miscellaneous revenue	\$ 98,394	\$ 22,182	\$ (76,212)
Total Other Revenues	98,394	22,182	(76,212)
<b>TOTAL REVENUES</b>	<b>2,871,170</b>	<b>2,924,519</b>	<b>53,349</b>
<b>EXPENDITURES:</b>			
<b>LEGISLATIVE:</b>			
Board of Commissioners	31,764	25,974	5,790
Advertising	700	417	283
<b>TOTAL LEGISLATIVE</b>	<b>32,464</b>	<b>26,391</b>	<b>6,073</b>
<b>JUDICIAL:</b>			
Circuit court	127,661	88,689	38,972
Circuit court - administrative	4,000	4,000	-
District court	166,738	185,124	(18,386)
District/Circuit courts - standardization	25,212	25,112	100
Friend of the Court	138,209	141,953	(3,744)
Probate court	190,117	185,387	4,730
Probate court - juvenile officer	53,033	49,388	3,645
Probate court - diversion officer	16,091	10,540	5,551
Jury commission	1,925	1,616	309
<b>TOTAL JUDICIAL</b>	<b>722,986</b>	<b>691,809</b>	<b>31,177</b>
<b>GENERAL SERVICES AND ADMINISTRATION:</b>			
Elections	14,904	10,365	4,539
Tax Equalization	146,044	144,737	1,307
Clerk/Register of deeds	250,953	257,606	(6,653)
Prosecuting attorney	196,448	208,070	(11,622)
Treasurer	186,632	184,887	1,745
Building and grounds	195,050	204,008	(8,958)
Duplicating services	15,687	12,872	2,815
Postage	27,730	18,041	9,689
Service contract	5,625	5,987	(362)
<b>TOTAL GENERAL SERVICES AND ADMINISTRATION</b>	<b>1,039,073</b>	<b>1,046,573</b>	<b>(7,500)</b>

**County of Alger, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended December 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>PUBLIC SAFETY:</b>			
Sheriff	\$ 161,573	\$ 133,891	\$ 27,682
Road patrol	41,212	53,415	(12,203)
Jail	729,396	765,234	(35,838)
Motor pool	27,398	18,683	8,715
Emergency services	13,168	-	13,168
Animal control	7,100	7,152	(52)
Other	18,836	21,699	(2,863)
<b>TOTAL PUBLIC SAFETY</b>	<b>998,683</b>	<b>1,000,074</b>	<b>(1,391)</b>
<b>HEALTH AND WELFARE:</b>			
District health Department	17,337	16,206	1,131
Substance abuse services	19,218	20,735	(1,517)
Medical Examiner	9,843	15,887	(6,044)
Community mental health	33,220	33,220	-
Veterans burials	3,335	1,500	1,835
Veterans affairs	11,372	10,969	403
Soil conservation	11,372	3,538	7,834
Other	10,000	10,000	-
<b>TOTAL HEALTH AND WELFARE</b>	<b>115,697</b>	<b>112,055</b>	<b>3,642</b>
<b>OTHER EXPENDITURES:</b>			
Insurance	88,450	100,399	(11,949)
Retirement	(8,412)	4,735	(13,147)
Airport	5,122	3,159	1,963
Professional fees	15,839	12,791	3,048
Computer services	3,200	4,298	(1,098)
Termination allowance	16,100	-	16,100
Miscellaneous	1,600	1,588	12
<b>TOTAL OTHER EXPENDITURES</b>	<b>121,899</b>	<b>126,970</b>	<b>(5,071)</b>
<b>CAPITAL OUTLAY</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEBT SERVICE</b>	<b>83,735</b>	<b>82,073</b>	<b>1,662</b>
<b>TOTAL EXPENDITURES</b>	<b>3,114,537</b>	<b>3,085,945</b>	<b>28,592</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(243,367)</b>	<b>(161,426)</b>	<b>81,941</b>

**County of Alger, Michigan**  
**MAJOR GOVERNMENTAL FUNDS**  
**GENERAL FUND**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the year ended December 31, 2007

