

# AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name ISABELLA COUNTY		County ISABELLA	
Audit Date September 30, 2004		Opinion Date January 27, 2005		Date Accountant Report Submitted to State: March 28, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

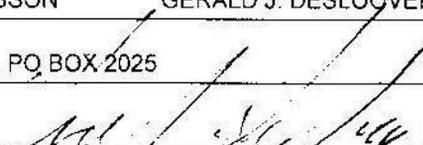
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |                                     |     |                                     |    |   |
|-------------------------------------|-----|-------------------------------------|----|---|
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/>            | No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> | Yes | <input type="checkbox"/>            | No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/>            | Yes | <input checked="" type="checkbox"/> | No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) REHMANN ROBSON GERALD J. DESLOOVER, CPA			
Street Address 5800 GRATIOT, PO BOX 2025		City SAGINAW	State MI
Accountant Signature 		Zip 48605	

**REVISED**

**Comprehensive Annual  
Financial Report**



**Isabella County, Michigan  
For the Year Ended September 30, 2004**

**Judy DeWitt, CPA, CPFO  
Director of Accounting Services**

**Timothy Dolehanty  
County Controller/Administrator**

Comprehensive Annual Financial Report  
of  
Isabella County, Michigan

For the Year Ended  
September 30, 2004

Issued by:

County Administrator's Department

Judy L. Dewitt, CPA, CPFO, Director of Accounting Services  
Timothy Dolehanty, County Controller/Administrator

# ISABELLA COUNTY, MICHIGAN

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SEPTEMBER 30, 2004

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## **SECTION ONE: INTRODUCTORY SECTION**

**ISABELLA COUNTY, MICHIGAN  
OFFICIALS  
YEAR ENDED SEPTEMBER 30, 2004**

**BOARD OF COMMISSIONERS**

DAVID LING	CHAIRPERSON
SHARON TILMANN	VICE-CHAIRPERSON
GERALD HUBER	BOARD MEMBER
FRANCES LICHTMAN	BOARD MEMBER
GEORGE GREEN	BOARD MEMBER
JOHN HAUPT	BOARD MEMBER
CHRISTINE ALWOOD	BOARD MEMBER

**TRIAL COURT JUDGES**

PAUL CHAMBERLAIN, CHIEF

WILLIAM T. ERVIN

WILLIAM R. RUSH

**OTHER ELECTED OFFICIALS**

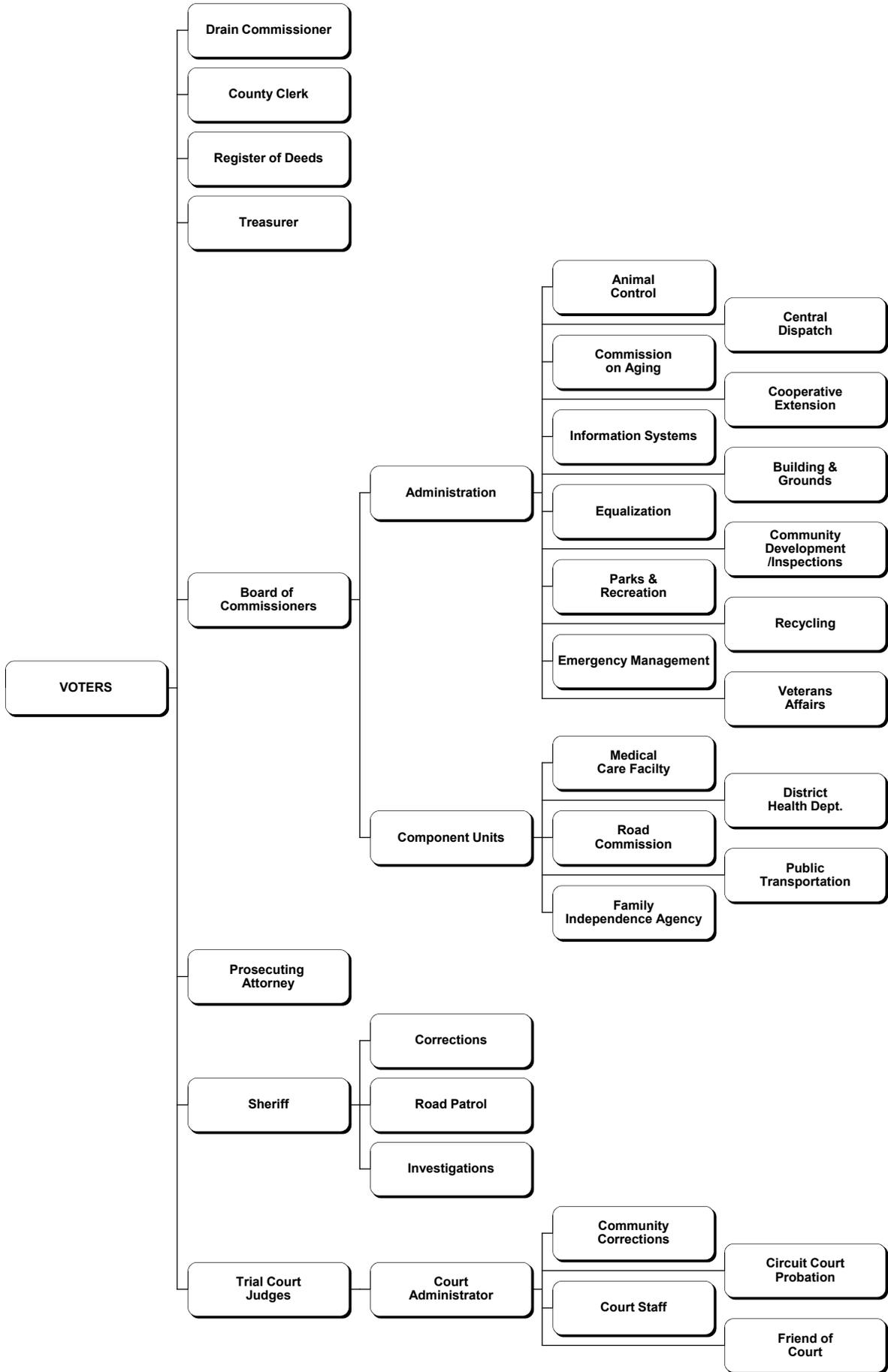
JOYCE SWAN	COUNTY CLERK
GARY MCBRIDE	DRAIN COMMISSIONER
SHARON BROWN	REGISTER OF DEEDS
STEVEN PICKENS	COUNTY TREASURER
LARRY BURDICK	PROSECUTING ATTORNEY
BARRY DELAU	COUNTY SHERIFF

**COUNTY CONTROLLER/ADMINISTRATOR**

TIMOTHY J. DOLEHANTY

**DIRECTOR OF ACCOUNTING SERVICES**

JUDY L. DEWITT, CPA, CPFO





## OFFICE OF COUNTY ADMINISTRATOR

200 North Main, Mt. Pleasant, MI 48858

Phone (989) 772-0911, Ext. 202

Fax (989) 773-7431

March 15, 2005

Honorable David Ling, Chairperson  
Members of the Isabella County Board of Commissioners  
County of Isabella  
200 North Main Street  
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2004, is submitted herewith. The general purpose financial statements included in this report have been audited by Rehmann Robson. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles as stated in the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

## **ORGANIZATION OF REPORT:**

The Comprehensive Annual Financial Report of Isabella County is divided into four sections: introductory, financial, statistical and single audit. The **Introductory Section** includes the Table of Contents, this Transmittal Letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **Financial Section** includes Management's Discussion and Analysis, the basic financial statements and the combining nonmajor fund statements, as well as the auditor's report of the financial statements. The **Statistical Data Section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

The county is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in the **Single Audit Section** of this report.

## **THE REPORTING ENTITY AND ITS SERVICES:**

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board Statement No. 14, "The Financial Reporting Entity. In accordance with the criteria of this statement the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Medical Care Facility, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency and Medical Care Facility are under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Central Michigan District Health Department, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements:

GAAP require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## **PROFILE OF THE GOVERNMENT:**

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices.

The County provides many services to the County residents including, the administration of the Courts, Sheriff Road Patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail of Mid-Michigan.

## **FACTORS AFFECTING FINANCIAL CONDITION:**

### **Local Economy:**

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. A significant factor contributing to the area's economic strength is the presence of The Soaring Eagle Casino & Resort, which is the County's single largest employer, as well as Central Michigan University. These entities together provide a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, U.S. 27 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

### **Recreation:**

The County provides many recreational opportunities highlighted by seven premier golf courses; Central Michigan University events and facilities; an array of public parks/lakes; and Mt. Pleasant Meadows, a para-mutual quarter-horse racetrack.

The Saginaw Chippewa Indian Tribe-Sponsored Casino, The Soaring Eagle, continues to be a major attraction for out-of-County visitors. The Soaring Eagle Resort features a 1,500-car parking ramp, cabaret-style bingo hall which seats approximately 2,500 and a 103,000 square foot gaming hall containing 3,500 slot machines as well as Black Jack, Poker and Roulette tables. The 500 room hotel features luxury suites, a conference center and restaurants. Over the years there have been many top entertainers performing weekly, including Vince Gill, Brooks & Dunn and Michael Bolton.

**Commercial:**

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the South and North entry/exit ramps off U.S. 27 into Mt. Pleasant, Wal-Mart, Target and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

Through the efforts of the Middle Michigan Development Corporation (the lead economic development agency for the County) existing firms have expanded while new firms have selected Isabella County as the place to locate their business. In 2004 a new Old Navy store opened in one of the strip malls located at the south end of the city.

**Major Initiatives:**

In July 2003, a multi-phased construction project began at the Isabella County Medical Care Facility and is anticipated to be completed in the fall of 2005. The goal of the renovations and new addition was to add a 20 bed dementia unit and renovate the existing 80 beds with all residents living in either private or semi-private rooms. In order to eliminate the 4-bed wards more floor space was added. The new 3-story addition added 32,000 square feet to the existing 43,000 square foot building. As of September 30, 2004 the project was 75% complete as it relates to money paid to all contractors.

**Financial Management:**

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgeting Control:**

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

**Single Audit:**

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's single audit for the fiscal year ended September 30, 2004, disclosed no material weaknesses in internal control and no significant violations of applicable laws and regulations.

**Cash and Investments:**

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days to maturity, in daily interest savings accounts and in interest-bearing checking accounts. Most savings accounts exist where monies cannot be commingled and/or where the dollars are not large enough to warrant investment elsewhere.

**Risk Management:**

The County is self-funded for health insurance, including prescriptions, dental and vision, through September 30, 2004.

The program is accounted for in the Self-Insurance Fund (an Internal Service Fund), and is set up as a "pool" of participating groups. There are five groups in the pool which include the County proper, Medical Care Facility, the Transportation Commission, the Road Commission, and the District Health Department. An independent administrator (Blue Cross) is hired to process daily claims. Individual claims up to \$75,000 are paid from the fund, and Blue Cross is responsible for paying the claims above this amount. Administrative charges and stop loss fees are also paid from the fund.

The revenues for this fund's operations come from the participating groups who pay a fee for each of their participating employees. The fee is the premium rate established by Blue Cross. These rates vary depending on the coverage each employee elects. The County Proper has set caps on the amount of premiums it will pay for non-union and non-court employees. Any premiums above the caps are paid by the employees through payroll deductions.

**Employee Pension Plan:**

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through ICMA. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary.

## OTHER INFORMATION:

### Independent Audit:

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson was selected by the Isabella County Board of Commissioners to perform the County's annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor's report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor's reports related specifically to the single audit are also included in this report in the single audit section.

### Awards:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2003.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

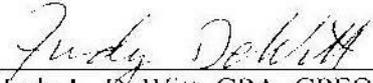
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

### Acknowledgements:

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

  
\_\_\_\_\_  
Timothy J. Dolchanty  
Administrator/Controller

  
\_\_\_\_\_  
Judy L. DeWitt, CPA, CPFO  
Director of Accounting Services

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Isabella County,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zjelke*

President

*Jeffrey R. Emery*

Executive Director

## **SECTION TWO: FINANCIAL SECTION**



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

## **INDEPENDENT AUDITOR'S REPORT**

January 27, 2005

To the Board of Commissioners  
of Isabella County, Michigan  
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Isabella County, Michigan***, as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of ***Isabella County, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 71% and 96% of the assets and revenues, respectively, of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based on the reports 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 basic financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the 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 **Isabella County, Michigan**, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General, Tribal Contributions, and Child Care Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2005, on our consideration of **Isabella County, Michigan'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 on pages 3 through 14, is not a required part of the basic financial statements but is 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 performed for the purpose of forming opinions on the financial statements that collectively comprise the **Isabella County, Michigan's** basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of **Isabella County, Michigan**. The accompanying schedule of expenditures of federal awards is presented for the 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 also not a required part of the basic financial statements of **Isabella County, Michigan**. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical data have not been subjected to the auditing procedures applied by us and the other auditors in the audit of basic financial statements and, accordingly, we express no opinion on them.



## Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$27,259,140. Of this amount, \$7,862,716 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$101,073.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,913,081, a decrease of \$(49,916) in comparison with the prior year. Approximately 95 percent of this amount, or \$4,690,902 is *available for spending* at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$1,872,104 or 11 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$915,000 during the current fiscal year. Part of the decrease was due to the pay-off of Building Authority Bonds for the Mental Health building (\$375,000).

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include legislative, judicial, general government, public safety (including the jail), public works, health and welfare, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, concessions and a Medical Care Facility.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drain Commissioner Office, and the District Health Department, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 15-17 of this report.

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

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

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

The County maintains 19 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, Child Care, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 18-24 of this report.

***Proprietary funds.*** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, jail commissary operations, material recovery facility, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the medical care facility and delinquent tax revolving activity, both of which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 25-29 of this report.

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

The basic fiduciary fund financial statements can be found on page 30 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-85 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 86-135 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Isabella County, assets exceeded liabilities by \$27,259,140 at the close of the most recent fiscal year.

One of the largest portions of the County's net assets (41 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Isabella County Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 12,589,549	\$ 17,242,809	\$ 11,869,904	\$ 17,247,769	\$ 24,459,453	\$ 34,490,578
Capital assets, net	15,940,421	16,257,095	9,367,655	3,717,837	25,308,076	19,974,932
Total assets	28,529,970	33,499,904	21,237,559	20,965,606	49,767,529	54,465,510
Long-term liabilities outstanding	8,133,370	8,852,843	7,990,162	8,271,933	\$ 16,123,532	\$ 17,124,776
Other liabilities	5,459,011	5,682,336	925,846	819,997	6,384,857	6,502,333
Total liabilities	13,592,381	14,535,179	8,916,008	9,091,930	22,508,389	23,627,109
Net Assets						
Invested in capital assets, net of related debt	12,291,255	9,354,981	2,616,645	2,446,699	14,907,900	11,801,680
Restricted	332,891	445,647	3,818,295	3,769,983	4,151,186	4,215,630
Unrestricted	2,313,443	9,164,097	5,886,611	5,656,994	8,200,054	14,821,091
Total net assets	\$ 14,937,589	\$ 18,964,725	\$ 12,321,551	\$ 11,873,676	\$ 27,259,140	\$ 30,838,401

An additional portion of the County's net assets (16 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (29 percent or \$7,862,716) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets increased by \$101,073 during the current fiscal year. This increase largely reflects the degree to which ongoing revenues have exceeded ongoing expenses, particularly in business-type activities.

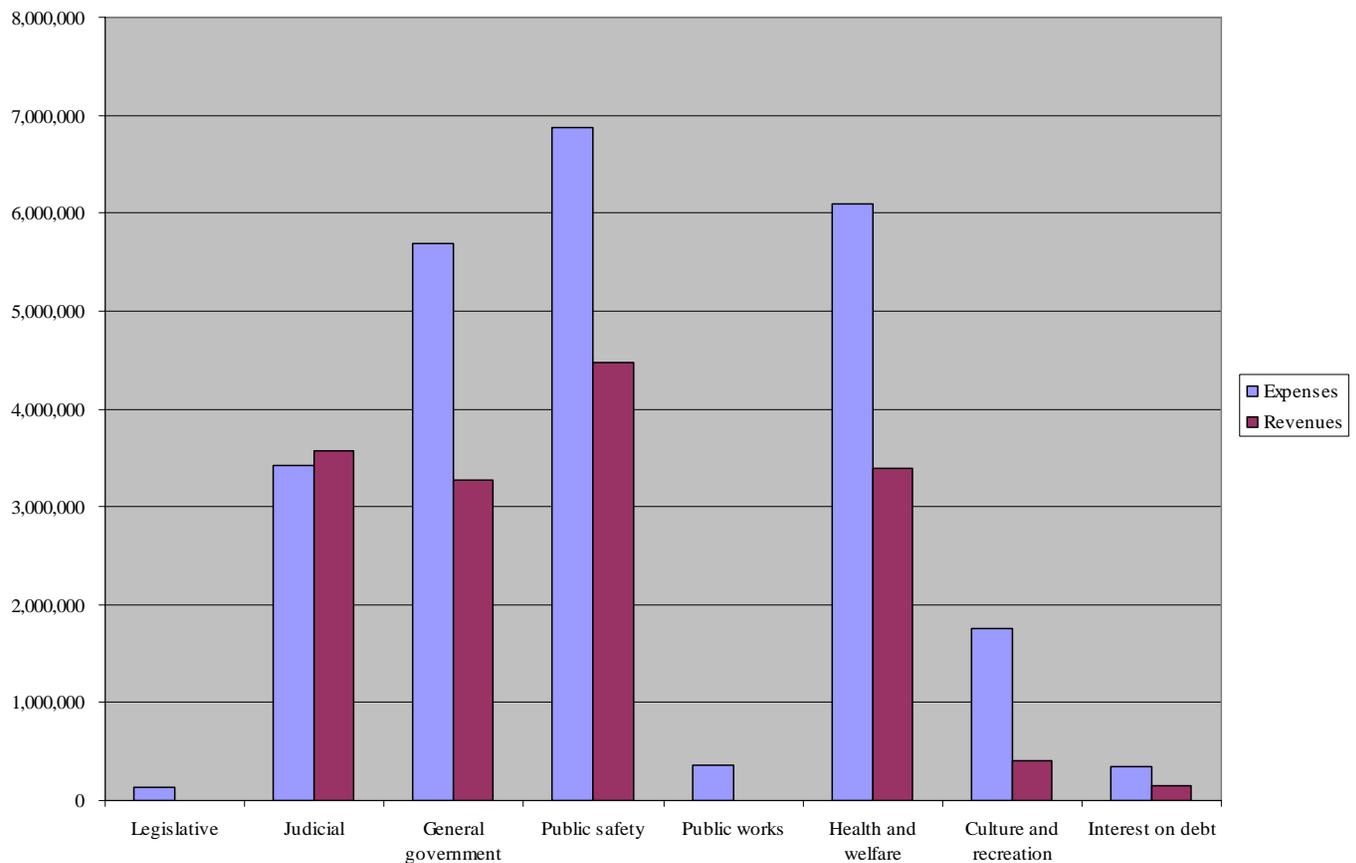
#### Isabella County Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	\$ 7,606,882	\$ 6,857,180	\$ 6,418,560	\$ 6,336,657	\$ 14,025,442	\$ 13,193,837
Operating grants and contributions	7,024,679	5,588,177	337,996	89,797	7,362,675	5,677,974
Capital grants and contributions	621,800	304,088	-	-	621,800	304,088
General revenues:						
Property taxes	7,124,073	6,740,008	1,005,052	1,051,974	8,129,125	7,791,982
Grants and contributions not restricted to specific programs	1,374,620	1,428,534	112,593	-	1,487,213	1,428,534
Unrestricted investment earnings	96,763	132,619	222,910	181,085	319,673	313,704
Gain on disposal of capital assets	2,400	37,265	-	-	2,400	37,265
Miscellaneous revenue	-	17,715	-	-	-	17,715
Total revenues	23,851,217	21,105,586	8,097,111	7,659,513	31,948,328	28,765,099
Expenses						
Legislative	129,340	111,879	-	-	129,340	111,879
Judicial	3,424,445	3,428,840	-	-	3,424,445	3,428,840
General government	5,692,029	5,046,524	-	-	5,692,029	5,046,524
Public safety	6,866,982	6,115,722	-	-	6,866,982	6,115,722
Public works	362,475	369,285	-	-	362,475	369,285
Health and welfare	6,088,840	5,681,001	-	-	6,088,840	5,681,001
Culture and recreation	1,758,839	1,324,349	-	-	1,758,839	1,324,349
Interest on debt	348,408	361,231	-	-	348,408	361,231
Delinquent property tax	-	-	59,382	49,388	59,382	49,388
Recycling facility	-	-	1,019,740	852,048	1,019,740	852,048
Concessions	-	-	123,747	120,400	123,747	120,400
Medical care facility	-	-	5,973,028	5,493,390	5,973,028	5,493,390
Total expenses	24,671,358	22,438,831	7,175,897	6,515,226	31,847,255	28,954,057
Revenues over (under) expenses before trans	(820,141)	(1,333,245)	921,214	1,144,287	101,073	(188,958)
Transfers - internal activities	496,000	251,686	(496,000)	(251,686)	-	-
Increase (decrease) in net assets	(324,141)	(1,081,559)	425,214	892,601	101,073	(188,958)
Net assets, beginning of year, as restated	15,261,730	20,046,284	11,896,337	11,003,736	27,158,067	31,050,020
Total net assets	\$ 14,937,589	\$ 18,964,725	\$ 12,321,551	\$ 11,896,337	\$ 27,259,140	\$ 30,861,062

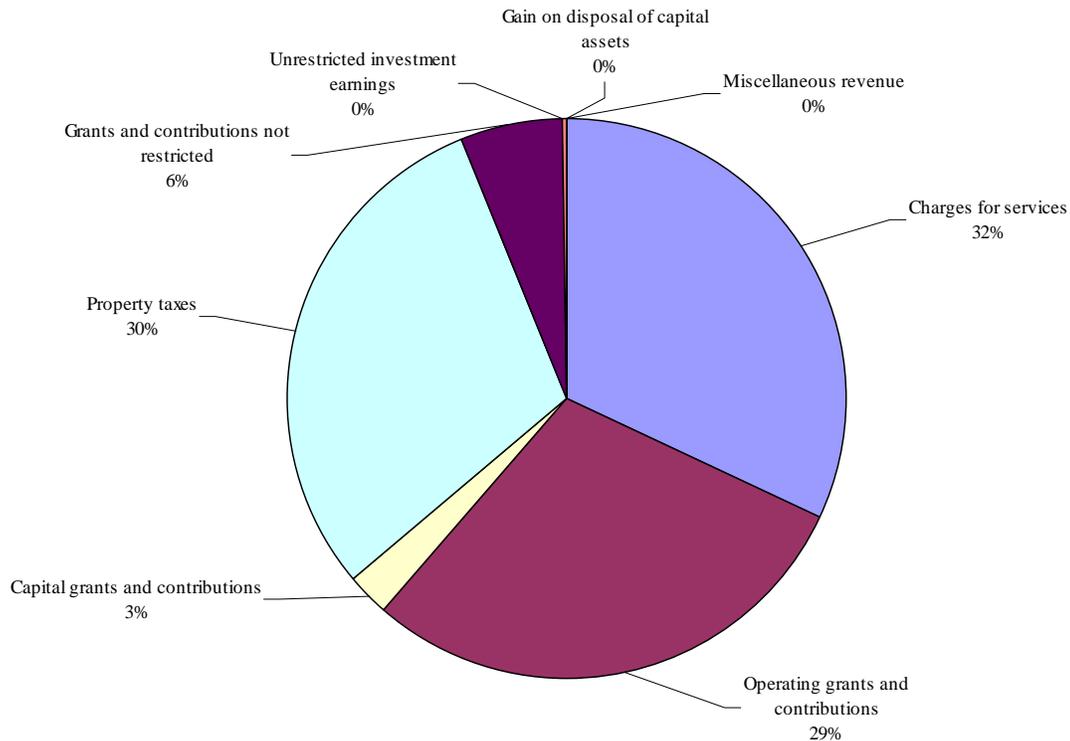
**Governmental activities.** Governmental activities decreased the County’s net assets by \$(324,141). Key elements of this decrease are as follows:

- Total revenues increased by approximately 14% during the year.
- Property taxes increased by approximately 6%. Most of this increase is the product of increased taxable values and residential growth.
- Grants and contributions increased by 28%. The majority of the increase is from Tribal contributions.
- Total expenses increased by 10%. This is primarily due to increased personnel costs, more specifically, health insurance.

**Expenses and Program Revenues –Governmental Activities**



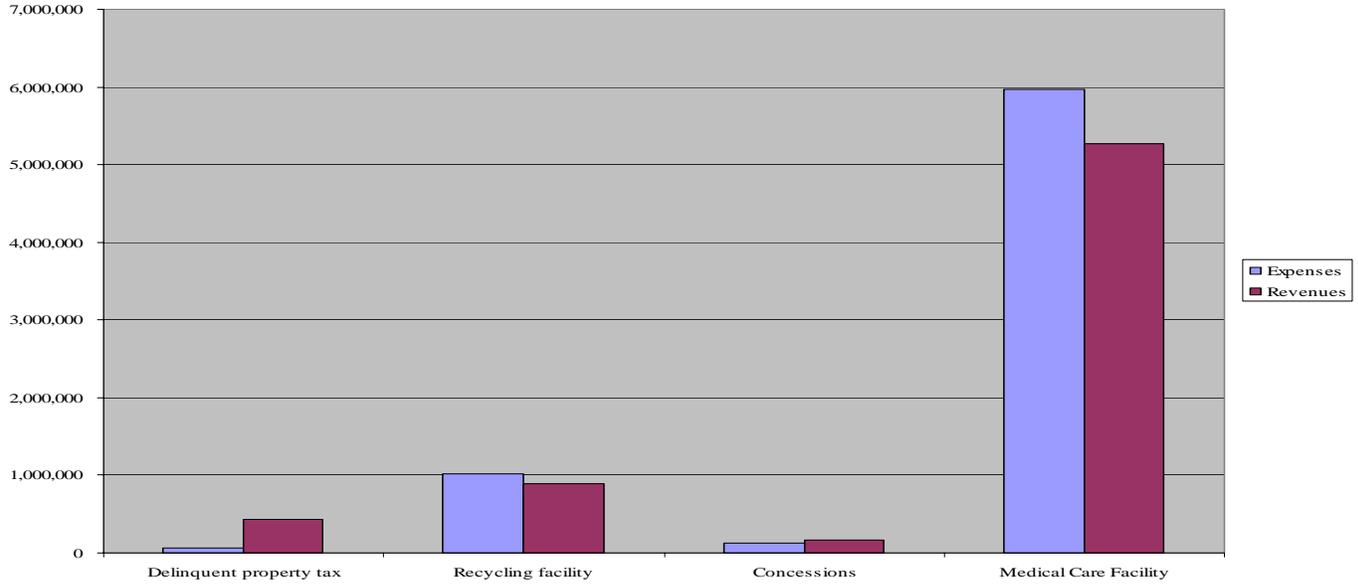
## Revenues by Source – Governmental Activities



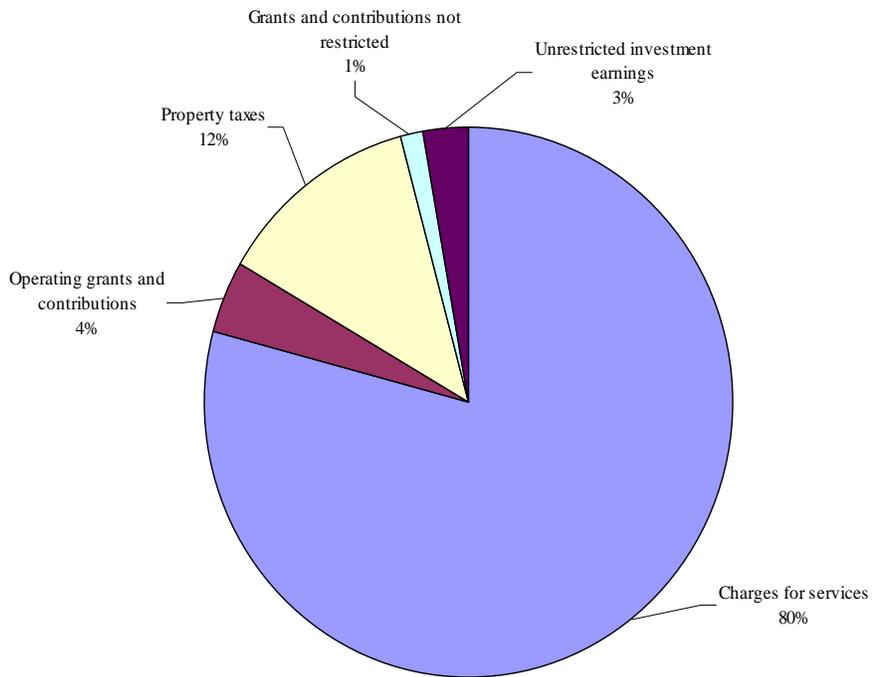
**Business-type activities.** Business-type activities increased the County's net assets by \$425,214 accounting for all of the growth in the government's net assets for the current year. Key elements of these increases are as follows:

- The property taxes for business-type activities are a result of a voter-approved millage for the Medical Care Facility expansion project. The millage is for both debt and operations.
- The delinquent property tax fund had a decrease in revenues of 11%, but an increase in expenses of 20%. The increase in expenses is due to moving a higher-paid position into that fund and the lower-paid position back to the general fund.
- The recycling fund had an increase in revenues of 62% which was the result of increased market prices and Tribal contributions. The increase in expenses of 20% is related to additional payroll costs and equipment purchases.
- The concessions fund had an increase in revenues of 6% and an increase in expenses of 3% which are the result of a higher inmate population.

### Expenses and Program Revenues – Business-type Activities



### Revenues by Source – Business-type Activities Financial Analysis of the Government’s Funds



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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$4,913,081, a decrease of \$(49,916) in comparison with the prior year. Approximately 95 percent of this total amount (\$4,690,902) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$33,079), 2) for prepaid items (\$102,689), or 3) for special projects (\$86,411).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$3,741,109, while total fund balance was \$3,855,193. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 23 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund decreased by \$(276,647) during the current fiscal year. While both total revenues and total expenditures increased by 6%, the decrease in ending fund balance is primarily due to a 15% increase in transfers out to other funds.

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

### **General Fund Budgetary Highlights**

The difference between the original and final amended budget for expenditures resulted in an increase of \$358,704 in appropriations. The largest increases were in the Building Authority department (\$237,350), Emergency Management (\$103,401), and unallocated health costs (\$144,000). The increases were slightly offset by a decrease in the Trial Court (\$97,516) and various other decreases.

