

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Osceola, Michigan	County Osceola
Fiscal Year End December 31, 2007	Opinion Date May 27, 2008	Date Audit Report Submitted to State June 26, 2008	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | | | |
|-----|----|--|
| YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----|----|--|
1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 4. The local unit has adopted a budget for all required funds.
 5. A public hearing on the budget was held in accordance with State statute.
 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 8. The local unit only holds deposits/investments that comply with statutory requirements.
 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 11. The local unit is free of repeated comments from previous years.
 12. The audit opinion is UNQUALIFIED.
 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 14. The board or council approves all invoices prior to payment as required by charter or statute.
 15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and 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, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe) Single Audit	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952		
Street Address 16978 S. Riley Avenue		City Kincheloe	State MI	Zip 49788
Authorizing CPA Signature <i>Kenneth A. Talsma</i>		Printed Name Kenneth A. Talsma, CPA		License Number 1101024989

County of Osceola, Michigan

BASIC FINANCIAL STATEMENTS

December 31, 2007

OSCEOLA COUNTY, MICHIGAN

ORGANIZATION

MEMBERS OF THE COUNTY COMMISSION

COMMISSIONER	DISTRICT	#1	MARK BROCK
COMMISSIONER	DISTRICT	#2	ELMO HOAGLUND
COMMISSIONER	DISTRICT	#3	RONALD SIKKEMA
COMMISSIONER	DISTRICT	#4	ALAN TIEDT
COMMISSIONER	DISTRICT	#5	ROGER FABER
COMMISSIONER	DISTRICT	#6	DAVID BROOKS
COMMISSIONER	DISTRICT	#7	LARRY EMIG

APPOINTED/ELECTED OFFICIALS

COUNTY COORDINATOR	SUSAN VANDER POL
COUNTY TREASURER	CAROL J. HALLADAY
COUNTY CLERK	KAREN BLUHM

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	11
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	12
Proprietary Funds:	
Statement of Net Assets	13
Statement of Revenues, Expenses, and Changes in Net Assets	14
Statement of Cash Flows	15
Fiduciary Funds:	
Statement of Fiduciary Net Assets	16
COMPONENT UNIT FINANCIAL STATEMENTS:	
Statement of Net Assets	17
Statement of Activities.....	18
NOTES TO FINANCIAL STATEMENTS	19

REQUIRED SUPPLEMENTARY INFORMATION:

Major Funds:

Budgetary Comparison Schedule – General Fund..... 42
Budgetary Comparison Schedule – Revenue Sharing Reserve Fund..... 44
Budgetary Comparison Schedule – EMS Fund 45

OTHER SUPPLEMENTARY INFORMATION:

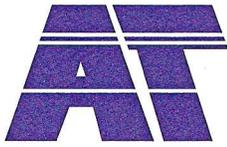
Combining Balance Sheet – Nonmajor Governmental Funds..... 46
Combining Statement of Revenues, Expenditures, and Changes in
Fund Balances – Nonmajor Governmental Funds 50
Combining Statement of Net Assets – Nonmajor Enterprise Funds 54
Combining Statement of Revenues, Expenses, and Changes in
Net Assets – Nonmajor Enterprise Funds 55
Combining Statement of Cash Flows – Nonmajor Enterprise Funds..... 56

REPORTS ON COMPLIANCE:

Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards* 57
Report on Compliance with Requirements Applicable to
each Major Program and Internal Control Over
Compliance in Accordance with *OMB Circular A-133* 59
Schedule of Expenditures of Federal Awards..... 61
Notes to Schedule of Expenditures of Federal Awards 62
Summary of Auditor’s Results 63
Schedule of Findings and Questioned Costs..... 64
Summary Schedule of Prior Audit Findings 66

ADDITIONAL INFORMATION:

Municipal Securities Disclosure Requirements of the
Securities Exchange Commission (SEC) Rule 15c2-12..... 67



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Board of Commissioners
County of Osceola, Michigan
301 West Upton Avenue
Reed City, MI 49677

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Osceola, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Osceola'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 Osceola County Road Commission, which represent 99% of the assets and revenues of the Discretely Presented Component Units. 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 recorded for the Road Commission, 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Osceola, Michigan as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2008 on our consideration of the County of Osceola's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Osceola's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 27, 2008

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County’s finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide financial statements.

The County as a Whole

A few of the general highlights of 2007 were:

- Total net assets were \$13,645,483.
- Governmental activities net assets were \$6,833,191.
- Business-type activity net assets were \$6,812,292.
- Component Unit net assets were 13,855,427.

There were increases of \$329,272 and \$274,999 in net assets in the governmental activities and business-type activities respectively. A gain of \$2,347,446 in net assets was realized in the Component Units.

In a condensed format, the table below shows the net assets of Osceola County.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 6,887,554	\$ 8,297,140	\$ 6,616,026	\$ 6,323,295	\$ 13,503,580	\$ 14,620,435
Noncurrent Assets	<u>6,789,076</u>	<u>7,107,190</u>	<u>202,535</u>	<u>215,934</u>	<u>6,991,611</u>	<u>7,323,124</u>
Total Assets	<u>\$ 13,676,630</u>	<u>\$ 15,404,330</u>	<u>\$ 6,818,561</u>	<u>\$ 6,539,229</u>	<u>\$ 20,495,191</u>	<u>\$ 21,943,559</u>
Current Liabilities	\$ 1,641,389	\$ 3,492,972	\$ 6,269	\$ 1,936	\$ 1,647,658	\$ 3,494,908
Noncurrent Liabilities	<u>5,202,050</u>	<u>5,376,939</u>	<u>-</u>	<u>-</u>	<u>5,202,050</u>	<u>5,376,939</u>
Total Liabilities	<u>6,843,439</u>	<u>8,869,911</u>	<u>6,269</u>	<u>1,936</u>	<u>6,849,708</u>	<u>8,871,847</u>
Net Assets						
Invested in Capital Assets -						
Net of Debt	1,674,076	1,797,688	202,535	215,934	1,876,611	2,013,622
Restricted	2,007,093	2,433,806	-	-	2,007,093	2,433,806
Unrestricted (Deficit)	<u>3,152,022</u>	<u>2,302,925</u>	<u>6,609,757</u>	<u>6,321,359</u>	<u>9,761,779</u>	<u>8,624,284</u>
Total Net Assets	<u>\$ 6,833,191</u>	<u>\$ 6,534,419</u>	<u>\$ 6,812,292</u>	<u>\$ 6,537,293</u>	<u>\$ 13,645,483</u>	<u>\$ 13,071,712</u>

The current level of unrestricted net assets for our governmental activities stands at \$3,152,022, or about 29% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Charges for Services	\$ 1,960,834	\$ 1,974,218	\$ 668,485	\$ 541,250	\$ 2,629,319	\$ 2,515,468
Operating Grants and Contributions	1,984,949	2,775,261	-	-	1,984,949	2,775,261
Capital Grants and Contributions	14,125	95,746	-	-	14,125	95,746
General Revenues						
Property Taxes	5,936,166	6,467,139	-	-	5,936,166	6,467,139
Unrestricted Investment Earnings	301,802	264,210	212,582	198,056	514,384	462,266
Transfers and Other Revenue	<u>1,087,683</u>	<u>74,435</u>	<u>(259,945)</u>	<u>(103,089)</u>	<u>827,738</u>	<u>(28,654)</u>
Total Revenues	<u>11,285,559</u>	<u>11,651,009</u>	<u>621,122</u>	<u>636,217</u>	<u>11,906,681</u>	<u>12,287,226</u>
Program Expenses						
Legislative	66,030	67,745	-	-	66,030	67,745
Judicial	1,283,843	1,279,337	-	-	1,283,843	1,279,337
General Government	2,357,974	2,236,316	-	-	2,357,974	2,236,316
Public Safety	3,060,641	3,343,482	-	-	3,060,641	3,343,482
Public Works	683	1,784	-	-	683	1,784
Health and Welfare	2,564,407	3,448,813	-	-	2,564,407	3,448,813
Other Expenses	1,385,268	360,463	-	-	1,385,268	360,463
Loss on Equipment Disposal	-	7,784	-	-	-	7,784
Interest Expense – Unallocated	237,441	246,147	-	-	237,441	246,147
Tax Collection	-	-	31,540	30,969	31,540	30,969
Parks and Recreation	-	-	261,469	200,073	261,469	200,073
Sheriff Commissary	-	-	<u>53,114</u>	<u>60,858</u>	<u>53,114</u>	<u>60,858</u>
Total Expenses	<u>10,956,287</u>	<u>10,991,871</u>	<u>346,123</u>	<u>291,900</u>	<u>11,302,410</u>	<u>11,283,771</u>
Changes in Net Assets	329,272	659,138	274,999	344,317	604,271	1,003,455
Net Assets – Beginning	6,534,419	5,875,281	6,537,293	6,192,976	13,071,712	12,068,257
Prior Period Adjustment	<u>(30,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,500)</u>	<u>-</u>
Net Assets – Ending	<u>\$ 6,833,191</u>	<u>\$ 6,534,419</u>	<u>\$ 6,812,292</u>	<u>\$ 6,537,293</u>	<u>\$ 13,645,483</u>	<u>\$ 13,071,712</u>

Governmental Activities

Revenue from property taxes decreased 8% from the previous year, losing \$530,973, which was \$688,756 less than the previous year’s gain. This decrease over prior years’ gains was a result of Tax Tribunal decisions as well as the State eliminating Revenue Sharing to counties with implementation of the early July tax collection and the creation of the Revenue Sharing Reserve Funds.

Health insurance costs increased 12% during the current year from \$455,605 in 2006 to \$513,871 in 2007. Fiscal year 2007 saw a 25% increase in the cost of prescription drugs. Because of the calendar fiscal year, health insurance cost projections can only be estimated during the budget process for the next fiscal year budget cycle. Once the renewal information is received, adjustments are made. The opening for the employees to make health insurance choices comes after the budget forecasts near the start of the fiscal year so true costs are not solidified until then but are consistent throughout the entire year.

The wage rate increases for Sheriff's road patrol deputies and corrections officers were 1.5% for January through June and an additional 1.5% July through December. Emergency Medical Services paramedics and general non-union employees were 3% for fiscal year 2007. The union contracts vary between three and four year agreements with wage increases varying among the union contracts, some tied with health and retirement benefit level changes.

The County continues to strive to update technology and streamline technology functions. A technology coordinator was hired as full-time in 2006 to oversee the County's various systems and work with software vendors. The County has replaced servers and improved networking capabilities. Agendas, minutes and general correspondence have gone paperless due to increased use of internet services and e-mails. This has reduced costs for paper and postage within the county departments.

Business-Type Activities

The County business-type activities are multi-faceted. They range from Tax Collection, County Parks, and Sheriff Commissary. The Tax Collection funds significantly support the General Fund. Charges for services and fees support the operations of the County Parks and the Sheriff Commissary. As with its other services, business-type activities are broad based and in many cases, the predominant provider of that service for the citizen.

The County's Funds

Our analysis of the County's major funds begins on page 10 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2007 include the General Fund, which includes the Sheriff's Department Road Patrol millage, Revenue Sharing Reserve, EMS, Building Authority Debt, and the Delinquent Tax Funds. Funds supported by special millages consist of the Commission on Aging Funds and Emergency Medical Services Fund.

The General Fund supports most of the County's governmental services. The costliest are the police, courts, and law enforcement functions. The Jail is augmented with the renting of inmate space (beds) to other governmental entities. The Delinquent Tax Fund is supported by interest and fees from the collection of taxes. The Commission on Aging Funds are used to provide services to senior and disabled populations and to match grant dollars for local support.

General Fund Budgetary Highlights

The General Fund realized \$495,006 more in revenues than anticipated for the fiscal year. The General Fund operations also expended \$459,806 less than appropriated. Operating Transfers were less than budgeted for both revenues and expenditures and resulted in a positive net budget variance of \$746,356.

All of the General Fund services departments, except cooperative extension, expended less than the budgeted amount for departmental operations in 2007. Additional revenues over projected budgetary amounts were realized in the areas of Taxes, Refunds and Reimbursements, Interest & Rentals, and Other revenue. Less was received than budgeted from Licenses and Permits, Local Sources, State Sources, and Charges for Services. Elected Officials and Department Heads continue to exhibit diligence across the board of keeping within budget parameters or identifying problems before they occur.

Over the course of the year the County Board amended the General Fund budget to reflect adjustments in revenues and expenditures that developed in the year. The major adjustments were in Judicial Circuit Court, District Court, Juvenile Division, Probate Court, Public Defender, County Clerk, General Government, Sheriff, Jail, 911 and Employee Benefits.