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in:			
Ambulance fund	\$ 76,000	\$ 20,000	\$ (56,000)
Delinquent tax revolving fund	-	1,358	1,358
Homestead property tax	24,386	-	(24,386)
Revenue sharing	170,609	176,411	5,802
	<u>270,995</u>	<u>197,769</u>	<u>(73,226)</u>
Total Operating Transfers In			
Transfers (out):			
Probate/Child care fund	(24,000)	(28,508)	(4,508)
Emergency management fund	(24,000)	(20,660)	3,340
Law library fund	(15,000)	(15,000)	-
	<u>(63,000)</u>	<u>(64,168)</u>	<u>(1,168)</u>
Total Operating Transfers (Out)			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>207,995</u>	<u>133,601</u>	<u>(74,394)</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(35,372)</u>	<u>(27,825)</u>	<u>7,547</u>
Fund balance, beginning of year	262,088	262,088	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 226,716</u>	<u>\$ 234,263</u>	<u>\$ 7,547</u>

**County of Alger, Michigan**

Non-Major Governmental Funds

Combining Balance Sheet

December 31, 2007

	Special Revenue Funds	Capital Projects Funds	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ 165,320	\$ 19,504	\$ 184,824
Accounts receivable	22,479	-	22,479
Other assets	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL ASSETS</b>	<u>\$ 187,799</u>	<u>\$ 19,504</u>	<u>\$ 207,303</u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES:</b>			
Cash overdraft	\$ 31,007	\$ -	\$ 31,007
Accounts payable	12,047	8,999	21,046
Due to other funds	-	-	-
Accrued wages	7,049	-	7,049
Other liabilities	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>TOTAL LIABILITIES</b>	<u>50,103</u>	<u>8,999</u>	<u>59,102</u>
<b>FUND BALANCE:</b>			
Unrestricted	<u>137,696</u>	<u>10,505</u>	<u>148,201</u>
<b>TOTAL FUND BALANCE</b>	<u>137,696</u>	<u>10,505</u>	<u>148,201</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 187,799</u>	<u>\$ 19,504</u>	<u>\$ 207,303</u>

**County of Alger, Michigan**

Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2007

	Special Revenue Funds	Capital Projects Funds	Total
<b>REVENUES:</b>			
Property taxes	\$ -	\$ -	\$ -
License and permits	70,797	-	70,797
Federal sources	51,577	47,351	98,928
State sources	58,624	-	58,624
Local sources	28,519	7,234	35,753
Charges for services	46,831	-	46,831
Fines and forfeits	2,000	-	2,000
Interest and rentals	1,317	-	1,317
	<u>259,665</u>	<u>54,585</u>	<u>314,250</u>
<b>TOTAL REVENUES</b>			
<b>EXPENDITURES:</b>			
Current operations:			
Judicial	20,606	-	20,606
General government	89,619	-	89,619
Public safety	181,945	-	181,945
Health and welfare	39,664	-	39,664
Capital outlay	-	80,722	80,722
	<u>331,834</u>	<u>80,722</u>	<u>412,556</u>
<b>TOTAL EXPENDITURES</b>			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(72,169)</u>	<u>(26,137)</u>	<u>(98,306)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer in	64,168	-	64,168
Transfer in (out)	-	-	-
	<u>64,168</u>	<u>-</u>	<u>64,168</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
<b>CHANGE IN FUND BALANCE</b>	(8,001)	(26,137)	(34,138)
Fund balance, beginning of year	145,697	36,642	182,339
	<u>145,697</u>	<u>36,642</u>	<u>182,339</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 137,696</u>	<u>\$ 10,505</u>	<u>\$ 148,201</u>

