

**Sanilac County, Michigan**  
**FINANCIAL STATEMENTS**  
**December 31, 2003**

Sanilac County, Michigan

December 31, 2003

BOARD OF COMMISSIONERS

Robert C. Wood	Chairperson
William Walters	Vice-Chairperson
John Merriman	Commissioner
Norton Schramm	Commissioner
Gary Russell	Commissioner
Don Hunt	Commissioner
John Espinoza	Commissioner

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John Males	Administrator
Kathy Dorman	Treasurer
Linda Kozfkay	Clerk
Michele VanNorman	Register of Deeds
Jim Bowerman	Drain Commissioner
Jim Young	Prosecuting Attorney
Virgil Strickler	Sheriff

Sanilac County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sanilac County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Sanilac County, Michigan as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the County has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2003, along with all related statements and interpretations.

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2003 on our consideration of Sanilac County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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The management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 67 through 74 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanilac County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 9, 2004

**County of Sanilac**  
**Management's Discussion and Analysis**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following is a discussion and analysis of Sanilac County's (the County's) financial performance and position, providing an overview of the activities for the year ended December 31, 2003. This analysis should be read in conjunction with the *Independent Auditors Report*, beginning on page 1 of this report, and with the County's financial statements, which follow this section. 2003 represents the first year the County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. Therefore, this discussion and analysis provides few comparisons with the previous year. Future reports will include financial comparisons to the prior as required by GASB.

Certain limited financial information is presented with respect to the Sanilac County Road Commission in the Management Discussion and Analysis. The reader should refer to the Road Commission's separately issued financial statements for more detailed information.

**FINANCIAL HIGHLIGHTS**

**Government-wide:**

- Total net assets were \$10,293,683 (excluding component units).
- Governmental activities net assets were \$4,095,751.
- Business-type activity net assets were \$6,197,932.
- Component Unit net assets were \$25,513,586.

**Fund Level:**

- At the close of the fiscal year, the County's governmental funds reported a combined ending fund balance of \$2,130,583 with all but \$1,715,814 million being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund realized \$140,641 more in revenues and other financing sources than anticipated for the fiscal year. General Fund operations also expended \$417,251 less than appropriated.
- Overall, the General Fund balance decreased by \$328,612 to \$673,396 with \$546,480 undesignated or available for general purposes.

**Capital and Long-term Debt Activities:**

- The primary government issued \$3,625,000 in new debt for the fiscal year.
- The total long-term debt for the primary government was \$5,636,901 with a net reduction of \$193,407 from the prior year.
- The Drainage Districts issued \$1,191,500 in new long-term notes.
- The total long-term debt for the component units (Drainage Districts and Board of Public Works only) was \$14,337,252 with a net reduction of \$254,586 from the prior year.
- The long-term debt for the Road Commission was \$2,041,800, with a net reduction of \$426,409 from the prior year.
- The County remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$516,232 and included such purchases as seven new sheriff patrol vehicles, a LiveScan fingerprinting system, metal detector, and x-ray machine for the Sheriff Department, communication systems for Central Dispatch Department, additions and improvements to Parks facilities, and improvements to the Medical Care Facility building.

**County of Sanilac**  
**Management's Discussion and Analysis**

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**OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual financial report of the County consists of the following components: 1) *Independent Auditors Report*; 2) *Management's Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and proprietary funds and other financial data.

**Government-wide Financial Statements (Reporting the County as a Whole)**

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the County as a whole, and about its activities. Their purpose is to assist in answering the question, is the County, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 14) presents all of the County's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the County's financial position is improving or deteriorating.

The Statement of Activities (page 15) presents information showing how the County's net assets changed during 2003. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the County's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the County's general government departments, law enforcement, the courts, the Board of Commissioner operations, and other Countywide elected official operations are reported under these activities. This also includes the special revenue funds such as the Health Department and Sheriff Department Funds.
- ***Business-type Activities*** - These activities operate like private businesses. The County charges fees to recover the cost of the services provided. The Sanilac County Medical Care Facility Fund and the Delinquent Tax Funds are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. Four organizations are included as component units: the Sanilac County Board of Public Works, the Sanilac County Road Commission, the Sanilac County Economic Development Corporation, and the Drainage Districts.

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period, expenditures are recognized when they are due to be paid from available resources.

## **County of Sanilac Management's Discussion and Analysis**

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Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 18 and 21 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental funds; however depreciation expense is reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as reserves for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Bond proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the County's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

### **Fund Financial Statements (Reporting the County's Major Funds)**

The fund financial statements, which begin on page 16, provide information on the County's significant (major) funds, and aggregated non-major funds. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the County uses to keep track of specific sources of funding and spending for a particular purpose. State law or policy requires some separate funds, such as the Health Department and Child Care Fund; other funds are required by bond or grant agreements, such as the Friend of the Court Fund. Funds are also utilized to track specific operations; these include certain special revenue funds (e.g. Sheriff Department Fund), the internal services funds (e.g. Data Processing Fund, Health Insurance Fund) as well as enterprise funds (e.g. Medical Care Facility and Delinquent Tax Funds).

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for Sanilac County include the General Fund, the Health Department Fund, the Road Millage Fund, the Sheriff Department Fund, the Medical Care Facility Fund, and the 2002 Delinquent Tax Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The County includes detailed information on its non-major funds in the other supplementary information section of this report.

The County's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

## **County of Sanilac**

### **Management's Discussion and Analysis**

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- **Governmental Funds** - Most of the County's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the County's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- **Proprietary Funds** - Services for which the County charges customers (whether outside the County structure or a County department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Medical Care Facility Fund. *Internal Service funds* report activities that provide supplies or service to the County's other operations, such as the Data Processing Fund. Internal Service funds are reported as governmental activities on the government-wide statements.
- **Fiduciary Funds** - The County acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The County's fiduciary activities are reported in separate statements of Fiduciary Net Assets and Changes in Plan Net Assets on pages 28 and 29. These funds, which include trust and agency funds and the Pension Trust Fund, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the County to fund its operations.

### **Notes to the Financial Statements**

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 35 of this report.

### **Required Supplementary Information**

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

### **Other Supplementary Information**

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As previously stated, Sanilac County's combined net assets were \$10,293,683 at the end of this fiscal year's operations. The net assets of the governmental activities were \$4,095,751; the business type activities were \$6,197,932.

**County of Sanilac  
Management's Discussion and Analysis**

**Net Assets as of December 31, 2003**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total Primary Government</u></b>
Current and Other Assets	\$ 12,437,796	\$ 5,391,600	\$ 17,829,396
Non Current Assets	<u>6,090,353</u>	<u>2,067,334</u>	<u>8,157,687</u>
<b>Total Assets</b>	<b><u>\$ 18,528,149</u></b>	<b><u>\$ 7,458,934</u></b>	<b><u>\$ 25,987,083</u></b>
Current Liabilities	10,304,306	231,860	10,536,166
Other Liabilities	<u>4,128,092</u>	<u>1,029,142</u>	<u>5,157,234</u>
<b>Total Liabilities</b>	<b><u>\$ 14,432,398</u></b>	<b><u>\$ 1,261,002</u></b>	<b><u>\$ 15,693,400</u></b>
Net Assets			
Invested in Capital Assets (Net of related debt)	2,533,696	1,853,629	4,387,325
Restricted	1,865,952	362,790	2,228,742
Unrestricted	<u>(303,897)</u>	<u>3,981,513</u>	<u>3,677,616</u>
<b>Total Net Assets</b>	<b><u>\$ 4,095,751</u></b>	<b><u>\$ 6,197,932</u></b>	<b><u>\$ 10,293,683</u></b>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the County's primary government net assets changed during the fiscal year:

**Changes in Net Assets for the Fiscal Year Ending December 31, 2003**

	<b><u>Governmental Activities</u></b>	<b><u>Business Type Activities</u></b>	<b><u>Total</u></b>
<b>Revenues</b>			
Charges for Services	\$ 5,090,264	\$ 6,800,532	\$ 11,890,796
Grants and Contributions	4,074,249	-	4,074,249
General Revenues			
Property Taxes	8,326,833	-	8,326,833
State Shared Revenue	814,944	-	814,944
Investment Earnings	117,603	37,068	154,671
Miscellaneous	<u>300,120</u>	<u>239,271</u>	<u>539,391</u>
<b>Total Revenues</b>	<b>18,724,013</b>	<b>7,076,871</b>	<b>25,800,884</b>
<b>Expenses</b>			
General Government	\$ 3,185,380	\$ 117,006	\$ 3,302,386
Public Safety	5,134,284	-	5,134,284
Legislative	130,805	-	130,805
Public Works	2,755,827	-	2,755,827
Health and Welfare	5,106,125	6,509,734	11,615,859
Judicial	1,921,207	-	1,921,207
Recreation and Cultural	<u>655,890</u>	<u>-</u>	<u>655,890</u>
<b>Total Expenses</b>	<b><u>18,889,518</u></b>	<b><u>6,626,740</u></b>	<b><u>25,516,258</u></b>

**County of Sanilac**  
**Management's Discussion and Analysis**

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Excess (deficiency)	( 165,505 )	450,131	284,626
Transfers	<u>40,027</u>	<u>( 16,042 )</u>	<u>23,985</u>
<b>Increase (decrease) in Net Assets</b>	<b>( 125,478 )</b>	<b>434,089</b>	<b>308,611</b>
Net Assets - Beginning	<u>4,221,229</u>	<u>5,763,843</u>	<u>9,985,072</u>
<b>Net Assets - Ending</b>	<b><u>\$ 4,095,751</u></b>	<b><u>\$ 6,197,932</u></b>	<b><u>\$ 10,293,683</u></b>

**Governmental Activities:**

The result of 2003 governmental activity was a decrease of \$125,478 in net assets to \$4,095,751. Of the total governmental activities' net assets, \$2,533,696 is invested in capital assets less related debt, \$1,865,952 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the County government. The balance of \$(303,897) is listed as unrestricted, having no legal commitment.

**Revenues:**

The three largest revenue categories were property taxes at 45%, charges for services at 27%, and grants and contributions at 22%. The County levied nine property tax millages for the 2002 tax levy which is recognized as revenue in 2003, one being for general government operations at 4.1987 mills, which is not assigned to any particular activity, one for Council on Aging at .1966 mills, one for Ambulance services at .1966 mills, one for roads at 1.9663 mills, one for drug law enforcement at .50 mills, one for parks at .20 mills, one for county library services at .1966 mills, one for veterans services at .1214 mills, and one Medical Care Facility maintenance of effort for .1945. Charges for services, which reimburse the County for specific activities, are the second largest source of governmental activity revenue. Examples include District Court fees and services, Clerk's Office filing fees, Register of Deeds filing fees, and inmate boarding charges. Grants and contributions are the third largest source of governmental activity revenue.

**Expenses:**

Public Safety is the largest governmental activity, expending almost \$5.13 million of the \$18.89 million governmental activities total and includes offices such as the Sheriff Department and Jail operations, Central Dispatch and Construction and Land Use activities. Health and Welfare is the second largest area, expending \$5.11 million. Expenditures in this area include primarily Health Department, Child Care, Veterans, Transportation and Family Independence Agency operations.

**Business-type Activities:**

Net assets in business-type activities increased by \$434,089 during 2003. The vast majority of this increase was a result of an excess revenues generated in the Delinquent Tax Funds. Of the total business-type activities net assets, \$1,853,629 is invested in capital assets less related debt, \$362,790 is restricted, meaning these assets are legally committed to pay outstanding debt. The balance of \$3,981,513 of net assets in the business type activities is reported as unrestricted, having no legal commitment. However, it is important to note that although reported as unrestricted, many of these assets are anticipated to be designated through Board of Commissioners action to be spent on General Fund activities and self-funding of delinquent tax payments in future years.

**County of Sanilac  
Management's Discussion and Analysis**

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**FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NON MAJOR FUNDS**

As the County completed 2003, its governmental funds reported *combined* fund balances of \$2,130,583. This is a net decrease of \$(191,267), including prior period adjustments. The net changes are summarized in the following chart:

	<b>General Fund</b>	<b>Road Millage</b>	<b>Health Department</b>	<b>Sheriff</b>	<b>Other Non Major Governmental Funds</b>
<b>Fund Balance 12/31/02</b>	\$1,017,268	\$ 723	\$ 29,102	\$ 88,288	\$1,186,469
<b>Fund Balance 12/31/03</b>	\$ 673,396	\$ 1,290	\$ ( 127,733 )	\$ 96,731	\$1,486,899
<b>Net Change</b>	\$( 343,872)	\$ 567	\$( 156,835 )	\$ 8,443	\$ 300,430

The General Fund balance decreased by \$343,872, which is approximately the same figure budgeted by the County for anticipated use of fund balance during the 2003 year. The Health Department Fund balance decreased by \$156,835 mainly due to reductions in Federal and State grant programs and also certain third party fees (i.e. Medicaid) which were not equally matched by expenditure reductions, and also delays in cost report settlement payments which did not allow recognition of the corresponding revenues. The Road Millage Fund increased by \$567 from normal operations. The Sheriff Department Fund increased by \$8,443 from normal operations. The combined other non-major funds increased by \$300,430 due mainly to new fees resulting from the Register of Deeds Automation Fund and also excess revenues generated from Drug Law Enforcement and County Ambulance activities.

**General Fund:**

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement or Board policy, all County revenues and expenditures are recorded in the General Fund. As of December 31, 2003, the General Fund reported a fund balance of \$673,396. This amount is a decrease of \$343,872 from the fund balance of \$1,017,268 reported as of December 31, 2002. Of the total fund balance, \$126,916 is reserved, designated or earmarked for specific purposes.

The General Fund 2003 revenues exceeded 2003 expenditures by \$4,691,566, however, the General Fund also supports the operations of other funds including the Sheriff Department, Central Dispatch, Health Department, Child Care, Friend of the Court, Law Library, and the ROD Automation Fund. The General Fund also supports the internal service fund activities with transfers made to the Workers Compensation Fund, Insurance Fund, Employee Health Care Fund, Data Processing Fund, Accumulated Benefits Fund, and Mail Department Fund, and also transfers funds to Building Authority funds for debt service requirements.

**General Fund Budgetary Highlights:**

Sanilac County's budget is a dynamic document. Although adopted in December (prior to the start of the year), the budget is frequently amended during the course of the year to reflect changing operational demands.

## **County of Sanilac Management's Discussion and Analysis**

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Actual General Fund revenue and other financing sources totaled \$9,534,306, \$140,641 greater than the final amended budget. There were some variations in individual revenue accounts. Significantly, a portion of the variance is due to year end recording of a pass-through grant revenue that was not budgeted. Also, the Sheriff Department generated more charges for services revenue than anticipated due to the increase in care of prisoners and work release revenue activities related to Jail operations.

The County's expenditure budget was increased by \$112,800 (2.2% above the original budget) during 2003. Some of the more significant amendments were related to higher than anticipated costs related to courthouse and grounds, increase in construction and land use and planning activities, higher than anticipated costs for retirement and health insurance fringe benefits, and also a significant reduction in the budgeted appropriation made to the Sanilac County Mental Health Authority.

Actual County expenditures for 2003 were \$417,641 below budget. This is due to several reasons, for which the most significant are listed below:

- \$15,817 less than planned expenditures in the Emergency Services department due to positions remaining open part of the year.
- \$15,908 less than planned expenditures in the Treasurer Department due to positions remaining open part of the year.
- \$17,105 less than planned expenditures in Equalization Department due to utilizing less part-time labor.
- \$337,772 in contingency funds not expended.
- \$57,191 more than budgeted for expenditures related to a pass-through grant that was not budgeted.

### **Road Millage Fund:**

The Road Millage Fund is used to collect a dedicated tax levy for road projects. These funds are then transferred to the Road Commission (Component Unit) to be used for various road projects. As of December 31, 2003, the Road Millage Fund reported a fund balance of \$1,290, an increase of \$567 from the prior year. The total fund balance is considered to be undesignated/unreserved.

### **Health Department Fund:**

The Health Department Fund is used to report activities related to the various personal and environmental health services provided to County residents. Revenue is generated by Federal and State grant programs, charges for services, other local revenues and transfers from the General Fund. As of December 31, 2003, the Health Department Fund reported a fund deficit of \$(127,733), which is a decrease to fund balance of \$156,835 from the prior year.

### **Sheriff Fund**

The Sheriff Fund is used to report activities related to the Sheriff department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues and transfers from the General Fund. As of December 31, 2003, the Sheriff Fund reported a fund balance of \$96,731, which is an increase of \$8,443 from the prior year. Of the total fund balance, all but \$31 is undesignated/unreserved.

**County of Sanilac  
Management's Discussion and Analysis**

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**Significant Changes - Other Major Funds:**

GASB Statement No. 34 requires that funds designated as "major" be presented as a separate column on the face of the financial statements. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

Capital Assets - At the end of Fiscal Year 2003, the County primary government had invested \$7,821,443, and \$15,672,404 for the component units (excluding the Road Commission, see separately issued financial statements), net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$7,199,300 for the primary government, and \$8,638,730 for the component units. Depreciation charges for the fiscal year totaled \$653,649 for the primary government and \$771,815 for the component units.

	<b>Primary Governmental Activities</b>	<b>Primary Government Business- type Activities</b>	<b>Component Unit Drains</b>	<b>Total</b>
<b>Land and improvements</b>	\$ 183,918	\$ 90,379	\$ -	\$ 274,297
<b>Buildings</b>	6,843,025	3,549,924	-	10,392,949
<b>Equipment</b>	2,519,382	911,616	-	3,430,998
<b>Vehicles</b>	922,499	-	-	922,499
<b>Drains</b>	-	-	24,311,134	24,311,134
<b>Accumulated Depreciation</b>	(4,501,010 )	(2,698,290 )	(8,638,730)	(15,838,030)
<b>Capital assets, net</b>	<b>\$ 5,967,814</b>	<b>\$1,853,629</b>	<b>\$15,672,404</b>	<b>\$ 23,493,847</b>

Long-term Debt - As of December 31, 2003, the County had \$5,636,901 in bonds, notes and other outstanding obligations for the primary government. This level of net obligation is \$193,407 less than the obligation recorded as of December 31, 2002. In addition, the County uses its full faith and credit (as a secondary obligator), to back the Board of Public Works and Drainage District component unit debt. The Drain Commission administers debt for various local drainage districts and water and sewer systems for local municipalities in Sanilac County. All drain debt is payable out of assessments against the drainage districts, and all Board of Public Works debt is payable from contractual agreements with local units of government. The following table excludes the County Road Commission.

**County of Sanilac  
Management's Discussion and Analysis**

**Outstanding Debt as of December 31, 2003:**

	<b><u>Jan. 1, 2003</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Dec. 31, 2003</u></b>
<b>Primary Government</b>				
Governmental Activities				
Bonds Payable	\$3,495,000	\$1,175,000	\$1,250,000	\$ 3,420,000
Pension liability	507,162	-	28,001	479,161
Capital leases	18,081	-	3,963	14,118
Accum. Vacation and sick	653,767	40,713	-	694,480
Business-type Activities				
Notes payable	1,040,000	2,450,000	2,587,000	903,000
Accum. Vacation and sick	<u>116,298</u>	<u>9,844</u>	<u>-</u>	<u>126,142</u>
<b>Total Primary Government</b>	5,830,308	3,675,557	3,868,964	5,636,901
<b>Component Units</b>				
Board of Public Works				
Water System Bonds	9,840,000	-	535,000	9,305,000
Drainage Districts				
Drain Bonds and Notes	4,751,838	1,191,500	911,086	5,032,252
Economic Development Corp.				
Loan payable	<u>101,983</u>	<u>-</u>	<u>-</u>	<u>101,983</u>
<b>Total Component Units</b>	14,693,821	1,191,500	1,446,086	14,439,235
<b>Total Reporting Entity</b>	<b><u>\$20,524,129</u></b>	<b><u>\$4,867,057</u></b>	<b><u>\$5,315,050</u></b>	<b><u>\$ 20,076,136</u></b>
<b>Debt Limit (10% of SEV)</b>				<b>\$163,471,576</b>
<b>Available Statutory Debt Limit</b>				<b>\$143,395,440</b>

Activity for the Primary Government governmental activities during 2003 included issuance of \$1,175,000 in bonds used to advance refund the Jail Project bonds. Activity for the Primary Government business-type activities during 2003 included issuance of \$2,450,000 in Delinquent Tax notes which were used to purchase the 2002 delinquent real property taxes of the various municipalities in the County.

Activity for the Component Units (Drainage Districts) during 2003 included the issuance of \$1,191,500 in drainage district bonds and notes used to construct and/or improve various drainage projects.

A more detailed discussion of the County's long-term debt obligations is presented in Note G to the financial statements. The Road Commission's separately issued financial statements includes details about their long-term debt.

## **County of Sanilac Management's Discussion and Analysis**

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### **Limitations on Debt:**

State statute limits the County's debt obligations to 10 percent of the current state equalized value (SEV). The County's SEV as of December 31, 2003 was \$1,634,715,760; therefore the County's debt limitation was \$163,471,576. The County remains well below its legal debt limit by over \$140 million.

### **SANILAC COUNTY GOVERNMENT ECONOMIC OUTLOOK:**

- State revenue sharing has been declining and may face additional cuts due to state budget problems.
- Other state and federal revenues and/or grants are being reduced.
- Property tax revenue is not rising as rapidly as in past years.
- Investment earnings are at historically low levels.
- Health and dental insurance premiums are rising much faster than the rate of inflation.
- Retirement costs are increasing due to poor stock market performance over the last several years.
- Utility costs are rising faster than the rate of inflation.

These factors were considered in adopting the Budget for 2004. A usage of \$374,160 of the County's fund balance was included to balance the General Fund Budget. The County continues to look for ways to increase efficiencies and reduce the cost of doing business.

### **CONTACTING THE COUNTY**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the Sanilac County Treasurer's Office at (810) 648-2127 or Sanilac County Administration Office at (810) 648-2933.

