

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	Lenawee County	County	LENAWEE	Type	COUNTY	MuniCode	46-0-000
Opinion Date	06/09/2008	Audit Submitted	06/26/2008	Fiscal Year	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".

<input type="checkbox"/>	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?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	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?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	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.)
<input checked="" type="checkbox"/>	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.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="Qualified"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
	<input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$25,147,016"/>
General Fund Expenditure:	<input type="text" value="\$21,903,173"/>
Major Fund Deficit Amount:	<input type="text" value="N/A"/>

General Fund Balance:	<input type="text" value="\$9,342,403"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="\$5,462,977"/>

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)	David	Last Name	Fisher	Ten Digit License Number	1101010337					
CPA Street Address	675 Robinson Road		City	Jackson	State	MI	Zip Code	49203	Telephone	(517) 787-6503
CPA Firm Name	Rehmann Robson	Unit's Street Address	301 N. Main St.		City	Adrian		Zip Code	49221	



**Audited Financial Statements
and
Single Audit Act Compliance**

**For The Year Ended
December 31, 2007**



REHMANN ROBSON

Certified Public Accountants

LENAWEE COUNTY, MICHIGAN

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LENAWEE COUNTY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT

June 9, 2008

To the Board of Commissioners of
Lenawee County, Michigan
Adrian, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **LENAWEE COUNTY, MICHIGAN**, as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements of the County's primary government, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund, and therefore, a separate opinion unit. In addition, the Medical Care Facility represents 36% and 75% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical Care Facility Enterprise Fund were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

The financial statements do not include financial data for the County's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that includes the financial data for its component units. The County has not issued such reporting entity financial statements. This is a departure from accounting principles generally accepted in the United States of America. The amounts that should be reported for the discretely presented component units are unknown.

In our opinion, because of the omission of the discretely presented component units, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of Lenawee County, as of December 31, 2007, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of Lenawee County, Michigan, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General and Major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2008, on our consideration of the *County of Lenawee, Michigan's* internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and GASB Statement 25 supplementary information as listed in the table of contents, are not a required part of the basic financial statements of the primary government but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the County's primary government. The combining and individual fund financial statements and schedules and the schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual fund financial statements and schedules, and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly presented in all material respects in relation to the basic financial statements of the primary government taken as a whole.



Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lenawee County, Michigan we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2007.

Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$87,317,885 (*net assets*). Of this amount, \$35,989,966 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$4,642,729 during 2007.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,039,472, an increase of \$63,553 in comparison with the prior year primarily in large part as a result of an increase in the general fund. The unreserved portion of the fund balance that is designated for future expenditures is \$2,020,365. The unreserved undesignated fund balance is \$23,727,779.
- At the end of the current fiscal year, the unreserved fund balance for the general fund was \$9,051,075, or approximately 41 percent of total general fund expenditures. Total fund balance for the general fund was \$9,342,403.
- The County's total general obligation bond debt decreased by \$1,200,000 during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lenawee County's basic financial statements. Lenawee County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, health, social and youth services, public works, and community culture and recreation. The business-type activities of the County include delinquent tax collections and property foreclosures.

The government-wide financial statements do not include two legally separate authorities: the Lenawee County Drain Commission and the Lenawee County Road Commission – for which the County is financially accountable. Financial information for these *component units* are reported in financial statements separate from the financial information presented for the primary government itself. Component unit financial statements may be obtained from the individual commissions. The Lenawee County Building Authority, although also legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 13-15 of this report.

Fund Financial Statements

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

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The County maintains thirty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Medical Care Facility Millage, and Revenue Sharing Reserve funds, all of which are considered to be major funds. Data from the other thirty-six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-22 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax operations and property foreclosures. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its general office supplies for all departments. Because this service predominantly benefits governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the delinquent tax operations, the Building Authority, the Medical Care Facility, and the Airport, each of which is considered to be a major fund of the County. Conversely, all internal service functions are presented as a single fund in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 23-26 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-49 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to a schedule concerning the County's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on page 50-52 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and nonmajor enterprise funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 53-76 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County of Lenawee, assets exceeded liabilities by \$87,317,885 at the close of the most recent fiscal year.

By far the largest portion of the County's net assets (39 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities

Lenawee County's Net Assets

	<u>Governmental</u> <u>activities</u>		<u>Business-type</u> <u>activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 32,900,599	\$ 32,237,207	\$ 24,381,486	\$ 23,841,338	\$ 57,282,085	\$ 56,078,545
Capital assets	20,595,084	21,041,700	23,481,577	21,824,508	44,076,661	42,866,208
Total assets	53,495,683	53,278,907	47,863,063	45,665,846	101,358,746	98,944,753
Long-term liabilities outstanding	5,462,977	5,856,192	5,008,000	5,770,000	10,470,977	11,626,192
Other liabilities	2,312,063	3,092,453	1,257,821	1,550,952	3,569,884	4,643,405
Total liabilities	7,775,040	8,948,645	6,265,821	7,320,952	14,040,861	16,269,597
Net assets:						
Invested in capital assets, net of related debt	15,975,015	16,072,757	18,473,577	16,054,508	34,448,592	32,127,265
Restricted	16,821,196	17,823,840	58,131	1,591,234	16,879,327	19,415,074
Unrestricted	12,924,432	10,433,665	23,065,534	20,699,152	35,989,966	31,132,817
Total net assets	\$ 45,720,643	\$ 44,330,262	\$ 41,597,242	\$ 38,344,894	\$ 87,317,885	\$ 82,675,156

A portion of the County's net assets (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets*, \$35,989,966 (41 percent), may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

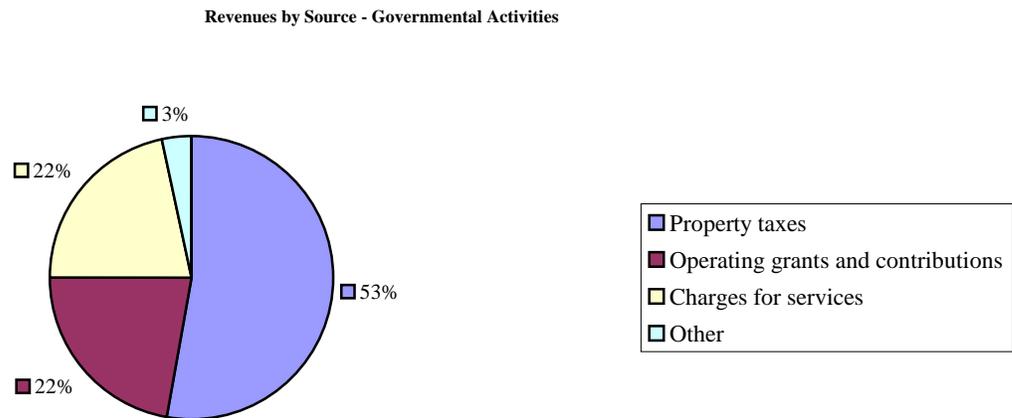
Lenawee County's Changes in Net Assets

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>activities</u>			
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenue:						
Program revenue:						
Charges for services	\$ 8,725,720	\$ 9,061,119	\$ 12,710,649	\$ 12,721,049	\$ 21,436,369	\$ 21,782,168
Operating grants and contributions	9,832,875	9,418,899	102,869	-	9,935,744	9,418,899
Capital grants and contributions	-	-	542,969	877,134	542,969	877,134
General revenue:						
Property taxes	19,197,496	22,158,274	-	-	19,197,496	22,158,274
Unrestricted investment earnings	1,644,114	1,099,279	1,731,908	1,362,827	3,376,022	2,462,106
Other Revenue	338,355	329,417	-	-	338,355	329,417
Gain on sale of capital assets	-	-	-	-	-	-
Total revenue	<u>39,738,560</u>	<u>42,066,988</u>	<u>15,088,395</u>	<u>14,961,010</u>	<u>54,826,955</u>	<u>57,027,998</u>
Expenses:						
General government	5,806,023	5,241,729	-	-	5,806,023	5,241,729
Public safety	259,895	168,662	-	-	259,895	168,662
Public works	5,922,938	5,944,408	-	-	5,922,938	5,944,408
Legislative	10,350,109	9,510,821	-	-	10,350,109	9,510,821
Judicial	214,648	208,457	-	-	214,648	208,457
Health and welfare	12,173,435	11,317,879	-	-	12,173,435	11,317,879
Community enrichment & development	3,245,771	2,910,068	-	-	3,245,771	2,910,068
Interest on bonds	161,728	169,790	-	-	161,728	169,790
Medical Care Facility	-	-	9,934,362	9,514,948	9,934,362	9,514,948
Airport	-	-	434,299	175,962	434,299	175,962
Human Services Building Operations	-	-	897,798	906,351	897,798	906,351
Jail Commissary	-	-	201,295	187,864	201,295	187,864
Summer Tax Administration	-	-	111,757	120,281	111,757	120,281
Delinquent Tax Admin/Revolving	-	-	296,503	204,416	296,503	204,416
Equalization assessment services	-	-	165,358	241,560	165,358	241,560
Business Loan Revolving	-	-	7,707	206,458	7,707	206,458
Total expenses	<u>38,134,547</u>	<u>35,471,814</u>	<u>12,049,079</u>	<u>11,557,840</u>	<u>50,183,626</u>	<u>47,029,654</u>
Increase in net assets before transfers	1,604,013	6,595,174	3,039,316	3,403,170	4,643,329	9,998,344
Transfers	<u>(213,632)</u>	<u>227,343</u>	<u>213,032</u>	<u>(227,343)</u>	<u>(600)</u>	<u>-</u>
Increase in net assets	1,390,381	6,822,517	3,252,348	3,175,827	4,642,729	9,998,344
Net assets - beginning of year, as restated	<u>44,330,262</u>	<u>37,507,745</u>	<u>38,344,894</u>	<u>35,169,067</u>	<u>82,675,156</u>	<u>72,676,812</u>
Net assets - end of year	<u>\$ 45,720,643</u>	<u>\$ 44,330,262</u>	<u>\$ 41,597,242</u>	<u>\$ 38,344,894</u>	<u>\$ 87,317,885</u>	<u>\$ 82,675,156</u>

Governmental activities. Governmental activities increased the County’s net assets by \$1,390,381, while business type activities increased the net assets by \$3,252,348. Key elements of these increases are as follows:

- Interest earnings during the year were up \$544,835 (50 percent) due to a continuing increase in interest rates.
- Operating grants and contributions were up by \$413,976 (4 percent).

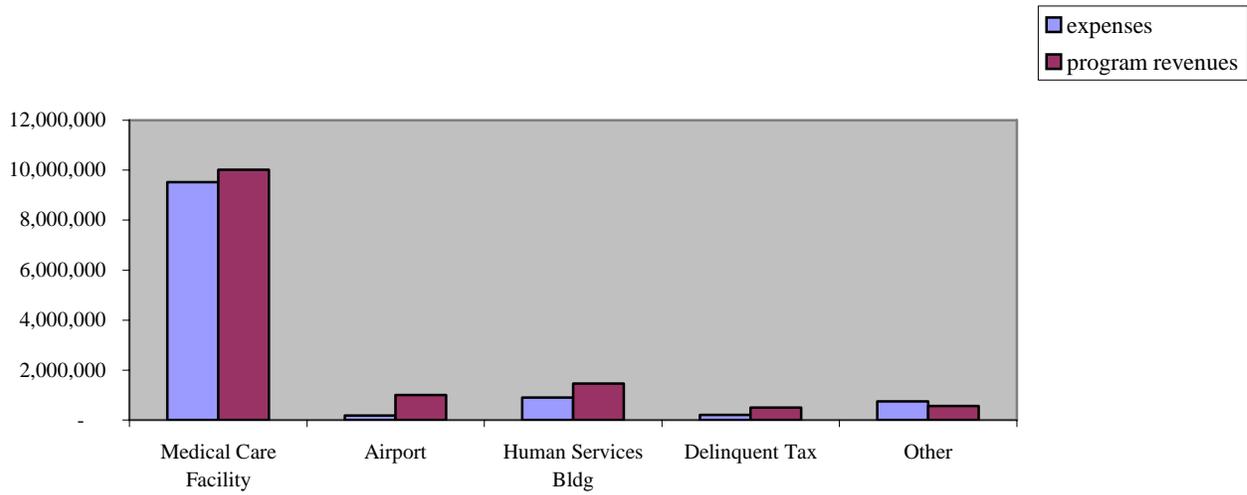
Revenues by Source - Governmental Activities



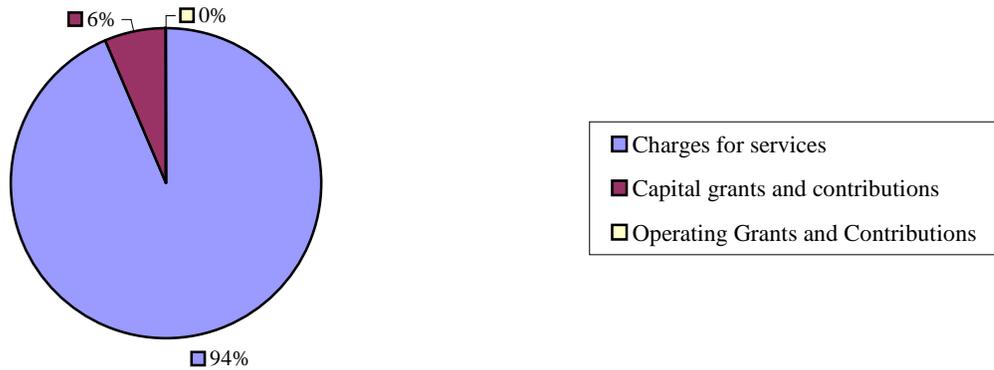
Business-type activities. Business-type activities increased the County’s net assets by \$3,252,348, accounting for 70 percent of the total growth in the government’s net assets for the current year. Key elements of this increase are as follows:

- Operating grants and contributions was the largest growth area in the business-type activities, with a \$102,869 increase.

Expenses and Program Revenues - Business-type Activities



Program Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$26,039,472. Most of this total amount (\$23.7 million) constitutes *unreserved, undesignated fund balance*, which is available for spending at the government's discretion. \$2 million is unreserved, but designated for future expenditures. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed: 1) prepaid expenditures (\$66,328) and 2) for long-term advances (\$225,000).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$9,051,075, while total fund balance was \$9,342,403. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 41 percent of total general fund expenditures.

The fund balance of the County's general fund increased by \$877,974 during the current fiscal year. This is primarily attributed to higher than expected use of money and property.

Proprietary funds. The County's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the delinquent tax, building authority, medical care facility, and airport funds at the end of the year amounted to \$17,177,148, \$348,292, \$3,384,529, and \$26,036 respectively. Nonmajor enterprise funds had \$2,129,529. Other factors concerning the finances of these two funds have already been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

The difference between budgeted and actual expenditures was five percent, (a \$1,244,607 variance) and can be briefly summarized as follows:

- \$469,832 in judicial decreases
- \$ 60,084 in health and welfare decreases
- \$195,649 in general support services decreases
- \$426,650 in public safety decreases

Capital Asset and Debt Administration

Capital assets. The County’s investment in capital assets for its governmental and business type activities as of December 31, 2007, amounted to \$44,076,661 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment and furniture, and vehicles. The total increase in the County’s investment in capital assets for the current fiscal year was \$1.2 million.