**County of Alger, Michigan**

Non-Major Special Revenue Funds

Combining Balance Sheet

December 31, 2007

	D.A.R.E. Fund	Snowmobile Enforcement Fund	Friend of the Court Fund	Circuit Court Probate Oversight Fund	Property Tax Fund	Building Department Fund	Register of Deeds Automation Fund	Emergency Management Fund	Emergency Management Grant Fund	Secondary Road Patrol Fund
<b>ASSETS</b>										
Cash	\$ -	\$ -	\$ 37,127	\$ -	\$ 10,280	\$ 22,483	\$ 5,672	\$ 12,704	\$ 35,251	\$ -
Accounts receivable	-	-	360	-	-	-	-	-	1,445	19,950
Taxes receivable	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,487</b>	<b>\$ -</b>	<b>\$ 10,280</b>	<b>\$ 22,483</b>	<b>\$ 5,672</b>	<b>\$ 12,704</b>	<b>\$ 36,696</b>	<b>\$ 19,950</b>
<b>LIABILITIES AND FUND EQUITY</b>										
<b>LIABILITIES:</b>										
Cash overdraft	\$ 551	\$ 2,802	\$ -	\$ 45	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,950
Accounts payable	-	1,589	900	-	-	6,436	-	-	-	50
Due to other funds	-	-	-	-	-	-	-	-	-	-
Accrued Liabilities	162	2,184	-	-	-	353	-	637	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>713</b>	<b>6,575</b>	<b>900</b>	<b>45</b>	<b>-</b>	<b>6,789</b>	<b>-</b>	<b>637</b>	<b>-</b>	<b>20,000</b>
<b>FUND EQUITY:</b>										
Fund balance - unreserved	(713)	(6,575)	36,587	(45)	10,280	15,694	5,672	12,067	36,696	(50)
<b>TOTAL FUND EQUITY</b>	<b>(713)</b>	<b>(6,575)</b>	<b>36,587</b>	<b>(45)</b>	<b>10,280</b>	<b>15,694</b>	<b>5,672</b>	<b>12,067</b>	<b>36,696</b>	<b>(50)</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 37,487</b>	<b>\$ -</b>	<b>\$ 10,280</b>	<b>\$ 22,483</b>	<b>\$ 5,672</b>	<b>\$ 12,704</b>	<b>\$ 36,696</b>	<b>\$ 19,950</b>

**County of Alger, Michigan**

Non-Major Special Revenue Funds

Combining Balance Sheet

December 31, 2007

	Sheriff Grants Fund	Local Corrections Fund	Central Dispatch 911 Fund	Drug Law Enforcement Fund	County Law Library Fund	Michigan Justice Training Fund	Probate Child Care Fund	Veterans Trust Fund	Total
<b>ASSETS</b>									
Cash	\$ -	\$ 6,530	\$ 14,211	\$ 7,069	\$ 7,354	\$ 4,981	\$ 1,551	\$ 107	\$ 165,320
Accounts receivable	-	-	-	-	-	-	724	-	22,479
Taxes receivable	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -</b>	<b>\$ 6,530</b>	<b>\$ 14,211</b>	<b>\$ 7,069</b>	<b>\$ 7,354</b>	<b>\$ 4,981</b>	<b>\$ 2,275</b>	<b>\$ 107</b>	<b>\$ 187,799</b>
<b>LIABILITIES AND FUND EQUITY</b>									
<b>LIABILITIES:</b>									
Cash overdraft	\$ 7,659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 31,007
Accounts payable	-	-	1,420	-	829	-	823	-	12,047
Due to other funds	-	-	-	-	-	-	-	-	-
Accrued Liabilities	1,922	-	1,791	-	-	-	-	-	7,049
Deferred revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>9,581</b>	<b>-</b>	<b>3,211</b>	<b>-</b>	<b>829</b>	<b>-</b>	<b>823</b>	<b>-</b>	<b>50,103</b>
<b>FUND EQUITY:</b>									
Fund balance - unreserved	(9,581)	6,530	11,000	7,069	6,525	4,981	1,452	107	137,696
<b>TOTAL FUND EQUITY</b>	<b>(9,581)</b>	<b>6,530</b>	<b>11,000</b>	<b>7,069</b>	<b>6,525</b>	<b>4,981</b>	<b>1,452</b>	<b>107</b>	<b>137,696</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ -</b>	<b>\$ 6,530</b>	<b>\$ 14,211</b>	<b>\$ 7,069</b>	<b>\$ 7,354</b>	<b>\$ 4,981</b>	<b>\$ 2,275</b>	<b>\$ 107</b>	<b>\$ 187,799</b>