Other Funds

The following funds ended the year with a fund balance of ten percent or greater: Building Inspections, Emergency Medical Services, Michigan Justice Training, Friend of the Court Fund, Register of Deeds Automation, Budget Stabilization, Disaster Contingency, Officer Training, Drug Enforcement, Drug Operations, DARE Operations, Commission on Aging, Commission on Aging Millage, Meals on Wheels, Child Care, Veteran's Trust, Equipment & Maintenance, Housing Grant and General Fund. All of this provides for stability, future flexibility, and a mechanism for setting aside funds for services and equipment replacement.

Capital Asset and Debt Administration

During the 2007 period, the County invested or acquired \$154,140 in capital assets that meet the dollar threshold of the reporting requirement. These purchases included the installation of security systems for the main courthouse, annex building and the county building to house emergency management and building inspectors. The County purchased four vehicles, five WatchGuard Digital In-car video cameras, as well as other equipment. The County acquired properties for future EMS facilities and acquired property in Sears through the foreclosure process.

The County reduced its bond debt load by \$170,000 in principal payments.

Economic Factors and Next Year's Budgets and Rates

This year produced a dichotomy of events. There was continued fund stabilization in the various funds. Some activities used prior reserves, but continued to maintain healthy fund balances. This reflected a continued positive trend in the County's financial posture. State Revenue Sharing further complicated future funding as the State's plan, where it provided provisions for funds that would be anticipated, left cash flow and potential public approval issues that will yet to be faced. We were pleased to end the current year with very healthy fund statuses in all funds and are still optimistic that the future will be proactive toward growth and progress.

Component Unit

A complete financial statement and management's discussion and analysis may be obtained from the Osceola County Road Commission.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Coordinator's Office at 301 West Upton Avenue, Reed City, Michigan 49677.

Basic Financial Statements

County of Osceola, Michigan

Statement of Net Assets December 31, 2007

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
ASSETS:				
Current:				
Cash & Equivalents	\$ 4,963,165	\$ 4,808,170	\$ 9,771,335	\$ 772,117
Investments	-	881,755	881,755	-
Receivables:				
Accounts	167,872	-	167,872	661,929
Taxes	1,311,134	829,048	2,140,182	-
Interest	-	87,916	87,916	-
Notes	75,000	-	75,000	-
Prepaid Expenses	163,537	-	163,537	-
Due from Governmental Units	206,846	9,137	215,983	-
Inventories	-	-	-	254,416
Noncurrent Assets:				
Notes Receivable	3,450,000	-	3,450,000	-
Capital Assets (Not Depreciated)	266,160	37,550	303,710	5,720,314
Capital Assets (Net of Accumulated Depreciation)	3,072,916	164,985	3,237,901	10,687,661
TOTAL ASSETS	\$ 13,676,630	\$ 6,818,561	\$ 20,495,191	\$ 18,096,437
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 195,766	\$ -	\$ 195,766	\$ 92,416
Accrued Liabilities	189,958	5,097	195,055	22,979
Accrued Interest Payable	49,393	-	49,393	-
Due to Governmental Units	-	1,172	1,172	5,119
Deferred Revenue	1,036,272	-	1,036,272	-
Installment Notes Payable	-	-	-	180,166
Bonds Payable	170,000	-	170,000	-
Other Liabilities	-	-	-	6,000
Noncurrent Liabilities:				
Vested Employee Benefits	182,050	-	182,050	222,595
Installment Notes Payable	-	-	-	3,711,735
Bonds Payable	5,020,000	-	5,020,000	-
TOTAL LIABILITIES	6,843,439	6,269	6,849,708	4,241,010
NET ASSETS:				
Invested in Capital Assets (net of related debt)	1,674,076	202,535	1,876,611	12,516,075
Restricted for County Road	-	-	-	1,322,100
Restricted for Other Purposes	2,007,093	-	2,007,093	-
Unrestricted	3,152,022	6,609,757	9,761,779	17,252
TOTAL NET ASSETS	\$ 6,833,191	\$ 6,812,292	\$ 13,645,483	\$ 13,855,427

County of Osceola, Michigan

Statement of Activities Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
Legislative	\$ 66,030	\$ -	\$ -	\$ -	\$ (66,030)	\$ -	\$ (66,030)	\$ -
Judicial	1,283,843	425,920	306,204	-	(551,719)	-	(551,719)	-
General Government	2,357,974	402,178	601,812	14,125	(1,339,859)	-	(1,339,859)	-
Public Safety	3,060,641	306,527	359,801	-	(2,394,313)	-	(2,394,313)	-
Public Works	683	-	-	-	(683)	-	(683)	-
Health & Welfare	2,564,407	826,209	616,160	-	(1,122,038)	-	(1,122,038)	-
Other Expenses	1,385,268	-	100,972	-	(1,284,296)	-	(1,284,296)	-
Interest Expense - Unallocated	237,441	-	-	-	(237,441)	-	(237,441)	-
Total Governmental Activities	10,956,287	1,960,834	1,984,949	14,125	(6,996,379)	-	(6,996,379)	-
Business-type activities:								
Tax Collection	31,540	392,870	-	-	-	361,330	361,330	-
Parks & Recreation	261,469	227,030	-	-	-	(34,439)	(34,439)	-
Commissary	53,114	48,585	-	-	-	(4,529)	(4,529)	-
Total Business-type Activities	346,123	668,485	-	-	-	322,362	322,362	-
Total Primary Government	\$ 11,302,410	\$ 2,629,319	\$ 1,984,949	\$ 14,125	(6,996,379)	322,362	(6,674,017)	-
Component Units:								
Road Commission	\$ 3,570,798	\$ 30,436	\$ 3,401,923	\$ 2,296,358				2,157,919
Economic Development	49,518	1,839	1,409	-				(46,270)
Drain Revolving	2,800	3,666	-	-				866
Total Component Units	3,623,116	35,941	3,403,332	2,296,358				2,112,515
Total	\$ 14,925,526	\$ 2,665,260	\$ 5,388,281	\$ 2,310,483				
General Revenues and Transfers:								
Taxes					5,936,166	-	5,936,166	-
Investment Earnings (Loss)					301,802	212,582	514,384	-
Gain (Loss) on Equipment Disposal					-	-	-	187,399
Other					869,194	6,076	875,270	-
Transfers - net					218,489	(266,021)	(47,532)	47,532
Total General Revenues and Transfers					7,325,651	(47,363)	7,278,288	234,931
Changes in Net Assets					329,272	274,999	604,271	2,347,446
Net Assets - Beginning					6,534,419	6,537,293	13,071,712	11,507,981
Prior Period Adjustment					(30,500)	-	(30,500)	-
Net Assets - Ending					\$ 6,833,191	\$ 6,812,292	\$ 13,645,483	\$ 13,855,427

See accompanying notes to financial statements.

County of Osceola, Michigan

Balance Sheet Governmental Funds December 31, 2007

	General	Revenue Sharing Reserve	EMS	Building Authority	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash & Equivalents - Unrestricted	\$ 1,785,432	\$ 1,930,723	\$ 260,665	\$ -	\$ 986,345	\$ 4,963,165
Receivables:						
Accounts	-	-	167,872	-	-	167,872
Taxes	274,862	-	575,726	-	460,546	1,311,134
Notes	-	-	-	3,525,000	-	3,525,000
Prepaid Expenditures	163,537	-	-	-	-	163,537
Due from Other Funds	79,462	-	-	-	-	79,462
Advances From Other Funds	2,000	-	-	-	-	2,000
Due from Governmental Units	92,937	-	-	-	113,909	206,846
TOTAL ASSETS	\$ 2,398,230	\$ 1,930,723	\$ 1,004,263	\$ 3,525,000	\$ 1,560,800	\$ 10,419,016
LIABILITIES:						
Due to Other Funds	\$ -	\$ -	\$ 34,762	\$ -	\$ 44,700	\$ 79,462
Accounts Payable	124,825	-	6,278	-	64,663	195,766
Accrued Liabilities	126,095	-	31,490	-	32,373	189,958
Advances to Other Funds	-	-	-	-	2,000	2,000
Deferred Revenue	-	-	575,726	3,525,000	460,546	4,561,272
TOTAL LIABILITIES	250,920	-	648,256	3,525,000	\$ 604,282	5,028,458
FUND BALANCES:						
Reserved	-	1,930,723	-	-	76,370	2,007,093
Unreserved:						
Undesignated	2,145,310	-	356,007	-	880,148	3,381,465
Designated	2,000	-	-	-	-	2,000
TOTAL FUND BALANCES	2,147,310	1,930,723	356,007	-	956,518	5,390,558
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,398,230	\$ 1,930,723	\$ 1,004,263	\$ 3,525,000	\$ 1,560,800	

Reconciliation to amounts reported for governmental activities in the statement of net assets:

Capital assets used by governmental activities are not financial resources and therefore are not reported in the funds.	3,339,076
Long term notes payable for governmental activities not due and payable in the current period.	(5,190,000)
Compensated absences liability not recognized in the funds.	(182,050)
Deferred revenue on lease receivable is recognized as revenue under full accrual.	3,525,000
Accrued interest expense on long-term debt not recognized in the funds.	(49,393)
Net assets of governmental activities	\$ 6,833,191

County of Osceola, Michigan

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds Year Ended December 31, 2007

	General	Revenue Sharing Reserve	EMS	Building Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:						
Taxes	\$ 4,873,595	\$ -	\$ 590,310	\$ -	\$ 472,261	\$ 5,936,166
Licenses & Permits	35,303	-	-	-	8,010	43,313
Federal Sources	77,158	-	-	-	515,871	593,029
State Sources	515,546	-	-	-	508,585	1,024,131
Local Sources	16,460	-	14,029	232,906	193,519	456,914
Charges for Services	869,883	-	826,209	-	221,429	1,917,521
Refunds & Reimbursements	707,119	-	1,081	-	43,369	751,569
Interest & Rentals	159,033	95,903	18,560	-	28,306	301,802
Other Revenue	42,135	-	5,636	-	69,854	117,625
TOTAL REVENUES	7,296,232	95,903	1,455,825	232,906	2,061,204	11,142,070
EXPENDITURES:						
Legislative	75,491	-	-	-	-	75,491
Judicial	944,506	-	-	-	333,995	1,278,501
General Government	1,999,965	-	-	-	106,700	2,106,665
Public Safety	2,670,687	-	-	-	403,895	3,074,582
Public Works	683	-	-	-	-	683
Health & Welfare	57,370	-	1,260,504	-	1,283,035	2,600,909
Capital Outlay	-	-	19,129	-	394,060	413,189
Debt Service	-	-	-	232,906	175,397	408,303
Other Expenditures	934,890	11,130	-	-	575	946,595
TOTAL EXPENDITURES	6,683,592	11,130	1,279,633	232,906	2,697,657	10,904,918
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	612,640	84,773	176,192	-	(636,453)	237,152
OTHER FINANCING SOURCES (USES):						
Operating Transfers In	687,307	-	-	-	830,145	1,517,452
Operating Transfers Out	(553,591)	(527,485)	(15,412)	-	(202,475)	(1,298,963)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	746,356	(442,712)	160,780	-	(8,783)	455,641
FUND BALANCES, JANUARY 1	1,431,454	2,373,435	195,227	-	965,301	4,965,417
Prior Period Adjustment	(30,500)	-	-	-	-	(30,500)
FUND BALANCES, DECEMBER 31	\$ 2,147,310	\$ 1,930,723	\$ 356,007	\$ -	\$ 956,518	\$ 5,390,558

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

Net Changes in fund balances – total governmental funds \$ 455,641

The change in net assets reported for governmental activities in the Statement of Activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$371,428) and loss on disposal of assets (\$25,826) exceeded capital outlays of \$154,140. (243,114)

Repayment of bond principal is an expenditure in the governmental fund but reduces the liability in the statement of net assets. 170,000

Repayment of capital lease is an expenditure in the governmental funds but reduces liability in statement of net assets. 24,502

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses, and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(3,961)	
Accrued interest on bonds	<u>1,204</u>	
		(2,757)

Deferred revenue recognized as earned income (75,000)

Changes in net assets of governmental funds \$ 329,272

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Enterprise Funds			Totals
	Prior Delinquent Tax	2006 Delinquent Tax	Other Funds	
ASSETS:				
Cash & Equivalents - Unrestricted	\$ 3,169,239	\$ 1,089,302	\$ 549,629	\$ 4,808,170
Investments - Unrestricted	881,755	-	-	881,755
Receivables:				
Taxes	17,482	735,729	75,837	829,048
Interest	25,587	-	62,329	87,916
Due from Other Funds	1,711,200	-	-	1,711,200
Due From Others	-	5,886	3,251	9,137
Capital Assets - net	-	-	202,535	202,535
TOTAL ASSETS	<u>\$ 5,805,263</u>	<u>\$ 1,830,917</u>	<u>\$ 893,581</u>	<u>\$ 8,529,761</u>
LIABILITIES:				
Due to Others	\$ 736	\$ -	\$ 436	\$ 1,172
Accrued Liabilities	-	-	5,097	5,097
Due to Other Funds	-	1,700,000	11,200	1,711,200
TOTAL LIABILITIES	<u>736</u>	<u>1,700,000</u>	<u>16,733</u>	<u>1,717,469</u>
NET ASSETS:				
Invested in Capital Assets (net of related debt)	-	-	202,535	202,535
Unrestricted	5,804,527	130,917	674,313	6,609,757
TOTAL NET ASSETS	<u>\$ 5,804,527</u>	<u>\$ 130,917</u>	<u>\$ 876,848</u>	<u>\$ 6,812,292</u>