## **BASIC FINANCIAL STATEMENTS**

## Sanilac County, Michigan

## STATEMENT OF NET ASSETS

December 31, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 2,667,365	\$ 2,962,679	\$ 5,630,044	\$ 4,618,064
Investments	106,842	-	106,842	-
Receivables	9,375,034	2,390,310	11,765,344	6,552,180
Due from other funds	62,018	125	62,143	-
Due from primary government	-	-	-0-	273,684
Inventories	7,067	9,144	16,211	239,064
Prepaid expenses	219,470	29,342	248,812	79,872
Current portion of lease receivable	-	-	-0-	535,000
Total current assets	12,437,796	5,391,600	17,829,396	12,297,864
Non-current assets				
Restricted cash and cash equivalents	-	24,211	24,211	-
Lease receivable	-	-	-0-	8,770,000
Advance to component unit	122,539	-	122,539	-
Advance to other funds	-	189,494	189,494	-
Capital assets, net	5,967,814	1,853,629	7,821,443	21,936,367
Total non-current assets	6,090,353	2,067,334	8,157,687	30,706,367
TOTAL ASSETS	18,528,149	7,458,934	25,987,083	43,004,231
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	370,537	61,532	432,069	243,220
Other accrued liabilities	823,151	96,693	919,844	39,033
Due to other funds	125	-	125	-
Due to component units	266,828	6,856	273,684	-
Due to other governmental units	56,000	1,031	57,031	11,774
Deferred revenue	8,597,665	65,748	8,663,413	222,278
Current portion of long-term debt	194,706	903,000	1,097,706	-
Total current liabilities	10,309,012	1,134,860	11,443,872	516,305
Non-current liabilities				
Advances from primary government	-	-	-0-	122,539
Advance from other governments	-	-	-0-	370,766
Advance from other funds	189,494	-	189,494	-
Compensated absences	694,480	126,142	820,622	1,030,470
Capital lease payable	9,412	-	9,412	1,011,330
Non-current portion of long-term debt	3,230,000	-	3,230,000	14,439,235
Total non-current liabilities	4,123,386	126,142	4,249,528	16,974,340
TOTAL LIABILITIES	14,432,398	1,261,002	15,693,400	17,490,645
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,533,696	1,853,629	4,387,325	15,892,785
Restricted for:				
Capital improvements	30,847	-	30,847	2,101,995
Debt service	47,797	362,790	410,587	6,614,640
Other purposes	1,787,308	-	1,787,308	796,565
Unrestricted	(303,897)	3,981,513	3,677,616	107,601
TOTAL NET ASSETS	\$ 4,095,751	\$ 6,197,932	\$ 10,293,683	\$ 25,513,586

See accompanying notes to financial statements.

## Sanilac County, Michigan

## GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2003

	General	Road Millage	Health Department (FYE 9-30-03)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 670,698	\$ 216,120	\$ (123,203)
Investments	106,842	-	-
Accounts receivable	141,521	-	34,317
Taxes receivable - current	4,141,876	1,955,772	-
Taxes receivable - delinquent	41,380	-	-
Loans receivable	-	-	-
Due from other funds	-	-	62,018
Due from other governmental units	584,170	-	114,058
Prepayments	4,377	-	13,997
Advance to component unit	122,539	-	-
<b>TOTAL ASSETS</b>	<b>\$ 5,813,403</b>	<b>\$ 2,171,892</b>	<b>\$ 101,187</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 56,081	\$ 4	\$ 26,048
Accrued payroll	22,533	-	23,556
Other accrued liabilities	136,073	-	93,672
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Due to component units	266,828	-	-
Deferred revenue	4,658,492	2,170,598	85,644
<b>TOTAL LIABILITIES</b>	<b>5,140,007</b>	<b>2,170,602</b>	<b>228,920</b>
<b>FUND EQUITY</b>			
Fund balance			
Reserved for:			
Inventories and prepaids	4,377	-	13,997
Advances to component units and other funds	122,539	-	-
Debt service	-	-	-
Unreserved			
Designated for specific expenditures	-	-	-
Undesignated, reported in:			
General fund	546,480	-	-
Special revenue funds	-	1,290	(141,730)
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>673,396</b>	<b>1,290</b>	<b>(127,733)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,813,403</b>	<b>\$ 2,171,892</b>	<b>\$ 101,187</b>

See accompanying notes to financial statements.

Sanilac County, Michigan  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
<b>Governmental activities</b>								
Legislative	\$ 130,805	\$ -	\$ -	\$ -	\$ (130,805)	\$ -	\$ (130,805)	\$ -
Judicial	1,921,207	640,712	900,158	-	(380,337)	-	(380,337)	-
General government	2,785,701	1,212,530	41,104	-	(1,532,067)	-	(1,532,067)	-
Public safety	5,134,284	2,253,102	548,504	-	(2,332,678)	-	(2,332,678)	-
Public works	2,755,827	116,843	-	-	(2,638,984)	-	(2,638,984)	-
Health and welfare	5,106,125	640,533	2,490,870	-	(1,974,722)	-	(1,974,722)	-
Recreation and cultural	655,890	226,544	93,613	-	(335,733)	-	(335,733)	-
Unallocated depreciation	265,492	-	-	-	(265,492)	-	(265,492)	-
Interest on long-term debt	134,187	-	-	-	(134,187)	-	(134,187)	-
<b>Total governmental activities</b>	<b>18,889,518</b>	<b>5,090,264</b>	<b>4,074,249</b>	<b>-0-</b>	<b>(9,725,005)</b>	<b>-0-</b>	<b>(9,725,005)</b>	<b>-0-</b>
<b>Business-type activities:</b>								
Medical Care Facility	6,509,734	6,064,619	-	-	-	(445,115)	(445,115)	-
Delinquent Tax 2002	28,294	189,686	-	-	-	161,392	161,392	-
Other	88,712	546,227	-	-	-	457,515	457,515	-
<b>Total business-type activities</b>	<b>6,626,740</b>	<b>6,800,532</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>173,792</b>	<b>173,792</b>	<b>-0-</b>
<b>Total primary government</b>	<b>\$ 25,516,258</b>	<b>\$ 11,890,796</b>	<b>\$ 4,074,249</b>	<b>\$ -0-</b>	<b>(9,725,005)</b>	<b>173,792</b>	<b>(9,551,213)</b>	<b>-0-</b>
<b>Component units:</b>								
Drainage Districts	578,789	26,848	-	1,508,546	-	-	-0-	956,605
Board of Public Works	725,823	-	534,176	-	-	-	-0-	(191,647)
Economic Development Corporation	310,451	37,865	226,449	-	-	-	-0-	(46,137)
Road Commission	10,117,077	1,492,358	6,889,871	2,160,318	-	-	-0-	425,470
<b>Total component units</b>	<b>\$ 11,732,140</b>	<b>\$ 1,557,071</b>	<b>\$ 7,650,496</b>	<b>\$ 3,668,864</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>	<b>1,144,291</b>
<b>General revenues:</b>								
Property taxes					8,326,833	-	8,326,833	1,638,755
State shared revenue					814,944	-	814,944	-
Investment earnings					117,603	37,068	154,671	174,371
Intergovernmental transfers (net)					-	155,304	155,304	-
Bond discount/escrow payment					(78,560)	-	(78,560)	-
Loss on equipment disposal					-	-	-0-	(139,170)
Miscellaneous					378,680	83,967	462,647	129,355
Transfers					40,027	(16,042)	23,985	(40,542)
<b>Total general revenues and transfers</b>					<b>9,599,527</b>	<b>260,297</b>	<b>9,859,824</b>	<b>1,762,769</b>
<b>Change in net assets</b>					<b>(125,478)</b>	<b>434,089</b>	<b>308,611</b>	<b>2,907,060</b>
<b>Net assets, beginning of the year</b>					<b>4,248,168</b>	<b>5,763,843</b>	<b>10,012,011</b>	<b>22,606,526</b>
<b>Prior period adjustments</b>					<b>(26,939)</b>	<b>-</b>	<b>(26,939)</b>	<b>-</b>
<b>Net assets, end of the year</b>					<b>\$ 4,095,751</b>	<b>\$ 6,197,932</b>	<b>\$ 10,293,683</b>	<b>\$ 25,513,586</b>

See accompanying notes to financial statements.

Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ 160,038	\$ 1,415,743	\$ 2,339,396
-	-	106,842
2,240	87,615	265,693
-	1,593,954	7,691,602
-	-	41,380
-	376,750	376,750
-	-	62,018
-	300,183	998,411
31	120,224	138,629
-	-	122,539
<u>\$ 162,309</u>	<u>\$ 3,894,469</u>	<u>\$ 12,143,260</u>
\$ 38,903	\$ 180,079	\$ 301,115
26,675	23,364	96,128
-	2,677	232,422
-	125	125
-	56,000	56,000
-	-	266,828
-	2,145,325	9,060,059
65,578	2,407,570	10,012,677
31	120,221	138,626
-	-	122,539
-	47,797	47,797
-	105,807	105,807
-	-	546,480
96,700	1,182,227	1,138,487
-	30,847	30,847
<u>96,731</u>	<u>1,486,899</u>	<u>2,130,583</u>
<u>\$ 162,309</u>	<u>\$ 3,894,469</u>	<u>\$ 12,143,260</u>

Sanilac County, Michigan

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

December 31, 2003

**Total fund balance - governmental funds** \$ 2,130,583

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

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

The cost of capital assets is	8,037,821	
Accumulated depreciation is	<u>(2,614,104)</u>	
Capital assets, net		5,423,717

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

Net assets of governmental activities accounted for in Internal Service Funds		672,698
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Certain receivables are not susceptible to accrual in the Fund Financial Statements due to not having met the criteria to be considered available to finance current operations

Loans receivable	376,750	
Due from other governmental units	<u>85,644</u>	
		462,394

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Net pension obligation	(479,161)	
Direct County obligations	(3,420,000)	
Compensated absences	<u>(694,480)</u>	
		<u>(4,593,641)</u>

**Net assets of governmental activities** \$ 4,095,751

See accompanying notes to financial statements.

## Sanilac County, Michigan

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	General	Road Millage	Health Department (FYE 9-30-03)
<b>REVENUES</b>			
Taxes	\$ 4,651,296	\$ 2,103,929	\$ -
Licenses and permits	461,927	-	145,800
Intergovernmental	1,650,392	-	1,179,935
Charges for services	2,283,385	-	366,103
Fines and forfeits	49,548	-	-
Interest and rents	176,897	18,391	-
Other	189,838	-	45,275
<b>TOTAL REVENUES</b>	<b>9,463,283</b>	<b>2,122,320</b>	<b>1,737,113</b>
<b>EXPENDITURES</b>			
Current			
Legislative	97,994	-	-
General government	1,734,303	-	-
Judicial	1,035,151	-	-
Public safety	412,054	-	-
Public works	268,043	2,121,753	-
Health and welfare	230,318	-	2,022,103
Recreation and culture	-	-	-
Other	993,854	-	-
Capital outlay	-	-	26,841
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>4,771,717</b>	<b>2,121,753</b>	<b>2,048,944</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,691,566</b>	<b>567</b>	<b>(311,831)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	-	-
Bond discount	-	-	-
Payment to bond escrow agent	-	-	-
Operating transfers in	30,481	-	181,935
Operating transfers out	(5,106,461)	-	-
Transfers from component unit	40,542	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(5,035,438)</b>	<b>-0-</b>	<b>181,935</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(343,872)</b>	<b>567</b>	<b>(129,896)</b>
Fund balances, beginning of year	1,017,268	723	29,102
Prior period adjustments	-	-	(26,939)
Fund balances, end of year	<b>\$ 673,396</b>	<b>\$ 1,290</b>	<b>\$ (127,733)</b>

See accompanying notes to financial statements.

Sheriff	Other Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ 1,712,018	\$ 8,467,243
-	18,170	625,897
2,515	2,056,889	4,889,731
37,652	1,014,250	3,701,390
-	184,067	233,615
-	298,158	493,446
666	141,036	376,815
<u>40,833</u>	<u>5,424,588</u>	<u>18,788,137</u>
-	-	97,994
-	-	1,734,303
-	493,813	1,528,964
2,582,114	1,613,678	4,607,846
-	73,074	2,462,870
-	2,387,470	4,639,891
-	600,309	600,309
-	-	993,854
-	442,654	469,495
-	165,000	165,000
-	134,187	134,187
<u>2,582,114</u>	<u>5,910,185</u>	<u>17,434,713</u>
(2,541,281)	(485,597)	1,353,424
-	1,175,000	1,175,000
-	(27,371)	(27,371)
-	(1,136,189)	(1,136,189)
2,550,032	1,128,046	3,890,494
(308)	(353,459)	(5,460,228)
-	-	40,542
<u>2,549,724</u>	<u>786,027</u>	<u>(1,517,752)</u>
8,443	300,430	(164,328)
88,288	1,186,469	2,321,850
-	-	(26,939)
<u>\$ 96,731</u>	<u>\$ 1,486,899</u>	<u>\$ 2,130,583</u>

Sanilac County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ (164,328)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	238,488	
Depreciation expense	<u>(265,492)</u>	
Excess of depreciation expense over capital outlay		(27,004)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net expense from governmental activities accounted for in Internal Service Funds		(68,061)
--	--	----------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in loans receivable	32,522	
Change in due from other governmental units	<u>39,105</u>	
		71,627

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	1,250,000	
Bond borrowing	<u>(1,175,000)</u>	
		75,000

Some items 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. These activities consist of:

Decrease in net pension obligation	28,001	
(Increase) in accrued compensated absences	<u>(40,713)</u>	
		<u>(12,712)</u>

**Change in net assets of governmental activities** \$ (125,478)

See accompanying notes to financial statements.

## Sanilac County, Michigan

## Proprietary Funds

## STATEMENT OF NET ASSETS

December 31, 2003

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax 2002	Other Non-major Enterprise Funds		Internal Service Funds
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 851,422	\$ 129,384	\$ 1,981,873	\$ 2,962,679	\$ 327,969
Taxes receivable - delinquent	-	1,124,241	271,447	1,395,688	-
Receivables	965,302	-	910	966,212	1,198
Inventory	9,144	-	-	9,144	7,067
Due from other funds	-	79	781,572	781,651	-
Due from other governmental units	-	14,304	14,106	28,410	-
Prepaid expenses	29,342	-	-	29,342	80,841
<b>TOTAL CURRENT ASSETS</b>	<b>1,855,210</b>	<b>1,268,008</b>	<b>3,049,908</b>	<b>6,173,126</b>	<b>417,075</b>
Restricted and other assets					
Cash and cash equivalents - restricted	24,211	-	-	24,211	-
Advances to other funds	-	-	189,494	189,494	-
<b>Total restricted assets</b>	<b>24,211</b>	<b>-0-</b>	<b>189,494</b>	<b>213,705</b>	<b>-0-</b>
Fixed assets					
Land	90,379	-	-	90,379	64,000
Buildings and improvements	3,549,924	-	-	3,549,924	117,912
Equipment	911,616	-	-	911,616	1,520,563
Vehicles	-	-	-	-	728,528
Less: accumulated depreciation	(2,698,290)	-	-	(2,698,290)	(1,886,906)
<b>Net fixed assets</b>	<b>1,853,629</b>	<b>-0-</b>	<b>-0-</b>	<b>1,853,629</b>	<b>544,097</b>
<b>TOTAL ASSETS</b>	<b>3,733,050</b>	<b>1,268,008</b>	<b>3,239,402</b>	<b>8,240,460</b>	<b>961,172</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	61,532	-	-	61,532	69,422
Accrued payroll	30,576	-	-	30,576	15,440
Accrued liabilities	2,263	1,595	9,219	13,077	-
Due to other funds	-	-	781,526	781,526	-
Due to component units	-	-	6,856	6,856	-
Due to other governmental units	-	623	408	1,031	-
Payable from restricted assets	24,211	-	-	24,211	-
Deferred revenue	65,748	-	-	65,748	-
Notes payable	-	903,000	-	903,000	-
Security deposits payable	28,829	-	-	28,829	-
<b>Total current liabilities</b>	<b>213,159</b>	<b>905,218</b>	<b>798,009</b>	<b>1,916,386</b>	<b>84,862</b>
Other liabilities					
Capital leases payable	-	-	-	-0-	14,118
Accrued vacation and sick	126,142	-	-	126,142	-
Advances from other funds	-	-	-	-0-	189,494
<b>TOTAL LIABILITIES</b>	<b>339,301</b>	<b>905,218</b>	<b>798,009</b>	<b>2,042,528</b>	<b>288,474</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of debt	1,853,629	-	-	1,853,629	529,979
Restricted	-	362,790	-	362,790	80,620
Unrestricted	1,540,120	-	2,441,393	3,981,513	62,099
<b>TOTAL NET ASSETS</b>	<b>\$ 3,393,749</b>	<b>\$ 362,790</b>	<b>\$ 2,441,393</b>	<b>\$ 6,197,932</b>	<b>\$ 672,698</b>

See accompanying notes to financial statements.

## Sanilac County, Michigan

## Proprietary Funds

## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2003

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax 2002	Other Non-major Enterprise Funds		Internal Service Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 6,474,533	\$ -	\$ -	\$ 6,474,533	\$ 201,029
Contractual adjustments/prior cost settlements	(431,763)	-	-	(431,763)	-
Interest on taxes	-	96,986	221,655	318,641	-
Sales	21,849	-	165,461	187,310	-
Administrative fees	-	92,700	159,111	251,811	-
Other	63,245	-	20,722	83,967	221,839
<b>TOTAL OPERATING REVENUES</b>	<b>6,127,864</b>	<b>189,686</b>	<b>566,949</b>	<b>6,884,499</b>	<b>422,868</b>
<b>OPERATING EXPENSES</b>					
Salaries	3,540,257	-	230	3,540,487	50,638
Fringe benefits	1,316,606	-	18	1,316,624	1,375,664
Contractual services	325,888	27	31,221	357,136	168,862
Supplies	614,803	-	1,563	616,366	222,125
Depreciation	200,387	-	-	200,387	187,770
Other	511,793	10,218	50,208	572,219	55,089
<b>TOTAL OPERATING EXPENSES</b>	<b>6,509,734</b>	<b>10,245</b>	<b>83,240</b>	<b>6,603,219</b>	<b>2,060,148</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(381,870)</b>	<b>179,441</b>	<b>483,709</b>	<b>281,280</b>	<b>(1,637,280)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental transfers in	11,858,585	-	-	11,858,585	-
Intergovernmental transfers out	(11,703,281)	-	-	(11,703,281)	-
Interest revenue	10,483	3,236	23,349	37,068	-
Interest expense	-	(18,049)	(5,472)	(23,521)	-
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>165,787</b>	<b>(14,813)</b>	<b>17,877</b>	<b>168,851</b>	<b>-0-</b>
<b>INCOME (LOSS) BEFORE TRANSFERS IN (OUT)</b>	<b>(216,083)</b>	<b>164,628</b>	<b>501,586</b>	<b>450,131</b>	<b>(1,637,280)</b>
<b>TRANSFERS IN (OUT)</b>					
Operating transfers in	-	-	956,155	956,155	1,569,644
Operating transfers out	-	-	(972,197)	(972,197)	(425)
<b>TOTAL TRANSFERS IN (OUT)</b>	<b>-0-</b>	<b>-0-</b>	<b>(16,042)</b>	<b>(16,042)</b>	<b>1,569,219</b>
<b>CHANGE IN NET ASSETS</b>	<b>(216,083)</b>	<b>164,628</b>	<b>485,544</b>	<b>434,089</b>	<b>(68,061)</b>
Net assets, beginning of year	3,609,832	198,162	1,955,849	5,763,843	740,759
Net assets, end of year	<u>\$ 3,393,749</u>	<u>\$ 362,790</u>	<u>\$ 2,441,393</u>	<u>\$ 6,197,932</u>	<u>\$ 672,698</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Business-type Activities		
	Medical Care Facility	Delinquent Tax 2002	Other Non-major Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 6,105,232	\$ 2,537,616	\$ 1,663,979
Cash paid to suppliers	(1,454,929)	(3,367,518)	(273,525)
Cash paid for employee benefits	(1,322,053)	-	-
Cash paid to employees	(3,665,300)	-	(230)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(337,050)</b>	<b>(829,902)</b>	<b>1,390,224</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Proceeds of notes	-	2,450,000	-
Note payments	-	(1,547,000)	(1,040,000)
Interest expense	-	(18,049)	(5,472)
Intergovernmental transfers in	11,858,585	-	-
Intergovernmental transfers out	(11,703,281)	-	-
Transfers in	-	3,071	704,733
Transfers out	-	-	(236,812)
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>155,304</b>	<b>888,022</b>	<b>(577,551)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital acquisitions	(76,495)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	10,483	3,236	23,349
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(247,758)</b>	<b>61,356</b>	<b>836,022</b>
Cash and cash equivalents, beginning of year	1123391	68,028	1,145,851
Cash and cash equivalents, end of year	<u>\$ 875,633</u>	<u>\$ 129,384</u>	<u>\$ 1,981,873</u>

See accompanying notes to financial statements.