**County of Alger, Michigan**

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2007

	D.A.R.E. Fund	Snowmobile Enforcement Fund	Friend of the Court Fund	Circuit Court Probate Oversight Fund	Property Tax Fund	Building Department Fund	Register of Deeds Automation Fund	Emergency Management Fund	Emergency Management Grant Fund	Secondary Road Patrol Fund
<b>REVENUES:</b>										
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	70,797	-	-	-	-
Federal sources	-	-	360	-	-	-	-	-	12,716	-
State sources	-	32,160	-	-	-	-	-	-	-	19,950
Local sources	4,266	-	-	1,500	3,448	-	-	7,124	-	-
Charges for services	-	-	8,112	-	-	-	13,350	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-	-	-
Interest and rentals	-	-	1,317	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>4,266</b>	<b>32,160</b>	<b>9,789</b>	<b>1,500</b>	<b>3,448</b>	<b>70,797</b>	<b>13,350</b>	<b>7,124</b>	<b>12,716</b>	<b>19,950</b>
<b>EXPENDITURES:</b>										
Current operations:										
Judicial	-	-	3,600	1,599	-	-	-	-	-	-
General government	-	-	-	-	1,259	75,614	12,746	-	-	-
Public safety	5,201	38,035	-	-	-	-	-	19,748	9,459	20,000
Health and welfare	-	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>5,201</b>	<b>38,035</b>	<b>3,600</b>	<b>1,599</b>	<b>1,259</b>	<b>75,614</b>	<b>12,746</b>	<b>19,748</b>	<b>9,459</b>	<b>20,000</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(935)</b>	<b>(5,875)</b>	<b>6,189</b>	<b>(99)</b>	<b>2,189</b>	<b>(4,817)</b>	<b>604</b>	<b>(12,624)</b>	<b>3,257</b>	<b>(50)</b>
<b>OTHER FINANCING SOURCES (USES):</b>										
Transfer in	-	-	-	-	-	-	-	20,660	-	-
Transfer (out)	-	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,660</b>	<b>-</b>	<b>-</b>
<b>CHANGES IN FUND BALANCE</b>	<b>(935)</b>	<b>(5,875)</b>	<b>6,189</b>	<b>(99)</b>	<b>2,189</b>	<b>(4,817)</b>	<b>604</b>	<b>8,036</b>	<b>3,257</b>	<b>(50)</b>
Fund balance, beginning of year	222	(700)	30,398	54	8,091	20,511	5,068	4,031	33,439	-
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (713)</b>	<b>\$ (6,575)</b>	<b>\$ 36,587</b>	<b>\$ (45)</b>	<b>\$ 10,280</b>	<b>\$ 15,694</b>	<b>\$ 5,672</b>	<b>\$ 12,067</b>	<b>\$ 36,696</b>	<b>\$ (50)</b>

**County of Alger, Michigan**

Non-Major Special Revenue Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2007