**Statement of Revenues, Expenses, and
Changes in Net Assets - Proprietary Funds
Year Ended December 31, 2007**

	Enterprise Funds			Totals
	Prior Delinquent Tax	2006 Delinquent Tax	Other Funds	
OPERATING REVENUES:				
Charges for Services	\$ -	\$ 110,301	\$ 447,838	\$ 558,139
Interest & Rentals	26,993	-	83,353	110,346
Other Revenue	6,076	-	-	6,076
Total Operating Revenues	33,069	110,301	531,191	674,561
OPERATING EXPENSES:				
Personnel Services	-	-	116,100	116,100
Utilities	-	-	26,680	26,680
Repairs & Maintenance	-	-	77,888	77,888
Other Supplies & Expenses	-	-	112,056	112,056
Depreciation	-	-	13,399	13,399
Total Operating Expenses	-	-	346,123	346,123
OPERATING INCOME (LOSS)	33,069	110,301	185,068	328,438
NON-OPERATING REVENUES (EXPENSES):				
Interest Earnings	155,294	20,616	36,672	212,582
Total Non-Operating Revenues (Expenses)	155,294	20,616	36,672	212,582
Income (loss) before transfers	188,363	130,917	221,740	541,020
Operating Transfers In	277,200	-	10,000	287,200
Operating Transfers Out	(276,021)	-	(277,200)	(553,221)
CHANGES IN NET ASSETS	189,542	130,917	(45,460)	274,999
NET ASSETS, JANUARY 1	5,614,985	-	922,308	6,537,293
NET ASSETS, DECEMBER 31	\$ 5,804,527	\$ 130,917	\$ 876,848	\$ 6,812,292

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2007**

	Enterprise Funds			Totals
	Prior Delinquent Tax	2006 Delinquent Tax	Other Funds	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received From Customers or Users	\$ 107,164	\$ 1,406,662	\$ 1,182,558	\$ 2,696,384
Cash Payments to Suppliers/Others	-	(2,037,976)	(332,435)	(2,370,411)
Internal Activity - Receipts (Payments) to Other Funds	-	1,700,000	(1,805,600)	(105,600)
Net Cash Provided (Used) by Operating Activities	<u>107,164</u>	<u>1,068,686</u>	<u>(955,477)</u>	<u>220,373</u>
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net Operating Transfers In (Out)	<u>1,179</u>	<u>-</u>	<u>(267,200)</u>	<u>(266,021)</u>
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>1,179</u>	<u>-</u>	<u>(267,200)</u>	<u>(266,021)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Net Sale or (Purchase) of Investments	<u>164,293</u>	<u>-</u>	<u>-</u>	<u>164,293</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>164,293</u>	<u>-</u>	<u>-</u>	<u>164,293</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Earnings	<u>155,294</u>	<u>20,616</u>	<u>36,672</u>	<u>212,582</u>
Net Cash Provided (Used) by Investing Activities	<u>155,294</u>	<u>20,616</u>	<u>36,672</u>	<u>212,582</u>
Net Increase (Decrease) in Cash and Equivalents	427,930	1,089,302	(1,186,005)	331,227
Balances - Beginning of the Year	<u>2,741,309</u>	<u>-</u>	<u>1,735,634</u>	<u>4,476,943</u>
Balances - End of the Year	<u>\$ 3,169,239</u>	<u>\$ 1,089,302</u>	<u>\$ 549,629</u>	<u>\$ 4,808,170</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 33,069	\$ 110,301	\$ 185,068	\$ 328,438
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	-	-	13,399	13,399
(Increase) Decrease in Assets:				
Taxes Receivable	(5,918)	(735,462)	629,031	(112,349)
Interest Receivable	(25,587)	-	25,587	-
Due from Other Funds	105,600	(5,886)	-	99,714
Due from Others	-	(267)	(3,251)	(3,518)
Increase (Decrease) in Liabilities:				
Due to Other Funds	-	1,700,000	(1,805,600)	(105,600)
Accounts Payable	-	-	92	92
Accrued Liabilities	-	-	197	197
Net Cash Provided (Used) by Operating Activities	<u>\$ 107,164</u>	<u>\$ 1,068,686</u>	<u>\$ (955,477)</u>	<u>\$ 220,373</u>

Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

	<u>Agency Funds</u>
ASSETS:	
Cash & Equivalents:	
Unrestricted	<u>\$ 784,951</u>
 TOTAL ASSETS	 <u><u>\$ 784,951</u></u>
 LIABILITIES:	
Accounts Payable	\$ 185,396
Due to Others	<u>599,555</u>
 TOTAL LIABILITIES	 <u><u>\$ 784,951</u></u>

Component Units

County of Osceola, Michigan

Statement of Net Assets Component Units December 31, 2007

	Road Commission	Economic Development Corporation	Revolving Drain	Totals
ASSETS:				
Current:				
Cash & Equivalents - Unrestricted	\$ 754,725	\$ 13,866	\$ 3,526	\$ 772,117
Accounts Receivable	657,964	-	3,965	661,929
Inventories	254,416	-	-	254,416
Noncurrent Assets:				
Capital Assets (not depreciated)	5,720,314	-	-	5,720,314
Capital Assets (net of accumulated depreciation)	10,687,661	-	-	10,687,661
TOTAL ASSETS	\$ 18,075,080	\$ 13,866	\$ 7,491	\$ 18,096,437
LIABILITIES:				
Current Liabilities:				
Accounts Payable	\$ 88,311	\$ 4,105	\$ -	\$ 92,416
Accrued Liabilities	22,979	-	-	22,979
Due to Others	5,119	-	-	5,119
Performance Bonds Payable	6,000	-	-	6,000
Installment Notes Payable	180,166	-	-	180,166
Total Current Liabilities	302,575	4,105	-	306,680
Noncurrent Liabilities:				
Installment Notes Payable	3,711,735	-	-	3,711,735
Vested Employee Benefits	222,595	-	-	222,595
Total Noncurrent Liabilities	3,934,330	-	-	3,934,330
TOTAL LIABILITIES	4,236,905	4,105	-	4,241,010
NET ASSETS:				
Invested in Capital Assets, net of related debt	12,516,075	-	-	12,516,075
Restricted for County Road	1,322,100	-	-	1,322,100
Unrestricted	-	9,761	7,491	17,252
TOTAL NET ASSETS	\$ 13,838,175	\$ 9,761	\$ 7,491	\$ 13,855,427

County of Osceola, Michigan

Statement of Activities Component Units Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Drain Revolving	Total
Road Commission:								
Public Works	\$ 3,570,798	\$ 30,436	\$ 3,401,923	\$ 2,296,358	\$ 2,157,919	\$ -	\$ -	\$ 2,157,919
Economic Development Corporation:								
Economic Development	49,518	1,839	1,409	-	-	(46,270)	-	(46,270)
Drain Revolving:								
Public Works	2,800	3,666	-	-	-	-	866	866
Total Component Units	<u>\$ 3,623,116</u>	<u>\$ 35,941</u>	<u>\$ 3,403,332</u>	<u>\$ 2,296,358</u>	<u>2,157,919</u>	<u>(46,270)</u>	<u>866</u>	<u>2,112,515</u>
General Revenues and Transfers:								
Gain on Equipment Disposal					187,399	-	-	187,399
Transfers In					-	47,532	-	47,532
Total General Revenues and Transfers					<u>187,399</u>	<u>47,532</u>	<u>-</u>	<u>234,931</u>
Changes in Net Assets					2,345,318	1,262	866	2,347,446
Net Assets - Beginning					11,492,857	8,499	6,625	11,507,981
Net Assets - Ending					<u>\$ 13,838,175</u>	<u>\$ 9,761</u>	<u>\$ 7,491</u>	<u>\$ 13,855,427</u>

Notes to Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Osceola, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

A – Reporting Entity:

The County of Osceola, Michigan, is a public corporation created under the Constitution and Statutes of the State of Michigan and covers an area of approximately 576 square miles with the County Seat located in Reed City. The County operates under an elected Board of Commissioners (seven members) and provides services to its 23,197 residents (per 2000 census) in many areas, including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and cultural activities.

Component Units:

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units

County of Osceola Building Authority – The Authority is an entity legally separate from the County. The Authority is governed by a board, appointed by the Commission and is reported as if it were part of the County’s operations because its primary purpose is the procurement and management of debt financing for the County.

Discretely Presented Component Units

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Osceola County Road Commission - The County Road Commission is considered part of the County reporting entity for financial reporting purposes. The Road Commission is governed by a three member board elected by the electorate of Osceola County. The Road Commission may not issue debt or levy taxes without the approval of the County Board of Commissioners. However, this component unit of Osceola County has been audited and reported separately. Complete financial statements of the individual component unit can be obtained from the following:

Osceola County Road Commission
800 S. Chestnut
Reed City, MI 49677

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

County of Osceola Economic Development Corporation – The Corporation is a legally separate municipal corporation whose primary purpose is to promote economic development in the County of Osceola. The Board of the Economic Development Corporation is appointed by the Board of Commissioners. The Corporation’s annual budget is subject to the approval of the Board of Commissioners and is financially accountable to the County.

Drain Revolving – Each drainage district is a separate legal entity with the power to contract, sue, be sued, hold, manage, and dispose of real and personal property etc. The full faith and credit of the County may be given for the debt of the drainage district.

Jointly Governed Organizations

Central Michigan Community Mental Health Authority – The County participates jointly in the operation of this Authority with four other area counties. All financial operations of the Authority are recorded in Isabella County. The County appropriated \$105,086 to the Authority for the year ended December 31, 2007.

Meceola Consolidated Central Dispatch Authority – Mecosta and Osceola Counties participate jointly in the operation of the Meceola Consolidated Central Dispatch Authority. Osceola County makes no appropriations to this Authority.

Central Michigan District Health Department – The County participates jointly in the operation of this Health Department with ten other area counties. All financial operations of the Health Department are recorded in Isabella County. The County appropriated \$158,345 to the Health Department of the year ended December 31, 2007.

Mecosta Osceola Transit Authority – The Transit Authority provides public transportation to the general public in Mecosta and Osceola counties. MOTA’s a separate authority and is not a component unit of either county.

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 and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 revenue.

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

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Taxes Receivable – Current or Property Taxes

The County of Osceola property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Osceola as of the preceding December 31st.

Although the County of Osceola's 2006 ad valorem tax is levied and collectible on December 1, 2006 and the 2007 ad valorem tax is levied and collectible on July 1, 2007, it is the County of Osceola's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The 2006 taxable valuation of the County of Osceola totaled \$625,999,069, on which ad valorem taxes levied consisted of 2.1345 mills for the County operating, .7925 mills for Commission on Aging, .9984 mills for Road Patrol, .9907 mills for EMS, raising \$1,336,195, \$496,104, \$627,997, \$620,177, respectively. These amounts are recognized in the respective General and Special Revenue financial statements as tax revenue.

The July 1, 2007 taxable valuation of County of Osceola totaled \$659,642,208, on which ad valorem taxes levied consisted of 6.4035 mills for the General Fund, this amount is recognized in the General Fund financial statements as revenue.

The County utilized \$1,253,698 of the winter operating levy for the Revenue Sharing Reserve Fund. This amounts approximately 1/3 of the County's operating levy in 2004.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund

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

Revenue Sharing Reserve Fund

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

Emergency Medical Services Fund

This Fund accounts for emergency medical services provided from charges for services, grants, Medicare and Medicaid reimbursements, and insurance reimbursements.

Building Authority Debt

This fund accounts for the repayment of building authority debt to construct road commission buildings.

The County reports the following major proprietary funds:

2006 Delinquent Tax Fund

This fund accounts for the collection of delinquent taxes.

Prior Delinquent Tax Fund

This fund accounts for the collection of prior year delinquent taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the County reports the following fund types:

Agency Funds

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

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

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D - Assets, Liabilities, and Net Assets or Equity:

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – All inventories, including the cost of supplies, are expensed when purchased. Certain insurance premiums and other expenditures are recorded as prepaid assets in the fund level and government-wide financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant, and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Vested Benefits Payable – County General Employees - The County’s employment policies provide for vacation benefits to be earned in varying amounts depending on the employee’s years of service. The annual vacation benefits earned by each employee during the prior 12 months are credited to the employee on their anniversary date of hire.