	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 10,306,827	\$ 426,144
(5,095,972)	(456,005)
(1,322,053)	(1,375,664)
<u>(3,665,530)</u>	<u>(49,064)</u>
223,272	(1,454,589)
2,450,000	-
(2,587,000)	-
(23,521)	-
11,858,585	-
(11,703,281)	-
707,804	1,576,751
<u>(236,812)</u>	<u>(425)</u>
465,775	1,576,326
(76,495)	(168,148)
<u>37,068</u>	<u>-</u>
649,620	(46,411)
<u>2,337,270</u>	<u>374,380</u>
<u>\$ 2,986,890</u>	<u>\$ 327,969</u>

Sanilac County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2003

	Business-type Activities		
	Medical Care Facility	Delinquent Tax 2002	Other Non-major Enterprise Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (381,870)	\$ 179,441	\$ 483,709
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities			
Depreciation	200,387	-	-
(Increase) Decrease in receivables	5,460	(1,011,561)	901,561
(Increase) in prepaid expenses	(8,272)	-	-
Increase (decrease) in accounts payable	5,827	-	-
Increase (decrease) in deferred revenue	(28,092)	-	-
Increase (decrease) in due to other governments	-	623	361
Increase (decrease) in accrued liabilities	(130,490)	1,595	4,593
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>\$ (337,050)</u></b>	<b><u>\$ (829,902)</u></b>	<b><u>\$ 1,390,224</u></b>

	<u>Governmental Activities</u>
<u>Total</u>	<u>Internal Service Funds</u>
\$ 281,280	\$ (1,637,280)
200,387	187,770
(104,540)	3,276
(8,272)	(7,718)
5,827	(2,211)
(28,092)	
984	1,574
<u>(124,302)</u>	<u>-</u>
<u>\$ 223,272</u>	<u>\$ (1,454,589)</u>

Sanilac County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2003

	Agency Funds	Pension Trust Fund
	<u>                    </u>	<u>                    </u>
ASSETS		
Cash and cash equivalents	\$ 359,742	\$ 509,675
Investments	-	22,923,352
Accounts Receivable	-	130,859
Accrued interest receivable	-	132,957
Due from other funds	138,188	87,752
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 497,930</u>	<u>\$ 23,784,595</u>
LIABILITIES		
Accounts payable	\$ -	\$ 30,147
Undistributed collections	185,790	-
Due to other funds	6,688	291
Due to other governmental units	208,281	-
Due to individuals and agencies	97,171	-
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	<u>\$ 497,930</u>	<u>\$ 30,438</u>
NET ASSETS		
Held in trust for pension benefits		<u>\$ 23,754,157</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2003

	<u>Pension Trust Fund</u>
<b>ADDITIONS</b>	
Investment income	
Interest and dividends	\$ 597,557
Net increase in fair value of investments	3,085,363
Less investment expenses	<u>(151,794)</u>
Net investment income	3,531,126
Contributions	
Employer	-
Mental Health	341,265
Other	1,175,268
Employees	<u>249,006</u>
Total contributions	1,765,539
Other revenue	<u>49,786</u>
TOTAL ADDITIONS	5,346,451
<b>DEDUCTIONS</b>	
Benefit payments	872,234
Refunds of contributions	59,147
Administrative expenses	28,503
Other	<u>46,327</u>
TOTAL DEDUCTIONS	<u>1,006,211</u>
CHANGE IN NET ASSETS	4,340,240
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>	
Beginning of year	<u>19,413,917</u>
End of year	<u><u>\$ 23,754,157</u></u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Board of Public Works	Road Commission	Drainage Districts
<b>ASSETS</b>			
Cash and cash equivalents	\$ 149,041	\$ 1,050,012	\$ 3,209,468
Special assessments receivable	-	-	5,284,081
Accounts receivable	-	4,347	-
Due from other governmental units	-	1,180,139	-
Inventory	-	239,064	-
Prepaid expenses	-	79,872	-
Due from other funds	-	-	222,807
Due from primary government	-	-	273,684
Advances to other funds	-	-	84,000
Leases receivable	9,305,000	-	-
Capital assets (net of accum. depreciation)	-	6,263,963	15,672,404
	<u>9,454,041</u>	<u>8,817,397</u>	<u>24,746,444</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	63,877	146,316	13,223
Accrued liabilities	-	34,033	-
Compensated absences	-	1,030,470	-
Deferred revenue	-	158,510	-
Lease purchases payable	-	1,011,330	-
Due to other funds	-	-	222,807
Due to individuals	-	5,000	-
Notes, bonds, and loans payable	9,305,000	-	5,032,252
Advances from other funds	-	-	84,000
Due to other governmental units	-	11,774	-
Advances from other governmental units	-	370,766	-
Advances from primary government	-	-	122,539
	<u>9,368,877</u>	<u>2,768,199</u>	<u>5,474,821</u>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	5,252,633	10,640,152
Restricted for other purposes	-	796,565	-
Reserved for debt service	1,551	-	6,613,089
Unrestricted			
Designated for capital expenditures	83,613	-	2,018,382
Undesignated	-	-	-
	<u>85,164</u>	<u>6,049,198</u>	<u>19,271,623</u>
<b>TOTAL NET ASSETS</b>			

Economic Development Corporation	Total Component Units
\$ 209,543	\$ 4,618,064
-	5,284,081
-	4,347
83,613	1,263,752
-	239,064
-	79,872
-	222,807
-	273,684
-	84,000
-	9,305,000
-	21,936,367
<hr/>	<hr/>
293,156	43,311,038
19,804	243,220
-	34,033
-	1,030,470
63,768	222,278
-	1,011,330
-	222,807
-	5,000
101,983	14,439,235
-	84,000
-	11,774
-	370,766
-	122,539
<hr/>	<hr/>
185,555	17,797,452
-	15,892,785
-	796,565
-	6,614,640
-	2,101,995
107,601	107,601
<hr/>	<hr/>
<u>\$ 107,601</u>	<u>\$ 25,513,586</u>

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets
		Charges for Services	Operating Grants	Capital Grants	
Drainage Districts	\$ 578,789	\$ 26,848	\$ -	\$ 1,508,546	\$ 956,605
Board of Public Works	725,823	-	534,176	-	(191,647)
Economic Development Corp.	310,451	37,865	226,449	-	(46,137)
Road Commission	10,117,077	1,492,358	6,889,871	2,160,318	425,470
<b>TOTALS</b>	<b>\$ 11,732,140</b>	<b>\$ 1,557,071</b>	<b>\$ 7,650,496</b>	<b>\$ 3,668,864</b>	<b>1,144,291</b>
General revenues					
Taxes					1,638,755
Investment earnings					174,371
Miscellaneous					129,355
Loss on equipment disposal					(139,170)
Transfers to primary government - net					(40,542)
Total general revenues and transfers					1,762,769
<b>CHANGE IN NET ASSETS</b>					<b>2,907,060</b>
Net assets, beginning of year					22,606,526
Net assets, end of year					<b>\$ 25,513,586</b>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Fiduciary Fund - Road Commission

STATEMENT OF NET ASSETS

December 31, 2003

	<u>Pension Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 11,436
Investments	<u>3,556,754</u>
TOTAL ASSETS	<u>\$ 3,568,190</u>
 NET ASSETS	
Held in trust for pension benefits	<u>\$ 3,568,190</u>

See accompanying notes to financial statements.

Sanilac County, Michigan

Component Unit Pension Trust Fund - Road Commission

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended December 31, 2003

	<u>Pension Trust Fund</u>
ADDITIONS	
Investment income	
Interest and dividends	\$ 44,864
Net increase in fair value of investments	<u>765,301</u>
Net investment income	810,165
Contributions	
Employer	<u>217,046</u>
TOTAL ADDITIONS	1,027,211
DEDUCTIONS	
Benefit payments	<u>98,190</u>
CHANGE IN NET ASSETS	929,021
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>2,639,169</u>
End of year	<u><u>\$ 3,568,190</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Sanilac, Michigan was incorporated in 1820, and covers an area of approximately 961 square miles with the County seat located in the City of Sandusky. The County operates under an elected Board of Commissioners and provides services to its more than 44,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County does not apply the Financial Accounting Standards Board's Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, The Financial Reporting Entity; and Statement on Michigan Governmental Accounting and Auditing No. 5, these financial statements present the financial activities of Sanilac County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Unit

The Sanilac County Building Authority is governed by a four (4) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Sanilac County Building Authority is reported as if it were part of the (blended) primary government because its sole purpose is to finance and construct the County's public buildings.

The financial statements of the Sanilac County Health Department (primary government Special Revenue Fund) are reported on the fiscal year ended September 30, 2003.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Sanilac County remains financially accountable for these entities, or the nature and significance of the relationship between these entities and Sanilac County is such that exclusion of these entities would render the financial statements misleading or incomplete.

The Sanilac County Road Commission maintains local, state, and federal trunklines within Sanilac 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 elected by the residents of the County. The Road Commission is financially accountable to the County due to all general long-term debt issuances excluding capital lease purchase agreements require County authorization. This component unit is audited individually and financial statements are issued under separate cover.

The financial statements of the Sanilac County Road Commission may be obtained from the administrative office of the Road Commission located at 35 N. Flynn Street, Sandusky, MI 48471.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

The Sanilac County Board of Public Works (BPW) is a seven (7) member Board comprised of the Drain Commissioner and six (6) members appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW can acquire, improve, operate, and maintain water and sewage disposal systems for local units of government and has the responsibility of administering the various local unit public works construction projects and the associated debt service funds under the provision of Act 185 of the Public Acts of 1957. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Drainage Districts come under the jurisdiction of the Sanilac County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$150,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance. The Drainage Districts are financially accountable to the County because bond issuances greater than \$150,000 require County authorization and are backed by the full faith and credit of the County.

The Sanilac County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a thirteen (13) person Board of Directors appointed by the County Board of Commissioners. The EDC may not issue debt without the County's approval and administers Federal economic development grant money which is received by the County.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of 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.

FUND FINANCIAL STATEMENTS

The fund financial statements present the County's individual major funds and aggregated non-major funds. 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.

The major funds of the County are described as follows:

GOVERNMENTAL FUNDS

- a. General Fund - The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

GOVERNMENTAL FUNDS - CONTINUED

- b. Health Department Fund - The Health Department Fund is used to report activities related to various personal and environmental health services provided to County residents. These activities are financed primarily by Federal and State grants, user charges and other local revenues.
- c. Road Millage Fund - The Road Millage Fund is used to account for the collection of a dedicated tax levy and transfers of funds to the Road Commission related to road projects.
- d. Sheriff Fund - The Sheriff Fund is used to report activities related to the Sheriff department and jail operations. These activities are financed by user charges, Federal and State grants, and other local revenues that are initially reported in the General Fund and then are transferred through a County appropriation to this fund.

PROPRIETARY FUNDS

- a. Medical Care Facility Fund - The Medical Care Facility Fund is used to report activities related to providing long-term care services to County residents. These activities are financed primarily by user charges (Medicaid, Medicare, private, etc.).
- b. Delinquent Tax 2002 Fund - The Delinquent Tax 2002 Fund is used to account for money advanced by the County to other local taxing units and various County funds to pay for their 2002 delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties and interest.

5. Measurement Focus

The government-wide, proprietary, and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

6. Basis of Accounting

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

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued 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 County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

7. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in certificates of deposit, money markets and investment trust funds with an original maturity of 90 days or less. 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.

8. Investments

Investments are reported at fair value. Investments consist of various Pension Fund securities (i.e., U.S. government securities, American depository receipts, corporate bonds, common stock, foreign stocks and bonds) and certificates of deposit with an original maturity of over 90 days. The difference between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the statement of changes in Plan Net Assets as net appreciation or depreciation in the fair value of investments.

9. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs and accounts receivable related to charges for services. Where appropriate, the estimated portion that is expected to be uncollectible is represented as an allowance for doubtful accounts.

10. Inventories

The cost of inventory items in the primary government governmental funds is recorded as an expenditure at the time of purchase.

Inventories in the Component Unit Road Commission governmental fund consists of various road construction and maintenance supplies and materials. These items are valued at cost determined on the average cost and specific identification methods.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Prepaid Expenditures

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenditures.

12. Restricted Assets

Certain revenues and resources in the proprietary fund types are classified as restricted assets on the balance sheet because their use is limited. The restricted assets of the County reported in the Medical Care Facility Fund represent accumulated restricted donations and patient trust deposits.

13. Lease Receivable

The County has irrevocably pledged its full faith and credit as collateral for certain water and sewer system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, provide the monies required to meet the principal and interest on the water and sewer system bonds. All future amounts due for bond principal and an additional amount for the amount of accrued interest payable has been recorded as a lease receivable at the government-wide level based on guidance from MCGAA Statement 10, as amended. The receivable has been reported as current based on the amounts to be collected next year to satisfy obligations and amounts to be collected subsequently which have been reported as noncurrent.

14. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5000 or more and an estimated useful life of more than one year. All drain infrastructure other than routine maintenance is capitalized retroactively back to June 30, 1980 as required by GASB Statement No. 34.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	25 - 40 years
Vehicles and equipment	5 - 5 years
Drain infrastructure	30 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., road, bridges and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Infrastructure assets are being capitalized and depreciated beginning fiscal year 2003 as indicated on the government-wide statements. Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Capital Assets - continued

ROAD COMMISSION - COMPONENT UNIT - CONTINUED

GASB Statement No. 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980, be inventoried and capitalized by the fourth anniversary of the mandated date of adoption of the other provisions of GASB Statement No. 34. The Road Commission has capitalized the current year's infrastructure as required, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets on or before December 31, 2007, as permitted by GASB Statement No. 34.

Depreciation is computed on the sum-of-the-years digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	5 - 30 years
Infrastructure - Bridges	12 - 50 years

15. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

16. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of December 31, 2003, including related payroll taxes, is recorded in the government-wide financial statements for the Primary Government and Component Units.

17. Deferred Revenue

Deferred revenue consists of amounts related to long-term special assessment tax receivables, December 2003 current tax levy receivables, and various grant revenues recorded at the fund level that are not available to finance current period expenditures and are therefore deferred.

NOTES TO FINANCIAL STATEMENTS

December 31 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

18. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers, except that pension contributions, recorded as revenue in the Pension Trust Fund, represent remittances of required amounts from the County and employees pursuant to pension plan agreements. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund provides administrative services to various funds. Amounts charged to the other funds for these services are based on the County's cost allocation plan and are treated as miscellaneous revenues in the General Fund and as operating expenditures/expenses in the other funds.

Internal Service Funds are used to record charges for services to all County departments and funds as operating transfers or operating revenues. All County funds record these payments to the Internal Service Funds as operating transfers or operating expenditures/expenses.

19. Contractual Adjustments

The County records all charges for services of the primary government Medical Care Facility (Enterprise) Fund as gross charges. However, because most of the intermediaries reimburse the facilities at something less than gross charges, the underrealization of charges are recorded as contractual adjustments and deducted from gross charges as a reduction in operating income.

20. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown in the financial statements were prepared on a basis consistent with the modified accrual basis used to reflect actual results.

The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds. For control purposes, all funds' budgets are maintained at the activity and account level. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were material in relation to the original appropriations that were adopted.

21. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the financial statements.

22. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

23. Accounting Change

As of January 1, 2003, the County implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations has been included.
- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the County's activities have been provided. Reconciliations are presented between the governmental fund level (modified accrual) and government-wide (full accrual) statements since their measurement focus is not the same.
- Capital assets reported on the primary government statement of net assets include assets in the amount of \$5,423,717, which was previously reported in the Primary Government General Fixed Assets Account Group. Capital assets reported on the component unit statement of net assets include assets in the amount of \$2,059,862, which was previously reported in the Component Unit General Fixed Assets Account Groups, and also \$19,876,505 of infrastructure, which was not previously reported in the financial statements. The government-wide statement of activities reflects depreciation expenses on the County's applicable capital assets.
- Long-term obligations reported on the statement of net assets include \$4,593,641, which was previously reported in the Primary Government General Long-term Debt Account Group, and also \$16,481,035, which was previously reported in the Component Unit General Long-Term Debt Account Groups.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and interfund balances and transactions, and various other disclosures.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes a pooled cash account for numerous funds. The County's pooled cash is utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of this pooled account is included in the cash and cash equivalents caption on the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and investment trust funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

- b. 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 Sanilac 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 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

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 bank for savings deposits, and \$100,000 for 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. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the federal loan mortgage corporation, federal national mortgage association, or government national mortgage association.

As of December 31, 2003, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Amount</u>	<u>Balance</u>
PRIMARY GOVERNMENT		
Checking	\$ 10,845	\$ 287,399
Savings and money market accounts	6,761,087	5,866,562
Certificates of deposit	<u>106,771</u>	<u>106,771</u>
TOTAL PRIMARY GOVERNMENT	6,878,703	6,260,732
COMPONENT UNITS		
Checking	27,951	479,466
Savings and money market accounts	<u>3,239,282</u>	<u>3,239,282</u>
TOTAL COMPONENT UNITS	<u>3,267,233</u>	<u>3,718,748</u>
TOTAL REPORTING ENTITY	<u>\$10,145,936</u>	<u>\$ 9,979,480</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of December 31, 2003, the primary government and component unit accounts were insured by the FDIC or FSLIC for \$1,433,412 and the amount of \$8,546,068 was uninsured and uncollateralized.

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

Sanilac County, Michigan  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

As of December 31, 2003, the carrying amounts and market values for each investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount/ Fair Value</u>
<b>PRIMARY GOVERNMENT</b>	
Insured or registered for which the securities are held by the County's agent not in the County's name	
U.S. Government securities	\$ 5,315,267
Uninsured and unregistered for which the securities are held by the counterparty, or by the counterparty's trust department or agent, but not in the County's name	
American depository receipts	2,920,593
Corporate bonds	5,393,402
Common stock	8,239,523
Foreign stock	72,801
Foreign corporate bonds	331,401
Other investments	26,120
Uncategorized pooled investment funds	<u>624,245</u>
Total primary government	<u>22,923,352</u>
<b>COMPONENT UNITS</b>	
Uncategorized pooled investment funds	
Road Commission	
Pension Trust	3,568,190
General Operating Funds	<u>1,034,713</u>
Total component units	<u>4,602,903</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 27,526,255</u></b>

The categorized investments listed above were purchased for the County employee's Pension Trust Fund. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types.

The uncategorized pooled investments listed above represent surplus funds invested under trust agreements with banks. The surplus funds are pooled with surplus funds of other local units of government, which the banks invest and hold in trust. Separate accounts designated by the County's name and number are maintained by the trustee banks. The nature of these investments do not allow for risk categorization, which is in accordance with GASB Statement #3.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the applicable balance sheet/statement of net assets based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2003:

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Funds</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 5,630,044	\$ 4,618,064	\$ 880,853	\$ 11,128,961
Cash and cash equivalents - Restricted	24,211	-	-	24,211
Investments	<u>106,842</u>	<u>-</u>	<u>26,480,106</u>	<u>26,586,948</u>
	<u>\$ 5,761,097</u>	<u>\$ 4,618,064</u>	<u>\$ 27,360,959</u>	<u>\$ 37,740,120</u>

The primary government cash and cash equivalents reported amounts are different than the book and bank balance analysis by \$58,079 due to the Health Department (Special Revenue Fund) being reported in the financial statements as of September 30, 2003, but in the analysis above as of December 31, 2003. The primary government cash and cash equivalents caption on the applicable balance sheet/statement of net assets also includes \$9,800 in imprest cash. The component unit cash and cash equivalents caption on the applicable balance sheet/statement of net assets includes \$50 in imprest cash.

**NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT**

The County utilizes pooled cash accounts for various funds. Cash overdrafts of individual funds as of December 31, 2003, are as follows:

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
PRIMARY GOVERNMENT			
General Fund	\$( 431,680 )	\$ 1,110,008	\$ 678,328
Special Revenue Funds			
Friend of the Court	( 149,287 )	301	( 148,986 )
Health Department	( 124,875 )	1,672	( 123,203 )
R.O.D. Automation	( 4,463 )	45,711	41,248
Law Enforcement	( 3,230 )	8,849	5,619
Drug Law Enforcement	( 40,883 )	220,546	179,663
Secondary Road Patrol	( 24,705 )	30,919	6,214
Contractual Road Patrol	( 7,038 )	-	( 7,038 )
U.S. Marshall	( 505 )	-	( 505 )
Crime Victims Rights	( 10,231 )	-	( 10,231 )
Community Corrections	( 30,136 )	-	( 30,136 )
Remonumentation Program	( 40,652 )	-	( 40,652 )
Parks and Recreation	( 14,657 )	470	( 14,187 )
Enterprise Funds			
Medical Care Facility	( 315,792 )	1,167,214	851,422
Internal Service Funds			
Health Insurance	( 67,386 )	-	( 67,386 )
Trust and Agency			
Trust and Agency	<u>( 90,499 )</u>	<u>268,536</u>	<u>178,037</u>
TOTAL PRIMARY GOVERNMENT	( 1,356,019 )	2,854,226	1,498,207

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE C: POOLING OF CASH AND INVESTMENTS AND CASH OVERDRAFT - CONTINUED**

<u>Fund</u>	<u>Pooled Cash Overdraft</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
<b>COMPONENT UNIT</b>			
Drainage Districts			
Regular Drains	\$( 3,086 )	\$ 662,236	\$ 659,150
Black River	( 187 )	183,641	183,454
Middle Branch and Branches	( 794 )	76,223	75,429
Stone	<u>( 2,101 )</u>	<u>455,712</u>	<u>453,611</u>
 TOTAL COMPONENT UNIT	 <u>( 6,168 )</u>	 <u>1,377,812</u>	 <u>1,371,644</u>
 TOTAL REPORTING ENTITY	 <u>\$( 1,362,187 )</u>	 <u>\$ 4,232,038</u>	 <u>\$ 2,869,851</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

In the government-wide Statement of Net Assets, all interfund receivables and payables between individual governmental funds, business type funds, and components unit funds have been eliminated. The following schedule details the remaining interfund receivables and payables at December 31, 2003:

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Due from other funds		Due to other funds	
Governmental Activities		Governmental Activities	
Health Department	\$ 62,013	Parks	\$ 125
Business-type Activities			
Delinquent Tax 2002	79		
Other non-major funds	<u>46</u>		
Totals Primary Government	<u>\$ 62,138</u>		<u>\$ 125</u>
 COMPONENT UNITS		PRIMARY GOVERNMENT	
Due from Primary Government		Due to Component Units	
Drainage Districts	\$ 273,684	Governmental Activities	
		General Fund	\$ 266,828
		Business-type Activities	
		Non-major funds	<u>6,856</u>
Totals Component Units	<u>\$ 273,684</u>		<u>\$ 273,684</u>
 PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
Advances to other funds		Advances from other funds	
Business-type Activities		Governmental Activities	
Non-major funds	<u>\$ 189,494</u>	Internal Service Funds	<u>\$ 189,494</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES - CONTINUED**

	<u>Interfund Receivable</u>		<u>Interfund Fund Payable</u>
PRIMARY GOVERNMENT		COMPONENT UNITS	
Advances to Component Units		Advances from primary government	
General Fund	\$ <u>122,539</u>	Drainage Districts	\$ <u>122,539</u>

The difference of \$62,013 in the due from other funds and due to other fund balances in the Primary Government area is due to the Health Department Fund being reported as of September 30, 2003, and the other funds being reported as of December 31, 2003.

**NOTE E: INTERFUND TRANSFERS**

Reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the government-wide Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component unit funds have been eliminated.