	Sheriff Grants Fund	Local Corrections Fund	Central Dispatch 911 Fund	Drug Law Enforcement Fund	County Law Library Fund	Michigan Justice Training Fund	Probate Child Care Fund	Veterans Trust Fund	Total
<b>REVENUES:</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-	-	-	-	-	70,797
Federal sources	38,501	-	-	-	-	-	-	-	51,577
State sources	-	-	-	-	-	2,526	-	3,988	58,624
Local sources	-	2,120	-	5,900	-	-	4,161	-	28,519
Charges for services	-	-	25,369	-	-	-	-	-	46,831
Fines and forfeitures	-	-	-	-	2,000	-	-	-	2,000
Interest and rentals	-	-	-	-	-	-	-	-	1,317
<b>TOTAL REVENUES</b>	<b>38,501</b>	<b>2,120</b>	<b>25,369</b>	<b>5,900</b>	<b>2,000</b>	<b>2,526</b>	<b>4,161</b>	<b>3,988</b>	<b>259,665</b>
<b>EXPENDITURES:</b>									
Current operations:									
Judicial	-	-	-	-	12,248	3,159	-	-	20,606
General government	-	-	-	-	-	-	-	-	89,619
Public safety	42,784	-	45,958	760	-	-	-	-	181,945
Health and welfare	-	-	-	-	-	-	34,922	4,742	39,664
<b>TOTAL EXPENDITURES</b>	<b>42,784</b>	<b>-</b>	<b>45,958</b>	<b>760</b>	<b>12,248</b>	<b>3,159</b>	<b>34,922</b>	<b>4,742</b>	<b>331,834</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,283)</b>	<b>2,120</b>	<b>(20,589)</b>	<b>5,140</b>	<b>(10,248)</b>	<b>(633)</b>	<b>(30,761)</b>	<b>(754)</b>	<b>(72,169)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Transfer in	-	-	-	-	15,000	-	28,508	-	64,168
Transfer (out)	-	-	-	-	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>28,508</b>	<b>-</b>	<b>64,168</b>
<b>CHANGES IN FUND BALANCE</b>	<b>(4,283)</b>	<b>2,120</b>	<b>(20,589)</b>	<b>5,140</b>	<b>4,752</b>	<b>(633)</b>	<b>(2,253)</b>	<b>(754)</b>	<b>(8,001)</b>
Fund balance, beginning of year	(5,298)	4,410	31,589	1,929	1,773	5,614	3,705	861	145,697
<b>FUND BALANCE, END OF YEAR</b>	<b>\$ (9,581)</b>	<b>\$ 6,530</b>	<b>\$ 11,000</b>	<b>\$ 7,069</b>	<b>\$ 6,525</b>	<b>\$ 4,981</b>	<b>\$ 1,452</b>	<b>\$ 107</b>	<b>\$ 137,696</b>

**County of Alger, Michigan**

Non-Major Capital Projects Funds

Combining Balance Sheet

December 31, 2007

	CDBG Housing 2006 Fund	HUD Grant VII Revolving Rehab Grant Fund	Total
<b>ASSETS</b>			
Cash	\$ -	\$ 19,504	\$ 19,504
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 19,504</u>	<u>\$ 19,504</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ -	\$ 8,999	\$ 8,999
<b>FUND BALANCES:</b>			
Fund balance	-	10,505	10,505
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 19,504</u>	<u>\$ 19,504</u>

**County of Alger, Michigan**

Non-Major Capital Projects Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the year ended December 31, 2007

	CDBG Housing 2006 Fund	HUD Grant VII Revolving Rehab Grant Fund	Total
<b>REVENUES:</b>			
Local sources	\$ -	\$ 7,234	\$ 7,234
Federal sources	47,351	-	47,351
<b>TOTAL REVENUES</b>	<u>47,351</u>	<u>7,234</u>	<u>54,585</u>
<b>EXPENDITURES:</b>			
Capital outlay	60,926	19,796	80,722
<b>TOTAL EXPENDITURES</b>	<u>60,926</u>	<u>19,796</u>	<u>80,722</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(13,575)</u>	<u>(12,562)</u>	<u>(26,137)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGES IN FUND BALANCE</b>	<u>(13,575)</u>	<u>(12,562)</u>	<u>(26,137)</u>
Fund balance, beginning of year	13,575	23,067	36,642
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 10,505</u>	<u>\$ 10,505</u>

County of Alger, Michigan

Fiduciary Funds

Combining Statement of Net Assets

December 31, 2007

	Agency Fund	Payroll Agency Fund	Library Penal Fines Fund	Total
<b>ASSETS</b>				
Cash	\$ 612,243	\$ 19,878	\$ -	\$ 632,121
Accounts receivable	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 612,243</u>	<u>\$ 19,878</u>	<u>\$ -</u>	<u>\$ 632,121</u>
<b>LIABILITIES</b>				
Due to others	\$ 612,243	\$ 19,878	\$ -	\$ 632,121
<b>TOTAL LIABILITIES</b>	<u>\$ 612,243</u>	<u>\$ 19,878</u>	<u>\$ -</u>	<u>\$ 632,121</u>

