

AUDITING PROCEDURES REPORT

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

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name MANISTEE COUNTY	County MANISTEE
Audit Date 9/30/03	Opinion Date 11/20/03	Date Accountant Report Submitted to State: 5/10/04	

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

We affirm that:

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

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

You must check the applicable box for each item below.

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

We have enclosed the following:

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

Certified Public Accountant (Firm Name) DAVID E WILSON CPA			
Street Address PO Box 205	City Interlochen	State MI	ZIP 49643
Accountant Signature David E Wilson			

MANISTEE COUNTY
MANISTEE, MICHIGAN

AUDIT REPORT

For the Year Ended
September 30, 2003

David E. Wilson, CPA, PC
PO Box 205
Interlochen, MI 49643
(231) 276-7668

November 20, 2003

Mr. Thomas D. Kaminski
County Administrator
Manistee County
Manistee, MI 49660

Dear Mr. Kaminski:

The primary purpose of this letter is to prepare, for management, information which delineates those items encountered during the course of the audit which were either not related to the financial, internal control and compliance reports or were not material enough to comment on relative to them. However, these items might be significant when viewed from a management perspective or in the longer term. This letter is intended only for the use of management and any other parties not informed of these matters might misconstrue their meanings.

Our Responsibility under Generally Accepted Auditing Standards

Our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with general accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of Manistee County. Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for safeguarding assets and for maintaining the structure of the internal control system to help assure the proper recording of transactions. Our consideration of the system of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by Manistee County are listed in Note B. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Manistee County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, of transactions for which there is a lack of authoritative guidance or consensus.

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Management Judgements and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the liability.

Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the general purpose financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Manistee County that could potentially cause future financial statements to be materially misstated, even though we have concluded such adjustments are not material to the current financial statements. Our audit adjustments, individually and in the aggregate, have a significant effect on the financial reporting process.

The County Commission has done an excellent job of addressing the financial accountability within the County. The updates to GASB 34 and the change of fiscal year are examples of the forward thinking of the County

The following are comments on items noted during the audit with recommendations for correction:

COMMENT: The internal control over accounts receivable and cash is improved in the District Court. The resultant increased collections are a by product of this emphasis. This area has really improved dramatically.

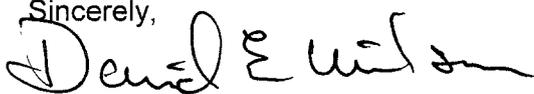
COMMENT: The enforcement of internal control in the Treasurer's Office has improved.

RECOMMENDATION: Ongoing periodic replacement of functions without warning such as deposits, opening the mail, counting of cash and receipting by the Treasurer has added an increased level of control within the office.

COMMENT: It is imperative that the Treasurers Office keep all personnel informed concerning any situations which arise and have a potential impact.

RECOMMENDATION: Additional security can be obtained physically within the office. Efforts must be made to insure that the controls, physical and internal are upgraded. This includes additional attention to software applications involving cash with particular emphasis on tax collections. Continue to review various application software with the goal of having the best integrated software available.

Again, it is important to remember that this report is for information only and provided to management with the intent to improve management practices within Manistee County.

Sincerely,


David E Wilson, CPA

MANISTEE COUNTY, MICHIGAN

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FINANCIAL SECTION

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 County Commission
Manistee County, Michigan

We have audited the general purpose financial statements of the Manistee County, Michigan as of and for the year ended September 30, 2003, and have issued our report thereon dated November 20, 2003. 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.

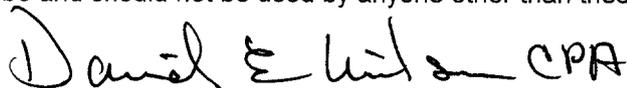
Compliance

As part of obtaining reasonable assurance about whether Manistee County, Michigan's general purpose 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Manistee County, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Manistee County, Michigan, in a separate letter dated November 20, 2003.

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



Interlochen, MI
November 20, 2003

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

The Board of Commissioners
Manistee County
Manistee, Michigan

Compliance

We have audited the compliance of Manistee County, Michigan, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. Manistee County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Manistee County, Michigan's management. Our responsibility is to express an opinion on Manistee County, Michigan's compliance based on our audit.

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

In our opinion, Manistee County, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of Manistee County, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Manistee County, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

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

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

A handwritten signature in black ink that reads "Daniel E. Wilson CPA". The signature is written in a cursive style with a large initial "D" and "W".

Interlochen, Michigan
November 20, 2003

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the County Commission
Manistee County, Michigan

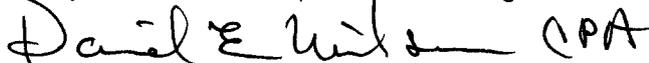
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Manistee County, Michigan as of and for the year September 30, 2003, which collectively comprise Manistee County, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Manistee County, Michigan's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Manistee County, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated November 20, 2003 on our consideration of Manistee County, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contract 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.



Interlochen, MI
November 20, 2003

Management's Discussion and Analysis

As management of Manistee County, Michigan we offer the readers of the Manistee County financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of Manistee County exceeded its liabilities at the close of fiscal year 2003 by \$11,304,944. Of this amount \$8,256,758 may be used to meet the government's ongoing obligations to citizens and creditors.
- At September 30, 2003 the County's governmental funds reported a combined fund balance of \$1,802,532.
- At September 30, 2003, unreserved fund balance for the general fund was \$371,143 or 4% of the general fund expenditures. This was no change in fund balance from the prior year.
- It is impossible to compare revenue and expenditures in FY02/03 with the prior year. In 2002 we changed the County's fiscal year from ending 12/31 to ending 9/30. This caused the prior year to be only a nine month year therefore making comparisons impossible.
- Total long term debt in the Governmental Activities decreased by \$145,000 from the prior fiscal year.

Overview of the Financial Statements

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

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

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

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

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

The government-wide financial statements include not only the County itself (known as the *primary government*), but also legally separate component units for which the County is financially accountable. Financial information for *component units* is reported separately from the financial information presented for the primary government itself.

Manistee County
Government Wide
Compressed Statement of Net Assets

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets	\$3,045,487	\$3,016,177	\$6,061,664
Capital Assets, net	6,706,820	1,548,514	8,255,334
Total Assets	<u>9,752,307</u>	<u>4,564,691</u>	<u>14,316,998</u>
LIABILITIES			
Current Liabilities	1,432,955	814,297	2,247,252
Noncurrent liabilities	2,779,594	702,208	3,481,802
Total Liabilities	<u>4,212,549</u>	<u>1,516,505</u>	<u>5,729,054</u>
NET ASSETS			
Invested in capital assets, net of related debt	3,989,820	1,548,514	5,538,334
Restricted	886,160	1,847,785	2,733,945
Unrestricted (deficit)	663,778	(348,113)	315,665
Total Net Assets	<u>5,539,758</u>	<u>3,048,186</u>	<u>8,587,944</u>
Total Liabilities and Net Assets	\$9,752,307	\$4,564,691	\$14,316,998

Manistee County
Government Wide
Compressed Statement of Activities

	Governmental	Business-Type	Total
Revenue			
Property Taxes	\$4,978,179	\$ 365,429	\$5,343,658
Charges for Services	1,582,885	5,913,111	7,495,996
Operating Grants	935,619		935,619
State-Shared Revenue	485,528	157,841	643,369
Transfers and Misc	216,063	34,651	250,714
Franchise Tax	<u>1,588,495</u>	<u>337,112</u>	<u>1,925,607</u>
Total Revenue	9,786,769	6,808,144	16,594,913

Expenses			
General Government	\$4,301,980		\$4,301,980
Public Safety	4,637,802		4,637,802
Health and Recreation	1,077,994	6,645,326	7,723,320
Recreation and Culture	<u>14,500</u>	<u> </u>	<u>14,500</u>
Total Expenses	10,032,276	6,645,326	16,677,602

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

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

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

The County maintains many individual government funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, central dispatch E911, and the Building Authority funds, each of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 54-57 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its information services contracts, assessing and mapping activities and delinquent taxes. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various County functions. The County uses internal service funds to account for its self

insurance, mental health self insurance and motor pool activities. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 67-70 of this report.

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

The basic fiduciary fund financial statements can be found on page 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-50 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statement. Combining and individual fund statements and schedules can be found on pages 53-80 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$11,304,944 at the close of the most recent fiscal year. A large portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Net Assets

The County uses capital assets to provide services to citizens; consequently, these assets are not available for future spending. Investment in capital assets, net of related debt, is 72% of total net assets. An additional portion of the County's net assets (16%) represents resources that are subject to external restrictions on how they may be used. Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grants, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. All such assets (except for assets invested in capital assets, net of related debt) are considered restricted or unrestricted. The smallest portion of the County's net assets (12%) are unrestricted net assets. These net assets may be used to meet the government's ongoing obligations to citizens and creditors.

See the following two pages for financial information on net assets.

Governmental Activities

Governmental Activities include:

- Legislative activities - Expenditures related to the Board of Commissioners and high-level administrative expenditures.
- Judicial activities - Expenditures related to the administration of Circuit, District, and Probate/Family Courts and Court Probation units.
- General government activities - Expenditures related to the support departments of the County such as Administration, Human Resources, Treasury, Information Services, Facilities Management, and Finance.
- Public safety - Expenditures related to the Sheriff's Administration and Road Patrol and County Corrections services.
- Health - Expenditures related to public health services such as immunization, solid waste, child care, Medical Examiner, and housing assistance programs.

Business Type Activities

Business Type Activities include:

- Delinquent tax revolving fund - This fund was established as a means to provide the local governments within the County's jurisdiction with 100% of the property tax distributions owed to them annually. The County then acts as the collection agency for the outstanding delinquent taxes. Current policy is to maintain cash and investments to fund 100% of the prior year's delinquent tax settlement.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the County *governmental fund statements* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the County financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year. Unreserved fund balance represented 4% of annual government expenditures in 2003.

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

Other factors considering the finances of these funds have been addressed in the discussion of the County's business-type activities.

General Fund Budgetary Highlights

Amended budgetary expenditures differed from the originally adopted budget mainly for the following reasons:

- The combination of the Manistee and Benzie counties Friend of the Court to include both counties in the Manistee County budget for an increase of \$58,925.
- Increases in the jail costs for prisoner medical and meal costs along with overtime costs due to jail employees on short term disability for an increase of \$179,000
- Staffing changes in the equalization department and two Emergency Services grants also caused the budget to increase.

Significant budget variances existed between the final amended budget and actual amounts. Major variations are summarized as follows:

- There were some new data processing equipment upgrades that caused significant savings in this area.
- There were open positions most of the year in the Equalization, District Court and the Sheriff Department.

Capital Asset and Debt Administration

- **Capital assets** - a capital asset is an asset whose cost exceeds \$5,000 and useful life is greater than two years. Included in the cost of a capital asset are items such as labor and freight and any other costs associated with bringing the asset into full operation. Assets are depreciated using the straight-line method over the course of their useful lives.

During the year, we concluded construction on the second phase of the Courthouse Renovation Project. The original budget for this project was 1.9 million dollars but with cost overruns and change orders the final cost was approximately 2.9 million. The project was done to provide better working conditions for the employees of Manistee County and foremost to somewhat separate the governmental offices from the courts. The was done primarily for security measures, and to benefit the public that uses our facility.

- **Debt administration** - debt incurred in the course of constructing or acquiring a capital asset is recorded and paid for from a debt service fund.

The County has three general obligation bonds for their major capital projects this year. The first twenty-year bond issue took place in 1990 for the construction of a new Jail. The second bond issue, took place in 1999 for 1.375 million dollars and was for the first phase of the Courthouse renovation. A third bond issue took place in 2000 for \$825,000 and was for phase two of the court house renovation.

Economic Factors and Next Year's Budgets and Rates

- The taxable value of commercial, residential, and personal property increased 7.21% in the 2003 fiscal year.

Manistee County has enjoyed slow but steady economic growth during the last several years, despite the broader economic climate. We attribute much of our County's growth to its close proximity to Michigan Lakeshore and the addition of a new casino. The County anticipates slow economic growth to continue throughout 2004 and even into 2005. Despite this good news, as with all counties in Michigan Manistee County is being hit hard by State and Federal budget cuts. This combined with expenses rising at a rate faster than revenue, our 2005 budget projections reflects an anticipated operating deficit of between \$180,000 to as high as \$800,000 depending on several factors such as the rising cost of health insurance for county employees.

Requests for Information

This financial report is designed to provide a general overview of the County finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Budget and Finance Department, Manistee County, Michigan, 415 Third Street, Manistee, MI 49660. Additional information can be found at our website at www.manisteecounty.net

Manistee County
Government Wide
Statement of Net Assets
September 30, 2003

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	\$1,959,636	\$31,270	\$1,990,906	\$835,061
Investments		2,210,749	2,210,749	236,651
Receivables (net)	948,121	745,618	1,693,739	1,019,633
Internal balances	137,730		137,730	92,172
Inventories		28,540	28,540	353,807
Capital Assets, net	6,706,820	1,548,514	8,255,334	19,582,238
Total Assets	9,752,307	4,564,691	14,316,998	22,119,562
LIABILITIES				
Accounts payable	170,626	441,195	611,821	
Deferred revenue	959,630		959,630	
Other Current Liabilities	112,699	373,102	485,801	450,268
Current Portion of LTD	190,000		190,000	
Noncurrent liabilities				
Accrued Compensated Absences	252,594	702,208	954,802	
Due in more than one year	2,527,000		2,527,000	383,398
Total Liabilities	4,212,549	1,516,505	5,729,054	833,666
NET ASSETS				
Invested in capital assets, net of related debt	3,989,820	1,548,514	5,538,334	19,225,962
Restricted for:				
Capital projects	886,160	1,796,531	2,682,691	1,576,831
By Donors		51,254	51,254	0
Debt Service			0	
Other				
Unrestricted (deficit)	663,778	(348,113)	315,665	483,103
Total Net Assets	5,539,758	3,048,186	8,587,944	21,285,896
Total Liabilities and Net Assets	\$9,752,307	\$4,564,691	\$14,316,998	\$22,119,562

The footnotes are an integral part of these Financial Statements.