Fund	<u>Primary Government</u>		<u>Component Units</u>			
	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Transfers from Component Units</u>	<u>Transfers to Primary Government</u>	<u>Transfers from Primary Government</u>	<u>Transfers to Component Units</u>
Primary Government						
General Funds	\$ 30,481	\$ 5,098,831	\$ 40,542	\$ -	\$ -	\$ -
Health Department	181,935	-	-	-	-	-
Sheriff	2,550,032	308	-	-	-	-
Non-major governmental funds	1,120,416	353,459	-	-	-	-
Internal Service Funds	1,569,644	425	-	-	-	-
Non-major business-type funds	956,155	972,197	-	-	-	-
Component Units						
Drainage Districts	-	-	<u>262,437</u>	<u>40,542</u>	-	<u>262,437</u>
	<u>\$ 6,408,663</u>	<u>\$ 6,425,220</u>	<u>\$ 302,979</u>	<u>\$ 40,542</u>	<u>\$ -0-</u>	<u>\$ 262,437</u>

The difference of \$16,557 is due to the Health Department Fund being reported as of September 30, 2003 and the other funds being reported as of December 31, 2003.

## Sanilac County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2003 was as follows:

**PRIMARY GOVERNMENT**

	Restated Balance <u>Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2003</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Land and improvements	\$ 183,918	\$ -	\$ -	\$ 183,918
Buildings and improvements	6,814,525	28,500	-	6,843,025
Vehicles	838,528	186,056	( 102,085 )	922,499
Equipment	<u>2,330,672</u>	<u>188,710</u>	<u>-</u>	<u>2,519,382</u>
Total at historical cost	10,167,643	403,266	( 102,085 )	10,468,824
Less accumulated depreciation	<u>( 4,149,834 )</u>	<u>( 351,176 )</u>	<u>-</u>	<u>( 4,501,010 )</u>
Capital assets, net	<u>\$ 6,017,809</u>	<u>\$ 52,090</u>	<u>\$( 102,085 )</u>	<u>\$ 5,967,814</u>
<b>BUSINESS TYPE ACTIVITIES</b>				
Land	\$ 90,379	\$ -	\$ -	\$ 90,379
Buildings and improvements	3,436,958	112,966	-	3,549,924
Equipment	<u>953,936</u>	<u>-</u>	<u>( 42,320 )</u>	<u>911,616</u>
Total at historical cost	4,481,273	112,966	( 42,230 )	4,551,919
Less accumulated depreciation	<u>( 2,503,752 )</u>	<u>( 236,858 )</u>	<u>42,230</u>	<u>( 2,698,290 )</u>
Capital assets, net	<u>\$ 1,977,521</u>	<u>\$( 123,892 )</u>	<u>\$ -0-</u>	<u>\$ 1,853,629</u>
<b>COMPONENT UNITS</b>				
<b>DRAINAGE DISTRICTS</b>				
Drains	\$ 23,154,447	\$ 1,156,687	\$ -	\$ 24,311,134
Less accumulated depreciation	<u>( 7,866,918 )</u>	<u>( 771,815 )</u>	<u>-</u>	<u>( 8,638,730 )</u>
Capital assets, net	<u>\$ 15,287,529</u>	<u>\$ 384,872</u>	<u>\$ -0-</u>	<u>\$ 15,672,404</u>
<b>ROAD COMMISSION</b>				
Land and improvements	\$ 66,903	\$ -	\$ -	\$ 66,903
Buildings	426,923	2,188	-	429,111
Equipment	7,597,318	93,785	( 344,330 )	7,346,773
Construction in progress	2,186,597	-	( 2,186,597 )	-
Infrastructure (roads, bridges)	-	4,346,914	-	4,346,914
Depletable assets	<u>55,450</u>	<u>-</u>	<u>-</u>	<u>55,450</u>
Totals at historical cost	10,333,191	4,442,887	( 2,530,927 )	12,245,151
Less accumulated depreciation	<u>( 5,130,875 )</u>	<u>( 1,057,243 )</u>	<u>206,920</u>	<u>( 5,981,188 )</u>
Capital assets, net	<u>\$ 5,202,316</u>	<u>\$ 3,385,644</u>	<u>\$( 2,323,997 )</u>	<u>\$ 6,263,963</u>

## Sanilac County, Michigan

## NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended December 31, 2003:

	Restated Balance Jan. 1, 2003	Additions	Reductions	Balance Dec. 31, 2003	Amounts Due within One Year
<b>PRIMARY GOVERNMENT</b>					
General Long-Term Debt					
Direct County Obligations	\$ 3,495,000	\$ 1,175,000	\$ 1,250,000	\$ 3,420,000	\$ 190,000
Pension liability	507,162	-	28,001	479,161	-
Accumulated vacation and sick	<u>653,767</u>	<u>40,713</u>	<u>-</u>	<u>694,480</u>	<u>-</u>
	4,655,929	1,215,713	1,278,001	4,593,641	190,000
Proprietary Fund Types					
Internal Service Funds					
Data Processing Fund					
Capital lease	18,081	-	3,963	14,118	4,706
Enterprise Funds					
Delinquent Tax Funds					
Tax notes payable - Series 2002	1,040,000	-	1,040,000	-	-
Tax notes payable - Series 2003	-	2,450,000	1,547,000	903,000	903,000
Medical Care Facility					
Accumulated vacation and sick	<u>116,298</u>	<u>9,844</u>	<u>-</u>	<u>126,142</u>	<u>-</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>5,830,308</b>	<b>3,675,557</b>	<b>3,868,964</b>	<b>5,636,901</b>	<b>1,097,706</b>
<b>COMPONENT UNITS</b>					
Board of Public Works					
Water system bonds	9,840,000	-	535,000	9,305,000	535,000
Drainage Districts					
Special assessment bonds	2,950,000	-	390,000	2,560,000	400,000
Special assessment notes	773,396	745,000	243,646	1,274,750	217,875
Section 434 notes	<u>1,028,442</u>	<u>446,500</u>	<u>277,440</u>	<u>1,197,502</u>	<u>388,605</u>
<b>Total Drainage Districts</b>	<b>4,751,838</b>	<b>1,191,500</b>	<b>911,086</b>	<b>5,032,252</b>	<b>1,006,480</b>
Road Commission					
Capital leases payable	1,438,564	-	427,234	1,011,330	429,735
Accumulated vacation and sick	<u>1,029,645</u>	<u>825</u>	<u>-</u>	<u>1,030,470</u>	<u>308,098</u>
<b>Total Road Commission</b>	<b>2,468,209</b>	<b>825</b>	<b>427,234</b>	<b>2,041,800</b>	<b>737,833</b>
Economic Development Corporation					
Land loan	<u>101,983</u>	<u>-</u>	<u>-</u>	<u>101,983</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS</b>	<b><u>17,162,030</u></b>	<b><u>1,192,325</u></b>	<b><u>1,873,320</u></b>	<b><u>16,481,035</u></b>	<b><u>2,279,313</u></b>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$22,992,338</u></b>	<b><u>\$ 4,867,882</u></b>	<b><u>\$ 5,742,284</u></b>	<b><u>\$22,117,936</u></b>	<b><u>\$ 3,377,019</u></b>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

Direct County Obligations - County Building Authority Bonds

The Sanilac County Board of Commissioners is party to long-term lease agreements for rental of the Medical Care Facility, Jail and Health Department buildings from the Sanilac County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

Bonds payable at December 31, 2003 are as follows:

\$1,350,000 Sanilac County Building Authority Bonds (Medical Care Facility Project) - Series 1995, dated February 1, 1995, due in annual installments ranging from \$35,000 to \$105,000 through October 1, 2020, with interest ranging from 4.40 to 5.50 percent, payable semi-annually.	\$ 1,110,000
\$1,175,000 Sanilac County Building Authority Bonds (Jail Project Refunding Bonds) - Series 2003 dated July 30, 2003, due in annual installments ranging from \$65,000 to \$105,000 through September 1, 2017, with interest ranging from 2.00 to 4.00 percent, payable semi-annually.	1,175,000
\$1,215,000 Sanilac County Building Authority Bonds (Health Project Refunding Bonds) - Series 2002 dated August 1, 2002, due in annual installments ranging from \$80,000 to \$125,000 through January 1, 2014, with interest ranging from 4.00 percent to 4.30 percent, payable semi-annually.	<u>1,135,000</u>
	<u>\$ 3,420,000</u>

Advance Refunding - Prior

On August 1, 2002 the County defeased the balance of the 1995 Building Authority Bonds (Health Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2002 Building Authority Refunding Bonds (Health Project) in the amount of \$1,215,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2003, bonds due and payable for the 1995 Building Authority Bonds (Health Project) in the amount of \$1,055,000 are considered defeased.

Advance Refunding - Current

On July 30, 2003 the County defeased the balance of the 1996 Building Authority Bonds (Jail Project). This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The County issued 2003 Building Authority Refunding Bonds (Jail Project) in the amount of \$1,175,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At December 31, 2003, bonds due and payable for the 1996 Building Authority Bonds (Jail Project) in the amount of \$1,085,000 are considered defeased. The refunding resulted in a reduction in the total required debt service of \$89,490, and resulted in an economic gain of \$67,229.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG TERM DEBT - CONTINUED**

Pension Liability

The pension liability represents the cumulative difference between the annual required employer contributions (per actuary reports) and the actual contributions made to the retirement system by the County. This amount of \$479,161 is reflected as a noncurrent liability in the statement of net assets.

Accumulated Vacation and Sick

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$820,622 for vacation and sick at December 31, 2003. This amount has been reported as a noncurrent liability in the statement of net assets.

Capital Lease

The County purchased recording equipment under a capital lease agreement. The cost of equipment under this lease agreement was \$23,643. The asset and liability has been recorded in the Data Processing (Internal Service) Fund. The following is a summary of future payment requirements on this lease.

<u>Due</u> <u>September 1,</u>	<u>Amount Due</u>
2004	\$ 5,562
2005	5,562
2006	<u>5,562</u>
	16,686
Less: interest	<u>( 2,568 )</u>
	<u>\$ 14,118</u>

Delinquent Tax Notes

The County purchases from the other local taxing authorities the face value of real property taxes that become delinquent each year. To fund this purchase, each year the County issues delinquent tax notes for which the subsequent collections of the delinquent taxes are used as collateral for payment of the notes. The activity related to issuance and payment of this debt is recorded in the applicable Delinquent Tax (Enterprise) Fund.

Delinquent tax notes payable at December 31, 2003 are as follows:

\$2,450,000 Sanilac County Limited Tax General Obligation Tax Note, Series 2003, dated June 5, 2003, principal amount due on December 1, 2004, with 1.98 percent interest rate, payable monthly.

\$ 903,000

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Indirect County Obligations - Water System Bonds

The County has irrevocably pledged its full faith and credit as collateral for the following water system bonds. These projects are administered by the Sanilac County Board of Public Works for local municipalities. Payments by the municipalities to the County, in accordance with contractual agreements, along with assessments made against benefiting properties, provide the monies required to meet the principal and interest on the sewer system bonds.

Bonds payable at December 31, 2003, for the water system construction projects are as follows:

\$1,030,000 Sanilac County Water System Improvements Project Bonds - Series 1998 (Townships of Lexington and Worth), dated October 1, 1998, due in annual installments ranging from \$40,000 to \$75,000 through May 1, 2018, with interest ranging from 4.40 percent to 5.05 percent, payable semi-annually.	\$ 900,000
\$8,225,000 Sanilac County Water System Improvement Project Bonds - Series 2000A (Township of Worth), dated March 1, 2000, due in annual installments ranging from \$425,000 to \$450,000 through May 1, 2020, with interest ranging from 5.625 to 6.10 percent, payable semi-annually.	7,375,000
\$950,000 Sanilac County Water System Improvements Project Bonds - Phase II - Series 2001 (Township of Worth), dated December 1, 2001, due in annual installments of \$50,000 through May 1, 2020, with interest ranging from 4.70 percent to 5.30 percent, payable semi-annually.	850,000
\$200,000 Sanilac County Brown City Water Tower Rehabilitation Project Bonds, Series 2002, dated September 1, 2002, due in annual installments of \$20,000 through March 1, 2012, with interest at 3.35 percent, payable semi-annually.	<u>180,000</u>
	<u>\$ 9,305,000</u>

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Bonds and Notes

The County has irrevocably pledged its full faith and credit for the following drain bonds and notes. These projects are administered by the Sanilac County Drain Commission for various local drainage districts.

The drain bonds and notes were issued to finance the various construction funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Bonds and notes payable at December 31, 2003, per respective drain projects serviced from the Component Unit Funds are as follows:

Special Assessment Bonds

\$2,555,000 Duff and Branches Drain Bonds dated January 1, 1999, due in annual installments ranging from \$135,000 to \$230,000 through June 1, 2014, with interest ranging from 4.00 percent to 6.00 percent, payable semi-annually.	\$ 2,050,000
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Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT - CONTINUED**

Special Assessment Bonds - continued

\$645,000 E. Branch of Speaker and Maple Valley Drain Bonds dated May 1, 2000, due in annual installments of \$130,000 through June 1, 2005, with interest ranging from 5.10 percent to 5.20 percent, payable semi-annually. \$ 260,000

\$940,000 Potts Drain Bonds dated March 1, 1995, due in annual installments of \$125,000 through June 1, 2005, with interest ranging from 5.80 percent to 5.90 percent, payable semi-annually. 250,000

\$ 2,560,000

Special Assessment Notes

\$560,000 Turtle Creek and Branches drain note dated January 20, 1998, due in annual installments of \$56,000 through June 20, 2007, with interest at 5.125 percent, payable semi-annually. \$ 224,000

\$510,000 White Rock Creek Intercounty Drainage District drain note dated February 1, 1998, due in annual installments of \$51,000 through August 1, 2007, with interest at 5.25 percent, payable semi-annually. 204,000

\$745,000 Stone drain note dated September 11, 2003, due in annual installments of \$60,000 to \$65,000 through June 1, 2015, with interest at 4.25 percent, payable semi-annually. 745,000

\$407,000 Dwight and Branches drain note dated January 18, 1998, due in annual installments of \$50,875 through July 18, 2005, with interest at 4.875 percent, payable semi-annually. 101,750

\$ 1,274,750

Various section 434 drain notes due in various annual installments and interest rates through 2011. \$ 1,197,502

COMPONENT UNIT - ROAD COMMISSION

Capital Leases

The Road Commission has entered into various capital lease agreements for the purchase of various equipment. The cost of equipment purchased under these capital leases totaled \$1,759,087.

The following is a summary of future payment requirements on these leases.

Due Year Ending <u>December 31,</u>	<u>Amount Due</u>
2004	\$ 466,063
2005	409,518
2006	<u>189,754</u>
	1,065,335
Less: interest	<u>( 54,005 )</u>
	<u>\$ 1,011,330</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Accumulated Vacation and Sick

In accordance with Road Commission personnel policies and/or contracts negotiated with various employee groups of the Road Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$1,030,470 for vacation and sick at December 31, 2003, which has been reported as a noncurrent liability in the Statement of Net Assets.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds and Notes are as follows:

Year Ending December 31,	Primary Government	Component Units			Total
	Direct County Obligations	Board of Public Works Water System Bonds	Drainage Districts Bond and Drain Notes	Economic Development Corporation Land Loan	
2004	\$ 335,037	\$ 1,039,364	\$ 1,229,266	\$ -	\$ 2,603,667
2005	335,064	1,015,557	1,109,594	-	2,460,215
2006	343,084	986,628	678,718	13,987	2,022,417
2007	330,437	962,576	575,027	13,987	1,882,027
2008	337,582	910,384	445,067	13,987	1,707,020
2009-2013	1,677,420	4,280,515	1,713,464	69,936	7,741,335
2014-2018	1,091,978	3,554,141	303,744	4,125	4,953,988
2019-2020	<u>216,775</u>	<u>1,059,963</u>	<u>-</u>	<u>-</u>	<u>1,276,738</u>
	4,667,377	13,809,118	6,054,880	116,022	24,647,407
Less: interest	<u>(1,247,377 )</u>	<u>(4,504,118 )</u>	<u>(1,022,628 )</u>	<u>( 14,039 )</u>	<u>(6,788,162 )</u>
	<u>\$ 3,420,000</u>	<u>\$ 9,305,000</u>	<u>\$ 5,032,252</u>	<u>\$ 101,983</u>	<u>\$17,859,245</u>

**NOTE H: EMPLOYEE RETIREMENT SYSTEM**

RETIREMENT SYSTEM - COUNTY GENERAL

The County contributes to the Sanilac County Employee Retirement Plan and Trust (the Plan), which is a single-employer public employee retirement systems (PERS). The PERS is considered part of the County of Sanilac financial reporting entity and is included in the County's primary government financial statements as a pension trust fund. A stand-alone financial report for the Plan has not been issued.

On October 1, 1997, the Sanilac County Community Mental Health Authority (the "Authority") was formed as an entity legally separate from Sanilac County. The Authority received separately audited financial statements; however, the pension plan assets and liabilities of the Authority were not transferred from the County's pension plan into a separate plan for the Authority employees. As a result, disclosures related to the County's pension plan remain presented as a single employer plan; however, information regarding the benefit provisions, pension costs, and pension obligation is reported net of the Authority. That is, the numbers presented for the aforementioned items relate only to Sanilac County employees.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

All active employees working at least 1,000 hours per year, who agree to make mandatory contributions as specified by the Plan document, (except for certain participants) become a participant on the date of hire. At least 50% of the participant's compensation must come from County funds and the participant must be an employee of the County for Plan A, an employee of the Health Department for Plan B, an employee of the Parks Department for Plan C, an employee of the Sheriff Department for Plan E, and an employee of the Medical Care Facility for Plan F.

Membership of the plan consisted of the following at December 31, 2002, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	123
Inactive plan members	45
Active plan members	<u>394</u>
Total	<u><u>562</u></u>

NORMAL RETIREMENT BENEFIT

Eligibility

Benefits vest after ten (10) years of service for employees hired after the year 2000. General County and Parks Department employees may retire at age fifty-five (55) with the completion of twenty-five (25) years of credited service. Sheriff department employees may retire at age fifty (50) with completion of twenty-five (25) years of credited service. All other plan employees may retire at age sixty (60) with at least eight (8) years of credited service.

Benefit

Average compensation means compensation converted to a monthly amount and then averaged over the five consecutive total of years of service, which produce the highest monthly average within the last ten completed years of employment.

The normal retirement benefit for the Sheriff's Department bargaining unit, County Sheriff and County Under-Sheriff is calculated based upon 2.5% of average compensation multiplied by total years of credited service. The normal retirement benefit for elected and appointed officials is calculated based on 2.1% of average compensation multiplied by total years of credited service. The normal retirement benefit for other County personnel is calculated based upon 2% of average compensation multiplied by total years of credited service.

Accrued benefit is payable immediately without any actuarial reductions in monthly benefit. Accrued benefit is defined as a percentage of the benefit projected at normal retirement, which accrues for each year of service a participant is in the plan.

DISABILITY BENEFIT

Eligibility

Plan participants who are totally and permanently disabled and have ten (10) years of credited service may receive benefits.

Benefit

Computed in the same manner as Normal Retirement Benefit and then reduced for an early retirement start date.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

RETIREMENT SYSTEM - COUNTY GENERAL - CONTINUED

PRE-RETIREMENT DEATH BENEFIT

Eligibility

Death before retirement after completion of eight (8) years of credited service.

Benefit

Computed in the same manner as Normal Retirement Benefit based on credited service at date of death. Benefit is payable to the beneficiary for a period not to exceed 120 months.

These benefit provisions and all other requirements were established and may be amended by the County Board of Commissioners.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period they are due. The County's contributions to the Plan are recognized when due and they have made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Valuation of Investments

Marketable securities are stated at aggregate fair value. Securities that are traded on a national securities exchange are valued at the last reported sales price on the last business day of the Plan's year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the last reported bid price.

The differences between aggregate fair value and the cost of investments along with realized gains and losses on sales of investments are reflected in the Statement of Changes in Plan Net Assts as net appreciation or depreciation in the fair value of investments.

Administrative Expenses

The Plan is administered by Sanilac County. The County has hired a third party to perform many of the administrative functions of the Plan. Administrative expenses, such as trustee fees, investment counseling, and actuarial fees, are paid by the Plan.

Funding Policy

The contribution requirements of plan members and the County is established and may be amended by the Sanilac County Retirement Board. Members of the Public Health and Medical Care Facility groups, as well as POAM/COAM members hired after December 31, 1999, and District and Probate Court members hired after May 31, 2002, are required to contribute 5% of their annual covered salary. Members of the General Union and Friend of the Court hired after June 30, 2002, are required to contribute 3.75% of their annual salary. The County is required to contribute at an actuarially determined rate.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Annual Pension Cost and Net Pension Obligation

The County's annual pension costs and net pension obligation for the current year were as follows:

Net pension asset (obligation), beginning of year (restated)	\$( 507,162 )
Annual pension cost (required contribution)	( 1,147,267 )
Contributions made	<u>1,175,268</u>
Net pension asset (obligation), end of year	<u>\$( 479,161 )</u>

The annual required contribution for the current year was determined as part of the December 31, 2001 actuarial valuation using the individual entry age actuarial cost method. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 5% per year, compounded annually for inflation and merit and longevity pay ranging from 0 to 3.7%, and (c) the assumption that benefits will not increase after retirement.

The unfunded actuarial accrued liability is amortized as a level percent of payroll on a closed basis with a remaining amortization period of 21 years. The actuarial value of assets is determined by adding contributions and regular investment income to valuation assets at the beginning of the year and reducing that amount by benefit payments and administrative expenses. This preliminary value is then adjusted by 20% of the fair value gains and losses for each of the last 5 years.

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
12/31/00	\$ 18,974,890	\$ 24,649,165	\$ 5,674,275	77.0 %	\$ 11,120,476	51.0 %
12/31/01	20,315,715	27,312,973	6,997,259	74.4 %	11,497,521	60.9 %
12/31/02	21,318,386	29,172,008	7,853,622	73.1 %	11,747,531	66.9 %

NOTE: Amounts presented above include information for the Sanilac County Mental Health Authority. Separate information for the County and the Authority were not available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended Dec. 31,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2001	\$ 1,082,916	45.3 %	\$( 422,891 )
2002	1,123,312	92.4 %	( 507,162 )
2003	1,147,267	102.4 %	( 479,161 )

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE H: EMPLOYEE RETIREMENT SYSTEM - CONTINUED**

**RETIREMENT SYSTEM - ROAD COMMISSION**

PLAN DESCRIPTION

The Road Commission has a master single employer defined contribution plan called The Sanilac County Money Purchase Plan. This defined contribution plan is administered by Pension Plan Services, Inc. and is available to all employees of the Road Commission. A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are determined instead of specifying the amount of benefits the individual is to receive.

Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on the investments of those contributions, and the forfeitures of other participant's account. All employees who are at least 21 years old and have completed six months of service are eligible to participate.

Plan provisions require that the Road Commission contribute 8 percent of each active participant's compensation and do not allow for participant contributions. The Road Commission's contributions for each employee (and earnings allocated to the employee's account) are vested at the rate of 20 percent upon completing 2 years of service, plus an additional 20 percent for each year of the next 4 years of service. Road Commission contributions for and interest forfeited by employees who leave employment before full vesting are used to reduce the Road Commission's current period contribution requirement. The plan uses the accrual basis of accounting with investments stated at market.

The Road Commission's total payroll for the year ended December 31, 2003 was \$2,745,995. The Road Commission's contributions were calculated using the covered compensation amount of \$2,713,062. The Road Commission made the required contribution amounting to \$217,046.

**NOTE I: RISK MANAGEMENT**

PRIMARY GOVERNMENT

The County is self-insured for comprehensive liability, motor vehicle physical damage and comprehensive, property and crime coverage through the Michigan Municipal Risk Management Authority (the Authority). All other types of risk of loss are covered through commercial insurance.

All liability claims up to \$100,000 per claim are paid from the net contribution account of the County held by the Authority. In addition, after meeting certain deductible requirements, all vehicle claims up to \$15,000 per vehicle and up to \$30,000 per occurrence and property and crime claims up to \$10,000 are also paid from the County's contribution account. The Authority is responsible for any claims in excess of the above amounts up to a maximum limit of \$10,000,000.

The County's insurance administrator may make additional assessments to its member participants based upon the results of insurance pools operations. There were not reductions in the County's insurance coverage from the prior year. The County's policy is to recognize the annual contribution to the Authority as an expenditure of the General Fund and Motor Pool Internal Service Fund.

In accordance with Governmental Accounting Standards Board Statement No. 10, the County determines an estimated claims liability that includes expected losses from reported claims and an amount for incurred but not reported claims. The County relies on their insurance administrator's calculations of both types of claim liabilities. The County has determined the estimated claims liability net of a cash balance in the Retention Fund to be immaterial.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE I: RISK MANAGEMENT - CONTINUED**

COMPONENT UNIT

Road Commission

Sanilac County Road Commission is member of the Michigan County Road Commission Self Insurance Pool established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

Sanilac County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission also has self-insurance for worker's compensation as a member of the County Road Association Self-insurance Fund. The Road Commission's employee medical benefits insurance is purchased through Blue Cross and Blue Shield.

At December 31, 2003, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

**NOTE J: CONTINGENT LIABILITIES**

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

In the normal course of operations, there are various legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions for which a reasonable estimate can be determined of the County's potential liability and that would not be covered by insurance and reserves, if any, are considered by County management and legal counsel to be immaterial.

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

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE K: PROPERTY TAXES AND TAXES RECEIVABLE**

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.

Although the County's 2003 ad valorem tax is levied and collectible on December 31, 2003, it is the County's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of County operations.

The 2003 taxable value of Sanilac County amounted to \$1,132,667,541 on which ad valorem taxes levied consisted of 4.1483 mills for general operations, .1942 mills for Council on Aging, .1942 mills for Ambulance services, and 1.9427 mills for the Roads, .494 mills for drug law enforcement, .1976 mills for Parks, .1942 mills for County Library, .1199 mills for Veterans, and .1921 mills for MCF maintenance of effort.

The property taxes levied at December 1 are accrued as current taxes receivable with the appropriate deferral and are budgeted as revenue in the subsequent year in the General Fund and applicable Special Revenue Funds.

Taxes are collected by the various tax collecting units from the date of the levy to December 31, and remitted to the County through the Trust and Agency Fund for distribution to the General and Special Revenue Funds. These amounts have been reported as undistributed collections in the Trust and Agency Fund.

By agreement with the various taxing authorities, the County purchases at face value the real property taxes returned delinquent each March 1, and records a corresponding delinquent taxes receivable. Real property taxes not ultimately collected are charged back to the General, Special Revenue, and Debt Service Funds and all other taxing authorities affected. Past experience has indicated that such chargebacks should not be material and, as a result, there has been no establishment of an amount for uncollectible taxes receivable in any of the funds. This activity is accounted for in the Delinquent Tax Revolving Funds.

**NOTE L: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, which was the result of the correction of accounting errors. This adjustment was reported as a change to beginning fund balances. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31,		
	<u>2003</u>	<u>2002</u>	<u>Description</u>
<b>PRIMARY GOVERNMENT</b>			
Health Department Fund			
Due from other governmental units	\$ -	\$ 26,939	To correct recording of amount due from State
Revenues over (under) expenditures	-	( 26,939 )	
Fund balance - beginning	( 26,939 )	-	
<b>COMPONENT UNIT</b>			
Road Commission			
Due from other governmental units	-	411,999	To correct recording of amount due from State
Revenues over (under) expenditures	-	-	
Fund balance - beginning	411,999	411,999	

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

In the body of the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2003, the County incurred expenditures in the General Fund and two (2) major Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Health and Welfare			
MSHDA grant program	\$ -	\$ 57,191	\$ 57,191
Special Revenue Funds			
Health Department Fund	1,863,107	2,048,944	185,837
Sheriff Fund	2,578,232	2,582,422	4,190

The variance in the General Fund (Health and Welfare) is due to an audit entry to record the gross revenue and expenditure related to grant fund activity passed through to a subrecipient.

**NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance which the County has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2003:

PRIMARY GOVERNMENT	
General Fund	
Reserved for prepaids	\$ 4,377
Reserved for advances to other funds	<u>122,539</u>
	126,916
Health Department	
Reserved for prepaids	13,997
Sheriff	
Reserved for prepaids	31

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE N: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Other Non-Major Funds	
Special Revenue Funds	
Drug Enforcement Unit	
Reserved for prepaids	\$ 3,329
Friend of the Court	
Reserved for prepaids	4,556
Veterans Millage	
Reserved for prepaids	906
Secondary Road Patrol	
Reserved for prepaids	1,048
Crime Victim's Rights	
Reserved for prepaids	30
Community Corrections	
Reserved for prepaids	22
Child Care	
Reserved for prepaids	3
Parks and Recreation	
Reserved for prepaids	2,265
Debt Service Funds	
Building Authority	
Reserved for debt service	1,527
Health Department Building	
Reserved for debt service	27,677
Reserved for prepaids	108,062
Jail Building	
Reserved for debt service	2
Medical Care Facility Building	
Reserved for debt service	<u>18,591</u>
Total Non-Major Funds	<u>168,018</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 308,962</u>

The following are fund balance designations as of December 31, 2003:

PRIMARY GOVERNMENT	
Other Non-Major Funds	
Special Revenue Funds	
Drug Enforcement Unit	
Designated for specific purposes	\$ 39,921
Central Dispatch	
Designated for 911 wireless activities	<u>65,886</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 105,807</u>

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes.

The following are the various net asset restrictions as of December 31, 2003:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for capital improvements	
Equipment	\$ 30,847
Restricted for debt service	
Building Authority	1,527
Health Department Building	27,677
Jail Building	2
Medical Care Facility Building	<u>18,591</u>
	47,791
Restricted for other purposes	
General Government	
Register of Deeds - Automation	41,248
County Library	760
Public Communications	<u>561</u>
	42,569
Judicial	
Family Counseling	19,648
Crime Victim's Rights	<u>1,042</u>
	20,690
Public Works	
Soil Erosion and Sedimentation	6,949
Environmental Trust	76,261
Solid Waster Grant	4,149
Material Recovery	53,316
Public Improvement	<u>1</u>
	127,616
Public Safety	
Hunters Safety	3,957
Law Enforcement	5,619
C.O.P.S. Grant	19,256
Shooting Target Range	208
Drug Law Enforcement	179,663
Secondary Road Patrol	5,415
Contractual Patrol	992
U.S. Marshall	15,186
Community Corrections	9,527
Byrne Memorial	4,973
Michigan Justice Training	6,822
Sheriff Commissary	119,549
Jail Maintenance	<u>1,764</u>
	372,931

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: RESTRICTED NET ASSETS - CONTINUED**

PRIMARY GOVERNMENT - CONTINUED

Restricted for other purposes

Health and Welfare

County Ambulance	\$	62,407
Veterans Millage		19,268
Revolving Loan		441,389
Strong Families Project		6,174
Children's Trust		2,514
Child Care Grant		2,411
F.I.A.		35,729
Child Care		35,617
Veterans Trust		417
Maintenance of Effort		23,273
Senior Citizen Council on Aging		<u>9,825</u>

639,024

Recreation and Cultural

Parks and Recreation	(	44,870 )
Forester Park Water		<u>11,207</u>

( 33,663 )

Total restricted for other purposes 1,169,167

Total Governmental Activities 1,247,805

Business-type activities

Restricted for debt service

Delinquent Tax 2002		<u>362,790</u>
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TOTAL PRIMARY GOVERNMENT \$ 1,610,595

COMPONENT UNITS

Restricted for capital improvements

Drainage Districts

Regular Drains	\$	401,008
Maintenance Revolving		68,237
Elk Creek		106,136
Middle & Branches		75,429
Dwight & Branches		65,716
White Rock		52,450
Potts & Branches		40,770
Black River		364,673
Duff & Branches		327,545
E. Branch & Speaker		62,807
Stone		<u>453,611</u>

2,018,382

Board of Public Works

Brown City Water Tower		26,051
Worth Phase II Water		<u>57,562</u>

83,613

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE O: RESTRICTED NET ASSETS - CONTINUED**

COMPONENT UNITS - CONTINUED

Restricted for debt service		
Drainage Districts		
Turtle Creek	\$	175,658
Dwight & Branches		64,750
White Rock		60,336
Potts & Branches		214,683
Duff & Branches		736,707
E. Branch Speaker Maple		191,687
Regular Drains		499,881
Stone Drain		<u>131,658</u>
		2,075,360
Board of Public Works		
Worth Phase II Water		1,354
Lex. Worth Water		<u>197</u>
		1,551
Restricted for other purposes		
Road Commission		
Restricted for road projects		<u>796,565</u>
TOTAL COMPONENT UNITS	\$	<u>4,975,471</u>

**NOTE P: FUND DEFICITS**

The following funds had unreserved fund deficits at December 31, 2003.

<u>Fund</u>	<u>Deficit Amount</u>
Health Department	\$ 141,730
Parks	44,870

**NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS**

PRIMARY GOVERNMENT

In addition to the pension benefits described in Note H, the County provides post-retirement health care benefits, in accordance with union contracts and board resolution, to elected and appointed officials and to members of certain union groups. The County reimburses 100% of the amount of validated claims for medical, dental, and hospitalization costs incurred by pre-Medicare retirees and their dependents. Retirees eligible to participate in the health insurance plan who elect not to participate receive 50% of the annual premium cost in lieu of health coverage.

The County has established an Internal Service Fund to account for funding and payments related to this activity. During the year ended December 31, 2003, the County transferred \$50,000 to this fund.

Sanilac County, Michigan

NOTES TO FINANCIAL STATEMENTS

December 31, 2003

**NOTE Q: POST-EMPLOYMENT HEALTH BENEFITS - CONTINUED**

COMPONENT UNIT

The Sanilac County Road Commission provides hospitalization medical coverage on a complimentary basis for any employee who retires after January 1, 1990, at age 55 with at least thirty years of service. At age 65, the employee receives supplemental coverage for himself or herself only.

For any employee who retires after age 62 and after January 1, 1990, Sanilac County Road Commission provides the retiree and his or her spouse with hospitalization medical coverage, provided however, that if the retiree's spouse, by virtue of his or her employment or otherwise, has the retiree as a covered beneficiary on his or her hospitalization medical coverage, the Road Commission will be under no obligation to provide coverage. At age 65 the retiree and or spouse coverage will be supplemental only.

The benefits are provided based on requirements of union contracts and are financed on a pay-as-you-go basis. For the year ended December 31, 2003, Sanilac County Road Commission expended \$188,655 for 31 participants currently eligible to receive benefits.

**REQUIRED SUPPLEMENTARY INFORMATION**

## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
<b>Taxes</b>				
Current and delinquent property taxes	\$ 4,482,222	\$ 4,483,202	\$ 4,482,278	\$ (924)
Other property taxes	5,000	5,000	7,798	2,798
Industrial & commercial facilities tax	20,518	14,818	14,804	(14)
Penalties & interest on taxes	2,500	6,000	6,006	6
Real estate transfer tax	110,000	140,400	140,410	10
<b>Total taxes</b>	<b>4,620,240</b>	<b>4,649,420</b>	<b>4,651,296</b>	<b>1,876</b>
<b>Licenses and permits</b>				
Dog licenses	85,650	75,650	75,146	(504)
Inspection and land use permits	327,600	386,600	382,433	(4,167)
Other licenses and permits	5,025	5,025	4,348	(677)
<b>Total licenses and permits</b>	<b>418,275</b>	<b>467,275</b>	<b>461,927</b>	<b>(5,348)</b>
<b>Intergovernmental - Federal/State</b>				
Emergency management	12,852	30,514	30,121	(393)
D.O.J. grant	56,618	60,006	60,006	-0-
LEPC base grant	-	-	157	157
Judges state standardization payment	137,172	137,172	137,172	-0-
Probate Judge's Salary	101,500	101,500	101,557	57
Juv. Court Admin. Supplement	27,317	27,317	27,317	-0-
State aid - case flow assistance	12,000	9,887	9,887	-0-
State grant - court equity	205,000	205,000	217,527	12,527
Cooperative reimbursement - Prosecutor	66,700	60,035	62,074	2,039
MSHDA grant	-	-	57,191	57,191
Cigarette tax revenue	23,186	26,791	26,791	-0-
Voter registration applications	500	500	791	291
State revenue sharing	845,000	727,428	726,481	(947)
Single business tax	102,850	88,659	88,463	(196)
Liquor law enforcement	3,500	3,500	3,827	327
Convention facility tax	83,702	86,738	86,213	(525)
Other State revenues	1,200	14,356	14,817	461
<b>Total intergovernmental -Federal/State</b>	<b>1,679,097</b>	<b>1,579,403</b>	<b>1,650,392</b>	<b>70,989</b>

## Sanilac County, Michigan

## General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Charges for services				
Circuit court costs	\$ 28,000	\$ 28,000	\$ 32,219	\$ 4,219
Circuit court services - county clerk	-	550	546	(4)
District Court services	1,500	1,500	2,184	684
District court costs	538,000	477,110	476,144	(966)
Prosecuting attorney services	500	500	788	288
Register of deeds services	218,825	313,841	316,675	2,834
Register of deeds - technology	-	64,560	64,560	-0-
General services	128,711	148,488	158,759	10,271
County treasurer services	2,500	2,500	2,735	235
Circuit court services	1,500	1,500	1,355	(145)
County clerk services	56,000	66,100	66,138	38
Probate court services	17,000	17,000	18,217	1,217
Juvenile court services	24,600	24,600	22,961	(1,639)
Animal shelter services	6,100	6,100	8,702	2,602
Sheriff department services	52,000	71,404	82,012	10,608
Inmate work release	80,000	80,000	95,072	15,072
Diverted felons	100,000	100,652	94,700	(5,952)
Care of prisoners	640,000	726,727	770,378	43,651
Equalization services	3,500	3,500	3,792	292
Data processing services	56,323	56,323	56,930	607
Other	4,550	6,950	8,518	1,568
Total charges for services	1,959,609	2,197,905	2,283,385	85,480
Interest and rents				
Interest on investments	60,400	48,510	43,785	(4,725)
Rental fees - Mental Health	98,636	123,511	123,512	1
Rental fees - other	6,800	9,600	9,600	-0-
Total interest and rents	165,836	181,621	176,897	(4,724)
Fines and forfeits				
Ordinance fines and costs	27,500	22,630	25,315	2,685
Bond forfeitures	30,000	24,300	24,233	(67)
Total fines and forfeits	57,500	46,930	49,548	2,618
Other				
Insurance recoveries and refunds	142,496	163,307	154,528	(8,779)
Reimbursements and refunds	20,000	35,323	35,310	(13)
Total other	162,496	198,630	189,838	(8,792)
TOTAL REVENUES	9,063,053	9,321,184	9,463,283	142,099

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES				
Operating transfers from other funds				
Tax administration fund	\$ -	\$ 16,070	\$ 16,070	\$ -
Drug Task Force	-	5,000	5,000	-
Sheriff Commissary Fund	-	1,895	1,895	-
Other funds	26,804	7,516	7,516	-
Total operating transfers from other funds	26,804	30,481	30,481	-0-
Operating transfers from component units				
Drain Revolving Fund	42,000	42,000	40,542	(1,458)
TOTAL OTHER FINANCING SOURCES	68,804	72,481	71,023	(1,458)
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 9,131,857</u>	<u>\$ 9,393,665</u>	<u>\$ 9,534,306</u>	<u>\$ 140,641</u>

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended December 31, 2003

EXPENDITURES	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Legislative				
Board of Commissioners	\$ 97,760	\$ 99,580	\$ 97,994	\$ 1,586
General government				
Consultant	92,259	93,869	93,869	-0-
Administrator	129,685	136,238	136,238	-0-
Legal	20,000	20,000	18,712	1,288
Election	15,526	15,076	14,230	846
Community action	1,440	1,440	617	823
Clerk	282,168	283,468	283,468	-0-
Equalization	113,695	114,115	97,010	17,105
Prosecuting Attorney	359,282	359,893	350,553	9,340
Register of Deeds	113,842	113,842	107,802	6,040
Treasurer	188,418	188,838	172,930	15,908
Cooperative extension	150,149	149,649	141,617	8,032
Courthouse and grounds	175,275	195,145	182,691	12,454
Drain commission	134,699	135,199	134,566	633
Boundary commission	215	215	-	215
Total general government	1,776,653	1,806,987	1,734,303	72,684
Judicial				
Adult probation	6,613	7,033	6,109	924
Circuit Court	210,828	212,560	212,560	-0-
Circuit Court - Juvenile	205,413	205,833	198,131	7,702
District Court	376,869	374,176	369,080	5,096
Jury Board	5,650	5,650	4,955	695
Probate Court	201,034	201,455	195,967	5,488
Public guardian	54,439	54,455	48,349	6,106
Total judicial	1,060,846	1,061,162	1,035,151	26,011
Public safety				
Emergency management	87,522	108,572	92,755	15,817
Construction and land use	178,906	195,010	195,010	-0-
Planning commission	22,150	35,106	31,011	4,095
Animal control	83,642	93,824	93,278	546
Total public safety	372,220	432,512	412,054	20,458
Public works				
Department of public works	4,010	4,010	1,217	2,793
Drains - County at large	258,236	266,826	266,826	-
Total public works	262,246	270,836	268,043	2,793

Sanilac County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONTINUED

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONTINUED</b>				
Health and welfare				
Contagious Disease	\$ 5,800	\$ 5,800	\$ 733	\$ 5,067
Mental Health	250,100	125,050	125,050	-0-
MSHDA housing program	-	-	57,191	(57,191)
Medical examiners	28,320	28,327	27,214	1,113
Economic development	18,690	20,130	20,130	-0-
Total health and welfare	302,910	179,307	230,318	(51,011)
Other				
Fringe benefits	759,356	832,238	824,890	7,348
Insurance	156,854	168,964	168,964	-0-
Contingencies	287,713	337,772	-	337,772
Total other	1,203,923	1,338,974	993,854	345,120
<b>TOTAL EXPENDITURES</b>	<b>5,076,558</b>	<b>5,189,358</b>	<b>4,771,717</b>	<b>417,641</b>
<b>OTHER FINANCING USES</b>				
Operating transfers to other funds				
Friend of the Court Fund	46,430	84,102	84,102	-0-
Workers Compensation Fund	83,050	83,050	83,050	-0-
Insurance Fund	958,981	964,579	964,579	-0-
Employee Health Care Fund	-	50,000	50,000	-0-
Law Library Fund	15,000	31,331	31,331	-0-
Data Processing Fund	300,000	301,945	301,945	-0-
Building Authority - Jail Building Debt Fund	113,543	108,656	108,656	-0-
Health Department Fund	186,238	173,211	172,949	262
Child Care - F.I.A. Fund	23,500	23,500	23,500	-0-
Child Care - Probate Court Fund	401,227	401,227	401,227	-0-
Sheriff Fund	2,349,530	2,470,799	2,470,799	-0-
FIA Administration Fund	-	1,000	1,000	-0-
Mail Department Fund	2,859	2,859	2,859	-0-
ROD Automation Fund	-	64,560	64,560	-0-
Accumulated Benefits Fund	108,000	108,000	108,000	-0-
Central Dispatch Fund	237,904	237,904	237,904	-0-
<b>TOTAL OTHER FINANCING USES</b>	<b>4,826,262</b>	<b>5,106,723</b>	<b>5,106,461</b>	<b>262</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 9,902,820</b>	<b>\$ 10,296,081</b>	<b>\$ 9,878,178</b>	<b>\$ 417,903</b>

Sanilac County, Michigan

Road Millage Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,111,400	\$ 2,105,400	\$ 2,103,929	\$ (1,471)
Interest and rents	15,000	17,000	18,391	1,391
TOTAL REVENUES	2,126,400	2,122,400	2,122,320	(80)
EXPENDITURES				
Current				
Public Works	2,126,400	2,122,400	2,121,753	647
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	567	567
Fund balances, beginning of year	723	723	723	-0-
Fund balances, end of year	\$ 723	\$ 723	\$ 1,290	\$ 567