During the year, both general fund revenues and expenditures were less than budgetary estimates. Although the actual change in fund balance was a decrease, it was less than the final amended budget amount.

## Capital Asset and Debt Administration

**Capital Assets.** The County's investment in capital assets for its governmental and business type activities as of September 30, 2004, amounted to \$25,308,076 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total increase in the County's investment in capital assets for the current fiscal year was 27 percent.

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

- Construction in progress increased by \$5,458,787 in business-type activities. This is due to the Medical Care Facility expansion project.
- Additions to equipment and vehicles increased \$940,914. This is largely due to \$268,000 of Mobile Data Terminals (MDT) for Central Dispatch; \$160,000 of equipment for the Recycling department; and \$60,000 for vehicles in various primary government departments. The remaining additions are associated with the Medical Care Facility expansion.
- Deductions for disposal of equipment and vehicles totaled \$256,145.
- Land increased by \$5,896.
- Buildings and Improvements increased by a net amount of \$82,209. In addition, an adjustment was made to move \$125,628 from construction in progress. This was due to the completion of the Deerfield Nature Park bridge project.

### Isabella County's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
Land	\$ 1,808,000	\$ 1,813,896	\$ 121,954	\$ 121,954	\$ 1,929,954	\$ 1,935,850
Construction in progress	29,985	-	1,287,798	6,746,585	1,317,783	6,746,585
Buildings and improvements	12,632,003	12,359,641	1,386,377	1,351,504	14,018,380	13,711,145
Equipment	1,392,399	1,427,914	944,370	1,099,403	2,336,769	2,527,317
Vehicles	289,144	260,399	-	48,209	289,144	308,608
Other	<u>77,022</u>	<u>78,571</u>	<u>-</u>	<u>-</u>	<u>77,022</u>	<u>78,571</u>
Total net assets	<u>\$16,228,553</u>	<u>\$15,940,421</u>	<u>\$ 3,740,499</u>	<u>\$ 9,367,655</u>	<u>\$ 19,969,052</u>	<u>\$ 25,308,076</u>

Additional information on the County's capital assets can be found in note 6 on pages 55-59 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total debt outstanding of \$16,123,532. Of this amount, \$13,820,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases, postclosure landfill costs, long-term insurance claims, and compensated absences.

**Isabella County's Outstanding Debt**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>
General obligation bonds	\$ 6,735,000	\$ 6,075,000	\$ 8,000,000	\$ 7,745,000	\$ 14,735,000	\$ 13,820,000
Capital leases	167,114	124,166	6,002	4,425	173,116	128,591
Postclosure landfill costs	1,180,280	1,178,345	-	-	1,180,280	1,178,345
Accrued compensated absences	720,449	755,859	332,097	303,420	1,052,546	1,059,279
Accrued claims liability	50,000	-	-	-	50,000	-
Deferred charges	-	-	(66,166)	(62,683)	(66,166)	(62,683)
<b>Total net debt</b>	<b><u>\$ 8,852,843</u></b>	<b><u>\$ 8,133,370</u></b>	<b><u>\$ 8,271,933</u></b>	<b><u>\$ 7,990,162</u></b>	<b><u>\$ 17,124,776</u></b>	<b><u>\$ 16,123,532</u></b>

General Obligation Bonds - \$13,820,000

The County's total governmental activity debt decreased by \$719,473 (81 percent) during the current fiscal year, which is largely due to the early retirement of building authority bonds.

The County's total business-type activity debt decreased by \$281,771 (3 percent) during the current fiscal year.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is \$154,363,173, which is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note 9 on pages 64-73 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the County's budget for the 2005 fiscal year:

- The board of commissioners has set a policy to maintain an unreserved fund balance in the General Fund equal to 12% of total budgeted expenditures.
- The labor contract with the Deputies union expired on December, 31, 2003. However, at the end of the 03/04 fiscal year it had not been settled. It is expected to go to arbitration in 2005. Consequently, no pay increases were budgeted for those employees.
- Due to the ever-increasing costs of health care, along with the drastic changes in revenue sharing from the State, one full-time position in the Sheriff's department was eliminated. In addition, one full-time position in each of the Register of Deeds', the Clerk's, and the Treasurer's departments were reduced to part-time.

## **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Account Services' office, 200 N. Main St., Mt. Pleasant, Michigan 48858.

**ISABELLA COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2004**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and cash equivalents	\$ 6,095,563	\$ 4,668,257	\$ 10,763,820	\$ 5,101,669
Investments	505,251	-	505,251	1,226,843
Accounts receivable	5,818,749	2,390,876	8,209,625	14,809,699
Internal balances	(191,128)	191,128	-	-
Prepaid items and other assets	328,035	1,439	329,474	152,018
Inventory	33,079	8,110	41,189	417,258
Restricted cash and investments	-	4,610,094	4,610,094	-
Nondepreciable capital assets	1,813,896	6,868,539	8,682,435	18,257,940
Capital assets, net of depreciation	14,126,525	2,499,116	16,625,641	54,587,895
<b>Total assets</b>	<b>28,529,970</b>	<b>21,237,559</b>	<b>49,767,529</b>	<b>94,553,322</b>
<b>Liabilities</b>				
Accounts payable	1,618,286	473,773	2,092,059	2,761,118
Unearned revenue	3,840,725	452,073	4,292,798	484,087
Noncurrent liabilities:				
Due within one year	1,052,114	304,162	1,356,276	1,107,090
Due in more than one year	7,081,256	7,686,000	14,767,256	16,273,199
<b>Total liabilities</b>	<b>13,592,381</b>	<b>8,916,008</b>	<b>22,508,389</b>	<b>20,625,494</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	6,216,255	2,616,645	8,832,900	66,473,621
Restricted for:				
Debt service	61,480	-	61,480	1,384,956
Capital projects	49,232	337,338	386,570	30,867
Other purposes - nonexpendable	-	55,226	55,226	-
Other purposes - expendable	222,179	3,425,731	3,647,910	
Unrestricted	8,388,443	5,886,611	14,275,054	6,038,384
<b>Total net assets</b>	<b>\$ 14,937,589</b>	<b>\$ 12,321,551</b>	<b>\$ 27,259,140</b>	<b>\$ 73,927,828</b>

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

**ISABELLA COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Primary government</b>					
Governmental activities:					
Legislative	\$ 129,340	\$ -	\$ -	\$ -	\$ (129,340)
Judicial	3,424,445	2,201,125	1,366,984	-	143,664
General government	5,692,029	1,846,273	1,018,156	405,896	(2,421,704)
Public safety	6,866,982	2,721,036	1,553,317	193,623	(2,399,006)
Public works	362,475	-	-	-	(362,475)
Health and welfare	6,088,840	387,382	2,989,154	8,665	(2,703,639)
Culture and recreation	1,758,839	294,540	97,068	13,616	(1,353,615)
Interest on debt	348,408	156,526	-	-	(191,882)
Total governmental activities	<u>24,671,358</u>	<u>7,606,882</u>	<u>7,024,679</u>	<u>621,800</u>	<u>(9,417,997)</u>
Business-type activities:					
Delinquent property tax	59,382	438,656	-	-	379,274
Recycling facility	1,019,740	599,033	290,506	-	(130,201)
Concessions	123,747	164,687	-	-	40,940
Medical Care Facility	5,973,028	5,216,184	47,490	-	(709,354)
Total business-type activities	<u>7,175,897</u>	<u>6,418,560</u>	<u>337,996</u>	<u>-</u>	<u>(419,341)</u>
Total primary government	<u>\$ 31,847,255</u>	<u>\$ 14,025,442</u>	<u>\$ 7,362,675</u>	<u>\$ 621,800</u>	<u>\$ (9,837,338)</u>
<b>Component units</b>					
Road Commission	\$ 6,242,951	\$ 654,983	\$ 2,057,771	\$ 6,875,500	\$ 3,345,303
Central Michigan District Health	7,165,025	1,197,644	4,797,636	-	(1,169,745)
Board of Public Works	755,319	536,044	-	-	(219,275)
Drainage Districts	625,830	315,935	-	-	(309,895)
Transportation Commission	3,205,779	441,048	1,424,871	1,190,096	(149,764)
Total component units	<u>\$ 17,994,904</u>	<u>\$ 3,145,654</u>	<u>\$ 8,280,278</u>	<u>\$ 8,065,596</u>	<u>\$ 1,496,624</u>

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**ISABELLA COUNTY, MICHIGAN**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<b>Functions/Programs</b>	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	
<b>Changes in net assets</b>				
Net (expense) revenue	\$ (9,417,997)	\$ (419,341)	\$ (9,837,338)	\$ 1,496,624
General revenues:				
Property taxes	7,124,073	1,005,052	8,129,125	716,278
Grants and contributions not restricted to specific programs	1,374,620	112,593	1,487,213	1,397,995
Unrestricted investment earnings	96,763	222,910	319,673	97,523
Gain on disposal of capital assets	2,400	-	2,400	-
Transfers - internal activities	496,000	(496,000)	-	-
 Total general revenues and transfers	 9,093,856	 844,555	 9,938,411	 2,211,796
 Change in net assets	 (324,141)	 425,214	 101,073	 3,708,420
 Net assets, beginning of year, as restated	 15,261,730	 11,896,337	 27,158,067	 70,219,408
 <b>Net assets, end of year</b>	 <b>\$ 14,937,589</b>	 <b>\$ 12,321,551</b>	 <b>\$ 27,259,140</b>	 <b>\$ 73,927,828</b>

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

**ISABELLA COUNTY, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004**

	<u>General</u>	<u>Tribal Contribution</u>	<u>Child Care</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 2,434,890	\$ 1,737,139	\$ -
Cash on deposit with agent	170,327	-	-
Investments	497,856	-	-
Receivables:			
Accounts, (net of allowance for doubtful accounts)	61,429	1,974,574	-
Interest	1,217	-	-
Due from other funds	509,463	5,220	4,545
Due from other governmental units:			
Federal	43,021	-	-
State	451,629	-	132,309
Local	142,444	24,985	13,262
Capitalized lease receivable	-	-	-
Inventory	19,581	-	-
Prepaid expenditures/expenses	94,503	-	49,330
<b>Total assets</b>	<u>\$ 4,426,360</u>	<u>\$ 3,741,918</u>	<u>\$ 199,446</u>
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 257,445	\$ 526,126	\$ 78,642
Accrued salaries payable	213,764	16,814	1,532
Accrued liabilities	64,104	-	-
Due to other funds	21,060	1,042,382	14,054
Due to other governmental units:			
State	-	-	48,063
Deferred revenue	14,794	2,156,394	-
<b>Total liabilities</b>	<u>571,167</u>	<u>3,741,716</u>	<u>142,291</u>
<b>Fund balances</b>			
Reserved	114,084	-	-
Unreserved			
Designated, General Fund	1,869,005	-	-
Undesignated, reported in:			
General Fund	1,872,104	-	-
Special Revenue Funds	-	202	57,155
Debt Service Funds	-	-	-
Capital Project Funds	-	-	-
<b>Total fund balances</b>	<u>3,855,193</u>	<u>202</u>	<u>57,155</u>
<b>Total liabilities and fund balances</b>	<u>\$ 4,426,360</u>	<u>\$ 3,741,918</u>	<u>\$ 199,446</u>

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

<b>Building Authority Bonds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ 54,029	\$ 1,686,946	\$ 5,913,004
-	-	170,327
7,395	-	505,251
-	84,402	2,120,405
56	-	1,273
-	1,596,177	2,115,405
-	119,891	162,912
-	147,774	731,712
-	-	180,691
6,075,000	-	6,075,000
-	13,498	33,079
-	8,186	152,019
<b>\$ 6,136,480</b>	<b>\$ 3,656,874</b>	<b>\$ 18,161,078</b>

\$ -	\$ 103,282	\$ 965,495
-	-	232,110
-	80,145	144,249
-	1,035,776	2,113,272
-	42,000	90,063
6,075,000	1,456,620	9,702,808
<b>6,075,000</b>	<b>2,717,823</b>	<b>13,247,997</b>

-	108,095	222,179
-	-	1,869,005
-	-	1,872,104
-	781,724	839,081
61,480	-	61,480
-	49,232	49,232
<b>61,480</b>	<b>939,051</b>	<b>4,913,081</b>
<b>\$ 6,136,480</b>	<b>\$ 3,656,874</b>	<b>\$ 18,161,078</b>

**ISABELLA COUNTY, MICHIGAN**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2004**

Fund balances - total governmental funds	\$ 4,913,081
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Amounts reported for governmental activities in the statement of net assets are different because:

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

Add: capital assets	26,459,049
Subtract: accumulated depreciation	(10,518,628)

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

Add: deferred revenue on capital leases receivable	6,075,000
Less: capital lease receivable with other County funds	(3,525,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Add: net assets of governmental activities accounted for in internal service funds	(211,561)
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(6,075,000)
Subtract: accrued interest payable	(120,982)
Subtract: capital leases	(124,166)
Subtract: postclosure landfill liability	(1,178,345)
Subtract: compensated absences	(755,859)

Net assets of governmental activities	<u>\$ 14,937,589</u>
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The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>General</b>	<b>Tribal Contribution</b>	<b>Child Care</b>
<b>Revenues</b>			
Taxes	\$ 7,124,073	\$ -	\$ -
Licenses and permits	498,695	-	-
Intergovernmental	2,755,031	2,007,842	1,071,919
Charges for services	2,399,939	-	168,103
Fines and forfeits	450,076	-	-
Interest and rent	2,396,447	-	-
Other revenue	60,971	-	-
<b>Total revenues</b>	<b>15,685,232</b>	<b>2,007,842</b>	<b>1,240,022</b>
<b>Expenditures</b>			
Current:			
Legislative	124,092	-	-
Judicial	2,279,147	-	-
General government	4,590,399	197,124	-
Public safety	4,517,887	1,122,309	-
Public works	364,410	-	-
Health and welfare	1,231,023	-	2,394,377
Recreation and cultural	209,473	618,634	-
Other	512,313	-	-
Capital outlay	-	69,774	-
Debt service	46,735	-	-
<b>Total expenditures</b>	<b>13,875,479</b>	<b>2,007,841</b>	<b>2,394,377</b>
<b>Revenues over (under) expenditures</b>	<b>1,809,753</b>	<b>1</b>	<b>(1,154,355)</b>
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	-	-
Transfers in	539,000	-	1,226,750
Transfers (out)	(2,625,400)	-	-
<b>Total other financing sources (uses)</b>	<b>(2,086,400)</b>	<b>-</b>	<b>1,226,750</b>
<b>Net change in fund balances</b>	<b>(276,647)</b>	<b>1</b>	<b>72,395</b>
Fund balances (deficit), beginning of period, as restated	4,131,840	201	(15,240)
<b>Fund balances, end of period</b>	<b>\$ 3,855,193</b>	<b>\$ 202</b>	<b>\$ 57,155</b>

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

<b>Building Authority Bonds</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ 7,124,073
-	216,254	714,949
-	2,794,361	8,629,153
-	1,037,062	3,605,104
-	178,888	628,964
667,198	8,189	3,071,834
-	522,664	583,635
667,198	4,757,418	24,357,712
-	-	124,092
-	921,629	3,200,776
-	60	4,787,583
-	851,321	6,491,517
-	-	364,410
-	2,391,829	6,017,229
-	905,905	1,734,012
-	-	512,313
-	553,381	623,155
996,330	7,876	1,050,941
996,330	5,632,001	24,906,028
(329,132)	(874,583)	(548,316)
-	2,400	2,400
329,875	1,122,170	3,217,795
(10,600)	(85,795)	(2,721,795)
319,275	1,038,775	498,400
(9,857)	164,192	(49,916)
71,337	774,859	4,962,997
\$ 61,480	\$ 939,051	\$ 4,913,081

**ISABELLA COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Net change in fund balances - total governmental funds \$ (49,916)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	561,270
Subtract: depreciation expense	(849,402)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Subtract: current year payment of capital leases receivable	(510,000)
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	702,948
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The decrease in the County's long-term liability for environmental remediation did not provide current financial resources, and was consequently not reported in the funds.

Add: decrease in long-term liability for environmental remediation	1,935
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in the accrued claims liability	50,000
Subtract: increase in the accrued interest payable	(120,981)
Subtract: increase in the accrual of compensated absences	(35,411)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.

Add: interest revenue	1,105
Subtract: net operating loss from governmental activities accounted for in internal service funds	(75,689)

Change in net assets of governmental activities	\$ (324,141)
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The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Taxes	\$ 7,127,024	\$ 7,152,024	\$ 7,124,073	\$ (27,951)
Licenses and permits	416,300	466,300	498,695	32,395
Intergovernmental:				
Federal	81,629	242,109	315,480	73,371
State	2,435,724	2,495,018	2,325,052	(169,966)
Local	98,360	103,750	114,499	10,749
Charges for services	2,280,500	2,355,700	2,399,939	44,239
Fines and forfeits	458,750	509,890	450,076	(59,814)
Interest and rent	2,181,304	2,399,260	2,396,447	(2,813)
Other	66,495	104,611	60,971	(43,640)
<b>Total revenues</b>	<u>15,146,086</u>	<u>15,828,662</u>	<u>15,685,232</u>	<u>(143,430)</u>
<b>Expenditures</b>				
Current				
Legislative	117,525	122,425	124,092	1,667
Judicial	2,350,314	2,250,948	2,279,147	28,199
General government	4,394,201	4,710,195	4,590,399	(119,796)
Public safety	4,268,247	4,449,288	4,517,887	68,599
Public works	464,946	309,481	364,410	54,929
Health and welfare	1,243,019	1,260,119	1,231,023	(29,096)
Recreation and cultural	208,271	208,771	209,473	702
Other	442,000	536,000	512,313	(23,687)
Debt service	48,353	48,353	46,735	(1,618)
<b>Total expenditures</b>	<u>13,536,876</u>	<u>13,895,580</u>	<u>13,875,479</u>	<u>(20,101)</u>
<b>Revenues over (under) expenditures</b>	<u>1,609,210</u>	<u>1,933,082</u>	<u>1,809,753</u>	<u>(123,329)</u>
<b>Other financing sources (uses)</b>				
Transfers in	539,000	539,000	539,000	-
Transfers (out)	(2,146,535)	(2,783,475)	(2,625,400)	158,075
<b>Total other financing sources (uses)</b>	<u>(1,607,535)</u>	<u>(2,244,475)</u>	<u>(2,086,400)</u>	<u>158,075</u>
<b>Net change in fund balance</b>	1,675	(311,393)	(276,647)	34,746
Fund balance, beginning of period	4,131,840	4,131,840	4,131,840	-
<b>Fund balance, end of period</b>	<u>\$ 4,133,515</u>	<u>\$ 3,820,447</u>	<u>\$ 3,855,193</u>	<u>\$ 34,746</u>

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

**ISABELLA COUNTY, MICHIGAN  
TRIBAL CONTRIBUTION  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Local	\$ 1,115,072	\$ 1,955,572	\$ 2,007,842	\$ 52,270
<b>Expenditures</b>				
Current:				
General government	240,892	271,392	197,124	(74,268)
Public safety	824,180	1,045,680	1,122,309	76,629
Health and welfare	-	-	-	-
Recreation and cultural	-	578,000	618,634	40,634
Capital outlay	50,000	60,500	69,774	9,274
<b>Total expenditures</b>	<u>1,115,072</u>	<u>1,955,572</u>	<u>2,007,841</u>	<u>52,269</u>
<b>Net change in fund balance</b>	-	-	1	1
Fund balance, beginning of period	<u>201</u>	<u>201</u>	<u>201</u>	<u>-</u>
<b>Fund balance, end of period</b>	<u>\$ 201</u>	<u>\$ 201</u>	<u>\$ 202</u>	<u>\$ 1</u>

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

**ISABELLA COUNTY, MICHIGAN  
CHILD CARE FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 6,762	\$ 6,762	\$ 7,186	\$ 424
State	994,000	994,000	964,803	(29,197)
Local	14,628	84,628	99,930	15,302
Charges for services	139,064	165,504	168,103	2,599
Other	500	500	-	(500)
<b>Total revenues</b>	<u>1,154,954</u>	<u>1,251,394</u>	<u>1,240,022</u>	<u>(11,372)</u>
<b>Expenditures</b>				
Health and welfare:				
Voluntary probation officer	15,240	15,240	14,948	(292)
In-home program	88,717	91,217	92,280	1,063
Drug program	11,000	11,000	9,056	(1,944)
Family foster care	140,500	134,100	138,826	4,726
Institutional care	350,500	540,100	588,048	47,948
Detention	265,500	238,020	236,284	(1,736)
Day treatment	379,650	389,862	390,886	1,024
State institutions	110,000	275,000	283,141	8,141
Adoption subsidy	500	500	-	(500)
Family independence agency	788,000	638,000	640,908	2,908
<b>Total expenditures</b>	<u>2,149,607</u>	<u>2,333,039</u>	<u>2,394,377</u>	<u>61,338</u>
<b>Revenues over (under) expenditures</b>	(994,653)	(1,081,645)	(1,154,355)	(72,710)
<b>Other financing sources</b>				
Transfers in	974,415	1,314,679	1,226,750	(87,929)
<b>Net change in fund balance</b>	(20,238)	233,034	72,395	(160,639)
Fund balance (deficit), beginning of period	(15,240)	(15,240)	(15,240)	-
<b>Fund balance (deficit), end of period</b>	<u>\$ (35,478)</u>	<u>\$ 217,794</u>	<u>\$ 57,155</u>	<u>\$ (160,639)</u>

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

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2004**

	Business-type Activities				Governmental Activities
	Enterprise Funds				Internal Service Fund
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 672,608	\$ 3,181,500	\$ 814,149	\$ 4,668,257	\$ 12,232
Taxes receivable	6,416	1,365,616	-	1,372,032	-
Accounts receivable - net	821,794	-	69,537	891,331	71,756
Interest receivable	-	3,648	-	3,648	-
Due from other funds	-	15	173,872	173,887	-
Due from other governmental units:					
State	-	-	43,594	43,594	-
Local	-	27,931	52,340	80,271	-
Inventory	-	-	8,110	8,110	-
Prepaid expenses	1,364	-	75	1,439	176,016
Restricted cash and investments	4,610,094	-	-	4,610,094	-
<b>Total current assets</b>	<b>6,112,276</b>	<b>4,578,710</b>	<b>1,161,677</b>	<b>11,852,663</b>	<b>260,004</b>
Capital assets					
Land	-	-	121,954	121,954	-
Buildings and improvements	2,459,680	-	1,226,780	3,686,460	-
Equipment	1,606,228	-	872,070	2,478,298	-
Vehicles	-	-	216,086	216,086	-
Construction in progress	6,746,585	-	-	6,746,585	-
	10,812,493	-	2,436,890	13,249,383	-
Less accumulated depreciation	(2,738,855)	-	(1,142,873)	(3,881,728)	-
<b>Total capital assets</b>	<b>8,073,638</b>	<b>-</b>	<b>1,294,017</b>	<b>9,367,655</b>	<b>-</b>
<b>Total assets</b>	<b>14,185,914</b>	<b>4,578,710</b>	<b>2,455,694</b>	<b>21,220,318</b>	<b>260,004</b>

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	Business-type Activities				Governmental
	Enterprise Funds				Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Liabilities</b>					
Current liabilities					
Accounts payable	\$ 177,520	\$ 5,920	\$ 188,750	\$ 372,190	\$ -
Accrued liabilities	129,892	-	4,191	134,083	65,387
Due to other funds	-	-	68	68	175,952
Unearned revenue	288,533	-	-	288,533	212,917
Capital lease payable - current	270,000	-	1,662	271,662	-
Total current liabilities	865,945	5,920	194,671	1,066,536	454,256
Long-term liabilities					
Unearned revenue	-	-	163,540	163,540	-
Accrued vacation and sick	270,920	-	-	270,920	-
Capital lease payable	7,412,317	-	2,763	7,415,080	-
Total long-term liabilities	7,683,237	-	166,303	7,849,540	-
<b>Total liabilities</b>	<b>8,549,182</b>	<b>5,920</b>	<b>360,974</b>	<b>8,916,076</b>	<b>454,256</b>
<b>Net assets</b>					
Investment in capital assets, net of related debt	1,327,053	-	1,289,592	2,616,645	-
Restricted for:					
Equipment replacement	-	-	337,338	337,338	-
Nonexpendable	55,226	-	-	55,226	-
Expendable	3,425,731	-	-	3,425,731	-
Unrestricted (deficit)	828,722	4,572,790	467,790	5,869,302	(194,252)
<b>Total net assets</b>	<b>\$ 5,636,732</b>	<b>\$ 4,572,790</b>	<b>\$ 2,094,720</b>	<b>\$ 12,304,242</b>	<b>\$ (194,252)</b>

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

**ISABELLA COUNTY, MICHIGAN**  
**RECONCILIATION OF THE PROPRIETARY FUNDS STATEMENT OF**  
**NET ASSETS TO THE STATEMENT OF NET ASSETS**  
**SEPTEMBER 30, 2004**

Net assets - total enterprise funds	\$ 12,304,242
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Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal service funds are included in business-type activities in the statement of net assets.

Add: net assets of business-type activities accounted for in internal service funds	<u>17,309</u>
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Net assets of business-type activities	<u><u>\$ 12,321,551</u></u>
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The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF REVENUE, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>Business-type Activities</b>				<b>Governmental Activities</b>
	<b>Enterprise Funds</b>				<b>Internal Service Fund</b>
	<b>Medical Care Facility</b>	<b>Delinquent Tax Revolving</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	
<b>Operating revenues</b>					
Charges for services	\$ 5,216,184	\$ 300,938	\$ 378,507	\$ 5,895,629	\$ 3,988,399
Sales	-	-	522,976	522,976	-
Other	-	-	-	-	91,753
<b>Total operating revenues</b>	<b>5,216,184</b>	<b>300,938</b>	<b>901,483</b>	<b>6,418,605</b>	<b>4,080,152</b>
<b>Operating expenses</b>					
Personal services	4,024,203	-	179,601	4,203,804	-
Supplies	466,543	-	22,267	488,810	-
Other services and charges	893,871	-	789,056	1,682,927	-
Health insurance benefits/premiums/fees	-	-	-	-	4,189,992
Cost of goods sold	-	-	95,162	95,162	-
Depreciation	163,220	-	82,972	246,192	-
<b>Total operating expenses</b>	<b>5,547,837</b>	<b>-</b>	<b>1,169,058</b>	<b>6,716,895</b>	<b>4,189,992</b>
<b>Operating income (loss)</b>	<b>(331,653)</b>	<b>300,938</b>	<b>(267,575)</b>	<b>(298,290)</b>	<b>(109,840)</b>
<b>Nonoperating revenues (expenses)</b>					
Property taxes - debt service	1,005,052	-	-	1,005,052	-
Intergovernmental - state grant	-	-	43,594	43,594	-
Intergovernmental - local contributions	40,042	-	246,912	286,954	-
Interest revenue	112,548	41,849	4,733	159,130	1,105
Other	43,448	-	-	43,448	-
Intergovernmental transfer in	4,800,575	-	-	4,800,575	-
Intergovernmental transfers out	(4,660,247)	-	-	(4,660,247)	-
Interest expense	(316,427)	-	(443)	(316,870)	-
Maintenance of effort	(107,981)	-	-	(107,981)	-
<b>Total nonoperating revenues</b>	<b>917,010</b>	<b>41,849</b>	<b>294,796</b>	<b>1,253,655</b>	<b>1,105</b>
<b>Income (loss) before transfers</b>	<b>585,357</b>	<b>342,787</b>	<b>27,221</b>	<b>955,365</b>	<b>(108,735)</b>
<b>Transfers</b>					
Transfers in	-	-	150,000	150,000	-
Transfers (out)	-	(646,000)	-	(646,000)	-
<b>Total nonoperating revenues</b>	<b>-</b>	<b>(646,000)</b>	<b>150,000</b>	<b>(496,000)</b>	<b>-</b>
<b>Changes in net assets</b>	<b>585,357</b>	<b>(303,213)</b>	<b>177,221</b>	<b>459,365</b>	<b>(108,735)</b>
Net assets (deficit), beginning of period	5,051,375	4,876,003	1,917,499	11,844,877	(85,517)
<b>Net assets (deficit), end of period</b>	<b>\$ 5,636,732</b>	<b>\$ 4,572,790</b>	<b>\$ 2,094,720</b>	<b>\$ 12,304,242</b>	<b>\$ (194,252)</b>

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

**ISABELLA COUNTY, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN FUND NET ASSETS OF ENTERPRISE FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

Change in net assets - total enterprise funds	\$	459,365
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Amounts reported for business-type activities in the statement of activities are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of certain internal service funds is reported with business-type activities.

Subtract: net operating loss from business-type activities accounted for in internal service funds		(34,151)
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Change in net assets of business-type activities	\$	425,214
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The accompanying notes are an integral part of these financial statements.