Employees’ vacation and sick leave benefits are earned at varying amounts depending on various union and non-union personnel policies. Employees may accumulate and utilize vacation leave until termination of employment, at which time they will be compensated in full for the unused portion or per policy or contract.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employees accumulate or are awarded sick days based on county policy or union contract.

General non-union employees hired after September 1, 2002, and union employees are awarded a set number of sick days January 1st of each year, with the ability to carry over days into the next fiscal year per policy or union contract. The balance of unused sick time at year end is paid out to employees in January of the following year based on policy or union contract language.

Non-union employees hired prior to September 1, 2002 accumulate sick time at the rate of one day per month with a maximum accumulation of a total of 150 days. Upon separation of employment, the employee is paid 50% of the unused sick leave bank up to a maximum of seventy-five days.

Long-Term Obligations – In the government-wide financial statements and the 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.

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.

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

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General Fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end, the County’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents – Unrestricted	\$ 4,963,165	\$ 4,808,170	\$ 9,771,335	\$ 784,951	\$ 772,117
Total	<u>\$ 4,963,165</u>	<u>\$ 4,808,170</u>	<u>\$ 9,771,335</u>	<u>\$ 784,951</u>	<u>\$ 772,117</u>
		<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>	
Bank Deposits (checking and savings accounts, certificates of deposit)		\$ 9,768,255	\$ 784,951	\$ 772,017	
Petty Cash and Cash on Hand		<u>3,080</u>	<u>-</u>	<u>100</u>	
Total		<u>\$ 9,771,335</u>	<u>\$ 784,951</u>	<u>\$ 772,117</u>	
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More Than 10</u>
Investments:					
U.S. Treasury	\$ 196,081	\$ 196,081	\$ -	\$ -	\$ -
Money Market	<u>685,674</u>	<u>685,674</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Investments	<u>\$ 881,755</u>	<u>\$ 881,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

Custodial credit risk. 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 securities that are in the possession of an outside party. Of the County’s \$881,755 in investments all are in the name of the County. Credit quality ratings of public money funds were not available from the financial institutions or are unrated.

Custodial deposit credit risk. Custodial deposit 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. As of year end, \$9,529,201 of the County’s bank balance of \$9,831,460 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County's deposits and investment policy are in accordance with statutory authority.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 230,687	\$ 38,650	\$ (3,177)	\$ 266,160
Subtotal	<u>230,687</u>	<u>38,650</u>	<u>(3,177)</u>	<u>266,160</u>
<i>Capital assets being depreciated:</i>				
Buildings	6,413,404	-	-	6,413,404
Machinery and equipment	<u>2,739,831</u>	<u>115,490</u>	<u>(104,808)</u>	<u>2,750,513</u>
Subtotal	<u>9,153,235</u>	<u>115,490</u>	<u>(104,808)</u>	<u>9,163,917</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(3,908,930)	(109,777)	-	(4,018,707)
Machinery and equipment	<u>(1,892,802)</u>	<u>(261,651)</u>	<u>82,159</u>	<u>(2,072,294)</u>
Subtotal	<u>(5,801,732)</u>	<u>(371,428)</u>	<u>82,159</u>	<u>(6,091,001)</u>
Net Capital Assets Being Depreciated	<u>3,351,503</u>	<u>(255,938)</u>	<u>(22,649)</u>	<u>3,072,916</u>
Governmental Activities Capital Assets - Net of Depreciation	<u>\$ 3,582,190</u>	<u>\$ (217,288)</u>	<u>\$ (25,826)</u>	<u>\$ 3,339,076</u>

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

Governmental Activities:	
Judicial	\$ 5,342
General Government	270,998
Public Safety	94,419
Legislative	<u>669</u>
Total Governmental Activities	<u>\$ 371,428</u>

Capital asset activity for the business-type activities for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Business-type Activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 37,550	-	-	\$ 37,550
Subtotal	<u>37,550</u>	<u>-</u>	<u>-</u>	<u>37,550</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	456,305	-	-	456,305
Equipment	<u>74,096</u>	<u>-</u>	<u>-</u>	<u>74,096</u>
Subtotal	<u>530,401</u>	<u>-</u>	<u>-</u>	<u>530,401</u>

NOTE 4 - CAPITAL ASSETS (Continued)

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Less accumulated depreciation for:</i>				
Buildings and improvements	(288,521)	(9,741)	-	(298,262)
Equipment	<u>(63,496)</u>	<u>(3,658)</u>	-	<u>(67,154)</u>
Subtotal	<u>(352,017)</u>	<u>(13,399)</u>	-	<u>(365,416)</u>
Net Capital Assets Being Depreciated	<u>178,384</u>	<u>(13,399)</u>	-	<u>164,985</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 215,934</u>	<u>\$ (13,399)</u>	<u>\$ -</u>	<u>\$ 202,535</u>

Depreciation expense of \$13,399 was allocated to the Parks.

A summary of changes in the Road Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 65,662	\$ -	\$ -	\$ 65,662
Infrastructure Land Improvements	<u>5,470,602</u>	<u>184,050</u>	-	<u>5,654,652</u>
Subtotal	<u>5,536,264</u>	<u>184,050</u>	-	<u>5,720,314</u>
<i>Capital assets being depreciated:</i>				
Buildings	4,577,163	9,000	-	4,586,163
Road Equipment	5,533,700	493,730	(602,610)	5,424,820
Shop Equipment	119,654	17,500	(4,500)	132,654
Office Equipment	31,765	-	-	31,765
Engineer's Equipment	35,519	-	-	35,519
Depletable Assets	226,825	-	-	226,825
Infrastructure – Bridges	599,924	1,628,512	-	2,228,436
Infrastructure – Roads	<u>3,249,342</u>	<u>687,815</u>	-	<u>3,937,157</u>
Subtotal	<u>14,373,892</u>	<u>2,836,557</u>	<u>(607,110)</u>	<u>16,603,339</u>
<i>Less accumulated depreciation:</i>				
Building	(420,819)	(177,673)	-	(598,492)
Road Equipment	(4,245,088)	(462,531)	511,669	(4,195,950)
Shop Equipment	(74,017)	(7,941)	1,350	(80,608)
Office Equipment	(27,601)	(1,128)	-	(28,729)
Engineer's Equipment	(23,100)	(4,283)	-	(27,383)
Depletable Assets	(200,242)	(9,033)	-	(209,275)
Infrastructure – Bridges	(40,533)	(20,972)	-	(61,505)
Infrastructure – Roads	<u>(458,436)</u>	<u>(255,300)</u>	-	<u>(713,736)</u>
Subtotal	<u>(5,489,836)</u>	<u>(938,861)</u>	<u>513,019</u>	<u>5,915,678</u>
Net Capital Assets Being Depreciated	<u>8,884,056</u>	<u>1,897,696</u>	<u>(94,091)</u>	<u>10,687,661</u>
Total Net Capital Assets	<u>\$ 14,420,320</u>	<u>\$ 2,081,746</u>	<u>\$ (94,091)</u>	<u>\$ 16,407,975</u>

NOTE 4 - CAPITAL ASSETS (Continued)

Depreciation and depletion expense was charged to the following activities:

Public Works:	
Net Equipment Expense	
Direct Equipment	\$ 462,531
Indirect Equipment	
Engineer Equipment	4,283
Shop Building	177,673
Shop Equipment	7,941
Net Administrative Expenses	
Office Equipment	1,128
Depletion Expense	9,033
Infrastructure Depreciation	<u>276,272</u>
Total Depreciation Expense	<u>\$ 938,861</u>

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS		
	General	Prior Delinquent Tax	Totals
EMS	\$ 34,762	\$ -	\$ 34,762
Nonmajor-Gov. Funds	44,700	-	44,700
2006 Delinquent Tax	-	1,700,000	1,700,000
Nonmajor-Enterprise Funds	<u>-</u>	<u>11,200</u>	<u>11,200</u>
Total	<u>\$ 79,462</u>	<u>\$ 1,711,200</u>	<u>\$ 1,790,662</u>

All balances resulted 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) payment between funds are made.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

ADVANCES FROM OTHER FUNDS	ADVANCES TO OTHER FUNDS	
	Other Funds	General Fund
		\$ 2,000

Interfund Transfers

TRANSFERS IN	TRANSFERS OUT						
	General Fund	Revenue Sharing Reserve	EMS	Prior Delinquent Tax	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
General Fund	\$ -	\$ 527,485	\$ -	\$ 99,822	\$ 60,000	\$ -	\$ 687,307
Nonmajor							
Governmental	496,059	-	15,412	176,199	142,475	-	830,145
Nonmajor							
Enterprise	10,000	-	-	-	-	-	10,000
Prior Delinquent Tax	-	-	-	-	-	277,200	277,200
Component Unit	47,532	-	-	-	-	-	47,532
Total	<u>\$ 553,591</u>	<u>\$ 527,485</u>	<u>\$ 15,412</u>	<u>\$ 276,021</u>	<u>\$ 202,475</u>	<u>\$ 277,200</u>	<u>\$ 1,852,184</u>

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

NOTE 6 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
General Obligation Bonds					
\$1,600,000 Building Authority Bonds, Series 1998, due in annual installments increasing from \$50,000 to \$125,000 through November 1, 2017, plus interest at 5.20 % payable semi-annually.	\$ 1,050,000	\$ -	\$ 75,000	\$ 975,000	\$ 75,000

NOTE 6 - LONG-TERM DEBT (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
\$3,750,000 Building Authority Bonds, Series 2004, due in annual installments increasing from \$75,000 to \$225,000 through April 1, 2034, plus interest at 3% to 4.875 payable semi-annually.	3,600,000	-	75,000	3,525,000	75,000
\$725,000 Capital Improvement Bonds Series 2005, due in annual installments increasing from \$15,000 to \$40,000 through June 1, 2030, plus interest 3.75% to 4.85% payable semi-annually.	710,000	-	20,000	690,000	20,000
Total Governmental Activities	<u>\$ 5,360,000</u>	<u>\$ -</u>	<u>\$ 170,000</u>	<u>\$ 5,190,000</u>	<u>\$ 170,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	170,000	231,609
2009	170,000	225,140
2010	170,000	218,578
2011	195,000	211,809
2012	195,000	203,640
2013-2017	1,145,000	881,874
2018-2022	720,000	664,982
2023-2027	910,000	483,787
2028-2032	1,065,000	236,362
2033-2034	450,000	21,937
Total	<u>\$ 5,190,000</u>	<u>\$ 3,379,718</u>

A summary of vested benefits payable at December 31, 2007 is as follows:

<u>Primary Government</u>	<u>01/01/07</u>	<u>Increases (net)</u>	<u>12/31/07</u>
Vacation	\$ 56,465	\$ 2,345	\$ 58,810
Sick	121,624	1,616	123,240
Total	<u>\$ 178,089</u>	<u>\$ 3,961</u>	<u>\$ 182,050</u>

NOTE 6 - LONG-TERM DEBT (Continued)

The long-term debt of the Road Commission is summarized as follows:

	Balance 01/01/07	Increases	Decreases	Balance 12/01/07	Due Within One Year
Caterpillar Track-Type Tractor, Model D4GXL, \$67,895, Capital Lease Dated July 1, 2003.	\$ 37,338	\$ -	\$ (37,338)	\$ -	-
Caterpillar Excavator Model 312CL \$92,095 Capital Lease Dated July 15, 2003.	55,509	-	(55,509)	-	-
Two 2003 International Trucks, \$212,000 Promissory Note Dated May 16, 2003, maturing serially through 2008 with quarterly installments of \$11,558 and an interest rate of 3.3%.	67,067	-	(44,565)	22,502	22,502
Two 2004 International Trucks, \$180,000 Promissory Note Dated May 15, 2005, maturing serially through 2010 with quarterly installments of \$9,998 and an interest rate of 3.99%.	129,632	-	(35,233)	94,399	36,734
Two Road Commission Facilities \$3,750,000 Installment Note Dated April 1, 2004 maturing serially through 2034 with biannual payments ranging from \$75,000 to \$225,000 and at an interest rate ranging from 3.0% to 4.875%.	3,600,000	-	(75,000)	3,525,000	75,000
Two 2007 International Trucks, \$250,000 promissory Note Dated October 17, 2007, maturing serially through 2012 with quarterly installments of \$13,925 and an interest rate of 4.15%.	-	250,000	-	250,000	45,930
Vested Employee Benefits Vacation and Sick Leave	268,126	-	(45,531)	222,595	-
Total	\$ 4,157,672	\$ 250,000	\$ (293,176)	\$ 4,114,496	\$ 180,166

NOTE 6 - LONG-TERM DEBT (Continued)

Two 2003 International Trucks were purchased in May 2003 under a promissory note through Huntington National Bank. The original purchase price was \$212,000 with 20 quarterly payments of \$11,558 at an interest rate of 3.3%.