Manistee County
Government Wide
Statement of Activities
For Year Ended September 30, 2003

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Capital		Governmental Activities	Business-type Activities	Total	Component Units
			Operating Grants and Contributions	Grants and Contributing				
Primary Government								
Governmental activities:								
General Government	\$4,301,980	\$1,582,885	\$736,111		(\$1,982,984)		(\$1,982,984)	
Public Safety	4,637,802		199,508		(4,438,294)		(4,438,294)	
Public Works					0		0	40,626
Health and Recreation	1,077,994				(1,077,994)		(1,077,994)	
Community and Economic Development					0		0	
Recreation and Culture	14,500				(14,500)		(14,500)	(981,162)
Payment on Debt	0				0		0	
Total Government Activities	10,032,276	1,582,885	935,619	0	(7,513,772)	0	(7,513,772)	(940,536)
Business Type Activities								
Medical Care Facility	6,645,326	5,913,111	0	0	(732,215)	(732,215)	(732,215)	
Total Primary Government	16,677,602	7,495,996	935,619	0	(7,513,772)	(732,215)	(8,245,987)	
Component Units								
Library	1,069,343	15,475	72,706					(981,162)
Road Commission	5,096,313	60,387	5,076,552	0				40,626
Total Component Units	6,165,656	75,862	5,149,258	0	0	0	0	(940,536)
General revenues:								
Taxes								
Property Taxes-General					4,978,179	365,429	5,343,608	749,611
Property Taxes-Debt Service								
State-Shared Revenues					485,528	157,841	643,369	
Unrestricted Investment Earnings					42,517	34,651	77,168	57,440
Franchise taxes								
Miscellaneous					1,588,495	337,112	1,925,607	406,453
Transfers					173,546		173,546	
Total General Revenues-Special Items and Transfers					7,268,265	895,033	8,163,298	1,213,504
Changes in Net Assets					(245,507)	162,818	(82,689)	272,968
Net Assets - Beginning					9,505,800	2,885,368	12,392,168	21,012,928
Net Assets - Ending					\$9,752,307	\$3,048,186	\$12,800,493	\$21,285,896

The footnotes are an integral part of these Financial Statements.

Manistee County
Governmental Fund Balance Sheet
Year Ended September 30, 2003

ASSETS	General Fund	911 Central Dispatch	Building Authority Fund	Non Major Governmental Funds	Total Governmental Funds
Cash and Investments	\$656,136	\$567,828	\$20,359	\$715,313	\$1,959,636
Receivables:				0	0
Taxes - Current	0		0	0	0
Taxes - Delinquent	0		0	0	0
Accounts Receivable	725,366		0	222,755	948,121
Due From Other Funds	0		0	0	0
Prepaid Expenses	51,637		0	0	51,637
Other Assets	0		0	86,093	86,093
Property, Plant & Equipment (Net)	0		0	0	0
Amount to be Provided for:					0
Compensated Absences	0	0	0	0	0
Retirement of Long-term Debt	0		0	0	0
TOTAL ASSETS	1,433,139	567,828	20,359	1,024,161	3,045,487
LIABILITIES					
Due to State	0			0	0
Other Trust Items Payable	0			0	0
Deferred Revenue	886,160			73,470	959,630
Compensated Absences	0	0		0	0
Notes Payable	0			0	0
General Obligation Bonds Payable	0			0	0
Accounts Payable	120,431	9,083	1,900	39,212	170,626
Other Liabilities	55,405			57,294	112,699
Maintenance of Effort	0			0	0
Due to Other Funds	0			0	0
Due to Other Govt. Units	0			0	0
TOTAL LIABILITIES	1,061,996	9,083	1,900	169,976	1,242,955
FUND EQUITY					
Contributed Capital	0				
Investment in Fixed Assets	0				
Fund Balance					
Reserved	886,160		0	0	886,160
Unreserved	(515,017)	558,745	18,459	854,185	916,372
TOTAL FUND EQUITY	371,143	558,745	18,459	854,185	1,802,532
TOTAL LIABILITIES & FUND EQUITY	\$1,433,139	\$567,828	\$20,359	\$1,024,161	\$3,045,487

The footnotes are an integral part of these Financial Statements.

Manistee County
Governmental Fund Statement of Revenue, Expenditures, and Changes in Fund Balance
Year Ended September 30, 2003

	General Fund	911 Central Dispatch	Building Authority Fund	Non Major Governmental Funds	Total Governmental Funds
REVENUES					
Taxes & Penalties	\$4,129,141	\$729,954	\$4,520	\$114,564	\$4,978,179
Licenses & Permits	866	0	0	0	866
Contracts and Grants	0	0	0	0	0
Federal Grants	347,164	0	0	44,520	391,684
State Grants	874,475	0	0	428,837	1,303,312
Local Contributions	220,417	0	0	81,083	301,500
Charges for Service	1,582,885	0	0	0	1,582,885
Fines & Forfeits	0	0	0	7,000	7,000
Interest and Rentals	35,690	6,827	0	0	42,517
Other Revenue	112,660	354,565	0	538,055	1,005,280
Total Revenues	7,303,298	1,091,346	4,520	1,214,059	9,613,223
EXPENDITURES					
Current					
Legislative	69,776	0	0	0	69,776
Judicial	1,736,187	0	0	0	1,736,187
General Government	1,870,948	0	0	0	1,870,948
Public Safety	2,255,592	1,088,616	2,710,012	1,293,594	7,347,814
Health and Welfare	843,382	0	0	234,612	1,077,994
Public Works	0	0	0	0	0
Cultural and Recreation	14,500	0	0	0	14,500
Other	201,835	0	40,048	2,476,803	2,718,686
Payment on Debt	0	45,000	0	100,000	145,000
Total Expenditures	6,992,220	1,133,616	2,750,060	1,722,799	12,598,695
Excess (Deficiency) of Revenues over Expenditures	311,078	(42,270)	(2,745,540)	(508,740)	(2,985,472)
OTHER FINANCING SOURCES (USES)					
Proceeds from Debt	0	0	0	0	0
Operating Transfers In	361,604	0	70,955	503,977	936,536
Operating Transfers Out	(672,681)	0	0	(90,309)	(762,990)
Sale of Assets	0	0	0	0	0
Total Other Financing Sources (Uses)	(311,077)	0	70,955	413,668	173,546
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	1	(42,270)	(2,674,585)	(95,072)	(2,811,926)
Fund Balance, October 1	371,142	601,015	2,693,044	949,257	4,614,458
Prior Period Audit Adjustment	0	0	0	0	0
Fund Balance, September 30	\$371,143	\$558,745	\$18,459	\$854,185	\$1,802,532

The footnotes are an integral part of these Financial Statements.

Manistee County
 Reconciliation Report - GAS 34
 Year Ended September 30, 2003

Fund Balances on the Balance Sheet on Government Balance Sheet
 to Net assets of Governmental Activities on the Statement of Net Assets

Fund Balances on the Balance Sheet	916,372
Increase in Assets not booked in Government Balance Sheet	2,717,000
Decrease in Long Term Debt	145,000
Compensated Absences All Recorded	(252,594)
Long Term Debt Recorded	<u>(2,862,000)</u>
Total Net Assets	663,778

Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities

Deficiency of Revenues	(2,811,926)
Capital Outlays in Governmental added to Assets in Statement of Activities	2,715,007
Repayment of Bond Principal is an expenditure in the government funds where it is as reduction in Long Term Debt	145,000
Depreciation is recorded in the Statement of Activities with the offset to accumulated depreciation in the Net Assets.	(293,588)
Increases in compensated absences are recorded when earned in the Statement of Activities	0
Total Changes in Statement of Activities	<u>(245,507)</u>

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUE, EXPENDITURES & CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budget		Actual	Variance
	Approved	Amended		Favorable (Unfavorable)
REVENUE				
Taxes and Penalties	\$4,055,178	\$4,067,863	\$4,129,141	\$61,278
Licenses and Permits	700	700	866	166
Federal Grants	326,555	326,555	347,164	20,609
State Grants	927,583	908,113	874,475	-33,638
Local Contributions	203,658	193,552	220,417	26,865
Charges for Services	1,317,844	1,556,940	1,582,885	25,945
Fines and Forfeits	0	0	0	0
Interest and Rentals	131,800	131,800	35,690	-96,110
Other Revenues	108,745	109,391	112,660	3,269
TOTAL REVENUES	7,072,063	7,294,914	7,303,298	8,384
EXPENDITURES				
Current				
Legislative	72,355	72,355	69,776	-2,579
Judicial	1,771,219	1,826,712	1,736,187	-90,525
General Government	1,881,412	1,926,342	1,870,948	-55,394
Public Safety	2,058,763	2,257,125	2,255,592	-1,533
Health and Welfare	843,892	857,692	843,382	-14,310
Cultural and Recreational	14,500	14,500	14,500	0
Other	214,200	201,599	201,835	236
Debt Service				
Principal	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
TOTAL EXPENDITURES		7,156,325	6,992,220	-164,105
EXCESS OF REVENUES OVER (UNDER) EXPENDITURE		138,589	311,078	172,489
OTHER FINANCING SOURCES (USES)				
Proceeds from Financing		0	0	0
Transfers In		430,773	361,604	-69,169
Transfers Out		569,362	672,681	103,319
Increase in Long Term Debt		0	0	0
EXCESS REVENUES AND OTHER SOURCES		0	1	1
FUND EQUITY October 1, 2002			371,142	
PRIOR PERIOD ADJUSTMENTS			0	
FUND EQUITY SEPTEMBER 30, 2003			\$371,143	

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY , MICHIGAN
MANISTEE COUNTY 9-1-1/CENTRAL DISPATCH
 Statement of Revenues and Expenditures
 Budget Vs. Actual
 For the Twelve Months Ended September 30, 2003

Revenues

Taxes	\$783,007	\$788,007	\$729,954	(\$58,053)
Misc Revenue	22,500	22,500	272,438	249,938
Interest Income	20,000	20,000	6,827	(13,173)
Wireless 911	50,000	50,000	82,127	32,127
Total Revenues	875,507	880,507	1,091,346	210,839

Expenditures

Current				
Legislative				
Judicial				
General Government				
Public Safety	787,507	1,185,707	1,076,405	109,302
Health and Welfare				
Cultural and Recreational				
Other				
Debt Service				
Principal	45,000	45,000	45,000	0
Interest and Fiscal Charges	20,000	20,000	12,211	7,789
	852,507	1,250,707	1,133,616	117,091
Excess Revenue (Expenditure)	\$23,000	(\$370,200)	(\$42,270)	\$93,748

The footnotes are an integral part of these Financial Statements

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCE
BUILDING AUTHORITY - BUDGET VS ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Taxes	\$0	\$0	\$0	0
Grant	0	0	0	0
Interest	4,520	4,520	4,520	0
	<hr/>			
Total Revenue	4,520	4,520	4,520	0
<hr/>				
EXPENDITURES				
Payment on Installment Purchase	0	0	0	0
Capital Outlay	2,655,012	2,655,012	2,655,012	0
Miscellaneous Expense	24,093	24,093	24,093	0
	<hr/>			
Excess (Deficiency) of Revenue Over Expenditures	(2,674,585)	(2,674,585)	(2,674,585)	0
Other Financing Sources (Uses)				
Proceeds from Debt	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
	<hr/>			
Total Other Financing Sources (Uses)	0	0	0	0
<hr/>				
Excess (Deficiency) of Revenue Over Expenditures and Other Sources Over Expenditures and Other Uses	(2,674,585)	(2,674,585)	(2,674,585)	0
Fund Balance, October 1	2,693,044	2,693,044	2,693,044	
Fund Balance, September 30	<u>\$18,459</u>	<u>\$18,459</u>	<u>\$18,459</u>	

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

ASSETS	Trust & Agency Fund	District Court Fund	Total
Cash	\$1,516,177	\$130,740	\$1,646,917
Cash and Investments Little River	1,442,507	0	1,442,507
Due From Other Funds	0	0	0
Total Assets	2,958,684	130,740	3,089,424
LIABILITITES			
Trust Payables	2,958,684	130,740	3,089,424
Due to Other Units	0	0	0
Total Liabilities	\$2,958,684	\$130,740	\$3,089,424

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF CHANGES IN ASSETS & LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Balance October 1, 2002	Increase	Decrease	Balance September 30, 2003
Cash	\$2,302,427	\$0	(\$656,257)	\$2,958,684
Due From General Fund	0	0	0	0
Total Assets	2,302,427	0	(656,257)	2,958,684
<hr/>				
<u>District Court Fund</u>				
Court order payable	107,785	0	106,289	1,496
<hr/>				
<u>Trust and Agency Fund</u>				
Trust Payables	102,172	(101,749)	0	423
Due to Local Units	(545,117)	0	(895,782)	350,665
Due to Federal Government	37,140	(283)	0	36,857
Due to State	818,654	(19,935)	0	798,719
Undistributed Tax Collections	454,385	0	430,941	23,444
Court Orders Payable	17,566	0	793	16,773
Casino Distribution	969,751	0	(472,756)	1,442,507
Other Trust Items	340,091	(52,291)	0	287,800
<hr/>				
Total Liabilities	\$2,302,427	(\$174,258)	(\$830,515)	\$2,958,684

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUND
SEPTEMBER 30, 2003

	Medical Care Facility	Total
ASSETS		
Cash	\$31,270	\$31,270
Accounts Receivable	745,618	745,618
Assets Limited as to Use	2,210,749	2,210,749
Property and Equipment	1,548,514	1,548,514
Prepaid Insurance	0	0
Inventories	28,540	28,540
Other Assets	0	0
	<hr/>	<hr/>
Total Assets	\$4,564,691	\$4,564,691
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES & FUND EQUITY		
Accounts Payable	\$441,195	\$441,195
Compensated Absences	702,208	702,208
Salaries and Related Liabilities	110,368	110,368
Maintenance of Effort	0	0
Due to Other Local Units	0	0
Other Current Liabilities	39,475	39,475
Third-party settlements	223,259	223,259
Deferred Revenue	0	0
	<hr/>	<hr/>
Total Liabilities	1,516,505	1,516,505
Fund Equity		
Retained Earnings	3,048,186	3,048,186
Total Liabilities & Fund Equity	<hr/> <hr/>	<hr/> <hr/>
	\$4,564,691	\$4,564,691

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES & CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND
SEPTEMBER 30, 2003

	<u>Medical Care Facility</u>	<u>Total</u>
OPERATING REVENUES		
Charges for Services	\$5,913,111	\$5,913,111
Property Taxes	365,429	365,429
Shared Revenue	157,841	157,841
Other Revenue	337,112	337,112
	<hr/>	<hr/>
Total Operating Revenue	6,773,493	6,773,493
	<hr/>	<hr/>
OPERATING EXPENSES		
Employee Salaries	3,758,495	3,758,495
Maintenance of Effort	142,394	142,394
Depreciation	0	0
Other	2,744,437	2,744,437
	<hr/>	<hr/>
Total Operating Expenses	6,645,326	6,645,326
	<hr/>	<hr/>
OPERATING INCOME (LOSS)	128,167	128,167
NON-OPERATING REVENUES		
Interest Income	34,651	34,651
Non-Operating Gains	0	0
Depreciation on Fixed Assets Acquired by Grant	0	0
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Operating Transfers Out	0	
	<hr/>	
Total Other Financing Sources (Uses)	0	0
	<hr/>	<hr/>
NET INCOME (LOSS)	162,818	162,818
RETAINED EARNINGS, BEGINNING	2,885,368	2,885,368
PRIOR PERIOD ADJUSTMENTS		0
		<hr/>
RETAINED EARNINGS, ENDING	<u>\$3,048,186</u>	<u>\$3,048,186</u>