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Business-type Activities				Governmental
	Enterprise Funds				Activities
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>Cash flows from operating activities</b>					
Cash received from customers and users	\$ 5,162,266	\$ 244,940	\$ 883,373	\$ 6,290,579	\$ -
Cash received from interfund services provided	-	(15,015)	(82,673)	(97,688)	4,179,202
Cash payments to suppliers for goods and services	(2,800,824)	5,419	(860,810)	(3,656,215)	(4,250,452)
Cash payments to employees for services	(2,972,169)	(691)	(178,646)	(3,151,506)	-
<b>Net cash provided (used) by operating activities</b>	<b>(610,727)</b>	<b>234,653</b>	<b>(238,756)</b>	<b>(614,830)</b>	<b>(71,250)</b>
<b>Cash flows from noncapital financing activities</b>					
Rental receipts	36,000	-	-	36,000	-
Intergovernmental transfers	140,328	-	-	140,328	-
Intergovernmental - state grant	-	-	43,594	43,594	-
Intergovernmental - local contributions	-	-	246,912	246,912	-
Maintenance of effort	(107,981)	-	-	(107,981)	-
Transfers in	-	-	150,000	150,000	-
Transfers (out)	-	(646,000)	-	(646,000)	-
<b>Net cash provided (used) by noncapital financing activities</b>	<b>68,347</b>	<b>(646,000)</b>	<b>440,506</b>	<b>(137,147)</b>	<b>-</b>
<b>Cash flows from capital and related financing activities</b>					
Property taxes	1,000,441	-	-	1,000,441	-
Capital contributions	47,490	-	-	47,490	-
Purchase and construction of capital assets	(5,381,119)	-	(172,318)	(5,553,437)	-
Principal paid on capital debt	(255,000)	-	(1,577)	(256,577)	-
Interest paid on capital debt	(316,427)	-	(443)	(316,870)	-
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(4,904,615)</b>	<b>-</b>	<b>(174,338)</b>	<b>(5,078,953)</b>	<b>-</b>
<b>Cash flows from investing activities</b>					
Sale of investments	-	1,000,000	-	1,000,000	-
Interest on investments	112,548	41,849	4,733	159,130	1,105
<b>Net cash provided (used) by investing activities</b>	<b>112,548</b>	<b>1,041,849</b>	<b>4,733</b>	<b>1,159,130</b>	<b>1,105</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(5,334,447)</b>	<b>630,502</b>	<b>32,145</b>	<b>(4,671,800)</b>	<b>(70,145)</b>
Cash and cash equivalents, beginning of period	10,617,149	2,550,998	782,004	13,950,151	82,377
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,282,702</b>	<b>\$ 3,181,500</b>	<b>\$ 814,149</b>	<b>\$ 9,278,351</b>	<b>\$ 12,232</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>					
Operating income (loss)	\$ (331,653)	\$ 300,938	\$ (267,575)	\$ (298,290)	\$ (109,840)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation	163,220	-	82,972	246,192	-
Changes in assets and liabilities					
Accounts receivable	(95,421)	-	(41,164)	(136,585)	(71,756)
Taxes receivable	-	(90,027)	-	(90,027)	-
Interest receivable	-	6,701	-	6,701	-
Due from other funds	-	(15)	(78,872)	(78,887)	1,417
Due from other governmental units	-	27,328	(45,486)	(18,158)	-
Inventory	-	-	(547)	(547)	-
Prepaid expenses	12,902	-	(75)	12,827	(65,657)
Accounts payable	(60,397)	5,419	46,297	(8,681)	-
Accrued liabilities	(327,979)	(691)	955	(327,715)	387
Due to other funds	-	(15,000)	(3,801)	(18,801)	4,810
Deferred revenue	28,601	-	68,540	97,141	169,389
<b>Total adjustments</b>	<b>(279,074)</b>	<b>(66,285)</b>	<b>28,819</b>	<b>(316,540)</b>	<b>38,590</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (610,727)</b>	<b>\$ 234,653</b>	<b>\$ (238,756)</b>	<b>\$ (614,830)</b>	<b>\$ (71,250)</b>

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

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2004**

	<b>Agency Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 2,924,995
Accounts receivable	22
	\$ 2,925,017
 <b>Liabilities</b>	
Accounts payable	\$ 716,394
Due to other governmental units	1,965,073
Due to individuals	125,905
Undistributed receipts	117,645
	\$ 2,925,017

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

**ISABELLA COUNTY, MICHIGAN**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**SEPTEMBER 30, 2004**

	<b>Road Commission</b>	<b>Central Michigan District Health</b>	<b>Board of Public Works</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,125,570	\$ 704,095	\$ 120,713
Investments	-	-	-
Receivables:			
Special assessments	-	-	-
Accounts, notes and other (net)	27,732	312,043	10,330,292
Interest	-	-	-
Due from other governmental units:			
State	1,072,561	376,169	-
Local	131,243	135,921	-
Inventory	181,356	139,017	-
Prepaid expenses	88,990	32,547	-
Nondepreciable capital assets	18,187,936	-	16,000
Capital assets, net of accumulated depreciation	37,054,069	1,312,081	68,639
<b>Total assets</b>	<b>57,869,457</b>	<b>3,011,873</b>	<b>10,535,644</b>
<b>Liabilities</b>			
Accounts payable	523,265	155,566	12,034
Accrued liabilities	83,313	127,142	-
Advances and deposits	940,890	343,879	-
Due to other governmental units	249,565	-	-
Unearned revenue	-	-	-
Accrued vacation and sick	230,390	481,812	-
Long-term debt - due within one year	175,000	118,369	180,000
Capital leases payable	-	1,488,431	-
Notes payable	-	-	-
Bonds payable	750,000	-	10,145,000
<b>Total liabilities</b>	<b>2,952,423</b>	<b>2,715,199</b>	<b>10,337,034</b>
<b>Net assets</b>			
Investment in capital assets, net of related debt	54,296,382	(303,223)	84,639
Restricted for:			
Debt service	-	-	31,747
Capital projects	-	-	30,867
Unrestricted	620,652	599,897	51,357
<b>Total net assets</b>	<b>\$ 54,917,034</b>	<b>\$ 296,674</b>	<b>\$ 198,610</b>

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

<b>Drainage Districts</b>	<b>Transportation Commission</b>	<b>Total Component Units</b>
\$ 2,020,392	\$ 1,130,899	\$ 5,101,669
1,226,843	-	1,226,843
2,329,341	-	2,329,341
55,000	36,434	10,761,501
2,963	-	2,963
-	-	1,448,730
-	-	267,164
20,685	76,200	417,258
-	30,481	152,018
-	54,004	18,257,940
11,358,273	4,794,833	54,587,895
17,013,497	6,122,851	94,553,322
33,723	79,185	803,773
-	95,123	305,578
-	-	1,284,769
-	117,433	366,998
470,997	13,090	484,087
-	-	712,202
548,079	85,642	1,107,090
-	-	1,488,431
829,079	703,487	1,532,566
1,645,000	-	12,540,000
3,526,878	1,093,960	20,625,494
8,336,115	4,059,708	66,473,621
1,353,209	-	1,384,956
-	-	30,867
3,797,295	969,183	6,038,384
\$ 13,486,619	\$ 5,028,891	\$ 73,927,828

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES  
COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Functions / Programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Road Commission	\$ 6,242,951	\$ 654,983	\$ 2,057,771	\$ 6,875,500	\$ 3,345,303
Central Michigan District Health	7,165,025	1,197,644	4,797,636	-	(1,169,745)
Board of Public Works	755,319	536,044	-	-	(219,275)
Drainage Districts	625,830	315,935	-	-	(309,895)
Transportation Commission	3,205,779	441,048	1,424,871	1,190,096	(149,764)
Total component units	<u>\$ 17,994,904</u>	<u>\$ 3,145,654</u>	<u>\$ 8,280,278</u>	<u>\$ 8,065,596</u>	<u>\$ 1,496,624</u>

continued...

**ISABELLA COUNTY, MICHIGAN  
STATEMENT OF ACTIVITIES (CONCLUDED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<b>Functions/Programs</b>	<b>Road Commission</b>	<b>Central Michigan District Health</b>	<b>Board of Public Works</b>	<b>Drainage Districts</b>	<b>Transportation Commission</b>	<b>Total</b>
<b>Changes in net assets</b>						
Net (expense) revenue	\$ 3,345,303	\$ (1,169,745)	\$ (219,275)	\$ (309,895)	\$ (149,764)	\$ 1,496,624
General revenues:						
Property taxes	-	-	-	-	716,278	716,278
Grants and contributions not restricted to specific programs	265,380	1,132,615	-	-	-	1,397,995
Unrestricted investment earnings	13,231	6,714	1,272	35,683	40,623	97,523
<b>Total general revenues</b>	<b>278,611</b>	<b>1,139,329</b>	<b>1,272</b>	<b>35,683</b>	<b>756,901</b>	<b>2,211,796</b>
Change in net assets	3,623,914	(30,416)	(218,003)	(274,212)	607,137	3,708,420
Net assets, beginning of year, as restated	51,293,120	327,090	416,613	13,760,831	4,421,754	70,219,408
<b>Net assets, end of year</b>	<b>\$ 54,917,034</b>	<b>\$ 296,674</b>	<b>\$ 198,610</b>	<b>\$ 13,486,619</b>	<b>\$ 5,028,891</b>	<b>\$ 73,927,828</b>

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Isabella County* is located in the center of Michigan's lower peninsula and covers an area of 572 square miles. The estimated population of the County is 63,180 (based upon the 2000 census). The County is a public corporation, created under the Constitution and Statutes of Michigan, and has general governmental powers and authority. A seven-member Board of Commissioners is the governing body. The legislative body is elected by districts to a two-year term.

The accounting and reporting policies of the County relating to the funds included in the basic financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled, "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (when applicable). The more significant accounting policies of the County are described below.

The component unit columns in the government-wide statements include the financial data of the County's component units. They are reported in a separate column to emphasize that they are legally separate from the County.

**A. THE FINANCIAL REPORTING ENTITY**

As required by generally accepted accounting principles, these financial statements present Isabella County (the primary government) and its component units. In evaluating how to define the government for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB), Statement 14. The following Component units are included in the County's reporting entity because they are entities for which the County is considered to be financially accountable.

**BLENDED COMPONENT UNIT -**

The Isabella County Building Authority (ICBA) is governed by a three (3) member Board appointed by the County Board of Commissioners. Although, it is legally separate from the County, the ICBA is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**DISCRETELY PRESENTED COMPONENT UNITS -**

The Isabella County Road Commission maintains primary, local and state trunklines within Isabella County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are appointed by the Isabella County Board of Commissioners. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuance's excluding capital lease purchase agreements require County authorization.

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The District Health Department has representation and provides services to Arenac, Clare, Gladwin, Isabella, Osceola and Roscommon Counties. Isabella and the other participating counties provide annual appropriations to subsidize operations of the District Health Department. The District Health Department will be primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. Also, the nature and significance of the relationship between the County and the Health Department is such that exclusion would cause the reporting entity's financial statements to be incomplete. For these reasons, the operations for the above component unit is discretely presented in the Isabella County financial statements.

The Isabella County Board of Public Works (BPW) has the responsibility of administering the various Public Works construction projects and the associated debt service funds under the provisions of Act 185, Public Acts of 1957, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works operates as a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The Board of Public Works is financially accountable to the County because all general obligation bond issuance's require County authorization and are backed by the full faith and credit of the County.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Isabella County Drain Commissioner is solely responsible for the administration of the drainage districts established pursuant to Act 40, P.A. 1956, as amended. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the Drainage Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner. Also, the nature and significance of the relationship between the County and the Drainage Districts is such that exclusion would cause the reporting entity's financial statements to be incomplete.

The Isabella County Transportation Commission (ICTC) provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. A voting majority to the ICTC is appointed by the County Board of Commissioners. A County-wide tax levy is subject to County Board approval. The Commission taxes are levied under the taxing authority of the County and are included as part of the County's total tax levy. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. For these reasons, the ICTC has been discretely presented in the financial statements.

The funds associated with the activities of the Drainage Districts administered by the Isabella County Drain Commissioner and the Isabella County Board of Public Works are included within the scope of the audit of these basic financial statements. Separate audited financial statements for these component units have not been issued. Component unit statements are included as supplemental information for these component units.

Complete financial statements of the following individual component units that are audited separately can be obtained from their respective administrative offices or from the Isabella County Clerk's Office at the Isabella County Courthouse.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ADMINISTRATIVE OFFICES**

Isabella County Road Commission  
West M-20  
Mt. Pleasant, Michigan 48858

Central Michigan District Health Department  
2012 E. Preston Avenue  
Mt. Pleasant, Michigan 48858

Isabella County Transportation Commission  
4590 Pickard  
Mt. Pleasant, Michigan 48858

**RELATED ORGANIZATION -**

The County's officials are also responsible for appointing the members of the Board of the Economic Development Corporation, but the County's accountability for this organization does not extend beyond making the appointments. In 2004, the County did not provide any operating assistance to this organization.

**JOINTLY GOVERNED ORGANIZATIONS -**

The Central Michigan Mental Health Facilities Board organized as a 501(c)(3) non-profit organization primarily to provide mental health facilities to Clare, Isabella, Mecosta and Osceola Counties. Each of the four Counties through their respective Boards of Commissioners appoint two (2) members to the Facilities Board. The Facilities Board, Isabella County and the Isabella County Building Authority entered into a three-party agreement whereby, the County through the Building Authority sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

# ISABELLA COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the Counties and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the County.

The Central Michigan Community Mental Health Services Board reorganized as a Community Mental Health Authority under Act 258 of Public Act of 1974, as amended. The Board has representatives and provides services to Clare, Isabella, Osceola, and Mecosta Counties. All participating Counties provide annual appropriations, however, none of the participating Counties are financially responsible for the Board.

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason it is not considered a component unit of the 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 the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

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

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

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The government reports the following major governmental funds:

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

The *tribal contribution fund* accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.

The *child care fund* accounts for grant funds that the County receives to provide child care services.

The *building authority bonds fund* accounts for the debt service on the bonds issued by the building authority.

The government reports the following major proprietary funds:

The *medical care facility fund* accounts for the activities of the government's inpatient medical care.

The *delinquent tax revolving fund* accounts for the activities of the government's purchase and collection of delinquent property taxes.

Additionally, the County reports the following fund types:

The *internal service fund* accounts for self-funded health insurance services provided to other departments or agencies of the government on a cost reimbursement basis.

*Agency funds* are used to account for assets held for other governments in an agency capacity, including tax collections.

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the medical care facility enterprise fund are charges to customers for services. The principal operating revenues of the delinquent tax revolving enterprise fund is collections of delinquent property taxes receivable and the related charges and fees. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

**D. BUDGETARY PROCESS AND BASIS**

Generally accepted accounting principles, as they apply to local units of government, require that budgets be adopted for the General Fund and all Special Revenue Funds. The budgets for these funds and the Debt Service and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County follows these procedures in establishing the budgetary data reflected in the financial statements for funds included in the Primary Government:

1. Budgetary control is exercised at the departmental level. Any revisions to the adopted budget at the department level (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with prescribed procedure under Michigan Public Act 621 of 1978. Management is authorized to amend the budget within departments at a line item level without board approval.
2. Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.
3. Budgetary integration is employed for the General, Special Revenue, Debt Service and Capital Projects funds, as a management control device. Management is authorized to transfer budgeted amounts within these functional areas.
4. Comparisons to budget are presented as required by generally accepted accounting principles. Budgeted amounts are as originally adopted or as amended by the County Board of Commissioners. Individual budget amendments that were material relative to the original adopted budget were made during the year in various funds. Supplemental appropriations were necessary during the year.

Similar procedures are followed in the case of the Component Units included in the Reporting Entity of Isabella County, except that the respective Administrator of each performs the functions described above rather than the County Board.

**E. DEPOSITS AND INVESTMENTS**

The County maintains a common checking account for its operating funds. Each participating fund reports its share separately. To the extent that some funds have negative balances in their share of common cash, such negative balances represent temporary interfund borrowings and, at September 30, have been recorded as interfund payables to funds with positive balances.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Cash equivalents consist of temporary investments in bankers' acceptance, commercial paper and U.S. Treasury obligations with a maturity from date of purchase of 90 days or less and investment trust funds. The investment trust funds have the general characteristics of demand deposit accounts in that the County may deposit and withdraw additional cash at any time without prior notice or penalty. Other demand deposit accounts are also maintained as needed.

County investments consist of investments in certificates of deposit, bankers' acceptance and commercial paper. County investments are in accordance with statutory authority promulgated by Michigan Compiled Laws, Section 129.91.

Investments are stated at fair value.

For the purpose of the Statement of Cash Flows presented for the Proprietary Fund Types, the County considers all highly liquid investments (including restricted assets) with original maturities of three months or less to be cash equivalents.

Interest earned on the common checking account or investment accounts are deposited directly to the General Fund unless specifically required by law or Board action to be deposited in the individual funds.

**F. RESTRICTED ASSETS**

Certain restricted investment trust fund accounts have been established in the Medical Care Facility Enterprise Fund Type. Restricted assets are reported as established by the Family Independence Agency Board to set aside assets for future capital improvement.

**G. ALLOWANCES FOR DOUBTFUL ACCOUNTS RECEIVABLE**

The County, except for the Medical Care Facility Enterprise Fund, utilizes the direct write-off method for uncollectible accounts. Past experience has indicated the write-off of accounts receivable is immaterial and the use of a contra account as an allowance for doubtful accounts is unnecessary.

The Medical Care Facility has an allowance for doubtful accounts receivable of \$18,000 at September 30, 2004.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES, OPERATING TRANSFERS, AND RESIDUAL EQUITY TRANSFERS**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the Balance Sheet and Proprietary Fund Statement of Net Assets.

Interfund receivables/payables are also established when individual funds have overdrawn their share of common checking.

Transfers between funds are included as “Other Financing Sources or Uses” in the governmental fund types and as “Transfers In (Out)” in the proprietary fund types.

**I. INVENTORIES**

The purchase method is used to account for inventories of the Governmental Fund Types, with the exception of the General Fund, which accounts for County Jail foodstuffs inventory following the consumption method, and the Special Revenue Funds, which accounts for the inventory of the Commission On Aging Fund using the consumption method. Under the purchase method, inventories are recorded as expenditures when purchased; no inventory accounted for under this method is considered to be material and, consequently, inventories are not reported on the related Balance Sheets.

Inventories for the General Fund County Jail foodstuffs and the Commission on Aging Fund’s Food with Friends Program are reported at cost using specific identification of actual goods consumed to relieve inventory.

The consumption method is also utilized to account for the inventories of the Isabella County Road Commission, Central Michigan District Health, and Isabella County Transportation Commission. These three discretely presented component units report inventory at cost using the first-in, first-out cost flow method.

**J. PREPAID ITEMS**

The County has certain payments to vendors that reflect costs applicable to future accounting periods and are recorded as an asset for prepaid items.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**K. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	20-30
Buildings	20-50
Infrastructure	5-50
Vehicles	5-20
Equipment	4-20

**L. DEFERRED REVENUE**

Deferred revenue results when the criteria for recognition of an asset have been met, but where the criteria for recognition of the revenue have not been met. Deferred revenue is recorded in the financial statements when receivables are long-term in nature or when grant funds or other money received represents advances in excess of expended or properly matched amounts.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. LONG-TERM OBLIGATIONS**

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

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

**N. RESERVED AND DESIGNATED FUND BALANCES**

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.

**O. COMPENSATED ABSENCES**

Using the criteria established in Governmental Accounting Standards Board (GASB) Statement 16, a liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the employer and employee should be accrued as employees earn the rights to the benefits. Compensated absences related to future services or that are contingent on a specific event that is outside the control of the employer should be accounted for in the period those services are rendered or those events take place.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The various County and Component Unit employee agreements state that accumulated sick leave benefits will be paid upon death, retirement, or severance of employment in accordance with certain stated percentages based on length of employment. The County utilizes the Termination Payment Method to determine the amount of unused employee sick leave benefits. Under this approach, a liability should be accrued as the benefits are earned by the employees if it is probable that the employer will compensate the employees for the benefits through cash benefits conditioned on the employees' termination or retirement.

The County's policies and agreements with County employees (except as discussed in Note 15) for vacation and sick pay benefits meet this criteria and accordingly constitute vested benefits, as do the policies of the component units.

**P. PROPERTY TAX REVENUE RECOGNITION**

The County property tax is levied each December 1 on the taxable valuation of property located in the County as of the preceding December 31. Taxable values are established annually by local assessors. Taxes become a lien on December 1 and are payable on a current basis from December 1 to February 14, at which date they become delinquent.

**Q. PAYROLL - FAMILY INDEPENDENCE AGENCY**

All employees of the Isabella County Family Independence Agency are paid by the Michigan Family Independence Agency; therefore, no payroll-related expenditures are included in the Special Revenue Fund Type, Family Independence Agency Fund.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**2. VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS**

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended September 30, 2004, the County incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
<b>General Fund</b>			
Board of Commissioners	\$ 122,425	\$ 124,092	\$ (1,667)
Trial Court	2,167,644	2,198,098	(30,454)
Jury Board	2,000	2,077	(77)
Remonumentation	50,212	58,346	(8,134)
Sheriff's Department	1,588,226	1,601,298	(13,072)
Traffic Enforcement	-	7,647	(7,647)
Michigan Justice Training Act	6,000	7,310	(1,310)
BAYANET	67,382	69,602	(2,220)
Corrections	1,968,902	1,996,617	(27,715)
Youth Grant	-	1,335	(1,335)
Inspections	296,225	298,148	(1,923)
Emergency Management	205,166	235,011	(29,845)
Road Graveling	69,000	119,283	(50,283)
Well Monitoring - Landfill	83,416	95,554	(12,138)
Substance Abuse Counseling	135,000	136,257	(1,257)
Disabilities Advisory Commission	2,000	2,951	(951)
MSU Cooperative Extension Service	201,271	202,997	(1,726)
Insurance and Bonds	253,000	261,309	(8,309)
Employee Benefits	193,000	200,958	(7,958)
Interest and Fiscal Charges	-	10,349	(10,349)
<b>Special Revenue Funds</b>			
Tribal Contribution Fund -			
Public Safety	1,045,680	1,122,309	(76,629)
Recreation and Culture	578,000	618,634	(40,634)
Capital Outlay	60,500	69,774	(9,274)
Child Care Fund -			
Health and Welfare	2,333,039	2,394,377	(61,338)
Community Alternatives Fund -			
Judicial	77,865	80,535	(2,670)

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**2. VIOLATIONS OF FINANCE-RELATED LEGAL PROVISIONS (Continued)**

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Budget Variance</u>
<b>Special Revenue Funds (continued)</b>			
County Law Library Fund -			
Judicial	9,500	12,757	(3,257)
Commission on Aging Fund -			
Health and Welfare	2,033,778	2,048,416	(14,638)
Recreation and Culture	45,200	59,301	(14,101)
Debt Service	2,650	3,261	(611)
Veterans Activities -			
Health and Welfare	7,168	7,371	(203)
<b>Capital Projects Funds</b>			
Capital Improvement Fund -			
Capital Outlay	390,224	534,615	(144,391)
Building Authority Fund -			
Capital Outlay	-	10,600	(10,600)

The County Law Library Fund has a fund balance deficit at the fiscal year ended September 30, 2004, in the amount of \$1,632. The County will establish a deficit elimination plan which will be submitted to the Local Audit and Finance Division of the State of Michigan.

The Internal Service Fund has a net assets deficit at the fiscal year ended September 30, 2004, in the amount of \$194,252. The County will establish a deficit elimination plan which will be submitted to the Local Audit and Finance Division of the State of Michigan.

**3. DEPOSITS AND INVESTMENTS**

**Authorized Deposits and Investments -**

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

Act 20 PA 1994 as amended by Act 1997 PA 1998 authorizes the County to invest surplus funds in bonds, securities and other direct obligations or repurchase agreements consisting of these financial instruments of the United States government or an agency or instrumentality of the United States; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating services, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of the political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, certificates of deposit, savings accounts, or deposit accounts of a financial institution; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, and investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.

**Carrying Amount -**

Government-wide Financial Statement Captions:

Primary Government:

Cash and cash equivalents	\$ 10,763,820
Investments	505,251
Restricted cash and cash equivalents	3,147,373
Restricted investments	1,462,721

Component Units:

Cash and cash equivalents	5,101,669
Investments	1,226,843

Fiduciary Fund Financial Statement Captions:

Cash and cash equivalents	<u>2,924,995</u>
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\$ 25,132,672

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits	\$ 13,337,121	\$ 6,328,512	\$ 2,924,995	\$22,590,628
Investments	<u>2,542,044</u>	<u>-</u>	<u>-</u>	<u>2,542,044</u>
<b>Total</b>	<u>\$ 15,879,165</u>	<u>\$ 6,328,512</u>	<u>\$ 2,924,995</u>	<u>\$25,132,672</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**3. DEPOSITS AND INVESTMENTS (Continued)**

**Deposits with Financial Institutions -**

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

At year-end, the carrying amount of the County's deposits was \$22,590,628 and the bank balances of those deposits were classified as to risk as follows:

	<b>Bank Balance</b>
Insured	\$ 723,458
Uninsured - uncollateralized	22,819,612
	<b>\$ 23,543,070</b>

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

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

**Investments**

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

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**3. DEPOSITS AND INVESTMENTS (Continued)**

As of September 30, 2004, the investments of the primary government are categorized as to risk as summarized in the following table:

	<b>Category</b>			<b>Carrying Amount</b>	<b>Fair Value</b>
	<b>1</b>	<b>2</b>	<b>3</b>		
<b>Primary Government</b>					
Uncategorized as to risk:					
Municipal Investment Funds				<u>\$ 2,542,044</u>	<u>\$ 2,542,044</u>

The Municipal Investment Funds as of September 30, 2004, were invested in investment pools operated by National City Bank, Wolverine Bank, and Bank One. The fair value of the investment pools is the same as the value of the pool shares. These investment pools are not SEC registered but are governed by respective banks Trust Advisory Board with oversight by both state and federal agencies and are subject to review on an annual basis for compliance with regulations over trust accounts and departments at financial institutions.

**4. RECEIVABLES**

Receivables as of year end for the County's governmental and business-type activities in the aggregate, are as follows:

	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Component Units</u></b>
Receivables:			
Taxes	\$ -	\$ 1,372,032	\$ -
Special assessments – current	-	-	17,726
Accounts	2,192,161	891,331	10,761,501
Interest	1,273	3,648	2,963
Intergovernmental	1,075,315	123,865	1,715,894
Capitalized leases – current	290,000	-	-
Special assessments – long term	-	-	2,311,615
Capitalized leases – long term	2,260,000	-	-
Total receivables	<u>\$ 5,818,749</u>	<u>\$ 2,390,876</u>	<u>\$ 14,809,699</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**5. CAPITALIZED LEASE RECEIVABLE**

**PRIMARY GOVERNMENT**

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the Project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principal and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title and interest in the project. In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, the lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease. For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

**COMPONENT UNITS**

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the Village of Shepherd, the County authorized the construction of a Sanitary Sewer/Storm Water Separation project and the financing of the same by the Board of Public Works through the issuance of a \$3,750,000 bond issue. Of the original issue, \$3,000,000 of the debt was defeased with the issuance of 1999 refunding Bonds. The April 1, 1999 bond issue of \$2,460,000 resulted in an economic gain, along with local contributions that reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the City of Clare, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$700,000 bond issue.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**5. CAPITALIZED LEASE RECEIVABLE (Continued)**

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$9,000,000 bond issue.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases in accordance with Financial Accounting Standards Board (FASB) Statement No. 13.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the Balance Sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest on the bond issue.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**6. CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being				
Depreciated:				
Land	\$ 1,808,000	\$ 5,896	\$ -	\$ 1,813,896
Construction in progress	<u>29,985</u>	<u>95,643</u>	<u>(125,628)</u>	<u>-</u>
Total capital assets not being				
depreciated	<u>1,837,985</u>	<u>101,539</u>	<u>(125,628)</u>	<u>1,813,896</u>
Capital assets being				
depreciated:				
Building and improvements	20,022,473	132,454	-	20,154,927
Equipment	3,110,101	364,026	-	3,474,127
Vehicles	716,733	63,842	(30,322)	750,253
Other	<u>240,809</u>	<u>25,037</u>	<u>-</u>	<u>265,846</u>
Total capital assets being				
depreciated	<u>24,090,116</u>	<u>585,359</u>	<u>(30,322)</u>	<u>24,645,153</u>
Less accumulated depreciation				
Building and improvements	(7,390,470)	(404,816)	-	(7,795,286)
Equipment	(1,717,702)	(328,511)	-	(2,046,213)
Vehicles	(427,589)	(92,587)	30,322	(489,854)
Other	<u>(163,787)</u>	<u>(23,488)</u>	<u>-</u>	<u>(187,275)</u>
Total accumulated depreciation	<u>(9,699,548)</u>	<u>849,402</u>	<u>30,322</u>	<u>(10,518,628)</u>
Total capital assets being				
depreciated, net	<u>14,390,568</u>	<u>(264,043)</u>	<u>-</u>	<u>14,126,525</u>
<b>Governmental activities</b>				
<b>capital assets, net</b>	<u>\$ 16,228,553</u>	<u>\$ (162,504)</u>	<u>\$ (125,628)</u>	<u>\$ 15,940,421</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**6. CAPITAL ASSETS (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated:				
Land	\$ 121,954	\$ -	\$ -	\$ 121,954
Construction in progress	<u>1,287,798</u>	<u>5,458,787</u>	<u>-</u>	<u>6,746,585</u>
Total capital assets not being depreciated	<u>1,409,752</u>	<u>5,458,787</u>	<u>-</u>	<u>6,868,539</u>
Capital assets being depreciated:				
Buildings and improvements	3,611,077	75,383	-	3,686,460
Equipment	2,246,003	296,960	(64,665)	2,478,298
Vehicles	<u>156,658</u>	<u>59,428</u>	<u>-</u>	<u>216,086</u>
Total capital assets being depreciated	<u>6,013,738</u>	<u>431,771</u>	<u>(64,665)</u>	<u>6,380,844</u>
Less accumulated depreciation				
Buildings and improvements	(2,224,700)	(110,256)	-	(2,334,956)
Equipment	(1,301,633)	(124,717)	47,455	(1,378,895)
Vehicles	<u>(156,658)</u>	<u>(11,219)</u>	<u>-</u>	<u>(167,877)</u>
Total accumulated depreciation	<u>(3,682,991)</u>	<u>(246,192)</u>	<u>47,455</u>	<u>(3,881,728)</u>
Total capital assets being depreciated, net	<u>2,330,747</u>	<u>185,579</u>	<u>(17,210)</u>	<u>2,499,116</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 3,740,499</u>	<u>\$ 5,644,366</u>	<u>\$ (17,210)</u>	<u>\$ 9,367,655</u>

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

<b>Governmental activities:</b>	
Legislative	\$ 3,678
Judicial	198,025
General government	226,488
Public safety	339,476
Health and welfare	58,935
Culture and recreation	<u>22,800</u>
<b>Total depreciation expense – governmental activities</b>	<b><u>\$ 849,402</u></b>
<b>Business-type activities:</b>	
Medical care facility	\$ 163,220
Recycling	69,369
Concessions	<u>13,603</u>
<b>Total depreciation expense – business-type activities</b>	<b><u>\$ 246,192</u></b>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**6. CAPITAL ASSETS (Continued)**

**COMPONENT UNITS**

**Road Commission**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 115,700	\$ 110,182	\$ -	\$ 225,882
Land improvements	93,045	24,814	-	117,859
Land - infrastructure	<u>16,789,304</u>	<u>1,054,891</u>	-	<u>17,844,195</u>
Total capital assets not being depreciated	<u>16,998,049</u>	<u>1,189,887</u>	-	<u>18,187,936</u>
Capital assets being depreciated:				
Buildings	609,169	39,035	(74)	648,130
Equipment	6,179,882	568,530	(349,494)	6,398,918
Infrastructure - Bridges	12,129,856	1,090,075	-	13,219,931
Infrastructure - Roads	<u>43,522,533</u>	<u>3,987,973</u>	-	<u>47,510,506</u>
Total capital assets being depreciated	<u>62,441,440</u>	<u>5,685,613</u>	<u>(349,568)</u>	<u>67,777,485</u>
Less accumulated depreciation				
Buildings	(356,301)	(17,323)	-	(373,624)
Equipment	(4,757,073)	(517,113)	313,270	(4,960,916)
Infrastructure - Bridges	(3,639,588)	(441,843)	-	(4,081,431)
Infrastructure - Roads	<u>(19,203,584)</u>	<u>(2,103,861)</u>	-	<u>(21,307,445)</u>
Total accumulated depreciation	<u>(27,956,546)</u>	<u>(3,080,140)</u>	<u>313,270</u>	<u>(30,723,416)</u>
Total capital assets being depreciated, net	<u>34,484,894</u>	<u>2,605,473</u>	<u>(36,298)</u>	<u>37,054,069</u>
<b>Road Commission capital assets, net</b>	<u>\$ 51,482,943</u>	<u>\$ 3,795,360</u>	<u>\$ (36,298)</u>	<u>\$ 55,242,005</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**6. CAPITAL ASSETS (Continued)**

