Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

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

Local Unit of Government Type	Local Unit Name	County
☒County ☐City ☐Twp ☐Village ☐Other	Clare County	Clare

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
9/30/06	5/22/2007	6/14/2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	☒	
The letter of Comments and Recommendations	☒	
Other (Describe) Single Audit	☒	

Certified Public Accountant (Firm Name)	Telephone Number		
Abraham & Gaffney, P.C.	(571) 351-6836		
Street Address	**City**	**State**	**Zip**
3511 Coolidge Road, Suite 100	East Lansing	MI	48823

Authorizing CPA Signature	Printed Name	License Number
Aaron M. Stevens	Aaron M. Stevens, CPA	1101024055

COUNTY OF CLARE, MICHIGAN

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2006

Prepared by:
Randolph D. Terronez, County Administrator

CLARE COUNTY, MICHIGAN

Comprehensive Annual Financial Report
Year Ended September 30, 2006

Prepared by:
Administrator's Office

Randolph D. Terronez
County Administrator

Clare County, Michigan

Comprehensive Annual Financial Report
Year Ended September 30, 2006

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Clare County, Michigan

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INTRODUCTORY SECTION

CLARE COUNTY BOARD OF COMMISSIONERS

225 West Main Street, P.O. Box 438 Harrison, MI 48625
Ph: (989) 539-7436 Fax (989) 539-2588

District 1: JORDON LOCKMILLER District 2: LYNN GRIM District 3: ROBERT KRAINIK II
District 4: JACK KLEINHARDT District 5: DONALD DAVID District 6: KAREN LIPOVSKY District 7: JAMES GELIOS

May 22, 2007

The Honorable Chairperson and
Members of the Board of Commissioners
Clare County
Harrison, Michigan

The Office of County Administrator is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the County of Clare, Michigan for the fiscal year ended September 30, 2006.

This report is published to provide the Board of Commissioners, County staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of County government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County.

This is the third year that the County of Clare is presenting its financial statements in a Comprehensive Annual Financial Report and the third year that the County has prepared its financial statements in accordance with Statement No. 34 of the Government Accounting Standards Board (GASB #34) entitled "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments." Previously, the financial statements provided information about individual funds of the County. These funds established by the County show restrictions on planned use of resources or to measure, in the short term, the revenues and expenditures arising from municipal activities. While some of the statements in the Comprehensive Annual Financial Report remain on an individual fund basis, GASB #34 required government-wide financial statements, which were prepared using full accrual accounting for all governmental activities. These statements at the government-wide level will help readers assess the finances of the government in its entirety, determine if the County's overall financial position improved or deteriorated, and see how the County invested in capital assets like water mains, sewers, parks, etc. The government-wide statements are aimed at viewing the County as a whole from a long-term perspective.

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

THE REPORTING ENTITY AND ITS SERVICES

Location

Clare County is located in the central part of Lower Michigan. Harrison is the county seat with a unique transportation activity as the hub of the US-127, US-10 and M-115 intersections which provide ready access to the northern portion of Michigan's lower peninsula and make travel to Detroit, Chicago, Cleveland, Indianapolis, and other major metropolitan markets simple and easy. In addition, the Michigan Department of Transportation (MDOT) multi-year upgrade of US-127/US-10 totaled $5 million and prepared Clare County to accommodate present and future transportation needs. The County encompasses an area of approximately 576 square miles, has a population of approximately 31,252.

The County of Clare does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.

The County operates under the State of Michigan and is a Commission-Manager form of government. The County Commission is comprised of the seven Commissioners elected on a partisan basis for terms of two years from single member districts. The Board of Commissioners elects from its ranks a Chairperson and Vice-Chairperson by majority vote. The Board of Commissioners primary functions include adoption of local laws and policies, determination of the type and level of County services, adoption of the County budget, equalization of County property values, legislative oversight of County services and the appointment of various board, commissions and County officials.