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2003

	Medical Care Facility	Total
OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$5,932,705	\$5,932,705
Cash paid to employees and suppliers	(5,910,089)	(5,910,089)
Proportionate share receipts	157,841	157,841
Property tax receipts	365,429	365,429
	<hr/>	
Operating Activities	545,886	545,886
NON-CAPITAL FINANCING ACTIVITIES		
Contributions (withdrawals)	814	814
Net Cash Provided for by Non-Financing Activities	814	814
INVESTING ACTIVITIES		
Interest Received	34,651	34,651
Sale (purchase) of assets limited as to use	409,293	409,293
Deposits to Deferred Compensation Plan	0	0
Net Cash Provided By (Used In) Investing Activities	443,944	443,944
FINANCING ACTIVITIES		
Proceeds from local Grant	0	0
Purchase of Property and Equipment	(991,399)	(991,399)
Net Cash Provided By (Used In) Financing Activities	(991,399)	(991,399)
	<hr/>	
Net Increase (Decrease) in Cash & Cash Equivalents	(755)	(755)
	<hr/>	
Cash & Cash Equivalents, Oct. 1	356,254	356,254
	<hr/>	
Cash & Cash Equivalents, Sept. 30	\$355,499	\$355,499
	<hr/> <hr/>	

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN

Statement of Net Assets

Component Units

September 30, 2003

	Library	Road Commission	Total Component Units
	09/30/03	09/30/03	09/30/03
ASSETS			
Current			
Cash and Investments	\$524,541	\$310,520	\$835,061
Investments	0	236,651	236,651
Accounts Receivable	78,145	940,834	1,018,979
Property Taxes Receivable	654	0	654
Inventories	0	353,807	353,807
Due From Other Funds	0	0	0
Prepaid Expenses	0	92,172	92,172
Deferred Compensation Plan Assets	0	0	0
Other Assets	0	0	0
Construction in Progress	0	0	0
Property, Plant & Equipment (Net)	0	0	0
Compensated Absences	0	0	0
Non-Current			
Capital Assets	1,650,164	36,955,290	38,605,454
Accumulated Depreciation	(1,008,134)	(18,015,082)	(19,023,216)
Total Assets	<u>1,245,370</u>	<u>20,874,192</u>	<u>22,119,562</u>
LIABILITIES			
Liabilities			
Current Liabilities	90,295	359,973	450,268
Non-Current	17,528	365,870	383,398
Total Liabilities	<u>107,823</u>	<u>725,843</u>	<u>833,666</u>
NETS ASSETS			
Invested in Capital Assets-- Net of Related Debt	642,030	18,583,932	19,225,962
Restricted for			
Contributed Capital	12,414	1,564,417	1,576,831
Unreserved			
TES Litigation	15,000	0	15,000
Short Term Disability	14,237	0	14,237
Sick Leave	5,000	0	5,000
Gifts and Bequests	123,061	0	123,061
Unrestricted	325,805	0	325,805
Total Net Assets	<u>1,137,547</u>	<u>20,148,349</u>	<u>21,285,896</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
Statement of Activities-- Component Units
September 30, 2003

Functions/Programs	Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Library	Road Commission	Total
Library							
General Government					0		\$0
Public Safety					0		0
Public Works					0		0
Health and Welfare					0		0
Culture and Recreation	1,069,343	15,475	72,706		(981,162)		(981,162)
Interest on Long Term Debt					0		0
Depreciation					0		0
Total Library	1,069,343	15,475	72,706	0	(981,162)	0	(981,162)
Road Commission							
Public Works	5,096,313	60,387	5,076,552	0		40,626	40,626
Total Primary Government	\$6,165,656	\$75,862	\$5,149,258	\$0			

General Revenues	
Property Tax	749,611
Charges For Services	0
Grants and Contributions	0
Unrestricted Interest and Investments Earnings	8,710
Penal fines	330,124
Other	0
Gains on Sale of Capital assets	7,321
Total General Revenues	1,095,766
	117,738
	\$1,213,504
Change in Net Assets	114,604
Net Assets-- Beginning	1,022,943
	158,364
	19,989,985
	21,012,928
Net Assets-- Ending	\$1,137,547
	\$20,148,349
	\$21,285,896

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2003

	Library 09/30/03	Road Commission 09/30/03	Total 09/30/03
ASSETS			
Cash and Investments	\$524,541	\$310,520	\$835,061
Investments		236,651	236,651
Accounts Receivable	78,145	940,834	1,018,979
Property Taxes Receivable	654		654
Inventories		353,807	353,807
Due From Other Funds			0
Prepaid Expenses		92,172	92,172
Deferred Compensation Plan Assets			0
Other Assets			0
Construction in Progress			0
Property, Plant & Equipment (Net)			0
Compensated Absences		0	0
Total Assets	603,340	1,933,984	2,537,324
LIABILITIES & FUND BALANCE			
Liabilities			
Current Liabilities	69,872	206,223	276,095
Accrued Expenses	20,423	34,713	55,136
Total Liabilities	90,295	240,936	331,231
Fund Balance			
Contributed Capital	123,061	353,807	476,868
Capital Projects	12,414		12,414
TES Litigation	15,000		15,000
Short Term Disability	14,237		14,237
Sick Leave	5,000		5,000
Unreserved	343,333	1,339,241	1,682,574
Total Fund Balance	513,045	1,693,048	2,206,093
Total Liabilities and Fund Balance	\$603,340	\$1,933,984	\$2,537,324

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS
 September 30, 2003

	Library 09/30/03	Road Commission 09/30/03	Total 09/30/03
Revenues:			
Contracts and Grants	\$0	\$0	\$0
Property Tax	749,611		749,611
Penal Fines	330,124		330,124
State Grants	28,012	4,519,697	4,547,709
Federal Grants	0	64,208	64,208
Charges For Services	22,796	60,387	83,183
Local Contributions	44,694	492,647	537,341
Interest And Rental	8,710	48,730	57,440
Other Revenues	0	69,008	69,008
Total Revenues	1,183,947	5,254,677	6,438,624
Expenditures:			
Public Works		5,197,048	5,197,048
Capital Outlay	157,603	102,361	259,964
Public Services	1,117,786		1,117,786
Depreciation		0	0
Total Expenditures/Expenses	1,275,389	5,299,409	6,574,798
Excess (Deficiency) of Revenue Over Expenditures	(91,442)	(44,732)	(136,174)
Fund Balance/Retained Earnings-Beg	604,487	1,737,780	2,342,267
Prior Period Adj	0		0
Fund Balance/Retained Earnings	\$513,045	\$1,693,048	\$2,206,093

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY
MANISTEE COUNTY, MICHIGAN
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
September 30, 2003

A. REPORTING ENTITY

The County Board of Commissioners, a seven member group, is the level of government which has governance responsibilities over all activities related to the county government jurisdiction of Manistee County. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" since board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present Manistee County (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes:

- a) oversight responsibility
- b) fiscal dependency
- c) whether the financial statements would be misleading if data were included.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The method of reporting financial data of component units in a column separate from the financial data of the primary government is referred to as discrete presentation.

The component unit should be included in the reporting entity financial statements using the blending method in either of the following circumstances: a) The component unit's governing body of the primary unit and b) the component unit provides services entirely, or almost entirely to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The activities have been measured by the standards listed above with the following units being reported as component units with condensed financial statements for those which are discretely presented.

BLENDED COMPONENT UNITS

Medical Care Facility

This a component unit of government of the County and has been included as such. This unit of government is controlled by an independent board which includes two county appointees and one state appointee. No money, other than MOE, is derived from the County and the majority comes from billings and fees paid by State and local agencies. The Medical Care Facility board cannot borrow money or levy taxes without the approval of the County. The information is taken from the year ending September 30, 2003 audited financial statements audited by other auditors which can be seen at the Manistee County Treasurer's Office.

Manistee Area 9-1-1/Central Dispatch

This is a component unit of government of the County and has been included as a blended presentation. This unit serves multiple government and private agencies while deriving no financial support directly from other agencies. The reasons for the blended presentation is that while this unit is neither economically dependent nor is it exclusively used by County government, it provides a service which would otherwise be required by the primary government. The unit can neither levy a tax or borrow funds without County approval. The information is taken from the September 30, 2003 year end audited financial statements and can be seen at the Manistee County Treasurer's Office.

Manistee County Building Authority

This is a component unit of government of the County and has been included here as such. However, all expenses to include interest and principal are costs to the County per se and as such are not reported a second time. Therefore, the only reportable amounts which concern this unit are transfers in and out which are negated when the units are combined. See also notes on Long Term Debt.

DISCRETELY PRESENTED COMPONENT UNITS

Manistee County Library

The Library is a component unit of County government. It is governed by a five member board . The Library prepares its financial statements on the modified accrual basis. There is no reporting on the fixed asset group of accounts. In accordance with Michigan Department of Treasury Letter, the Library is reported as a discreet presentation. The information is taken from the September 30, 2003 year end audited financial statements audited by other auditors which can be seen at the Manistee County Treasurer's Office.

Condensed Balance Sheet

Assets	\$ 603,340
Total Assets	<u>\$ 603,340</u>
Liabilities	\$ 90,295
Fund Balance	\$ 513,045
Total Liabilities and Fund Balance	<u>\$ 603,340</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Balance

Revenues	\$ 1,183,947
Current Expenditures	\$ 1,275,389
Loss	<u>\$ 91,442</u>

Manistee County Road Commission

The County Road Commission, which is established pursuant to county road law (MCL 224.1), is governed by an appointed three member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without approval of the County Board of Commissioners. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the county electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund. The information is taken from the September 30, 2003 year end audited financial statements audited by other auditors which can be seen at the Manistee County Treasurer's Office.

Condensed Balance Sheet

Assets	\$ 1,933,984
Property Plant & Equipment (Net)	18,940,208
Total Assets	<u>\$20,874,192</u>
Current Liabilities	\$ 240,936
Bonds and Other Long Term Liabilities	484,907
Fund Balance	20,148,349
Total Liabilities and Fund Balance	<u>\$20,874,192</u>

Condensed Statement of Revenues, Expenses and Changes in Fund Balance

Revenues	\$ 5,254,677
Current Expenditures	3,819,992
Depreciation/Retirements	1,276,321
Total Expenditures	\$ 5,096,313
Excess Revenue	<u>\$ 158,364</u>

Manistee County Transportation, Inc.

This entity is set up as and operated as an independent not-for-profit corporation, incorporated in the State of Michigan. In addition, there is a total separation of fiscal control or responsibility by Manistee County and the Governing board operates as an independent entity. The services provided do not fit into the category of "exclusively" used by the primary government. This entity is therefore being excluded based on the above.

Manistee/Blacker Airport Authority

The county was a member of a joint venture in the Manistee/Blacker Airport Authority. This is, however, an independent authority which is supported through fees and rents as well as support from Manistee County.

The number of units participating is not limited, but rather is set up under Act 206 of the Public Acts of 1957. No control is exercised by the County over the Airport Authority. Each unit appoints two members with three additional members coming at large. The Advisory Board is responsible for adopting an annual budget. The following financial information was obtained from the audited financial statements of the Manistee/Blacker Airport for the fiscal year ended September 30, 2003.

Condensed Balance Sheet

Assets	
Current Assets	\$ (2,560)
Accounts Receivable	17,750
Total Assets	<u>27,816</u>
Liabilities	8,448
Fund Balance	19,368
Total Liabilities & Fund Balance	<u>\$27,816</u>

Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance

Revenue	164,883
Expenditures	<u>152,550</u>
Net Revenue <loss>	<u>12,333</u>

The County's portion paid to the Manistee/Blacker Airport Authority was \$70,000 for the fiscal year ending September 30, 2003.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the County has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Basis of Accounting

Basis of Accounting refers to how revenue and expenditures or expenses are recognized in the account and reported in the financial statements. The basis of accounting, as required under generally accepted accounting principles, varies for each fund.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

General, special revenue, debt service, capital projects and trust and agency funds should be accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized in the accounting period in which it becomes available and measurable. Expenditures are recognized in the accounting period in which the related fund liability is incurred, if measurable.

Medical Care Facility

The accounting policies of the Facility conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Because the Facility provides a service to citizens that is financed primarily by user charges, the accounts of the Facility are accounted for as an Enterprise Fund.

Revenues and Expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting, as amended*, the Authority has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The Medical Care Facility audit report, prepared by other auditors, was not presented in accordance with GASB 34, however due to the nature of the presentation there was no materially significant deficiency in incorporating the audit report into this presentation.

Manistee County Library

The Library reports the following major governmental funds:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources accounted for in another fund.

The *capital projects fund* accounts for the financial resources to be used for the acquisition of major capital facilities.

Manistee County

The governmental fund accounting policies of Manistee County Board conform to generally accepted accounting principles and include the following fund types:

1. Government Fund Types use modified accrual basis and include -

The *General Funds* account for fiscal resources in use for general types of operations. The general fund is a budgeted fund and any fund balances are considered as resources available for use. Revenues are derived primarily from property taxes and state and federal distributions, grants and other intergovernmental revenues.

The *Special Revenue Funds* account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action. These funds are employed to maintain integrity for the various sources of funds.

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

The *Debt Service Funds* account for the accumulation of resources for, and the payment of, general long-term debt principal and interest recorded in the General Long-Term Debt Account Group.

2. Fiduciary fund types include -

The *Trust and Agency Fund* is unbudgeted and accounts for activities within those areas wherein the County is operating in either a trust or agency status. These funds have no equity, assets are equal to liabilities, and do not include revenues and expenditures for general operations of the County.

3. Proprietary fund types include -

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

The *Internal Service Funds* account for the financing of goods or services provided by one department or agency to other departments or agencies of the County or to other governmental units on a cost-reimbursement basis. The tax revolving fund contains those fund balances designated for specific use by the Board in accordance with resolutions passed during the years.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Investments.