**Central Michigan District Health**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Building (capital lease)	\$ 2,323,766	\$ -	\$ -	\$ 2,323,766
Furniture and equipment	187,383	-	-	187,383
Buses and vehicles	<u>5,710</u>	<u>-</u>	<u>-</u>	<u>5,710</u>
Total capital assets being depreciated	2,516,859	-	-	2,516,859
Less accumulated depreciation	<u>(1,061,650)</u>	<u>(143,128)</u>	<u>-</u>	<u>(1,204,778)</u>
<b>Central Michigan District Health capital assets, net</b>	<u>\$ 1,455,209</u>	<u>\$ (143,128)</u>	<u>\$ -</u>	<u>\$ 1,312,081</u>

**Board Public of Works**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -	\$ -	\$ 16,000
Capital assets being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	12,197	-	-	12,197
Infrastructure - water supply	<u>216,425</u>	<u>-</u>	<u>-</u>	<u>216,425</u>
Total capital assets being depreciated	<u>241,478</u>	<u>-</u>	<u>-</u>	<u>241,478</u>
Less accumulated depreciation				
Buildings	(11,260)	(913)	-	(12,173)
Equipment	(11,844)	(352)	-	(12,196)
Infrastructure - water supply	<u>(141,618)</u>	<u>(6,852)</u>	<u>-</u>	<u>(148,470)</u>
Total accumulated depreciation	<u>(164,722)</u>	<u>(8,117)</u>	<u>-</u>	<u>(172,839)</u>
Total capital assets being depreciated, net	<u>76,756</u>	<u>(8,117)</u>	<u>-</u>	<u>68,639</u>
<b>Board of Public Works capital assets, net</b>	<u>\$ 92,756</u>	<u>\$ (8,117)</u>	<u>\$ -</u>	<u>\$ 84,639</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**6. CAPITAL ASSETS (Continued)**

**Drainage Districts**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Infrastructure - Drains	\$ 12,106,289	\$ 1,160,000	\$ -	\$ 13,266,289
Less accumulated depreciation				
Infrastructure - Drains	<u>(1,625,431)</u>	<u>(282,585)</u>	<u>-</u>	<u>(1,908,016)</u>
<b>Drainage Districts capital assets, net</b>	<u>\$ 10,480,858</u>	<u>\$ 877,415</u>	<u>\$ -</u>	<u>\$ 11,358,273</u>

**Transportation Commission**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	<u>\$ 54,004</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 54,004</u>
Capital assets being depreciated:				
Buildings and improvements	2,784,633	-	-	2,784,633
Buses	2,926,571	1,058,238	(620,000)	3,364,800
Furniture and equipment	<u>790,821</u>	<u>131,615</u>	<u>(7,268)</u>	<u>915,168</u>
Total capital assets being depreciated	<u>6,502,025</u>	<u>1,189,853</u>	<u>(627,268)</u>	<u>7,064,601</u>
Less accumulated depreciation				
Buildings and improvements	(356,816)	(139,231)	-	(496,047)
Buses	(1,715,455)	(276,906)	620,009	(1,372,352)
Furniture and equipment	<u>(268,517)</u>	<u>(140,120)</u>	<u>7,268</u>	<u>(401,369)</u>
Total accumulated depreciation	<u>(2,340,788)</u>	<u>(556,257)</u>	<u>627,277</u>	<u>(2,269,768)</u>
Total capital assets being depreciated, net	<u>4,161,237</u>	<u>633,596</u>	<u>-</u>	<u>4,794,833</u>
<b>Transportation Commission capital assets, net</b>	<u>\$ 4,215,241</u>	<u>\$ 633,596</u>	<u>\$ -</u>	<u>\$ 4,848,837</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**7. PAYABLES**

Accounts payable and accrued expenses as of year end for the County's governmental and business-type activities in the aggregate, are as follows:

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Component Units</b>
Payables:			
Accounts	\$ 965,495	\$ 372,190	\$ 803,773
Salaries payable	377,642	-	-
Accrued liabilities	185,086	101,583	305,578
Advances and deposits	-	-	1,284,769
Intergovernmental	<u>90,063</u>	<u>-</u>	<u>366,998</u>
Total payables	<u>\$ 1,618,286</u>	<u>\$ 473,773</u>	<u>\$ 2,761,118</u>

**8. RISK MANAGEMENT**

**GENERAL AND AUTO LIABILITY**

Isabella County is exposed to various risks of loss related to general and auto liability, motor vehicle physical damage, and property. The Primary Government participates in a public entity risk pool administered by the Michigan Municipal Risk Management Authority. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority is a municipal self-insurance entity operating pursuant to State of Michigan Public Act 138 of 1982. This law allows local governmental units to provide joint funding for risk management and self-insurance purposes by participating in a public entity risk pool. The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund. In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements. If for any reason the Authority's resources available to pay losses are depleted, the participating member is responsible for any excess losses. Under most circumstances the County's maximum loss per occurrence is limited as follows:

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**8. RISK MANAGEMENT (Continued)**

**Primary Government:**

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General and auto liability	\$ 75,000
Motor vehicle physical damage	15,000 per vehicle 30,000 per occurrence
Property and crime	10% of the next \$100,000 of loss

When a claim is incurred and/or paid, the member's loss contribution account is charged according to the individual member's actual loss experience.

Michigan Municipal Risk Management Authority provides the following coverages on behalf of the County Primary Government:

<u>Type of Risk</u>	<u>Limits of Coverage (including retention) Per Occurrence</u>
General liability	\$ 15,000,000
Vehicle physical damage	1,500,000
Judicial tenure defense	100,000
Building and personal property	25,426,747

At September 30, 2004, the County (Primary Government) had funds on deposit with the Authority of \$170,327 and an estimated liability for reported claims and legal expenses of \$1,146.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNR's). Claims liabilities are estimated based on actual claims filed with MMRMA subsequent to year end. The provision is based on historical trends.

Changes in the balances of claims liabilities during the current year and the prior year are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims	\$ 63,140	\$ 90,680
Incurred claims (including change in IBNR)	(16,345)	209,742
Claims paid	<u>(45,649)</u>	<u>(237,282)</u>
Unpaid claims, end of year	<u>\$ 1,146</u>	<u>\$ 63,140</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**8. RISK MANAGEMENT (Continued)**

**Component Units:**

**Isabella County Transportation Commission**

The Transportation Commission has purchased commercial insurance for its general liability, vehicle physical damage, and property and crime insurance.

**Isabella County Road Commission**

The Road Commission was unable to obtain general liability and workers' compensation insurance at a cost it considered to be economically justifiable. The Road Commission joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its insurance coverages. The agreement provides that the pool will be self-sustaining through members premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining.

**EMPLOYEE HEALTH BENEFITS**

The County has established an employee health benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, the Road Commission, Central Michigan District Health, and Isabella County Transportation Commission, participate in the Self-Insurance Plan. The Plan is administered under contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) as third-party administrator.

Under the co-insurance agreement provided by Blue Cross and Blue Shield of Michigan, the County is responsible for claims for major medical expenses up to an agreed-upon ceiling, but is insured against further loss by BCBSM. In order to provide for the co-insurance, the County pays a "stop-loss" premium.

Certain benefits (e.g., dental and vision) are not covered by the co-insurance policy. Prior to 1997, the Fund was insured against losses greater than \$100,000 per occurrence. There is no coverage for aggregate losses under the current agreement. Beginning in 1997, the stop-loss coverage was reduced to \$75,000 per occurrence. The co-insurance arrangements will be renegotiated annually with Blue Cross and Blue Shield of Michigan.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**8. RISK MANAGEMENT (Continued)**

The Self-Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying claim settlements, administrative fees, and “stop-loss” co-insurance premiums.

Interfund premiums are treated as quasi-external transactions, meaning that interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Self-Insurance Fund as earned. Retirees from each employer group also make contributions to the Self-Insurance Fund, as do former employees under COBRA.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported (IBNRs). The provision is based upon historical trends. Claims liabilities are estimated based on actual claims filed subsequent to year end.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid Claims, beginning of year	\$ 65,000	\$ 65,000
Incurred Claims (including IBNR)	4,190,379	3,200,202
Claims Paid	<u>(4,189,992)</u>	<u>(3,200,202)</u>
Unpaid Claims	<u>\$ 65,387</u>	<u>\$ 65,000</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT**

**PRIMARY GOVERNMENT**

The following is a summary of the long-term debt transactions of the Primary Government for the year ended September 30, 2004.

	Beginning Balance <u>10/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>9/30/04</u>
<b>Governmental activities:</b>				
Building authority bonds	\$ 6,735,000	\$ -	\$ (660,000)	\$ 6,075,000
Capital leases	167,114	-	(42,948)	124,166
Postclosure landfill costs	1,180,280	95,554	(97,489)	1,178,345
Vested employee benefits	720,449	656,690	(621,280)	755,859
Accrued claims liability	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>
Governmental activity Long-term liabilities	<u>\$ 8,852,843</u>	<u>\$ 752,244</u>	<u>\$ (1,471,717)</u>	<u>\$ 8,133,370</u>
<b>Business-type activities:</b>				
Building authority bond	\$ 8,000,000	\$ -	\$ (255,000)	\$ 7,745,000
Capital lease	6,002	-	(1,577)	4,425
Less deferred issuance discount	(66,166)	-	3,483	(62,683)
Compensated absences	<u>332,097</u>	<u>44,800</u>	<u>(73,477)</u>	<u>303,420</u>
Business-type activity Long-term liabilities	<u>\$ 8,271,933</u>	<u>\$ 44,800</u>	<u>\$ (326,571)</u>	<u>\$ 7,990,162</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

A description of the various obligations is summarized (by type of obligation) as follows:

	<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>						
Building Authority Bonds:						
General Obligation						
Bond (District Health Building) - Series 1998	05/01/96	\$ 2,135,000	5.60	05/01/02-16	\$ 1,545,000	\$ 95,000
Bond (State Police Building) - Series 1998	05/18/98	1,200,000	4.50-5.00	01/01/02-19	1,005,000	45,000
Bond (Courthouse Building) - Series 1999	07/01/99	4,050,000	4.00-5.25	11/01/01-19	<u>3,525,000</u>	<u>150,000</u>
Total Building Authority Bonds					<u>6,075,000</u>	<u>290,000</u>
Capital Lease - Copiers	03/01/03	187,026	8.1	04/27/03-07	124,166	46,650
Postclosure Landfill Costs					1,178,345	65,464
Vested Employee Benefits					<u>755,859</u>	<u>650,000</u>
<b>Total Governmental Activities</b>					<b><u>\$ 8,133,370</u></b>	<b><u>\$1,052,114</u></b>
For the governmental activities, postclosure landfill costs, vested employee benefits and accrued claims liability are generally liquidated by the general fund.						
<b>Business-type Activities:</b>						
Bond (Medical Care Facility Building) - Series 2002	12/15/02	\$ 8,000,000	3.00-4.60 %	05/01/04-22	\$ 7,745,000	\$ 270,000
Capital Lease - Copiers	03/01/03	6,912	8.1	04/27/03-07	4,425	1,662
Compensated Absences					<u>303,420</u>	<u>32,500</u>
<b>Total Business-type Activities</b>					<b><u>8,052,845</u></b>	<b><u>304,162</u></b>
<b>Total Primary Government</b>					<b><u>\$16,186,215</u></b>	<b><u>\$1,356,276</u></b>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**9. LONG-TERM DEBT (Continued)**

**Annual Requirements to Amortize Debt**

The annual requirements to pay future principal and interest on the general obligation bonds are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 290,000	\$ 305,717	\$ 270,000	\$ 312,260
2006	320,000	291,774	285,000	304,160
2007	330,000	276,625	300,000	295,610
2008	340,000	260,687	315,000	286,610
2009	370,000	243,465	335,000	276,373
2010-14	2,070,000	918,650	1,940,000	1,182,092
2015-19	2,080,000	333,719	2,485,000	748,950
2020-22	<u>275,000</u>	<u>7,219</u>	<u>1,815,000</u>	<u>169,165</u>
	<u>\$6,075,000</u>	<u>\$2,637,856</u>	<u>\$7,745,000</u>	<u>\$3,575,220</u>

The annual requirements to pay future principal and interest on the capital leases are as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 46,650	\$ 8,437	\$ 1,662	\$ 301
2006	50,614	4,473	1,804	159
2007	<u>26,902</u>	<u>646</u>	<u>959</u>	<u>23</u>
	<u>\$ 124,166</u>	<u>\$ 13,556</u>	<u>\$ 4,425</u>	<u>\$ 483</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

**COMPONENT UNITS**

**Road Commission**

The following is a summary of the long-term debt transactions of the Isabella County Road Commission for the year ended September 30, 2004.

	Beginning Balance <u>10/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>9/30/04</u>
Michigan Department of Transportation Bond	\$ 1,100,000	\$ -	\$ (175,000)	\$ 925,000
Vested employee benefits	<u>223,501</u>	<u>6,889</u>	<u>-</u>	<u>230,390</u>
Totals	<u>\$ 1,323,501</u>	<u>\$ 6,889</u>	<u>\$ (175,000)</u>	<u>\$ 1,155,390</u>

A description of the obligation of the Road Commission are summarized as follows:

**Michigan Department of Transportation (MDOT)  
1999 Series Bond**

<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>	<u>Due Within One Year</u>
05/26/99	\$ 1,725,000	4.0-4.7%	05/01/01-09	<u>\$ 925,000</u>	<u>\$ 175,000</u>

**Annual Requirements to Amortize Debt**

The annual requirements to pay future principal and interest on the transportation bonds are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 175,000	\$ 42,063
2006	175,000	34,450
2007	175,000	26,662
2008	200,000	18,700
2009	<u>200,000</u>	<u>9,400</u>
	<u>\$ 925,000</u>	<u>\$ 131,275</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

**Drainage Districts**

The following is a summary of the long-term debt transactions of the Drainage Districts administered by the Isabella County Drain Commissioner for the year ended September 30, 2004.

	Beginning Balance <u>10/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>9/30/04</u>
Bank notes payable	\$ 943,237	\$ 160,000	\$ (121,079)	\$ 982,158
Hance Improvement Drain Bonds	250,000	-	(125,000)	125,000
Hance Main Branches Refunding Drain Bonds	1,020,000	-	(110,000)	910,000
Lamphere Drain Bonds	190,000	-	(60,000)	130,000
Salt River Drain Bonds	<u>975,000</u>	<u>-</u>	<u>(100,000)</u>	<u>875,000</u>
	<u>\$ 3,378,237</u>	<u>\$ 160,000</u>	<u>\$ (516,079)</u>	<u>\$ 3,022,158</u>

**Bank Notes Payable -**

The following is a schedule of Bank Notes Payable. These notes are used to finance construction activities for the individual drainage districts in Isabella County:

	<u>Date of Issue</u>	Authorized Amount <u>of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	Outstanding Principal <u>Balance</u>	Due Within <u>One Year</u>
Bufford Branch #805	07/08/99	\$ 112,551	4.78%	05/01/02-06	\$ 32,158	\$ 16,079
Hutchinson #380		160,000			160,000	32,000
Recker #530	07/25/02	730,000	3.78	07/15/03-12	580,000	75,000
Wagner #627	08/15/01	300,000	4.95	05/01/02-11	<u>210,000</u>	<u>30,000</u>
Total drain bank notes payable					<u>\$ 982,158</u>	<u>\$ 153,079</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

**County Drain Bonds -**

The following is a schedule of the principal and interest requirements to maturity of the County Drain Bonds by issue:

	<u>Date of Issue</u>	<u>Authorized Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>	<u>Due Within One Year</u>
Hance Improvement Drain Bonds	05/01/90	\$ 1,600,000	6.00-7.00%	05/01/02-05	\$ 125,000	\$ 125,000
Hance Main Branches	07/01/01	1,260,000	3.70-4.70	05/01/02-14	910,000	105,000
Lamphere Drain Bonds	05/01/96	610,000	5.15-5.40	05/01/02-06	130,000	65,000
Salt River Drain Bonds	06/27/02	1,075,000	3.00-4.10	04/01/03-12	<u>875,000</u>	<u>100,000</u>
Total general obligation drain bonds					<u>\$ 2,040,000</u>	<u>\$395,000</u>

These general obligation bonds were issued to defray the cost of maintenance and are payable from special assessments against benefited property in these Drainage Districts.

**Annual Requirements to Amortize Debt**

The annual requirements to amortize all debt outstanding of the Drainage Districts as of September 30, 2004, are as follows:

<u>Year ending September 30,</u>	<u>Bank Notes Payable</u>		<u>Bonds Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 153,079	\$ 40,994	\$ 395,000	\$ 84,512
2006	153,079	33,839	270,000	66,335
2007	137,000	27,484	200,000	55,573
2008	137,000	21,902	200,000	48,222
2009	132,000	16,903	205,000	40,653
2010-14	<u>270,000</u>	<u>20,343</u>	<u>770,000</u>	<u>83,195</u>
	<u>\$ 982,158</u>	<u>\$ 161,465</u>	<u>\$2,040,000</u>	<u>\$ 378,490</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

**Board of Public Works -**

The following is a summary of the long-term debt transactions of the Isabella County Board of Public Works for the year ended September 30, 2004.

	Beginning Balance <u>10/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>9/30/04</u>
Shepherd Sanitary Sewer/Storm Water Separation Project Refunding Bonds, Series 1999	\$ 2,080,000	\$ -	\$ (180,000)	\$ 1,900,000
City of Clare Water and Sewer System Improvement Bonds	475,000	-	(45,000)	430,000
Union Township Wastewater Treatment Project Bonds	1,490,000	-	(315,000)	1,175,000
Union Township Wastewater Treatment Refunding Bonds	<u>6,865,000</u>	<u>-</u>	<u>(45,000)</u>	<u>6,820,000</u>
	<u>\$10,910,000</u>	<u>\$ -</u>	<u>\$ (585,000)</u>	<u>\$10,325,000</u>

The following is a description of the debt of the Board of Public Works:

	<u>Date of Issue</u>	Authorized Amount <u>of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	Outstanding Principal Balance	Due Within One Year
Shepherd Sanitary Sewer/ Storm Water Separation Project Refunding Bonds Series 1999	04/01/99	\$ 2,460,000	4.20-4.60%	03/01/02-14	\$ 1,900,000	\$ 180,000
City of Clare Water and Sewer System Improvement Project Bonds	04/01/98	700,000	4.20-5.10	10/01/01-12	430,000	-
Union Township Wastewater Treatment Project Bonds	11/01/99	9,000,000	5.00	10/01/01-06	1,175,000	-
Union Township Wastewater Treatment Project Refunding Bonds	07/01/01	7,605,000	4.00-5.10	10/01/01-21	<u>6,820,000</u>	<u>-</u>
Total Board of Public Works bonds					<u>\$10,325,000</u>	<u>\$ 180,000</u>

**ISABELLA COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**9. LONG-TERM DEBT (Continued)**

The principal due October 1, 2004, on City of Clare Water and Sewer System Bonds and both Union Township Wastewater Treatment Project Bonds were paid before the end of the fiscal year, therefore, no portion of the outstanding balance is due within one year.

**Annual Requirements to Amortize Debt -**

The annual requirements to amortize all debt outstanding of the Board of Public Works as of September 30, 2004, are as follows:

<b>Year ending September 30,</b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2005	\$ 180,000	\$ 279,502
2006	590,000	461,675
2007	615,000	433,500
2008	625,000	407,449
2009	640,000	379,726
2010-14	3,450,000	1,437,720
2015-19	2,720,000	717,097
2020-22	<u>1,505,000</u>	<u>95,250</u>
	<u>\$ 10,325,000</u>	<u>\$ 4,211,919</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

The following is a summary of the long-term debt transactions of the remaining component units for the year ended September 30, 2004.

	Beginning Balance <u>10/1/03</u>	<u>Additions</u>	<u>Retirements</u>	Ending Balance <u>9/30/04</u>
Central Michigan District Health				
Vested employee benefits	\$ 415,116	\$ 66,696	\$ -	\$ 481,812
Capital leases payable	<u>1,718,241</u>	<u>-</u>	<u>(111,441)</u>	<u>1,606,800</u>
	<u>\$ 2,133,357</u>	<u>\$ 66,696</u>	<u>\$ (111,441)</u>	<u>\$ 2,088,612</u>

The capital lease payable for the Central Michigan District Health includes a balance of \$1,183,760, which is related to the lease of the district health building from the Isabella County Building Authority. Due to the capital nature of the agreement, Central Michigan District Health includes a capital asset and the related long-term debt, which is the same as the capital lease receivable and bond payable reflected in the primary government. The debt service requirements related to the capital lease are reflected in the Primary Government section of the long-term debt note.

Transportation Commission				
Infrastructure Loan	<u>\$ 871,477</u>	<u>\$ -</u>	<u>\$ (82,348)</u>	<u>\$ 789,129</u>

The proceeds from the infrastructure loan were used to finance the construction of a new building facility. Repayment provisions call for interest at 4% and the payment is due in twelve annual installments payable April 17 each year.

The annual requirements, as of September 30, 2004, to amortize the debt associated with the Central Michigan District Health Department (except vested employee benefits payable of \$481,812) including interest payments of \$622,499, and the Transportation Commission, including interest payments of \$148,553, are as follows:

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

**9. LONG-TERM DEBT (Continued)**

<u>Year</u>	<u>Central Michigan District Health</u>	<u>Transportation Commission</u>
2005	\$ 220,413	\$ 117,207
2006	220,227	117,207
2007	219,770	117,207
2008	219,033	117,207
2009	217,915	117,207
2010-2014	855,113	351,627
2015-2018	<u>276,728</u>	<u>-</u>
	2,229,199	937,662
Less: interest	<u>(622,399)</u>	<u>(148,533)</u>
Minimum lease payments	<u>\$ 1,606,800</u>	<u>\$ 789,129</u>

**10. COMMITMENTS**

**Operating Leases**

Central Michigan District Health Department leases an office facility under a long-term noncancelable operating lease agreement. The following is a schedule of future minimum rental payments required under this lease, as of September 30, 2004:

<u>Year Ending September 30,</u>	<u>Amount</u>
2005	\$ 79,390
2006	79,390
2007	79,390
2008	79,390
2009	79,390
2010-2014	396,950
2015-2019	<u>79,390</u>
Total minimum lease-rental payments required	<u>\$ 873,290</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**10. COMMITMENTS (Continued)**

The Department also leases office space in four other counties on a month-to-month basis. The Department is generally responsible for utilities, maintenance and repairs, and certain insurance coverage related to leased properties. Total lease and lease related costs attributable to operating and month-to-month leases for the year ended September 30, 2004 were \$251,412.

**11. FUND EQUITY**

**RESTRICTED NET ASSETS/RESERVED FUND BALANCES**

Fund balance has been reserved and net assets have been restricted in various funds to indicate the portion of fund balances and net assets not available but reserved or restricted for a specific purpose. The following is a summary of reserved fund balances and restricted net assets for all County funds at September 30, 2004:

**Primary Government**

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
General Fund	Inventory	\$ 19,581
	Prepaid expenditures	<u>94,503</u>
Total - General Fund		<u>114,084</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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**11. FUND EQUITY (Continued)**

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
<b>Special Revenue Funds</b>		
Parks and Recreation	Donor-restricted Contributions - Special Projects	\$ 37,648
	Prepaid expenditures	330
Friend of the Court	Prepaid expenditures	225
Community Alternatives	Donor-restricted Contributions - Juvenile Garden Program	1,600
Commission of Aging	Inventory	13,498
	Prepaid expenditures	3,579
E-911	Prepaid expenditures	4,052
	Equipment replacement	<u>47,163</u>
	Total Special Revenue Funds	<u>\$ 108,095</u>
<b>Enterprise Funds</b>		
Medical Care Facility	Non Expendable	55,226
	Expendable	3,425,731
Recycling	Equipment replacement	278,660
Concessions	Equipment replacement	<u>58,678</u>
	Total Enterprise Funds	<u>\$ 3,818,295</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**11. FUND EQUITY (Continued)**

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
<b>Component Units</b>		
Board of Public Works –		
Union Township		
Wastewater Treatment	Debt Retirement	\$ 31,747
Shepherd Storm Sewer Separation	Capital Projects	10,897
Clare Water and Sewer System Construction	Capital Projects	<u>19,970</u>
	Total Board of Public Works	<u>62,614</u>
Drainage Districts -		
County Drain	Debt Retirement	299,606
Hance Improvement Drain	Debt Retirement	414,963
Potter and Brodie	Debt Retirement	1,885
Hance Phase II	Debt Retirement	330,681
Lamphere	Debt Retirement	99,372
Salt River	Debt Retirement	<u>206,702</u>
	Total Drainage Districts	<u>1,353,209</u>
	Total Restricted Net Assets - Component Units	<u>\$ 1,415,823</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**11. FUND EQUITY (Continued)**

**DESIGNATED FUND BALANCES**

The various governing boards of the County have the power to designate, or set aside, all or a portion of unreserved Fund Balances for specified purposes. The following is a summary of Board-Designated Fund Balances for all County funds at September 30, 2004:

<u>Fund Type/Fund</u>	<u>Description</u>	<u>Amount</u>
<b>General Fund</b>	Commission On Aging -Unemployment	\$ 81,632
	Working Capital	1,000,000
	Vested Employee Benefits	333,871
	State Police Capital	111,609
	Road Graveling Program	130,000
	Day Care Capital	2,755
	District Health Capital	22,828
	Visit Center	3,215
	Victims Rights	501
	Animal Control	8,927
	Claims Liability	169,181
	Link Michigan	<u>4,486</u>
Total - General Fund		<u>\$ 1,869,005</u>

**12. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables as of September 30, 2004, are as follows:

<u>Due to</u>	<u>Due from</u>						<u>Total</u>
	<u>General Fund</u>	<u>Tribal Contribution</u>	<u>Child Care</u>	<u>Nonmajor Governmental Funds</u>	<u>Nonmajor Enterprise Funds</u>	<u>Internal Service Funds</u>	
General Fund	\$ -	\$ 56,348	\$ 14,054	\$ 263,056	\$ 53	\$175,952	\$ 509,463
Tribal Contribution	-	-	-	5,220	-	-	5,220
Child Care	4,545	-	-	-	-	-	4,545
Nonmajor Governmental Funds	16,515	812,162	-	767,500	-	-	1,596,177
Delinquent Tax Revolving Recycling	-	-	-	-	15	-	15
	-	173,872	-	-	-	-	173,872
<b>Total</b>	<u>\$21,060</u>	<u>\$ 1,042,382</u>	<u>\$ 14,054</u>	<u>\$ 1,035,776</u>	<u>\$ 68</u>	<u>\$175,952</u>	<u>\$2,289,292</u>

# ISABELLA COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

**SEPTEMBER 30, 2004**

The amounts due from the Tribal Contributions Fund are to recognize the amounts held in the Tribal Contributions Fund that are to be used by various funds for operations. The amounts due to the General Fund from the various funds other than the Tribal Contributions Fund are short-term loans for cash flow. The remaining interfund receivables and payables are to recognize the expected transactions between funds to reimburse for services or move revenue to the proper fund.

### 13. INTERFUND TRANSFERS

Interfund transfers for the year ended September 30, 2004, consisted of the following amounts:

	Transfers from				Total
	General Fund	Building Authority Bonds	Nonmajor Governmental Funds	Delinquent Tax	
Transfers to:					
General Fund	\$ -	\$ -	\$ -	\$ 539,000	\$ 539,000
Child Care	1,151,750	-	75,000	-	1,226,750
Building Authority Bonds	329,875	-	-	-	329,875
Nonmajor Governmental Funds	993,775	10,600	10,795	107,000	1,122,170
Recycling	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Total	<u>\$ 2,625,400</u>	<u>\$ 10,600</u>	<u>\$ 85,795</u>	<u>\$ 646,000</u>	<u>\$ 3,367,795</u>

The transfers from the General Fund to all other funds were for the purposes of supporting operations that are not covered by other revenue sources. The transfers from the Delinquent Tax Fund to the General Fund and other nonmajor governmental funds are for the purpose of using the unrestricted income generated by the Delinquent Tax Fund to subsidize other operations. The remaining transfers are to move funds for reimbursements of services and expenditures.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**14. EMPLOYEE PENSION PLANS**

**A. DEFINED BENEFIT PENSION PLAN**

**Plan Description**

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates and is administered under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The County Proper and Medical Care Facility participate jointly in the system as divisions within one group.

**Funding Policy**

The County is required to contribute at an actuarially determined rate. The computed employer contribution rate for 2004 ranged from 8.83% to 21.29%. County employees are not required to make contributions to the plan. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, depending on the MERS contribution program adopted by the County.

**Annual Pension Costs**

For the year ended September 30, 2004, the County's annual pension cost of \$844,118 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually) after retirement, for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined using techniques on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect fair value. Unfunded actuarial accrued liabilities are amortized as a level percent of payroll over a period of 30 years on an open basis. The latest actuarial valuation was as of December 31, 2003.

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

**14. EMPLOYEE PENSION PLAN (Continued)**

**Three-Year Trend Information**

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>	<u>Net Pension Obligation</u>
September 30, 2002	\$ 808,484	100%	\$ -
September 30, 2003	751,702	100	-
September 30, 2004	844,118	100	-

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2001	\$18,542,167	\$23,921,332	\$5,379,165	78%	\$ 9,203,793	58%
2002	19,435,958	25,721,706	6,285,748	76	9,234,742	68
2003	21,239,006	27,978,847	6,739,841	76	9,427,209	71

**Component Unit Plans**

The Isabella County Road Commission and Central Michigan District Health Department have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission and District Health Department pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

# ISABELLA COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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### **B. DEFINED CONTRIBUTION PENSION PLAN**

#### **Plan Description**

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after July 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five years.

At September 30, 2004, there were 18 plan members. Plan members are not required to contribute to the Plan, however, employees may contribute up to 3% of their annual salary. The County is required to contribute 7% of the employees' annual salary. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2004 amounted to \$28,106 and employee contributions were \$8,031.

A stand-alone pension plan report has not been issued for the defined contribution plan.