Major capital asset events during the current fiscal year included the following:

- Completion of the Medical Care Facility renovation and addition of a new wing
- Various equipment and furniture purchases

Lenawee County’s Capital Assets
(net of depreciation)

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Land and land improvements	\$ 2,359,113	\$ 2,308,910	\$ 9,421,766	\$ 5,085,476	\$ 11,780,879	\$ 7,394,386
Buildings and improvements	15,797,505	16,176,955	13,025,667	9,723,863	28,823,172	25,900,818
Vehicles	460,749	525,908	0	0	460,749	525,908
Equipment and furniture	1,977,717	1,213,343	922,124	971,449	2,899,841	2,184,792
Construction in Progress	0	816,584	112,020	6,043,720	112,020	6,860,304
Total	\$20,595,084	\$21,041,700	\$23,481,577	\$21,824,508	\$44,076,661	\$42,866,208

Additional information on the County’s capital assets can be found in note III.C on pages 39-40 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$9,625,000.

Lenawee County’s Outstanding Debt
General Obligation Bonds

	<u>Governmental activities</u>		<u>Business-type activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 4,705,000	\$ 5,055,000	\$ 4,920,000	\$ 5,770,000	\$ 9,625,000	\$ 10,825,000
Total	\$ 5,055,000	\$ 5,055,000	\$ 5,770,000	\$ 5,770,000	\$ 9,625,000	\$ 10,825,000

The County's total general obligation bonds decreased by \$1,200,000 during the current fiscal year.

The county is contingently liable for long-term bonds of various municipal and sewerage districts for a total of \$15.5 million.

A significant portion of the County's debt activity occurs in the County's Internal Loan Fund (operating like a bank) and involving short, intermediate and long-term debt.

The County has an "A2" rating for bonds from Moody's. The County has an "A" rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (i.e. State Equalized Value). The current debt limitation for the County is \$425,613,002, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III.F on pages 43-44 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2008 fiscal year:

- The unemployment rate for the County is currently 9.4 percent (March, 2008), which is an increase from a year ago of one percent. This is higher than the state's unemployment rate of 7.1 percent (January, 2008) and the current national rate of 5.0 percent (April 2008).
- Projections for continued growth in taxable value of real and personal property.
- Continued uncertainty with state government's financial status and its impact on the County's budget.

During the current fiscal year, the unreserved fund balance in the general fund increased to \$9.3 million. The County has appropriated \$1,001,110 of this amount for spending in the 2008 fiscal year budgets. It is intended that this use of available fund balance will avoid the need to substantially reduce services during the 2008 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lenawee County Administrator's Office, 301 North Main Street, Adrian, Michigan 49221.

Basic Financial Statements

Government-wide Financial Statements

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 25,600,088	\$ 18,616,400	\$ 44,216,488
Receivables	4,432,399	4,972,675	9,405,074
Internal balances	(446,814)	446,814	-
Inventory, prepaids, and other assets	3,314,926	345,597	3,660,523
Capital assets not being depreciated	2,359,113	5,416,123	7,775,236
Capital assets being depreciated, net	18,235,971	18,065,454	36,301,425
Total assets	53,495,683	47,863,063	101,358,746
Liabilities			
Accounts payable and accrued expenses	1,442,753	1,016,686	2,459,439
Unearned revenue	869,310	241,135	1,110,445
Noncurrent liabilities:			
Due within one year	1,107,977	917,000	2,024,977
Due in more than one year	4,355,000	4,091,000	8,446,000
Total liabilities	7,775,040	6,265,821	14,040,861
Net Assets			
Invested in capital assets, net of related debt	15,975,015	18,473,577	34,448,592
Restricted for:			
Debt service	1,490,292	43,872	1,534,164
State mandated programs	14,469,963	-	14,469,963
Capital projects	860,941	14,259	875,200
Unrestricted	12,924,432	23,065,534	35,989,966
Total net assets	\$ 45,720,643	\$ 41,597,242	\$ 87,317,885

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

LENAWEE COUNTY, MICHIGAN
Statement of Activities
For the Year Ended December 31, 2007

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Primary government					
Governmental activities:					
General government	\$ 5,806,023	\$ 1,083,418	\$ 223,887	\$ -	\$ (4,498,718)
Legislative	259,895	-	-	-	(259,895)
Judicial	5,922,938	2,505,558	2,707,790	-	(709,590)
Public safety	10,350,109	1,839,118	1,030,929	-	(7,480,062)
Public works	214,648	-	468	-	(214,180)
Health and welfare	12,173,435	1,584,994	5,412,935	-	(5,175,506)
Community enrichment & development	3,245,771	1,712,632	456,866	-	(1,076,273)
Interest on bonds	161,728	-	-	-	(161,728)
Total governmental activities	<u>38,134,547</u>	<u>8,725,720</u>	<u>9,832,875</u>	<u>-</u>	<u>(19,575,952)</u>
Business-type activities:					
Medical Care Facility	9,934,362	9,931,690	102,869	-	100,197
Airport	434,299	150,263	-	542,969	258,933
Human Services Building Operations	897,798	1,409,315	-	-	511,517
Jail Commissary	201,295	201,279	-	-	(16)
Summer Tax Administration	111,757	48,612	-	-	(63,145)
Delinquent Tax Admin/Revolving	296,503	611,811	-	-	315,308
Equalization Assessment Services	165,358	244,834	-	-	79,476
Business Loan Revolving	7,707	112,845	-	-	105,138
Total business-type activities	<u>12,049,079</u>	<u>12,710,649</u>	<u>102,869</u>	<u>542,969</u>	<u>1,307,408</u>
Total primary government	<u>\$ 50,183,626</u>	<u>\$ 21,436,369</u>	<u>\$ 9,935,744</u>	<u>\$ 542,969</u>	<u>\$ (18,268,544)</u>

continued...

LENAWEE COUNTY, MICHIGAN
Statement of Activities (Concluded)
For the Year Ended December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (19,575,952)	\$ 1,307,408	\$ (18,268,544)
General revenues:			
Property taxes	19,197,496	-	19,197,496
Unrestricted investment earnings	1,644,114	1,731,908	3,376,022
Other revenue	338,355	-	338,355
Transfers - internal activities	(213,632)	213,032	(600)
Total general revenues and transfers	20,966,333	1,944,940	22,911,273
Change in net assets	1,390,381	3,252,348	4,642,729
Net assets, beginning of year	44,330,262	38,344,894	82,675,156
Net assets, end of year	\$ 45,720,643	\$ 41,597,242	\$ 87,317,885

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

Fund Financial Statements

LENAWEE COUNTY, MICHIGAN

Balance Sheet

Governmental Funds

December 31, 2007

	General	241 Medical Care Facility Millage	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
<u>ASSETS</u>					
Cash and cash equivalents	\$ 9,072,879	\$ 1,451,015	\$ 7,978,361	\$ 6,677,996	\$ 25,180,251
Deposits and escrow	-	-	-	688,592	688,592
Taxes receivable	1,571,267	596,962	-	-	2,168,229
Accounts receivable	383,649	-	-	473,317	856,966
Due from other governments	333,514	-	-	841,456	1,174,970
Interfund receivable	157,274	-	-	-	157,274
Due from other funds	-	-	-	1,000	1,000
Advance to component unit	225,000	-	-	-	225,000
Prepaid expenditures	66,328	-	-	-	66,328
<u>TOTAL ASSETS</u>	\$ 11,809,911	\$ 2,047,977	\$ 7,978,361	\$ 8,682,361	\$ 30,518,610
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities					
Accounts and contracts payable	\$ 238,952	\$ -	\$ -	\$ 268,701	\$ 507,653
Accrued wages and benefits	371,815	-	-	306,447	678,262
Interfund payable	-	-	-	157,274	157,274
Due to other funds	447,814	-	-	-	447,814
Deferred revenue	1,408,859	633,515	-	421,370	2,463,744
Other liabilities	68	-	-	181,323	181,391
Deposits and trust monies held	-	-	-	43,000	43,000
Total liabilities	2,467,508	633,515	-	1,378,115	4,479,138
Fund balances					
Reserved for long-term advances	225,000	-	-	-	225,000
Reserved for prepaid expenditures	66,328	-	-	-	66,328
Unreserved - designated for future expenditures	981,748	-	-	-	981,748
Reported in nonmajor special revenue funds	-	-	-	558,557	558,557
Reported in nonmajor capital project funds	-	-	-	480,060	480,060
Unreserved - undesignated	8,069,327	1,414,462	7,978,361	-	17,462,150
Reported in nonmajor special revenue funds	-	-	-	4,379,800	4,379,800
Reported in nonmajor debt service funds	-	-	-	1,420,017	1,420,017
Reported in nonmajor capital project funds	-	-	-	465,812	465,812
Total fund balances	9,342,403	1,414,462	7,978,361	7,304,246	26,039,472
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	\$ 11,809,911	\$ 2,047,977	\$ 7,978,361	\$ 8,682,361	\$ 30,518,610

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

LENAWEE COUNTY, MICHIGAN
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
December 31, 2007

Fund balances - total governmental funds	\$ 26,039,472
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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.

Add - capital assets, net of accumulated depreciation	20,595,084
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Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance

Add - long-term receivables included in deferred revenue	1,594,434
--	-----------

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs. Differences between actuarially determined net pension costs and annual contributions are accumulated and reported as net pension (obligations)/assets.

Add - net pension asset	2,509,999
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	470,820
--	---------

Certain liabilities, such as bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds payable	(4,705,000)
Deduct - compensated absences	(757,977)
Deduct - accrued interest on long-term liabilities	(26,189)
	(5,489,166)

Net assets of governmental activities	\$ 45,720,643
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	241 Medical Care Facility Millage	285 Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 16,572,615	\$ 593,830	\$ -	\$ 1,501,410	\$ 18,667,855
Licenses and permits	184,920	-	-	1,675,465	1,860,385
Fines and forfeits	495,113	-	-	-	495,113
Use of money and property	1,558,163	-	-	104,995	1,663,158
Federal grants	1,258,834	-	-	2,145,180	3,404,014
State grants	1,763,366	-	-	3,642,646	5,406,012
Other intergovernmental revenue	-	-	-	1,670,284	1,670,284
Charges for services	2,962,349	-	-	1,384,188	4,346,537
Other	351,656	-	-	1,571,817	1,923,473
Total revenue	25,147,016	593,830	-	13,695,985	39,436,831
Expenditures					
Current:					
Legislative	261,984	-	-	-	261,984
General government	2,143,536	-	-	83,575	2,227,111
Judicial	5,957,352	-	-	176,639	6,133,991
Public safety	8,380,828	-	-	1,898,601	10,279,429
Health and welfare	871,763	25,133	-	11,340,100	12,236,996
Community enrichment and development	62,500	-	-	3,246,528	3,309,028
General support services	3,850,445	-	-	-	3,850,445
Public works	219,850	-	-	-	219,850
Other	154,915	-	-	-	154,915
Debt service:					
Principal	-	-	-	350,000	350,000
Interest and fiscal charges	-	-	-	163,086	163,086
Total expenditures	21,903,173	25,133	-	17,258,529	39,186,835
Revenue over (under) expenditures	3,243,843	568,697	-	(3,562,544)	249,996
Other financing sources (uses)					
Proceeds from sale of capital assets	23,789	-	-	3,400	27,189
Transfers in:					
County appropriation	-	-	-	4,145,646	4,145,646
Other	1,952,355	-	-	126,017	2,078,372
Transfers out	(4,342,013)	-	(1,818,358)	(277,279)	(6,437,650)
Total other financing sources (uses)	(2,365,869)	-	(1,818,358)	3,997,784	(186,443)
Net change in fund balances	877,974	568,697	(1,818,358)	435,240	63,553
Fund balance, beginning of year	8,464,429	845,765	9,796,719	6,869,006	25,975,919
Fund balance, end of year	\$ 9,342,403	\$ 1,414,462	\$ 7,978,361	\$ 7,304,246	\$ 26,039,472

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

LENAWEE COUNTY, MICHIGAN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2007

Net change in fund balances - total governmental funds \$ 63,553

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 and reported as depreciation expense.

Add - capital outlay	634,746
Deduct - depreciation expense	(1,058,570)

Governmental funds report proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the net book value of the capital assets are deducted from the proceeds and a gain on the sale of capital assets is reported.

Deduct - net book value of capital assets sold/disposed	(22,792)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Deduct - change in deferred long-term receivables	(227,912)
Add - change in unavailable property taxes receivable	529,641

Governmental funds report expenditures equal to amounts contributed to defined benefit pension plans. However, in the statement of activities, net pension costs are equal to actuarially determined net pension costs.

Add - excess of contributions over net pension cost	1,014,624
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Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on bonds payable	350,000
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An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service fund	62,518
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest payable on bonds	1,358
Add - decrease in the accrual for compensated absences	43,215

Change in net assets of governmental activities	\$ 1,390,381
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The accompanying notes are an integral part of these financial statements.

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenditures
And Changes in Fund Balance - Budget and Actual
General Fund
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>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenue				
Taxes	\$ 15,774,763	\$ 15,774,763	\$ 16,572,615	\$ 797,852
Licenses and permits	166,575	176,575	184,920	8,345
Fines and forfeits	520,300	520,300	495,113	(25,187)
Use of money and property	419,145	419,145	1,558,163	1,139,018
Federal grants	1,228,315	1,228,315	1,258,834	30,519
State grants	1,535,906	1,585,906	1,763,366	177,460
Charges for services	3,127,186	3,127,186	2,962,349	(164,837)
Other	342,600	366,849	351,656	(15,193)
Total revenue	23,114,790	23,199,039	25,147,016	1,947,977
Expenditures				
Legislative	257,452	267,347	261,984	5,363
General government	2,161,959	2,192,705	2,143,536	49,169
Judicial	6,320,641	6,427,184	5,957,352	469,832
Public safety	8,314,271	8,807,478	8,380,828	426,650
Health and welfare	923,878	931,847	871,763	60,084
Community enrichment and development	62,500	62,500	62,500	-
General support services	4,019,972	4,046,094	3,850,445	195,649
Public works	248,726	252,404	219,850	32,554
Other	160,221	160,221	154,915	5,306
Total expenditures	22,469,620	23,147,780	21,903,173	1,244,607
Revenue over expenditures	645,170	51,259	3,243,843	3,192,584
Other financing sources (uses)				
Proceeds from sale of capital assets	-	23,789	23,789	-
Transfers in	1,929,392	1,956,067	1,952,355	(3,712)
Transfers out	(4,041,395)	(4,333,313)	(4,342,013)	(8,700)
Total other financing uses	(2,112,003)	(2,353,457)	(2,365,869)	(12,412)
Net change in fund balances	(1,466,833)	(2,302,198)	877,974	3,180,172
Fund balance, beginning of year	8,464,429	8,464,429	8,464,429	-
Fund balance, end of year	\$ 6,997,596	\$ 6,162,231	\$ 9,342,403	\$ 3,180,172

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

LENAWEE COUNTY, MICHIGAN
Medical Care Facility Millage Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2007
(With Comparative Actual Amounts for the Year Ended September 30, 2006)