# **Compliance Supplements**



Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

REPORT ON COMPLIANCE AND OTHER MATTERS AND ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
County of Alger, Michigan  
Munising, Michigan 49862

We have audited the 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 the County of Alger, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County of Alger, Michigan's basic financial statements and have issued our report thereon dated June 1, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Alger, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Alger, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Alger, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies are described in the accompanying schedule of findings and responses as items 07-02, 07-03, 07-04, 07-05 and 07-07.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the County of Alger, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a

Honorable Chairman and Members of  
the Board of Commissioners  
County of Alger, Michigan

remote likelihood that a misstatement of the County of Alger, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Alger, Michigan's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Alger, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Alger, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and responses as items 07-01 and 07-06.

We noted certain matters that we reported to management of the County of Alger, Michigan, in a separate letter dated June 1, 2008.

The County of Alger, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County of Alger, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Board, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 1, 2008



*County of Alger, Michigan*  
*Report to Management Letter*  
For the Year Ended December 31, 2007

To the Honorable Chairman and Members of  
The Board of Commissioners  
County of Alger, Michigan  
101 Court Streets  
Munising, MI 49862

In planning and performing our audit of the financial statements of the County of Alger, Michigan as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Alger, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

**07-01 Condition/Criteria: (Repeat)** At December 31, 2007 the County of Alger, Michigan had an unrestricted equity deficit in several of their funds, as shown in Footnote L to the financial statements. Public Act 275 of 1980 requires that all deficits in any fund balance of local units be disclosed and enumerated upon in the Footnotes of the financial statements. In accordance with the Act, a corrective action plan for the deficit is required to be filed with the State Treasurer within 90 days of the end of the fiscal year. As of this time, the County of Alger, Michigan has not filed such a plan.

**Effect:** The County of Alger, Michigan is not in compliance with State Law.

**Cause of Condition:** Failure of operating revenues to cover operating expenditures in the current and prior years.

**Recommendation:** The County of Alger, Michigan needs to either increase operating revenues or decrease operating expenditures in the future.

To the Honorable Chairman and Members of  
The Board of Commissioners  
County of Alger, Michigan

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - December 31, 2008

**07-02 Condition/Criteria:** At December 31, 2007 the County of Alger, had employees reporting negative sick time balances. Proper internal control dictates that no employee can use sick or vacation time that has not yet been earned, without prior approval by the board.

**Effect:** The County of Alger, Michigan is paying for time not yet earned.

**Cause of Condition:** Failure of the payroll function to properly track, approve, and reconcile sick and vacation time.

**Recommendation:** The County of Alger, Michigan should make efforts to properly track, approve, and reconcile sick and vacation time after each pay period throughout the year to assure that sick and vacation time is used properly.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - December 31, 2008

**07-03 Condition/Criteria:** During the course of our audit, we noted that the clerks office does not retain any supporting documentation (i.e. check stubs) for receipts that they collect. This makes it difficult to validate certain amounts reported in the counties financial statements. Proper internal control dictates that all financial statement amounts be supported.

**Effect:** The County of Alger, Michigan revenues could not be verified and alternative audit procedures had to be established.

**Cause of Condition:** Failure to properly retain proper supporting documentation.

**Recommendation:** The County of Alger, Michigan should retain proper supporting documentation for significant amounts reported in their financial statements.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - December 31, 2008

To the Honorable Chairman and Members of  
The Board of Commissioners  
County of Alger, Michigan

**07-04 Condition/Criteria:** The County of Alger, Michigan does not present the Board of Commissioners with financial statements, for their review, on an interim basis. Proper internal control dictates that those charged with governance should receive, on an interim basis, financial statements that provide adequate information for financial decision making purposes.