## **15. CONTINGENCIES**

### **Sick Pay Benefits**

Unlike Vacation Benefits Payable and Sick Days for certain employee categories, accumulated Sick Days for employees of the County Sheriff's and Central Dispatch Departments are considered a contingent liability because they are payable only upon death or retirement and not upon termination. The estimated value of this contingent liability likely to be ultimately payable cannot be determined.

### **Third Party Payers**

Third Party Reimbursements for the component units involved in the health care areas (Central Michigan District Health Department and Isabella County Medical Care Facility) are subject to audit by the Medicare and Medicaid Programs. Allowances for Contractual Adjustments have been provided in the financial statements but application of specific regulations is subject to interpretation and, in some cases, may result in additional payments.

# ISABELLA COUNTY, MICHIGAN

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

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### 15. CONTINGENCIES (Continued)

#### Grants

The County receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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 September 30, 2004.

### 16. LITIGATION

Isabella County and its component units are subject to various legal proceedings arising in the course of providing public services to County residents. The County is presently a defendant in several cases. However, in the opinion of management and legal counsel, the County is sufficiently covered by its liability insurance in all of these matters.

### 17. POSTCLOSURE LANDFILL COSTS

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at the site on June 15, 1987, and completed the capping of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources. The remedial action plan called for the construction of purge wells and piping and also, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

**ISABELLA COUNTY, MICHIGAN**

**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**17. POSTCLOSURE LANDFILL COSTS**

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

For the year ended September 30, 2004, the County incurred postclosure care expenditures of \$97,849.

The landfill postclosure care liability as reported in Long-Term Debt at September 30, 2004, is \$1,178,345.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2004. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis. The County currently is not funding this annual estimated cost of \$65,464 to operate the purge wells and air stripping facility and perform the necessary discharge sampling and groundwater monitoring.

**18. BUILDING CODES**

Under Public Act 245 of 1999, permit fees for building construction must be restricted to the operation of the enforcing agency. For the fiscal year ending September 30, 2004 the County had the following activity:

Previous activity balance	\$ (177,020)
Revenue	411,656
Expenditures	(298,562)
Indirect costs	(41,373)
Capital assets	<u>(10,523)</u>
Net activity	<u>\$ (115,822)</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2004**

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**19. RESTATEMENTS**

Adjustments were made in the General Fund to correct errors in accounting for the proper recognizing of deferred revenue and rental income. In addition, an interfund payable had not been properly eliminated during the year ended September 30, 2003. The adjustments had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 4,036,436
Adjustment for prior year interfund activity	70,692
Adjustment for prior year deferred revenue	4,198
Adjustment for prior year rent	<u>20,514</u>
Beginning fund balance, as corrected	<u>\$ 4,131,840</u>

Adjustments were made in the Building Authority Bonds Fund to correct errors for the proper recognizing of rental income. In addition, an interfund receivable had not been properly eliminated during the year ended September 30, 2003. The adjustments had the following effect on the beginning fund balance:

Beginning fund balance, as previously reported	\$ 166,194
Adjustment for interfund activity	(70,692)
Adjustment for prior year rent	<u>(24,165)</u>
Beginning fund balance, as corrected	<u>\$ 71,337</u>

For the Governmental Activities on the Statement of Net Assets for the year ended September 30, 2003, errors were made in accounting for capital assets and long-term capital leases receivable. In addition, the governmental fund prior period adjustments also had an effect on beginning of the year net assets. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 18,964,725
Adjustment for capital assets	(28,542)
Adjustment for capital leases receivable	(3,675,000)
Net effect of governmental fund corrections	<u>547</u>
Beginning net assets, as corrected	<u>\$ 15,261,730</u>

**ISABELLA COUNTY, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2004**

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For the Drainage District component unit, errors were made in accounting for capital assets in the basic financial statements for the year ended September 30, 2003. These errors have been corrected and had the following effect on the beginning net assets:

Beginning net assets, as previously reported	\$ 12,786,734
Adjustment for construction in progress	<u>974,097</u>
Beginning net assets, as corrected	<u>\$ 13,760,831</u>

## **ISABELLA COUNTY, MICHIGAN**

### **MAJOR GOVERNMENTAL FUNDS**

#### **GENERAL FUND**

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

#### **DEBT SERVICE FUND**

The Building Authority Bonds Debt Service Fund is used to account for the payment of interest and principal on long-term bonded debt other than bonds recognized in proprietary funds.

The County has created a combined Debt Service Fund for the following bonds:

The Mental Health Building \$1,230,000 bond issue, dated December 1, 1993, used to partially defease the 1986 bond issue.

The District Health Building Authority \$2,135,000 bond issue dated May 1, 1996.

The State Police Building Authority \$1,200,000 bond issue dated May 18, 1998.

The Courthouse Building Authority \$4,050,000 bond issue dated July 12, 1999.

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>TAXES</b>				
Property taxes	\$ 7,037,224	\$ 7,062,224	\$ 7,025,396	\$ (36,828)
Payment in lieu of taxes	84,000	84,000	93,529	9,529
Trailer park taxes	5,800	5,800	5,148	(652)
<b>TOTAL TAXES</b>	<u>7,127,024</u>	<u>7,152,024</u>	<u>7,124,073</u>	<u>(27,951)</u>
<b>LICENSES AND PERMITS</b>				
County clerk	3,000	11,000	11,148	148
Resource management	13,275	13,275	8,857	(4,418)
Zoning	18,600	18,600	12,914	(5,686)
Inspections	323,500	363,500	408,038	44,538
Transient merchants	25	25	75	50
Waste hauler licenses	900	900	1,450	550
Dog licenses	50,000	52,000	52,628	628
Marriage licenses	7,000	7,000	3,585	(3,415)
<b>TOTAL LICENSES AND PERMITS</b>	<u>416,300</u>	<u>466,300</u>	<u>498,695</u>	<u>32,395</u>
<b>INTERGOVERNMENTAL - FEDERAL</b>				
Emergency management	26,234	26,234	22,764	(3,470)
Prosecuting attorney co-op reimbursement	19,207	19,207	20,440	1,233
BARJ grant	-	3,480	3,480	-
BAYANET	15,000	15,000	15,214	214
Friend of the court incentive	21,088	121,088	117,237	(3,851)
FEMA / Homeland security grants	-	57,000	126,078	69,078
Emergency planning committee	100	100	554	454
Traffic enforcement - federal	-	-	9,713	9,713
<b>TOTAL INTERGOVERNMENTAL - FEDERAL</b>	<u>81,629</u>	<u>242,109</u>	<u>315,480</u>	<u>73,371</u>
<b>INTERGOVERNMENTAL - STATE</b>				
Probate judge salary	101,695	101,695	144,563	42,868
Judicial salary standardization payments	135,822	135,822	94,195	(41,627)
Prosecuting attorney co-op reimbursement	9,895	9,895	10,530	635
County juvenile officer	40,000	40,000	27,317	(12,683)
State court equity fund	315,000	315,000	348,161	33,161
Michigan justice training act	6,000	6,000	5,643	(357)
Drunk driving caseload	-	24,106	24,106	-
Marine safety program	10,000	10,000	7,667	(2,333)
Prosecuting attorney food stamp patrol	500	500	4,633	4,133
Road patrol	121,460	121,460	108,440	(13,020)
Detainer inmate	9,000	19,000	21,542	2,542

(Continued)

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>INTERGOVERNMENTAL - STATE (CONTINUED)</b>				
Conveying convicts	\$ 3,500	\$ 3,500	\$ 3,747	\$ 247
SCAO drug grant	50,500	78,500	83,464	4,964
Remonumentation grant	44,579	41,667	16,667	(25,000)
State shared revenue	1,208,490	1,208,490	1,053,085	(155,405)
Convention facilities taxes	283,522	283,522	272,513	(11,009)
Cigarette taxes	33,561	33,561	36,433	2,872
Liquor license	9,000	9,100	9,146	46
Victims' rights - prosecuting attorney	53,200	53,200	53,200	-
<b>TOTAL INTERGOVERNMENTAL - STATE</b>	<b>2,435,724</b>	<b>2,495,018</b>	<b>2,325,052</b>	<b>(169,966)</b>
<b>INTERGOVERNMENTAL - LOCAL</b>				
B.A.Y.A.N.E.T. - City of Saginaw	15,000	15,000	15,214	214
Remonumentation - City of Mt. Pleasant	860	8,550	8,550	-
Traffic enforcement - City of Mt. Pleasant	7,500	15,200	15,735	535
Prosecuting attorney - Tribal contribution	75,000	65,000	75,000	10,000
<b>TOTAL INTERGOVERNMENTAL - LOCAL</b>	<b>98,360</b>	<b>103,750</b>	<b>114,499</b>	<b>10,749</b>
<b>CHARGES FOR SERVICES</b>				
Animal shelter services	8,000	10,000	10,186	186
Circuit Court costs	210,000	180,000	216,837	36,837
Circuit Court services	55,000	45,000	41,106	(3,894)
Circuit Court attorney fees	38,000	53,000	61,078	8,078
County clerk services	93,000	152,500	129,435	(23,065)
Voter registration	400	400	2,471	2,071
Prosecuting attorney services	4,000	4,000	4,166	166
P.A. services - FIA contract reimbursement	10,000	10,000	10,072	72
District Court costs	1,150,000	1,175,000	1,199,949	24,949
District Court fees	91,500	124,500	124,320	(180)
Drug court fees	2,000	2,000	2,995	995
Friend of the Court supervisory fees	47,000	47,000	44,127	(2,873)
Juvenile Court attorney fees	25,000	25,000	27,261	2,261
Probate Court services	20,200	20,200	19,073	(1,127)
SSI income	1,200	2,200	2,200	-
Register of Deeds services	325,000	265,000	255,312	(9,688)
Remonumentation fees	600	600	831	231
Real estate transfer taxes	140,000	160,000	159,011	(989)
Sheriff services	21,100	21,100	23,007	1,907
Civil process - sheriff	25,000	25,000	31,472	6,472

(Continued)

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>CHARGES FOR SERVICES (CONTINUED)</b>				
Treasurer services	\$ 2,500	\$ 17,200	\$ 20,752	\$ 3,552
Equalization department services	1,600	1,600	661	(939)
Election processing	3,400	8,400	7,249	(1,151)
Data processing - elections	6,000	6,000	6,368	368
<b>TOTAL CHARGES FOR SERVICES</b>	<u>2,280,500</u>	<u>2,355,700</u>	<u>2,399,939</u>	<u>44,239</u>
<b>FINES AND FORFEITS</b>				
Ordinance fines	395,750	425,750	373,008	(52,742)
Bond forfeitures	57,000	77,000	64,365	(12,635)
Flexible benefits plan and other forfeitures	6,000	7,140	12,703	5,563
<b>TOTAL FINES AND FORFEITS</b>	<u>458,750</u>	<u>509,890</u>	<u>450,076</u>	<u>(59,814)</u>
<b>INTEREST AND RENT</b>				
Interest earnings	100,000	90,000	87,469	(2,531)
Insurance dividends	-	37,256	30,620	(6,636)
Rentals -				
Building Authority rentals	447,304	702,904	726,941	24,037
Multipurpose center	24,000	14,100	14,086	(14)
Inmate housing -				
Municipalities	1,100,000	920,000	908,677	(11,323)
Department of Corrections	70,000	70,000	64,728	(5,272)
Room and board - work release	30,000	20,000	16,409	(3,591)
Local incarceration fee	130,000	130,000	133,095	3,095
Medical reimbursement	100,000	85,000	75,542	(9,458)
Pay phone commissions - inmates	180,000	330,000	338,880	8,880
<b>TOTAL INTEREST AND RENT</b>	<u>2,181,304</u>	<u>2,399,260</u>	<u>2,396,447</u>	<u>(2,813)</u>
<b>OTHER</b>				
Animal shelter adoption	8,000	11,000	11,973	973
Housing assistance program	-	3,300	3,377	77
Miscellaneous	58,495	90,311	45,621	(44,690)
<b>TOTAL OTHER</b>	<u>66,495</u>	<u>104,611</u>	<u>60,971</u>	<u>(43,640)</u>
<b>TOTAL REVENUES</b>	<u>\$ 15,146,086</u>	<u>\$ 15,828,662</u>	<u>\$ 15,685,232</u>	<u>\$ (143,430)</u>

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>LEGISLATIVE</b>				
Board of Commissioners	\$ 117,525	\$ 122,425	\$ 124,092	\$ 1,667
<b>JUDICIAL</b>				
Trial Court	2,265,160	2,167,644	2,198,098	30,454
Adult Drug Court	77,804	75,804	74,039	(1,765)
Circuit Court Probation	5,500	5,500	4,933	(567)
Jury Board	1,850	2,000	2,077	77
<b>TOTAL JUDICIAL</b>	<u>2,350,314</u>	<u>2,250,948</u>	<u>2,279,147</u>	<u>28,199</u>
<b>GENERAL GOVERNMENT</b>				
Executive:				
Administration	430,183	447,343	438,191	(9,152)
Elections:				
Elections and Canvassing	29,790	29,790	27,631	(2,159)
General Services - Administrative:				
County Clerk	416,278	389,778	378,192	(11,586)
Equalization	276,512	269,812	254,279	(15,533)
Human Resources	38,600	52,600	49,373	(3,227)
Prosecuting Attorney	763,201	758,001	717,534	(40,467)
Public Defender	380,550	420,550	415,615	(4,935)
Register of Deeds	268,776	269,076	265,722	(3,354)
Remonumentation	55,434	50,212	58,346	8,134
County Treasurer	242,346	239,446	230,899	(8,547)
Data Processing	122,954	123,454	117,123	(6,331)
Building Authority	430,727	668,077	668,077	-
Building and Grounds	625,832	679,038	664,775	(14,263)
Drain Commissioner	313,018	313,018	304,642	(8,376)
<b>Total General Services - Administrative</b>	<u>3,934,228</u>	<u>4,233,062</u>	<u>4,124,577</u>	<u>(108,485)</u>
<b>TOTAL GENERAL GOVERNMENT</b>	<u>4,394,201</u>	<u>4,710,195</u>	<u>4,590,399</u>	<u>(119,796)</u>
<b>PUBLIC SAFETY</b>				
Law Enforcement:				
Sheriff's Department	1,592,526	1,588,226	1,601,298	13,072
Road Patrol	143,621	145,821	141,292	(4,529)
Traffic Enforcement	-	-	7,647	7,647
Michigan Justice Training Act	6,000	6,000	7,310	1,310
BAYANET	69,582	67,382	69,602	2,220
Marine Safety	15,569	15,569	12,188	(3,381)
<b>Total Law Enforcement</b>	<u>1,827,298</u>	<u>1,822,998</u>	<u>1,839,337</u>	<u>16,339</u>
Corrections	1,881,902	1,968,902	1,996,617	27,715

(Continued)

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>PUBLIC SAFETY (CONTINUED)</b>				
Planning				
Zoning Board of Appeals	\$ 75	\$ 75	\$ -	\$ (75)
Youth grant	-	-	1,335	1,335
Community Development	160,322	154,622	147,257	(7,365)
Plat Board	400	400	-	(400)
	<u>160,797</u>	<u>155,097</u>	<u>148,592</u>	<u>(6,505)</u>
Other Protective Services:				
Inspections	295,225	296,225	298,148	1,923
Emergency Management	102,125	205,166	235,011	29,845
Livestock Claims	900	900	182	(718)
	<u>398,250</u>	<u>502,291</u>	<u>533,341</u>	<u>31,050</u>
Total Other Protective Services				
	<u>4,268,247</u>	<u>4,449,288</u>	<u>4,517,887</u>	<u>68,599</u>
<b>TOTAL PUBLIC SAFETY</b>				
<b>PUBLIC WORKS</b>				
Board of Public Works	9,030	9,030	1,539	(7,491)
County Drain at Large	150,000	145,535	145,534	(1)
Road Graveling	220,000	69,000	119,283	50,283
Soil Conservation	2,500	2,500	2,500	-
Well Monitoring - Landfill	83,416	83,416	95,554	12,138
	<u>464,946</u>	<u>309,481</u>	<u>364,410</u>	<u>54,929</u>
<b>TOTAL PUBLIC WORKS</b>				
<b>HEALTH AND WELFARE</b>				
Public Health:				
Animal Control	283,959	283,959	269,622	(14,337)
Substance Abuse Counseling	135,000	135,000	136,257	1,257
Medical Examiner	76,750	96,750	94,458	(2,292)
Public Health	368,810	368,810	358,010	(10,800)
Mental Health Services	216,300	216,300	216,300	-
Child Protection Council	5,000	5,000	5,000	-
Family Counseling	20,000	23,500	23,463	(37)
	<u>1,105,819</u>	<u>1,129,319</u>	<u>1,103,110</u>	<u>(26,209)</u>
Total Public Health				
Social Service:				
Veterans' Affairs	111,250	104,850	101,022	(3,828)
Services to the Aging	2,450	2,450	2,440	(10)
Disabilities Advisory Commission	2,000	2,000	2,951	951
	<u>115,700</u>	<u>109,300</u>	<u>106,413</u>	<u>(2,887)</u>
Total Social Service				

(Continued)

**ISABELLA COUNTY, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>HEALTH AND WELFARE (CONTINUED)</b>				
Economic Development and Assistance:				
Chamber of Commerce	\$ 1,500	\$ 1,500	\$ 1,500	\$ -
Middle Michigan Development Corporation	20,000	20,000	20,000	-
Total Economic Development and Assistance	<u>21,500</u>	<u>21,500</u>	<u>21,500</u>	<u>-</u>
<b>TOTAL HEALTH AND WELFARE</b>	<u>1,243,019</u>	<u>1,260,119</u>	<u>1,231,023</u>	<u>(29,096)</u>
<b>RECREATION AND CULTURAL</b>				
Fair Board	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Cultural:				
MSU Cooperative Extension Service	200,771	201,271	202,997	1,726
City/County Library	1,400	1,400	950	(450)
Parks Board	<u>3,600</u>	<u>3,600</u>	<u>3,026</u>	<u>(574)</u>
Total Cultural	<u>205,771</u>	<u>206,271</u>	<u>206,973</u>	<u>702</u>
<b>TOTAL RECREATION AND CULTURAL</b>	<u>208,271</u>	<u>208,771</u>	<u>209,473</u>	<u>702</u>
<b>OTHER GOVERNMENTAL FUNCTIONS</b>				
Insurance and bonds	253,000	253,000	261,309	8,309
Employee benefits	49,000	193,000	200,958	7,958
Postage	90,000	90,000	50,046	(39,954)
Contingency	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER GOVERNMENTAL FUNCTIONS</b>	<u>442,000</u>	<u>536,000</u>	<u>512,313</u>	<u>(23,687)</u>
<b>DEBT SERVICE</b>				
Principal payments	48,353	48,353	36,386	(11,967)
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>10,349</u>	<u>10,349</u>
<b>TOTAL DEBT SERVICE</b>	<u>48,353</u>	<u>48,353</u>	<u>46,735</u>	<u>(1,618)</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 13,536,876</u>	<u>\$ 13,895,580</u>	<u>\$ 13,875,479</u>	<u>\$ (20,101)</u>

**ISABELLA COUNTY, MICHIGAN  
BUILDING AUTHORITY BONDS  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Interest and rent	\$ 429,352	\$ 666,702	\$ 667,198	\$ 496
<b>Expenditures</b>				
Debt Service:				
Principal payments	425,000	660,000	660,000	-
Interest and fiscal charges	334,227	336,577	336,330	(247)
<b>Total expenditures</b>	<u>759,227</u>	<u>996,577</u>	<u>996,330</u>	<u>(247)</u>
<b>Revenues over (under) expenditures</b>	<u>(329,875)</u>	<u>(329,875)</u>	<u>(329,132)</u>	<u>743</u>
<b>Other financing sources (uses)</b>				
Transfers in	329,875	329,875	329,875	-
Transfers out	-	-	(10,600)	(10,600)
<b>Total other financing sources (uses)</b>	<u>329,875</u>	<u>329,875</u>	<u>319,275</u>	<u>(10,600)</u>
<b>Net change in fund balance</b>	<u>-</u>	<u>-</u>	<u>(9,857)</u>	<u>(9,857)</u>
Fund balance, beginning of period, as restated	<u>71,337</u>	<u>71,337</u>	<u>71,337</u>	<u>-</u>
<b>Fund balance, end of period</b>	<u>\$ 71,337</u>	<u>\$ 71,337</u>	<u>\$ 61,480</u>	<u>\$ (9,857)</u>

## **ISABELLA COUNTY, MICHIGAN**

### **NONMAJOR GOVERNMENTAL FUNDS**

#### **SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Family Independence Agency Special Revenue Fund operates as a “quasi-independent” unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans’ Activities) or in accordance with public law (County Law Library).

Other Special Revenue funds are used to account for activities financed with specific revenue sources (the Parks and Recreation Fund, the Register of Deeds Automation Fund, the Drug Law Enforcement Fund, the Link Michigan Grant, the CDBG Housing Assistance Grant Fund, the Commission on Aging Activities Fund, Library Board, and the E-911 Fund).

The foregoing funds are budgeted and accounted for separately. However, many funds are homogeneous in nature and therefore are combined for purposes of individual fund financial statement presentation.

#### **CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from current revenue of more than one fund or covering more than one year.

The County has two Capital Projects Funds:

The Capital Improvement Fund is used to account for the financing of various projects, relating to Capital Outlay acquisitions. Many projects are financed with transfers from other funds.

The Building Authority Fund is used to account for various capital projects financed through the issuance of Building Authority bonds.

**ISABELLA COUNTY, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 1,686,946	\$ -	\$ 1,686,946
Accounts receivable	84,402	-	84,402
Due from other funds	577,611	1,018,566	1,596,177
Due from other governmental units:			
Federal	119,891	-	119,891
State	147,774	-	147,774
Inventory	13,498	-	13,498
Prepaid expenditures	8,186	-	8,186
<b>Total assets</b>	<b>\$ 2,638,308</b>	<b>\$ 1,018,566</b>	<b>\$ 3,656,874</b>
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Account payable	\$ 74,844	\$ 28,438	\$ 103,282
Accrued liabilities	80,145	-	80,145
Due to other funds	797,373	238,403	1,035,776
Due to other governmental units:			
State	42,000	-	42,000
Deferred revenue	754,127	702,493	1,456,620
<b>Total liabilities</b>	<b>1,748,489</b>	<b>969,334</b>	<b>2,717,823</b>
 <b>Fund balances</b>			
Reserved:			
Donations for special projects	39,248	-	39,248
Inventory	13,498	-	13,498
Prepaid expenditures	8,186	-	8,186
Equipment Replacement	47,163	-	47,163
Unreserved - undesignated	781,724	49,232	830,956
<b>Total fund balances</b>	<b>889,819</b>	<b>49,232</b>	<b>939,051</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,638,308</b>	<b>\$ 1,018,566</b>	<b>\$ 3,656,874</b>

**ISABELLA COUNTY, MICHIGAN  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>			
Licenses and permits	\$ 216,254	\$ -	\$ 216,254
Intergovernmental			
Federal	749,834	-	749,834
State	1,098,524	16,228	1,114,752
Local	510,263	419,512	929,775
Charges for services	1,037,062	-	1,037,062
Fines and forfeits	178,888	-	178,888
Interest and rent	7,689	500	8,189
Other	521,160	1,504	522,664
<b>Total revenues</b>	<b>4,319,674</b>	<b>437,744</b>	<b>4,757,418</b>
<b>Expenditures</b>			
Current			
Judicial	921,629	-	921,629
General government	60	-	60
Public Safety	851,321	-	851,321
Health and Welfare	2,391,829	-	2,391,829
Recreational and cultural	905,905	-	905,905
Capital outlay	8,166	545,215	553,381
Debt service	7,876	-	7,876
<b>Total expenditures</b>	<b>5,086,786</b>	<b>545,215</b>	<b>5,632,001</b>
<b>Revenues over (under) expenditures</b>	<b>(767,112)</b>	<b>(107,471)</b>	<b>(874,583)</b>
<b>Other financing sources (uses)</b>			
Sale of capital assets	-	2,400	2,400
Transfer in	974,151	148,019	1,122,170
Transfer out	(85,795)	-	(85,795)
<b>Total other financing sources (uses)</b>	<b>888,356</b>	<b>150,419</b>	<b>1,038,775</b>
<b>Net change in fund balances</b>	<b>121,244</b>	<b>42,948</b>	<b>164,192</b>
Fund balances, beginning of period	768,575	6,284	774,859
<b>Fund balances, end of period</b>	<b>\$ 889,819</b>	<b>\$ 49,232</b>	<b>\$ 939,051</b>

**ISABELLA COUNTY, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2004**

<u>ASSETS</u>	<b>Parks and Recreation</b>	<b>Friend of the Court</b>	<b>Register of Deeds Automation</b>
Cash and cash equivalents	\$ 86,553	\$ 7,184	\$ 122,393
Accounts receivable	64	-	-
Due from other funds	-	25	-
Due from other governmental units:			
Federal	-	42,540	-
State	-	21,223	-
Inventory	-	-	-
Prepaid expenditures	330	225	-
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL ASSETS</u></b>	<b>\$ 86,947</b>	<b>\$ 71,197</b>	<b>\$ 122,393</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 11,928	\$ 1,876	\$ 7,000
Accrued liabilities	8,442	15,087	-
Due to other funds	515	244	-
Due to other governmental units:			
State	-	-	-
Deferred revenue	995	-	-
	<hr/>	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>21,880</b>	<b>17,207</b>	<b>7,000</b>
	<hr/>	<hr/>	<hr/>
<b>FUND BALANCES</b>			
Reserved:			
Donations for special projects	37,648	-	-
Inventory	-	-	-
Prepaid expenditures	330	225	-
Equipment replacement	-	-	-
Unreserved - undesignated (deficit)	27,089	53,765	115,393
	<hr/>	<hr/>	<hr/>
<b>TOTAL FUND BALANCES</b>	<b>65,067</b>	<b>53,990</b>	<b>115,393</b>
	<hr/>	<hr/>	<hr/>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b>\$ 86,947</b>	<b>\$ 71,197</b>	<b>\$ 122,393</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

<b>Drug Law Enforcement Activities</b>	<b>Community Alternatives</b>	<b>Public Act 511</b>	<b>LINK Michigan Grant</b>	<b>County Law Library</b>	<b>Library Board</b>
\$ 63,697	\$ 17,350	\$ 6,345	\$ 5,700	\$ -	\$ 315
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	30,186	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<b>\$ 63,697</b>	<b>\$ 17,350</b>	<b>\$ 36,531</b>	<b>\$ 5,700</b>	<b>\$ -</b>	<b>\$ 315</b>
\$ -	\$ 2	\$ 12,903	\$ -	\$ 857	\$ -
-	2,229	1,492	-	-	-
-	32	15,682	-	775	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,263	30,077	-	1,632	-
-	1,600	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
63,697	13,487	6,454	5,700	(1,632)	315
63,697	15,087	6,454	5,700	(1,632)	315
<b>\$ 63,697</b>	<b>\$ 17,350</b>	<b>\$ 36,531</b>	<b>\$ 5,700</b>	<b>\$ -</b>	<b>\$ 315</b>

(Continued)

**ISABELLA COUNTY, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET (CONTINUED)  
SEPTEMBER 30, 2004**

<u>ASSETS</u>	<u>CDBG Housing Assistance Grant</u>	<u>Commission on Aging Activities</u>
Cash and cash equivalents	\$ 1,664	\$ 246,080
Accounts receivable	-	26,545
Due from other funds	-	442,586
Due from other governmental units		
Federal	22,091	55,260
State	-	63,336
Inventory	-	13,498
Prepaid expenditures	-	3,579
	<hr/>	<hr/>
<u>TOTAL ASSETS</u>	<u>\$ 23,755</u>	<u>\$ 850,884</u>
<u>LIABILITIES AND FUND BALANCES</u>		
<b>LIABILITIES</b>		
Accounts payable	\$ 300	\$ 26,042
Accrued liabilities	427	35,471
Due to other funds	11,848	521
Due to other governmental units:		
State	-	-
Deferred revenue	-	752,292
	<hr/>	<hr/>
TOTAL LIABILITIES	<hr/> 12,575	<hr/> 814,326
<b>FUND BALANCES</b>		
Reserved:		
Donations for special projects	-	-
Inventory	-	13,498
Prepaid expenditures	-	3,579
Equipment replacement	-	-
Unreserved - undesignated (deficit)	11,180	19,481
	<hr/>	<hr/>
TOTAL FUND BALANCES	<hr/> 11,180	<hr/> 36,558
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$ 23,755</u>	<u>\$ 850,884</u>

<b>Family Independence Agency</b>	<b>Veterans' Activities</b>	<b>E-911</b>	<b>Total</b>
\$ 147,083	\$ 1,332	\$ 981,250	\$ 1,686,946
-	-	57,793	84,402
-	-	135,000	577,611
-	-	-	119,891
-	-	33,029	147,774
-	-	-	13,498
-	-	4,052	8,186
<b>\$ 147,083</b>	<b>\$ 1,332</b>	<b>\$ 1,211,124</b>	<b>\$ 2,638,308</b>
\$ 3,400	\$ -	\$ 10,536	\$ 74,844
-	-	16,997	80,145
-	-	767,756	797,373
42,000	-	-	42,000
-	-	840	754,127
<b>45,400</b>	<b>-</b>	<b>796,129</b>	<b>1,748,489</b>
-	-	-	39,248
-	-	-	13,498
-	-	4,052	8,186
-	-	47,163	47,163
101,683	1,332	363,780	781,724
<b>101,683</b>	<b>1,332</b>	<b>414,995</b>	<b>889,819</b>
<b>\$ 147,083</b>	<b>\$ 1,332</b>	<b>\$ 1,211,124</b>	<b>\$ 2,638,308</b>

**ISABELLA COUNTY, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>Parks and Recreation</b>	<b>Friend of the Court</b>	<b>Register of Deeds Automation</b>
<b>Revenues</b>			
Licenses and permits	\$ 216,254	\$ -	\$ -
Intergovernmental:			
Federal	-	262,085	-
State	-	131,057	-
Local	-	-	-
Charges for services	-	6,893	74,505
Fines and forfeits	-	-	-
Interest and rent	959	-	709
Other revenue	7,531	-	-
<b>Total revenues</b>	<b>224,744</b>	<b>400,035</b>	<b>75,214</b>
<b>Expenditures</b>			
Current:			
Judicial	-	606,516	-
General government	-	-	60
Public safety	-	-	-
Health and welfare	-	-	-
Recreation and cultural	456,492	-	-
Capital outlay	-	-	8,166
Debt Service:			
Principal payments	-	1,952	-
Interest and fiscal charges	-	549	-
<b>Total expenditures</b>	<b>456,492</b>	<b>609,017</b>	<b>8,226</b>
<b>Revenues over (under) expenditures</b>	<b>(231,748)</b>	<b>(208,982)</b>	<b>66,988</b>
<b>Other financing sources (uses)</b>			
Transfers in	257,333	262,971	-
Transfers (out)	(2,866)	-	-
<b>Total other financing sources (uses)</b>	<b>254,467</b>	<b>262,971</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>22,719</b>	<b>53,989</b>	<b>66,988</b>
Fund balances, beginning of period	42,348	1	48,405
<b>Fund balances (deficit), end of period</b>	<b>\$ 65,067</b>	<b>\$ 53,990</b>	<b>\$ 115,393</b>