	<u>2007</u>				<u>2006</u> <u>Actual</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u> <u>Positive</u> <u>(Negative)</u>	
	<u>Original</u>	<u>Final</u>			
Revenue					
Taxes	\$ 592,373	\$ 592,373	\$ 593,830	\$ 1,457	\$ 567,358
Expenditures					
Health and welfare	160,000	160,000	25,133	134,867	4,850
Revenue over expenditures	432,373	432,373	568,697	136,324	562,508
Other financing uses					
Transfers out	(432,373)	(432,373)	-	432,373	-
Net change in fund balances	-	-	568,697	568,697	562,508
Fund balance, beginning of year	845,765	845,765	845,765	-	283,257
Fund balance, end of year	<u>\$ 845,765</u>	<u>\$ 845,765</u>	<u>\$ 1,414,462</u>	<u>\$ 568,697</u>	<u>\$ 845,765</u>

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

LENAWEE COUNTY, MICHIGAN
Revenue Sharing Reserve Fund
Statement of Revenue, Expenditures and
Changes in Fund Balance
Budget and Actual
For the Year Ended September 30, 2007
(With Comparative Actual Amounts for the Year Ended September 30, 2006)

	<u>2007</u>				<u>2006</u> <u>Actual</u>
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance -</u> <u>Positive</u> <u>(Negative)</u>	
	<u>Original</u>	<u>Final</u>			
Revenue					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,698,060
Other financing uses					
Transfers out	(1,818,358)	(1,818,358)	(1,818,358)	-	(1,795,474)
Net change in fund balances	(1,818,358)	(1,818,358)	(1,818,358)	-	2,902,586
Fund balance, beginning of year	9,796,719	9,796,719	9,796,719	-	6,894,133
Fund balance, end of year	<u>\$ 7,978,361</u>	<u>\$ 7,978,361</u>	<u>\$ 7,978,361</u>	<u>\$ -</u>	<u>\$ 9,796,719</u>

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

LENAWEE COUNTY, MICHIGAN
Statement of Net Assets
Proprietary Funds
December 31, 2007

	Business-type Activities						Governmental Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Assets							
Current assets							
Cash and cash equivalents	\$ 12,940,046	\$ 616,486	\$ 1,055,431	\$ 39,281	\$ 1,620,539	\$ 16,271,783	\$ 419,837
Restricted cash and cash equivalents	-	-	2,344,617	-	-	2,344,617	-
Accounts receivable	515,083	10,648	726,993	6,683	81,205	1,340,612	7,234
Delinquent taxes receivable	2,679,576	-	-	-	-	2,679,576	-
Due from other funds	612,143	-	-	-	-	612,143	-
Advance to component unit	430,300	-	-	-	-	430,300	-
Inventory	-	-	-	-	1,346	1,346	50,007
Prepaid expenses	-	-	192,464	-	-	192,464	-
Total current assets	<u>17,177,148</u>	<u>627,134</u>	<u>4,319,505</u>	<u>45,964</u>	<u>1,703,090</u>	<u>23,872,841</u>	<u>477,078</u>
Other assets							
Loans receivable, net	-	-	-	-	522,187	522,187	-
Deferred cost on bond reissue, net of amortization	-	69,683	82,104	-	-	151,787	-
Capital assets, net of accumulated depreciation	-	5,022,053	8,159,460	10,300,064	-	23,481,577	-
Total other assets	<u>-</u>	<u>5,091,736</u>	<u>8,241,564</u>	<u>10,300,064</u>	<u>522,187</u>	<u>24,155,551</u>	<u>-</u>
Total assets	<u>17,177,148</u>	<u>5,718,870</u>	<u>12,561,069</u>	<u>10,346,028</u>	<u>2,225,277</u>	<u>48,028,392</u>	<u>477,078</u>
Liabilities							
Current liabilities							
Accounts payable	-	18,917	444,436	3,375	15,647	482,375	6,258
Accrued wages and benefits	-	7,788	473,380	1,224	4,110	486,502	-
Accrued interest payable	-	6,676	-	-	-	6,676	-
Accrued expenses and deposits	-	-	41,133	-	-	41,133	-
Due to other funds	-	150,000	-	15,329	-	165,329	-
Unearned revenue	-	165,144	-	-	75,991	241,135	-
Current portion of bonds payable	-	680,000	215,000	-	-	895,000	-
Current portion of notes payable	-	-	-	22,000	-	22,000	-
Total current liabilities	<u>-</u>	<u>1,028,525</u>	<u>1,173,949</u>	<u>41,928</u>	<u>95,748</u>	<u>2,340,150</u>	<u>6,258</u>
Long-term liabilities							
Bonds payable	-	680,000	3,345,000	-	-	4,025,000	-
Notes payable	-	-	-	66,000	-	66,000	-
Total long-term liabilities	<u>-</u>	<u>680,000</u>	<u>3,345,000</u>	<u>66,000</u>	<u>-</u>	<u>4,091,000</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>1,708,525</u>	<u>4,518,949</u>	<u>107,928</u>	<u>95,748</u>	<u>6,431,150</u>	<u>6,258</u>
Net assets							
Invested in capital assets, net of related debt	-	3,662,053	4,599,460	10,212,064	-	18,473,577	-
Restricted	-	-	58,131	-	-	58,131	-
Unrestricted	<u>17,177,148</u>	<u>348,292</u>	<u>3,384,529</u>	<u>26,036</u>	<u>2,129,529</u>	<u>23,065,534</u>	<u>470,820</u>
Total net assets	<u>\$ 17,177,148</u>	<u>\$ 4,010,345</u>	<u>\$ 8,042,120</u>	<u>\$ 10,238,100</u>	<u>\$ 2,129,529</u>	<u>\$ 41,597,242</u>	<u>\$ 470,820</u>

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

LENAWEE COUNTY, MICHIGAN
Statement of Revenue, Expenses and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds						Governmental
							Activities
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Operating revenue							
Charges for services	\$ 611,811	\$ -	\$ 9,896,530	\$ 126,560	\$ 494,288	\$ 11,129,189	\$ 275,702
Rental income	-	1,407,447	-	-	-	1,407,447	-
Vending and other income	-	1,868	35,160	23,703	79,685	140,416	-
Total operating revenue	611,811	1,409,315	9,931,690	150,263	573,973	12,677,052	275,702
Operating expenses							
Personal services costs	-	359,048	4,557,793	71,707	201,359	5,189,907	-
Supplies and other operating expenses	297,055	204,319	4,794,368	72,380	283,621	5,651,743	213,184
Other contractual services	-	77,241	-	-	-	77,241	-
Administrative costs	-	31	-	88,820	-	88,851	-
Depreciation expense	-	153,968	549,321	200,075	-	903,364	-
Total operating expenses	297,055	794,607	9,901,482	432,982	484,980	11,911,106	213,184
Operating income (loss)	314,756	614,708	30,208	(282,719)	88,993	765,946	62,518
Non-operating revenue (expenses)							
Interest income	1,461,236	26,207	118,589	-	159,473	1,765,505	-
Interest expense	(585)	(103,191)	(32,830)	(1,317)	-	(137,923)	-
Loss on sale of property	-	-	(50)	-	-	(50)	-
Total non-operating revenue (expenses)	1,460,651	(76,984)	85,709	(1,317)	159,473	1,627,532	-
Income (loss) before contributions and transfers	1,775,407	537,724	115,917	(284,036)	248,466	2,393,478	62,518
Contributions from others	-	-	102,869	542,969	-	645,838	-
Transfers from other funds	198,169	-	-	180,753	-	378,922	-
Transfers to other funds	(38,688)	(127,202)	-	-	-	(165,890)	-
Change in net assets	1,934,888	410,522	218,786	439,686	248,466	3,252,348	62,518
Net assets, beginning of year	15,242,260	3,599,823	7,823,334	9,798,414	1,881,063	38,344,894	408,302
Net assets, end of year	\$ 17,177,148	\$ 4,010,345	\$ 8,042,120	\$ 10,238,100	\$ 2,129,529	\$ 41,597,242	\$ 470,820

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

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds						Governmental
							Internal
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Service 633 Central Stores
Cash flows from operating activities							
Cash received from customers, residents and users	\$ (99,408)	\$ 1,293,467	\$ 8,712,860	\$ 210,951	\$ 489,492	\$ 10,607,362	\$ -
Cash received from reimbursement program	-	-	1,190,105	-	-	1,190,105	-
Other operating receipts	-	1,868	35,160	23,703	79,685	140,416	-
Cash paid to employees and suppliers	(297,055)	(676,977)	(9,400,184)	(343,772)	(460,802)	(11,178,790)	(242,227)
Receipts for interfund services provided	-	-	-	-	-	-	275,702
Net cash provided by (used in) operating activities	(396,463)	618,358	537,941	(109,118)	108,375	759,093	33,475
Cash flows from capital and related financing activities							
Principal payments on capital debt	-	(655,000)	(195,000)	-	-	(850,000)	-
Interest payments on capital debt	(585)	(71,157)	(32,830)	(1,317)	-	(105,889)	-
Proceeds from long-term debt	-	-	-	88,000	-	88,000	-
Capital contributions	-	-	102,869	542,969	-	645,838	-
Purchase of capital assets	-	-	(2,116,367)	(689,430)	-	(2,805,797)	-
Net cash used in capital and related financing activities	(585)	(726,157)	(2,241,328)	(59,778)	-	(3,027,848)	-
Cash flows from non-capital financing activities							
Payments received on loans receivable	-	-	-	-	695,077	695,077	-
Issuance of loans receivable	-	-	-	-	(22,737)	(22,737)	-
Transfers from other funds	198,169	-	-	180,753	-	378,922	-
Transfers to other funds	(38,688)	(127,202)	-	-	-	(165,890)	-
Patient trust (withdrawals)	-	-	8,757	-	-	8,757	-
Net cash provided by (used in) non-capital financing activities	159,481	(127,202)	8,757	180,753	672,340	894,129	-
Cash flows from investing activities							
Interest income received	1,461,236	26,207	118,589	-	159,473	1,765,505	-
Net increase (decrease) in cash and cash equivalents	1,223,669	(208,794)	(1,576,041)	11,857	940,188	390,879	33,475
Cash and cash equivalents, beginning of year	11,716,377	825,280	4,976,089	27,424	680,351	18,225,521	386,362
Cash and cash equivalents, end of year	\$ 12,940,046	\$ 616,486	\$ 3,400,048	\$ 39,281	\$ 1,620,539	\$ 18,616,400	\$ 419,837

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Proprietary Funds
For the Year Ended December 31, 2007

	Business-type Activities - Enterprise Funds						Governmental
	616 & 606 Delinquent Tax Revolving	Building Authority	Medical Care Facility	581 Airport	Nonmajor Enterprise Funds	Total	Internal Service 633 Central Stores
Statement of Net Assets Classification of Cash							
Current assets - Cash and cash equivalents	\$ 12,940,046	\$ 616,486	\$ 1,055,431	\$ 39,281	\$ 1,620,539	\$ 16,271,783	\$ 419,837
Restricted assets - Cash and cash equivalents	-	-	2,344,617	-	-	2,344,617	-
Total	\$ 12,940,046	\$ 616,486	\$ 3,400,048	\$ 39,281	\$ 1,620,539	\$ 18,616,400	\$ 419,837
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities							
Operating income (loss)	\$ 314,756	\$ 614,708	\$ 30,208	\$ (282,719)	\$ 88,993	\$ 765,946	62,518
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:							
Depreciation	-	153,968	549,321	200,075	-	903,364	-
Deferred financing amortization	-	-	7,598	-	-	7,598	-
(Increase) decrease in:							
Accounts receivable	(177,302)	(10,648)	6,435	84,391	(4,796)	(101,920)	(7,234)
Taxes receivable	(337,829)	-	-	-	-	(337,829)	-
Interfund receivable	52,246	-	-	-	-	52,246	-
Due from other funds	(118,034)	-	-	-	-	(118,034)	-
Advance to component unit	(130,300)	-	-	-	-	(130,300)	-
Inventory	-	-	-	-	(1,346)	(1,346)	(2,026)
Prepaid expenses	-	-	(14,867)	-	-	(14,867)	-
Increase (decrease) in:							
Accounts payable	-	11,915	(93,444)	(1,281)	2,700	(80,110)	(19,783)
Accrued wages and benefits	-	1,747	67,907	170	(921)	68,903	-
Accrued expenses and deposits	-	-	(15,217)	-	-	(15,217)	-
Unearned revenue	-	(103,332)	-	-	75,991	(27,341)	-
Interfund payable	-	-	-	-	(52,246)	(52,246)	-
Due to other funds	-	(50,000)	-	(109,754)	-	(159,754)	-
Net cash provided by (used in) operating activities	\$ (396,463)	\$ 618,358	\$ 537,941	\$ (109,118)	\$ 108,375	\$ 759,093	\$ 33,475

Noncash Capital and Related Financing Transaction

In the Medical Care Facility Fund, there was a noncash transaction for the loss on disposal of fixed assets in the amount of \$50.

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

LENAWEE COUNTY, MICHIGAN
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2007

Assets

Cash and cash equivalents	\$ 5,256,718
Accounts receivable	<u>104,584</u>
Total assets	<u><u>\$ 5,361,302</u></u>

Liabilities

Undistributed fees, taxes and other collections	<u><u>\$ 5,361,302</u></u>
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The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

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LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic primary government financial statements of Lenawee County, Michigan (the “County” or “government”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the County’s accounting policies are described below.

A. Reporting Entity

The accompanying financial statements are for the primary government of Lenawee County, and do not include the financial data of the component units of the County. The component units discussed below are considered to be part of the County’s reporting entity because of the significance of their operational or financial relationship with the County.

The financial statements of the Lenawee County Building Authority, which is a blended component unit, have been consolidated with the County’s capital projects, debt service and enterprise funds. The Building Authority is reported as if it were part of the primary government because its sole purpose is to finance, construct and operate certain County public buildings.

The following are the component units of the County which have been excluded from the accompanying financial statements. If these component units had been included, they would have been presented as discrete component units:

Lenawee Transportation Corporation - The County appoints all members of the governing board of the Lenawee Transportation Corporation and the County has the ability to significantly influence their operations. The County also approves the budget and grants of the Lenawee Transportation Corporation. A complete financial statement can be obtained from the Lenawee Transportation Corporation, c/o City of Adrian, City Hall, Adrian, Michigan 49221.

Lenawee County Road Commission – Members of the governing board of the Road Commission are elected, and set policy for all Road Commission activities. The Road Commission deposits receipts with the County and has investments through the County. A complete financial statement can be obtained from the Lenawee County Road Commission, 2461 Treat Highway, Adrian, Michigan 49221.

Lenawee County Drain Commission – The Drain Commissioner is an elected position with statutory authority to perform duties related to the construction and maintenance of drainage, water and sewer systems within Lenawee County. The County has the ability to significantly influence their operations. The County also approves the budget of the Lenawee County Drain Commission. A complete financial statement can be obtained from the Lenawee County Drain Commission, 320 Springbrook Avenue, Adrian, Michigan 49221.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

B. Government-wide and Fund Financial Statements

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *medical care facility millage fund* accounts for property tax collections held for the medical care facility fund.

The *revenue sharing reserve fund* accounts for accelerated property tax collections held for the replacement of future state shared revenues.

The government reports the following major proprietary funds:

The *delinquent tax revolving fund* accounts for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

The *building authority fund* accounts for the construction, operation, maintenance, and financing of the human services building.