The County uses the Fair Market Value valuation for all investments. Any adjustments to the value of the investments not related to cash differences but rather to a subsequent valuation change during the current year was entered as unrecognized gain or loss.

Budgeting and Fund Deficit

Prior to September 30th, the board adopts a proposed general fund operating budget for the twelve months beginning October 1st. The budget includes proposed expenditures and the means of financing them. Budgets are adopted on a activity basis, although line item data is provided in the accounts for more effective management control. Amendments to the general fund budget are made as necessary and are properly approved by the board.

C. INVESTMENTS

Act 217, PA 1982, as amended authorizes the County to deposit and invest in the following:

- a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d) Repurchase agreements consisting of instruments listed in subdivision (a).
- e) Bankers' acceptances of United States banks.
- f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- g) Mutual funds registered under the investment company act of 1940, title I of chapter 686, 54

Stat. 789, 15 USC 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

- i) The purchase of securities on a when-issued or delayed delivery basis.
- ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967.
- i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367.
- j) The investment pools organized under the local government investment pool act, 1985 PA 121.

D. CASH, CASH EQUIVALENTS AND INVESTMENTS

Primary Government

For purposes of this presentation, management has determined that cash equivalents consist of those items which will become cash within 90 days of the statement date. Investments are all in Certificates of Deposit and short term government bonds. Investments of the County are valued at the lower of cost or market at the balance sheet date. All deposits are held in the name of the County. The relative risk of these items of cash are:

	Carrying Value	Bank Balance
Insured	\$ 200,000	\$ 200,000
Uninsured	<u>1,150,011</u>	<u>1,201,056</u>
Total Cash	\$1,350,011	\$1,401,056

Deposits are carried at cost. Deposits are in three financial institutions in the name of the County Treasurer.

There is \$575,062 invested in Certificates of Deposit. Fair Market value is approximately the same as face value.

There is a bearer bond recorded with a cost of \$82,068 and a fair market value as of \$1,033,186 as of September 30, 2003.

The Government Investment Pool Funds for the primary government are with Huntington Bank and Security National Bank. The nature of the mutual funds, bond funds, and investment pools does not allow for risk categorization, which is in accordance with GASB Statement No. 3.

Investment Pools - Class	\$ 84,307
- Cadre	57,476
- Money Market	200,000

The balance of the cash is in sweep accounts which are the same as checking.

Medical Care Facility

The Medical Care Facility's deposits and investments are composed of the following:

	Current Assets	Assets Limited as to Use (3)	Total
September 30, 2003:			
Cash:			
Petty cash	\$ 395	\$	\$ 395
On deposit with County Treasurer (1)	23,658	324,229	347,887
On deposit with banks (2)	<u>7,217</u>	<u>1,886,520</u>	<u>1,893,737</u>
Total cash	<u>\$ 31,270</u>	<u>\$ 2,210,749</u>	<u>\$ 2,242,019</u>

- (1) Cash - County - These funds are under the control of the County Treasurer, who deposits these funds with a bank. It is impractical to determine the amount covered by federal depository insurance as these funds are only a portion of the entire County deposits. However, all available insurance has been taken by the County and none remains.
- (2) Cash - Bank - The deposits are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$1,893,737 and \$2,302,216 at September 30, 2003 and 2002, respectively. The federal depository insurance coverage pertains to all the deposits of the county; hence, the specific coverage pertaining to the Facility's deposits is not determinable.
- (3) Assets Limited as to Use - This cash is limited to the following uses:

	2003
By Manistee County Family Independence Agency Board for future capital purchases	\$ 1,796,531
for funded compensated absences	362,964
By donors for various restricted future expenditures	<u>51,254</u>
Total	<u>\$ 2,210,749</u>

911/Central Dispatch

911/Central Dispatch Cash Investments September 30, 2003.

	Per Bank	Carrying Value
Insured	\$ 100,000	\$ 100,000
Uninsured	<u>514,984</u>	<u>517,312</u>
Total	614,984	617,312

Manistee County Library

At year end, the carrying amount of the Library's deposits, including certificates of deposit of \$200,942 were \$523,991 and the bank balance was \$619,731 of which \$352,241 was covered by federal depository insurance and \$267,490 was uninsured and uncollateralized. The Library has \$550 in petty cash on hand.

Manistee County Road Commission

The Road Commission's deposits and investments at September 30, 2003 are included on the balance sheet under the following classifications:

	<u>Balance Sheet Classification</u>		
	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Totals</u>
Deposit - Bank	\$ 310,420	\$ -	\$ 310,420
Investments - Bank	0	236,651	236,651
Total	310,420	236,651	547,071
 Petty Cash	 100	 0	 100
	<u>\$ 310,520</u>	<u>\$ 236,651</u>	<u>\$ 547,171</u>

Deposits

At September 30, 2003, the book value of the Road Commission's deposits was \$310,520 with a corresponding bank balance of \$420,324. Qualifying deposits are insured by Federal Deposit Insurance Corporation up to \$100,000. Of the bank's balance, approximately \$313,640 is insured (credit risk category #1) and the remaining \$106,684 is uninsured and uncollateralized (credit risk category #2)

The County Road commission's deposits are in accordance with statutory authority.

Investments are categorized in these three categories of risk:

Category 1 - Insured and registered, or securities held by the Road Commission or its agent in the Road Commissions name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Road Commission's name.

Category 3 - uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the Road Commission's name

Investment not subject to categorization:

Public Funds Investment Trust	
Carrying and Fair Value	\$ 104,840
National City Bank - Business Indexed	
Investment Account	
Carrying and Fair Value	27,465
Cadre Securities - Cash Management Funds	
Carrying and Fair Value	<u>104,346</u>
Total Investments	\$ 236,651

E. ACCOUNTS RECEIVABLE

The Medical Care Facility has accounts receivable as follows:

Patient receivables	\$ 763,488
Less allowances for uncollectible accounts	<u>(40,000)</u>
Patient accounts receivable, net	\$ 723,488
Accounts receivable - other	22,130
Total accounts receivable	<u>\$ 745,618</u>

F. PROPERTY TAXES

The County property tax is levied on each December 1st on the taxable value of property located in Manistee County as of the preceding December 31st.

Although Manistee County's ad valorem tax is levied and collectible on December 1, property tax revenues are considered available when they become due or past due and receivable within the current period. The State Equalized Value (SEV) and taxable values are \$1,074,508,674 and \$737,371,742 respectively. The millage for the current year is:

County operating	5.1848
County Library	.9873
Medical Care	.4940
911	.9873
Jail bond	.1500

These amounts are recognized in the respective General Fund and special revenue funds. Property tax revenues are recognized in the subsequent year when budgeted, therefor the receivable is offset by deferred revenue.

G. EMPLOYEE'S DEFERRED COMPENSATION PLAN

The County and the Road Commission offers it's employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or an unforeseeable emergency.

Effective January 1, 1997, the County adopted Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This statement requires plans that have established a qualified third party trust for their plan to remove the plan assets and related liability from the balance sheet of the County since the plan assets would no longer be subject to the general creditors of the County. Manistee County maintains no trust involvement in these plans.

H. RETIREMENT SYSTEM - MERS OPERATED

Manistee County employees including those component units consisting of the Library and the Medical Care Facility, are covered under the Manistee County retirement program.

Plan Description

Manistee County participates in the Michigan Municipal Employees Retirement System (MERS), a public employer and employee retirement system organized pursuant to Section 12a of Act No 156, Public Acts of 1951, (MSA 5.333(a); MCLA 46, 12a), as amended, State of Michigan. Substantially all employees are covered by the MERS retirement system. There is no mandatory retirement.

The Manistee County Pension Plan which is a multiple employer defined benefit pension plan that covers all full-time and part-time employees of the County who have completed six months of service and elect to receive coverage. The plan provides retirement benefits, as well as death and disability benefits, to plan members and their beneficiaries. At December 31, 2000, the date of the most recent actuarial valuation, membership consisted of 92 retirees and beneficiaries currently receiving benefits and 33 terminated employees entitled to benefits but not yet receiving them, and 245 current active employees. The plan does not issue a separate financial report specifically for each Facility.

All Required Contributions were made

The cost and market value of the retirement fund investment for the total MERS system at December 31, 2002 are disclosed in the annual financial statements of the Michigan Municipal Employees' Retirement System. Although an actuarial study is performed annually for Manistee County, the actuarial report does not break out all required facility data necessary for proper disclosure. All disclosures required by Governmental Accounting Standards Board Statement No. 5 with respect to pension data have not been included in these financial statements

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and the unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the plan's funded status on a going-concern basis. Analysis of the percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. The unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll provides an approximate adjustment for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the plan.

Manistee County Road Commission Employees' Retirement System

Manistee County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee's retirement System (MERS). The plan covers substantially all full time employees. The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing the MERS at 447 N. Canal Road, Lansing, Michigan 48917.

All full time County Road union and administrative employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.5 percent of the member's 5-year final average compensation. Effective July 1, 1999 the plan was changed to MERS F55 so that employees with at least 30 years of service and are age 55 can retire with full benefits. The system also provides death and disability benefits which are established by State Statute.

Participating County Road employees are not required to contribute to the system. The County Road commission is required to contribute the amount necessary to fund the Michigan Municipal Employees Retirement System using the actuarial basis specified by statute

Actuarial Accrued Liability - the actuarial liability was determined as part of an actuarial valuation of the plan as of December 31, 2002. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (a) inflation, and (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2002 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 Information as of 12/31/02

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 3,884,313
Terminated employees not yet receiving benefits	242,764
Current employees:	
Accumulated employee contributions	
Including allocated investment income	7,525
Employer financed	<u>3,261,846</u>
Total Actuarial accrued liability	7,396,448
Net Assets Available for Benefits, at actuarial value (Market value is 2,507,262)	<u>3,454,256</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 3,942,192</u>

GASB 27 Information as of 12/31/02

Fiscal year beginning	January 1, 2004
Annual required contribution (ARC)	\$ 357,500
Amortization factor used	0.053632

Contributions Required and Contributions Made:

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for fiscal year ended December 31, 2002 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year mend Information for FASB Statement No.27

Year Ended Dec 31	Annual Pension Cost of (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/00	\$ 324,772	100%	\$ -0-
12/31/01	\$ 312,926	100%	\$ -0-
09/30/02	\$ 186,226	100%	\$ -0-
09/30/03	\$ 351,750	100%	\$ -0-

Required Supplementary Information for GASB Statement No.27

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Underfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/00	\$3,180,274	\$5,910,253	\$2,729,979	54%	\$1,533,193	178%
12/31/01	\$3,465,264	\$6,953,429	\$3,448,165	50%	\$1,563,330	223%
12/31/02	\$3,454,256	\$7,396,448	\$3,942,256	53%	\$1,528,920	258%

I. LONG TERM DEBT

Balances Due on Notes and Bonds are as follows:

	Date	Principal	Interest
Jail Bond	2003	55,000	7.625% less credit
	2004	55,000	"
	2005	55,000	"
	2006	55,000	"

Bonds and notes payable at September 30, 2003 are composed of the following individual issues:

	Balance Due
	<u>09/30/03</u>
<u>General Obligation Debt</u>	
Jail Bond dated 1987	
Original Amount: \$1,100,000	
Annual Installments: \$25,000 to \$95,000	
Final Maturity: May 1, 2007	
Interest Rate: 4.400% to 7.625%	220,000
<u>Installment Purchase Contract:</u>	
Original amount \$542,400	
Final maturity: Oct. 1, 2007	
Interest rate: 5.43%	282,000
<u>Building Authority Bonds</u>	
Series 1999	
Original amount \$1,375,000	
Annual principal installments \$25,000 to \$105,000	
Final maturity 2024	
Interest rate 5.25% to 6.00%	\$1,375,000
Series 2000	
Original amount \$825,000	
Annual principal installments \$20,000 to \$65,000	
Final maturity 2024	
Interest rate 5.25% to 5.90%	\$825,000

911 Long Term Debt

The Manistee County 9-1-1/Central Dispatch has two long term debt notes payable to the County of Manistee. The funds were used to built the new Central Dispatch addition. An agreement was entered between Manistee County 9-1-1/Central Dispatch and the County of Manistee were the 9-1-1 will make annual installments on note whose original value was \$450,000.

The data for the long term debt is as follows:

Creditor	County of Manistee
Amount	\$450,000 (\$337,282 on 6/1/98 and \$112,718 on 7/23/98)
Interest Rate	5.43%
Term:	10 Years

The remaining principal and interest payments are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2003	\$45,000	\$12,218
2004	\$45,000	\$ 9,774
2005	\$45,000	\$ 7,331
2006	\$45,000	\$ 4,887
2007	\$45,000	\$ 2,444

The second note payable is to Manistee County and is for the repayment of legal fees incurred for the Filer/TES litigation. The 9-1-1 has agreed to pay \$26,729.00 in nine annual installments of \$2969.89 each. There is no interest charge for the note.

The third liability is a capital lease for the Computer Aided Dispatch equipment. The fair market value at delivery time was \$193,633 and the lease is for four annual installments. The first payment of \$53,690 was paid during the year, which left three subsequent annual payments of \$53,540 each.

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Gen Ob Debt 1987	various	05/01/07	275,000	(55,000)	220,000	55,000
Inst Purch Cont	5.43	10/01/07	327,400	(45,000)	282,000	45,000
Building 1999	various	2024	1,235,000		1,235,000	25,000
Building 2000	various	2024	<u>755,000</u>		<u>755,000</u>	<u>20,000</u>
Total Govmntl Activities			2,592,400	(100,000)	2,492,000	145,000
911/Central Dispatch	5.43	2007	270,000	(45,000)	225,000	45,000

Manistee County Road Commission

The Following is a summary of the long-term debt transactions for the Road Commission for the year ended September 30, 2003

	MDOT SIB Loan	Accumulated Sick Leave & Vacation	Total
Long-Term debt at October 1, 2002	\$470,734	\$139,642	\$610,376
Adjustments to recognize change in Accumulated sick leave and vacation At September 30, 2003	0	(35,352)	(35,352)
Debt Retired during current year	<u>(114,458)</u>	<u>0</u>	<u>(114,458)</u>
Long Term Debt at 09/30/03	\$356,276	104,290	\$460,566

During 1999 the Manistee County Road Commission entered into a general loan contract with MDOT and received loan proceeds of \$800,000 in the form of a State Infrastructure Bank Loan (SIB). The funds had to be used for a pre-approved purpose namely work Coates Highway in Manistee County. Repayment requirements consist of an annual payment of \$133,288, which includes interest at an annual rate of 4%. The final payment is due 2006.