<b>Drug Law Enforcement Activities</b>	<b>Community Alternatives</b>	<b>Public Act 511</b>	<b>LINK Michigan Grant</b>	<b>County Law Library</b>	<b>Library Board</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	84,025	-	-
-	-	129,227	-	-	-
-	-	-	11,750	-	-
-	106,920	54,844	-	-	-
13,771	-	-	-	8,125	156,992
90	-	-	-	-	3
-	2,092	-	-	-	-
13,861	109,012	184,071	95,775	8,125	156,995
-	80,535	221,821	-	12,757	-
-	-	-	-	-	-
13,804	-	-	-	-	-
-	-	-	-	-	-
-	-	-	114,370	-	275,742
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
13,804	80,535	221,821	114,370	12,757	275,742
57	28,477	(37,750)	(18,595)	(4,632)	(118,747)
-	-	37,935	-	3,000	118,750
-	(25,000)	-	-	-	-
-	(25,000)	37,935	-	3,000	118,750
57	3,477	185	(18,595)	(1,632)	3
63,640	11,610	6,269	24,295	-	312
\$ 63,697	\$ 15,087	\$ 6,454	\$ 5,700	\$ (1,632)	\$ 315

(Continued)

**ISABELLA COUNTY, MICHIGAN  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>CDBG Housing Assistance Grant</b>	<b>Commission on Aging Activities</b>	<b>Family Independence Agency</b>
<b>Revenues</b>			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental:			
Federal	91,334	312,390	-
State	1,200	488,461	216,524
Local	-	498,513	-
Charges for services	-	40,026	-
Fines and forfeits	-	-	-
Interest and rent	-	-	-
Other revenue	19,780	490,030	-
<b>Total revenues</b>	<b>112,314</b>	<b>1,829,420</b>	<b>216,524</b>
<b>Expenditures</b>			
Current:			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	125,573	2,048,416	210,469
Recreation and cultural	-	59,301	-
Capital outlay	-	-	-
Debt Service:			
Principal payments	-	2,545	-
Interest and fiscal charges	-	716	-
<b>Total expenditures</b>	<b>125,573</b>	<b>2,110,978</b>	<b>210,469</b>
<b>Revenues over (under) expenditures</b>	<b>(13,259)</b>	<b>(281,558)</b>	<b>6,055</b>
<b>Other financing sources (uses)</b>			
Transfers in	-	288,162	1,000
Transfers (out)	-	-	(50,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>288,162</b>	<b>(49,000)</b>
<b>Net change in fund balances</b>	<b>(13,259)</b>	<b>6,604</b>	<b>(42,945)</b>
Fund balances, beginning of period	24,439	29,954	144,628
<b>Fund balances (deficit), end of period</b>	<b>\$ 11,180</b>	<b>\$ 36,558</b>	<b>\$ 101,683</b>

<b>Veterans' Activities</b>	<b>E-911</b>	<b>Total</b>
\$ -	\$ -	\$ 216,254
-	-	749,834
2,665	129,390	1,098,524
-	-	510,263
-	753,874	1,037,062
-	-	178,888
-	5,928	7,689
-	1,727	521,160
2,665	890,919	4,319,674
-	-	921,629
-	-	60
-	837,517	851,321
7,371	-	2,391,829
-	-	905,905
-	-	8,166
-	1,650	6,147
-	464	1,729
7,371	839,631	5,086,786
(4,706)	51,288	(767,112)
5,000	-	974,151
-	(7,929)	(85,795)
5,000	(7,929)	888,356
294	43,359	121,244
1,038	371,636	768,575
\$ 1,332	\$ 414,995	\$ 889,819

**ISABELLA COUNTY, MICHIGAN  
PARKS AND RECREATION SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Over (Under) Budget</b>
<b>Revenues</b>				
Licenses and permits	\$ 214,770	\$ 214,845	\$ 216,254	\$ 1,409
Interest and rent	2,000	2,000	959	(1,041)
Other revenue	5,000	8,695	7,531	(1,164)
<b>Total revenues</b>	<u>221,770</u>	<u>225,540</u>	<u>224,744</u>	<u>(796)</u>
<b>Expenditures</b>				
Recreation and cultural:				
Administration	168,036	168,036	155,283	(12,753)
Coldwater Lake County Park	70,365	72,540	59,337	(13,203)
Deerfield County Park	34,122	34,122	41,419	7,297
Herrick County Park	73,690	75,285	69,303	(5,982)
Maintenance shop	132,890	132,890	131,150	(1,740)
<b>Total expenditures</b>	<u>479,103</u>	<u>482,873</u>	<u>456,492</u>	<u>(26,381)</u>
<b>Revenues over (under) expenditures</b>	<u>(257,333)</u>	<u>(257,333)</u>	<u>(231,748)</u>	<u>25,585</u>
<b>Other financing sources (uses)</b>				
Transfers in	257,333	257,333	257,333	-
Transfers (out)	-	-	(2,866)	(2,866)
<b>Total other financing sources (uses)</b>	<u>257,333</u>	<u>257,333</u>	<u>254,467</u>	<u>(2,866)</u>
<b>Net change in fund balance</b>	-	-	22,719	22,719
Fund balances, beginning of period	42,348	42,348	42,348	-
<b>Fund balances, end of period</b>	<u>\$ 42,348</u>	<u>\$ 42,348</u>	<u>\$ 65,067</u>	<u>\$ 22,719</u>

**ISABELLA COUNTY, MICHIGAN**  
**FRIEND OF THE COURT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 271,733	\$ 271,733	\$ 262,085	\$ (9,648)
State	135,605	135,605	131,057	(4,548)
Charges for services - fees	7,380	7,380	6,893	(487)
<b>Total revenues</b>	<u>414,718</u>	<u>414,718</u>	<u>400,035</u>	<u>(14,683)</u>
<b>Expenditures</b>				
Judicial:				
Friend of the Court	541,753	617,415	606,516	(10,899)
Debt service:				
Principal payments	3,000	2,510	1,952	(558)
Interest and fiscal charges	-	-	549	549
<b>Total expenditures</b>	<u>544,753</u>	<u>619,925</u>	<u>609,017</u>	<u>(10,908)</u>
<b>Revenues over (under) expenditures</b>	(130,035)	(205,207)	(208,982)	(3,775)
<b>Other financing sources (uses)</b>				
Transfers in	100,000	308,143	262,971	(45,172)
<b>Net change in fund balance</b>	(30,035)	102,936	53,989	(48,947)
Fund balances, beginning of period	<u>1</u>	<u>1</u>	<u>1</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ (30,034)</u>	<u>\$ 102,937</u>	<u>\$ 53,990</u>	<u>\$ (48,947)</u>

**ISABELLA COUNTY, MICHIGAN  
REGISTER OF DEEDS - AUTOMATION FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Charges for services - fees	\$ 82,500	\$ 82,500	\$ 74,505	\$ (7,995)
Interest and rents	50	50	709	659
<b>Total revenues</b>	<u>82,550</u>	<u>82,550</u>	<u>75,214</u>	<u>(7,336)</u>
<b>Expenditures</b>				
General government	48,000	48,000	60	(47,940)
Capital outlay	34,550	34,550	8,166	(26,384)
<b>Total expenditures</b>	<u>82,550</u>	<u>82,550</u>	<u>8,226</u>	<u>(74,324)</u>
<b>Net change in fund balance</b>	-	-	66,988	66,988
Fund balances, beginning of period	<u>48,405</u>	<u>48,405</u>	<u>48,405</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ 48,405</u>	<u>\$ 48,405</u>	<u>\$ 115,393</u>	<u>\$ 66,988</u>

**ISABELLA COUNTY, MICHIGAN  
DRUG LAW ENFORCEMENT ACTIVITIES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Fines and forfeits	\$ 3,250	\$ 3,250	\$ 13,771	\$ 10,521
Interest	500	500	90	(410)
<b>Total revenues</b>	<u>3,750</u>	<u>3,750</u>	<u>13,861</u>	<u>10,111</u>
<b>Expenditures</b>				
Public safety:				
Drug enforcement	1,000	1,000	-	(1,000)
Drug education	2,750	16,550	13,804	(2,746)
<b>Total expenditures</b>	<u>3,750</u>	<u>17,550</u>	<u>13,804</u>	<u>(3,746)</u>
<b>Net change in fund balance</b>	-	(13,800)	57	13,857
Fund balances, beginning of period	<u>63,640</u>	<u>63,640</u>	<u>63,640</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ 63,640</u>	<u>\$ 49,840</u>	<u>\$ 63,697</u>	<u>\$ 13,857</u>

**ISABELLA COUNTY, MICHIGAN  
COMMUNITY ALTERNATIVES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Charges for services	\$ 106,800	\$ 106,800	\$ 106,920	\$ 120
Other revenue	500	2,100	2,092	(8)
<b>Total revenues</b>	<u>107,300</u>	<u>108,900</u>	<u>109,012</u>	<u>112</u>
<b>Expenditures</b>				
Judicial:				
Community services	75,065	75,065	78,303	3,238
Juvenile Garden program	1,200	2,800	2,232	(568)
<b>Total expenditures</b>	<u>76,265</u>	<u>77,865</u>	<u>80,535</u>	<u>2,670</u>
<b>Revenues over (under) expenditures</b>	31,035	31,035	28,477	(2,558)
<b>Other financing (uses)</b>				
Transfers (out)	(25,000)	-	(25,000)	(25,000)
<b>Net change in fund balance</b>	6,035	31,035	3,477	(27,558)
Fund balances, beginning of period	<u>11,610</u>	<u>11,610</u>	<u>11,610</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u><u>\$ 17,645</u></u>	<u><u>\$ 42,645</u></u>	<u><u>\$ 15,087</u></u>	<u><u>\$ (27,558)</u></u>

**ISABELLA COUNTY, MICHIGAN  
PUBLIC ACT 511 SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 134,639	\$ 129,134	\$ 129,227	\$ 93
Charges for services	76,630	76,630	54,844	(21,786)
<b>Total revenues</b>	<u>211,269</u>	<u>205,764</u>	<u>184,071</u>	<u>(21,693)</u>
<b>Expenditures</b>				
Judicial:				
P.A. 511 administration	58,603	60,148	46,025	(14,123)
P.A. 511 programs	132,726	163,611	175,796	12,185
<b>Total expenditures</b>	<u>191,329</u>	<u>223,759</u>	<u>221,821</u>	<u>(1,938)</u>
<b>Revenues over (under) expenditures</b>	19,940	(17,995)	(37,750)	(19,755)
<b>Other financing sources (uses)</b>				
Transfers in	-	37,935	37,935	-
<b>Net change in fund balance</b>	19,940	19,940	185	(19,755)
Fund balances, beginning of period	6,269	6,269	6,269	-
<b>Fund balances, end of period</b>	<u>\$ 26,209</u>	<u>\$ 26,209</u>	<u>\$ 6,454</u>	<u>\$ (19,755)</u>

**ISABELLA COUNTY, MICHIGAN  
LINK MICHIGAN GRANT SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 150,000	\$ 150,000	\$ 84,025	\$ (65,975)
Local	28,000	28,000	11,750	(16,250)
<b>Total revenues</b>	178,000	178,000	95,775	(82,225)
<b>Expenditures</b>				
Recreation and cultural	240,000	240,000	114,370	(125,630)
<b>Revenues over (under) expenditures</b>	(212,000)	(62,000)	(18,595)	43,405
Fund balances, beginning of period	24,295	24,295	24,295	-
<b>Fund balances (deficit), end of period</b>	<u>\$ (187,705)</u>	<u>\$ (37,705)</u>	<u>\$ 5,700</u>	<u>\$ 43,405</u>

**ISABELLA COUNTY, MICHIGAN  
COUNTY LAW LIBRARY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 8,125	\$ 1,625
<b>Expenditures</b>				
Judicial	<u>9,500</u>	<u>9,500</u>	<u>12,757</u>	<u>3,257</u>
<b>Revenues over (under) expenditures</b>	(3,000)	(3,000)	(4,632)	(1,632)
<b>Other financing sources</b>				
Transfers in	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	(1,632)	(1,632)
Fund balances, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficit), end of period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,632)</u>	<u>\$ (1,632)</u>

**ISABELLA COUNTY, MICHIGAN  
LIBRARY BOARD SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Fines and forfeits	\$ 160,000	\$ 160,000	\$ 156,992	\$ (3,008)
Interest	500	500	3	(497)
<b>Total revenues</b>	160,500	160,500	156,995	(3,505)
<b>Expenditures</b>				
Recreational and cultural	279,250	279,250	275,742	(3,508)
<b>Revenues over (under) expenditures</b>	(118,750)	(118,750)	(118,747)	3
<b>Other financing sources</b>				
Transfers in	118,750	118,750	118,750	-
<b>Net change in fund balance</b>	-	-	3	3
Fund balances, beginning of period	312	312	312	-
<b>Fund balances, end of period</b>	<u>\$ 312</u>	<u>\$ 312</u>	<u>\$ 315</u>	<u>\$ 3</u>

**ISABELLA COUNTY, MICHIGAN**  
**CDBG HOUSING ASSISTANCE GRANT SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 320,000	\$ 320,000	\$ 91,334	\$ (228,666)
State	3,000	3,000	1,200	(1,800)
Other revenue	15,000	15,000	19,780	4,780
<b>Total revenues</b>	338,000	338,000	112,314	(225,686)
<b>Expenditures</b>				
Health and welfare:				
H.A.P. project	342,518	342,518	125,573	(216,945)
<b>Net change in fund balance</b>	(4,518)	(4,518)	(13,259)	(8,741)
Fund balances, beginning of period	24,439	24,439	24,439	-
<b>Fund balances, end of period</b>	<u>\$ 19,921</u>	<u>\$ 19,921</u>	<u>\$ 11,180</u>	<u>\$ (8,741)</u>

**ISABELLA COUNTY, MICHIGAN**  
**COMMISSION ON AGING ACTIVITIES SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 317,079	\$ 314,626	\$ 312,390	\$ (2,236)
State	353,253	368,253	488,461	120,208
Local	248,551	251,004	498,513	247,509
Charges for services	-	-	40,026	40,026
Other:				
Contributions and donations	864,056	864,056	447,210	(416,846)
Miscellaneous	1,527	1,527	42,820	41,293
<b>Total revenues</b>	<u>1,784,466</u>	<u>1,799,466</u>	<u>1,829,420</u>	<u>29,954</u>
<b>Expenditures</b>				
Health and welfare:				
In-home services	613,339	628,339	570,790	(57,549)
Food with friends	665,668	665,668	774,217	108,549
Foster grandparent program	310,967	310,967	286,234	(24,733)
Senior center staffing	56,021	56,021	77,205	21,184
Community Foundation	8,100	8,100	10,983	2,883
Volunteer travel	31,847	31,847	32,815	968
Fitness	45,966	45,966	17,781	(28,185)
Respite	41,183	41,183	26,833	(14,350)
Unmet needs	10,000	10,000	21,239	11,239
Administration	235,687	235,687	230,319	(5,368)
Total Health and welfare	<u>2,018,778</u>	<u>2,033,778</u>	<u>2,048,416</u>	<u>14,638</u>
Recreation and cultural				
COA trips	45,200	45,200	59,301	14,101
Debt Service:				
Principal payments	2,650	2,650	2,545	(105)
Interest and fiscal charges	-	-	716	716
<b>Total expenditures</b>	<u>2,066,628</u>	<u>2,081,628</u>	<u>2,110,978</u>	<u>29,350</u>
<b>Revenues over (under) expenditures</b>	(282,162)	(282,162)	(281,558)	604
<b>Other financing sources</b>				
Transfers in	<u>282,162</u>	<u>288,162</u>	<u>288,162</u>	<u>-</u>
<b>Net change in fund balance</b>	-	6,000	6,604	604
Fund balances, beginning of period	<u>29,954</u>	<u>29,954</u>	<u>29,954</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ 29,954</u>	<u>\$ 35,954</u>	<u>\$ 36,558</u>	<u>\$ 604</u>

**ISABELLA COUNTY, MICHIGAN  
FAMILY INDEPENDENCE AGENCY SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental State	\$ 299,000	\$ 299,000	\$ 216,524	\$ (82,476)
<b>Expenditures</b>				
Health and Welfare	250,000	250,000	210,469	(39,531)
<b>Revenues over (under) expenditures</b>	<u>49,000</u>	<u>49,000</u>	<u>6,055</u>	<u>(42,945)</u>
<b>Other financing sources (uses)</b>				
Transfers in	1,000	1,000	1,000	-
Transfers out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>-</u>
Total other financing sources (uses)	<u>(49,000)</u>	<u>(49,000)</u>	<u>(49,000)</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	(42,945)	(42,945)
Fund balances, beginning of period	<u>144,628</u>	<u>144,628</u>	<u>144,628</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ 144,628</u>	<u>\$ 144,628</u>	<u>\$ 101,683</u>	<u>\$ (42,945)</u>

**ISABELLA COUNTY, MICHIGAN  
VETERANS' ACTIVITIES SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 2,168	\$ 2,168	\$ 2,665	\$ 497
<b>Expenditures</b>				
Health and welfare:				
Veterans' affairs relief	5,000	5,000	4,737	(263)
Veterans' trust	2,168	2,168	2,634	466
<b>Total expenditures</b>	<u>7,168</u>	<u>7,168</u>	<u>7,371</u>	<u>203</u>
<b>Revenues over (under) expenditures</b>	(5,000)	(5,000)	(4,706)	294
<b>Other financing sources</b>				
Transfers in	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
<b>Net change in fund balance</b>	-	-	294	294
Fund balances, beginning of period	<u>1,038</u>	<u>1,038</u>	<u>1,038</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u><u>\$ 1,038</u></u>	<u><u>\$ 1,038</u></u>	<u><u>\$ 1,332</u></u>	<u><u>\$ 294</u></u>

**ISABELLA COUNTY, MICHIGAN  
E-911 SPECIAL REVENUE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
State	\$ 104,600	\$ 108,301	\$ 129,390	\$ 21,089
Local	-	325,000	-	(325,000)
Charges for services	666,000	666,000	753,874	87,874
Interest and rents	4,400	4,400	5,928	1,528
Other	150	150	1,727	1,577
<b>Total revenues</b>	<u>775,150</u>	<u>1,103,851</u>	<u>890,919</u>	<u>(212,932)</u>
<b>Expenditures</b>				
Public safety	918,409	1,262,110	837,517	(424,593)
Debt service:				
Principal payments	2,400	2,400	1,650	(750)
Interest and fiscal charges	-	-	464	464
<b>Total expenditures</b>	<u>920,809</u>	<u>1,264,510</u>	<u>839,631</u>	<u>(424,879)</u>
<b>Revenues over (under) expenditures</b>	(145,659)	(160,659)	51,288	211,947
<b>Other financing sources (uses)</b>				
Transfers (out)	(33,500)	(33,500)	(7,929)	25,571
<b>Net change in fund balance</b>	(179,159)	(194,159)	43,359	237,518
Fund balances, beginning of period	371,636	371,636	371,636	-
<b>Fund balances, end of period</b>	<u>\$ 192,477</u>	<u>\$ 177,477</u>	<u>\$ 414,995</u>	<u>\$ 237,518</u>

**ISABELLA COUNTY, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR CAPITAL PROJECT FUNDS  
SEPTEMBER 30, 2004**

	<u>CAPITAL IMPROVEMENT</u>	<u>BUILDING AUTHORITY</u>	<u>TOTAL</u>
<b>Assets</b>			
Due from other funds	\$ 1,018,566	\$ -	\$ 1,018,566
<b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 28,438	\$ -	\$ 28,438
Due to other funds	238,403	-	238,403
Deferred revenue	702,493	-	702,493
<b>Total liabilities</b>	969,334	-	969,334
<b>Fund balances</b>			
Unreserved:			
Undesignated	49,232	-	49,232
<b>Total liabilities and fund balances</b>	\$ 1,018,566	\$ -	\$ 1,018,566

**ISABELLA COUNTY, MICHIGAN  
CAPITAL PROJECTS FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>CAPITAL IMPROVEMENT</u>	<u>BUILDING AUTHORITY</u>	<u>TOTAL</u>
<b>Revenues</b>			
Intergovernmental:			
State	\$ 16,228	\$ -	\$ 16,228
Local	419,512	-	419,512
Interest and rents	500	-	500
Other	1,504	-	1,504
<b>Total revenues</b>	<u>437,744</u>	<u>-</u>	<u>437,744</u>
<b>Expenditures</b>			
Capital outlay:			
Capital projects	405,430	10,600	416,030
Equipment	65,343	-	65,343
Vehicles	63,842	-	63,842
<b>Total expenditures</b>	<u>534,615</u>	<u>10,600</u>	<u>545,215</u>
<b>Revenues over (under) expenditures</b>	<u>(96,871)</u>	<u>(10,600)</u>	<u>(107,471)</u>
<b>Other financing sources (uses)</b>			
Sale of capital assets	2,400	-	2,400
Transfers in	137,419	10,600	148,019
<b>Total other financing sources (uses)</b>	<u>139,819</u>	<u>10,600</u>	<u>150,419</u>
<b>Net change in fund balance</b>	42,948	-	42,948
Fund balances, beginning of period	<u>6,284</u>	<u>-</u>	<u>6,284</u>
<b>Fund balances, end of period</b>	<u>\$ 49,232</u>	<u>\$ -</u>	<u>\$ 49,232</u>

**ISABELLA COUNTY, MICHIGAN  
CAPITAL IMPROVEMENT CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>				
Intergovernmental:				
State	\$ -	\$ -	\$ 16,228	\$ 16,228
Local	12,000	240,762	419,512	178,750
Interest and rents	-	-	500	500
Other	-	5,100	1,504	(3,596)
	<u>12,000</u>	<u>245,862</u>	<u>437,744</u>	<u>191,882</u>
<b>Total revenues</b>				
<b>Expenditures</b>				
Capital outlay:				
Capital projects	8,200	242,724	405,430	162,706
Equipment	93,500	78,500	65,343	(13,157)
Vehicles	59,000	69,000	63,842	(5,158)
	<u>160,700</u>	<u>390,224</u>	<u>534,615</u>	<u>144,391</u>
<b>Total expenditures</b>				
<b>Revenues over (under) expenditures</b>	(148,700)	(144,362)	(96,871)	47,491
<b>Other financing sources (uses)</b>				
Sale of capital assets	-	1,900	2,400	500
Transfers in	140,500	138,298	137,419	(879)
	<u>140,500</u>	<u>140,198</u>	<u>139,819</u>	<u>(379)</u>
<b>Total other financing sources (uses)</b>				
<b>Net change in fund balance</b>	(8,200)	(4,164)	42,948	47,112
Fund balances, beginning of period	<u>6,284</u>	<u>6,284</u>	<u>6,284</u>	<u>-</u>
<b>Fund balances, end of period</b>	<u>\$ (1,916)</u>	<u>\$ 2,120</u>	<u>\$ 49,232</u>	<u>\$ 47,112</u>

**ISABELLA COUNTY, MICHIGAN  
BUILDING AUTHORITY CAPITAL PROJECTS FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Expenditures</b>				
Capital outlay:				
Capital projects	\$ -	\$ -	\$ 10,600	\$ 10,600
<b>Other financing sources (uses)</b>				
Transfers in	-	-	10,600	10,600
<b>Net change in fund balance</b>	-	-	-	-
Fund balances, beginning of period	-	-	-	-
<b>Fund balances, end of period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

## **ISABELLA COUNTY, MICHIGAN**

### **NONMAJOR ENTERPRISE FUNDS**

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the County is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has three Nonmajor Enterprise Funds:

The Recycling Fund, which is used for the Recycling Program and related grants; the Concessions Fund, which is used to account for the purchase of candy, hygiene products, etc., for subsequent resale to inmates lodged in the Isabella County, Michigan Jail; and the PA 123 Restricted Tax Fund which is used to account for the activity related to the sale of real property to satisfy delinquent taxes receivables under Public Act 123.

**ISABELLA COUNTY, MICHIGAN  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
SEPTEMBER 30, 2004**

	PA 123			
Assets	Recycling	Concessions	Restricted Tax	Total
<b>Current assets</b>				
Cash and cash equivalents	\$ 158,221	\$ 235,790	\$ 420,138	\$ 814,149
Accounts receivable - net	69,537	-	-	69,537
Due from other funds	173,872	-	-	173,872
Due from other governmental units:				
State	43,594	-	-	43,594
Local	52,340	-	-	52,340
Inventory	-	8,110	-	8,110
Prepaid expenses	75	-	-	75
<b>Total current assets</b>	<b>497,639</b>	<b>243,900</b>	<b>420,138</b>	<b>1,161,677</b>
<b>Capital assets</b>				
Land	121,954	-	-	121,954
Buildings and improvements	1,187,014	39,766	-	1,226,780
Equipment	767,394	104,676	-	872,070
Vehicles	216,086	-	-	216,086
	2,292,448	144,442	-	2,436,890
Less accumulated depreciation	(1,062,834)	(80,039)	-	(1,142,873)
<b>Total capital assets</b>	<b>1,229,614</b>	<b>64,403</b>	<b>-</b>	<b>1,294,017</b>
<b>Total assets</b>	<b>1,727,253</b>	<b>308,303</b>	<b>420,138</b>	<b>2,455,694</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	175,253	13,476	21	188,750
Accrued liabilities	3,166	-	1,025	4,191
Due to other funds	37	-	31	68
Capital lease payable - current	1,662	-	-	1,662
<b>Total current liabilities</b>	<b>180,118</b>	<b>13,476</b>	<b>1,077</b>	<b>194,671</b>
<b>Long-term liabilities</b>				
Deferred revenue	163,540	-	-	163,540
Capital lease payable	2,763	-	-	2,763
<b>Total long-term liabilities</b>	<b>166,303</b>	<b>-</b>	<b>-</b>	<b>166,303</b>
<b>Total liabilities</b>	<b>346,421</b>	<b>13,476</b>	<b>1,077</b>	<b>360,974</b>
<b>Net assets</b>				
Investment in capital assets, net of related debt	1,225,189	64,403	-	1,289,592
Restricted for:				
Equipment replacement	278,660	58,678	-	337,338
Unrestricted	(123,017)	171,746	419,061	467,790
<b>Total net assets</b>	<b>\$ 1,380,832</b>	<b>\$ 294,827</b>	<b>\$ 419,061</b>	<b>\$ 2,094,720</b>

**ISABELLA COUNTY, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENSES AND  
AND CHANGES IN NET ASSETS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Recycling	Concessions	PA 123 Restricted Tax	Total
<b>Operating revenues</b>				
Charges for services	\$ 76,102	\$ 164,687	\$ 137,718	\$ 378,507
Sales	522,976	-	-	522,976
<b>Total operating revenues</b>	<u>599,078</u>	<u>164,687</u>	<u>137,718</u>	<u>901,483</u>
<b>Operating expenses</b>				
Personal services	134,370	-	45,231	179,601
Supplies	10,327	11,940	-	22,267
Other services and charges	772,302	3,042	13,712	789,056
Cost of goods sold	-	95,162	-	95,162
Depreciation	69,369	13,603	-	82,972
<b>Total operating expenses</b>	<u>986,368</u>	<u>123,747</u>	<u>58,943</u>	<u>1,169,058</u>
<b>Operating income (loss)</b>	<u>(387,290)</u>	<u>40,940</u>	<u>78,775</u>	<u>(267,575)</u>
<b>Nonoperating revenues</b>				
Intergovernmental - state grant	43,594	-	-	43,594
Intergovernmental - local contributions	246,912	-	-	246,912
Interest earned	2,012	2,721	-	4,733
Interest expense	(443)	-	-	(443)
<b>Total nonoperating revenues</b>	<u>292,075</u>	<u>2,721</u>	<u>-</u>	<u>294,796</u>
<b>Income (loss) before transfers</b>	<u>(95,215)</u>	<u>43,661</u>	<u>78,775</u>	<u>27,221</u>
<b>Transfers</b>				
Transfers in	150,000	-	-	150,000
<b>Change in net assets</b>	<u>54,785</u>	<u>43,661</u>	<u>78,775</u>	<u>177,221</u>
Net assets, beginning of period	<u>1,326,047</u>	<u>251,166</u>	<u>340,286</u>	<u>1,917,499</u>
<b>Net assets, end of period</b>	<u>\$ 1,380,832</u>	<u>\$ 294,827</u>	<u>\$ 419,061</u>	<u>\$ 2,094,720</u>

**ISABELLA COUNTY, MICHIGAN  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Recycling	Concessions	PA 123 Restricted Tax	Total
<b>Cash flows from operating activities</b>				
Cash received from customers and users	\$ 580,968	\$ 164,687	\$ 137,718	\$ 883,373
Receipts from interfund services provided	(78,866)	(3,838)	31	(82,673)
Cash payments to suppliers for goods and services	(743,284)	(103,835)	(13,691)	(860,810)
Cash payments to employees for services	(134,440)	-	(44,206)	(178,646)
<b>Net cash provided (used) by operating activities</b>	<b>(375,622)</b>	<b>57,014</b>	<b>79,852</b>	<b>(238,756)</b>
<b>Cash flows from noncapital financing activities</b>				
Intergovernmental - state grant	43,594	-	-	43,594
Intergovernmental - local contributions	246,912	-	-	246,912
Transfers in	150,000	-	-	150,000
<b>Net cash provided (used) by noncapital financing activities</b>	<b>440,506</b>	<b>-</b>	<b>-</b>	<b>440,506</b>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(144,742)	(27,576)	-	(172,318)
Principal paid on capital lease	(1,577)	-	-	(1,577)
Interest paid on capital lease	(443)	-	-	(443)
<b>Net cash (used) by capital and related financing activities</b>	<b>(146,762)</b>	<b>(27,576)</b>	<b>-</b>	<b>(174,338)</b>
<b>Cash flows from investing activities</b>				
Interest on investments	2,012	2,721	-	4,733
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(79,866)</b>	<b>32,159</b>	<b>79,852</b>	<b>32,145</b>
Cash and cash equivalents, beginning of period	238,087	203,631	340,286	782,004
<b>Cash and cash equivalents, end of period</b>	<b>\$ 158,221</b>	<b>\$ 235,790</b>	<b>\$ 420,138</b>	<b>\$ 814,149</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ (387,290)	\$ 40,940	\$ 78,775	\$ (267,575)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	69,369	13,603	-	82,972
(Increase) decrease in assets:				
Accounts receivable	(41,164)	-	-	(41,164)
Due from other funds	(78,872)	-	-	(78,872)
Due from other governmental units	(45,486)	-	-	(45,486)
Inventory	-	(547)	-	(547)
Prepaid expenses	(75)	-	-	(75)
Increase (decrease) in liabilities:				
Accounts payable	39,420	6,856	21	46,297
Accrued liabilities	(70)	-	1,025	955
Due to other funds	6	(3,838)	31	(3,801)
Deferred revenue	68,540	-	-	68,540
<b>Total adjustments</b>	<b>11,668</b>	<b>16,074</b>	<b>1,077</b>	<b>28,819</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ (375,622)</b>	<b>\$ 57,014</b>	<b>\$ 79,852</b>	<b>\$ (238,756)</b>

## **ISABELLA COUNTY, MICHIGAN**

### **TRUST AND AGENCY FUNDS**

#### **DESCRIPTION OF FUNDS**

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units. The County's Fiduciary Funds are all Agency Funds:

#### **Agency Funds**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines and collections, for current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held for inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this Fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for state law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Medical Care Facility Patient Fund is used to account for cash held for patients that reside in the facility.