The *medical care facility fund* accounts for the long-term care of elderly residents of Lenawee County in a medical care unit owned and operated by Lenawee County.

The *airport fund* accounts for all County airport operations.

Additionally, the government reports the following fund types:

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects. The County health fund and the department on aging fund (nonmajor special revenue funds) are accounted for on a September 30 fiscal year end, which coincides with their primary funding sources.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

The *capital projects funds* are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

The *enterprise funds* account for those operations that are financed and operated in a manner similar to private business or where the County has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The *internal service fund* accounts for operations that provide services to other departments or agencies of the County, on a cost-reimbursement basis. The Central Stores Fund, as the only internal service fund, provides supplies and printing services to various County departments.

The *agency funds* account for assets held for other governments in an agency capacity.

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax fund and of the government's internal service fund are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments are stated at fair value.

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

Inventories in the internal service fund are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Capital Assets

Capital assets, which include property and equipment, 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

Capital assets of the primary government are depreciated using the straight line method over the useful life of the assets as follows:

Buildings and improvements	50 - 55 years
Equipment (computer, office and vehicles)	3 - 10 years

5. Compensated Absences

Under existing general County rules and regulations, all regular full-time employees are eligible for paid leave in varying amounts based on length of service, which may be used for vacation, sickness, personal days, or for other reasons subject to certain rules. All employees must take at least ten (10) working days per year of paid leave. Unused paid leave time is paid upon employee termination, but does not accumulate beyond maximums determined by length of service. This leave time is accrued when incurred in the government-wide and proprietary fund financial statements.

Accrued vacation, sick leave and other compensated absences are recorded as a governmental fund liability only if they have matured, for example, as a result of employee resignations and retirements.

6. Long-Term Obligations

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

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

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The County's procedures for establishing the budgetary data reflected in the financial statements is as follows:

- The County Administrator submits a proposed operating budget to the Board of Commissioners before October 15. The operating budget includes proposed expenditures and the means of financing them. Public hearings are held to obtain taxpayer comments. The budget is legally adopted no later than December 31 through a Board of Commissioners resolution prior to the beginning of the budgetary year for the general and special revenue funds. State statutes do not require legally adopted budgets for debt service or capital projects funds.
- The budget is approved by the Board of Commissioners at the functional level for the General Fund and on a total revenue/expenditure basis for the Special Revenue Funds. Budgetary control is exercised at these levels.
- The budget is adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the Board of Commissioners or the County Administrator during the year. Appropriations unused at December 31 are not carried forward to the following year.

The County did not adopt a budget for the Lilley and Agricultural Revolving Nonmajor Special Revenue Funds.

B. Excess of Expenditures Over Appropriations

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. Transfers out of the General Fund exceeded the approved budget by \$8,700. In addition, expenditures of the Health Department, Department of Human Services, Department on Aging, and DHS Child Care Nonmajor Special Revenue Funds exceed the approved budget by \$455,099, \$88,679, \$18,907, and \$188,161, respectively.

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments) as December 31, 2007:

Cash and Cash Equivalents:	
Statement of net assets	\$ 44,216,488
Statement of net assets – fiduciary funds	<u>5,256,718</u>
Total	<u>\$ 49,473,206</u>
Deposits and Investments:	
Bank deposits	\$ 43,390,520
Investments	5,613,912
Cash on hand	3,398
Adjustment for funds with other fiscal year ends	<u>465,376</u>
Total	<u>\$ 49,473,206</u>

The County chooses to disclose its investments by specifically identifying each. As of year end, the County had the following investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>	<u>Maturity</u>
Investment:			
MBIA Local Government Investment Pool	\$ 2,632,213	-n/a-	-n/a-
Comerica Governmental Cash Investment Fund	2,281,699	-n/a-	-n/a-
Federal National Mortgage Association (callable 1/2/2008)	200,000	S&P – AAA	2012
Federal Home Loan Bank (callable 4/10/2008)	200,000	S&P – AAA	2012
Federal Home Loan Bank (callable 4/15/2008)	<u>300,000</u>	S&P – AAA	2012
	<u>\$ 5,613,912</u>		

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The County assumes that its callable investments will not be called. The County's investment policy does not address interest rate risk. All investments held at year end are reported above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings on the County's investments are reported above.

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. State law does not require and the County does not have a policy for deposit custodial credit risk. At year end, the carrying amount of the County's deposits was \$43,390,520 and the carrying amount of the deposits held for the Drain Commission Component Unit was \$1,990,969. As of year end, \$43,495,153 of the combined bank balance of \$45,645,610 was exposed to custodial credit risk because it was uninsured and uncollateralized. Since the bank deposits of the primary government and Drain Commission Component Unit are pooled, separate risk categorizations or identification of FDIC coverage is not possible.

County policy limits the Treasurer's investing options to financial institutions located in Lenawee County, except when an investment is warranted to be invested in another Michigan County financial institution. The County believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the County evaluates each financial institution with which it deposits County funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. All accounts are in the name of the County and a specific fund or common account. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. As of December 31, 2007, none of the County's investments, excluding the investment pools which are not subject to custodial credit risk, were exposed to risk since the securities are held in the County's name by the counterparty.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

B. Receivables/Deferred Revenue

Receivables in the government activities are expected to be collected within one year and are composed of the following:

	<u>Total</u>	<u>Amount Expected to be Collected in More Than One Year</u>
Governmental activities:		
Taxes	\$ 2,168,229	\$ -
Accounts	864,200	-
Other governments	1,174,970	-
Advances to component unit	<u>225,000</u>	<u>225,000</u>
	<u>\$ 4,432,399</u>	<u>\$ 225,000</u>
Business-type activities:		
Accounts	\$ 613,619	\$ -
Patient	726,993	-
Delinquent taxes	2,679,576	450,000
Advance to component unit	430,300	430,300
Business loans, net	<u>522,187</u>	<u>441,508</u>
	<u>\$ 4,972,675</u>	<u>\$1,321,808</u>

The business loans receivable is comprised of several loans outstanding from local business. These loans are secured by property and/or personal guarantees. An allowance of \$203,294 has been established as an estimate of uncollectible loans.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable	\$ 1,279,180	\$ 633,515
Long-term receivable not collectible within 60 days	315,254	-
Grant drawdowns prior to meeting all eligibility requirements and fees received in advance of being earned	-	235,795
	\$ 1,594,434	\$ 869,310

C. Capital Assets

Capital asset activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,308,910	\$ 51,203	\$ 1,000	\$ 2,359,113
Construction in progress	816,584	-	816,584	-
Total capital assets, not being depreciated	3,125,494	51,203	817,584	2,359,113
Capital assets, being depreciated:				
Buildings and improvements	21,648,510	59,140	-	21,707,650
Equipment and furniture	2,609,751	1,170,292	56,385	3,723,658
Vehicles	1,299,062	170,695	163,311	1,306,446
Total capital assets, being depreciated	25,557,323	1,400,127	219,696	26,737,754
Less accumulated depreciation for:				
Buildings and improvements	5,471,555	438,590	-	5,910,145
Equipment and furniture	1,396,408	399,324	49,791	1,745,941
Vehicles	773,154	220,656	148,113	845,697
Total accumulated depreciation	7,641,117	1,058,570	197,904	8,501,783
Total capital assets, being depreciated, net	17,916,206	341,557	21,792	18,235,971
Governmental activities capital assets, net	\$ 21,041,700	\$ 392,760	\$ 839,376	\$ 20,595,084

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Land	\$ 4,804,327	\$ 61,600	\$ -	\$ 4,865,927
Avigation easments	127,823	310,353	-	438,176
Construction in progress	6,043,720	117,196	6,048,896	112,020
	10,975,870	489,149	6,048,896	5,416,123
Total capital assets, not being depreciated				
Capital assets, being depreciated:				
Land improvements	1,499,888	4,428,903	-	5,928,791
Buildings and improvements	15,336,373	3,657,350	611,346	18,382,377
Equipment and furniture	2,564,313	33,977	366,244	2,232,046
Vehicles	42,392	-	-	42,392
	19,442,966	8,120,230	977,590	26,585,606
Total capital assets, being depreciated				
Less accumulated depreciation for:				
Land improvements	1,346,562	464,566	-	1,811,128
Buildings and improvements	5,612,510	355,546	611,346	5,356,710
Equipment and furniture	1,592,864	83,252	366,194	1,309,922
Vehicles	42,392	-	-	42,392
	8,594,328	903,364	977,540	8,520,152
Total accumulated depreciation				
	10,848,638	7,216,866	50	18,065,454
Total capital assets, being depreciated, net				
	\$ 21,824,508	\$ 7,706,015	\$ 6,048,946	\$ 23,481,577

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

Governmental Activities:	
General government	\$ 212,306
Judicial	104,305
Public safety	651,106
Health and welfare	58,072
Community enrichment	32,781
	1,058,570
Total depreciation expense - governmental activities	\$ 1,058,570
Business-type activities:	
Building Authority	\$ 153,968
Medical Care Facility	549,321
Airport	200,075
	903,364
Total depreciation expense - business-type activities	\$ 903,364

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

D. Payables

Accounts payable and accrued expenses in the governmental activities are as follows:

Trade accounts and contracts payable	\$ 513,911
Accrued wages and benefits	678,262
Accrued interest payable	26,189
Other liabilities	181,391
Deposits and trust monies held	43,000
	\$ 1,442,753

Accounts payable and accrued expenses in the business-type activities are as follows:

Trade accounts payable	\$ 482,375
Accrued wages and benefits	486,502
Accrued interest payable	6,676
Accrued expenses and deposits	41,133
	\$ 1,016,686

E. Interfund Receivables, Payables and Transfers

Due to/from other funds	Receivable	Payable
General Fund	\$ -	\$ 447,814
Nonmajor governmental funds	1,000	-
Delinquent Tax Revolving	612,143	-
Building Authority	-	150,000
Airport	-	15,329
Total	\$ 613,143	\$ 613,143

Certain nonmajor governmental funds with negative balances in the County's pooled cash accounts report an interfund payable, which is equal to the interfund receivable of \$157,274 reported in the General Fund.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

The County has interfund balances between many of its funds. The sum of all balances presented in the tables above agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds and proprietary funds. These interfund balances resulted primarily from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,952,355	\$ 4,342,013
Revenue Sharing Reserve	-	1,818,358
Delinquent Tax Revolving	198,169	38,688
Building Authority	-	127,202
Airport	180,753	-
Nonmajor governmental funds	4,271,663	277,279
Adjustment for different fiscal year end	<u>600</u>	<u>-</u>
Total	<u>\$ 6,603,540</u>	<u>\$ 6,603,540</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

F. Long-term Debt

The County issues limited tax general obligation bonds through the Building Authority to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental and business-type activities.

County long-term debt activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
G.O. Bonds of \$6,030,000 due in varying annual installments of \$325,000 to \$530,000 at interest rates of 2.1% to 3.9%.	\$ 5,055,000	\$ -	\$ 350,000	\$ 4,705,000	\$ 350,000
Accumulated sick and vacation leave	801,192	1,584,265	1,627,480	757,977	757,977
	<u>\$ 5,856,192</u>	<u>\$1,584,265</u>	<u>\$ 1,977,480</u>	<u>\$ 5,462,977</u>	<u>\$1,107,977</u>
Business-type activities:					
G.O. Bonds of \$1,410,000, due in varying installments of \$125,000 to \$165,000 plus interest rates of 2.0% to 3.5%, through 2014.	\$ 1,160,000	\$ -	\$ 130,000	\$ 1,030,000	\$ 130,000
G.O. Bonds of \$2,595,000, due in varying installments of \$65,000 to \$200,000 plus interest rates of 3.5% to 4.0%, through 2026.	2,595,000	-	65,000	2,530,000	85,000
Refunding G.O. Bonds of \$4,525,000, due in varying installments of \$610,000 to \$680,000 plus interest rates of 2.0% to 3.1%, through 2009.	2,015,000	-	655,000	1,360,000	680,000
Promissory note for the purchase of Airport real estate, due in four annual installments of \$22,000, without interest, through 2011.	-	88,000	-	88,000	22,000
	<u>\$ 5,770,000</u>	<u>\$ 88,000</u>	<u>\$ 850,000</u>	<u>\$ 5,008,000</u>	<u>\$ 917,000</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

On September 1, 2002, the County issued \$4,525,000 in Limited Tax Full Faith and Credit General Obligation Refunding Bonds with an average rate of 2.6% to advance refund \$4,260,000 of outstanding 1993 Series Limited Tax Full Faith and Credit General Obligation Bonds with an average interest rate of 5.6%. As a result, the \$4,260,000 remaining 1993 Series bonds are considered to be defeased and the liability for these bonds has been removed from the Building Authority Fund. The balance of the defeased bonds outstanding was \$1,380,000 at December 31, 2007. This transaction resulted in a deferred cost on refunded bonds, where the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized over the remaining life of the new debt (through 4/30/09).

The annual requirements to amortize the general obligation bonds as of December 31, 2007, are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 350,000	\$ 154,261	\$ 917,000	\$ 156,141
2009	375,000	144,548	927,000	129,366
2010	375,000	133,580	257,000	111,773
2011	400,000	121,262	747,000	129,243
2012	400,000	107,962	105,000	82,328
2013-2017	2,275,000	315,888	580,000	351,531
2018-2022	530,000	10,203	735,000	224,100
2023-2026	-	-	740,000	61,196
	<u>\$ 4,705,000</u>	<u>\$ 987,704</u>	<u>\$ 5,008,000</u>	<u>\$ 1,245,678</u>

The County of Lenawee is contingently liable for long-term bonds of various municipal sewerage and drainage districts at December 31, 2007, in the amount of \$15,461,988. The primary obligation for the bond principal and interest payments lies with the local unit. However, the County (as an agent) is obligated to pay the debt if there are not sufficient funds on hand from the fixed debt retirement payments of the municipality.

For the governmental activities, compensated absences are generally liquidated by the general fund.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

IV. OTHER INFORMATION

A. Risk Management

During the normal course of its operations, the County is exposed to various risks of loss related to liability, health, employee injury and other circumstances. The County has retained coverages through commercial insurance carriers. There were no significant reductions in insurance coverage from the prior year, and no insurance settlements have exceeded coverage in the past three years.

B. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Property Taxes

Prior to 2005, the County property taxes were levied annually on December 1 (the lien date) to fund operations of the following year. The property taxes were due in full within 90 days (prior to March 1), at which time uncollected taxes became delinquent.

In 2004, the State of Michigan passed Public Act 357. This Act provides a temporary funding mechanism as a substitute for state revenue sharing payments to counties. As a result of this new law, the County's levy date began a phased shifting (or acceleration) over a 3-year period from December 1 to July 1 of each year. In 2005, one-third of the tax levy took place on July 1 and two-thirds took place on December 1. In 2006, two-thirds of the tax levy took place on July 1 and one-third took place on December 1. In 2007 and each year thereafter, one-hundred percent of the tax levy will take place on July 1. The Act also requires that an amount equal to one-third of the December 2004 tax levy be placed each year for three years into the newly created Revenue Sharing Reserve Fund, a special revenue fund. An annual transfer, in an amount determined by the State of Michigan, is made from the Revenue Sharing Reserve Fund into the General Fund equal to the amount of revenue sharing the County used to receive from the State, adjusted for inflation.