Debt Service Requirements:

	2004	2005	2006	Total
Principal	\$119,037	\$123,798	\$113,441	\$356,276
Interest	<u>14,251</u>	<u>9,490</u>	<u>4,538</u>	<u>28,279</u>
	\$133,288	\$133,288	\$117,979	\$384,555

The accumulated vacation and sick leave is not subject to an annual amortization calculation because it will become due and payable in varying amounts from year to year as employees terminate their employment with the Manistee County Road Commission

J. CONTINGENT LIABILITY

The primary government has no material contingent liabilities as of the date of this report.

The Manistee Country Road Commission contracts with the State of Michigan to perform state highway maintenance functions for the State. The cost of the maintenance is then billed to the State of Michigan who reimburses the Manistee County Road Commission for the costs incurred. These costs reimbursements contract expenditures are subject to audit at some future date by the State of Michigan. The amount, if any, of expenditures which may be disallowed by the State of Michigan cannot be determined until the State completes its annual audit of its maintenance agreement with the Manistee County Road Commission. The audit adjustment is accounted for as an adjustment of the current years expenditures.

The Manistee County Road Commission is party to various legal proceedings incidental to its operations. Certain claims, suits and complaints arising in the ordinary course of operations have been filed against the Road Commission. In the opinion of management and legal counsel, all such matters are adequately covered by insurance or, if not so covered, are without merit or are in a very preliminary state, and it is not possible to currently assess the probability of an unfavorable outcome.

K. COMPENSATED ABSENCES, SICK LEAVE, VACATIONS AND ACCRUED/PREPAID SALARIES.

Primary Government:

Vacation and Sick Leave is earned on a monthly basis with excess sick leave available to be paid. The totals of compensated absences are computed at current wage rates and include the following:

	Sick Pay	Vacation Pay	Personal
Courthouse	\$ 94,778	\$ 43,836	\$ 24,032
Sheriff Department	43,732	28,001	8,977
911 Dispatch	0	5,162	4,076
Total	<u>\$ 138,510</u>	<u>\$ 76,999</u>	<u>\$37,085</u>
Medical Care Facility Compensated Absences		\$702,208	
Manistee County Library Termination Benefits		\$ 22,528	

No accruals or prepaids have been made for these salaries and wages as the net effect is minimal and the change to accrual accounting further minimizes the effect.

Employees earn one day of sick leave credit for each month of service, with a maximum accumulation of 110 days. All employees during their first year of employment earn vacation using their date of hire. After completing one year all employees accrue vacation benefits which are to be used for vacation during the next succeeding calendar year. Vacation time must be used before the end of the succeeding calendar year. Vacation time does not accumulate and the employee are not paid for days not used.

Employees must contact their immediate supervisor at least one hour prior to their scheduled shift if requesting a sick day. Employees may be required to present a doctor's release for sick leave lasting three or more days, or if a specific pattern or abuse of the sick leave policy develops.

Vacation time, with regards to the sheriff's department, shall be taken in increments of five days or less, unless other arrangements have been made in advance. Requests must be submitted to the sheriff at least 10 days prior to the requested days off. No more than one employee in each designated area can be away on vacation at one time.

Employees who quit and provide two weeks written notice are entitled to payment at their straight-time hourly rate for their accrued, but unused vacation days.

Effective January 1, 1996 all employees with an existing bank of sick time will have the option, during the term of the existing contract, of converting an employer specified number of accumulated sick time hours to cash at the discounted rate of 85% value. Also, each eligible employee will receive five annual personal days which shall not accumulate from year to year. The employer will pay in January of the following year for up to three days of unused personal time.

Manistee County 911/Central Dispatch

There are no compensated absences to the extent that sick pay is accrued and payable upon retirement. The total accrued and payable for employees on the Manistee County 9-1-1/Central Dispatch is \$9,238. In addition, the Undersheriff indicated that one employee who was previously employed by the Sheriff's Department has accumulated 720 hours of sick time which, while perhaps a contingent liability is a county liability from past employment.

Manistee County Library

Manistee County Library accounts for accrued employee sick leave in it's long-term debt account group. As of September 30, 2003 the accrual is \$22,528.

Manistee Country Road Commission

The total accumulated unpaid vacation and sick pay liability of the Manistee County Road Commission at September 30, 2003 was \$128,631. This amount was determined to be a long-term liability in its entirety and is therefore reflected as a non-current liability on the government-wide statements. A liability for these amounts is only reported in the governmental funds for known terminations as of year end.

County Road Commission employees earn vacation and personal leave in varying amounts depending on the number of years of service. Accumulated vacation may not exceed the total earned for any given year per the union contract. Non-union employees are also subject to the vacation provisions embodied in the union contract. Unpaid vacation and personal leave at September 30, 2003 amounted to \$43,138.

Sick leave is accumulated at the rate of one day for each month of service with accumulation not to exceed 170 days. The policy also provides that employees who separate from employment with the Road Commission will be paid for their accumulated leave up to a maximum of sixty (60) days. Unpaid sick leave at September 30, 2003 amounted to \$85,493.

Effective December 1, 1994 the above sick leave program was replaced with one which each full time employee shall be given sixty-four to seventy-two hours of short-term leave annually which may be used through out a given fiscal year. In the first pay period of December each year all unused time shall be paid. There are no provisions to accumulate this time. The former plan is still in effect and employees will retain those benefits. Upon retirement the accumulated sick leave will be paid up to a maximum of sixty days. This liability will decrease as the years progress.

L. ENCUMBRANCES

The County Does not formally record encumbrances in the accounting records.

M. LITIGATION

In 1996, TES Filer City Station (Tondu) a Manistee County taxpayer, filed a petition with the Michigan Tax Tribunal contesting the 1993-1996 assessed value. State equalized value and taxable value of it's industrial location in Filer Township, Manistee County, Michigan. If this appeal is successful, all of the taxing jurisdictions which benefit from tax dollars generated by Tondu will be required to pay back these funds and incur a loss of future revenue for periods subsequent to 1996. The amount of the payback for the periods prior to or subsequent to 1996 have not been determined and the Tribunal Judge as not yet made a ruling in this case.

In connection with the normal conduct of its affairs, the County is involved in various other claims and litigations. It is expected that the final resolution of these matters will not materially affect the financial statement of the County.

N. RISK FINANCING AND RELATED INSURANCE ISSUES

Primary Government:

The local unit is a member of the Michigan Municipal Risk Management Authority. As a member of the authority, the Local Unit is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum loss per occurrence is limited as follows:

<u>Type of Risk</u>	<u>Maximum Retention Per Occurrence</u>
General Liability	75,000
Auto Physical Damage	15,000 per unit
Auto Physical Damage	30,000 per occurrence
Property Coverage	100,000(after 10% to member)

Medical Care Facility:

The Facility is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Facility has purchased commercial insurance for malpractice and general liability claims, workers' compensation and employee medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Facility is insured against potential professional liability claims under an occurrence-basis policy, whereby all claims resulting from incidents that occur during the policy period are covered up to insured limits, regardless of when the claims are reported to the insurance carrier. There are no known outstanding or pending claims at September 30, 2003 and September 30, 2002.

O. FIXED ASSETS

Fixed assets for the primary government and blended units, Medical Care Facility and 911/Central Dispatch, are listed below:

Medical Care Facility:

	2003
Building and improvements	\$1,220,416
Equipment	1,296,629
Construction in progress	<u>935,757</u>
Total	3,452,799
Less accumulated depreciation	<u>1,904,285</u>
Net	<u>1,548,514</u>
Depreciation expense aggregated	<u>\$90,932</u>

911/Central Dispatch

	<u>2002</u>	<u>additions</u>	<u>deletions</u>	<u>2003</u>
Buildings	\$ 3,000	0	0	3,000
Equipment	<u>\$ 461,244</u>	<u>273,261</u>	<u>12,366</u>	<u>\$722,139</u>
Total	464,244	273,261	12,366	725,139

Less Accumulated Depreciation

Buildings	\$ 500	77	0	577
Equipment	<u>\$ 220,463</u>	<u>44,443</u>	<u>0</u>	<u>\$264,906</u>
Total	220,963	44,520	0	265,483

Primary Government

Equipment	\$76,446	7,541		\$ 83,987
Vehicles	448,886	0	0	448,886
Miscellaneous	413,610	52,454	245,000*	221,064
Buildings	6,266,359	2,655,012	277,001*	8,644,370
Land	<u>7,265,015</u>			<u>59,714</u>
Total	\$7,107,138	2,715,007	522,001	\$9,458,020

Less Accumulated Depreciation for

Equipment	\$28,077	11,403		\$ 39,480
Vehicles	272,378	83,347		355,725
Miscellaneous	175,829	91,860	96,875*	170,814
Buildings	2,730,875	106,978	193,016*	2,644,837
Land	<u>7,265,015</u>			<u>0</u>
Total	\$3,207,159	293,588	289,891	\$3,210,856

*moved to Manistee Blacker Airport Authority

All fixed assets are based on historical cost for all assets with a cost of \$5,000 or more. The County commission passed a resolution to record all assets with values in excess of \$5,000.

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Manistee County Road Commission

<u>Fixed Assets</u>	<u>Balance</u> <u>10/01/02</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/03</u>
Land and Improvements	\$ 239,977	\$ 0	\$ 0	\$ 239,977
Buildings	1,678,577	1,266	0	1,679,823
Infrastructure	25,928,482	1,384,874	0	27,313,356
Equipment:				
Road	6,030,236	457,315	5,293	6,482,258
Shop	175,088	18,319	0	193,407
Office	96,233	0	0	96,233
Engineers	100,547	1,925	0	102,472
Yard and Storage	823,699	0	0	823,699
Depletable Assets	<u>24,065</u>	<u>0</u>	<u>0</u>	<u>24,065</u>
Total	35,096,884	1,863,699	5,293	36,955,290

Accumulated Depreciation

Buildings	899,383	40,652	0	940,035
Infrastructure	9,684,197	1,276,321	0	10,960,518
Equipment:				
Road	5,065,677	398,150	0	5,458,534
Shop	113,446	5,319	0	118,765
Office	63,343	5,891	0	69,234
Engineers	66,339	9,089	0	75,428
Yard and Storage	<u>341,919</u>	<u>50,649</u>	<u>0</u>	<u>392,568</u>
Total	16,234,304	1,786,071	5,293	18,015,082

Net Fixed Assets	\$ 18,862,580	\$ 77,628	\$ 0	\$18,940,208
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All fixed assets are based on historical cost for all assets. Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Infrastructure	5 to 10 years
Equipment	10 to 30 years
Vehicles	3 to 20 years

P. POST EMPLOYMENT BENEFITS

Primary Government:

The County does not offer post employment benefits.

The Road Commission provides post retirement health care benefits to all employees who retire from the Road Commission after July 1, 1985. For employees retiring between the ages of 55 and 65 the Road Commission will pay \$100 per month. At age 65, or if retirement occurs on or after age 65 the monthly contribution will be \$60. During 2003 the Road Commission funded approximately \$5,800 in post employment health care benefits for retired employees and 14 former employees were eligible.

Q. GENERAL FUND DEFERRED REVENUE

The financial statement presentation includes a General Fund deferred revenue in the amount of \$886,160. The amount is equal to one quarter (three months) of the annual taxes collected which will subsequently be expended during the final three months of the calendar year.

R. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

PA 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the Year, the County incurred expenditures in certain budgeted funds which were in excess of the amount appropriated.

Budgeted Item	Budget Appropriation	Actual Expenditures	Variance
General Fund			
Transfers Out	569,362	672,681	(103,319)

The transfer out excess expenditure is primarily due to Child Care costs mandated by the court system.

All special revenue funds were not budgeted for the fiscal year and therefore not in compliance.

S. CHANGE IN ACCOUNTING PRINCIPLE

Effective October 1, 2002 the County and its component units implemented the provision of Governmental Accounting Standards Board Statement Number 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the financial statements as a result of GASB No. 34 are as follows:

A management's discussion and analysis (MD&A) section providing analysis of the entities 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 entity's activities have been provided.

Capital assets in the Statement of Net Assets include infrastructure assets (roads, bridges, etc) not previously accounted for in the Road Commission section of the report as well as other capital assets that were previously accounted for in the General Fixed Asset Account Group. In addition, the government activities column includes bonds and other long-term obligations previously reported in the General long-Term Debt Account Group.

T. MANISTEE COUNTY ROAD COMMISSION - PRIOR PERIOD ADJUSTMENT - RESTATEMENT OF BEGINNING FUND BALANCE

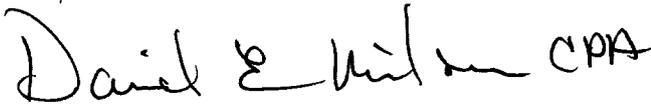
The Road Commission changed its policy and has elected to recognize the September motor vehicle highway funds as a receivable/revenue in the year earned rather than when received. The beginning fund balance has been adjusted as follows:

Fund Balance, previously stated, September 30, 2002	\$1,456,816
Prior period adjustment to recognized receivable for State of Michigan for September 2002 motor vehicle highway funds	580,964
Fund Balance, as restated, September 30, 2002	\$1,737,780

SUPPLEMENTAL STATEMENTS

To the Manistee County Board
Manistee County
Manistee, MI

We have audited the combined financial statements of Manistee County for the year ended September 30, 2003. Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying schedules, as listed in the table of contents, are presented for purposes of the additional analysis and are not a required part of the combined financials statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole.