**ISABELLA COUNTY, MICHIGAN  
TRUST AND AGENCY FUNDS  
COMBINING BALANCE SHEET  
SEPTEMBER 30, 2004**

	<b>Trust and Agency</b>	<b>Inmate Trust</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,646,693	\$ 25,047
Accounts receivable	-	-
<b>Total assets</b>	<b>\$ 2,646,693</b>	<b>\$ 25,047</b>
<b>Liabilities</b>		
Accounts payable	\$ 616,916	\$ -
Due to other governmental units	1,933,741	-
Due to individuals	96,036	25,047
Undistributed receipts	-	-
<b>Total liabilities</b>	<b>\$ 2,646,693</b>	<b>\$ 25,047</b>

**Agency Funds**

<b>Employee Flexible Benefit Plan</b>	<b>Payroll</b>	<b>Library Penal Fines</b>	<b>Medical Care Facility Patient Agency</b>	<b>Total</b>
\$ 4,376	\$ 130,863	\$ 117,645	\$ 371	\$ 2,924,995
-	22	-	-	22
\$ 4,376	\$ 130,885	\$ 117,645	\$ 371	\$ 2,925,017
\$ -	\$ 99,478	\$ -	\$ -	\$ 716,394
-	31,332	-	-	1,965,073
4,376	75	-	371	125,905
-	-	117,645	-	117,645
\$ 4,376	\$ 130,885	\$ 117,645	\$ 371	\$ 2,925,017

**ISABELLA COUNTY, MICHIGAN**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**ALL AGENCY FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b><u>TRUST &amp; AGENCY FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 2,325,573	\$ 33,271,544	\$ 32,950,424	\$ 2,646,693
<b>Liabilities</b>				
Accounts payable:				
Judgments	\$ 31,005	\$ 107,213	\$ 13,940	\$ 124,278
Bonds and restitutions	370,620	816,731	694,713	492,638
Due to other funds	-	5,098	5,098	-
Due to other governmental units	1,879,530	20,326,202	20,271,991	1,933,741
Due to individuals	44,418	247,916	196,298	96,036
<b>Total liabilities</b>	<b>\$ 2,325,573</b>	<b>\$ 21,503,160</b>	<b>\$ 21,182,040</b>	<b>\$ 2,646,693</b>
<b><u>INMATE TRUST FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 40,511	\$ 904,448	\$ 919,912	\$ 25,047
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,355	\$ 1,355	\$ -
Due to individuals	40,511	893,943	909,407	25,047
<b>Total liabilities</b>	<b>\$ 40,511</b>	<b>\$ 895,298</b>	<b>\$ 910,762</b>	<b>\$ 25,047</b>
<b><u>EMPLOYEE FLEXIBLE BENEFIT FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 5,358	\$ 63,838	\$ 64,820	\$ 4,376
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,000	\$ 1,000	\$ -
Due to individuals	5,358	62,838	63,820	4,376
<b>Total liabilities</b>	<b>\$ 5,358</b>	<b>\$ 63,838</b>	<b>\$ 64,820</b>	<b>\$ 4,376</b>

(Continued)

**ISABELLA COUNTY, MICHIGAN  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b><u>PAYROLL FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 169,568	\$ 13,964,002	\$ 14,002,707	\$ 130,863
Accounts receivable	-	264	242	22
<b>Total assets</b>	<b>\$ 169,568</b>	<b>\$ 13,964,266</b>	<b>\$ 14,002,949</b>	<b>\$ 130,885</b>
<b>Liabilities</b>				
Accounts payable	\$ 137,268	\$ 194,722	\$ 232,512	\$ 99,478
Due to other governmental units	32,100	3,317,684	3,318,452	31,332
Due to individuals	200	2,025	2,150	75
<b>Total liabilities</b>	<b>\$ 169,568</b>	<b>\$ 3,514,431</b>	<b>\$ 3,553,114</b>	<b>\$ 130,885</b>
<b><u>LIBRARY PENAL FINES FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 146,373	\$ 1,332,513	\$ 1,361,241	\$ 117,645
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 1,625	\$ 1,625	\$ -
Undistributed receipts	146,372	492,422	521,149	117,645
<b>Total liabilities</b>	<b>\$ 146,373</b>	<b>\$ 494,047</b>	<b>\$ 522,774</b>	<b>\$ 117,646</b>
<b><u>MEDICAL CARE FACILITY PATIENT FUND</u></b>				
<b>Assets</b>				
Cash and cash equivalents	\$ 586	\$ 2,141	\$ 2,356	\$ 371
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 729	\$ 729	\$ -
Due to patients	586	1,412	1,627	371
<b>Total liabilities</b>	<b>\$ 586</b>	<b>\$ 2,141</b>	<b>\$ 2,356</b>	<b>\$ 371</b>

**ISABELLA COUNTY, MICHIGAN  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 ALL AGENCY FUNDS (CONTINUED)  
 FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<b>TOTAL - ALL AGENCY FUNDS</b>	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
<b>Assets</b>				
Cash and cash equivalents	\$ 2,687,969	\$ 49,538,486	\$ 49,301,460	\$ 2,924,995
Accounts receivable	-	264	242	22
<b>Total assets</b>	<b>\$ 2,687,969</b>	<b>\$ 49,538,750</b>	<b>\$ 49,301,702</b>	<b>\$ 2,925,017</b>
<b>Liabilities</b>				
Accounts payable	\$ 538,893	\$ 1,118,666	\$ 941,165	\$ 716,394
Due to other funds	-	9,807	9,807	-
Due to other governmental units	1,911,630	23,643,886	23,590,443	1,965,073
Due to individuals	91,073	1,208,134	1,173,302	125,905
Undistributed receipts	146,372	492,422	521,149	117,645
<b>Total liabilities</b>	<b>\$ 2,687,968</b>	<b>\$ 26,472,915</b>	<b>\$ 26,235,866</b>	<b>\$ 2,925,017</b>

## **ISABELLA COUNTY, MICHIGAN**

### **DISCRETELY PRESENTED COMPONENT UNITS**

#### **DESCRIPTION OF FUNDS**

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 14.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Acts of 1937, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, PA 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 62,614	\$ 58,099	\$ 120,713
Accounts receivable	10,325,000	5,292	10,330,292
Nondepreciable capital assets	-	16,000	16,000
Capital assets, net of depreciation	-	68,639	68,639
<b>Total assets</b>	<b>10,387,614</b>	<b>148,030</b>	<b>10,535,644</b>
<b>Liabilities</b>			
Accounts payable	-	12,034	12,034
Noncurrent liabilities:			
Due within one year	180,000	-	180,000
Due in more than one year	10,145,000	-	10,145,000
<b>Total liabilities</b>	<b>10,325,000</b>	<b>12,034</b>	<b>10,337,034</b>
<b>Net Assets</b>			
Invested in capital assets	-	84,639	84,639
Restricted for:			
Debt service	31,747	-	31,747
Capital projects	30,867	-	30,867
Unrestricted	-	51,357	51,357
<b>Total net assets</b>	<b>\$ 62,614</b>	<b>\$ 135,996</b>	<b>\$ 198,610</b>

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>		
			<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities:					
Public works	\$ 205,691	\$ -	\$ (205,691)	\$ -	\$ (205,691)
Interest on debt	<u>515,807</u>	<u>515,806</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>
Total governmental activities	<u>721,498</u>	<u>515,806</u>	<u>(205,692)</u>	<u>-</u>	<u>(205,692)</u>
Business-type activities:					
Lake Isabella Water Supply System	<u>33,821</u>	<u>20,238</u>	<u>-</u>	<u>(13,583)</u>	<u>(13,583)</u>
Total	<u>\$ 755,319</u>	<u>\$ 536,044</u>	<u>(205,692)</u>	<u>(13,583)</u>	<u>(219,275)</u>
General revenues:					
Unrestricted investment earnings			<u>959</u>	<u>313</u>	<u>1,272</u>
Change in net assets			<u>(204,733)</u>	<u>(13,270)</u>	<u>(218,003)</u>
Net assets, beginning of year			<u>267,347</u>	<u>149,266</u>	<u>416,613</u>
<b>Net assets, end of year</b>			<u>\$ 62,614</u>	<u>\$ 135,996</u>	<u>\$ 198,610</u>

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004**

	Debt Service		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
<b>Assets</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 31,747
Due from other governmental units	-	-	-
Capitalized lease receivable	1,900,000	475,000	8,355,000
Prepaid expenditures	-	56,739	559,842
<b>Total assets</b>	\$ 1,900,000	\$ 531,739	\$ 8,946,589
 <b>Liabilities and fund balances</b>			
<b>Liabilities</b>			
Bonds payable - due within one year	\$ -	\$ -	-
Interest payable	-	-	-
Bonds payable	-	-	-
Deferred revenue	1,900,000	531,739	8,914,842
<b>Total liabilities</b>	1,900,000	531,739	8,914,842
<b>Fund balances</b>			
Reserved:			
Debt retirement	-	-	31,747
Capital projects	-	-	-
<b>Total fund balances</b>	-	-	31,747
<b>Total liabilities and fund balances</b>	\$ 1,900,000	\$ 531,739	\$ 8,946,589
 <b>Net assets, restricted</b>			

Capital Projects							
Shepherd Storm Sewer Separation Construction	Clare Water & Sewer System Construction	Union Township Wastewater Treatment Construction	Total	Adjustments	Statement of Net Assets		
\$ 10,897	\$ 19,970	\$ -	\$ 62,614	\$ -	\$ 62,614		
-	-	-	-	6,870	6,870		
-	-	-	10,730,000	(405,000)	10,325,000		
-	-	-	616,581	(616,581)	-		
<u>\$ 10,897</u>	<u>\$ 19,970</u>	<u>\$ -</u>	<u>\$ 11,409,195</u>	<u>(1,014,711)</u>	<u>10,394,484</u>		
\$ -	\$ -	\$ -	-	180,000	180,000		
-	-	-	-	6,870	6,870		
-	-	-	-	10,145,000	10,145,000		
-	-	-	11,346,581	(11,346,581)	-		
-	-	-	11,346,581	(1,014,711)	10,331,870		
-	-	-	31,747	(31,747)	-		
10,897	19,970	-	30,867	(30,867)	-		
10,897	19,970	-	62,614	(62,614)	-		
<u>\$ 10,897</u>	<u>\$ 19,970</u>	<u>\$ -</u>	<u>\$ 11,409,195</u>				
				<u>\$ 62,614</u>	<u>\$ 62,614</u>		

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Debt Service		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
<b>Revenues</b>			
Intergovernmental - local	\$ 266,525	\$ 64,358	\$ 768,514
Interest and rentals	-	-	-
<b>Total revenues</b>	<u>266,525</u>	<u>64,358</u>	<u>768,514</u>
<b>Expenditures</b>			
Capital outlay	-	-	-
Debt Service:			
Principal retirement	180,000	40,000	360,000
Interest and fiscal charges	86,525	24,358	408,515
<b>Total expenditures</b>	<u>266,525</u>	<u>64,358</u>	<u>768,515</u>
<b>Revenues over (under) expenditures</b>	<u>-</u>	<u>-</u>	<u>(1)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	1
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>1</u>
<b>NET CHANGE IN FUND BALANCES/NET ASSETS</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances/Net Assets, beginning of period	-	-	31,747
<b>Fund balances/Net Assets, end of period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,747</u>

Capital Projects						
Shepherd Storm Sewer Separation Construction	Clare Water & Sewer System Construction	Union Township Wastewater Treatment Construction	Total	Adjustments	Statement of Activities	
\$ -	\$ -	\$ -	\$ 1,099,397	\$ (583,591)	\$ 515,806	
92	168	699	959	-	959	
92	168	699	1,100,356	(583,591)	516,765	
-	-	205,691	205,691	-	205,691	
-	-	-	580,000	(580,000)	-	
-	-	-	519,398	(3,591)	515,807	
-	-	205,691	1,305,089	(583,591)	721,498	
92	168	(204,992)	(204,733)	-	(204,733)	
-	-	-	1	(1)	-	
-	-	(1)	(1)	1	-	
-	-	(1)	-	-	-	
92	168	(204,993)	(204,733)	-	(204,733)	
10,805	19,802	204,993	267,347	-	267,347	
\$ 10,897	\$ 19,970	\$ -	\$ 62,614	\$ -	\$ 62,614	

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2004**

**Assets**

**Current assets**

Cash and cash equivalents	\$	58,099
Accounts receivable		5,292
		63,391
<b>Total current assets</b>		<b>63,391</b>

**Capital assets**

Land		16,000
Improvements		12,856
Water supply system		216,425
Equipment		12,197
		257,478
Less accumulated depreciation		(172,839)
		84,639
<b>Total capital assets</b>		<b>84,639</b>
<b>Total assets</b>		<b>148,030</b>

**Liabilities**

Accounts payable		12,034
		12,034

**Net assets**

Investment in capital assets		84,639
Unrestricted		51,357
		135,996
<b>Total net assets</b>		<b>\$ 135,996</b>

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<b>Operating revenues</b>		
Charges for services	\$	20,238
		20,238
<b>Operating expenses</b>		
Salaries and wages		59
Fringe benefits		5
Operating supplies		1,020
Utilities		3,614
Repair and maintenance		949
Contractual services		8,347
Miscellaneous		11,710
Depreciation		8,117
		33,821
<b>Total operating expenses</b>		33,821
<b>Operating (loss)</b>		(13,583)
<b>Nonoperating revenues</b>		
Interest earnings		313
		313
<b>Change in net assets</b>		(13,270)
Net assets, beginning of period		149,266
		149,266
<b>Net assets, end of period</b>	\$	135,996

**ISABELLA COUNTY, MICHIGAN  
BOARD OF PUBLIC WORKS - LAKE ISABELLA WATER SUPPLY SYSTEM  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<b>Cash flows from operating activities</b>	
Receipts from customers and users	\$ 20,848
Payments to suppliers	<u>(25,073)</u>
<b>Net cash provided (used) by operating activities</b>	<b>(4,225)</b>
<b>Cash flows from investing activities</b>	
Interest earned	<u>313</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(3,912)</b>
Cash and cash equivalents, beginning of period	<u>62,011</u>
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 58,099</u></b>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating (loss)	<u>\$ (13,583)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	8,117
(Increase) decrease in assets:	
Accounts receivable	610
Increase (decrease) in liabilities:	
Accounts payable	<u>631</u>
<b>Total adjustments</b>	<b><u>9,358</u></b>
<b>Net cash provided (used) by operating activities</b>	<b><u>\$ (4,225)</u></b>

**ISABELLA COUNTY, MICHIGAN  
DRAINAGE DISTRICTS  
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2004**

	<b>Debt Service</b>			
	<b>County Drain</b>	<b>Hance Improvement Drain</b>	<b>Potter &amp; Brodie</b>	<b>Hance Phase II</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 296,344	\$ 415,103	\$ -	\$ 330,681
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Special assessments receivable	614,441	42,239	1,885	741,836
Interest receivable	-	-	-	-
Due from other funds	-	-	-	-
Inventory	-	-	-	-
Prepaid expenditures	-	-	-	-
Capital assets, net of accumulated depreciation	-	-	-	-
<b>Total assets</b>	<b>\$ 910,785</b>	<b>\$ 457,342</b>	<b>\$ 1,885</b>	<b>\$ 1,072,517</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Long-term debt - due within one year	-	-	-	-
Notes payable	-	-	-	-
Bonds payable	-	-	-	-
Deferred revenue	611,179	42,379	-	741,836
<b>Total liabilities</b>	<b>611,179</b>	<b>42,379</b>	<b>-</b>	<b>741,836</b>
<b>Fund balances/net assets</b>				
Fund balances:				
Reserved:				
Debt retirement	299,606	414,963	1,885	330,681
Unreserved:				
Undesignated	-	-	-	-
<b>Total fund balances</b>	<b>299,606</b>	<b>414,963</b>	<b>1,885</b>	<b>330,681</b>
<b>Total liabilities and fund balances</b>	<b>\$ 910,785</b>	<b>\$ 457,342</b>	<b>\$ 1,885</b>	<b>\$ 1,072,517</b>
<b>Net assets</b>				
Investment in capital assets, net of related debt				
Restricted - debt service				
Unrestricted				

Lamphere	Salt River	Capital Projects		Total	Adjustments	Statement of Net Assets
		County Drain Revolving	County Drain Construction & Maintenance			
\$ 99,372	\$ 190,862	\$ 51,587	\$ 617,871	\$ 2,001,820	\$ 18,572	\$ 2,020,392
-	-	-	1,226,843	1,226,843	-	1,226,843
-	-	-	55,000	55,000	-	55,000
83,619	832,602	-	12,719	2,329,341	-	2,329,341
-	-	-	2,963	2,963	-	2,963
-	-	106,941	74	107,015	(107,015)	-
-	-	-	-	-	20,685	20,685
-	15,840	-	-	15,840	(15,840)	-
-	-	-	-	-	11,358,273	11,358,273
<u>\$ 182,991</u>	<u>\$ 1,039,304</u>	<u>\$ 158,528</u>	<u>\$ 1,915,470</u>	<u>\$ 5,738,822</u>	<u>11,274,675</u>	<u>17,013,497</u>

\$ -	\$ -	\$ -	\$ -	\$ -	33,723	33,723
-	-	74	106,941	107,015	(107,015)	-
-	-	-	-	-	548,079	548,079
-	-	-	-	-	829,079	829,079
-	-	-	-	-	1,645,000	1,645,000
83,619	832,602	-	470,997	2,782,612	(2,311,615)	470,997
<u>83,619</u>	<u>832,602</u>	<u>74</u>	<u>577,938</u>	<u>2,889,627</u>	<u>637,251</u>	<u>3,526,878</u>

99,372	206,702	-	-	1,353,209	(1,353,209)	-
-	-	158,454	1,337,532	1,495,986	(1,495,986)	-
<u>99,372</u>	<u>206,702</u>	<u>158,454</u>	<u>1,337,532</u>	<u>2,849,195</u>	<u>(2,849,195)</u>	<u>-</u>
<u>\$ 182,991</u>	<u>\$ 1,039,304</u>	<u>\$ 158,528</u>	<u>\$ 1,915,470</u>	<u>\$ 5,738,822</u>		

8,336,115	8,336,115
1,353,209	1,353,209
3,797,295	3,797,295
<u>\$ 13,486,619</u>	<u>\$ 13,486,619</u>

**ISABELLA COUNTY, MICHIGAN  
DRAINAGE DISTRICTS  
STATEMENT OF ACTIVITIES AND  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	Debt Service			
	County Drain	Hance Improvement Drain	Potter & Brodie	Hance Phase II
<b>Revenues</b>				
Intergovernmental - local	\$ -	\$ -	\$ -	\$ -
Interest and rents	2,786	3,477	-	2,929
Other:				
Special assessments	145,614	86,652	-	108,795
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<u>148,400</u>	<u>90,129</u>	<u>-</u>	<u>111,724</u>
<b>Expenditures</b>				
Public works	-	-	-	-
Debt Service:				
Principal retirement	121,079	125,000	-	110,000
Interest and fiscal charges	38,980	15,500	-	43,185
<b>Total expenditures</b>	<u>160,059</u>	<u>140,500</u>	<u>-</u>	<u>153,185</u>
<b>Revenues over (under) expenditures</b>	<u>(11,659)</u>	<u>(50,371)</u>	<u>-</u>	<u>(41,461)</u>
<b>Other financing sources (uses)</b>				
Bond and note proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>(11,659)</u>	<u>(50,371)</u>	<u>-</u>	<u>(41,461)</u>
<b>Change in net assets</b>				
Fund balances/net assets, beginning of period, as restated	<u>311,265</u>	<u>465,334</u>	<u>1,885</u>	<u>372,142</u>
<b>Fund balances/net assets, end of period</b>	<u>\$ 299,606</u>	<u>\$ 414,963</u>	<u>\$ 1,885</u>	<u>\$ 330,681</u>

		Capital Projects					
Lamphere	Salt River	County Drain Revolving	County Drain Construction & Maintenance	Total	Adjustments	Statement of Activities	
\$ -	\$ -	\$ -	\$ 68,750	\$ 68,750	\$ -	\$ 68,750	
811	1,508	426	23,746	35,683	-	35,683	
57,409	156,987	-	99,498	654,955	(426,177)	228,778	
-	-	-	9,064	9,064	9,343	18,407	
58,220	158,495	426	201,058	768,452	(416,834)	351,618	
-	-	-	330,621	330,621	102,783	433,404	
60,000	100,000	-	-	516,079	(516,079)	-	
10,518	34,680	-	-	142,863	49,563	192,426	
70,518	134,680	-	330,621	989,563	(363,733)	625,830	
(12,298)	23,815	426	(129,563)	(221,111)	(53,101)	(274,212)	
-	-	-	160,000	160,000	(160,000)	-	
-	-	-	50	50	(50)	-	
-	-	(50)	-	(50)	50	-	
-	-	(50)	160,050	160,000	(160,000)	-	
(12,298)	23,815	376	30,487	(61,111)	61,111	-	
					(274,212)	(274,212)	
111,670	182,887	158,078	1,307,045	2,910,306	10,850,525	13,760,831	
\$ 99,372	\$ 206,702	\$ 158,454	\$ 1,337,532	\$ 2,849,195	\$ 10,637,424	\$ 13,486,619	

**ISABELLA COUNTY, MICHIGAN  
DRAINAGE DISTRICTS - DRAIN TILE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
SEPTEMBER 30, 2004**

	<u>Internal Service</u>
<b>Assets</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 18,572
Inventory	<u>20,685</u>
<b>Total current assets/net assets</b>	<u>\$ 39,257</u>

**ISABELLA COUNTY, MICHIGAN  
DRAINAGE DISTRICTS - DRAIN TILE  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGE IN NET ASSETS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Internal Service</u>
<b>Operating revenues</b>	
Sales	\$ 9,343
 <b>Operating expenses</b>	
Cost of drain tile sold	<u>6,100</u>
 <b>Change in net assets</b>	 3,243
 Net assets, beginning of period	 <u>36,014</u>
 <b>Net assets, end of period</b>	 \$ <u><u>39,257</u></u>

**ISABELLA COUNTY, MICHIGAN  
DRAINAGE DISTRICTS - DRAIN TILE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>Internal Service</u>
<b>Cash flows from operating activities</b>	
Receipts from interfund services provided	\$ 9,792
Payments to suppliers	<u>(3,160)</u>
<b>Net cash provided by operating activities</b>	6,632
Cash and cash equivalents, beginning of period	<u>11,940</u>
<b>Cash and cash equivalents, end of period</b>	<u><u>\$ 18,572</u></u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	<u>\$ 3,243</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
(Increase) decrease in assets:	
Due from other funds	449
Inventory	<u>2,940</u>
<b>Total adjustments</b>	<u>3,389</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 6,632</u></u>

**ISABELLA COUNTY, MICHIGAN**

**GENERAL HISTORY**

**GENERAL GOVERNMENTAL REVENUE BY SOURCE**

**YEARS ENDED 1995 THROUGH 2004**

**(UNAUDITED)**

Year Ended	Taxes	Permits	Inter- Governmental	Charges for Services	Fines And Forfeits	Miscel- laneous	Total General Revenues
1995	\$4,263,383	\$231,832	\$1,672,425	\$955,336	\$132,170	\$1,541,894	\$8,797,040
1996	4,443,689	310,130	1,914,652	1,291,317	162,426	1,713,061	9,835,275
1997	4,741,667	328,289	2,243,593	1,315,564	245,291	1,753,342	10,627,746
1998	4,957,183	333,117	2,876,016	1,627,495	257,202	1,946,167	11,997,180
1999	5,186,559	310,180	1,548,052	1,327,145	195,628	1,349,477	9,917,041
2000	5,523,926	375,913	2,438,156	1,826,312	246,194	2,228,311	12,638,812
2001	5,757,648	446,972	2,729,186	1,821,502	395,597	2,505,009	13,655,914
2002	6,315,757	369,665	2,645,485	2,056,260	378,912	2,250,065	14,016,144
2003	6,746,395	396,320	2,521,973	2,402,440	430,008	2,244,339	14,741,475
2004	7,124,073	498,695	2,755,031	2,399,939	450,076	2,457,418	15,685,232

## Notes:

General Revenue reported above includes revenue of the General Fund only.  
Transfers In have been excluded from all years.

All revenues reported for 1999 are for the nine months ended September 30th.

**ISABELLA COUNTY**  
**GENERAL HISTORY**  
**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION**  
**YEARS ENDED 1995 THROUGH 2004**  
**(UNAUDITED)**

Year Ended	General Government	Public Safety	Public Works	Health And Welfare	Culture And Recreation	Miscellaneous	Total General Expenditures
1995	\$3,271,299	\$2,013,210	\$447,751	\$439,865	\$271,510	\$376,797	\$6,820,432
1996	3,409,799	2,307,269	602,010	544,934	326,836	883,087	8,073,935
1997	3,722,835	2,405,507	534,176	405,802	356,166	517,852	7,942,338
1998	4,418,432	2,823,282	712,761	674,423	291,175	495,167	9,415,240
1999	3,311,951	2,305,853	517,983	549,898	122,046	194,104	7,001,835
2000	4,461,627	3,485,597	500,760	738,471	165,873	224,294	9,576,622
2001	5,874,862	3,633,966	498,408	802,356	188,058	430,574	11,428,224
2002	6,131,411	3,876,868	326,590	864,249	192,921	610,219	12,002,258
2003	6,517,597	4,136,561	409,065	864,969	194,277	420,686	12,543,155
2004	6,993,638	4,517,887	364,410	1,231,023	209,473	559,048	13,875,479

## Notes:

- 1) General Expenditures reported above include expenditures of the General Fund only. Transfers Out have been excluded from all years.
- 2) All expenditures reported for 1999 are for the nine months ended September 30th.

**ISABELLA COUNTY**  
**ASSESSMENTS AND TAXES**  
**ASSESSED AND STATE EQUALIZED VALUE OF TAXABLE PROPERTY**  
**YEARS ENDED 1995 THROUGH 2004**  
**(UNAUDITED)**

Year Levied	Year of Revenue Recognition	REAL PROPERTY		PERSONAL PROPERTY		TOTAL		Ratio of Total Assessed to State Equalized Value
		Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	
1994	1995	\$588,335,648	\$593,105,084	\$74,046,516	\$74,046,516	\$662,382,164	\$667,151,600	1 TO 0.9928
1995	1996	635,662,446	637,283,929	79,042,001	79,042,001	714,704,447	716,325,930	1 TO 0.9977
1996	1997	671,938,709	675,583,762	88,488,904	88,488,904	760,427,613	764,072,666	1 TO 0.9952
1997	1998	733,259,560	733,582,565	86,940,123	86,940,123	820,199,683	820,522,688	1 TO 0.9990
1998	1999	827,115,621	830,109,553	91,807,322	91,807,322	918,922,943	921,916,875	1 TO 0.9967
1999	2000	937,377,483	938,361,527	97,940,068	97,940,068	1,035,317,551	1,036,301,595	1 TO 0.9990
2000	2001	1,036,415,737	1,135,640,756	95,821,239	95,821,239	1,132,236,976	1,135,640,756	1 TO 0.9970
2001	2002	1,208,228,537	1,305,610,379	97,381,842	97,381,842	1,305,610,379	1,305,610,379	1 TO 1.0000
2002	2003	1,310,486,008	1,409,083,777	98,597,769	98,597,769	1,409,083,777	1,409,083,777	1 TO 1.0000
2003	2004	1,446,641,087	1,543,631,730	96,990,643	96,990,643	1,543,631,730	1,543,631,730	1 TO 1.0000

## Notes:

- 1) Property Taxes are levied on December 1 of each year. Property Taxes are recognized as revenue by Isabella County in the year following the year of levy.
- 2) The Michigan Constitution and Statutes provide that property is to be assessed and equalized at fifty percent of its fair market value.