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

Property taxes are levied on the assessed taxable value of the property as established by local units, accepted by the County and equalized under State statute at approximately 50% of the current estimated market value. In March 1994, Michigan voters approved Proposal A, which limits annual increases in assessed values to the lesser of 5% or the rate of inflation with assessed value reverting to 50% of true cash value when the property is sold.

The assessed and taxable value of real and personal property for the July 1, 2007 levy, for which revenue was recognized in fiscal 2007, was \$3.3 billion. The general operating tax rate for this levy was at the maximum rate of 4.9412 mills, as adjusted by the Headlee Amendment to the State of Michigan Constitution. The County also had a voter approved tax of 0.4820 mills for the Department on Aging and 0.1897 mills for the Medical Care Facility.

By agreement with various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1 and records a corresponding delinquent taxes receivable.

D. Pension Plan

Defined Benefit

General

The County contributes to the Lenawee County Board of Commissioners Employees' Retirement Income Plan ("Plan"), a single-employer defined benefit plan provided through a private insurance company that acts as an investment and administrative agent for the County. The Plan is not shown as a pension trust fund within the County's financial statements as the Plan is completely administered by an outside party. Employer and employee contributions and benefit provisions are authorized and may be amended by County Board resolution and benefits may vary pursuant to collective bargaining agreements.

The County provides this Plan for all employees who regularly work at least 1,000 hours in a calendar year. The Plan is a defined benefit plan which pays upon retirement a benefit range (depending on Group) calculated at 1.0 to 2.5% of average monthly earnings times years of service, times final average compensation. For most employee groups, full retirement benefits are available when an employee reaches the "rule of 85" (age plus years of service) or age 62 with eight (8) years continuous service. Reduced retirement benefits are also available as early as age 55 with ten (10) years continuous service. Retirement plan benefits may vary pursuant to employee group provisions and/or collective bargaining agreements.

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

Membership in the Plan consisted of the following at January 1, 2007, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	226
Terminated plan members entitled to, but not yet receiving benefits	121
Active plan members	<u>535</u>
Total	<u>882</u>

Employee Contributions

Eligible employees are required to contribute 0% to 5% of their annual compensation to the Plan. Total contributions amounted to \$773,490 for the year ended December 31, 2007.

Employer Contributions

The County also makes contributions to the Plan, at annual actuarially determined amounts, to provide assets sufficient to meet the benefits to be paid to plan members. Such aggregate contributions amounted to \$2,528,157 for the year ended December 31, 2007.

Summary of Significant Accounting Policies

Method Used to Value Investments

The Plan's investments are recorded at fair value and include accounts administered by a Life Insurance Company maintained under group annuity contracts.

Annual Pension Cost and Net Pension Obligation (Asset)

The County's annual pension cost and net pension obligation (asset) for the current year were as follows:

Annual required contribution	\$ 1,774,236
Interest on net pension asset	(119,630)
Adjustment to annual required contribution	<u>(141,073)</u>
Annual pension cost	1,513,533
Contribution made	<u>(2,528,157)</u>
Increase in net pension obligation (asset)	(1,014,624)
Net pension obligation (asset), beginning of year	<u>(1,495,375)</u>
Net pension obligation (asset), end of year	<u>\$ (2,509,999)</u>

LENAWEE COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2007

The annual required contribution for the current year was determined as part of a January 1, 2007 actuarial valuation using the entry age normal contribution method. The actuarial assumptions included 8% investment rate of return on the investment, compounded annually, and projected salary increases of 4% per year compounded annually, including inflation at 2% per year. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a two-year period. The unfunded, actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis with 20 years remaining, as of January 1, 2007.

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
12/31/05	\$1,713,836	130	\$(1,040,625)
12/31/06	1,601,953	128	(1,495,375)
12/31/07	1,513,533	128	(2,509,999)

Defined Contribution Plan

Effective April 1, 2001, the County began to provide and administer pension benefits for certain new full-time employees through a defined contribution plan, called the Lenawee County Board of Commissioners Defined Contribution Plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate on the date of employment. The plan requires the County to contribute, on behalf of each covered employee, 7.5% of the employees' compensation. Plan provisions and contribution requirements are established and may be amended by the Board of County Commissioners.

Participants are required to contribute 7.5% of compensation to this plan.

The County made the required contribution to the plan, amounting to \$276,832 and employee contributions also were \$276,832 for the year ended December 31, 2007.

LENAWEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

E. Leases

The Building Authority Enterprise Fund leases space in the Human Services Building to various departments of the County and other governmental agencies. The cost and carrying amount of leased assets at year end was as follows:

Land	\$ 75,000
Buildings and improvements	7,603,554
Less accumulated depreciation	<u>(2,656,501)</u>
	<u>\$ 5,022,053</u>

Minimum future lease payments with other governmental agencies under non-cancelable leases were as follows:

<u>Year Ending</u> <u>December 31,</u>	
2008	\$ 903,458
2009	829,448
2010	497,004
2011	225,840
2012	171,607
2013-2015	<u>131,528</u>
	<u>\$ 2,758,885</u>

Required Supplementary Information

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a) / (c)
1/01/02	\$ 31,310,910	\$ 42,970,744	\$ 11,659,834	72.9 %	\$ 15,416,295	75.6 %
1/01/03	30,430,043	44,875,929	14,445,886	67.8	16,367,621	88.3
1/01/04	33,854,728	50,224,035	16,369,307	67.4	16,600,507	98.6
1/01/05	37,771,373	52,684,997	14,913,624	71.7	16,339,433	91.3
1/01/06	41,790,792	56,617,255	14,826,463	73.8	16,593,939	89.3
1/01/07	46,196,170	61,518,138	15,321,968	75.1	16,034,132	95.6

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2002	\$ 1,465,050	129 %
2003	1,669,712	100
2004	1,939,034	97
2005	1,805,708	123
2006	1,783,375	115
2007	1,774,236	142

LENAWEE COUNTY, MICHIGAN

GASB STATEMENT 25 REQUIRED SUPPLEMENTARY INFORMATION

ADDITIONAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date:	January 1, 2007
Actuarial cost method	Entry Age Normal
Amortization method	Open amortization period
Remaining amortization period	20 years
Asset valuation method	Insurance company assigned value
Actuarial assumptions:	
Investment rate of return	8.00%
Projected salary increases *	4.00%
* includes inflation at	2.00%
Cost of living adjustments	n/a

Combining and Individual Fund Statements and Schedules

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				
	Budgeted Amounts		Actual	Actual	2006 Actual
	Original	Final		Over (Under) Final Budget	
Revenue					
Taxes:					
Current real property taxes	\$ 15,764,818	\$ 15,764,818	\$ 16,560,270	\$ 795,452	\$ 15,036,953
Trailer tax	9,945	9,945	12,345	2,400	12,366
	<u>15,774,763</u>	<u>15,774,763</u>	<u>16,572,615</u>	<u>797,852</u>	<u>15,049,319</u>
Licenses and Permits:					
Dog licenses	115,000	125,000	141,444	16,444	128,800
Clerk	51,575	51,575	43,476	(8,099)	48,547
	<u>166,575</u>	<u>176,575</u>	<u>184,920</u>	<u>8,345</u>	<u>177,347</u>
Fines and Forfeits:					
Local ordinances	520,000	520,000	494,583	(25,417)	509,894
Clerk & District Court	300	300	530	230	387
	<u>520,300</u>	<u>520,300</u>	<u>495,113</u>	<u>(25,187)</u>	<u>510,281</u>
Use of Money and Property:					
Interest on investments	400,000	400,000	1,539,119	1,139,119	1,014,112
Rent	19,145	19,145	19,044	(101)	19,145
	<u>419,145</u>	<u>419,145</u>	<u>1,558,163</u>	<u>1,139,018</u>	<u>1,033,257</u>
State and Federal Grants:					
Probate Judge salary	140,000	140,000	139,919	(81)	147,975
Probate Court - Other	104,000	154,000	197,452	43,452	178,347
Probate Juvenile Officer salary	52,000	52,000	60,828	8,828	52,776
Probate Court Juvenile - Other	15,000	15,000	14,880	(120)	15,165
District Court	368,048	368,048	427,267	59,219	391,055
Friend of the Court:					
Title IV-D CRP - Federal	800,000	800,000	800,934	934	845,523
State supplement	-	-	-	-	9,228
Incentive payments - Federal	180,000	180,000	218,768	38,768	179,562
Other	167,000	167,000	182,915	15,915	164,123

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				
	Budgeted Amounts		Actual	Actual	2006 Actual
	Original	Final		Over (Under) Final Budget	
Revenue (continued)					
State and Federal Grants: (Concluded)					
Circuit Court Fund	\$ 115,000	\$ 115,000	\$ 128,953	\$ 13,953	\$ 122,657
Prosecuting Attorney:					
Title IV-D CRP - Federal	130,442	130,442	117,146	(13,296)	108,540
State supplement	-	-	1,582	1,582	2,876
Victims' rights	44,500	44,500	41,652	(2,848)	42,322
Other	95,190	95,190	124,768	29,578	48,969
Judicial salary standard pay	91,448	91,448	90,998	(450)	91,448
Operation Nightcap	50,000	50,000	53,737	3,737	42,686
Convention facilities liquor	286,202	286,202	290,599	4,397	270,975
Cigarette tax	55,268	55,268	47,752	(7,516)	58,438
Court costs for children	500	500	7,366	6,866	-
Administration costs	-	-	4,591	4,591	4,562
Emergency management-Federal	21,373	21,373	21,004	(369)	96,222
Youth alcohol enforcement	24,500	24,500	20,537	(3,963)	9,416
Buffer zone protection program	-	-	-	-	37,282
Omni Grants	22,000	22,000	26,708	4,708	22,710
Board & Care of Prisoners	1,750	1,750	1,844	94	3,819
Other state grants	-	-	-	-	1,500
	<u>2,764,221</u>	<u>2,814,221</u>	<u>3,022,200</u>	<u>207,979</u>	<u>2,948,176</u>
Charges for Services:					
Circuit Court	-	-	955	955	2,942
District Court	1,750,500	1,750,500	1,776,323	25,823	1,824,975
Civil fees	8,000	8,000	3,385	(4,615)	5,246
Friend of the Court - service charges	85,000	85,000	84,621	(379)	90,379
Probate Court	46,040	46,040	57,402	11,362	53,775
Treasurer	7,700	7,700	11,563	3,863	11,991
County Clerk	260,550	260,550	288,635	28,085	291,431
Register of Deeds	954,040	954,040	720,163	(233,877)	940,331
Sheriff - serving papers	6,000	6,000	3,959	(2,041)	5,025
Sheriff other	8,106	8,106	13,183	5,077	12,811
Medical Examiner	1,250	1,250	2,160	910	2,515
	<u>3,127,186</u>	<u>3,127,186</u>	<u>2,962,349</u>	<u>(164,837)</u>	<u>3,241,421</u>

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007					2006 Actual
	Budgeted Amounts		Actual	Actual Over (Under)		
	Original	Final		Final Budget		
Revenue (concluded)						
Other:						
County Clerk refunds and rebates	\$ 1,000	\$ 1,000	\$ 4,198	\$ 3,198	\$ 2,026	
Other refunds and rebates	9,450	9,450	49,040	39,590	54,321	
Tax billings - municipalities	60,000	60,000	32,877	(27,123)	56,940	
Telephone, postage and other general refunds	272,150	296,399	265,541	(30,858)	271,751	
	<u>342,600</u>	<u>366,849</u>	<u>351,656</u>	<u>(15,193)</u>	<u>385,038</u>	
 Total revenue	 <u>23,114,790</u>	 <u>23,199,039</u>	 <u>25,147,016</u>	 <u>1,947,977</u>	 <u>23,344,839</u>	
 Other financing sources						
Sale of capital assets	-	23,789	23,789	-	28,356	
Transfers in from other funds	1,929,392	1,956,067	1,952,355	(3,712)	2,238,842	
	<u>1,929,392</u>	<u>1,979,856</u>	<u>1,976,144</u>	<u>(3,712)</u>	<u>2,267,198</u>	
 Total other financing sources	 <u>1,929,392</u>	 <u>1,979,856</u>	 <u>1,976,144</u>	 <u>(3,712)</u>	 <u>2,267,198</u>	
 Total revenue and other sources	 <u>25,044,182</u>	 <u>25,178,895</u>	 <u>27,123,160</u>	 <u>1,944,265</u>	 <u>25,612,037</u>	

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				
	Budgeted Amounts		Actual	Actual	2006 Actual
	Original	Final		Over (Under) Final Budget	
Expenditures					
Legislative:					
Board of Commissioners	\$ 257,452	\$ 267,347	\$ 261,984	\$ 5,363	\$ 251,864
General Government:					
Planning	32,376	32,376	31,070	1,306	30,880
Clerk	684,832	700,154	665,943	34,211	615,119
Elections	91,693	92,843	69,678	23,165	96,091
Treasurer	378,504	386,427	445,689	(59,262)	371,900
Register of Deeds	393,276	369,671	326,237	43,434	336,038
Surveyor	3,500	3,500	3,362	138	2,050
Plat Board	1,247	1,237	295	942	147
Emergency Management	62,414	68,015	68,594	(579)	115,390
Equalization	514,117	538,482	532,668	5,814	492,945
	<u>2,161,959</u>	<u>2,192,705</u>	<u>2,143,536</u>	<u>49,169</u>	<u>2,060,560</u>
Judicial:					
Circuit Court	743,942	717,889	620,173	97,716	615,147
Circuit Court Probation	5,400	5,400	5,360	40	5,380
Friend of the Court	1,349,403	1,378,180	1,242,446	135,734	1,249,283
District Court	1,673,480	1,731,184	1,638,954	92,230	1,571,390
Probate Court	578,671	585,058	574,796	10,262	562,056
Probate Court Juvenile	732,330	744,883	665,696	79,187	656,276
Prosecuting Attorney	1,050,475	1,073,701	1,041,134	32,567	928,977
Prosecuting Attorney - Cooperative Reimbursement	184,785	188,734	167,113	21,621	151,755
Jury Board	2,155	2,155	1,680	475	1,644
	<u>6,320,641</u>	<u>6,427,184</u>	<u>5,957,352</u>	<u>469,832</u>	<u>5,741,908</u>
Public Safety:					
Sheriff Department	4,473,828	4,732,887	4,416,379	316,508	4,042,923
Sheriff Security - Jail	3,283,282	3,443,793	3,458,275	(14,482)	3,266,953
Drive Michigan Safely	50,000	50,000	56,047	(6,047)	42,001
Court Bailiffs	201,724	269,721	182,865	86,856	150,959
Animal Control	131,471	135,746	114,924	20,822	93,822
Medical Examiner	173,966	175,331	152,338	22,993	162,304
	<u>8,314,271</u>	<u>8,807,478</u>	<u>8,380,828</u>	<u>426,650</u>	<u>7,758,962</u>