<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/2007</u>	<u>Interest Payable if Held to Maturity</u>
\$ 212,000	3.3%	2008	\$ 22,502	\$ 277
		Total	<u>\$ 22,502</u>	<u>\$ 277</u>

Two International Tractors Model 5900I were purchased in May 2005 under an installment note purchase agreement through Huntington National Bank. The original purchase price was \$180,000, with 20 quarterly payments of \$9,988 at an implied interest rate of 3.99%.

<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/2007</u>	<u>Interest Payable if Held to Maturity</u>
\$ 180,000	3.99%	2008	\$ 36,734	\$ 3,217
		2009	38,221	1,729
		2010	<u>19,444</u>	<u>288</u>
		Total	<u>\$ 94,399</u>	<u>\$ 5,234</u>

On September 1, 2004, the Osceola County Building Authority issued Building Authority Bonds, Series 2004, in the amount of \$3,750,000 for the purpose of constructing, furnishing, and equipping two new facilities for the Osceola County Road Commission. The Road Commission has entered into a 30 year installment note agreement for the financing of these two new facilities with Osceola County who purchased the facilities from the Building Authority, after which time the possession of the purchased premises shall vest in the Road Commission after the bonds are retired. The Road Commission is to operate and maintain the purchased premises and keep it in good condition and repair.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/2007</u>	<u>Interest Payable if Held to Maturity</u>
05/16/05	\$ 3,750,000	3.99%	2008	\$ 75,000	\$ 155,431
			2009	75,000	153,181
			2010	75,000	150,837
			2011	75,000	148,306
			2012	75,000	145,588
			2013 – 2017	475,000	677,997
			2018 – 2022	575,000	572,424
			2023 – 2027	725,000	428,002
			2028 – 2032	925,000	225,991
			2033 – 2034	<u>450,000</u>	<u>21,937</u>
			Total	<u>\$ 3,525,000</u>	<u>\$ 2,679,694</u>

NOTE 6 - LONG-TERM DEBT (Continued)

Two International Tractors, were purchased in October 2007 under an installment note purchase agreement through Huntington National Bank. The original purchase price was \$250,000, with 20 quarterly payments of \$13,925 at an implied interest rate of 4.15%.

<u>Loan Date</u>	<u>Loan Amount</u>	<u>Interest Rate</u>	<u>Maturity Year</u>	<u>Outstanding 12/31/2007</u>	<u>Interest Payable if Held to Maturity</u>
10/17/07	\$ 250,000	4.15%	2008	\$ 45,930	\$ 9,769
			2009	47,862	7,837
			2010	49,907	5,791
			2011	52,041	3,658
			2012	<u>54,260</u>	<u>1,438</u>
			Total	<u>\$ 250,000</u>	<u>\$ 28,493</u>

Vested Employee Benefits

Vacation is earned in varying amounts depending on the number of years of services of an employee and is made available to the employee at the beginning of each year, not to exceed a total accumulation of 44 days for union employees, 59 days for administrative and nonunion supervisory employees. Vacation is payable at 100% to employees when they terminate employment.

Sick leave is accumulated at the rate of 1 day for each month of services, not to exceed a total accumulation of 125 days for all employees. Sick pay is payable at the following percentage when employees leave prior to retirement.

10 years of service	60 percent
5-10 years of service	40 percent
0-5 years of service	20 percent

Sick leave is payable at 100% at retirement or death.

At December 31, 2007, the total vested vacation and sick leave benefits were \$51,233 and \$171,362, respectively.

NOTE 7 - RISK MANAGEMENT

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

NOTE 7 - RISK MANAGEMENT (Continued)

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

NOTE 8 - CONTINGENT LIABILITIES

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of employment multiplied by the Plan factor of 2.0, 2.25 or 2.5 percent times the final average compensation (FAC). The multiplier is determined by the Plan elected or negotiated by collective bargaining agreement and approved by the Board of Commissioners. The 2.25 and 2.5 percent multipliers have a maximum benefit of 80% FAC. The most recent period of which actuarial data was available was for year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

The Contribution rate as a percentage of payroll at December 31, 2006 was as follows:

General – Other	9.77%
Sheriff	10.00%
Ambulance	10.24%
	10.00%

Annual Pension Cost

During the year ended December 31, 2007, the County’s contributions totaling \$377,937 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 7,428,543	\$ 8,050,362	\$ 8,822,992
Actuarial Accrued Liability	8,510,149	9,192,506	10,118,589
Unfunded AAL	1,081,606	1,142,144	1,295,597
Funded Ratio	87%	88%	87%
Covered Payroll	3,547,048	3,735,851	3,943,518
UAAL as a Percentage of Covered Payroll	30%	31%	33%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 368,127	100%	0
2006	403,694	100%	0
2007	377,937	100%	0

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)***ROAD COMMISSION***Description of Plan and Plan Assets

The Osceola County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, and service retirement allowance, disability retirement allowance, nonduty-connected to death, and post-retirement adjustments to plan members and their beneficiaries. The service requirement for general and administration is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final compensation (FAC), with a maximum benefit of 80% FAC for the general and administrative employees. The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Public Act No. 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining units. The employee contribution for the year ending December 31, 2006 was 1.5% of gross wages for general employees and 1.5% of gross wages for administrative employees. The Road Commission was required to contribute at an actuarially determined rate; the current rate was 9.23% and 12.44% of annual compensation at December 31, 2004 for the general and administrative groups, respectively, of annual compensation.

Annual Pension Cost

For the year ended December 31, 2006, the Road Commission's annual pension cost was \$125,060 based on the actuarially determined rate for 2005. The employees contributed \$17,314 in accordance with the union and personnel agreements. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for this projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 4,962,306	\$ 5,115,949	\$ 5,369,204
Actuarial Accrued Liability	5,761,285	5,951,945	6,380,310
Unfunded AAL	798,979	835,996	1,011,106
Funded Ratio	86%	86%	84%
Covered Payroll	1,065,505	1,123,147	1,100,074
UAAL as a Percentage of Covered Payroll	75%	74%	92%

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 108,321	100%	0
2005	104,354	100%	0
2006	125,060	100%	0

NOTE 10 - POST EMPLOYMENT BENEFITS

Osceola County Road Commission provides post-employment health care benefits, in accordance with the labor contract and personnel policy to all employees who retire from the Road Commission. The employer will pay all costs for Blue Cross/Blue Shield, including spouse, from the time the retiree is 62 years old until 65 years of age. After age 65, retirees must reimburse the employer for the cost of insurance. Employees that retire before age 62 may remain in the health group if they reimburse the employer for the cost of insurance.

Currently, five retirees meet those eligibility requirements. Expenditures for post-employment health care benefits recognized when insurance premiums are paid. Premiums paid by the Road Commission in 2007 totaled \$50,658, while reimbursements from retirees totaled \$11,324. The net cost to the Road Commission was \$39,334. The reason for the negative cost is retirees are allowed to pay early and the reimbursements are recognized when received while the expenditures are recognized as the insurance premiums become due.

NOTE 11 - NET ASSETS RESTRICTED/FUND EQUITY RESERVES

Net assets restrictions/fund equity reserve can be described as follows:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Friend of the Court	Fund Purposes	\$ 36,097
Public Improvement	Public Improvement	18,290
Housing Grant	Public Housing	21,983
Revenue Sharing Reserve	Revenue Sharing	<u>1,930,723</u>
		<u>\$ 2,007,093</u>

NOTE 12 - DESIGNATED FUND BALANCE

The various governing boards of the County have the power to designate or set aside, all or a portion of unreserved fund balance for specific purposes. The following is a summary of designated fund balance of December 31, 2007:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Advances	\$ 2,000

NOTE 13 - PRIOR PERIOD ADJUSTMENT

During fiscal year 2007 \$41,648 in revenues for past years was deemed uncollectible and was written off as a prior period adjustment. Also \$11,148 was required as an adjustment for prepaid expenses. As a result the General Fund Balance was reduced to reflect the adjustments as follows:

General Fund Balance January 1, 2007	\$ 1,431,454
Adjustment for Accounts Receivable write-off:	(41,648)
Adjustment for Prepaid Expense balance:	<u>11,148</u>
 Restated Fund Balance January 1, 2007	 <u>\$ 1,400,954</u>

Required Supplementary Information

County of Osceola, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive
	Original	Final		(Negative)
REVENUES:				
Taxes	\$ 4,497,432	\$ 4,551,770	\$ 4,873,595	\$ 321,825
Licenses & Permits	34,050	36,659	35,303	(1,356)
Federal Sources	77,158	77,158	77,158	-
State Sources	421,337	523,805	515,546	(8,259)
Local Sources	15,000	23,500	16,460	(7,040)
Charges for Services	838,032	908,775	869,883	(38,892)
Refunds & Reimbursements	454,798	486,960	707,119	220,159
Interest & Rentals	152,455	156,000	159,033	3,033
Other Revenue	33,450	36,599	42,135	5,536
TOTAL REVENUES	6,523,712	6,801,226	7,296,232	495,006
EXPENDITURES:				
Legislative:				
Board of Commissioners	79,208	79,208	75,491	3,717
Judicial:				
Circuit Court	161,150	168,050	144,016	24,034
District Court	258,792	270,847	252,407	18,440
Jury Commission	3,877	3,877	831	3,046
Juvenile Division	222,021	270,596	262,064	8,532
Adult Probation	2,200	2,200	1,948	252
Probate Court	91,053	98,183	92,504	5,679
Public Defender	189,750	195,597	190,736	4,861
Total Judicial	928,843	1,009,350	944,506	64,844
General Government:				
County Coordinator	125,338	127,291	123,847	3,444
Professional	25,000	25,000	23,000	2,000
Elections	60,592	60,592	34,855	25,737
County Clerk	235,548	243,468	238,259	5,209
Equalization	173,639	177,408	161,265	16,143
Prosecuting Attorney	285,515	286,972	253,993	32,979
Crime Victims	50,624	50,624	38,109	12,515
Register of Deeds	204,667	206,354	195,289	11,065
Treasurer	219,519	220,439	205,323	15,116
Cooperative Extension	157,384	157,037	158,196	(1,159)
Buildings & Grounds	162,217	166,620	161,366	5,254
Human Services Building	23,156	23,156	19,187	3,969
Drain Commission	16,501	16,501	12,547	3,954
General	392,256	414,919	374,729	40,190
Total General Government	2,131,956	2,176,381	1,999,965	176,416

County of Osceola, Michigan

Required Supplementary Information Budgetary Comparison Schedule General Fund Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	1,259,292	1,282,501	1,260,649	21,852
Marine	16,637	16,637	11,439	5,198
Snowmobile	10,901	10,901	6,755	4,146
Road Patrol	68,928	68,928	50,840	18,088
Jail	1,109,208	1,144,239	1,139,437	4,802
Planning Department	4,971	4,971	2,033	2,938
Plat Board	75	75	-	75
Animal Control	87,538	90,694	86,411	4,283
911	80,000	113,123	113,123	-
Total Public Safety	<u>2,637,550</u>	<u>2,732,069</u>	<u>2,670,687</u>	<u>61,382</u>
Public Works:				
Solid Waste	<u>4,225</u>	<u>4,225</u>	<u>683</u>	<u>3,542</u>
Health & Welfare:				
Medical Examiner	45,494	44,774	41,314	3,460
Contagious Diseases	1,000	2,300	2,031	269
Veteran's Burial	<u>14,150</u>	<u>14,150</u>	<u>14,025</u>	<u>125</u>
Total Health & Welfare	<u>60,644</u>	<u>61,224</u>	<u>57,370</u>	<u>3,854</u>
Other Expenditures:				
Insurance & Bonds	467,149	467,149	310,403	156,746
Employee Benefits	169,300	284,075	300,473	(16,398)
Appropriations	<u>328,634</u>	<u>329,717</u>	<u>324,014</u>	<u>5,703</u>
Total Other Expenditures	<u>965,083</u>	<u>1,080,941</u>	<u>934,890</u>	<u>146,051</u>
TOTAL EXPENDITURES	<u>6,807,509</u>	<u>7,143,398</u>	<u>6,683,592</u>	<u>459,806</u>
EXCESS OF REVENUES OVER EXPENDITURES	(283,797)	(342,172)	612,640	954,812
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	922,037	973,372	687,307	(286,065)
Operating Transfers Out	<u>(638,240)</u>	<u>(631,200)</u>	<u>(553,591)</u>	<u>77,609</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	746,356	<u>\$ 746,356</u>
FUND BALANCE, JANUARY 1			1,431,454	
Prior Period Adjustment			<u>(30,500)</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,147,310</u>	

**Required Supplementary Information
Budgetary Comparison Schedule
Revenue Sharing Reserve Fund
Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,157,795	\$ 1,157,795	\$ -	\$ (1,157,795)
Interest & Rentals	18,000	20,035	95,903	75,868
TOTAL REVENUES	<u>1,175,795</u>	<u>1,177,830</u>	<u>95,903</u>	<u>(1,081,927)</u>
Expenditures				
Other Expenditures	-	-	11,130	(11,130)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,175,795	1,177,830	84,773	(1,070,797)
OTHER FINANCING SOURCES (USES):				
Operating Transfer Out	(525,450)	(527,485)	(527,485)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 650,345</u>	<u>\$ 650,345</u>	(442,712)	<u>\$ (1,093,057)</u>
FUND BALANCE, JANUARY 1			<u>2,373,435</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 1,930,723</u>	