Interlochen, MI
November 20, 2003

GENERAL FUND

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budget		Actual	Variance
	Approved	Amended		Favorable (Unfavorable)
TAXES				
Current Real Property Tax	\$3,413,306	\$3,413,306	\$3,504,878	\$91,572
Commercial Forest	425	425	458	33
Delinquent Real Property Tax	362,256	362,256	314,997	(47,259)
Delinquent Personal Property Tax	17,000	17,000	16,189	(811)
Swamp Tax	16,635	16,635	16,635	0
Single Business Tax	0	0	0	0
Payment in Lieu of Taxes	42,380	42,380	65,410	23,030
Tax Reverted Lands	0	0	10	10
Convention Facilities Tax	107,000	107,000	102,879	(4,121)
Cigarette Tax	1,176	1,176	0	(1,176)
Real Estate Transfer Tax	95,000	107,685	107,685	0
Taxes Total	4,055,178	4,067,863	4,129,141	61,278
LICENSES AND PERMITS				
Trailer Fees	700	700	866	166
Transient License	0	0	0	0
Total Licenses & Permits	700	700	866	166
FEDERAL GRANTS				
Friend of the Court IV - D Incentive		0	0	0
Friend of the Court IV - D CRP	271,833	271,833	261,579	(10,254)
Prosecuting Attorney IV - D CRP	28,889	28,889	22,885	(6,004)
COPS Fast Grant Program	0	0	0	0
Forest Patrol	3,150	3,150	3,761	611
Commercial Forest	0	0	0	0
Emergency Services	22,683	22,683	58,939	36,256
Total Federal Grants	326,555	326,555	347,164	20,609
STATE SOURCES				
Circuit Judge Salary Supplement	30,635	30,635	30,635	0
Circuit Court DOC Reimbursement	12,500	12,500	22,895	10,395
Circuit Court Jury Reimbursement	0	0	0	0
District Judge Salary Supplement	27,434	27,434	27,434	0
Probate Judge Salary	94,195	94,195	101,469	7,274
Probate Judge Salary Supplement	45,724	45,724	45,724	0
Youth Services Director	27,600	27,600	(27,317)	(54,917)
Prosecuting Attorney - Victims Rights Reimbursements	18,000	18,000	9,000	(9,000)
Prosecuting Attorney DOC Reimbursement	1,000	1,000	4,536	3,536
FOC IV D Incentive	15,600	15,600	36,092	20,492
Township Liquor License	1,350	1,350	1,671	321
SSCENT Drug Team	0	0	0	0
Marine Safety	32,072	29,879	28,631	(1,248)
Cops in Schools	83,333	83,333	83,333	0
Snowmobile Safety	30,863	30,863	24,844	(6,019)
State Revenue Sharing	507,277	490,000	485,528	(4,472)
Total State Sources	927,583	908,113	874,475	(33,638)
REIMBURSEMENTS FROM OTHER AGENCIES				
Circuit Court Salaries	63,716	63,716	58,347	(5,369)
Circuit Court Fringes	25,513	25,513	22,537	(2,976)
Attorney Fees Reimb	8,300	8,300	8,635	335
Circuit Court Misc Reimb	3,000	3,000	5,748	2,748
District Court Salaries	32,203	22,097	22,097	0
District Court Fringe Benefits	7,485	7,485	2,993	(4,492)
Friend of the Court Salaries	47,297	47,297	78,905	31,608
Friend of the Court Fringe Benefits	16,144	16,144	7,449	(8,695)
Friend of the Court Misc Reimb	0	0	10,604	10,604
Friend of the Court Appointed Council	0	0	3,102	3,102
Total Reimbursements	203,658	193,552	220,417	26,865

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES
BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2003

	Budget		Actual	(Unfavorable)
	Approved	Amended		
CHARGES FOR SERVICES				
Circuit Court Cost	10,000	10,000	10,571	571
Circuit Court Fees	13,000	13,000	10,715	(2,285)
District Court Cost	365,000	407,431	407,432	1
District Court Fines	22,500	22,500	30,569	8,069
District Court Fees	3,600	3,600	3,919	319
Clearance Card Cost	4,500	4,500	4,080	(420)
Bond Cost, Bond Forfeitures	25,000	74,547	74,547	0
Ordinances Fines & Costs	45,000	61,684	61,684	0
Friend of the Court Cost	1,500	1,500	1,178	(322)
Friend of the Court Fees	16,800	16,800	19,894	3,094
Friend of the Court Child Support	0	0	4,729	4,729
Friend of the Court Fines	2,000	2,000	1,178	(822)
Probate Court Fees	15,000	15,000	14,276	(724)
Probate Court - Sale of Supplies	200	200	671	471
Clerks Fees	38,545	38,545	42,033	3,488
Administration Fees	69,100	77,290	82,561	5,271
Voter Registration	200	200	200	0
Prosecuting Attorney - Services	8,500	8,500	11,601	3,101
Equalization	300	300	267	(33)
Welfare Fraud Reimbursement	1,500	1,500	559	(941)
Register of Deeds - Recording Fees	155,000	268,963	268,964	1
County Survey & Remonumentation	225	225	432	207
Court Funding Reimbursement	148,000	148,000	147,734	(266)
Tax Certificates	1,200	1,200	1,511	311
Tax History	2,800	2,800	2,676	(124)
Inheritance Tax - Collection Fees	0	0	0	0
Purchasers Filing Fees	0	0	7	7
Sheriff's Services	63,127	64,627	75,999	11,372
Animal Control	38,200	38,200	41,039	2,839
Secondary Road Patrol	67,711	70,474	68,142	(2,332)
Jail	155,600	159,618	152,429	(7,189)
Planning Department - Services	28,264	28,264	28,833	569
Building & Grounds	15,472	15,472	12,455	(3,017)
Total Charges for Services	1,317,844	1,556,940	1,582,885	25,945
INTEREST AND RENTALS				
Interest Earned	125,800	125,800	32,606	(93,194)
Rents and Royalties	6,000	6,000	3,084	(2,916)
Total Interest & Rentals	131,800	131,800	35,690	(96,110)
OTHER REVENUES				
Data Processing	79,358	79,358	83,753	4,395
Reimbursements	13,487	13,487	11,469	(2,018)
Bad Check Charge	800	800	560	(240)
Sales of Supplies	0	0	0	0
Workers Comp Div	15,000	15,000	14,802	(198)
Miscellaneous	100	746	2,076	1,330
Total Other Revenues	108,745	109,391	112,660	3,269
TRANSFERS IN				
Friend of the Court	0	5,559	5,559	0
Family Counseling	0	0	500	500
Dept. Cont/Surplus	0	5,392	10,722	5,330
Vehicle Fund	0	0	0	0
Marine Law Fund	0	2,193	2,193	0
Circuit Court	0	0	0	0
Dare Golf Trust	10,000	10,000	34,195	24,195
Public Imp Fund	0	0	0	0
Budget Stability Fund	44,831	108,820	9,626	(99,194)
Forestry Fund	0	0	0	0
Tax Revolving Fund	298,809	298,809	298,809	0
Total Transfers In	353,640	430,773	361,604	(69,169)
TOTAL REVENUES & TRANSFERS IN	\$7,425,703	\$7,725,687	\$7,664,902	(\$60,785)

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES & OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Budget		Actual	Variance
	Approved	Amended		Favorable (Unfavorable)
LEGISLATIVE				
Board of Commissioners	\$72,355	\$72,355	\$69,776	\$2,579
JUDICIAL				
Circuit Court	559,388	562,198	546,791	15,407
District Court	376,130	366,298	366,267	31
Friend of the Court	575,961	634,886	563,164	71,722
Jury Commission	3,780	3,780	2,220	1,560
Probate Court - General	255,960	259,550	257,745	1,805
Total Judicial	1,771,219	1,826,712	1,736,187	90,525
GENERAL GOVERNMENT				
Elections	0	0	(300)	300
County Clerk	235,637	242,698	242,697	1
County Administrator	275,894	283,633	282,490	1,143
General Services	144,742	143,816	143,816	0
Data Processing	37,900	27,200	22,928	4,272
Equalization Department	249,157	275,964	257,747	18,217
Prosecuting Attorney	362,532	366,066	345,596	20,470
Register of Deeds	160,883	163,194	154,090	9,104
Treasurer	148,713	165,486	165,486	0
Building and Grounds	251,817	242,518	242,053	465
Plat Board	107	107	0	107
Drain Commissioner	6,425	6,425	5,290	1,135
DSS Board	6,001	6,105	6,105	0
Economic Development	0	0	0	0
Building Authority	352	352	276	76
Public Works Board	0	0	0	0
Private Industry Board	1,252	1,252	1,149	103
Revenue Sharing Board	0	1,526	1,525	1
Tax Allocation Board	0	0	0	0
Total General Government	1,881,412	1,926,342	1,870,948	55,394
PUBLIC SAFETY				
Sheriff	694,323	679,800	679,800	0
Dare	0	0	0	0
Marine Safety	54,556	43,843	43,843	0
Jail	805,370	984,371	984,429	(58)
Snowmobile Patrol	36,489	33,675	33,675	0
Emergency Services	61,475	103,726	103,725	1
Animal Control	81,801	77,941	77,940	1
Secondary Road Patrol	67,461	62,029	62,029	0
SSCENT Drug Team	69,438	60,967	59,380	1,587
Cops in Schools	125,330	148,540	148,539	1
USFS Patrol Assistance	3,150	3,532	3,531	1
COPS Fast Grant Program	0	0	0	0
K-9	59,370	58,701	58,701	0
Total Public Safety	2,058,763	2,257,125	2,255,592	1,533

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF EXPENDITURES & OTHER FINANCING USES
BUDGET AND ACTUAL
GENERAL FUND
FOR YEAR ENDED SEPTEMBER 30, 2003

	Budget		Actual	Variance
	Approved	Amended		Favorable (Unfavorable)
HEALTH AND WELFARE				
Medical Examiner	44,505	58,178	58,178	0
Contagious Diseases	3,000	3,000	1,966	1,034
Veterans Burial	0	0	0	0
Veterans Counselor	26,799	28,386	28,385	1
Veterans Trust - Rent	0	0	0	0
MSU Co-operative Extension	66,146	66,146	65,924	222
MECCA	83,700	83,700	82,667	1,033
Health Department	138,801	138,801	138,803	(2)
District Health Dept - Rent	112,745	112,745	112,745	0
Jaws of Life Team	1,000	1,000	1,000	0
Mental Health	165,000	165,000	165,000	0
Substance Abuse	54,002	51,942	51,626	316
Conservation Resource Alliance	500	500	500	0
Soil Conservation	8,000	8,000	8,000	0
Area Agency on Aging	4,121	4,121	4,121	0
HSCB	1,000	1,000	1,000	0
Northwest Commission	4,174	4,174	4,174	0
Planning	130,399	130,999	119,293	11,706
Total Health and Welfare	843,892	857,692	843,382	14,310
CULTURAL AND RECREATION				
Airport Authority	0	0	0	0
Agricultural Fair	10,000	10,000	10,000	0
Manistee Recreation Association	4,500	4,500	4,500	0
Historical Museum	0	0	0	0
Total Education & Recreation	14,500	14,500	14,500	0
OTHER				
Special Charges	0	5,307	5,608	(301)
Transfers to other units	0	0	0	0
Insurance and Bonds	214,200	196,292	196,227	65
Total Other Charges	214,200	201,599	201,835	(236)
TOTAL EXPENDITURES	6,856,341	7,156,325	6,992,220	164,105
TRANSFERS OUT				
Employee Training	7,000	7,000	7,000	0
Law Library	4,000	4,000	19,406	(15,406)
Child Care	77,849	77,849	149,571	(71,722)
Airport Improv. Fund	70,000	70,000	70,000	0
County Vehicle Fund	45,000	45,000	45,000	0
Public Improvement Fund	20,000	20,000	20,000	0
Capital Improvement	0	0	0	0
Building Authority Fund	150,000	150,000	150,000	0
Other funds	0	0	0	0
Computer Fund	37,250	37,250	37,250	0
DD Caseflow Fund	0	0	0	0
Health Insurance	41,500	41,500	41,500	0
Elections fund	35,000	35,000	35,000	0
CT Service Fund	10,000	10,000	10,030	(30)
Jail Loan	71,013	71,013	70,955	58
Dept Contingency Surplus	0	0	16,219	(16,219)
Remonumentation Fund	750	750	750	0
Total Transfer Out	569,362	569,362	672,681	(103,319)
TOTAL EXPENDITURES & TRANSFERS OUT	\$7,425,703	\$7,725,687	\$7,664,901	\$60,786

The footnotes are an integral part of these Financial Statements.

SPECIAL REVENUE FUNDS

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2003

	Friend of the Court	Law Library	Remonument	Family Counseling Service	Budget Stabilization	Health Department	Computer Lease/ Purchase	Economic Development Revolving	Economic Development Housing	Family Independence Agency	Law Enforcement Training	LEPC Emergency Services	ASSETS	
Cash	\$10,692	\$3,214		\$17,122	\$178,508	\$0	\$33,921	\$0	\$6,746	\$53,152	\$13,621	\$17		
Accounts Receivable	0	0	(\$24,726)	0	0	0	16,206	0	0	53,025	0	0	0	
Due from other Funds	0	0	40,176	0	0	0	0	0	0	0	0	0	0	
Other Assets	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	10,692	3,214	15,450	17,122	178,508	0	50,127	0	6,746	106,177	13,621	17		

LIABILITIES & FUND BALANCE

Liabilities														
Accounts Payable	0	3,214	15,450	0	0	0	0	0	410	25	479	0	0	
Due to State of Michigan	0	0	0	0	0	0	0	0	0	53,000	0	0	0	
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0	0	
Obligations Under Capital Lease	0	0	0	0	0	0	0	0	0	0	0	0	0	
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Liabilities	0	3,214	15,450	0	0	0	0	0	410	53,025	479	0	0	

Fund Balance														
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other Reserved	0	0	0	0	0	0	0	0	0	0	0	0	0	
Unreserved	10,692	0	0	17,122	178,508	0	50,127	0	6,336	53,152	13,142	17		
Total Fund Balance	10,692	0	0	17,122	178,508	0	50,127	0	6,336	53,152	13,142	17		

Total Liabilities and Fund Balance	\$10,692	\$3,214	\$15,450	\$17,122	\$178,508	\$0	\$50,127	\$0	\$6,746	\$106,177	\$13,621	\$17		
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The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2003

	Animal Shelter	Juvenile Justice	County Forestry	Air Photo	Drug Testing	Juvenile Intervent Strategy	Soldiers & Sailors Relief	Public Improvement	Sheriff Department	Child Care Fund	Capital Improvement	Veterans Trust
Cash	\$406	(\$1,995)	\$5,357	\$8,638	(\$4,978)	\$12,904	\$25,680	\$66,895	\$0	\$1,219	\$106,696	\$584
Accounts Receivable	0	1,995	0	0	0	156	0	0	0	3,659	0	0
Due from other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	5,856	0	0	0	3,092	0	0	0
Total Assets	406	0	5,357	8,638	878	13,060	25,680	66,895	3,092	4,878	106,696	584

ASSETS

LIABILITIES & FUND BALANCE

Liabilities												
Accounts Payable	0	0	0	0	278	260	0	0	0	4,878	(1,900)	0
Due to State of Michigan	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
Obligations Under Capital Lease	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	0	0	0	0	278	260	0	0	0	4,878	(1,900)	0
Fund Balance												
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserved	0	0	0	0	0	0	0	0	0	0	0	0
Unreserved	406	0	5,357	8,638	600	12,800	25,680	66,895	3,092	0	108,596	584
Total Fund Balance	406	0	5,357	8,638	600	12,800	25,680	66,895	3,092	0	108,596	584
Total Liabilities and Fund Balance	\$406	\$0	\$5,357	\$8,638	\$878	\$13,060	\$25,680	\$66,895	\$3,092	\$4,878	\$106,696	\$584