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				
	Budgeted Amounts		Actual	Actual	2006 Actual
	Original	Final		Over (Under) Final Budget	
Expenditures (continued)					
Health and Welfare:					
Mental Health	\$ 324,682	\$ 324,682	\$ 324,682	\$ -	\$ 324,682
Substance Abuse	41,004	41,004	41,004	-	41,004
Veterans Burials	26,000	26,000	20,475	5,525	24,295
Veterans Affairs	103,301	106,083	106,598	(515)	99,066
MSU Extension	377,124	382,311	327,237	55,074	331,938
Transportation	45,000	45,000	45,000	-	44,500
Area Agency on Aging	6,767	6,767	6,767	-	6,767
	<u>923,878</u>	<u>931,847</u>	<u>871,763</u>	<u>60,084</u>	<u>872,252</u>
Community Enrichment and Development:					
Lenawee Tomorrow Corporation	62,500	62,500	62,500	-	49,399
General Support Services:					
Administrator	661,570	631,372	612,260	19,112	542,612
Switchboard	102,000	102,000	44,909	57,091	119,286
Building and Grounds	738,350	753,085	719,482	33,603	634,658
Building and Grounds - County Farm	2,800	2,800	2,753	47	2,687
Utilities	582,364	582,364	623,238	(40,874)	591,988
Printing / Purchasing	434,936	441,704	393,136	48,568	405,537
Data Processing	1,001,446	1,032,584	986,290	46,294	1,239,473
Insurance and Miscellaneous Bonds	496,506	500,185	468,377	31,808	476,528
	<u>4,019,972</u>	<u>4,046,094</u>	<u>3,850,445</u>	<u>195,649</u>	<u>4,012,769</u>
Public Works:					
Drain at Large	76,294	76,294	76,294	-	64,252
Soil Conservation	29,178	29,178	29,178	-	28,328
Mapping	143,254	146,932	114,378	32,554	121,614
	<u>248,726</u>	<u>252,404</u>	<u>219,850</u>	<u>32,554</u>	<u>214,194</u>

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Continued)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				
	Budgeted Amounts		Actual	Actual	2006 Actual
	Original	Final		Over (Under) Final Budget	
Expenditures (concluded)					
Other:					
Cigarette tax distribution	\$ 39,013	\$ 39,013	\$ 33,707	\$ 5,306	\$ 41,250
Human Services Rental Contribution	121,208	121,208	121,208	-	121,208
	<u>160,221</u>	<u>160,221</u>	<u>154,915</u>	<u>5,306</u>	<u>162,458</u>
 Total expenditures	 22,469,620	 23,147,780	 21,903,173	 1,244,607	 21,124,366
Other financing uses - transfers out					
Special Revenue Funds:					
Parks	15,519	15,624	15,624	-	15,519
Agriculture Committee	27,540	27,540	27,540	-	27,540
County Health	515,117	517,518	517,518	-	515,117
Drain Commission	351,313	371,302	371,302	-	347,715
Marine Law	21,000	21,000	21,000	-	23,896
Law Library	7,300	7,300	7,300	-	7,300
County Library	334,325	345,358	345,358	-	324,588
Child Care - Maurice Spear Campus	1,845,445	1,946,368	1,946,368	-	1,679,506
Department of Human Services	23,187	23,187	23,187	-	23,187
Child Care - DHS	396,555	446,555	455,255	(8,700)	332,065
Others	-	106,000	106,000	-	5,152
	<u>3,537,301</u>	<u>3,827,752</u>	<u>3,836,452</u>	<u>(8,700)</u>	<u>3,301,585</u>
Capital Project Funds:					
Building and Site	422,811	422,811	422,811	-	400,000
Jail Building & Inmate	25,000	25,000	25,000	-	25,000
	<u>447,811</u>	<u>447,811</u>	<u>447,811</u>	<u>-</u>	<u>425,000</u>

LENAWEE COUNTY, MICHIGAN
General Fund
Detail Schedule of Revenue, Expenditures, and Changes in Fund Balance
Amended Budget and Actual (Concluded)
For the Year Ended December 31, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Actual</u>	<u>2006</u>
	<u>Original</u>	<u>Final</u>		<u>Over (Under)</u>	
Other financing uses - transfers out (concluded)					
Enterprise Funds:					
Airport	\$ 56,283	\$ 57,750	\$ 57,750	\$ -	\$ 50,432
Total other financing uses - transfers out	4,041,395	4,333,313	4,342,013	(8,700)	3,777,017
Total expenditures and other uses	26,511,015	27,481,093	26,245,186	1,235,907	24,901,383
Revenue and other sources over (under) expenditures and other uses	(1,466,833)	(2,302,198)	877,974	3,180,172	710,654
Fund balance, beginning of year	8,464,429	8,464,429	8,464,429	-	7,753,775
Fund balance, end of year	\$ 6,997,596	\$ 6,162,231	\$ 9,342,403	\$ 3,180,172	\$ 8,464,429

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Assets				
Cash and cash equivalents	\$ 4,326,376	\$ 1,402,251	\$ 949,369	\$ 6,677,996
Deposits and escrow	688,592	-	-	688,592
Accounts receivable	363,145	109,844	328	473,317
Due from other governments	829,088	11,163	1,205	841,456
Due from other funds	-	1,000	-	1,000
<u>TOTAL ASSETS</u>	\$ 6,207,201	\$ 1,524,258	\$ 950,902	\$ 8,682,361
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities				
Accounts payable	\$ 255,894	\$ 7,777	\$ 5,030	\$ 268,701
Accrued wages and benefits	306,447	-	-	306,447
Interfund payable	157,274	-	-	157,274
Deferred revenue	324,906	96,464	-	421,370
Other liabilities	181,323	-	-	181,323
Deposits and trust monies held	43,000	-	-	43,000
Total liabilities	1,268,844	104,241	5,030	1,378,115
Fund balance				
Unreserved - designated for future expenditures	558,557	-	480,060	1,038,617
Unreserved - undesignated	4,379,800	1,420,017	465,812	6,265,629
Total fund balance	4,938,357	1,420,017	945,872	7,304,246
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 6,207,201	\$ 1,524,258	\$ 950,902	\$ 8,682,361

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007

	Special Revenue	366 Building Authority Debt Service- Jail	Capital Projects	Total Nonmajor Governmental Funds
Revenue				
Taxes and special assessments	\$ 1,501,410	\$ -	\$ -	\$ 1,501,410
Licenses, fees and permits	1,675,465	-	-	1,675,465
Use of money and property	11,044	88,456	5,495	104,995
Federal grants	2,102,475	-	42,705	2,145,180
State grants	3,595,263	-	47,383	3,642,646
Other intergovernmental revenue	1,670,284	-	-	1,670,284
Charges for services	1,000,257	364,460	19,471	1,384,188
Other	1,550,165	-	21,652	1,571,817
Total revenue	13,106,363	452,916	136,706	13,695,985
Expenditures				
Current:				
General government	83,575	-	-	83,575
Judicial	176,639	-	-	176,639
Public safety	1,850,010	-	48,591	1,898,601
Health and welfare	11,340,100	-	-	11,340,100
Community enrichment and development	2,952,665	-	293,863	3,246,528
Debt service:				
Principal	-	350,000	-	350,000
Interest and fiscal charges	-	163,086	-	163,086
Total expenditures	16,402,989	513,086	342,454	17,258,529
Revenue under expenditures	(3,296,626)	(60,170)	(205,748)	(3,562,544)
Other financing sources (uses)				
Proceeds from sale of capital assets	3,400	-	-	3,400
Transfers in:				
County appropriation	3,697,835	-	447,811	4,145,646
Other	38,017	-	88,000	126,017
Transfers out	(157,322)	-	(119,957)	(277,279)
Total other financing sources	3,581,930	-	415,854	3,997,784
Net change in fund balances	285,304	(60,170)	210,106	435,240
Fund balance, beginning of year	4,653,053	1,480,187	735,766	6,869,006
Fund balance, end of year	\$ 4,938,357	\$ 1,420,017	\$ 945,872	\$ 7,304,246

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007

	208	211	215	221	223	232	243
	Parks	Agriculture Committee	Friend of Court Duties	County Health	Lenawee Transportation	Solid Waste	LEPC
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 26,003	\$ 41,189	\$ 155,805	\$ 1,007,641	\$ 9,134	\$ 217,456	\$ 17,484
Deposits and escrow	-	-	-	688,592	-	-	-
Accounts receivable	-	-	-	97,813	-	-	-
Due from other governments	-	-	-	-	-	-	-
<u>TOTAL ASSETS</u>	\$ 26,003	\$ 41,189	\$ 155,805	\$ 1,794,046	\$ 9,134	\$ 217,456	\$ 17,484
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 333	\$ 701	\$ -	\$ 60,493	\$ -	\$ 16,703	\$ -
Accrued wages and benefits	-	-	-	68,852	1,482	1,652	-
Interfund payable	-	-	-	-	-	-	-
Deferred revenue	-	-	-	184,389	-	-	-
Other liabilities	-	-	-	111,273	-	-	-
Deposits and trust monies	-	-	-	-	-	-	-
Total liabilities	333	701	-	425,007	1,482	18,355	-
Fund balance							
Unreserved - designated for future expenditures	4,802	15,000	-	30,735	-	86,743	17,450
Unreserved - undesignated	20,868	25,488	155,805	1,338,304	7,652	112,358	34
Total fund balance	25,670	40,488	155,805	1,369,039	7,652	199,101	17,484
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 26,003	\$ 41,189	\$ 155,805	\$ 1,794,046	\$ 9,134	\$ 217,456	\$ 17,484

244 Survey & Remonu- mentation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library
\$ -	\$ 112,218	\$ 124,047	\$ 32,050	\$ 29,205	\$ 219,517	\$ 89,667	\$ 95,073	\$ 28,103
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
68,137	-	-	8,860	37,855	208,558	-	-	-
\$ 68,137	\$ 112,218	\$ 124,047	\$ 40,910	\$ 67,060	\$ 428,075	\$ 89,667	\$ 95,073	\$ 28,103
\$ -	\$ 2,977	\$ -	\$ 441	\$ 100	\$ 2,415	\$ -	\$ 103	\$ 1,529
-	33,470	978	775	-	30,108	-	-	324
68,137	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	70,050	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
68,137	106,497	978	1,216	100	32,523	-	103	1,853
-	-	38,758	-	10,913	13,942	58,300	24,000	-
-	5,721	84,311	39,694	56,047	381,610	31,367	70,970	26,250
-	5,721	123,069	39,694	66,960	395,552	89,667	94,970	26,250
\$ 68,137	\$ 112,218	\$ 124,047	\$ 40,910	\$ 67,060	\$ 428,075	\$ 89,667	\$ 95,073	\$ 28,103

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet (Concluded)
Nonmajor Special Revenue Funds
December 31, 2007

	270 Secondary Road Patrol	271 County Library	273 COPS Grant	288 Housing Rehabilitation	290 Department of Human Services	292 Child Care - Maurice Spear Campus
<u>ASSETS</u>						
Assets						
Cash and cash equivalents	\$ 28,789	\$ 59,897	\$ 116,386	\$ 43,098	\$ 35,421	\$ 625,601
Deposits and escrow	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	265,295
Due from other governments	44,283	-	-	-	26,819	287,498
	<hr/>					
<u>TOTAL ASSETS</u>	\$ 73,072	\$ 59,897	\$ 116,386	\$ 43,098	\$ 62,240	\$ 1,178,394
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts payable	\$ 1,160	\$ 9,138	\$ 1,062	\$ -	\$ -	\$ 122,432
Accrued wages and benefits	5,057	10,790	-	-	-	68,244
Interfund payable	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	140,517
Other liabilities	-	-	-	-	-	-
Deposits and trust monies	-	-	-	-	43,000	-
	<hr/>					
Total liabilities	6,217	19,928	1,062	-	43,000	331,193
Fund balance						
Unreserved - designated for future expenditures	30,518	34,856	115,000	-	19,240	50,000
Unreserved - undesignated	36,337	5,113	324	43,098	-	797,201
	<hr/>					
Total fund balance	66,855	39,969	115,324	43,098	19,240	847,201
	<hr/>					
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 73,072	\$ 59,897	\$ 116,386	\$ 43,098	\$ 62,240	\$ 1,178,394

	294	296	297	299	604	682	690	
	Veterans	Department	DHS	Special	County	682	Agricultural	Total
	Trust	on Aging	Child	Projects	Disaster	Lilley	Revolving	
			Care					
\$	48	\$ 1,099,941	\$ -	\$ -	\$ 100	\$ 60,635	\$ 51,868	\$ 4,326,376
	-	-	-	-	-	-	-	688,592
	-	-	-	-	-	37	-	363,145
	-	32,540	89,959	24,579	-	-	-	829,088
<hr/>								
\$	48	\$ 1,132,481	\$ 89,959	\$ 24,579	\$ 100	\$ 60,672	\$ 51,868	\$ 6,207,201
<hr/>								
\$	-	\$ 32,633	\$ -	\$ 2,653	\$ -	\$ -	\$ 1,021	\$ 255,894
	-	84,715	-	-	-	-	-	306,447
	-	-	88,173	964	-	-	-	157,274
	-	-	-	-	-	-	-	324,906
	-	-	-	-	-	-	-	181,323
	-	-	-	-	-	-	-	43,000
	-	117,348	88,173	3,617	-	-	1,021	1,268,844
<hr/>								
	-	-	-	8,300	-	-	-	558,557
	48	1,015,133	1,786	12,662	100	60,672	50,847	4,379,800
<hr/>								
	48	1,015,133	1,786	20,962	100	60,672	50,847	4,938,357
<hr/>								
\$	48	\$ 1,132,481	\$ 89,959	\$ 24,579	\$ 100	\$ 60,672	\$ 51,868	\$ 6,207,201
<hr/>								

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

	208	211	215	221	223	232	243
	Parks	Agriculture Committee	Friend of Court Duties	County Health	Lenawee Transportation	Solid Waste	LEPC
Revenue							
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	455,825	-	-	-
Use of money and property	-	-	-	433	-	-	96
Federal grants	-	-	-	1,132,603	69,899	-	-
State grants	-	-	23,038	630,022	209,903	-	-
Other intergovernmental revenue	-	-	-	-	-	-	-
Charges for services	-	-	-	442,345	-	179,957	-
Other	3	6,038	52,206	-	68,808	26,186	-
Total revenue	3	6,038	75,244	2,661,228	348,610	206,143	96
Expenditures							
General government	-	-	-	-	-	-	-
Judicial	-	-	17,320	-	-	-	-
Public safety	-	-	-	-	-	-	-
Health and welfare	-	-	-	3,323,256	342,820	-	-
Community enrichment and development	16,797	28,776	-	-	-	202,332	-
Total expenditures	16,797	28,776	17,320	3,323,256	342,820	202,332	-
Revenue over (under) expenditures	(16,794)	(22,738)	57,924	(662,028)	5,790	3,811	96
Other financing sources (uses)							
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Transfers in:							
County appropriation	21,624	27,540	-	516,918	-	-	-
Other	-	-	-	-	-	-	-
Transfers out	(2,000)	-	(31,290)	-	-	-	-
Total other financing sources (uses)	19,624	27,540	(31,290)	516,918	-	-	-
Net change in fund balances	2,830	4,802	26,634	(145,110)	5,790	3,811	96
Fund balance, beginning of year	22,840	35,686	129,171	1,514,149	1,862	195,290	17,388
Fund balance, end of year	\$ 25,670	\$ 40,488	\$ 155,805	\$ 1,369,039	\$ 7,652	\$ 199,101	\$ 17,484