County of Osceola, Michigan

Required Supplementary Information Budgetary Comparison Schedule EMS Fund Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 589,294	\$ 589,294	\$ 590,310	\$ 1,016
Local Sources	-	-	14,029	14,029
Charges for Services	807,183	807,183	826,209	19,026
Refunds & Reimbursements	-	-	1,081	1,081
Interest & Rentals	-	-	18,560	18,560
Other Revenue	29,125	30,125	5,636	(24,489)
TOTAL REVENUES	1,425,602	1,426,602	1,455,825	29,223
EXPENDITURES:				
Health & Welfare	1,354,125	1,371,125	1,260,504	110,621
Capital Outlay	21,600	5,600	19,129	(13,529)
TOTAL EXPENDITURES	1,375,725	1,376,725	1,279,633	97,092
EXCESS OF REVENUES OVER EXPENDITURES	49,877	49,877	176,192	126,315
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(15,412)	(15,412)	(15,412)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 34,465	\$ 34,465	160,780	\$ 126,315
FUND BALANCE, JANUARY 1			195,227	
FUND BALANCE, DECEMBER 31			\$ 356,007	

Other Supplementary Information

County of Osceola, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

Special Revenue Funds

	Michigan Justice Training	Friend of Court	Community Corrections	Survey Remonumentation	Public Improvement	Building Inspection	Register of Deeds Automation	Budget Stabilization
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 11,799	\$ 150,529	\$ 1,130	\$ -	\$ 19,596	\$ 84,234	\$ 83,342	\$ 50,000
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Due from Governmental Units	-	51,126	7,931	44,700	-	-	-	-
TOTAL ASSETS	<u>\$ 11,799</u>	<u>\$ 201,655</u>	<u>\$ 9,061</u>	<u>\$ 44,700</u>	<u>\$ 19,596</u>	<u>\$ 84,234</u>	<u>\$ 83,342</u>	<u>\$ 50,000</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ 44,700	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	5,292	308	-	1,306	-	22,857	-
Accrued Liabilities	-	6,875	1,299	-	-	1,851	-	-
Advances to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>12,167</u>	<u>1,607</u>	<u>44,700</u>	<u>1,306</u>	<u>1,851</u>	<u>22,857</u>	<u>-</u>
FUND BALANCES:								
Reserved	-	36,097	-	-	18,290	-	-	-
Unreserved								
Undesignated	11,799	153,391	7,454	-	-	82,383	60,485	50,000
TOTAL FUND BALANCES	<u>11,799</u>	<u>189,488</u>	<u>7,454</u>	<u>-</u>	<u>18,290</u>	<u>82,383</u>	<u>60,485</u>	<u>50,000</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,799</u>	<u>\$ 201,655</u>	<u>\$ 9,061</u>	<u>\$ 44,700</u>	<u>\$ 19,596</u>	<u>\$ 84,234</u>	<u>\$ 83,342</u>	<u>\$ 50,000</u>

County of Osceola, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	Disaster Contingency	Civil Defense	Officer Training	Drug Enforcement	Drug Operations	Dare Operations	Law Library	Commission On Aging
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 1,923	\$ 2,743	\$ 16,410	\$ 9,274	\$ 24,281	\$ 10,753	\$ 1,369	\$ 83,253
Receivables:								
Taxes	-	-	-	-	-	-	-	-
Due from Governmental Units	-	4,613	5	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,923</u>	<u>\$ 7,356</u>	<u>\$ 16,415</u>	<u>\$ 9,274</u>	<u>\$ 24,281</u>	<u>\$ 10,753</u>	<u>\$ 1,369</u>	<u>\$ 83,253</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	2,625	-	-	-	-	555	3,385
Accrued Liabilities	-	3,722	-	-	-	-	-	5,527
Advances to Other Funds	-	-	-	-	-	-	-	2,000
Deferred Revenue	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>6,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>555</u>	<u>10,912</u>
FUND BALANCES:								
Reserved	-	-	-	-	-	-	-	-
Unreserved								
Undesignated	1,923	1,009	16,415	9,274	24,281	10,753	814	72,341
TOTAL FUND BALANCES	<u>1,923</u>	<u>1,009</u>	<u>16,415</u>	<u>9,274</u>	<u>24,281</u>	<u>10,753</u>	<u>814</u>	<u>72,341</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,923</u>	<u>\$ 7,356</u>	<u>\$ 16,415</u>	<u>\$ 9,274</u>	<u>\$ 24,281</u>	<u>\$ 10,753</u>	<u>\$ 1,369</u>	<u>\$ 83,253</u>

County of Osceola, Michigan

Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds							
	Commission On Aging Millage	Meals on Wheels	Salvage Vehicle Inspection Fund	Child Care	Veteran's Trust	Equipment & Maintenance	Housing Grant	Senior Meals Program
ASSETS:								
Cash & Equivalents - Unrestricted	\$ 224,579	\$ 74,000	\$ 25	\$ 60,875	\$ 799	\$ 25,462	\$ 21,983	\$ 1,299
Receivables:								
Taxes	460,546	-	-	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	5,447	-	-
TOTAL ASSETS	<u>\$ 685,125</u>	<u>\$ 74,000</u>	<u>\$ 25</u>	<u>\$ 60,875</u>	<u>\$ 799</u>	<u>\$ 30,909</u>	<u>\$ 21,983</u>	<u>\$ 1,299</u>
LIABILITIES:								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	3,029	498	-	24,429	-	379	-	-
Accrued Liabilities	9,257	2,601	-	1,241	-	-	-	-
Advances to Other Funds	-	-	-	-	-	-	-	-
Deferred Revenue	460,546	-	-	-	-	-	-	-
TOTAL LIABILITIES	<u>472,832</u>	<u>3,099</u>	<u>-</u>	<u>25,670</u>	<u>-</u>	<u>379</u>	<u>-</u>	<u>-</u>
FUND BALANCES:								
Reserved	-	-	-	-	-	-	21,983	-
Unreserved								
Undesignated	212,293	70,901	25	35,205	799	30,530	-	1,299
TOTAL FUND BALANCES	<u>212,293</u>	<u>70,901</u>	<u>25</u>	<u>35,205</u>	<u>799</u>	<u>30,530</u>	<u>21,983</u>	<u>1,299</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 685,125</u>	<u>\$ 74,000</u>	<u>\$ 25</u>	<u>\$ 60,875</u>	<u>\$ 799</u>	<u>\$ 30,909</u>	<u>\$ 21,983</u>	<u>\$ 1,299</u>

County of Osceola, Michigan

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

	Debt Service Funds		Capital Project Funds		Totals
	Co Cap Improvement Debt Service	Building Authority Prin./Int.	Co Cap Improve Bond Proceeds	District Court	
ASSETS:					
Cash & Equivalents - Unrestricted	\$ -	\$ -	\$ 2,447	\$ 24,240	\$ 986,345
Receivables:					
Taxes	-	-	-	-	460,546
Due from Governmental Units	-	-	-	87	113,909
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 24,327</u>	<u>\$ 1,560,800</u>
LIABILITIES:					
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 44,700
Accounts Payable	-	-	-	-	64,663
Accrued Liabilities	-	-	-	-	32,373
Advances to Other Funds	-	-	-	-	2,000
Deferred Revenue	-	-	-	-	460,546
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>604,282</u>
FUND BALANCES:					
Reserved	-	-	-	-	76,370
Unreserved					
Undesignated	-	-	2,447	24,327	880,148
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>2,447</u>	<u>24,327</u>	<u>956,518</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,447</u>	<u>\$ 24,327</u>	<u>\$ 1,560,800</u>

County of Osceola, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2007

	Special Revenue Funds							
	Michigan Justice Training	Friend of Court	Community Corrections	Survey Remonumentation	Public Improvement	Building Inspection	Register of Deeds Automation	Budget Stabilization
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	8,010	-	-
Federal Sources	-	237,609	-	-	-	-	-	-
State Sources	4,823	-	56,613	74,500	-	-	-	-
Local Sources	-	-	-	-	-	-	-	-
Charges for Services	-	42,326	-	-	-	179,103	-	-
Refunds & Reimbursements	-	-	4,332	-	26,839	-	-	-
Interest & Rentals	-	-	-	-	-	3,825	3,528	-
Other Revenue	-	12	-	-	6,800	38	-	-
TOTAL REVENUES	4,823	279,947	60,945	74,500	33,639	190,976	3,528	-
EXPENDITURES:								
Judicial	-	324,010	-	-	-	-	-	-
General Government	-	-	-	82,500	-	-	24,200	-
Public Safety	3,917	-	82,743	-	-	180,111	-	-
Health & Welfare	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	377,018	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	3,917	324,010	82,743	82,500	377,018	180,111	24,200	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	906	(44,063)	(21,798)	(8,000)	(343,379)	10,865	(20,672)	-
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	27,745	8,000	359,378	-	35,145	-
Operating Transfers Out	-	-	-	-	-	-	(15,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	906	(44,063)	5,947	-	15,999	10,865	(527)	-
FUND BALANCES, January 1	10,893	233,551	1,507	-	2,291	71,518	61,012	50,000
FUND BALANCES, December 31	\$ 11,799	\$ 189,488	\$ 7,454	\$ -	\$ 18,290	\$ 82,383	\$ 60,485	\$ 50,000

County of Osceola, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2007

	Disaster Contingency	Civil Defense	Officer Training	Drug Enforcement	Drug Operations	Dare Operations	Law Library	Commission On Aging
REVENUES:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Federal Sources	-	36,031	-	-	-	-	-	98,806
State Sources	-	-	10,125	-	-	5,996	-	106,261
Local Sources	-	-	-	-	-	50	-	-
Charges for Services	-	-	-	-	-	-	-	-
Refunds & Reimbursements	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	-	167	-	-	-	-
Other Revenue	-	-	-	2,954	9,638	-	3,500	2,844
TOTAL REVENUES	-	36,031	10,125	3,121	9,638	6,046	3,500	207,911
EXPENDITURES:								
Judicial	-	-	-	-	-	-	9,985	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	122,151	8,982	-	188	5,803	-	-
Health & Welfare	-	-	-	-	-	-	-	197,889
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	122,151	8,982	-	188	5,803	9,985	197,889
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(86,120)	1,143	3,121	9,450	243	(6,485)	10,022
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	74,822	-	-	1,455	-	6,100	-
Operating Transfers Out	-	-	-	(6,475)	(45,000)	-	-	(100,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	(11,298)	1,143	(3,354)	(34,095)	243	(385)	(89,978)
FUND BALANCES, January 1	1,923	12,307	15,272	12,628	58,376	10,510	1,199	162,319
FUND BALANCES, December 31	\$ 1,923	\$ 1,009	\$ 16,415	\$ 9,274	\$ 24,281	\$ 10,753	\$ 814	\$ 72,341

County of Osceola, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2007

	Special Revenue Funds							
	Commission On Aging Millage	Meals on Wheels	Salvage Vehicle Inspection Fund	Child Care	Veteran's Trust	Equipment & Maintenance	Housing Grant	Senior Meals Program
REVENUES:								
Taxes	\$ 472,261	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-	-	-	-	-
Federal Sources	-	98,633	-	-	-	-	44,792	-
State Sources	15,492	54,131	-	135,307	2,691	14,125	-	28,521
Local Sources	2,212	15,285	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	-
Refunds & Reimbursements	-	-	-	12,198	-	-	-	-
Interest & Rentals	18,009	2,742	-	-	-	-	-	-
Other Revenue	3,349	30,496	25	-	-	-	-	-
TOTAL REVENUES	511,323	201,287	25	147,505	2,691	14,125	44,792	28,521
EXPENDITURES:								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Health & Welfare	405,366	270,374	-	329,928	2,234	-	44,792	32,452
Capital Outlay	-	-	-	-	-	16,922	-	-
Debt Service	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	405,366	270,374	-	329,928	2,234	16,922	44,792	32,452
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	105,957	(69,087)	25	(182,423)	457	(2,797)	-	(3,931)
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	121,000	-	196,500	-	-	-	-
Operating Transfers Out	(21,000)	-	-	-	-	-	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	84,957	51,913	25	14,077	457	(2,797)	-	(3,931)
FUND BALANCES, January 1	127,336	18,988	-	21,128	342	33,327	21,983	5,230
FUND BALANCES, December 31	\$ 212,293	\$ 70,901	\$ 25	\$ 35,205	\$ 799	\$ 30,530	\$ 21,983	\$ 1,299

County of Osceola, Michigan

Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds Year Ended December 31, 2007