## Sanilac County, Michigan

## Health Department Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
REVENUES				
Licenses and permits	\$ 145,307	\$ 145,307	\$ 145,800	\$ 493
Charges for services	382,308	382,308	366,103	(16,205)
Intergovernmental	1,142,179	1,142,179	1,179,935	37,756
Other	27,459	27,459	45,275	17,816
TOTAL REVENUES	1,697,253	1,697,253	1,737,113	39,860
EXPENDITURES				
Current				
Health and welfare	1,845,543	1,845,543	2,022,103	(176,560)
Capital outlay	17,564	17,564	26,841	(9,277)
TOTAL EXPENDITURES	1,863,107	1,863,107	2,048,944	(185,837)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(165,854)	(165,854)	(311,831)	(145,977)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	179,914	179,914	181,935	2,021
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	14,060	14,060	(129,896)	(143,956)
Fund balance, beginning of year	29,102	29,102	29,102	-0-
Prior period adjustment	-	-	(26,939)	(26,939)
Fund balance, end of year	\$ 43,162	\$ 43,162	\$ (127,733)	\$ (170,895)

Sanilac County, Michigan

Sheriff Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 2,515	\$ 2,515
Charges for services	19,600	38,311	37,652	(659)
Other	2,000	2,000	666	(1,334)
TOTAL REVENUES	21,600	40,311	40,833	(1,993)
EXPENDITURES				
Current				
Public safety	2,447,115	2,577,982	2,582,114	(4,132)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,425,515)	(2,537,671)	(2,541,281)	(6,125)
OTHER FINANCING SOURCES (USES)				
Operating transfers in	2,425,765	2,453,343	2,550,032	96,689
Operating transfers out	(250)	(250)	(308)	(58)
TOTAL OTHER FINANCING SOURCES (USES)	2,425,515	2,453,093	2,549,724	96,631
EXCESS OF REVENUES AND OTHER FINANCING SOURCES (UNDER) EXPENDITURES AND OTHER FINANCING USES	-0-	(84,578)	8,443	90,506
Fund balance, beginning of year	88,288	88,288	88,288	-0-
Fund balance, end of year	\$ 88,288	\$ 3,710	\$ 96,731	\$ 90,506

## **OTHER SUPPLEMENTARY INFORMATION**

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2003

	Drug Enforcement Unit	Special County Ambulance	Friend of the Court
<b>ASSETS</b>			
Cash and cash equivalents	\$ 126,069	\$ 83,865	\$ (141,356)
Accounts receivable	232	-	-
Taxes receivable	497,487	195,633	-
Loans receivable	-	-	-
Prepaid expenditures	3,329	-	4,559
Due from other funds	-	-	-
Due from other governmental units	-	-	146,276
<b>TOTAL ASSETS</b>	\$ 627,117	\$ 279,498	\$ 9,479
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	23,014	-	2,134
Accrued payroll	8,749	-	2,789
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	552,104	217,091	-
<b>TOTAL LIABILITIES</b>	583,867	217,091	4,923
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	3,329	-	4,556
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	39,921	-	-
Undesignated, reported in:			
Special revenue funds	-	62,407	-
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	43,250	62,407	4,556
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 627,117	\$ 279,498	\$ 9,479

Revenue				
Family Counseling	Central Dispatch	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ 19,648	\$ 27,530	\$ 7,109	\$ 74,361	\$ 4,149
-	21,867	-	32,930	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	26,153	-	-	-
<u>\$ 19,648</u>	<u>\$ 75,550</u>	<u>\$ 7,109</u>	<u>\$ 107,291</u>	<u>\$ 4,149</u>
-	3,907	-	31,030	-
-	5,757	160	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	9,664	160	31,030	-0-
-	-	-	-	-
-	-	-	-	-
-	65,886	-	-	-
19,648	-	6,949	76,261	4,149
-	-	-	-	-
<u>19,648</u>	<u>65,886</u>	<u>6,949</u>	<u>76,261</u>	<u>4,149</u>
<u>\$ 19,648</u>	<u>\$ 75,550</u>	<u>\$ 7,109</u>	<u>\$ 107,291</u>	<u>\$ 4,149</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special		
	Material Recovery	Sanilac Transportation	Public Communications
<b>ASSETS</b>			
Cash and cash equivalents	\$ 47,272	\$ -	\$ 561
Accounts receivable	7,937	541	-
Taxes receivable	-	-	930
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 55,209</b>	<b>\$ 541</b>	<b>\$ 1,491</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	1,744	-	-
Accrued payroll	149	-	-
Other accrued liabilities	-	541	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	930
<b>TOTAL LIABILITIES</b>	<b>1,893</b>	<b>541</b>	<b>930</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	53,316	-	561
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>53,316</b>	<b>-</b>	<b>561</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 55,209</b>	<b>\$ 541</b>	<b>\$ 1,491</b>

Revenue				
Hunter's Safety	Public Improvement	Reg. Of Deeds-Automation	Veterans Millage	Law Enforcement
\$ 3,957	\$ 1	\$ 41,248	\$ 33,625	\$ 5,619
-	-	-	-	-
-	-	-	120,032	-
-	-	-	-	-
-	-	-	906	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 3,957</u>	<u>\$ 1</u>	<u>\$ 41,248</u>	<u>\$ 154,563</u>	<u>\$ 5,619</u>
-	-	-	505	-
-	-	-	611	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	133,273	-
-0-	-0-	-0-	134,389	-0-
-	-	-	906	-
-	-	-	-	-
-	-	-	-	-
3,957	1	41,248	19,268	5,619
-	-	-	-	-
<u>3,957</u>	<u>1</u>	<u>41,248</u>	<u>20,174</u>	<u>5,619</u>
<u>\$ 3,957</u>	<u>\$ 1</u>	<u>\$ 41,248</u>	<u>\$ 154,563</u>	<u>\$ 5,619</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special		
	C.O.P.S. Grant	Shooting and Target Range	Drug Law Enforcement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,839	\$ 208	\$ 179,663
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	2,917	-	-
<b>TOTAL ASSETS</b>	<b>\$ 19,756</b>	<b>\$ 208</b>	<b>\$ 179,663</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	500	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>500</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	19,256	208	179,663
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>19,256</b>	<b>208</b>	<b>179,663</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,756</b>	<b>\$ 208</b>	<b>\$ 179,663</b>

Revenue				
Secondary Road Patrol	Contractual Patrol	U.S Marshall	Law Library	County Library
\$ 6,214	\$ (7,038)	\$ (505)	\$ 4,526	\$ 21,545
-	-	16,965	-	-
-	-	-	-	192,049
-	-	-	-	-
1,048	-	-	-	-
-	-	-	-	-
-	8,030	-	-	-
<u>\$ 7,262</u>	<u>\$ 992</u>	<u>\$ 16,460</u>	<u>\$ 4,526</u>	<u>\$ 213,594</u>
\$ -	\$ -	\$ -	\$ 4,526	\$ -
799	-	1,274	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	212,834
<u>799</u>	<u>-0-</u>	<u>1,274</u>	<u>4,526</u>	<u>212,834</u>
1,048	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,415	992	15,186	-	760
-	-	-	-	-
<u>6,463</u>	<u>992</u>	<u>15,186</u>	<u>-0-</u>	<u>760</u>
<u>\$ 7,262</u>	<u>\$ 992</u>	<u>\$ 16,460</u>	<u>\$ 4,526</u>	<u>\$ 213,594</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special		
	Crime Victims Rights	Community Corrections	Remonumentation Program
<b>ASSETS</b>			
Cash and cash equivalents	\$ (10,231)	\$ (30,136)	\$ (40,652)
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	30	22	-
Due from other funds	-	-	-
Due from other governmental units	11,613	40,081	40,652
<b>TOTAL ASSETS</b>	<b>\$ 1,412</b>	<b>\$ 9,967</b>	<b>\$ -0-</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 53	\$ -
Accrued payroll	340	365	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>340</b>	<b>418</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	30	22	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	1,042	9,527	-
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,072</b>	<b>9,549</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,412</b>	<b>\$ 9,967</b>	<b>\$ -0-</b>

Revenue				
Byrne Memorial	Env. Protect. Thru Pollution	Revolving Loan	Strong Families Project	Children's Trust
\$ 4,973	\$ -	\$ 452,339	\$ 3,095	\$ 8,208
-	-	1,917	-	-
-	-	-	-	-
-	-	376,750	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	7,658	-
<u>\$ 4,973</u>	<u>\$ -0-</u>	<u>\$ 831,006</u>	<u>\$ 10,753</u>	<u>\$ 8,208</u>
\$ -	\$ -	\$ 12,867	\$ 4,579	\$ 5,694
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	376,750	-	-
-0-	-0-	389,617	4,579	5,694
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,973	-	441,389	6,174	2,514
-	-	-	-	-
<u>4,973</u>	<u>-0-</u>	<u>441,389</u>	<u>6,174</u>	<u>2,514</u>
<u>\$ 4,973</u>	<u>\$ -0-</u>	<u>\$ 831,006</u>	<u>\$ 10,753</u>	<u>\$ 8,208</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Michigan Justice Training	Special Child Care Grant	F.I.A.
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,881	\$ 2,198	\$ 80,173
Accounts receivable	-	-	-
Taxes receivable	-	-	-
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	902	15,901
<b>TOTAL ASSETS</b>	\$ 6,881	\$ 3,100	\$ 96,074
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 59	\$ 689	\$ 4,345
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	56,000
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	59	689	60,345
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	6,822	2,411	35,729
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	6,822	2,411	35,729
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	\$ 6,881	\$ 3,100	\$ 96,074

Revenue				
Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ 73,434	\$ 417	\$ 78,431	\$ (14,187)	\$ 11,207
4,414	-	-	-	-
-	-	193,103	198,949	-
-	-	-	-	-
3	-	-	2,265	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 77,851</u>	<u>\$ 417</u>	<u>\$ 271,534</u>	<u>\$ 187,027</u>	<u>\$ 11,207</u>
\$ 39,793	\$ -	\$ 33,933	\$ 7,156	\$ -
302	-	-	1,569	-
2,136	-	-	-	-
-	-	-	125	-
-	-	-	-	-
-	-	214,328	220,782	-
42,231	-	248,261	229,632	-0-
3	-	-	2,265	-
-	-	-	-	-
-	-	-	-	-
35,617	417	23,273	(44,870)	11,207
-	-	-	-	-
<u>35,620</u>	<u>417</u>	<u>23,273</u>	<u>(42,605)</u>	<u>11,207</u>
<u>\$ 77,851</u>	<u>\$ 417</u>	<u>\$ 271,534</u>	<u>\$ 187,027</u>	<u>\$ 11,207</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

December 31, 2003

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
<b>ASSETS</b>			
Cash and cash equivalents	\$ 122,788	\$ 1,764	\$ 31,287
Accounts receivable	812	-	-
Taxes receivable	-	-	195,771
Loans receivable	-	-	-
Prepaid expenditures	-	-	-
Due from other funds	-	-	-
Due from other governmental units	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 123,600</b>	<b>\$ 1,764</b>	<b>\$ 227,058</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 4,051	\$ -	\$ -
Accrued payroll	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	-
Advance from State	-	-	-
Deferred revenue	-	-	217,233
<b>TOTAL LIABILITIES</b>	<b>4,051</b>	<b>-0-</b>	<b>217,233</b>
<b>FUND BALANCES</b>			
Reserved for			
Inventory and prepaids	-	-	-
Debt service	-	-	-
Unreserved			
Designated, reported in			
Special revenue funds	-	-	-
Undesignated, reported in:			
Special revenue funds	119,549	1,764	9,825
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>119,549</b>	<b>1,764</b>	<b>9,825</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 123,600</b>	<b>\$ 1,764</b>	<b>\$ 227,058</b>

Capital Project		Debt Service				
Equipment	Building Authority	Health Department	Jail Building Fund	Medical Care Facility	Non-major Gov. Funds	
\$ 30,847	\$ 1,527	\$ 27,677	\$ 2	\$ 18,591	\$ 1,415,743	
-	-	-	-	-	87,615	
-	-	-	-	-	1,593,954	
-	-	-	-	-	376,750	
-	-	108,062	-	-	120,224	
-	-	-	-	-	-	
-	-	-	-	-	300,183	
<u>\$ 30,847</u>	<u>\$ 1,527</u>	<u>\$ 135,739</u>	<u>\$ 2</u>	<u>\$ 18,591</u>	<u>\$ 3,894,469</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 180,079	
-	-	-	-	-	23,364	
-	-	-	-	-	2,677	
-	-	-	-	-	125	
-	-	-	-	-	56,000	
-	-	-	-	-	2,145,325	
-0-	-0-	-0-	-0-	-0-	2,407,570	
-	-	108,062	-	-	120,221	
-	1,527	27,677	2	18,591	47,797	
-	-	-	-	-	105,807	
-	-	-	-	-	1,182,227	
<u>30,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,847</u>	
<u>30,847</u>	<u>1,527</u>	<u>135,739</u>	<u>2</u>	<u>18,591</u>	<u>1,486,899</u>	
<u>\$ 30,847</u>	<u>\$ 1,527</u>	<u>\$ 135,739</u>	<u>\$ 2</u>	<u>\$ 18,591</u>	<u>\$ 3,894,469</u>	

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2003

	Special		
	Drug Enforcement Unit	County Ambulance	Friend of the Court
REVENUES			
Taxes	\$ 534,847	\$ 210,202	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	128,670	338,112
Charges for services	-	1,005	36,750
Fines and forfeits	-	-	-
Interest and rents	3,007	2,456	-
Other	270	(19,580)	-
<b>TOTAL REVENUES</b>	<b>538,124</b>	<b>322,753</b>	<b>374,862</b>
EXPENDITURES			
Current			
Judicial	-	-	454,410
Public safety	582,161	-	-
Public works	-	-	-
Health and welfare	-	95,368	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	174,309	-
<b>TOTAL EXPENDITURES</b>	<b>582,161</b>	<b>269,677</b>	<b>454,410</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,037)	53,076	(79,548)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	100,884	-	84,102
Operating transfers out	(44,532)	(1,311)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>56,352</b>	<b>(1,311)</b>	<b>84,102</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	12,315	51,765	4,554
Fund balances, beginning of year	30,935	10,642	2
Fund balances, end of year	<u>\$ 43,250</u>	<u>\$ 62,407</u>	<u>\$ 4,556</u>

Revenue

Family Counseling	Central Dispatch	Soil Erosion/ Sedimentation	Environmental Trust	Solid Waste Grant
\$ -	\$ -	\$ -	\$ -	\$ -
4,410	-	13,760	-	-
-	6,231	-	-	-
-	346,351	-	116,843	-
-	-	-	-	-
-	8,400	-	-	-
-	-	-	-	-
4,410	360,982	13,760	116,843	-0-
611	-	-	-	-
-	523,117	-	-	-
-	-	6,811	66,073	190
-	-	-	-	-
-	-	-	-	-
-	156,048	-	-	-
611	679,165	6,811	66,073	190
3,799	(318,183)	6,949	50,770	(190)
-	237,904	-	-	-
-	(2,708)	-	(50,408)	-
-0-	235,196	-0-	(50,408)	-0-
3,799	(82,987)	6,949	362	(190)
15,849	148,873	-	75,899	4,339
<u>\$ 19,648</u>	<u>\$ 65,886</u>	<u>\$ 6,949</u>	<u>\$ 76,261</u>	<u>\$ 4,149</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

	Special		
	Material Recovery	Sanilac Transportation	Public Communications
REVENUES			
Taxes	\$ -	\$ -	\$ 4
Licenses and permits	-	-	-
Intergovernmental	2,907	474,802	-
Charges for services	95,103	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	5
Other	-	-	-
TOTAL REVENUES	98,010	474,802	9
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	94,459	474,802	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	21,735	-	-
TOTAL EXPENDITURES	116,194	474,802	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,184)	-0-	9
OTHER FINANCING SOURCES (USES)			
Operating transfers in	48,717	-	-
Operating transfers out	(121)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	48,596	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	30,412	-	9
Fund balances, beginning of year	22,904	-	552
Fund balances, end of year	\$ 53,316	\$ -0-	\$ 561

Revenue

Hunter's Safety	Public Improvement	Reg. Of Deeds- Automation	Veterans Millage	Law Enforcement
\$ -	\$ -	\$ -	\$ 129,771	\$ -
-	-	-	-	-
-	-	-	-	9,074
-	-	-	-	-
-	-	-	-	-
-	-	146	890	84
1,375	-	-	117	-
1,375	-0-	146	130,778	9,158
-	-	-	-	-
300	-	-	-	-
-	-	-	-	-
-	-	-	127,213	-
-	-	-	-	-
-	-	-	-	-
300	-0-	-0-	127,213	-0-
1,075	-	146	3,565	9,158
-	-	64,560	1,000	-
-	-	(23,458)	(4,641)	(3,539)
-0-	-0-	41,102	(3,641)	(3,539)
1,075	-	41,248	(76)	5,619
2,882	1	-	20,250	-
<u>\$ 3,957</u>	<u>\$ 1</u>	<u>\$ 41,248</u>	<u>\$ 20,174</u>	<u>\$ 5,619</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

	Special		
	C.O.P.S. Grant	Shooting and Target Range	Drug Law Enforcement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	92,391	-	-
Charges for services	-	-	26,937
Fines and forfeits	-	-	175,253
Interest and rents	-	-	1,196
Other	-	-	2,832
<b>TOTAL REVENUES</b>	<b>92,391</b>	<b>-0-</b>	<b>206,218</b>
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	79,454	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>79,454</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>12,937</b>	<b>-</b>	<b>206,218</b>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(100,884)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>(100,884)</b>
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>12,937</b>	<b>-0-</b>	<b>105,334</b>
Fund balances, beginning of year	6,319	208	74,329
Fund balances, end of year	<u>\$ 19,256</u>	<u>\$ 208</u>	<u>\$ 179,663</u>

Revenue

Secondary Road Patrol	Contractual Patrol	U.S Marshall	Law Library	County Library
\$ -	\$ -	\$ -	\$ -	\$ 205,871
-	-	-	-	-
111,050	24,908	79,135	-	-
-	-	-	-	-
-	-	-	4,500	4,314
-	-	-	-	23
-	-	-	74	-
111,050	24,908	79,135	4,574	210,208
-	-	-	30,861	-
105,894	21,813	71,316	-	-
-	-	-	-	-
-	-	-	-	210,314
-	-	-	-	-
-	-	-	-	-
105,894	21,813	71,316	30,861	210,314
5,156	3,095	7,819	(26,287)	(106)
-	-	7,367	31,331	-
-	(7,367)	-	(5,200)	-
-0-	(7,367)	7,367	26,131	-0-
5,156	(4,272)	15,186	(156)	(106)
1,307	5,264	-	156	866
<u>\$ 6,463</u>	<u>\$ 992</u>	<u>\$ 15,186</u>	<u>\$ -0-</u>	<u>\$ 760</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

	Special		
	Crime Victims Rights	Community Corrections	Remonumentation Program
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	47,962	63,579	67,754
Charges for services	-	22,158	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>47,962</b>	<b>85,737</b>	<b>67,754</b>
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	48,298	73,165	-
Public works	-	-	-
Health and welfare	-	-	63,051
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>48,298</b>	<b>73,165</b>	<b>63,051</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(336)	12,572	4,703
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	(60)	(11,013)	(4,703)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(60)</b>	<b>(11,013)</b>	<b>(4,703)</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(396)	1,559	-0-
Fund balances, beginning of year	1,468	7,990	-
Fund balances, end of year	<u>\$ 1,072</u>	<u>\$ 9,549</u>	<u>\$ -0-</u>

Revenue

Byrne Memorial	Env. Protect. Thru Pollution	Revolving Loan	Strong Families Project	Children's Trust
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
25,496	1,584	8,741	36,443	95,562
-	-	-	-	-
-	-	-	-	-
-	-	19,396	-	-
-	-	66,875	-	-
25,496	1,584	95,012	36,443	95,562
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,584	120,361	35,842	94,234
-	-	-	-	-
-	-	-	-	-
31,190	-	-	-	-
31,190	1,584	120,361	35,842	94,234
(5,694)	-0-	(25,349)	601	1,328
7,798	-	-	-	-
(307)	-	-	(425)	(375)
7,491	-0-	-0-	(425)	(375)
1,797	-0-	(25,349)	176	953
3,176	-	466,738	5,998	1,561
<u>\$ 4,973</u>	<u>\$ -0-</u>	<u>\$ 441,389</u>	<u>\$ 6,174</u>	<u>\$ 2,514</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

	Special		
	Michigan Justice Training	Child Care Grant	F.I.A.
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	6,512	10,030	334,208
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	31,708
<b>TOTAL REVENUES</b>	<b>6,512</b>	<b>10,030</b>	<b>365,916</b>
EXPENDITURES			
Current			
Judicial	7,931	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	10,009	374,596
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>7,931</b>	<b>10,009</b>	<b>374,596</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,419)	21	(8,680)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	24,500
Operating transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>-0-</b>	<b>24,500</b>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(1,419)	21	15,820
Fund balances, beginning of year	8,241	2,390	19,909
Fund balances, end of year	<u>\$ 6,822</u>	<u>\$ 2,411</u>	<u>\$ 35,729</u>

Revenue

Child Care	Veterans Trust	Maintenance of Effort	Parks and Recreation	Forester Park Water Fund
\$ -	\$ -	\$ 207,268	\$ 213,854	\$ -
-	-	-	-	-
81,126	3,212	-	7,400	-
-	-	-	222,794	3,750
-	-	-	-	-
-	-	2,218	16,682	-
45,888	-	-	7,477	-
127,014	3,212	209,486	468,207	3,750
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
492,623	2,594	195,616	-	-
-	-	-	389,042	953
-	-	-	-	-
-	-	-	54,832	-
492,623	2,594	195,616	443,874	953
(365,609)	618	13,870	24,333	2,797
401,227	-	-	10,000	-
-	(1,000)	-	-	(10,000)
401,227	(1,000)	-0-	10,000	(10,000)
35,618	(382)	13,870	34,333	(7,203)
2	799	9,403	(76,938)	18,410
<u>\$ 35,620</u>	<u>\$ 417</u>	<u>\$ 23,273</u>	<u>\$ (42,605)</u>	<u>\$ 11,207</u>

Sanilac County, Michigan

Non-major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended December 31, 2003

	Special Revenue		
	Sheriffs Commissary	Jail Maintenance	Senior Citizen Council on Aging
REVENUES			
Taxes	\$ -	\$ -	\$ 210,201
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	142,559	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	906
Other	4,000	-	-
TOTAL REVENUES	146,559	-0-	211,107
EXPENDITURES			
Current			
Judicial	-	-	-
Public safety	71,601	-	-
Public works	-	-	-
Health and welfare	-	-	201,831
Recreation and cultural	-	-	-
Other	-	-	-
Capital outlay	3,125	-	-
Debt Service			
Principal redemption	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	74,726	-0-	201,831
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	71,833	-0-	9,276
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	-
Bond discount	-	-	-
Payment to bond escrow agent	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(81,407)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(81,407)	-0-	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(9,574)	-0-	9,276
Fund balances, beginning of year	129,123	1,764	549
Fund balances, end of year	\$ 119,549	\$ 1,764	\$ 9,825

Capital Project	Debt Service				
Equipment	Building Authority	Health Department	Jail Building Fund	Medical Care Facility	Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,712,018
-	-	-	-	-	18,170
-	-	-	-	-	2,056,889
-	-	-	-	-	1,014,250
-	-	-	-	-	184,067
-	13	147,433	5	95,298	298,158
-	-	-	-	-	141,036
-0-	13	147,433	5	95,298	5,424,588
-	-	-	-	-	493,813
-	-	-	36,544	15	1,613,678
-	-	-	-	-	73,074
-	-	3,287	-	-	2,387,470
-	-	-	-	-	600,309
-	-	-	-	-	-
1,415	-	-	-	-	442,654
-	-	80,000	50,000	35,000	165,000
-	-	40,116	33,569	60,502	134,187
1,415	-0-	123,403	120,113	95,517	5,910,185
(1,415)	13	24,030	(120,108)	(219)	(485,597)
-	-	-	1,175,000	-	1,175,000
-	-	-	(27,371)	-	(27,371)
-	-	-	(1,136,189)	-	(1,136,189)
-	-	-	108,656	-	1,128,046
-	-	-	-	-	(353,459)
-0-	-0-	-0-	120,096	-0-	786,027
(1,415)	13	24,030	(12)	(219)	300,430
32,262	1,514	111,709	14	18,810	1,186,469
\$ 30,847	\$ 1,527	\$ 135,739	\$ 2	\$ 18,591	\$ 1,486,899

Sanilac County, Michigan  
 Non-major Enterprise Funds  
 COMBINING STATEMENT OF NET ASSETS  
 December 31, 2003

	Delinquent Tax Umbrella	Delinquent Tax 2000	Delinquent Tax 2001
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 532,711	\$ 702,527	\$ 474,329
Taxes receivable - delinquent	17,882	-	124,784
Receivables	-	-	910
Due from other funds	552,224	-	36
Due from other governmental units	1,344	-	12,762
TOTAL CURRENT ASSETS	1,104,161	702,527	612,821
Restricted and other assets			
Advances to other funds	189,494	-	-
TOTAL ASSETS	1,293,655	702,527	612,821
<b>LIABILITIES</b>			
Current liabilities			
Accrued liabilities	7,338	-	1,881
Due to other funds	29,825	702,527	-
Due to component units	6,856	-	-
Due to other governmental units	213	-	195
Total current liabilities	44,232	702,527	2,076
<b>NET ASSETS</b>			
Unrestricted	\$ 1,249,423	\$ -0-	\$ 610,745

See accompanying notes to financial statements.