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2003

	Dive Equipment Fund	County Employee Training	Sheriff's K-9 Unit	911/Central Dispatch	Department Surplus	Juvenile Accountable Fund	Drunk Driving Caseflow Assist	JJTPA GRANT	Community Parenting	Community Corrections	Elections	Law Enforcement Technology
Cash	\$1,117	\$6,090	\$0	\$567,828	\$67,518	(\$3,193)	\$4,217	(\$8,060)	\$0	(\$27,020)	\$54,514	\$0
Accounts Receivable	0	0	0	0	0	3,352	0	8,060	0	0	0	0
Due from other Funds	0	0	0	0	0	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	0	0	77,145	0	0
Total Assets	1,117	6,090	0	567,828	67,518	159	4,217	0	0	50,125	54,514	0

ASSETS

LIABILITIES & FUND BALANCE

Liabilities												
Accounts Payable	0	0	0	9,083	0	0	0	0	0	348	21	0
Due to State of Michigan	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0	0	0	0	0
Compensated Absences	0	0	0	0	0	0	0	0	0	0	0	0
Obligations Under Capital Lease	0	0	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	0	0	0	9,083	0	0	0	0	0	348	21	0

Fund Balance												
Reserved for Capital Improvements	0	0	0	0	0	0	0	0	0	0	0	0
Other Reserved Unreserved	0	0	0	0	0	0	0	0	0	0	0	0
	1,117	6,090	0	558,745	67,518	159	4,217	0	0	49,777	54,493	0
Total Fund Balance	1,117	6,090	0	558,745	67,518	159	4,217	0	0	49,777	54,493	0

Total Liabilities and Fund Balance	\$1,117	\$6,090	\$0	\$567,828	\$67,518	\$159	\$4,217	\$0	\$0	\$50,125	\$54,514	\$0
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MANISTEE COUNTY, MICHIGAN
 COMBINING BALANCE SHEET
 SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2003

	District Court Services Fund	Automation Register Deed Fund	MSHDA Maxwelltown Grant	F.I.A. Benzie Co. Fund	Juvenile Outreach Fund	Non-Secure Detention Fund	Brownfield Redevelopment Authority	Total 2003
Cash		\$30,770	(\$3,401)	\$12,317	\$2,518	\$0	\$600	\$1,205,556
Accounts Receivable	(\$13,912)	0	7,997	0	0	3	0	149,285
Due from other Funds	14,636	0	0	0	0	0	0	0
Other Assets	0	0	0	0	0	0	0	86,093
Total Assets	724	30,770	4,596	12,317	2,518	3	600	1,440,934

ASSETS

LIABILITIES & FUND BALANCE

Liabilities	724	10,429	4,596	0	0	0	0	48,295
Accounts Payable	0	0	0	0	0	0	0	53,000
Due to State of Michigan	0	0	0	0	0	0	0	0
Deferred Revenue	0	0	0	0	0	0	0	0
Compensated Absences	0	0	0	0	0	0	0	0
Obligations Under Capital Lease	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0
Total Liabilities	724	10,429	4,596	0	0	0	0	101,295
Fund Balance	0	20,341	0	12,317	2,518	3	600	1,339,639
Reserved for Capital Improvements	0	0	0	0	0	0	0	0
Other Reserved	0	0	0	0	0	0	0	0
Unreserved	0	20,341	0	12,317	2,518	3	600	1,339,639
Total Fund Balance	0	20,341	0	12,317	2,518	3	600	1,339,639
Total Liabilities and Fund Balance	\$724	\$30,770	\$4,596	\$12,317	\$2,518	\$3	\$600	\$1,440,934

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Friend of the Court	Law Library	Remuneration	Family Counseling Service	Budget Stabilization	Health Department	Computer Lease/ Purchase	Economic Development Revolving	Economic Development Housing	Law Enforcement Training	Family Independence Agency	LEPC Emergency Services
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	0	0	0	0	0	0	0
State	0	0	47,964	0	0	0	0	0	123,305	0	210,839	0
Local	0	0	0	0	0	0	0	0	0	0	0	0
Fines & Forfeits	0	7,000	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	0	0	0	0	0	0	0	0	0
Other	4,106	0	0	2,385	0	0	27,061	0	4,679	25,126	0	0
Total Revenues	4,106	7,000	47,964	2,385	0	0	27,061	0	127,984	25,126	210,839	0

	Friend of the Court	Law Library	Remuneration	Family Counseling Service	Budget Stabilization	Health Department	Computer Lease/ Purchase	Economic Development Revolving	Economic Development Housing	Law Enforcement Training	Family Independence Agency	LEPC Emergency Services
Current	0	0	0	0	0	0	0	0	0	0	0	0
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	0	0	0	226,532	0
Other	10,883	26,407	48,714	7,849	0	40	59,409	0	163,150	12,177	0	0
Debt Payments:	0	0	0	0	0	0	0	0	0	0	0	0
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	10,883	26,407	48,714	7,849	0	40	59,409	0	163,150	12,177	226,532	0

Excess (Deficiency) of Revenue Over Expenditures	(6,777)	(19,407)	(750)	(5,464)	0	(40)	(32,348)	0	(35,166)	12,949	(15,693)	0
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OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	19,406	750	0	0	0	47,250	0	0	0	0	0
Operating Transfers Out	(5,559)	0	0	0	(9,626)	0	0	0	0	(3,000)	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	(5,559)	19,406	750	0	(9,626)	0	47,250	0	0	(3,000)	0	0

Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	(12,336)	(1)	0	(5,464)	(9,626)	(40)	14,902	0	(35,166)	9,949	(15,693)	0
Fund Balance, October 1, 2002	23,028	1	0	22,586	188,134	40	35,225	0	41,502	3,193	68,845	17
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2003	\$10,692	\$0	\$0	\$17,122	\$178,508	\$0	\$50,127	\$0	\$6,336	\$13,142	\$53,152	\$17

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Animal Shelter	Juvenile Justice	County Forestry	Air Photo	Drug Testing	Juvenile Intervent Strategy	Soldiers & Sailors Relief	Public Improvement	Forfeited Assets Sheriff Dept	Capital Improvement	Child Care Fund	Veterans Trust
REVENUES												
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	44,520	0	0	0	0	0	0
State	0	7,804	0	0	0	0	0	0	0	0	0	0
Local	0	0	0	0	0	0	0	0	0	0	0	0
Fines & Forfeits	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	0	0	0	0	0	0	0	0	0
Other	130	21,901	9,690	10,241	2,338	0	3,817	23	228,231	88,364	3,388	
Total Revenues	130	7,804	21,901	10,241	46,858	0	3,817	23	228,231	88,364	3,388	
EXPENDITURES												
Current												
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	7,804	149,430	26,661	12,609	34,223	-9,358	0	236,282	307,935	3,138	
Debt Payments:												
Principal	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenditures	0	7,804	149,430	26,661	12,609	34,223	-9,358	0	236,282	307,935	3,138	
Excess (Deficiency) of Revenue Over Expenditures	130	0	(127,529)	(16,971)	(2,368)	12,635	13,175	23	(8,051)	(219,571)	250	
OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	0	0	0	0	0	20,000	0	0	219,571	0	0
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0	0	0	20,000	0	0	219,571	0	
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	130	0	(127,529)	(16,971)	(2,368)	12,635	33,175	23	(8,051)	0	250	
Fund Balance, October 1, 2002	276	0	132,886	25,609	2,968	165	33,720	3,069	116,647	0	334	
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	
Fund Balance, September 30, 2003	\$406	\$0	\$5,357	\$9,638	\$600	\$12,800	\$25,680	\$3,092	\$108,596	\$0	\$584	

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Dive Equipment Fund	County Employee Training	Sheriffs K-9 Unit	911/Central Dispatch	Department Surplus	Juvenile Accountable Fund	Drunk Driving Caseflow Assist	JJTPP GRANT	Community Parenting	Community Corrections	Elections	Law Enforcement Technology
REVENUES												
Property Taxes	\$0	\$0	\$0	\$729,954	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Licenses & Permits	0	0	0	0	0	0	0	0	0	0	0	0
Federal	0	0	0	0	0	0	0	0	0	0	0	0
State	0	0	0	0	0	12,330	10,518	8,080	0	0	0	0
Local	0	0	0	0	0	371	0	0	0	72,342	0	0
Fines & Forfeits	0	0	0	0	0	0	0	0	0	0	0	0
Interest & Rental	0	0	0	6,827	0	0	0	0	0	0	0	0
Other	0	313	0	354,565	0	0	0	0	0	14,999	0	0
Total Revenues	0	313	0	1,091,346	0	12,701	10,518	8,080	0	87,341	0	0

EXPENDITURES												
Current												
Judicial	0	0	0	0	0	0	0	0	0	0	0	0
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0
Health & Welfare	0	0	0	0	0	0	0	8,080	0	0	0	0
Other	1,742	7,322	879	1,076,405	0	12,542	0	0	0	71,948	23,094	0
Debt Payments:												
Principal	0	0	0	45,000	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	12,211	0	0	0	0	0	0	0	0
Total Expenditures	1,742	7,322	879	1,133,616	0	12,542	0	8,080	0	71,948	23,094	0

Excess (Deficiency) of Revenue Over Expenditures	(1,742)	(7,009)	(879)	(42,270)	0	159	10,518	0	0	15,393	(23,094)	0
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OTHER FINANCING SOURCES (USES)												
Operating Transfers In	0	7,000	0	0	0	0	0	0	0	0	35,000	0
Operating Transfers Out	0	0	0	0	0	0	(10,000)	0	0	0	0	(518)
Sale of Assets	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	7,000	0	0	0	0	(10,000)	0	0	0	35,000	(518)

Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	(1,742)	(9)	(879)	(42,270)	0	159	518	0	0	15,393	11,906	(518)
Fund Balance, October 1, 2002	2,859	6,099	879	601,015	67,518	0	3,699	0	0	34,384	42,587	518
Prior Period Adjustments	0	0	0	0	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2003	\$1,117	\$6,090	\$0	\$558,745	\$67,518	\$159	\$4,217	\$0	\$0	\$49,777	\$54,493	\$0

The footnotes are an integral part of these financial statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	District Court Services Fund	Automation Register Deed Fund	MSHDA Maxwelltown Grant	F. I. A. Benzie Co. Fund	Juvenile Outreach Fund	Non-Secure Detention Fund	Brownfield Redevelopment Authority	Total 2003
REVENUES								
Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$729,954
Licenses & Permits	0	0	0	0	0	0	0	\$0
Federal	0	0	0	0	0	0	0	\$44,520
State	0	0	7,997	0	0	0	0	\$428,837
Local	0	0	0	8,367	0	3	0	\$81,083
Fines & Forfeits	0	0	0	0	0	0	0	\$7,000
Interest & Rental	0	0	0	0	0	0	0	\$6,827
Other	49,655	30,770	0	7,422	2,816	0	600	\$892,620
Total Revenues	49,655	30,770	7,997	15,789	2,816	3	600	\$2,190,841

EXPENDITURES								
Current								
Judicial	0	0	0	0	0	0	0	\$0
Public Safety	0	0	0	0	0	0	0	\$0
Health & Welfare	0	0	0	0	0	0	0	\$234,612
Other	49,655	10,429	7,997	8,472	2,161	0	0	\$2,369,999
Debt Payments:								\$0
Principal	0	0	0	0	0	0	0	\$45,000
Interest and Fiscal Charges	0	0	0	0	0	0	0	\$12,211
Total Expenditures	49,655	10,429	7,997	8,472	2,161	0	0	2,661,822

Excess (Deficiency) of Revenue Over Expenditures	0	20,341	0	7,317	655	3	600	(470,981)
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OTHER FINANCING SOURCES (USES)								
Operating Transfers In	0	0	0	5,000	0	0	0	353,977
Operating Transfers Out	0	0	0	0	0	0	0	(28,703)
Sale of Assets	0	0	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	5,000	0	0	0	325,274

Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other Uses	0	20,341	0	12,317	655	3	600	(145,707)
Fund Balance, October 1, 2002	0	0	0	0	1,863	0	0	1,485,346
Prior Period Adjustments	0	0	0	0	0	0	0	0
Fund Balance, September 30, 2003	\$0	\$20,341	\$0	\$12,317	\$2,518	\$3	\$600	\$1,339,639

ENTERPRISE FUNDS

MANISTEE COUNTY, MICHIGAN
COMBINING BALANCE SHEET
PROPRIETARY FUND
SEPTEMBER 30, 2003

	<u>Medical Care Facility</u>	<u>Total</u>
ASSETS		
Cash	\$31,270	\$31,270
Accounts Receivable	745,618	745,618
Assets Limited as to Use	2,210,749	2,210,749
Property and Equipment	1,548,514	1,548,514
Prepaid Insurance	0	0
Inventories	28,540	28,540
Other Assets	0	0
	<hr/>	<hr/>
Total Assets	<u>\$4,564,691</u>	<u>\$4,564,691</u>
LIABILITIES & FUND EQUITY		
Accounts Payable	\$441,195	\$441,195
Compensated Absences	702,208	702,208
Salaries and Related Liabilities	110,368	110,368
Maintenance of Effort	0	0
Due to Other Local Units	0	0
Other Current Liabilities	39,475	39,475
Third-party settlements	223,259	223,259
Deferred Revenue	0	0
	<hr/>	<hr/>
Total Liabilities	1,516,505	1,516,505
Fund Equity		
Retained Earnings	3,048,186	3,048,186
Total Liabilities & Fund Equity	<u>\$4,564,691</u>	<u>\$4,564,691</u>

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES & CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND
SEPTEMBER 30, 2003

	Medical Care Facility	Total
OPERATING REVENUES		
Charges for Services	\$5,913,111	\$5,913,111
Property Taxes	365,429	365,429
Shared Revenue	157,841	157,841
Other Revenue	337,112	337,112
Total Operating Revenue	6,773,493	6,773,493
OPERATING EXPENSES		
Employee Salaries	3,758,495	3,758,495
Maintenance of Effort	142,394	142,394
Depreciation	0	0
Other	2,744,437	2,744,437
Total Operating Expenses	6,645,326	6,645,326
OPERATING INCOME (LOSS)	128,167	128,167
NON-OPERATING REVENUES		
Interest Income	34,651	34,651
Non-Operating Gains	0	0
Depreciation on Fixed Assets Acquired by Grant	0	0
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		
Operating Transfers Out	0	0
Total Other Financing Sources (Uses)	0	0
NET INCOME (LOSS)	162,818	162,818
RETAINED EARNINGS, BEGINNING	2,885,368	2,885,368
PRIOR PERIOD ADJUSTMENTS	0	0
RETAINED EARNINGS, ENDING	<u>\$3,048,186</u>	<u>\$3,048,186</u>

MANISTEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE PERIOD ENDED SEPTEMBER 30, 2003

	Medical Care Facility	Total
OPERATING ACTIVITIES		
Cash received from residents and third-party payors	\$5,932,705	\$5,932,705
Cash paid to employees and suppliers	(5,910,089)	(5,910,089)
Proportionate share receipts	157,841	157,841
Property tax receipts	365,429	365,429
Operating Activities	545,886	545,886
NON-CAPITAL FINANCING ACTIVITIES		
Contributions (withdrawals)	814	814
Net Cash Provided for by Non-Financing Activities	814	814
INVESTING ACTIVITIES		
Interest Received	34,651	34,651
Sale (purchase) of assets limited as to use	409,293	409,293
Deposits to Deferred Compensation Plan	0	0
Net Cash Provided By (Used In) Investing Activities	443,944	443,944
FINANCING ACTIVITIES		
Proceeds from local Grant	0	0
Purchase of Property and Equipment	(991,399)	(991,399)
Net Cash Provided By (Used In) Financing Activities	(991,399)	(991,399)
Net Increase (Decrease) in Cash & Cash Equivalents	(755)	(755)
Cash & Cash Equivalents, Oct. 1	356,254	356,254
Cash & Cash Equivalents, Sept. 30	\$355,499	\$355,499

The footnotes are an integral part of these financial statements.