	Debt Service Funds		Capital Project Funds		Totals
	Co Cap Improvement Debt Service	Building Authority Prin./Int.	Co Cap Improve Bond Proceeds	District Court	
REVENUES:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 472,261
Licenses and Permits	-	-	-	-	8,010
Federal Sources	-	-	-	-	515,871
State Sources	-	-	-	-	508,585
Local Sources	50,653	125,319	-	-	193,519
Charges for Services	-	-	-	-	221,429
Refunds & Reimbursements	-	-	-	-	43,369
Interest & Rentals	-	-	35	-	28,306
Other Revenue	-	-	-	10,198	69,854
TOTAL REVENUES	50,653	125,319	35	10,198	2,061,204
EXPENDITURES:					
Judicial	-	-	-	-	333,995
General Government	-	-	-	-	106,700
Public Safety	-	-	-	-	403,895
Health & Welfare	-	-	-	-	1,283,035
Capital Outlay	-	-	120	-	394,060
Debt Service	50,428	124,969	-	-	175,397
Other	225	350	-	-	575
TOTAL EXPENDITURES	50,653	125,319	120	-	2,697,657
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(85)	10,198	(636,453)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	-	-	-	-	830,145
Operating Transfers Out	-	-	-	(15,000)	(202,475)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	-	-	(85)	(4,802)	(8,783)
FUND BALANCES, January 1	-	-	2,532	29,129	965,301
FUND BALANCES, December 31	\$ -	\$ -	\$ 2,447	\$ 24,327	\$ 956,518

County of Osceola, Michigan

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

	Park & Recreation	Commissary	Vested Benefits	Tax Revolving Admin	Delinquent Tax Proceeds	2004 Delinquent Tax	2005 Delinquent Tax	Totals
ASSETS:								
Cash & Equivalents -Unrestricted	\$ 89,373	\$ 5,264	\$ 134,870	\$ 520	\$ 91,644	\$ 6,575	\$ 221,383	\$ 549,629
Receivables:								
Taxes	-	-	-	-	-	-	75,837	75,837
Interest	-	-	-	-	-	-	62,329	62,329
Due From Others	-	-	-	-	-	-	3,251	3,251
Capital Assets - net	202,535	-	-	-	-	-	-	202,535
TOTAL ASSETS	\$ 291,908	\$ 5,264	\$ 134,870	\$ 520	\$ 91,644	\$ 6,575	\$ 362,800	\$ 893,581
LIABILITIES:								
Due to Other Funds	\$ 11,200	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,200
Accounts Payable	436	-	-	-	-	-	-	436
Accrued Liabilities	1,053	-	-	-	-	4,044	-	5,097
TOTAL LIABILITIES	12,689	-	-	-	-	4,044	-	16,733
NET ASSETS:								
Invested in Capital Assets (net of related debt)	202,535	-	-	-	-	-	-	202,535
Unrestricted	76,684	5,264	134,870	520	91,644	2,531	362,800	674,313
TOTAL NET ASSETS	279,219	5,264	134,870	520	91,644	2,531	362,800	876,848
TOTAL LIABILITIES AND NET ASSETS	\$ 291,908	\$ 5,264	\$ 134,870	\$ 520	\$ 91,644	\$ 6,575	\$ 362,800	\$ 893,581

County of Osceola, Michigan

Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended December 31, 2007

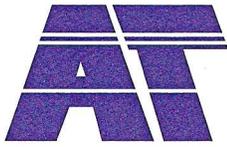
	Park & Recreation	Commissary	Vested Benefits	Tax Revolving Admin	Delinquent Tax Prop Proceeds	2004 Delinquent Tax	2005 Delinquent Tax	Totals
OPERATING REVENUES:								
Charges for Services	\$ 227,030	\$ 48,585	\$ -	\$ -	\$ 117,965	\$ 1,064	\$ 53,194	\$ 447,838
Interest & Rentals	-	-	-	-	-	1,467	81,886	83,353
Total Operating Revenues	<u>227,030</u>	<u>48,585</u>	<u>-</u>	<u>-</u>	<u>117,965</u>	<u>2,531</u>	<u>135,080</u>	<u>531,191</u>
OPERATING EXPENSES:								
Personnel Services	116,100	-	-	-	-	-	-	116,100
Utilities	26,680	-	-	-	-	-	-	26,680
Repairs & Maintenance	77,888	-	-	-	-	-	-	77,888
Other Supplies & Expenses	27,402	53,114	-	-	31,540	-	-	112,056
Depreciation	13,399	-	-	-	-	-	-	13,399
Total Operating Expenses	<u>261,469</u>	<u>53,114</u>	<u>-</u>	<u>-</u>	<u>31,540</u>	<u>-</u>	<u>-</u>	<u>346,123</u>
OPERATING INCOME (LOSS)	<u>(34,439)</u>	<u>(4,529)</u>	<u>-</u>	<u>-</u>	<u>86,425</u>	<u>2,531</u>	<u>135,080</u>	<u>185,068</u>
NON-OPERATING REVENUES (EXPENSES):								
Interest Earnings	3,353	-	-	-	944	-	32,375	36,672
Total Non-Operating Revenues (Expenses)	<u>3,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>944</u>	<u>-</u>	<u>32,375</u>	<u>36,672</u>
Income (loss) before transfers	<u>(31,086)</u>	<u>(4,529)</u>	<u>-</u>	<u>-</u>	<u>87,369</u>	<u>2,531</u>	<u>167,455</u>	<u>221,740</u>
Operating Transfers In	-	-	10,000	-	-	-	-	10,000
Operating Transfers Out	-	-	-	-	-	(277,200)	-	(277,200)
CHANGES IN NET ASSETS	<u>(31,086)</u>	<u>(4,529)</u>	<u>10,000</u>	<u>-</u>	<u>87,369</u>	<u>(274,669)</u>	<u>167,455</u>	<u>(45,460)</u>
NET ASSETS, January 1	<u>310,305</u>	<u>9,793</u>	<u>124,870</u>	<u>520</u>	<u>4,275</u>	<u>277,200</u>	<u>195,345</u>	<u>922,308</u>
NET ASSETS, December 31	<u>\$ 279,219</u>	<u>\$ 5,264</u>	<u>\$ 134,870</u>	<u>\$ 520</u>	<u>\$ 91,644</u>	<u>\$ 2,531</u>	<u>\$ 362,800</u>	<u>\$ 876,848</u>

County of Osceola, Michigan

Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended December 31, 2007

	Parks & Recreation	Commissary	Vested Benefits	Tax Revolving Admin	Delinquent Tax Prop Proceeds	2004 Delinquent Tax	2005 Delinquent Tax	Totals
Cash Flows From Operating Activities:								
Cash Received From Customers or Users	\$ 227,030	\$ 48,585	\$ -	\$ -	\$ 117,965	\$ 109,699	\$ 679,279	\$ 1,182,558
Cash Payments to Suppliers/Others	(247,781)	(53,114)	-	-	(31,540)	-	-	(332,435)
Internal Activity - Receipts (Payments) to Other Funds	(5,600)	-	-	-	-	(150,000)	(1,650,000)	(1,805,600)
Net Cash Provided (Used) by Operating Activities	<u>(26,351)</u>	<u>(4,529)</u>	<u>-</u>	<u>-</u>	<u>86,425</u>	<u>(40,301)</u>	<u>(970,721)</u>	<u>(955,477)</u>
Cash Flows from Non-Capital and Related Financing Activities:								
Net Operating Transfers In (Out)	-	-	10,000	-	-	(277,200)	-	(267,200)
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(277,200)</u>	<u>-</u>	<u>(267,200)</u>
Cash Flows from Investing Activities:								
Interest Earnings	3,353	-	-	-	944	-	32,375	36,672
Net Cash Provided (Used) by Investing Activities	<u>3,353</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>944</u>	<u>-</u>	<u>32,375</u>	<u>36,672</u>
Net Increase (Decrease) in Cash	(22,998)	(4,529)	10,000	-	87,369	(317,501)	(938,346)	(1,186,005)
Cash and Equivalents at Beginning of Year	112,371	9,793	124,870	520	4,275	324,076	1,159,729	1,735,634
Cash and Equivalents at End of Year	<u>\$ 89,373</u>	<u>\$ 5,264</u>	<u>\$ 134,870</u>	<u>\$ 520</u>	<u>\$ 91,644</u>	<u>\$ 6,575</u>	<u>\$ 221,383</u>	<u>\$ 549,629</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Operating Income (Loss)	\$ (34,439)	\$ (4,529)	\$ -	\$ -	\$ 86,425	\$ 2,531	\$ 135,080	\$ 185,068
Non-cash and other nonoperating expenses:								
Depreciation Expense	13,399	-	-	-	-	-	-	13,399
Changes in Assets and Liabilities:								
Decrease (Increase) in Assets:								
Taxes Receivable	-	-	-	-	-	81,581	547,450	629,031
Interest Receivable	-	-	-	-	-	25,587	-	25,587
Due from Others	-	-	-	-	-	-	(3,251)	(3,251)
Increase (Decrease) in Liabilities:								
Due to Other Funds	(5,600)	-	-	-	-	(150,000)	(1,650,000)	(1,805,600)
Accounts Payable	92	-	-	-	-	-	-	92
Accrued Liabilities	197	-	-	-	-	-	-	197
Net Cash Provided (Used) by Operating Activities	<u>\$ (26,351)</u>	<u>\$ (4,529)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 86,425</u>	<u>\$ (40,301)</u>	<u>\$ (970,721)</u>	<u>\$ (955,477)</u>

Reports on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

Honorable Chairman and Members of
The Board of Commissioners
County of Osceola, Michigan
301 West Upton Avenue
Reed City, MI 49677

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Osceola, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County of Osceola, Michigan's basic financial statements and have issued our report thereon, dated May 27, 2008. Our report was modified to include a reference to 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. Other auditors audited the financial statements of the Osceola County Road Commission, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Osceola Michigan's internal control over financial reporting 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 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 County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in 07-1 in the accompanying schedule of findings and questioned costs 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 County'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, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Osceola'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 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*.

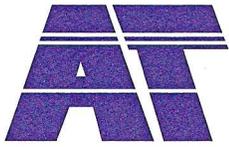
We noted certain matters that we reported to management of the County of Osceola, Michigan in a separate letter dated May 27, 2008.

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

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


Anderson, Tackman & Company, PLC
Certified Public Accountants

May 27, 2008



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

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

Members of the Board
County of Osceola, Michigan
301 West Upton Avenue
Reed City, MI 49677

Compliance

We have audited the compliance of the County of Osceola, 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. The 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 the County's management. Our responsibility is to express an opinion on the 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 the 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 of the County's compliance with those requirements.

In our opinion, the County of Osceola, Michigan 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.

Internal Control Over Compliance

The management of the County of Osceola, Michigan 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 the County of Osceola, Michigan's 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, 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.

A control deficiency in a County'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 County's internal control.

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 County's internal control.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 27, 2008