244 Survey & Remon- umentation	250 Drain	256 Register of Deeds Automation	262 Community Corrections	263 Marine Law	264 Central Dispatcher	265 Drug Forfeitures	266 Law Enforcement Act	269 Law Library
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	1,219,640	-	-	-
-	-	4,137	-	-	-	2,865	-	-
-	-	-	-	37,855	145	-	-	-
113,561	-	101,975	125,003	14,902	208,212	-	11,024	-
-	1,081,625	-	-	-	-	-	-	6,500
-	76,079	-	20,930	-	-	-	14,578	-
-	4,898	43	54	715	82,626	6,109	97	-
113,561	1,162,602	106,155	145,987	53,472	1,510,623	8,974	25,699	6,500
-	-	83,575	-	-	-	-	-	-
-	-	-	146,738	-	-	-	-	12,581
-	-	-	-	56,636	1,484,867	5,427	23,872	-
-	-	-	-	-	-	-	-	-
113,585	1,552,362	-	-	-	-	-	-	-
113,585	1,552,362	83,575	146,738	56,636	1,484,867	5,427	23,872	12,581
(24)	(389,760)	22,580	(751)	(3,164)	25,756	3,547	1,827	(6,081)
-	-	-	-	-	-	-	-	-
-	371,302	-	-	21,000	-	-	-	7,300
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	371,302	-	-	21,000	-	-	-	7,300
(24)	(18,458)	22,580	(751)	17,836	25,756	3,547	1,827	1,219
24	24,179	100,489	40,445	49,124	369,796	86,120	93,143	25,031
\$ -	\$ 5,721	\$ 123,069	\$ 39,694	\$ 66,960	\$ 395,552	\$ 89,667	\$ 94,970	\$ 26,250

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance (Concluded)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007

	270 Secondary Road Patrol	271 County Library	273 COPS Grant	288 Housing Rehabilitation	290 Department of Human Services	292 Child Care - Maurice Spear Campus
Revenue						
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Use of money and property	-	-	-	330	-	-
Federal grants	-	-	-	293,500	-	86,020
State grants	171,232	42,317	-	-	344,939	1,122,947
Other intergovernmental revenue	-	-	-	-	-	582,159
Charges for services	-	-	-	-	-	174,433
Other	1,415	331,502	-	-	-	39,518
Total revenue	172,647	373,819	-	293,830	344,939	2,005,077
Expenditures						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	172,196	-	2,699	-	-	-
Health and welfare	-	-	-	-	359,951	3,583,483
Community enrichment and development	-	667,180	-	293,500	-	-
Total expenditures	172,196	667,180	2,699	293,500	359,951	3,583,483
Revenue over (under) expenditures	451	(293,361)	(2,699)	330	(15,012)	(1,578,406)
Other financing sources (uses)						
Proceeds from sale of capital assets	3,400	-	-	-	-	-
Transfers in:						
County appropriation	-	345,358	-	-	23,187	1,908,351
Other	-	-	-	-	-	38,017
Transfers out	-	(48,000)	-	-	-	(76,032)
Total other financing sources (uses)	3,400	297,358	-	-	23,187	1,870,336
Net change in fund balances	3,851	3,997	(2,699)	330	8,175	291,930
Fund balance, beginning of year	63,004	35,972	118,023	42,768	11,065	555,271
Fund balance, end of year	\$ 66,855	\$ 39,969	\$ 115,324	\$ 43,098	\$ 19,240	\$ 847,201

294 Veterans Trust	296 Department On Aging	297 DHS Child Care	299 Special Projects	604 County Disaster	682 Lilley	690 Agricultural Revolving	Total
\$ -	\$ 1,501,410	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,501,410
-	-	-	-	-	-	-	1,675,465
-	-	-	-	-	3,183	-	11,044
-	360,058	11,818	110,577	-	-	-	2,102,475
13,732	462,456	-	-	-	-	-	3,595,263
-	-	-	-	-	-	-	1,670,284
-	18,365	-	-	-	-	73,570	1,000,257
-	512,385	407,987	4,410	-	5,165	-	1,550,165
13,732	2,854,674	419,805	114,987	-	8,348	73,570	13,106,363
-	-	-	-	-	-	-	83,575
-	-	-	-	-	-	-	176,639
-	-	-	104,313	-	-	-	1,850,010
13,830	2,803,823	912,937	-	-	-	-	11,340,100
-	-	-	-	-	1,665	76,468	2,952,665
13,830	2,803,823	912,937	104,313	-	1,665	76,468	16,402,989
(98)	50,851	(493,132)	10,674	-	6,683	(2,898)	(3,296,626)
-	-	-	-	-	-	-	3,400
-	-	455,255	-	-	-	-	3,697,835
-	-	-	-	-	-	-	38,017
-	-	-	-	-	-	-	(157,322)
-	-	455,255	-	-	-	-	3,581,930
(98)	50,851	(37,877)	10,674	-	6,683	(2,898)	285,304
146	964,282	39,663	10,288	100	53,989	53,745	4,653,053
\$ 48	\$ 1,015,133	\$ 1,786	\$ 20,962	\$ 100	\$ 60,672	\$ 50,847	\$ 4,938,357

LENAWEE COUNTY, MICHIGAN
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007

	403	404	405	466	467	471	Total
	Building and Site	Airport Public Improvement	Maintenance Equipment and Replacement	Building Authority Capital Projects-Jail	Jail Building & Inmate Maintenance	Library Building	
<u>ASSETS</u>							
Assets							
Cash and cash equivalents	\$ 484,853	\$ 19,422	\$ 121,942	\$ 84,840	\$ 129,692	\$ 108,620	\$ 949,369
Accounts receivable	-	-	-	328	-	-	328
Due from other governments	-	-	-	-	1,205	-	1,205
<u>TOTAL ASSETS</u>	\$ 484,853	\$ 19,422	\$ 121,942	\$ 85,168	\$ 130,897	\$ 108,620	\$ 950,902
<u>LIABILITIES AND FUND BALANCE</u>							
Liabilities							
Accounts payable	\$ 4,793	\$ -	\$ -	\$ 237	\$ -	\$ -	\$ 5,030
Fund balance							
Unreserved - designated for future expenditures	480,060	-	-	-	-	-	480,060
Unreserved - undesignated	-	19,422	121,942	84,931	130,897	108,620	465,812
	480,060	19,422	121,942	84,931	130,897	108,620	945,872
<u>TOTAL LIABILITIES AND FUND BALANCE</u>	\$ 484,853	\$ 19,422	\$ 121,942	\$ 85,168	\$ 130,897	\$ 108,620	\$ 950,902

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenditures
and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2007

	403	404	405	466	467	471	Total
	Building	Airport	Maintenance	Building	Jail Building	Library	
	and Site	Improvement	Equipment	Authority	& Inmate	Building	
			and	Capital	Maintenance		
			Replacement	Projects-Jail			
Revenue							
Use of money and property	\$ -	\$ 757	\$ -	\$ 4,484	\$ -	\$ 254	\$ 5,495
Federal grants	41,500	-	-	-	1,205	-	42,705
State grants	39,895	7,488	-	-	-	-	47,383
Charges for services	-	-	-	-	19,471	-	19,471
Other	-	-	-	-	20,473	1,179	21,652
Total revenue	81,395	8,245	-	4,484	41,149	1,433	136,706
Expenditures							
Public safety	-	-	-	5,610	42,981	-	48,591
Community enrichment and development	269,698	-	11,530	-	-	12,635	293,863
Total expenditures	269,698	-	11,530	5,610	42,981	12,635	342,454
Revenue over (under) expenditures	(188,303)	8,245	(11,530)	(1,126)	(1,832)	(11,202)	(205,748)
Other financing sources (uses)							
Transfers in:							
County appropriation	422,811	-	-	-	25,000	-	447,811
Other	-	-	30,000	-	10,000	48,000	88,000
Transfers out	(109,659)	(10,298)	-	-	-	-	(119,957)
Total other financing sources (uses)	313,152	(10,298)	30,000	-	35,000	48,000	415,854
Net change in fund balances	124,849	(2,053)	18,470	(1,126)	33,168	36,798	210,106
Fund balance, beginning of year	355,211	21,475	103,472	86,057	97,729	71,822	735,766
Fund balance, end of year	\$ 480,060	\$ 19,422	\$ 121,942	\$ 84,931	\$ 130,897	\$ 108,620	\$ 945,872

LENAWEE COUNTY, MICHIGAN
Combining Statement of Net Assets
Nonmajor Enterprise Funds
December 31, 2007

	595	603	647	692	Total
	Jail	Summer	Equalization	Business	Total
ASSETS	Commissary	Tax	Revolving	Loan	Total
595	603	647	692	Total	Total
Jail	Summer	Equalization	Business	Total	Total
Commissary	Tax	Revolving	Loan	Total	Total
Current assets					
Cash and cash equivalents	\$ 13,507	\$ 188,431	\$ 92,109	\$ 1,326,492	\$ 1,620,539
Accounts receivable	-	-	81,205	-	81,205
Inventory	1,346	-	-	-	1,346
Total current assets	14,853	188,431	173,314	1,326,492	1,703,090
Other assets					
Loans receivable	-	-	-	522,187	522,187
Total assets	14,853	188,431	173,314	1,848,679	2,225,277
LIABILITIES					
Current liabilities					
Accounts payable	14,338	-	9	1,300	15,647
Accrued wages and benefits	-	1,315	2,795	-	4,110
Unearned revenue	-	-	75,991	-	75,991
Total current liabilities	14,338	1,315	78,795	1,300	95,748
NET ASSETS					
Unrestricted	515	187,116	94,519	1,847,379	2,129,529
Total net assets	\$ 515	\$ 187,116	\$ 94,519	\$ 1,847,379	\$ 2,129,529

LENAWEE COUNTY, MICHIGAN
Combining Statement of Revenue, Expenses and
Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

	595	603	647	692	Total
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	
	Revolving	Collection	Revolving	Revolving	Total
Operating revenue					
Charges for services	\$ 201,279	\$ 48,512	\$ 244,497	\$ -	\$ 494,288
Other	-	100	337	79,248	79,685
Total operating revenue	201,279	48,612	244,834	79,248	573,973
Operating expenses					
Personal services costs	-	84,183	117,176	-	201,359
Supplies and other operating expenses	201,295	26,437	48,182	7,707	283,621
Total operating expenses	201,295	110,620	165,358	7,707	484,980
Operating income (loss)	(16)	(62,008)	79,476	71,541	88,993
Non-operating revenue					
Interest income	-	125,876	-	33,597	159,473
Change in net assets	(16)	63,868	79,476	105,138	248,466
Net assets, beginning of year	531	123,248	15,043	1,742,241	1,881,063
Net assets, end of year	\$ 515	\$ 187,116	\$ 94,519	\$ 1,847,379	\$ 2,129,529

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

	595	603	647	692	Total
	Jail	Summer	Equalization	Business	
	Commissary	Tax	Revolving	Loan	
	Revolving	Collection	Revolving	Revolving	Total
Cash flows from operating activities					
Cash received from customers, residents and users	\$ 204,633	\$ 48,512	\$ 234,302	\$ 2,045	\$ 489,492
Other operating receipts	-	100	337	79,248	79,685
Cash paid to employees and suppliers	(200,857)	(111,008)	(142,530)	(6,407)	(460,802)
Net cash provided by (used in) operating activities	3,776	(62,396)	92,109	74,886	108,375
Cash flows from non-capital financing activities					
Payments received on loans receivable	-	-	-	695,077	695,077
Issuance of loans receivable	-	-	-	(22,737)	(22,737)
Net cash provided by (used in) non-capital financing activities	-	-	-	672,340	672,340
Cash flows from investing activities					
Interest income received	-	125,876	-	33,597	159,473
Net increase in cash and cash equivalents	3,776	63,480	92,109	780,823	940,188
Cash and cash equivalents, beginning of year	9,731	124,951	-	545,669	680,351
Cash and cash equivalents, end of year	\$ 13,507	\$ 188,431	\$ 92,109	\$ 1,326,492	\$ 1,620,539

Continued...

LENAWEE COUNTY, MICHIGAN
Combining Statement of Cash Flows (Concluded)
Nonmajor Enterprise Funds
For the Year Ended December 31, 2007

	603	603	647	692	Total
	Summer	Summer	Equalization	Business	
	Tax	Tax	Revolving	Loan	
	Collection	Collection			Total
Statement of Net Assets Classification of Cash					
Current assets - Cash and cash equivalents	\$ 13,507	\$ 188,431	\$ 92,109	\$ 1,326,492	\$ 1,620,539
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (16)	\$ (62,008)	\$ 79,476	\$ 71,541	\$ 88,993
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
(Increase) decrease in:					
Accounts receivable	3,354	-	(10,195)	2,045	(4,796)
Inventory	(1,346)	-	-	-	(1,346)
Increase (decrease) in:					
Accounts payable	1,784	-	(384)	1,300	2,700
Accrued wages and benefits	-	(388)	(533)	-	(921)
Interfund payable	-	-	(52,246)	-	(52,246)
Unearned revenue	-	-	75,991	-	75,991
Net cash provided by (used in) operating activities	\$ 3,776	\$ (62,396)	\$ 92,109	\$ 74,886	\$ 108,375

LENAWEE COUNTY, MICHIGAN
All Agency Funds
Combining Balance Sheet
December 31, 2007

	<u>Agency Funds</u>					<u>Total</u>
	<u>701</u>	<u>703</u>	<u>721</u>	<u>764</u>	<u>889</u>	
	<u>Trust and</u>	<u>Summer Tax</u>	<u>Library</u>	<u>Inmate</u>	<u>Payroll</u>	
	<u>Agency</u>	<u>Collection</u>	<u>Penal</u>	<u>Trust</u>	<u>Clearing</u>	
Assets						
Cash and cash equivalents	\$ 4,579,460	\$ 321,665	\$ 298,237	\$ 48,103	\$ 9,253	\$ 5,256,718
Accounts receivable	104,584	-	-	-	-	104,584
Total assets	<u>\$ 4,684,044</u>	<u>\$ 321,665</u>	<u>\$ 298,237</u>	<u>\$ 48,103</u>	<u>\$ 9,253</u>	<u>\$ 5,361,302</u>
Liabilities						
Undistributed fees, taxes and other collections	<u>\$ 4,684,044</u>	<u>\$ 321,665</u>	<u>\$ 298,237</u>	<u>\$ 48,103</u>	<u>\$ 9,253</u>	<u>\$ 5,361,302</u>