<u>Delinquent Tax 2003</u>	<u>Tax Administrative</u>	<u>Tax Foreclosure Proceeds</u>	<u>Total</u>
\$ 71,078	\$ 47,660	\$ 153,568	\$ 1,981,873
128,781	-	-	271,447
-	-	-	910
-	-	229,312	781,572
-	-	-	14,106
<u>199,859</u>	<u>47,660</u>	<u>382,880</u>	<u>3,049,908</u>
-	-	-	189,494
<u>199,859</u>	<u>47,660</u>	<u>382,880</u>	<u>3,239,402</u>
-	-	-	9,219
-	-	49,174	781,526
-	-	-	6,856
-	-	-	408
<u>-0-</u>	<u>-0-</u>	<u>49,174</u>	<u>798,009</u>
<u>\$ 199,859</u>	<u>\$ 47,660</u>	<u>\$ 333,706</u>	<u>\$ 2,441,393</u>

Sanilac County, Michigan

Non-major Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2003

	Delinquent Tax Umbrella	Delinquent Tax 2000	Delinquent Tax 2001
<b>OPERATING REVENUES</b>			
Interest on taxes	\$ 20,039	\$ 38,251	\$ 161,602
Sales	-	165,461	-
Administrative fees	1,543	37,135	117,193
Other	20,722	-	-
<b>TOTAL OPERATING REVENUES</b>	<b>42,304</b>	<b>240,847</b>	<b>278,795</b>
<b>OPERATING EXPENSES</b>			
Salaries	-	-	-
Fringe benefits	-	-	-
Contractual services	-	-	29,877
Supplies	22	-	-
Other	-	5,160	6,304
<b>TOTAL OPERATING EXPENSES</b>	<b>22</b>	<b>5,160</b>	<b>36,181</b>
<b>OPERATING INCOME (LOSS)</b>	<b>42,282</b>	<b>235,687</b>	<b>242,614</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest revenue	15,221	4,237	1,947
Interest expense	-	(82)	(5,390)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>15,221</b>	<b>4,155</b>	<b>(3,443)</b>
<b>INCOME (LOSS) BEFORE TRANSFERS IN (OUT)</b>	<b>57,503</b>	<b>239,842</b>	<b>239,171</b>
<b>TRANSFERS IN (OUT)</b>			
Operating transfers in	531,399	-	-
Operating transfers out	(195,494)	(711,459)	-
<b>TOTAL TRANSFERS IN (OUT)</b>	<b>335,905</b>	<b>(711,459)</b>	<b>-0-</b>
<b>CHANGE IN NET ASSETS</b>	<b>393,408</b>	<b>(471,617)</b>	<b>239,171</b>
Net assets, beginning of year	856,015	471,617	371,574
Net assets, end of year	<u>\$ 1,249,423</u>	<u>\$ -0-</u>	<u>\$ 610,745</u>

See accompanying notes to financial statements.

Delinquent Tax 2003	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 1,763	\$ -	\$ -	\$ 221,655
-	-	-	165,461
2,560	-	680	159,111
-	-	-	20,722
4,323	-0-	680	566,949
-	-	230	230
-	-	18	18
-	-	1,344	31,221
-	-	1,541	1,563
-	-	38,744	50,208
-0-	-0-	41,877	83,240
4,323	-0-	(41,197)	483,709
67	436	1,441	23,349
-	-	-	(5,472)
67	436	1,441	17,877
4,390	436	(39,756)	501,586
195,469	-	229,287	956,155
-	(16,070)	(49,174)	(972,197)
195,469	(16,070)	180,113	(16,042)
199,859	(15,634)	140,357	485,544
-	63,294	193,349	1,955,849
<u>\$ 199,859</u>	<u>\$ 47,660</u>	<u>\$ 333,706</u>	<u>\$ 2,441,393</u>

## Sanilac County, Michigan

## Non-major Enterprise Funds

## COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	Delinquent Tax Umbrella	Delinquent Tax 2000	Delinquent Tax 2001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 63,681	\$ 356,802	\$ 1,171,805
Cash paid to suppliers	3,046	(5,303)	(34,152)
Cash paid to employees	-	-	-
	<u>66,727</u>	<u>351,499</u>	<u>1,137,653</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
	66,727	351,499	1,137,653
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Payment of notes	-	-	(1,040,000)
Interest expense	-	(82)	(5,390)
Transfers to other funds	(195,494)	74	10,641
Transfers from other funds	279,977	-	-
	<u>84,483</u>	<u>(8)</u>	<u>(1,034,749)</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>			
	84,483	(8)	(1,034,749)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest revenue	15,221	4,237	1,947
	<u>15,221</u>	<u>4,237</u>	<u>1,947</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	166,431	355,728	104,851
Cash and cash equivalents, beginning of year	366,280	346,799	369,478
	<u>366,280</u>	<u>346,799</u>	<u>369,478</u>
Cash and cash equivalents, end of year	<u>\$ 532,711</u>	<u>\$ 702,527</u>	<u>\$ 474,329</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 42,282	\$ 235,687	\$ 242,614
Adjustments to reconcile operating income to net cash provided by operating activities			
(Increase) Decrease in receivables	21,377	115,955	893,010
Increase in due to other government units	213	-	148
Increase (decrease) in accrued liabilities	2,855	(143)	1,881
	<u>2,855</u>	<u>(143)</u>	<u>1,881</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
	<u>\$ 66,727</u>	<u>\$ 351,499</u>	<u>\$ 1,137,653</u>

Delinquent Tax 2003	Tax Administrative	Tax Foreclosure Proceeds	Total
\$ 71,011	\$ -	\$ 680	\$ 1,663,979
(195,469)	-	(41,647)	(273,525)
-	-	(230)	(230)
(124,458)	-0-	(41,197)	1,390,224
-	-	-	(1,040,000)
-	-	-	(5,472)
-	(16,070)	(35,963)	(236,812)
195,469	-	229,287	704,733
195,469	(16,070)	193,324	(577,551)
67	436	1,441	23,349
71,078	(15,634)	153,568	836,022
-	63,294	-	1,145,851
<u>\$ 71,078</u>	<u>\$ 47,660</u>	<u>\$ 153,568</u>	<u>\$ 1,981,873</u>
\$ 4,323	\$ -	\$ (41,197)	\$ 483,709
(128,781)	-	-	901,561
-	-	-	361
-	-	-	4,593
<u>\$ (124,458)</u>	<u>\$ -0-</u>	<u>\$ (41,197)</u>	<u>\$ 1,390,224</u>

## Sanilac County, Michigan

## Internal Service Funds

## COMBINING STATEMENT OF NET ASSETS

Year Ended December 31, 2003

	<u>Buildings and Grounds</u>	<u>Central Stores</u>	<u>Data Processing</u>	<u>Mail Department</u>
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 5,009	\$ 1,042	\$ 103,766	\$ 5,528
Accounts receivable	-	-	617	133
Due from other funds	-	-	-	-
Prepaid expenses	-	-	712	-
Inventory	-	4,048	2,309	710
	<u>5,009</u>	<u>5,090</u>	<u>107,404</u>	<u>6,371</u>
Total current assets				
Fixed assets				
Land	64,000	-	-	-
Buildings and improvements	117,912	-	-	-
Equipment	-	-	1,480,974	-
Vehicles	-	-	-	-
Less: accumulated depreciation	(50,420)	-	(1,276,266)	-
	<u>131,492</u>	<u>-0-</u>	<u>204,708</u>	<u>-0-</u>
Net fixed assets				
<b>TOTAL ASSETS</b>				
	<u>\$ 136,501</u>	<u>\$ 5,090</u>	<u>\$ 312,112</u>	<u>\$ 6,371</u>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ -	\$ 200	\$ 15,131	\$ -
Accrued payroll	-	-	553	-
	<u>-0-</u>	<u>200</u>	<u>15,684</u>	<u>-0-</u>
Total current liabilities				
Long-term liabilities				
Capital leases payable	-	-	14,118	-
Advances from other funds	-	-	189,494	-
	<u>-0-</u>	<u>-0-</u>	<u>203,612</u>	<u>-0-</u>
Total long-term liabilities				
<b>TOTAL LIABILITIES</b>				
	<u>\$ -0-</u>	<u>\$ 200</u>	<u>\$ 219,296</u>	<u>\$ -0-</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	\$ 131,492	\$ -	\$ 190,590	\$ -
Restricted for claims	-	-	-	-
Unrestricted	5,009	4,890	(97,774)	6,371
	<u>5,009</u>	<u>4,890</u>	<u>(97,774)</u>	<u>6,371</u>
TOTAL NET ASSETS				
	<u>\$ 136,501</u>	<u>\$ 4,890</u>	<u>\$ 92,816</u>	<u>\$ 6,371</u>

<u>Motor Pool</u>	<u>Police Vehicle &amp; Equipment</u>	<u>Health Insurance</u>	<u>Accumulated Benefits</u>	<u>Worker's Compensation</u>	<u>Employee Health Care</u>	<u>Total</u>
\$ 66,641	\$ 8,502	\$ (67,386)	\$ 83,419	\$ 70,880	\$ 50,568	\$ 327,969
306	-	-	-	142	-	1,198
-	-	-	-	-	-	-
-	-	80,129	-	-	-	80,841
-	-	-	-	-	-	7,067
<u>66,947</u>	<u>8,502</u>	<u>12,743</u>	<u>83,419</u>	<u>71,022</u>	<u>50,568</u>	<u>417,075</u>
-	-	-	-	-	-	64,000
-	-	-	-	-	-	117,912
39,589	-	-	-	-	-	1,520,563
586,001	142,527	-	-	-	-	728,528
<u>(531,715)</u>	<u>(28,505)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,886,906)</u>
<u>93,875</u>	<u>114,022</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>544,097</u>
<u>\$ 160,822</u>	<u>\$ 122,524</u>	<u>\$ 12,743</u>	<u>\$ 83,419</u>	<u>\$ 71,022</u>	<u>\$ 50,568</u>	<u>\$ 961,172</u>
\$ 378	\$ -	\$ 12,743	\$ -	\$ 40,970	\$ -	\$ 69,422
-	-	-	14,887	-	-	15,440
<u>378</u>	<u>-0-</u>	<u>12,743</u>	<u>14,887</u>	<u>40,970</u>	<u>-0-</u>	<u>84,862</u>
-	-	-	-	-	-	14,118
-	-	-	-	-	-	189,494
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>203,612</u>
<u>\$ 378</u>	<u>\$ -0-</u>	<u>\$ 12,743</u>	<u>\$ 14,887</u>	<u>\$ 40,970</u>	<u>\$ -0-</u>	<u>\$ 288,474</u>
\$ 93,875	\$ 114,022	\$ -	\$ -	\$ -	\$ -	\$ 529,979
-	-	-	-	30,052	50,568	80,620
<u>66,569</u>	<u>8,502</u>	<u>-</u>	<u>68,532</u>	<u>-</u>	<u>-</u>	<u>62,099</u>
<u>\$ 160,444</u>	<u>\$ 122,524</u>	<u>\$ -0-</u>	<u>\$ 68,532</u>	<u>\$ 30,052</u>	<u>\$ 50,568</u>	<u>\$ 672,698</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended December 31, 2003

	<u>Buildings and Grounds</u>	<u>Central Stores</u>	<u>Data Processing</u>	<u>Mail Department</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	\$ 17,752	\$ 960	\$ 66,438
Reimbursements	-	-	11,506	-
Other revenue	-	-	-	28
	<u>-0-</u>	<u>17,752</u>	<u>12,466</u>	<u>66,466</u>
<b>OPERATING EXPENSES</b>				
Salaries	-	-	48,138	-
Fringe benefits	-	-	22,063	-
Operating supplies	-	16,693	67,255	67,417
Contractual services	-	-	159,256	-
Depreciation	3,930	-	96,896	-
Other	-	-	15,045	-
	<u>3,930</u>	<u>16,693</u>	<u>408,653</u>	<u>67,417</u>
<b>OPERATING INCOME (LOSS) BEFORE TRANSFERS</b>	<b>(3,930)</b>	<b>1,059</b>	<b>(396,187)</b>	<b>(951)</b>
<b>TRANSFERS IN (OUT)</b>				
Transfers in	-	-	361,156	2,859
Transfers out	-	-	(425)	-
	<u>-0-</u>	<u>-0-</u>	<u>360,731</u>	<u>2,859</u>
<b>CHANGE IN NET ASSETS</b>	<b>(3,930)</b>	<b>1,059</b>	<b>(35,456)</b>	<b>1,908</b>
Net assets, beginning of year	<u>140,431</u>	<u>3,831</u>	<u>128,272</u>	<u>4,463</u>
Net assets, end of year	<u>\$ 136,501</u>	<u>\$ 4,890</u>	<u>\$ 92,816</u>	<u>\$ 6,371</u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Worker's Compensation	Employee Healthcare	Total
\$ 109,679	\$ 6,200	\$ -	\$ -	\$ -	\$ -	\$ 201,029
29,495	-	89,467	-	88,875	-	219,343
1,900	-	-	-	-	568	2,496
141,074	6,200	89,467	-0-	88,875	568	422,868
2,500	-	-	-	-	-	50,638
736	-	1,159,208	46,393	147,264	-	1,375,664
70,760	-	-	-	-	-	222,125
9,606	-	-	-	-	-	168,862
58,439	28,505	-	-	-	-	187,770
34,803	5,241	-	-	-	-	55,089
176,844	33,746	1,159,208	46,393	147,264	-0-	2,060,148
(35,770)	(27,546)	(1,069,741)	(46,393)	(58,389)	568	(1,637,280)
-	-	964,579	108,000	83,050	50,000	1,569,644
-	-	-	-	-	-	(425)
-0-	-0-	964,579	108,000	83,050	50,000	1,569,219
(35,770)	(27,546)	(105,162)	61,607	24,661	50,568	(68,061)
196,214	150,070	105,162	6,925	5,391	-	740,759
<u>\$ 160,444</u>	<u>\$ 122,524</u>	<u>\$ -0-</u>	<u>\$ 68,532</u>	<u>\$ 30,052</u>	<u>\$ 50,568</u>	<u>\$ 672,698</u>

Sanilac County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended December 31, 2003

	<u>Building and Grounds</u>	<u>Central Stores</u>	<u>Data Processing</u>	<u>Mail Department</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from users	\$ -	\$ 17,752	\$ 15,114	\$ 67,203
Cash paid to suppliers	-	(14,840)	(264,109)	(68,240)
Cash paid for employee benefits	-	-	(22,063)	-
Cash paid for employee wages	-	-	(49,693)	-
	<u>-</u>	<u>-</u>	<u>(49,693)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	-0-	2,912	(320,751)	(1,037)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in	-	-	361,156	4,721
Transfers out	-	-	(425)	-
	<u>-</u>	<u>-</u>	<u>(425)</u>	<u>-</u>
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	-0-	-0-	360,731	4,721
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Capital purchases	-	-	(20,785)	-
	<u>-</u>	<u>-</u>	<u>(20,785)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	-0-	2,912	19,195	3,684
Cash and cash equivalents, beginning of year	<u>5,009</u>	<u>(1,870)</u>	<u>84,571</u>	<u>1,844</u>
Cash and cash equivalents, end of year	5,009	1,042	103,766	5,528
<b>Reconciliation of operating (loss) to net cash (used) by operating activities</b>				
Operating income (loss)	(3,930)	1,059	(396,187)	(951)
<b>Adjustments to reconcile operating (loss) to net cash (used) by operating activities</b>				
Depreciation	3,930	-	96,896	-
(Increase) Decrease in receivables	-	-	2,648	737
Increase (Decrease) in prepaids/inventory	-	1,653	32	1,177
Increase (decrease) in accounts payable	-	200	(22,585)	(2,000)
Increase (Decrease) in accrued liabilities	-	-	(1,555)	-
	<u>-</u>	<u>-</u>	<u>(1,555)</u>	<u>-</u>
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<u>\$ -0-</u>	<u>\$ 2,912</u>	<u>\$ (320,751)</u>	<u>\$ (1,037)</u>

Motor Pool	Police Vehicle & Equipment	Health Insurance	Accumulated Benefits	Workers Compensation	Employee Healthcare	Total
\$ 140,965	\$ 6,200	\$ 89,467	\$ -	\$ 88,875	\$ 568	\$ 426,144
(116,220)	(5,241)	(13,325)	-	25,970	-	(456,005)
(736)	-	(1,159,208)	(46,393)	(147,264)	-	(1,375,664)
(2,596)	-	-	3,225	-	-	(49,064)
21,413	959	(1,083,066)	(43,168)	(32,419)	568	(1,454,589)
-	-	964,579	108,000	88,295	50,000	1,576,751
-	-	-	-	-	-	(425)
-0-	-0-	964,579	108,000	88,295	50,000	1,576,326
(4,836)	(142,527)	-	-	-	-	(168,148)
16,577	(141,568)	(118,487)	64,832	55,876	50,568	(46,411)
50,064	150,070	51,101	18,587	15,004	-	374,380
66,641	8,502	(67,386)	83,419	70,880	50,568	327,969
(35,770)	(27,546)	(1,069,741)	(46,393)	(58,389)	568	(1,637,280)
58,439	28,505	-	-	-	-	187,770
(109)	-	-	-	-	-	3,276
-	-	(10,580)	-	-	-	(7,718)
(1,051)	-	(2,745)	-	25,970	-	(2,211)
(96)	-	-	3,225	-	-	1,574
<u>\$ 21,413</u>	<u>\$ 959</u>	<u>\$ (1,083,066)</u>	<u>\$ (43,168)</u>	<u>\$ (32,419)</u>	<u>\$ 568</u>	<u>\$ (1,454,589)</u>

Sanilac County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

	Agency Funds			Total
	Trust and Agency	Library Fund (Penal Fines)	Circuit Court Orders	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 178,037	\$ 100,658	\$ 81,047	\$ 359,742
Due from other funds	136,073	-	2,115	138,188
<b>TOTAL ASSETS</b>	<b>\$ 314,110</b>	<b>\$ 100,658</b>	<b>\$ 83,162</b>	<b>\$ 497,930</b>
<b>LIABILITIES</b>				
Undistributed collections	\$ 185,790	\$ -	\$ -	\$ 185,790
Due to other funds	6,688	-	-	6,688
Due to other governmental units	107,623	100,658	-	208,281
Due to individuals and agencies	14,009	-	83,162	97,171
<b>TOTAL LIABILITIES</b>	<b>\$ 314,110</b>	<b>\$ 100,658</b>	<b>\$ 83,162</b>	<b>\$ 497,930</b>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

December 31, 2003

	Debt		
	Middle Branch and Branches	Turtle Creek Const./Maint.	Turtle Creek
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 59,843	\$ 59,971
Special assessments receivable	-	-	221,574
Due from other funds	-	-	-
Due from primary government	-	-	15,322
Advances to other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ -0-</b>	<b>\$ 59,843</b>	<b>\$ 296,867</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	181,052
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>181,052</b>
<b>FUND BALANCES</b>			
Reserved for debt service	-	59,843	115,815
Unreserved			
Designated for capital expenditures	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-0-</b>	<b>59,843</b>	<b>115,815</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ -0-</b>	<b>\$ 59,843</b>	<b>\$ 296,867</b>