**Effect:** The County of Alger, Michigan

**Cause of Condition:** Failure to prepare and distribute interim financial statements.

**Recommendation:** The County of Alger, Michigan should be providing to its Board of Commissioners, interim financial statements for their review and approval.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The Treasurer will provide the Board of Commissioners with financial statements at their monthly meetings.
- Anticipated Completion Date:
  - December 31, 2008

**07-05 Condition/Criteria:** During the course of our audit we noted that the Sheriff's Department supervisor is not signing employee timecards, indicating his approval of hours worked. Proper internal control dictates that all employee timecards should be reviewed and approved by a knowledgeable supervisor.

**Effect:** Not reviewing and approving payroll hours may lead to errors in the payroll process leading to a payment of wages not earned.

**Cause of Condition:** Failure to properly review and approve employee timecards.

**Recommendation:** The County of Alger, Michigan should assure that policies are in place for proper review and approval of timecards, by all department supervisors.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The revenue and expenditures will be more closely monitored.
- Anticipated Completion Date:
  - December 31, 2008

**Instances of Non-compliance**

**07-06 Condition/Criteria: (Repeat)** Public Act 621 of 1978, Section 18 (1) as amended provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County of Alger, Michigan had actual expenditures and budgeted expenditures as shown in Footnote K to the Financial Statements. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2007, the County of Alger, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

**Effect:** The County of Alger, Michigan is not in compliance with State Law.

**Cause of Condition:** Failure to amend the budgets during the year based on the level of expenditures.

To the Honorable Chairman and Members of  
The Board of Commissioners  
County of Alger, Michigan

**Recommendation:** The County of Alger, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
  - December 31, 2008

**07-07 – ASSIST IN PREPARING FINANCIAL STATEMENTS AND FOOTNOTES.**

**Condition/Criteria:** Statement on Auditing Standards #112 requires us to communicate in writing when a client requires assistance to prepare the financial statements and footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

**Effect:** We assisted management with the external financial reporting responsibility to ensure their financial statements are in accordance with GAAP.

**Cause of Condition:** The staff of the county does not have adequate time to prepare all the information included in the annual financial statements. Therefore, we assisted in the preparing the financial statements and related footnotes.

**Recommendation:** We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

**Management Response – Corrective Action Plan:**

- Contact Person(s) Responsible for Correction:
  - Howard Masters, Treasurer
- Corrective Action Planned:
  - We are aware of this deficiency and believe it is not cost beneficial in our situation to allocate the time need to prepare the audit report in the current fiscal year.
- Anticipated Completion Date:
  - December 31, 2008

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the County's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

June 1, 2008



**Anderson, Tackman & Company, PLC**

Certified Public Accountants  
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Partners

John W. Blemberg, CPA

Robert J. Downs, CPA, CVA

Daniel E. Bianchi, CPA

June 1, 2008

The Board of Commissioners of the  
County of Alger, Michigan  
191 Court Street  
Munising, Michigan 49862

We have audited the 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 the County of Alger, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Alger, Michigan's basic financial statements and have issued our report thereon dated June 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Alger, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatements, we preformed test of the County of Alger, Michigan's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters in the engagement letter.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the County of Alger, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus.

The Board of Commissioners of the  
County of Alger, Michigan

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements are listed in Note A.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management. Closing entries were made to record the capital asset activity for the fiscal year, as requested by management. Numerous adjusting entries were made to reclassify revenues and expenditures to proper accounts.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 1, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Board of Commissioners of the  
County of Alger, Michigan

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the County of Alger, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Alger, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Alger, Michigan's internal control. We consider the deficiencies described in the accompanying report to management to be significant deficiencies in internal control over financial reporting as items 07-02, 07-03, 07-04, 07-05 and 07-06.

As part of obtaining reasonable assurance about whether the County of Alger, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying report to management as item 07-01 and 07-07.

This information is intended solely for the use of the County of Alger, Michigan Board of Commissioners and management of the County of Alger, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Anderson, Tackman & Company*

Anderson, Tackman & Company, PLC