Source: County Equalization Report

## ISABELLA COUNTY

**ASSESSMENTS AND TAXES**  
**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS**  
**YEARS ENDED 1994 THROUGH 2003**  
**(UNAUDITED)**

Fiscal Year Ended:	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
County:										
Operating	6.5215	6.4805	6.6100	6.4766	6.4700	6.4700	6.4700	6.4700	6.4700	6.4700
Transportation	0.6000	0.6000	0.6000	0.6000	0.6000	0.6000	0.6500	0.6500	0.6500	0.6500
MCF	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000	0.9000
Total County	7.1215	7.0805	7.2100	7.0766	7.0700	7.0700	7.1200	7.1200	8.1200	8.0200
Townships:										
Broomfield	0.7496	0.8282	1.0000	1.0000	0.9861	0.9778	0.9625	0.9750	0.9586	0.9405
Chippewa	0.9942	0.9956	1.0000	1.0000	1.0000	0.9568	0.9568	0.9924	0.9875	0.9761
Coe	0.9049	0.9573	1.0000	0.9983	0.9929	0.9838	0.9663	0.9830	0.9747	0.9653
Coldwater	0.9838	0.9681	1.0000	1.0000	0.9973	0.9943	0.9943	0.9804	0.9742	0.9515
Deerfield	1.8883	1.8821	2.0000	1.9034	1.9717	1.9067	1.8923	1.9820	1.9820	1.9684
Denver	0.9596	0.9691	1.0000	1.0000	1.0000	0.9707	0.9659	0.9857	0.9857	0.9590
Fremont	1.8810	1.9408	1.9829	1.9468	1.9580	1.9656	1.9505	1.9591	1.9510	2.4476
Gilmore	0.8761	0.9070	1.0000	0.9927	0.9947	0.9947	0.9947	0.9832	0.9692	0.8926
Isabella	0.9963	1.0000	1.0000	1.0000	1.0000	1.0000	0.9864	0.9963	0.9945	0.9788
Lincoln	0.9660	0.9578	1.0000	0.9902	0.9814	0.9522	0.9241	0.9836	0.9777	0.9650
Nottawa	0.9348	0.9683	1.0000	0.9949	0.9899	0.9841	0.9734	0.9861	0.9790	0.9653
Rolland	1.0000	1.9566	1.9765	1.9530	1.9162	1.9542	1.9368	1.9306	1.8946	1.8525
Sherman	1.5134	1.3768	1.6000	2.0000	1.9870	1.9064	1.8694	1.8946	1.9783	1.9608
Union	3.2450	3.2471	3.2500	3.2396	3.2363	3.2232	3.2500	3.2425	3.1886	3.1557
Vernon	1.4602	1.4602	1.0000	1.0000	0.9766	0.9834	0.9743	0.9920	0.9855	0.9738
Wise	0.9552	4.2897	2.9412	2.9721	2.9899	2.9729	2.9551	2.9983	2.9983	2.9656
Cities:										
Clare	17.7391	17.7274	17.6950	17.6825	17.6825	17.6901	20.3872	20.4322	20.4322	20.1603
Mt. Pleasant	15.2665	15.2567	16.4000	15.9000	16.4000	16.3095	15.4500	15.4500	15.4500	15.4500
Villages:										
Lake Isabella	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	2.9383	1.9226	1.9103
Rosebush	2.9055	2.9688	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000	3.0000
Shepherd	11.6001	11.1211	13.0000	13.0000	13.0000	13.0000	12.9798	12.9647	13.0000	13.0000
Local School Districts:										
Alma	39.0000	21.0000	21.0000	21.0000	20.5000	20.5000	20.5000	20.5000	20.4000	20.4000
Beal City	38.9000	21.9000	26.7000	26.7000	26.7000	26.7000	24.9946	24.8488	24.7167	24.3605
Chippewa Hills	33.5400	20.2500	19.7500	19.8500	19.6000	22.2844	22.2970	21.8834	21.6181	22.1000
Clare	35.9200	19.4700	21.2500	21.0000	21.0000	17.7929	17.6577	22.3984	21.8905	21.6836
Coleman	38.2794	20.1000	23.1000	20.1000	19.7500	20.2946	21.6446	21.6446	21.6104	21.5601
Farwell	31.0100	19.7500	19.7500	19.7500	19.5000	19.4046	19.4046	19.4046	19.1490	18.7509
Montabella	36.1319	22.1000	24.8000	21.2000	22.7000	26.2500	25.7944	26.2394	26.2456	26.0844
Mt. Pleasant	38.1600	21.9400	21.9400	25.9400	25.9400	25.7402	25.7402	25.1400	25.9400	25.9400
Shepherd	35.5000	21.8600	21.8400	21.8400	21.7000	21.1890	20.5604	21.1000	21.1000	20.8862
St. Louis	38.9300	25.0000	25.0000	24.9784	25.0000	24.9784	25.0000	26.5200	26.5200	26.5200
Vestaburg	36.3300	22.3000	22.3000	25.0000	24.9226	24.4996	24.2861	24.2273	24.1567	24.0845
Intermediate School Districts:										
Clare-Gladwin	2.3158	2.2774	2.2774	2.2774	2.2690	2.2418	2.2257	2.1998	2.1723	2.1318
Gratiot-Isabella	2.6130	2.6130	2.6130	2.6130	2.6081	2.5834	4.3691	4.3418	4.3326	4.3064
Mecosta-Osceola	4.2570	4.2570	4.2570	4.2570	4.2575	4.2372	4.2128	4.1721	4.1472	4.1080
Midland	1.1756	1.1756	1.1756	1.1756	1.1756	1.1756	1.1756	1.1756	1.1756	1.1756
Montcalm	3.5355	3.4554	3.9555	3.9555	3.9338	3.8959	3.8492	3.8239	3.6301	3.8969
Chippewa River District Library						1.7500	1.7167	1.7076	1.7057	1.7057

Notes: 1) Rates are stated in dollars per one thousand of state-equalized valuation.

2) Rates are levied as of December 1.

Source: County Apportionment Report.

## ISABELLA COUNTY, MICHIGAN

**ASSESSMENTS AND TAXES**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**ALL TAXING UNITS WITHIN THE COUNTY**  
**YEARS ENDED 1995 THROUGH 2004**  
**(UNAUDITED)**

Year Ended	Levy Year	Total Tax Levy	Current Collections To	Amount	Percentage Collected
1995	1994	\$23,710,085	03/01/95	\$21,621,891	91.19%
1996	1995	23,710,085	03/01/96	21,621,891	91.19%
1997	1996	26,176,376	03/01/97	23,963,379	91.55%
1998	1997	29,988,142	03/01/98	27,814,640	92.75%
1999	1998	31,371,180	03/01/99	29,155,975	92.94%
2000	1999	33,899,714	03/01/00	31,480,140	92.86%
2001	2000	37,018,083	03/01/01	34,428,206	93.00%
2002	2001	40,533,248	03/01/02	37,754,249	93.14%
2003	2002	44,477,633	03/01/03	41,872,689	94.14%
2004	2003	47,261,055	03/01/04	44,650,577	94.48%

## Notes:

Current property tax collections are made by the individual taxing units of Isabella County. On approximately March 1 of each year, the County Treasurer "settles" with the treasurer of each taxing unit, accounting for all current property taxes collected, as well as purchasing (in the normal case) all delinquent real property taxes from the units via the County's Delinquent Tax Revolving Fund.

The levies and collections shown above represent all taxes levied and collected by the individual taxing units on a current basis.

**ISABELLA COUNTY, MICHIGAN**

**ASSESSMENTS AND TAXES**

**PROPERTY TAX LEVIES AND COLLECTIONS**

**COUNTY OPERATING LEVY ONLY**

**YEARS ENDED 1995 THROUGH 2004**

**(UNAUDITED)**

Year Ended	Levy Year	Total Tax Levy	Current Tax Collections	Percent Of Levy Collected	Other Collections	Property Tax Revenue
1995	1994	\$4,232,542	\$4,232,542	100.00%	\$25,964	\$4,258,506
1996	1995	4,358,396	4,358,396	100.00%	70,323	4,428,719
1997	1996	4,674,682	4,674,682	100.00%	(19,436)	4,655,246
1998	1997	4,809,434	4,809,434	100.00%	16,355	4,825,789
1999	1998	5,100,667	5,100,667	100.00%	(1,781)	5,098,886
2000	1999	5,408,548	5,408,548	100.00%	24,745	5,433,293
2001	2000	5,679,589	5,679,589	100.00%	30,357	5,709,946
2002	2001	6,162,312	6,162,312	100.00%	81,880	6,244,192
2003	2002	6,689,464	6,644,976	99.00%	1,472	6,646,448
2004	2003	7,069,908	7,029,774	99.00%	(4,378)	7,025,396

## Notes:

- 1) Property taxes are levied each December 1; starting with the 2000 year-end, property taxes are recognized within the County's current fiscal year.
- 2) The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding delinquent real taxes receivable are purchased from the taxing units. All units, including the County General Fund, receive full payment for all real taxes levied under this arrangement.
- 3) The Current Tax Collections amount includes the payment received by the County's General Fund from the Delinquent Tax Revolving Fund representing all real property taxes to be collected (except as explained in Note 4) and all personal property taxes collected.
- 4) The Other Collections amount represents collections of personal property taxes from prior year(s) and miscellaneous tax-related collections (e.g., Commercial and Industrial Facilities Taxes, tax sales and redemptions, etc.) that are recognized as revenue in the year collected.
- 5) The difference between the Total Tax Levy and the Total Tax Collections are the uncollected Delinquent Personal property taxes.

**ISABELLA COUNTY, MICHIGAN**  
**ASSESSMENTS AND TAXES**  
**PRINCIPAL TAXPAYERS**  
**STATE EQUALIZED VALUATION**  
**SEPTEMBER 30, 2004**  
**(UNAUDITED)**

**DECEMBER 1, 2003 TAX LEVY**

<u>Taxpayer</u>	<u>State Equalized Valuation</u>	<u>Percent of Total S.E.V.</u>
Consumers Power Company	\$21,881,497	1.42%
CME Corporation	13,354,971	0.87%
SUH Central Michigan LLC	7,003,673	0.45%
Deerfield Village	6,801,100	0.44%
Lexington Ridge Apartments	6,725,268	0.44%
Mid-Michigan Inns	6,676,027	0.43%
Morbark Forestry Products	6,541,494	0.42%
RCS Equities	6,486,491	0.42%
Great Lakes Gas	6,392,463	0.41%
Michigan Consolidated Gas	<u>5,085,665</u>	0.33%
Total Ten Largest Taxpayers	\$86,948,649	5.63%
Other Taxpayers	<u>1,456,683,081</u>	94.37%
	<u><u>\$1,543,631,730</u></u>	100.00%

Note:

The County recognizes property taxes as revenue in the year following the year of levy. The above data relates to the December 1, 2002 tax levy, recognized as revenue in 2002/2003.

The figures used above are the latest information available to us.

**ISABELLA COUNTY, MICHIGAN**

**ASSESSMENTS AND TAXES**

**SPECIAL ASSESSMENT COLLECTIONS**

**YEARS ENDED 1995 THROUGH 2004**

**(UNAUDITED)**

Year Ended	Levy Year	Current Assessments Levied	Current Assessments Collected	Total Collections Ratio
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**Drain Special Assessments**

1995	1994	\$1,016,396	\$1,016,396	100%
1996	1995	1,056,811	1,056,811	100%
1997	1996	993,549	993,549	100%
1998	1997	912,128	912,128	100%
1999	1998	133,334	133,334	100%
2000	1999	787,238	787,238	100%
2001	2000	1,581,044	1,581,044	100%
2002	2001	811,620	811,620	100%
2003	2002	893,500	893,500	100%
2004	2003	654,955	654,955	100%

Notes:

1. Drain special assessments are levied annually (with one year payback periods) against the benefitted properties.
2. Current assessments reported for 1999 are for the nine months ended September 30th.

**LONG-TERM DEBT**  
**COMPUTATION OF DIRECT, UNDERLYING, AND OVERLAPPING LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2004**  
**(UNAUDITED)**

<u>Direct Debt of County</u>	Gross	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
Building Authority Bonds	\$14,055,000	\$0	\$14,055,000
Drains	2,620,000	2,620,000	\$0
Sewer	10,255,000	10,255,000	\$0
Water	475,000	475,000	\$0
MTF Contract	925,000	925,000	\$0
Total Direct Debt	\$28,330,000	\$14,275,000	\$14,055,000
* No County Credit Pledged			
<u>Overlapping Debt</u>			
School Districts			\$67,461,750
Cities			6,406,447
Townships			10,641,800
Villages			2,535,000
Intermediate School Districts			305,614
Community College			163,352
Net Overlapping Debt			87,513,963
Total County and Overlapping Debt			\$101,568,963
Per Capita County Net Direct Debt			\$221.86
Percent County Net Direct Debt to 2003 State Equalized Value			0.91%
Per Capita County Net Direct and Overlapping Debt			\$1,603.27
Percent Net Direct and Overlapping Debt to 2003 State Equalized Value			6.58%
Population (2000 Census)			63,351
2003 State Equalized Value			\$1,543,631,730

## Notes:

- 1) The County has pledged its secondary full faith and credit toward payment of the Village Sewage Disposal System Revenue Bonds subordinate to the village's primary obligation to pay this obligation. The Village's primary obligation is reflected as underlying debt of the County.
- 2) The Building Authority Bonds are a general obligation of the County but will be paid from periodic cash rentals for the property in accordance with a contract of lease.
- 3) Underlying debt of the County consists of bonded debt outstanding for all units of government whose boundaries are contained inside the County boundaries.
- 4) The percentage of the overlapping debt of the eleven local School Districts located partially or totally in Isabella County has not been computed.

**ISABELLA COUNTY, MICHIGAN**

**LONG-TERM DEBT**

**COMPUTATION OF LEGAL DEBT MARGIN**

**SEPTEMBER 30, 2004**

**(UNAUDITED)**

Total State Equalized Valuation (December 1, 2003 Levy)	<u><u>\$1,543,631,730</u></u>
Debt Limit - Ten Percent of State Equalized Value	<u><u>\$154,363,173</u></u>
Amount of Debt applicabel to Debt Limit:	
Direct Bonded Debt	\$14,055,000
Amount Available in Debt Service Funds	<u>(1,446,436)</u>
Net Bonded Debt	<u>\$12,608,564</u>
Margin for Additional Debt	<u><u>\$141,754,609</u></u>

## Notes:

Michigan counties are subject to a Consitutional debt limitation of 10% of State Equalized Valuation. No exclusions of certain categories of debt are made for Michigan Counties.

## ISABELLA COUNTY, MICHIGAN

**LONG-TERM DEBT**  
**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES**  
**FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES**  
**YEARS ENDED 1995 THROUGH 2004**  
**(UNAUDITED)**

Year Ended	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To Total General Expenditures
1995	\$495,000	\$543,896	\$1,038,896	\$6,820,432	15.2%
1996	530,000	589,866	1,119,866	8,074,423	13.9%
1997	665,000	605,552	1,270,552	7,942,338	16.0%
1998	715,000	602,889	1,317,889	9,428,050	14.0%
1999	590,000	418,851	1,008,851	7,001,835	14.4%
2000	830,000	887,370	1,717,370	9,576,622	17.9%
2001	1,393,909	1,189,763	2,583,672	11,428,224	22.6%
2002	1,447,737	821,232	2,268,969	12,002,258	18.9%
2003	1,578,936	1,064,035	2,642,971	13,026,642	20.3%
2004	1,578,936	1,064,035	2,642,971	13,875,479	19.0%

## Notes:

- 1) General Expenditures reflected above include the General Fund expenditures only. In 1999, expenditures are reported for the nine months ended September 30th.
- 2) The bonded debt expenditures reported above relate to revenue bonds which do not constitute general obligations of Isabella County:
  - A) Years 1994 through 1999 reported above include debt service expenditures relative to the Village of Rosebush Sanitary Sewage System revenue bonds secured by the Village and supported by Village user charges.
  - B) The 1994 year includes debt service payments relative to Building Authority Bonds issued in 1986 which constitute a general obligation of the County but will be financed with annual lease-rental payments.
  - C) The 1994 through 2003 years includes debt service payments relative to Building Authority Bonds and Hance Phase II Drain Bonds issued in 1990.
  - D) The 1994 through 2003 years include debt service payments relative to the Potter and Brodie Drain Bonds issued in 1993.
  - E) Principal and Interest expenditures in the amounts of \$50,000 and \$2,936, respectively, have been excluded from the 1994 debt service amounts. These expenditures relate to the repayment of a short-term promissory note used to finance costs incurred prior to the issuance of the Shepherd Sanitary Sewer/Storm Separation Project bonds.
  - F) The 1995 through 2003 debt services payments include payments relative to the Hance Phase II Drain Bonds issued in 1994.
  - G) The 1996 and 1998 debt services payments include payments relative to the Lamphere Drain Bonds and Building Authority Bonds issued in 1996.

**ISABELLA COUNTY, MICHIGAN**

**LONG-TERM DEBT**

**RATIO OF NET BONDED DEBT**

**TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA**

**YEARS ENDED 1995 THROUGH 2004**

**(UNAUDITED)**

Year Ended	Population	Assessed Valuation	Gross Bonded Debt	Debt Service Monies Available	Net Bonded Debt	Ratio Of Net Bonded Debt To Assessed Valuation	Net Bonded Debt Per Capita
1995	54,624	\$667,151,600	\$9,095,000	\$1,452,092	\$5,445,000	0.82	\$99.68
1996	54,624	716,325,930	11,310,000	1,663,544	7,785,000	1.09	142.52
1997	54,624	764,072,666	10,645,000	1,692,995	7,245,000	0.95	132.63
1998	54,624	820,522,688	11,983,155	1,813,449	7,890,000	0.96	144.44
1999	54,624	921,916,875	16,440,000	1,243,823	8,095,000	0.91	154.45
2000	54,503	1,036,301,595	24,495,000	1,374,148	7,845,000	0.76	143.94
2001	63,351	1,135,640,756	23,980,000	1,800,107	7,731,368	0.68	122.37
2002	63,351	1,305,610,379	23,170,000	1,930,598	7,311,435	0.56	115.72
2003	63,351	1,409,083,777	21,580,000	1,482,741	14,735,000	1.04	232.59
2004	63,351	1,543,631,730	28,330,000	1,446,436	14,055,000	0.91	221.86

## Notes:

- 1) The years ended 1995 through 2004 also include outstanding bonded debt for the 1990 Hance Improvement Bonds. The years 1995 through 2004 include the outstanding debt for the 1993 Potter and Brodie Drain Bonds. The years 1995 through 2004 include the outstanding debt for the 1994 Hance Main Branches Bonds. The outstanding bonded debt for the Lamphere Drain Bonds is included in 1996 through 2004.
- 2) The years ended 2002 through 2004 include outstanding bonded debt for the 1999 Union Township Wastewater Treatment Project bonds. In 2001, \$7,050,000 of these bonds were advance refunded. These refunded bonds are included in the outstanding debt for the years ended 2001 through 2004.
- 3) The years 1995 through 2004 include outstanding debt for general obligation bonds for various building authority projects.

**ISABELLA COUNTY, MICHIGAN**  
**MISCELLANEOUS STATISTICS**  
**DESCRIPTION OF INSURANCE COVERAGE IN FORCE**  
**SEPTEMBER 30, 2004**  
**(UNAUDITED)**

Isabella County became a member of the Michigan Municipal Risk Management Authority in 1986. This is a self-insured program administered by the Authority. The total amount of liability coverage for the County amounts to \$10,000,000.

This program covers the Public Officials Surety Bond and Faithful Performance as well as General Liability, Law Enforcement Officers, Business Auto, Building and Contents, Boiler and Machinery, Errors and Omissions, and Umbrella Coverage.

Isabella County is also a member of the Michigan Association of Counties Workers Compensation Fund for workers compensation insurance.

**ISABELLA COUNTY, MICHIGAN****MISCELLANEOUS STATISTICS****OTHER STATISTICS****SEPTEMBER 30, 2004****(UNAUDITED)****Form of Government**

The County's legislative body is a seven-member Board of Commissioners elected by districts to two-year terms. The Board annually elects from within its ranks a Chairperson and Vice-Chairperson by majority vote.

**Location**

Isabella County is located near the geographical center of Michigan lower peninsula, midway between Lake Michigan and Lake Huron. The County is approximately 145 miles northwest of Detroit, 65 miles north of Lansing (the State Capital), 85 miles northeast of Grand Rapids, 40 miles west of the Tri-City area (Midland, Bay City, Saginaw), and 160 miles south of Mackinac Island.

**Topography**

This area features a pleasant rolling terrain with generally sand-loam and loamy-sand soil conditions. There is also an abundance of natural vegetation, more dense near the Chippewa River which bisects Isabella County, flowing easterly to Lake Huron.

**Area**

Isabella County covers 572 square miles.

**Education**

Central Michigan University continues to be one of the States most popular major universities as evidenced by a stable enrollment at a time when many other colleges and universities are facing declining enrollment. Its academic reputation and variety of degree programs are recognized both nationally and internationally.

The campus, located in Mt. Pleasant, (the County seat), provides the setting and facilities for more than 28,000 students, both on- and off-campus. In addition, programs are offered at class centers throughout the world.

The personnel, facilities, and research capabilities of Central Michigan University are a major asset to the continued growth and development of the Isabella County area.

The Isabella County area is also served by three community colleges. Mid-Michigan Community College has two campuses; one is located 20 miles north of Mt. Pleasant and the other is in Mt. Pleasant. Delta College is located 45 miles east of Mt. Pleasant, and Lansing Community College is located 65 miles south of Mt. Pleasant. All three schools offer 2-year, fully accredited, and co-educational programs.

There are 11 local school districts providing elementary and secondary education to residents of Isabella County.

**ISABELLA COUNTY, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

<u>FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS - THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL AWARDS EXPENDED</u>
<b>PRIMARY GOVERNMENT:</b>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
PASSED THROUGH REGION VII AREA AGENCY ON AGING			
Food Distribution Program			
Home Distribution and Congregate Meals	10.570	N/A	\$ 86,359
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
PASSED THROUGH MICHIGAN DEPARTMENT OF COMMERCE			
Community Development Block Grant/State's Program -			
Michigan Community Development Grant Housing Program	14.228	MCS-2003-5824-HOA	91,334
PASSED THROUGH MICHIGAN STRATEGIC FUND			
Community Development Block Grant -			
LinkMichigan Regional Telecommunications Planning Project	14.228	MCS-201070-LMRP	84,025
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u>175,359</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
PASSED THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY			
Juvenile Accountability Incentive Block Grant	16.523	N/A	7,186
Balance and Restorative Justice Initiative - JAIBG	16.523	N/A	3,480
PASSED THROUGH MICHIGAN OFFICE OF CRIMINAL JUSTICE			
BAYANET - SAGINAW INTERACTION UNIT			
Byrne Formula Grant Program - B.A.Y.A.N.E.T.	16.579	70909-4-03-B	15,214
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u>25,880</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
PASSED THROUGH MICHIGAN OFFICE OF HIGHWAY SAFETY AND PLANNING			
Click It or Ticket	20.604	2004-PT-04-69	9,713
PASSED THROUGH MICHIGAN DEPARTMENT OF STATE POLICE			
LEPC Grant	20.703	N/A	554
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<u>10,267</u>
<b>FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			
PASSED THROUGH MICHIGAN DEPARTMENT OF STATE POLICE			
CERT Grant	83.562	MCSC/CERT/F-10/04	23,829
Hazard Mitigation Grant	83.548	FEMA-1346-DR-MI	30,000
FY 2002 Terrorism Planning	83.562	N/A	3,390
<b>TOTAL FEDERAL EMERGENCY MANAGEMENT AGENCY</b>			<u>57,219</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
PASSED THROUGH MICHIGAN FAMILY INDEPENDENCE AGENCY			
AFDC Maintenance Assistance - ADC Incentive Payments (a)	93.560	N/A	117,237
Title IV - D Child Support Enforcement - Cooperative Reimbursement (b) -			
Friend of the Court	93.563	CS/FOC 04-37001	254,405
Prosecuting Attorney	93.563	CS/PA 04-37002	20,440
Medical Support Enforcement	93.563	CS/MED-04-37001	7,680

(Continued)

**ISABELLA COUNTY, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2004**

	<u>FEDERAL CFDA NUMBER</u>	<u>PASS - THROUGH GRANTOR'S NUMBER</u>	<u>FEDERAL AWARDS EXPENDED</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
<b>(Continued)</b>			
<hr/>			
PASSED THROUGH REGION VII AREA AGENCY ON AGING			
Special Programs for Aging -			
Title III Part B -			
Case Coordination and Support	93.044	N/A	27,026
Homemaker	93.044	N/A	4,664
Personal Care	93.044	N/A	8,060
Senior Center Staffing	93.044	N/A	3,957
Title III Part C -			
Home Delivered Meals	93.045	N/A	52,846
Congregate Meals	93.045	N/A	94,841
Caregiver Training Program	93.052	N/A	22,067
POS Waiver	93.778	N/A	12,298
MMAP	93.779	N/A	272
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<b>625,793</b>
 <b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
<hr/>			
PASSED THROUGH MICHIGAN DEPARTMENT OF STATE POLICE			
FY 2003 SHSGP Part II Training	97.004	N/A	1,504
FY 2003 Part I SHSGP	97.004	N/A	61,931
FY 2003 Exercise Grant	97.004	N/A	5,423
Emergency Management Grant	97.042	N/A	22,764
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b>91,622</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE - PRIMARY GOVERNMENT</b>			<b>1,072,499</b>
 <b>FEDERAL FUNDS AUDITED BY OTHER AUDITORS</b>			
Road Commission			2,082,484
Central Michigan District Health			1,919,297
Transportation Commission			1,542,009
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$ 6,616,289</b>

**NOTE 1: BASIS OF PRESENTATION**

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



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

January 27, 2005

To the Board of Commissioners  
of Isabella County, Michigan  
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of *Isabella County, Michigan*, as of and for the year ended September 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated January 27, 2005. 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. We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 71% and 96%, respectively, of the assets and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered *Isabella County's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that

would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of *Isabella County* in a separate letter dated January 27, 2005.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Isabella County's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to the management of *Isabella County* in a separate letter dated January 27, 2005.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".



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

January 27, 2005

To the Board of Commissioners  
of Isabella County, Michigan  
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of *Isabella County, Michigan*, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended September 30, 2004. *Isabella 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 its major federal programs is the responsibility of *Isabella County's* management. Our responsibility is to express an opinion on *Isabella County's* compliance based on our audit.

*Isabella County's* basic financial statements include the operations of the Isabella County Road Commission, the Central Michigan District Health Department, and the Isabella County Transportation Commission, which received \$2,082,484, \$1,919,297 and \$1,542,009, respectively, in federal awards which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2004. Our audit, described below, did not include the operations of the Isabella County Road Commission, the Central Michigan District Health Department, or the Isabella County Transportation Commission because the Isabella County Road Commission, the Central Michigan District Health Department, and the Isabella County Transportation Commission engaged other auditors to perform audits in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Governmental 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 *Isabella County's* compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on *Isabella County's* compliance with those requirements.

In our opinion, *Isabella County* complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended September 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

#### Internal Control Over Compliance

The management of *Isabella County* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Isabella County'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We did not audit the discretely presented component unit financial statements of the Isabella County Road Commission, Central Michigan District Health Department and the Isabella County Transportation Commission, which represent 71% and 96% of the assets and revenues, respectively, of the aggregate discretely presented component units. Also, we did not audit the financial statements of Isabella County Medical Care Facility, which is a major enterprise fund, and therefore a separate opinion unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Isabella County Road Commission, Central Michigan Health Department, Isabella County Transportation Commission, and Isabella County Medical Care Facility, is based solely on the reports of the other auditors.

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



**ISABELLA COUNTY, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2004**

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**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: *Unqualified on financial statements*

Internal controls over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes  none reported

Noncompliance material to financial  
statements noted? \_\_\_\_\_ yes  no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ yes  no  
Reportable condition(s) identified not  
considered to be material weaknesses? \_\_\_\_\_ yes  none reported

Type of auditor's report issued on compliance  
for major programs: *Unqualified*

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

**Identification of Major Programs**

<b><u>CFDA Number(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.563	Title IV-D Child Support Enforcement

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

Auditee qualified as low-risk auditee?  X  yes   no

## SECTION II – FINANCIAL STATEMENT FINDINGS

None.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### 2004-1 Allocation of Payroll Expenditures

**Grantor:** U.S. Department of Health and Human Services **CFDA #:** 93.563

**Award Name:** Title IV-D Child Support Enforcement

**Condition:** Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities / are charged to both federally funded and non-federally funded cost centers, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency.

During the year ended September 30, 2004, the County allocated payroll charges for Title IV-D Child Support Enforcement Prosecuting Attorney personnel to both the federally funded program and to non-federally funded programs, which were not supported by direct timekeeping, personnel activity reports, or other acceptable documentation as required by federal regulations. Instead, the charges were allocated to federal programs based on management estimates of the time the Prosecuting Attorney spends overseeing the program. While the amount allocated to this program may indeed closely approximate the actual time spent on this grant, the methods used to allocate the payroll charges is not consistent with federal guidelines, and creates the risk that amounts allocated could vary substantially from actual costs incurred.

Also, during the year ended September 30, 2004, the County allocated payroll charges for Title IV-D Child Support Enforcement Friend of the Court personnel to the program based upon gross wages for payroll periods paid during the month multiplied by the federal program percentage for the month. However, the County's payroll periods may include actual days worked in the previous month. While the amount allocated to this program may indeed closely approximate the actual time spent by County employees on this grant, the methods used to allocate the payroll charges is not consistent with federal guidelines, and creates the risk that amounts allocated could vary substantially from actual costs incurred.

No costs were questioned in the current year as a result of these findings.

**Recommendation:** We recommend that the County document and allocate salaries and wages to federally funded programs in accordance with applicable provisions of Office of Management and Budget Circular No. A-87.

**Prior Year Findings**

There were no findings or questioned costs for the prior year.



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

January 27, 2005

To the Board of Commissioners  
Isabella County  
Mt. Pleasant, Michigan

In planning and performing our audit of the financial statements of *Isabella County* for the year ended September 30, 2004, we considered the County's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal control and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated January 27, 2005, on the financial statements of *Isabella County*.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

We wish to thank the management and personnel for their support and assistance during the audit of *Isabella County*.

# ISABELLA COUNTY

## COMMENTS AND RECOMMENDATIONS

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### A) **CURRENT YEAR DEFICIT FUND BALANCES/NET ASSETS**

The County's Law Library Special Revenue and Self Insurance Internal Service Funds ended the year with deficits of \$1,633 and \$194,252 respectively. According to the State Revenue Sharing Act of 1971, the County is required to have a deficit elimination plan approved by the State Department of Treasury for any fund that ends the year in a fund deficit situation.

We recommend that the County investigate the cause of the deficits, develop a plan for reducing the deficit, and submit the plan to the State Department of Treasury for approval.

### B) **HOUSING REHABILITATION LOANS**

During our procedures, we noted that the County's CDBG Housing Assistance Grant Program has several loans outstanding for various rehabilitation projects administered by the County. These loans have been excluded from the County's records as receivables for the uncollected loan balances.

We recommend that the County develop a listing of the individuals with loans outstanding, so that the balance can be recorded in the CDBG Housing Assistance Grant Program Special Revenue Fund, which will allow the County to monitor the outstanding receivables and the status of collection proceedings.

### C) **INSPECTIONS BILLINGS**

During our procedures, we noted that the County typically does not charge local municipalities or not-for-profit organizations permit and inspection fees. This billing process leads to the department not being able to fully recognize all the revenue it could generate during a given fiscal year.

We recommend that the County review its policy regarding these billings, especially in light of the County establishing a separate fund for the inspections department.

## **ISABELLA COUNTY**

### **COMMENTS AND RECOMMENDATIONS**

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#### **D) CIRCUIT COURT BONDS AND RESTITUTION**

During our procedures related to the audit of the Trust & Agency Fund (#701), we noted that the County does not maintain a subsidiary ledger for the Circuit Court bonds and restitutions outstanding. A strong system of internal controls requires that the balances presented on the County's general ledger are reconciled to subsidiary ledgers (detailed list of persons / agencies with money on deposit, or otherwise owed payment from the County) on a periodic basis.

We recommend that the County develop a subsidiary ledger for the Circuit Court bonds and restitution account and reconcile the subsidiary ledger to the general ledger on a monthly basis.