County of Osceola, Michigan

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
<i>Pass-through from the Michigan State Housing Development Authority (MSHDA)</i>			
Community Development Block Grant - 2003	14.228	MCS-2007-0541-HOA	\$ 44,792
Total U.S. Department of Housing and Urban Development			<u>44,792</u>
U.S. Department of Homeland Security			
<i>Pass-through from the Michigan Department of State Police</i>			
2006 State Homeland Security Program Grant	97.004	N/A	17,554
Emergency Management Grant 10/01/05 to 9/30/06	97.042	N/A	4,782
Emergency Management Grant 10/01/06 to 9/30/07	97.042	N/A	<u>13,695</u>
Total U.S. Department of Homeland Security			<u>36,031</u>
U.S. Department of Health & Human Services			
<i>Pass-through from Area Agency on Aging of Western Michigan</i>			
Assisted Transportation, Title IIIB - 10/1/06 to 9/30/07	93.044	51.72	11,364
Assisted Transportation, Title IIIB - 10/1/07 to 9/30/08	93.044	51.72	2,630
Homemaker Aide, Title IIIB - 10/1/06 to 9/30/07	93.044	51.72	5,395
Homemaker Aide, Title IIIB - 10/1/07 to 9/30/08	93.044	51.72	163
Outreach Assistance, Title IIIB - 10/1/06 to 9/30/07	93.044	51.72	8,879
Outreach Assistance, Title IIIB - 10/1/07 to 9/30/08	93.044	51.72	1,810
Congregate Meals - Title IIIC-1, 10/1/06 to 9/30/07	93.045	61.72	21,131
Congregate Meals - Title IIIC-1, 10/1/07 to 9/30/08	93.045	61.72	3,625
Home Delivered Meals - Title IIIC-2, 10/1/06 to 9/30/07	93.045	61.72	55,428
Home Delivered Meals - Title IIIC-2, 10/1/07 to 9/30/08	93.045	61.72	12,902
Congregate Meals - NISP-T3C1, 10/1/06 to 9/30/07	93.053	61.72	4,479
Congregate Meals - NISP-T3C1, 10/1/07 to 9/30/08	93.053	61.72	826
Federal Respite - Title IIIE - 10/01/06-09/30/07	93.052	51.72	1,129
Federal Respite - Title IIIE - 10/01/07-09/30/08	93.052	51.72	270
Medicaid Waiver	93.778	N/A	<u>54,541</u>
Subtotal Area Agency on Aging of Western Michigan			<u>184,572</u>
<i>Pass-through from Michigan Department of Human Services</i>			
Friend of Court - Incentive 2006	93.563	N/A	9,754
Friend of Court - Incentive 2007	93.563	N/A	29,772
Friend of Court - Incentive 2008	93.563	N/A	9,945
Friend of Court - Child Support 10/1/06 - 9/30/07	93.563	CS/FOC-07-67001	140,693
Friend of Court - Child Support 10/1/07 - 9/30/08	93.563	CS/FOC-08-67001	47,445
Prosecuting Attorney - Child Support 10/1/06 - 9/30/07	93.563	CS/PA-07-67002	34,702
Prosecuting Attorney - Child Support 10/1/07 - 9/30/08	93.563	CS/PA-08-67002	<u>13,197</u>
Subtotal Michigan Department of Human Services			<u>285,508</u>
Total U.S. Department of Health & Human Services			<u>470,080</u>
U.S. Department of Transportation			
<i>Pass-through from the Michigan Department of Transportation</i>			
Contracted Projects - State Administered	20.205	N/A	703,270
Negotiated Projects	20.205	N/A	<u>129,965</u>
Total U.S. Department of Transportation			<u>833,235</u>
U.S. Department of Justice			
<i>Direct Award:</i>			
COPS in School	16.710	2003 SHWX 0064	<u>29,259</u>
Total U.S. Department of Justice			<u>29,259</u>
Total Expenditures of Federal Award			<u>\$ 1,413,397</u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Osceola, 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 basic financial statements.

NOTE B - COGNIZANT AGENCY

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Justice which provided the greatest amount of direct federal funding to the County during 2007.

NOTE C - FEDERAL EXPENDITURES OF COMPONENT UNITS

The Osceola County Road Commission had a separate audit performed during 2007. Federal expenditures incurred by the component unit are included in the accompanying schedule.

NOTE D - FEDERAL REVENUES RECONCILIATION

Federal Revenues per Financial Statement	\$ 593,029
Add: Road Commission Federal Expenditures	833,235
Less: Federal revenue classified as State Revenue	<u>(12,867)</u>
Total Federal Revenues	<u>\$ 1,413,397</u>

NOTE E - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2007, the Federal aid received and expended by the Road Commission was \$703,270 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to Single Audit requirements by the road commission, as they are included in MDOT's Single Audit.

During the calendar year ended December 31, 2007, the Road Commission received two federal negotiated projects totaling \$129,965. Negotiated projects are projects that are performed by the Road Commission and are subject to Single Audit requirements, if the amount expended is \$500,000 or more. A Single Audit was not required for the calendar year ended December 31, 2007.

Section I – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of Major Programs

CFDA NUMBERS

Name of Federal Program or 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?	Yes

Section II – Financial Statement Findings

SIGNIFICANT DEFICIENCIES

*Preparation of the Financial Statements in Accordance
with Generally Accepted Accounting Principles*

Finding 07-1

Condition: As part of the audit process, the County, like many other governments, has historically relied on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. It is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. The county requires the assistance of the independent auditors to prepare its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

Criteria: Governmental entities are required to issue financial statements that are prepared in accordance with GAAP. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that responsibility for the financial statements rests with the County’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 accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

Effect: The County relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP. This reliance makes the independent auditors effectively part of the County’s internal controls. By definition, independent auditors cannot be part of the County’s internal controls.

Cause: Change in application of auditing standards.

Recommendation: We recommend the County consider providing applicable employees with training that would allow them to attain the qualification required to fully understand the GAAP financial statements preparation process. Should the County choose not to address this issue, management and the Board of Commissioners should realize that an increased risk is present.

This recommendation is not intended to imply that the County’s contractual arrangement with the independent auditors, which includes preparation of the financial statements, is improper or should be changed. SAS 112 does not require that management actually prepare the financial statements, but it requires the independent auditors to comment when the applicable internal controls are not in place.

Section II – Financial Statement Findings (Continued)

Planned Corrective Action: Historically it has been the practice for the independent auditors of Osceola County to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements. Prior to the current audit, this was not considered a material weakness or deficiency in internal controls of the County in any way. Management was not required to obtain all of the specific training to create the details of such reports and relied on the auditors for this process.

As recommended, the County Treasurer and County Coordinator will now seek to obtain, through education and communications, specific knowledge that was not considered a deficiency prior to SAS 112 to advise the Board of Commissioners of options available to address the deficiency. The County Board of Commissioners will need to evaluate the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP or outsourcing this task to its external auditors in determining the best interests of the County.

Contact Person(s) Responsible for Correction:

Carol Halladay, County Treasurer and Susan Vander Pol, County Coordinator

Section III – Federal Award Findings and Questioned Costs

NONE.

NONE.

Additional Information

COUNTY OF OSCEOLA, MICHIGAN

ADDITIONAL INFORMATION

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT ON ADDITIONAL INFORMATION	67
Note 1 - Debt Issues Applicable to SEC Rule 15c2-12	
Disclosure Requirements	68
Note 2 - Tables:	
A - State Equalized Valuation.....	68
B - Taxable Valuation	68
C - County Tax Rates and Levies	69
D - Tax Collection Record	69
E - General Fund Revenues and Expenditures	70
F - Debt Statement (Direct and Overlapping Debt).....	70



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Honorable Chairman & Members
of the Board of Commissioners
County of Osceola, Michigan
301 West Upton Avenue
Reed City, MI 49677

Our report on our audit of the basic financial statements of the County of Osceola, Michigan, as of and for the year ended December 31, 2007, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements which collectively comprise the County of Osceola, Michigan. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

Anderson Tackman & Co. PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

May 27, 2008

NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2007, the County has the following debt issues which apply to SEC Rule 15c2-12:

1. \$1,600,000 1998 Building Authority Bonds.
2. \$3,750,000 2004 Building Authority Bonds.

NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

A. State Equalized Valuation:

		50% of True Value
2007 -	\$	980,034,872
2006 -		949,629,255
2005 -		888,906,029
2004 -		826,439,091
2003 -		780,322,226
2002 -		700,343,370
2001 -		629,252,918
2000 -		578,532,624
1999 -		516,397,514
1998 -		459,473,855

Source: Osceola County

B. Taxable Valuation:

2007 -	\$	662,625,771
2006 -		625,999,069
2005 -		596,513,644
2004 -		566,650,491
2003 -		543,030,238
2002 -		511,089,219
2001 -		479,380,961
2000 -		452,860,768

2007 Breakdown by Use

Residential	68.86%
Commercial	4.46%
Industrial	2.60%
Personal Property	9.60%
Agricultural	<u>14.48%</u>
 TOTAL	 100.00%

NOTE 2 - TABLES: (Continued)

<u>2007 Breakdown by Class</u>	
Real	90.40%
Personal	<u>9.60%</u>
TOTAL	100.00%

Source: Osceola County

C. County Tax Rates & Levies:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
County Operating	6.4035	6.4035	6.4035	6.4138	6.4138
Mecosta-Osceola I/S/D	.2494	.2495	.2496	.2500	.2411
Wexford-Missaukee I/S/D	<u>.2714</u>	<u>.2714</u>	<u>.2730</u>	<u>.2749</u>	<u>.2761</u>
TOTAL ALL JURISDICTIONS	6.9243	6.9244	6.9261	6.9387	6.9310

Source: Osceola County

D. Tax Collection Record:

County of Osceola pays from a 100% Tax Payment Fund the delinquent real property taxes of all municipalities in the County, including the County. Delinquent personal property taxes are negligible. The County's fiscal year begins January 1. County taxes are due December 1 and become delinquent the following March 1.

<u>Year</u>	<u>Tax Levy*</u>	<u>Amount**</u>	<u>%</u>	<u>%</u>
2007	\$ 22,553,322	\$ 20,253,323	89.80%	-%
2006	20,708,637	18,654,097	90.08%	100%
2005	19,733,518	17,740,158	89.90%	100%
2004	18,851,394	16,949,069*	89.91%	100%
2003	17,262,790	15,466,753	89.60%	100%
2002	16,108,902	14,191,026	88.09%	100%
2001	15,855,306	14,011,240	88.36%	100%
2000	15,265,610	13,125,865	85.99%	100%
1999	14,177,977	12,326,540	86.94%	100%
1998	13,457,294	11,573,273	86.00%	100%
1997	13,256,204	11,466,616	86.50%	100%
1996	12,886,399	11,194,889	86.87%	100%

*Includes real and personal property taxes.

** 246,923 additional levy.

Source: Osceola County

NOTE 2 - TABLES: (Continued)

E. General Fund Revenues and Expenditures:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Revenues & Transfers In	\$ 7,983,539	\$ 7,152,485	\$ 7,039,190	\$ 6,613,649
Expenditures & Transfers Out	<u>7,237,183</u>	<u>7,076,542</u>	<u>6,846,068</u>	<u>6,954,385</u>
Excess Revenues (Expenditures)	746,356	75,943	193,122	(340,736)
Beginning Fund Balance	1,431,454	1,355,511	1,162,389	1,503,125
Prior Period Adjustment	<u>(30,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>
ENDING FUND BALANCE	<u>\$ 2,147,310</u>	<u>\$ 1,431,454</u>	<u>\$ 1,355,511</u>	<u>\$ 1,162,389</u>

Source: Osceola County

F. Debt Statement:

	<u>Gross</u>	<u>Net</u>
Direct Debt of County:		
Building Authority	\$ 4,500,000	\$ 4,500,000
Capital Improvements	<u>690,000</u>	<u>690,000</u>
Total	<u>\$ 5,190,000</u>	<u>\$ 5,190,000</u>

In addition to the above, the County issues self-supporting Limited Tax Delinquent Fund Tax Notes each year which mature in 1 to 3 years. The last tax note was paid in full in March 2001. The County does not plan to issue tax notes in 2007.

Per Capita County Net Direct Debt	\$ 220.06
Percent County Net Direct Debt to TV	79%

OVERLAPPING DEBT OF COUNTY:

School Districts	\$ 23,473,586
Cities	260,000
Townships	-
Villages	1,732,000
Intermediate School Districts	<u>-</u>

Net Overlapping Debt \$ 25,465,586

Net County and Overlapping Debt \$ 30,655,586

Per Capita County Net Direct and Overlapping Debt	\$ 1299.85
Percent Net Direct and Overlapping Debt to 2007 TV	4.65%

Source: County of Osceola and Municipal Advisory Council of Michigan



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMAN, CPA, PRINCIPAL

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Members of the Osceola County
Board of Commissioners
301 West Upton Avenue
Reed City, Michigan 49677

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Osceola, Michigan for the year ended December 31, 2007, and have issued our report thereon dated May 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 3, 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 U.S. generally accepted accounting principles. 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 of Osceola, Michigan'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 of Osceola, Michigan'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 of Osceola, Michigan'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 of Osceola, Michigan'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 of Osceola, Michigan'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 3, 2008.

Significant Accounting Policies

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 of Osceola, Michigan are described in Note 1 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 estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement 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 May 27, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine 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.

Comments and Recommendations

Personal Property Taxes (Prior Year)

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

Response: The Osceola County Treasurer has not received delinquent personal property tax balances from the townships or cities in years past in order to record the amounts of outstanding delinquency in the general ledger of each fund that has a tax levy. Beginning in 2008, the County Treasurer will be collecting the delinquent personal property tax for all units except Orient Township and the City of Evart and will be recording the amounts of outstanding delinquency.

Unrecorded Cash

It was noted that there were two cash account's not recorded in the general ledger, Register of Deeds. It is recommended that all accounts and their activity be recorded in the general ledger.

Clerical Accuracy

While conducting the Single Audit, it was noted that the following reports were mathematically incorrect:

Monthly Worksheet for Personnel Activity Reports (UIFSA) – Month of September 2007, Row “3” (Other Direct) indicated total eligible expenditures of \$4,831.02 with 13.82% of this total accounted for as “Parenting Time & Custody”, (as noted in Column IV). However, only \$291.20 was entered as “Parenting Time & Custody”, which computes as 0.602%. This amount is \$376.45 less than the stated 13.82%, which computes to \$667.65. We recommend all computations and source numbers be verified for accuracy.

Conclusion

We would like to express our appreciation, as well as that of our staff, for the excellent cooperation we received while performing the audit. If we can be of assistance in implementing the above recommendations, please contact us.

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



Anderson, Tackman & Company, PLC
Certified Public Accountants

May 27, 2008