DEBT SERVICE FUNDS

MANISTEE COUNTY, MICHIGAN
BALANCE SHEET
COMBINED DEBT SERVICE FUND
SEPTEMBER 30, 2003

ASSETS	Building Authority Debt	Jail Building Bond	Combined Debt Service Funds
Cash	\$2,751	\$74,834	\$77,585
Taxes Receivable	0	73,470	73,470
TOTAL ASSETS	\$2,751	\$148,304	\$151,055
LIABILITIES AND FUND BALANCE			
Notes Payable	\$0	\$4,294	\$4,294
Deferred Revenue	0	73,470	73,470
Fund Balance	2,751	70,540	73,291
TOTAL LIABILITIES AND FUND BALANCE	\$2,751	\$148,304	\$151,055

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCE
COMBINED DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Building Authority Debt	Jail Building Bond	Combined Debt Service Funds
REVENUES			
Revenue Tax	\$0	\$114,564	\$114,564
Interest	0	0	0
Other Revenue	0	0	0
	0	114,564	114,564
EXPENDITURES			
Principle	45,000	55,000	100,000
Interest	41,606	15,955	57,561
Other	1,238	35,794	37,032
Total Expenditures	87,844	106,749	194,593
Excess (Deficiency) of Revenue Over Expenditures	(87,844)	7,815	(80,029)
Other Financing Sources (Uses)			
Proceeds from financing	0	0	0
Operating Transfers In	150,000	0	150,000
Operating Transfers Out	61,606	0	61,606
Total Other Financing Sources (Uses)	88,394	0	88,394
Excess (Deficiency) of Revenue Over Expenditures & Sources Over Expenditures and Other Uses	550	7,815	8,365
Fund Balance, October 1	2,201	62,725	64,926
Fund Balance, September 30	\$2,751	\$70,540	\$73,291

The footnotes are an integral part of these Financial Statements.

CAPITAL PROJECTS FUNDS

MANISTEE COUNTY, MICHIGAN

BALANCE SHEET

CAPITAL PROJECT FUND

SEPTEMBER 30, 2003

	Building Authority Construction	Jail Expansion Construction	Total
ASSETS			
Cash	\$20,359	\$0	\$20,359
Work In Process	0		0
Taxes Receivable		0	0
Total Assets	<u>20,359</u>	<u>0</u>	<u>20,359</u>
LIABILITIES & FUND EQUITY			
Liabilities			
Accounts Payable	1,900	0	1,900
Deferred Revenue	0	0	0
Interest Payable	0	0	0
Total Liabilities	<u>1,900</u>	<u>0</u>	<u>1,900</u>
Fund Balance			
Unreserved	<u>18,459</u>	<u>0</u>	<u>18,459</u>
Total Liabilities & Fund Equity	<u>\$20,359</u>	<u>\$0</u>	<u>\$20,359</u>

The footnotes are an integral part of these Financial Statements.

MANISTEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
FUND BALANCE
BUILDING AUTHORITY - BUDGET VS ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Original Budget	Amended Budget	Actual	Variance
REVENUES				
Taxes	\$0	\$0	\$0	0
Grant	0	0	0	0
Interest	4,520	4,520	4,520	0
Total Revenue	<u>4,520</u>	<u>4,520</u>	<u>4,520</u>	<u>0</u>
EXPENDITURES				
Payment on Installment Purchase	0	0	0	0
Capital Outlay	2,655,012	2,655,012	2,655,012	0
Miscellaneous Expense	24,093	24,093	24,093	0
Excess (Deficiency) of Revenue Over Expenditures	<u>(2,674,585)</u>	<u>(2,674,585)</u>	<u>(2,674,585)</u>	<u>0</u>
Other Financing Sources (Uses)				
Proceeds from Debt	0	0	0	0
Operating Transfers In	0	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenue Over Expenditures and Other Sources Over Expenditures and Other Uses	<u>(2,674,585)</u>	<u>(2,674,585)</u>	<u>(2,674,585)</u>	<u>0</u>
Fund Balance, October 1	<u>2,693,044</u>	<u>2,693,044</u>	<u>2,693,044</u>	
Fund Balance, September 30	<u>\$18,459</u>	<u>\$18,459</u>	<u>\$18,459</u>	

The footnotes are an integral part of these Financial Statements.

INTERNAL SERVICE FUNDS

MAISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN
RETAINED EARNINGS
INTERNAL SERVICE FUNDS
SEPTEMBER 30, 2003

	1993		1994		1995		1996		1997		1998		1999		2000		2001		2002		2003		Employee Health Insurance Fund	Employee Separations Fund	Unemployment Fund	Total 2003
	Delinquent Tax Fund																									
OPERATING REVENUES																										
Charges For Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$111,649
Other	382	58	49	49	48	48	55	246	246	2,067	2,067	413	\$511	\$8,284	6,103	26,507	\$53,774	1,914	0	14,748	194,256	6,650	323,835	0	571,332	
Total Operating Revenue	382	58	49	49	48	48	55	246	246	2,067	2,067	924	14,387	75,587	55,688	0	14,748	194,256	6,650	323,835	0	0	0	0	666,981	
OPERATING EXPENSES																										
Employee Benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,670,302
Other	0	0	0	0	0	0	0	0	0	0	0	0	1,244	375	2,894	0	0	554,344	430	72,261	0	1,075,960	39,998	4,401	81,405	
Total Operating Expenses	0	0	0	0	0	0	0	0	0	0	0	0	1,244	375	2,894	0	0	554,774	72,261	1,075,960	39,998	4,401	4,401	4,401	1,751,707	
OPERATING INCOME (LOSS)	382	58	49	49	48	48	55	246	246	2,067	2,067	924	12,143	72,692	52,794	0	14,748	(360,518)	(65,611)	(752,125)	(39,998)	(4,401)	(4,401)	(4,401)	(1,062,726)	
NON-OPERATING REVENUES																										
Interest Income	59	5,886	45	117	20	875	19,127	1,894	54,113	94,671	49,067	0	0	0	0	0	0	0	0	0	0	0	0	0	0	225,874
OTHER FINANCING SOURCES (USES)																										
Unrealized loss on Investment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	370,331	45,000	765,704	45,819	0	0	0	0	1,226,854
Operating Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	(298,609)	(1,602,459)	0	0	0	0	0	0	0	0	0	0	0	(1,901,267)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	0	0	0	0	0	(298,609)	(1,602,459)	0	0	370,331	45,000	765,704	45,819	0	0	0	0	0	(674,413)
NET INCOME (LOSS)	441	5,944	94	166	75	1,121	21,194	2,818	(231,553)	(1,432,575)	102,061	0	14,748	9,813	(20,611)	13,579	5,621	(4,401)	(1,511,265)	(4,401)	(4,401)	(4,401)	(4,401)	(4,401)	(4,401)	(1,511,265)
RETAINED EARNINGS, OCTOBER 1	1,276,189	96,872	8,403	12,196	3,805	22,197	(919,376)	53,760	606,348	2,001,660	0	0	0	0	0	0	0	79,688	52,568	36,053	15,525	26,287	0	0	0	3,372,190
RETAINED EARNINGS, SEPT 30	\$1,276,630	\$102,816	\$8,502	\$12,362	\$3,880	\$23,318	(\$898,182)	\$56,578	\$374,795	\$569,085	\$102,061	\$0	\$14,748	\$69,511	\$31,957	\$49,632	\$21,346	\$21,886	\$1,660,925	\$21,886	\$21,346	\$21,886	\$21,886	\$21,886	\$21,886	\$1,660,925

MANISTEE COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	1992 & Prior	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	Compensated	County	Employee	Unemployment	Total
	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Delinquent	Services	Vehicle	Health Insurance	Unemployment	2003
	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Tax Fund	Reserve	Fund	Fund	Fund	2003
OPERATING ACTIVITIES																	
Net Income (Loss)	\$ 441	\$ 5,944	\$ 94	\$ 166	\$ 75	\$ 1,121	\$ 21,194	\$ 2,818	\$ (231,653)	\$ (1,432,575)	\$ 102,061	\$ 0	\$ 14,748	\$ (20,611)	\$ 13,579	\$ (4,401)	\$ (1,511,265)
Adjustment to Reconcile Net Income to Net Cash Provided by Operating Activities:																	
(Increase) Decrease in Current Assets:																	
Delinquent Tax Rec. Accounts Receivable	4,456	1,454	1,235	1,235	2,125	4,151	37,841	9,179	188,288	763,199	(845,473)	0	0	0	0	0	147,500
Other Current Assets	0	0	0	0	0	0	0	0	0	0	0	0	(94,916)	0	(35,047)	0	(129,965)
Increase (Decrease) in Accounts Payable Due to Other Local Units	0	0	0	0	0	(54)	0	(519)	1,303	(2,730)	1,602,468	0	3,150	(608)	0	0	1,603,000
Net Cash Provided by (Used In) Operating Activities	4,897	7,388	1,329	1,401	2,200	5,218	58,835	11,478	(81,952)	(672,106)	859,046	0	14,748	(21,219)	(21,468)	5,821	109,270
FINANCING ACTIVITIES																	
Principle Payments on Notes Proceeds from Issuance of Long-term Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Cash Provided By (Used In) Financing Activities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Increase (Decrease) in Cash & Cash Equivalents	4,897	7,388	1,329	1,401	2,200	5,218	58,835	11,478	(81,952)	(672,106)	859,046	0	14,748	(21,219)	(21,468)	5,821	109,270
Cash & Cash Equivalents, Oct. 1	1,271,733	95,418	7,010	10,794	1,342	12,216	34,423	42,919	429,813	1,097,539	0	0	89,914	59,176	(71,933)	15,525	3,125,976
Prior Period Adjustment																	
Cash & Cash Equivalents, Sept. 30	\$ 1,276,630	\$ 102,816	\$ 89,339	\$ 12,195	\$ 3,542	\$ 17,434	\$ 93,258	\$ 54,397	\$ 367,861	\$ 425,533	\$ 659,046	\$ 0	\$ 14,748	\$ 31,957	\$ (52,401)	\$ 21,346	\$ 3,235,246

FEDERAL FINANCIAL ASSISTANCE

**MANISTEE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA No	Accounts Receivable	Current Revenue	Current Expenditures	Accounts Receivable
US DEPARTMENT OF HEALTH & HUMAN SERVICES					
Michigan Family Independence Agency Friend of the Court Co-operative	02	\$36,806	\$36,806	\$0	\$0
	03		204,116	261,579	57,463
	Total	36,806	240,922	261,579	57,463
Prosecuting Attorney Co-operative	02	3,444	3,444		
	03		20,853	36,092	15,239
	Total	3,444	24,297	36,092	15,239
Title IV-D Incentive Program	03	0	20,853	36,092	15,239
IV-D Medical Support	03		3,441	4,150	709
Total Family Independence Agency		40,250	289,513	337,913	88,650
FEDERAL EMERGENCY MANAGEMENT					
Michigan Dept of State Police Emergency Services Program	02	5,213	5,213	0	0
	03		9,877	9,877	0
	Total	83,530	5,213	15,090	9,877
Total Federal Emergency Management		5,213	15,090	9,877	0
Department of Transportation					
Michigan State Police Secondary Road Patrol	02	21777	21777	0	0
	03		29675	68142	38467
Total Department of Transportation		20,600	21777	51452	38467
US Department of Justice					
Michigan State Police Weapons of Mass Destruction SSCENT	03	16,010	0	49062	49062
	03	16,580	0	16954	23802
Total Michigan State Police		21777	117468	141006	45315
Total Department of Justice		21777	117468	141006	45315

The footnotes are an integral part of these Financial Statements.

**MANISTEE COUNTY, MICHIGAN
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2003**

FEDERAL GRANTOR Pass Through Grantor Program Title	CFDA No	Accounts Receivable	Current Revenue	Current Expenditures	Accounts Receivable
FEDERAL TRANSPORTATION SECURITY Michigan State Police Airport Security	02-03	6,418	6,418	0	0
Total Federal Transportation Security		0	15,506	21,516	6,010
Department of Housing and Urban Development Michigan State Housing Development Authority Community Development Block Grant	02	14,228	0	123,305	0
HOME	03	14,239	0	7,997	7,997
Total Department of Housing and Urban Dev		0	123,305	131,302	7,997
US Department of Agriculture Commercial Forest		10,670	0	0	0
US Forest Service Patrol Assistance	03		1,950	3,761	1,811
Total US Department of Agriculture		0	1,950	3,761	1,811
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$67,240</u>	<u>\$562,832</u>	<u>\$645,375</u>	<u>\$149,783</u>

The footnotes are an integral part of these Financial Statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issues:	Unqualified
Internal Control over financial reporting:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material	No
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Reportable conditions identified that are not considered to be material	No
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of circular A-133	No

Identification of Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.563	Friend of the Court Cooperative Prosecuting Attorney Cooperative Title IV-D Incentive Program
14.228	Community Development Block Grant

Dollar threshold used to distinguish Type A and Type B programs	\$300,000
Auditee qualified as low-risk auditee	Yes

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

No matters were reported