Service

Dwight & Brs	White Rock	Potts and Branches	Duff & Branches
\$ 13,170	\$ 23,939	\$ 87,543	\$ 561,606
92,659	136,625	236,604	2,064,661
-	-	-	-
9,503	14,791	24,392	64,488
-	-	-	-
\$ 115,332	\$ 175,355	\$ 348,539	\$ 2,690,755
\$ -	\$ -	\$ -	\$ -
50,582	115,019	133,856	1,954,048
-	-	-	-
-	-	-	-
-	-	-	-
50,582	115,019	133,856	1,954,048
64,750	60,336	214,683	736,707
-	-	-	-
64,750	60,336	214,683	736,707
\$ 115,332	\$ 175,355	\$ 348,539	\$ 2,690,755

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2003

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,091	\$ 165,674	\$ 71,177
Special assessments receivable	216,547	1,256,241	972,834
Due from other funds	-	-	-
Due from primary government	33,987	87,391	9,634
Advances to other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 317,625</b>	<b>\$ 1,509,306</b>	<b>\$ 1,053,645</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ 9,000	\$ -
Deferred revenue	125,938.00	1,000,425	921,987
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>125,938</b>	<b>1,009,425</b>	<b>921,987</b>
<b>FUND BALANCES</b>			
Reserved for debt service	191,687	499,881	131,658
Unreserved			
Designated for capital expenditures	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>191,687</b>	<b>499,881</b>	<b>131,658</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 317,625</b>	<b>\$ 1,509,306</b>	<b>\$ 1,053,645</b>

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ 659,150	\$ 5,951	\$ 75,435	\$ 106,136	\$ 75,429
86,336	-	-	-	-
-	116,588	-	-	-
14,176	-	-	-	-
-	-	-	-	-
<u>\$ 759,662</u>	<u>\$ 122,539</u>	<u>\$ 75,435</u>	<u>\$ 106,136</u>	<u>\$ 75,429</u>
\$ 213,807	\$ -	\$ -	\$ -	\$ -
54,822	-	-	-	-
84,000	-	-	-	-
-	122,539	-	-	-
6,025	-	7,198	-	-
358,654	122,539	7,198	-0-	-0-
-	-	-	-	-
401,008	-	68,237	106,136	75,429
401,008	-0-	68,237	106,136	75,429
<u>\$ 759,662</u>	<u>\$ 122,539</u>	<u>\$ 75,435</u>	<u>\$ 106,136</u>	<u>\$ 75,429</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS - CONTINUED

December 31, 2003

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
<b>ASSETS</b>			
Cash and cash equivalents	\$ 65,716	\$ 52,450	\$ 40,770
Special assessments receivable	-	-	-
Due from other funds	-	-	-
Due from primary government	-	-	-
Advances to other funds	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 65,716</b>	<b>\$ 52,450</b>	<b>\$ 40,770</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Advances from other funds	-	-	-
Advances from primary government	-	-	-
Accounts payable	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>FUND BALANCES</b>			
Reserved for debt service	-	-	-
Unreserved			
Designated for capital expenditures	65,716	52,450	40,770
<b>TOTAL FUND BALANCES</b>	<b>65,716</b>	<b>52,450</b>	<b>40,770</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 65,716</b>	<b>\$ 52,450</b>	<b>\$ 40,770</b>

Project

Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ 183,454	\$ 318,545	\$ 62,807	\$ 453,611	\$ 3,209,468
-	-	-	-	5,284,081
97,219	9,000	-	-	222,807
-	-	-	-	273,684
84,000	-	-	-	84,000
<u>\$ 364,673</u>	<u>\$ 327,545</u>	<u>\$ 62,807</u>	<u>\$ 453,611</u>	<u>\$ 9,074,040</u>
\$ -	\$ -	\$ -	\$ -	\$ 222,807
-	-	-	-	4,537,729
-	-	-	-	84,000
-	-	-	-	122,539
-	-	-	-	13,223
-0-	-0-	-0-	-0-	4,980,298
-	-	-	-	2,075,360
<u>364,673</u>	<u>327,545</u>	<u>62,807</u>	<u>453,611</u>	<u>2,018,382</u>
<u>364,673</u>	<u>327,545</u>	<u>62,807</u>	<u>453,611</u>	<u>4,093,742</u>
<u>\$ 364,673</u>	<u>\$ 327,545</u>	<u>\$ 62,807</u>	<u>\$ 453,611</u>	<u>\$ 9,074,040</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

December 31, 2003

**Total fund balance - governmental funds** \$ 4,093,742

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

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

The cost of capital assets is	24,311,134	
Accumulated depreciation is	<u>(8,638,730)</u>	
Capital assets, net		15,672,404

Long-term receivables are not available to pay for current period expenditures  
and are therefore deferred in the funds. These consist of:

Deferred revenue		4,537,729
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Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds, notes and loans payable	<u>(5,032,252)</u>	
--------------------------------	--------------------	--

**Net assets of governmental activities** \$ 19,271,623

## Sanilac County, Michigan

## Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

	Debt		
	Middle Branch and Branches	Turtle Creek Const./Maint.	Turtle Creek
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	58,180
Interest	488	724	8,578
Other	-	-	-
TOTAL REVENUES	488	724	66,758
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	85,771	-	56,000
Interest and fees	4,675	-	12,915
TOTAL EXPENDITURES	90,446	-0-	68,915
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(89,958)	724	(2,157)
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	54	-	-
Operating transfers out	(37,527)	(538)	-
TOTAL OTHER FINANCING SOURCES (USES)	(37,473)	(538)	-0-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(127,431)	186	(2,157)
Fund balances, beginning of year	127,431	59,657	117,972
Fund balances, end of year	\$ -0-	\$ 59,843	\$ 115,815

Service

Dwight & Brs	White Rock	Potts and Branches	Duff & Branches
\$ -	\$ 19,316	\$ -	\$ -
-	-	-	-
49,924	35,127	133,712	164,844
4,347	7,153	10,469	65,289
-	-	-	-
54,271	61,596	144,181	230,133
-	-	-	-
50,875	51,000	125,000	135,000
7,440	13,387	18,762	94,680
58,315	64,387	143,762	229,680
(4,044)	(2,791)	419	453
-	-	-	-
-	10,000	-	-
-	-	-	-
-0-	10,000	-0-	-0-
(4,044)	7,209	419	453
68,794	53,127	214,264	736,254
<u>\$ 64,750</u>	<u>\$ 60,336</u>	<u>\$ 214,683</u>	<u>\$ 736,707</u>

## Sanilac County, Michigan

## Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2003

	Debt Service		
	E. Branch Speaker Maple	Regular Drains	Stone Drain
REVENUES			
Intergovernmental	\$ -	\$ 20,165	\$ -
Charges for services	-	-	-
Special assessments	127,023	409,645	99,916
Interest	9,145	2,910	79
Other	-	-	-
TOTAL REVENUES	136,168	432,720	99,995
EXPENDITURES			
Capital outlay	-	-	-
Debt service			
Principal redemption	130,000	277,423	-
Interest and fees	17,045	52,697	-
TOTAL EXPENDITURES	147,045	330,120	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,877)	102,600	99,995
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	-	31,663
Operating transfers out	-	(46,919)	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	(46,919)	31,663
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(10,877)	55,681	131,658
Fund balances, beginning of year	202,564	444,200	-
Fund balances, end of year	\$ 191,687	\$ 499,881	\$ 131,658

Capital Project

Regular Drains	Revolving Drains	Maintenance Revolving	Elk Creek	Middle & Branches
\$ -	\$ -	\$ -	\$ -	\$ -
13,917	-	12,931	-	-
59,391	-	-	-	-
6,309	-	705	2,104	461
8,631	-	26	4,765	-
88,248	-0-	13,662	6,869	461
448,043	-	34,821	-	5,247
-	-	-	-	-
9,171	-	-	-	-
457,214	-0-	34,821	-0-	5,247
(368,966)	-0-	(21,159)	6,869	(4,786)
446,500	-	-	-	-
80,787	-	46,550	-	37,527
(93,156)	-	(41,916)	(856)	(1,631)
434,131	-0-	4,634	(856)	35,896
65,165	-0-	(16,525)	6,013	31,110
335,843	-	84,762	100,123	44,319
<u>\$ 401,008</u>	<u>\$ -0-</u>	<u>\$ 68,237</u>	<u>\$ 106,136</u>	<u>\$ 75,429</u>

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS - CONTINUED

Year Ended December 31, 2003

	Capital		
	Dwight & Brs Const/Maint	White Rock Const/Maint	Potts & Brs Const/Maint
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Interest	867	697	334
Other	-	-	-
TOTAL REVENUES	867	697	334
EXPENDITURES			
Capital outlay	8,568	-	-
Debt service			
Principal redemption	-	-	-
Interest and fees	-	-	-
TOTAL EXPENDITURES	8,568	-0-	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,701)	697	334
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	-	-
Operating transfers in	-	-	-
Operating transfers out	(779)	(10,134)	(744)
TOTAL OTHER FINANCING SOURCES (USES)	(779)	(10,134)	(744)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(8,480)	(9,437)	(410)
Fund balances, beginning of year	74,196	61,887	41,180
Fund balances, end of year	\$ 65,716	\$ 52,450	\$ 40,770

Project

Black River	Duff & Brs Const/Maint	E. Branch Speaker	Stone Drain	Total
\$ -	\$ 13,000	\$ -	\$ -	\$ 52,481
-	-	-	-	26,848
-	-	-	-	1,137,762
11,742	3,608	760	3,568	140,337
-	9,000	-	-	22,422
11,742	25,608	760	3,568	1,379,850
3,275	3,541	487	228,924	732,906
-	-	-	-	911,069
-	-	-	-	230,772
3,275	3,541	487	228,924	1,874,747
8,467	22,067	273	(225,356)	(494,897)
-	-	-	745,000	1,191,500
-	55,850	-	6	262,437
(1,116)	(1,002)	(622)	(66,039)	(302,979)
(1,116)	54,848	(622)	678,967	1,150,958
7,351	76,915	(349)	453,611	656,061
357,322	250,630	63,156	-	3,437,681
<u>\$ 364,673</u>	<u>\$ 327,545</u>	<u>\$ 62,807</u>	<u>\$ 453,611</u>	<u>\$ 4,093,742</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** **\$ 656,061**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	1,156,687	
Depreciation expense	<u>(771,815)</u>	
 Excess of capital outlay over depreciation expense		 384,872

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Deferred revenue		318,303
------------------	--	---------

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(1,191,500)	
Bond and note principal retirement	<u>911,086</u>	
		<u>(280,414)</u>

**Change in net assets of governmental activities** **\$ 1,078,822**

Sanilac County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

December 31, 2003

	Debt Service		
	Brown City Water Tower	Worth Phase II Water System	Lex, Worth Water Project
<b>ASSETS</b>			
Cash and cash equivalents	\$ -0-	\$ 1,354	\$ 197
<b>LIABILITIES AND FUND BALANCES</b>			
Accounts payable	\$ -	\$ -	\$ -
<b>FUND BALANCES</b>			
Fund balances			
Reserved for debt service	-	1,354	197
Unreserved			
Designated for capital expenditures	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-0-</u>	<u>1,354</u>	<u>197</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ 1,354</u>	<u>\$ 197</u>

<u>Capital Projects</u>		
<u>Brown City Water Tower</u>	<u>Worth Phase II Water System</u>	<u>Total</u>
<u>\$ 26,051</u>	<u>\$ 121,439</u>	<u>\$ 149,041</u>
\$ -	\$ 63,877	\$ 63,877
		1,551
<u>26,051</u>	<u>57,562</u>	<u>83,613</u>
<u>26,051</u>	<u>57,562</u>	<u>85,164</u>
<u>\$ 26,051</u>	<u>\$ 121,439</u>	<u>\$ 149,041</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

December 31, 2003

**Total fund balance - governmental funds** \$ 85,164

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

Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds.

Long-term receivables at year-end consist of:

Lease receivable 9,305,000

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

Long-term liabilities at year-end consist of:

Direct county obligations (9,305,000)

**Net assets of governmental activities** \$ 85,164

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

	Debt Service		
	Brown City Water Tower	Worth Phase II Water System	Lex, Worth Water Project
REVENUES			
Intergovernmental	\$ 26,640	\$ 958,641	\$ 83,895
Interest	-	57	13
TOTAL REVENUES	26,640	958,698	83,908
EXPENDITURES			
Other	-	-	-
Debt service			
Principal Redemption	20,000	475,000	40,000
Interest and fiscal charges	6,640	483,641	43,907
Capital Outlay			
Construction	-	-	-
TOTAL EXPENDITURES	26,640	958,641	83,907
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	57	1
Fund balances, beginning of year	-	1,297	196
Fund balances, end of year	\$ -0-	\$ 1,354	\$ 197

Capital Projects		
Brown City Water Tower	Worth Phase II Water System	Total
\$ -	\$ -	\$ 1,069,176
324	2,981	3,375
324	2,981	1,072,551
-	19,474	19,474
-	-	535,000
-	-	534,188
-	172,161	172,161
-0-	191,635	1,260,823
324	(188,654)	(188,272)
25,727	246,216	273,436
<u>\$ 26,051</u>	<u>\$ 57,562</u>	<u>\$ 85,164</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended December 31, 2003

**Net change in fund balances - total governmental funds** \$ (188,272)

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

Payments made on the lease receivable is reported as revenue in governmental funds, but the payments reduces the lease receivable in the statement of net assets. In the current year, these amounts consist of:

Lease payments (535,000)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement 535,000

**Change in net assets of governmental activities** \$ (188,272)

Sanilac County, Michigan  
Component Unit Funds  
BALANCE SHEET - ROAD COMMISSION  
December 31, 2003

ASSETS	
Cash and cash equivalents	\$ 1,050,012
Accounts receivable	4,347
Due from other governmental units	1,180,139
Prepaid expenditures	79,872
Inventory	<u>239,064</u>
TOTAL ASSETS	<u><u>\$ 2,553,434</u></u>
LIABILITIES AND FUND BALANCE	
Accounts payable	\$ 146,316
Accrued liabilities	30,361
Due to other governmental units	11,774
Performance bond payable	5,000
Deferred revenue	158,510
Advances from other governmental units	<u>370,766</u>
TOTAL LIABILITIES	722,727
FUND BALANCES	
Fund balances	
Reserved for roads	1,377,582
Unreserved - undesignated	<u>453,125</u>
TOTAL FUND BALANCE	<u>1,830,707</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,553,434</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS -ROAD COMMISSION

December 31, 2003

**Total fund balance - governmental fund** **\$1,830,707**

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental fund.

The cost of capital assets is	12,245,151	
Accumulated depreciation is	<u>(5,981,188)</u>	
Capital assets, net		6,263,963

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund balance sheet. Long-term liabilities are year end consist of:

Leases payable	(1,011,330)	
Accrued interest payable	(3,672)	
Compensated absences	<u>(1,030,470)</u>	<u>(2,045,472)</u>

**Net assets of governmental activities** **\$6,049,198**

Sanilac County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ROAD COMMISSION

Year Ended December 31, 2003

REVENUES	
Taxes	\$ 1,629,192
Licenses and permits	28,945
Intergovernmental	9,050,189
Charges for services	1,463,413
Interest and rents	27,134
Other	<u>(136,600)</u>
TOTAL REVENUES	12,062,273
EXPENDITURES	
Current	
Public Works	12,075,588
Capital outlay	(959,975)
Debt service	<u>249,318</u>
TOTAL EXPENDITURES	<u>11,364,931</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	697,342
Fund balances, beginning of year	721,366
Prior period adjustments	<u>411,999</u>
Fund balances, end of year	<u><u>\$ 1,830,707</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES - ROAD COMMISSION

Year Ended December 31, 2003

**Net change in fund balance - governmental fund** \$ 697,342

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

Capital outlays are reported as expenditures in the governmental fund. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	2,256,290	
Depreciation expense	(914,430)	
Infrastructure depreciation	<u>(142,813)</u>	
Excess of depreciation expense over capital outlay		1,199,047

Reduction of capital assets as a result of early lease termination (141,339)

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures in the governmental fund, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Capital lease payments		188,885
------------------------	--	---------

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund. These activities consist of:

Decrease in accrued interest payable	2,086	
(Increase) in accrued compensated absences	<u>(825)</u>	
		<u>1,261</u>

**Change in net assets of governmental activities** \$ 1,945,196

Sanilac County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2003

	<u>Total</u>
ASSETS	
Cash and cash equivalents	\$ 209,543
Due from other governmental units	<u>83,613</u>
TOTAL ASSETS	<u>\$ 293,156</u>
LIABILITIES AND FUND BALANCES	
Accounts payable	\$ 19,804
Deferred revenue	<u>63,768</u>
TOTAL LIABILITIES	83,572
FUND BALANCES	
Fund balances	
Unreserved - undesignated	<u>209,584</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 293,156</u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - ECONOMIC DEVELOPMENT CORPORATION

December 31, 2003

**Total fund balance - governmental fund** \$ 209,584

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

Long-term liabilities are not due and payable in the current period  
and therefore are not reported as liabilities in the governmental fund.

Loans payable (101,983)

**Net assets of governmental activities** \$ 107,601

Sanilac County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2003

	<u>Total</u>
REVENUES	
Taxes	\$ 9,563
Intergovernmental	226,449
Charges for services	37,865
Interest	3,525
Other	<u>104,363</u>
TOTAL REVENUES	381,765
EXPENDITURES	
Health and welfare	<u>310,451</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	71,314
Fund balances, beginning of year	<u>138,270</u>
Fund balances, end of year	<u><u>\$ 209,584</u></u>

Sanilac County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL  
FUND TO THE STATEMENT OF ACTIVITIES - ECONOMIC DEVELOPMENT CORPORATION

Year Ended December 31, 2003

<b>Net change in fund balance - governmental fund</b>	\$ 71,314
Amounts reported for governmental activities in the statement of activities are not different.	<u>-</u>
<b>Change in net assets of governmental activities</b>	<u><u>\$ 71,314</u></u>

Principals

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Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA

Karen A. Roka, CPA  
James A. Huguelet, CPA  
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William I. Tucker IV, CPA  
Kurt M. Lemmen, CPA



**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

Member:  
American Institute of  
Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

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

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

We have audited the basic financial statements of Sanilac County, Michigan as of and for the year ended December 31, 2003, and have issued our report thereon dated June 9, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether Sanilac County, Michigan's combined financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 9, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sanilac County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the combined financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sanilac County, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the combined financial statements. We noted the following reportable condition:

108 N. Spring St. ▪ St. Johns, MI 48879-1574 ▪ (989) 224-6836 ▪ FAX: (989) 224-6837  
745 Barclay Circle, Suite 335, PO Box 70067 ▪ Rochester Hills, MI 48307 ▪ (248) 844-2550 ▪ FAX: (248) 844-2551

## Reconciliation of Cash Balances

During our analysis and testing of the Health Department's cash balances as of September 30, 2003, we noted that the County pooled cash balance in the Health Department's general ledger had not yet been reconciled with the County Treasurer's office balance. We did note that the Health Department had been tracking the monthly activity in a subsidiary ledger and had been balancing the monthly activity to the County Treasurer's office activity.

Timely bank reconciliations are one of the most important components of a sound internal control system. All bank accounts should be reconciled on a monthly basis and differences investigated immediately to assure the financial records are accurately presented.

A material weakness is a 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 in amounts that would be material in relation to the combined 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is not considered to be a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Sanilac County, Michigan, in a separate letter dated June 9, 2004.

This report is intended for the information of the County Board of Commissioners, management, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 9, 2004

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Certified  
Public Accountants  
and  
Michigan Association of  
Certified Public  
Accountants

MANAGEMENT LETTER

To the Board of Commissioners  
of Sanilac County  
Sandusky, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Sanilac County, Michigan for the year ended December 31, 2003. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. The County should review the status of individual fund balances (deficits) near year-end.

As noted in the basic financial statements, the County had two (2) funds (Health Department, Parks and Recreation) that ended the year in an unreserved fund deficit position. As a result, the County will be required to submit deficit reduction plans to the State of Michigan.

We suggest the County review the status of individual funds near year-end and make appropriate adjustments when possible to eliminate deficits. The County should also closely monitor operations of fund activities that are in danger of ending the year in a deficit.

2. The Sheriff Department should review accounting procedures related to the Commissary activity.

During our analysis and testing of the Sheriff Department's accounting procedures related to the Commissary activity, we noted that one individual is responsible for all aspects of the accounting (i.e., prepare voucher and deposit funds, prepare and sign checks (one signature), reconcile bank account).

We also noted that it appeared that the bank account balance has not been reconciled to the book balance on a periodic basis. We also noted some instances where vendor invoices could not be located as support for certain disbursements.

We suggest the Sheriff Department review and revise duties as deemed practical to assure that an adequate segregation of duties is achieved, and also to assure that the bank account is reconciled to the book balance on a timely basis.

3. The Animal Control Department should review cash receipt procedures to assure adequacy.

During our analysis and testing of cash receipt procedures of the Animal Control Department, we noted that for a sample of deposits we could not reconcile the amounts transmitted to the County Treasurer to the cash receipt books and/or logs (in this case the transmittal amount was higher). We also noted that the sequence of receipt numbers included in the prenumbered receipt books were not being accounted for (i.e., dog tag number was being used for receipt sequence).

We suggest the Animal Control Department review cash receipting and reconciliation procedures to assure all collections are properly documented and reconciled with deposit records.

4. The Parks Department should use prenumbered receipts to document all receipts collections.

During our analysis and testing of the Parks department receipts processes, we noted that for some collections (i.e., wood sales, etc.) a receipt document is not prepared to support the collections. We were not able to reconcile a sample of deposit amounts to receipt records, which appears to be due to not recording receipts for all collections.

We suggest the Park department review procedures to assure that all collections be documented either by preparation of a receipt or by maintaining a receipt log.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the basic financial statements and this report does not affect our report on the basic financial statements dated June 9, 2004.

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

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

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Certified Public Accountants

June 9, 2004