Single Audit Act Compliance

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the December 31, 2007 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Agriculture			
Direct Program:			
Food Donation - Entitlement Commodities	10.550	46-000-8003	\$ 3,813
Food Donation - Bonus Commodities	10.550	46-000-8003	690
Subtotal - Direct Programs			4,503
Passed-through the Michigan Department of Education:			
School Breakfast Program	10.553	46-000-8003	32,329
National School Lunch Program	10.555	46-000-8003	49,188
Subtotal - Passed through the Michigan Department of Education			81,517
Total U.S. Department of Agriculture			86,020
U.S. Department of Housing and Urban Development			
Passed-through the Michigan Department of Commerce:			
Community Development - States Program	14.228	MSC-2005-0797-HOA	293,500
U.S. Department of Justice			
Direct Program - Bureau of Justice Assistance:			
SCAAP - State Criminal Alien Assistance Program	16.606	n/a	9,376
Bullet Proof Vest Partnership	16.607	n/a	1,205
Subtotal - Direct Programs			10,581
Passed-through the Michigan State Police:			
Anti-Drug Control - Formula Grant	16.579	n/a	26,708
Total U.S. Department of Justice			37,289
U.S. Department of Transportation			
Direct Program:			
Formula Grants for Other Than Urbanized Areas - Section 5311	20.509	n/a	69,899
Passed-through the Michigan Office of Highway Safety Planning:			
State and Community Highway Safety -			
Youth Alcohol Enforcement	20.600	AL-07-15	20,537
Enforcement Grant	20.600	PT-07-16	41,040
Safe Communities Grant	20.600	PT-08-37	12,697
Subtotal - Michigan Office of Highway Safety Planning			74,274
Total U.S. Department of Transportation			144,173
Environmental Protection Agency			
Passed-through the Michigan Department of Environmental Quality:			
Operator Certification Expense Reimbursement Grants	66.471	PCA 41813	4,800
U.S. Department of Health and Human Services			
Passed-through the Region II Area Agency on Aging:			
Special Programs for the Aging Title III, Part D			
Disease Prevention	93.043	n/a	5,282

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the December 31, 2007 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services (continued)			
Passed-through the Region II Area Agency on Aging (concluded):			
Aging Cluster			
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers			
Outreach	93.044	n/a	\$ 10,345
Senior Center Staffing:	93.044	n/a	13,461
Volunteer Transportation:	93.044	n/a	10,076
3-B Chore	93.044	n/a	3,991
Home Care Assistance	93.044	n/a	25,364
Special Programs for the Aging Title III, Part C - Nutrition Services			
Nutrition Congregate	93.045	n/a	79,497
Home Delivered Meals	93.045	n/a	77,969
Nutrition Services Incentive Program			
Nutrition Congregate	93.053	n/a	32,647
Home Delivered Meals	93.053	n/a	75,121
National Family Care Giver Support			
Kinship	93.052	n/a	18,101
Information and Assistance	93.052	n/a	1,854
Respite	93.052	n/a	1,171
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations			
	93.779	n/a	<u>5,179</u>
Subtotal - Region II Area Agency on Aging			<u>360,058</u>
Passed-through the Michigan Department of Community Health:			
Family Planning Services	93.217	n/a	96,492
Immunization Grants			
Vaccines	93.268	n/a	596,504
Immunization - Other	93.268	n/a	12,888
Immunization - IAP	93.268	n/a	37,076
Centers for Disease Control and Prevention, Investigation and Technical Assistance			
Breast and Cervical Cancer	93.283	n/a	71,533
Bioterrorism	93.283	n/a	198,197
Medical Assistance Program			
Case Management	93.778	n/a	15,050
Diabetes Federal Prevention	93.988	n/a	22,000
Maternal & Child Health Services Block Grant to the States			
CSHCS Outreach and Advocacy	93.994	n/a	10,259
MCH Block Grant	93.994	n/a	<u>67,804</u>
Subtotal - Michigan Department of Community Health			<u>1,127,803</u>

(continued...)

LENAWEE COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the December 31, 2007 Audit

Federal Grantor or Pass-Through Agency Program Title	CFDA #	Pass-Through Grantor # or Agreement #	Federal Expenditures
U.S. Department of Health and Human Services (concluded)			
Passed-through the Department of Human Services:			
Child Support Enforcement			
Title IV-D - CRP Friend of the Court	93.563	n/a	\$ 800,934
Title IV-D - CRP Prosecuting Attorney	93.563	n/a	117,146
Performance Incentive Payment	93.563	n/a	218,768
Foster Care - Title IV E	93.658	n/a	<u>11,818</u>
Subtotal - Department of Human Services			<u>1,148,666</u>
Total U.S. Department of Health and Human Services			<u>2,636,527</u>
U.S. Department of Homeland Security			
Passed-through the Michigan Department of Natural Resources:			
Marine Safety Program Grant	97.012	n/a	<u>37,855</u>
Passed-through the Michigan Department of State Police:			
Emergency Management Performance Grant	97.042	n/a	20,675
State Homeland Security Grant - 2005	97.067	n/a	42,670
State Homeland Security Grant - 2006	97.067	n/a	100,007
FEMA Michigan Citizen Corps Program	97.067	n/a	<u>498</u>
Subtotal - Michigan Department of State Police			<u>163,850</u>
Total U.S. Department of Homeland Security			<u>201,705</u>
Total Federal Financial Assistance			<u><u>\$ 3,404,014</u></u>

LENAWEE COUNTY, MICHIGAN

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2007

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lenawee County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. FISCAL YEAR

Federal expenditures reported on the accompanying schedule of expenditures of federal awards include certain amounts that are reported for the year ended September 30, 2007 to coincide with the fiscal year of the fund in which the expenditures are reported. The funds passed through the Region II Area Agency on Aging and the Michigan Department of Community Health are presented for the year ended September 30, 2007.



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

June 9, 2008

To the Board of Commissioners of
Lenawee County, Michigan
Adrian, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of *Lenawee County, Michigan*, as of and for the year ended December 31, 2007, which collectively comprise the County's primary government financial statements, and have issued our report thereon dated June 9, 2008. In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of Lenawee County, Michigan, do not purport to, and do not, present fairly the financial position of Lenawee County, Michigan, as of December 31, 2007, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 26% and 75% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors. The audit of the Medical Care Facility was not performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Lenawee County'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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.

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 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 deficiencies described in the accompanying schedule of finding and questioned costs as items 2007-1, 2007-2, and 2007-3 to be significant deficiencies in internal control over financial reporting.

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 entity's internal control.

Our consideration of 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 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, of the significant deficiencies described above, we consider item 2007-3 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lenawee County'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lenawee County's responses to the findings identified in our audit are described in the accompanying schedule of finding and questioned costs. We did not audit Lenawee County's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of Lenawee County in a separate letter dated June 9, 2008.

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





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

June 9, 2008

To the Board of Commissioners of
Lenawee County
Adrian, Michigan

Compliance

We have audited the compliance of *Lenawee County, Michigan*, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. Lenawee County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lenawee County's management. Our responsibility is to express an opinion on Lenawee County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lenawee County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lenawee County's compliance with those requirements.

In our opinion, Lenawee County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2007-4.

Internal Control Over Compliance

The management of Lenawee County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lenawee County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of finding and questioned costs as item 2007-4 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

In our report our opinion was qualified as follows. The primary government financial statements, because they do not include the financial data of component units of Lenawee County, Michigan, do not purport to, and do not, present fairly the financial position of Lenawee County, Michigan, as of December 31, 2007, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund. In addition, the Medical Care Facility represents 26% and 75% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Medical Care Facility, is based solely on the report of the other auditors.

Lenawee County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Lenawee County's response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified for omission of component units
Unqualified for primary government financial statements

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes no

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.044, 93.045 & 93.053	Aging Cluster
93.563	Child Support Enforcement

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Preparation of Financial Statements in Accordance with GAAP

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

Cause: This condition was caused by the government's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Management's response: The government has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2007-2 Internal Controls – Bank Reconciliations

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the County's assets. Properly completed bank reconciliations, prepared on a timely basis by individuals without cash receipting or cash disbursement responsibilities and reviewed by an appropriate individual, are a fundamental element of internal control.

Condition: During the course of the audit, we noted that the recording of cash transactions and bank reconciliations are performed by the same individual. We examined numerous bank reconciliations noting there is no indication of when and by whom the reconciliation was prepared and no evidence of independent review once the reconciliations are completed.

Cause: This condition was caused by past practice and staff shortages in the Treasurer's Office.

Effect: As a result of this condition, the County's cash and investments could be potentially misappropriated or misstated.

Recommendation: We recommend that the County have a responsible person, who is independent of the cash and bank reconciliation process, review, initial and date all reconciliations. In addition, the preparer of the reconciliation should also initial and date all reconciliations and whenever possible, should not record cash transactions.

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

**Management's
response:**

The Treasurer's Office was short staffed by one person for a full year, and two employees for half of the year in 2007. After the auditor's recommendation last year, the Treasurer reviewed the reconciliations as time permitted. The Treasurer further states that the individual does date the report of the reconciliation, but now that she is aware that the reconciliation should also be initialed, it will be from this point forward. Now that the office is back to full staff, the Treasurer will be designating and training an employee to review reconciliations. There are times when it is necessary for the individual who regularly prepares the reconciliation to do cash receipts, but this is only in a backup capacity.

2007-3

Audit Adjustments

Criteria:

The County is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition:

During the course of the audit, there were several adjusting journal entries posted to the original "adjusted" trial balance we received. Specific material items that required correction included property tax revenue and the related receivables and deferrals as well as accrued interest receivable and revenue for the County's certificates of deposit.

Cause:

The County's internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect:

As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements and significant audit adjustments were necessary in order to properly record revenue, receivables and deferred revenue related to property taxes as well as interest receivable and interest revenue.

**Management's
response:**

Property tax revenue – There were changes with the shift to the summer tax collection from previous years in this calculation. Assistance was received from the auditors during the audit. The interest on the CD's has never been accrued, but will be now that it was brought to the attention of the Administrator's Office.

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-4 Allocation and Certification of Payroll Expenditures

Program CFDA #93.044, 93.045 & 93.053 – Aging Cluster

Criteria: The Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports, except when a substitute system has been approved by the cognizant Federal agency. The Circular requires these reports be prepared at least monthly and must coincide with one or more pay periods.

Condition: During the year ended December 31, 2007, the Department on Aging allocated payroll charges to federal programs, including the Aging Cluster programs, based on pre-determined percentages that had been determined by management. However, these percentages had remained static for several years and did not specifically coincide with particular pay periods. It appears the Department on Aging is not allocating wages and salaries in a manner consistent with federal guidelines.

Cause: This condition appears to be the result of (1) past practice not having been previously questioned by the pass-through entity, and (2) lack of specific knowledge and understanding of the payroll allocation methods allowed by federal guidelines.

Effect: This condition increases the risk that the County will report an incorrect amount for expenditures related to the grants administered by the Department on Aging.

Recommendation: We recommended in the prior year that the County implement a new payroll allocation method for the Department on Aging that is consistent with federal guidelines. Employees should track on their timesheets, the actual number of hours spent working for each federal program. The timesheets should be signed by the employee and a supervisor who had direct knowledge of the employee's work schedule.

Management's response: The Department on Aging has implemented a system to track actual hours worked on the individual federal programs and is using the amounts as the basis for charging costs to the federal programs. The change was implemented at the beginning of the Department on Aging's next fiscal year, which was October 2007. There were significant internal changes that needed to take place prior to changing over.

LENAWEE COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Concluded)

FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION IV – PRIOR YEAR FINDINGS

2006-1 Preparation of Financial Statements in Accordance with GAAP

The County plans to continue relying on the external auditors to prepare financial statements in accordance with GAAP, as such, this comment is repeated above for the current year.

2006-2 Allocation and Certification of Payroll Expenditures

The County did not take adequate corrective action to rectify this deficiency and this comment is repeated above for the current year.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

 an independent member of
BAKER TILLY
INTERNATIONAL

June 9, 2008

To the Board of Commissioners of
Lenawee County, Michigan
Adrian, Michigan

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 *Lenawee County* (the "County") for the year ended December 31, 2007, and have issued our report thereon dated June 9, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated February 1, 2008 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County's compliance with those requirements.

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 on January 31, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County are described in Note I 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. 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 estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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: Adjustments to property taxes and the related receivables and deferrals as well as adjustments to accrue interest receivable and revenue for the County's certificates of deposit.

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 9, 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 Entity'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.

This information is intended solely for the use of the governing body and management of *Lenawee County* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

Lenawee County

Comments and Recommendations

For the Year Ended December 31, 2007

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

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 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. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

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 entity's internal control. The deficiency we noted that we consider to be a material weakness is described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

Other Matters

Segregation of Duties – Journal Entries and Investments

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the County's assets. Journal entries are prepared by several individuals in the County and then are reviewed and posted (or "updated") into the system by the Treasurer. It was discovered during the audit that the Treasurer has the ability to prepare and update an adjusting journal entry without it being reviewed by another appropriate official. While the Treasurer had not previously known this and we found no evidence of fraud during our review of journal entries, we recommend that the County use computer controls to ensure that no one person can prepare and update a journal entry without the approval of another individual.

Lenawee County

Comments and Recommendations

For the Year Ended December 31, 2007

In addition, it was noted that the Treasurer is the individual that initiates and reconciles investment transactions. While the formal process indicates that another individual in the Treasurer's Office helps reconcile investment accounts, this was not noted to by actual practice. We recommend that an appropriate individual other than the Treasurer reconcile the investment general ledger accounts on a regular basis.

Reconciliation of Soil Erosion Bonds

Management is responsible for reconciling general ledger balances to subsidiary records. At year end, the subsidiary listing of soil erosion bonds maintained in the drain office was \$5,450 less than the balance maintained on the general ledger. This variance should be investigated to ensure that the balance on the general ledger is accurately stated.

Location of Employee Records

The County is responsible for safeguarding its employee records. During our audit, we noted that personnel files maintained by the Human Resource Coordinator are not kept in a secure location. We recommend that the County move these files to a secure location such as a locked file cabinet in order to prevent them from being taken or altered.

IT Access Controls

Limiting access to key financial data through strong password and access policies is a key IT control. Lenawee County does not have a strong set of password controls that limit access to County financial information. We recommend that management oversee increasing password and other controls to include, but not limited to, the following matters:

- We understand that requirements to regularly change computer passwords at the network and financial accounting software level are not in effect. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the County institute a policy that requires passwords to be changed on a regular basis. For the size and complexity of Lenawee County, once every six months would be adequate. The County may also wish to investigate if building into its software automatic expiration of passwords to ensure that they are changed periodically is possible.
- When users vacate the work areas for any length of time they should be locking their workstations. Windows provides an effective workstation security system that can be invoked with one set of keystrokes. Locking a personal workstation is a basic control that limits access to accounting records by unauthorized individuals. We recommend that Lenawee County require all PC users to lock their workstations when they are unattended.

Lenawee County

Comments and Recommendations

For the Year Ended December 31, 2007

- Usernames and passwords are a key control for limiting access to an organizations network and financial reporting system. Passwords should be forced by the system to be at least eight characters with a combination of letters, numbers and special characters. Currently, Lenawee County is not consistent when applying this control. We recommend that the network and accounting systems be set to force complex passwords.
- User names and passwords are a key control to ensuring that only appropriate individuals are accessing key data. Through inquiry, we learned the some individuals are sharing their username and passwords. We recommend that Lenawee County review this policy with all employees and emphasize the need for IT Controls and security.

There can be instances when a user is assigned expanded security rights. In many instances, these rights are not properly corrected as job duties change. A periodic review of user access can catch and correct these types of security issues. We recommend that Lenawee County institute an annual review by appropriate department heads of the security rights assigned to the users in their department, to ensure that the rights assigned to each user are appropriate for their job duties.

Disaster Recovery Policy

Lenawee County does not have an up to date written disaster recovery policy. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend the County develop a disaster recovery plan that includes, but is not limited to, the following matters:

- Location of, and access to, off-site storage.
- A listing of all data files that would have to be obtained from the off-site storage location.
- Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
- Responsibilities of various personnel in an emergency.
- Priority of critical applications and reporting requirements during the emergency period.

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