The administration of the County, other than as delegated to certain elected officials, falls to the County Administrator who is appointed by the County Board of Commissioners. The County Administrator also coordinates activities with the six elected county offices of Clerk/Register, Treasurer, Prosecuting Attorney, Sheriff, Drain Commissioner and Surveyor, who are all elected at-large for four-year terms on a partisan basis.

Additionally, the County Administrator maintains communications with the three courts (Circuit, Probate and District) each headed by an elected judge who serves a six-year nonpartisan term. Clare County and Gladwin County are equally responsible for adequately funding the three courts offices.

The Basic Financial Statements of the County include all government activities, organizations and functions for which the County is financially accountable as defined by the Governmental Accounting Standards Board.

Services Provided

The County provides a full range of services that are either mandated by State statute, or authorized by the County Board of Commissioners. These services are carried out by its approximately 105 full-time and 65 part-time employees and include legislative, judicial, public safety, public works, health, welfare, cultural, capital improvements and general administrative services.

The annual budget serves as the foundation for the Clare County's financial planning and control. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been formally adopted. For the general fund, this comparison begins on page 51 as required supplementary information. For other governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented either as required supplementary information (for major funds), starting on page 57, or other supplementary information (for nonmajor funds), starting on page 74.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Clare County operates.

Local Economy

Clare County's economy traces back to its early origins in the 1800's when lumbering was an early economic driver. The Flint & Pere Marquette Railroad began in Clare County in 1870 and furthered the County's population expansion. The lumbermen made the quickest and heaviest impact on our forest resources. Utilizing the Muskegon River, a major river tributary running through northwest Clare County, tens of thousands of logs were transported to market.

After the timber was gone, homesteader/farmers began nurturing the soil back to productivity. During the 1930's large oil fields were discovered and developed with capital supplied by various sorts of businessmen.

Into the 21st century, Clare County has become one of Michigan's favorite residential areas reflected by the County's 25% population growth from 1990 to 2000 and ranks in the top ten counties in growth rate in the state. The County is now known for hunting, fishing, snowmobiling, golfing, and other recreational activities.

Clare County is located in the central Michigan region, the geographic center of Michigan's lower peninsula, which is surrounded by the world's largest reserve of fresh water. The area offers a unique lifestyle boasting the warmth and safety of many small communities of distinctive character - each proud of its pristine surroundings, local festivals, specialty shops and area charm. Fortunate to experience the magnificence of all four seasons, the inhabitants of Clare County take pleasure in the many experiences of the great outdoors. In addition, Clare County offers a broad-based environment usually found in much larger counties, with nearby Mid Michigan Community College and neighboring Isabella County's Central Michigan University and the Soaring Eagle Casino and Resort. Clare County is within a 3-hour drive of every major market in Michigan and is linked to one of the largest industrial and consumer markets in the United States.

The City of Clare, the largest city in the County, is known statewide as the "Gateway to the North." Clare is an ideal location for family living, which boasts such amenities as: bountiful hunting, fishing, and wildlife adventures, proximity to some 150 named lakes, exciting ski facilities, pleasant subdivisions, and an excellent school system.

The City of Harrison is the Clare County seat and supports an unlimited availability of year-round water related activities. It is also known for its outdoor activities including camping, golfing, skiing, and snowmobiling. It is truly a recreational paradise for both seasonal visitors and residents.

The Village of Farwell, located on the southern border of Clare County, was established in 1870 along the Pere Marquette Railroad line. The village still retains its small town atmosphere, is supported by small businesses and several manufacturing firms, and plays a role in local tourism due to its proximity to lakes and skiing. It is also the site of a tax-free, industrial Renaissance Zone.

The County of Clare is rich with quality educational opportunities. All communities in Clare County provide the choice of excellent public and private schools, area vocational centers, and alternative education programs.

The County's crown jewel is Mid Michigan Community College, a recognized leader in educational and community leadership. The College provides post-secondary education and services to enable students and the community to achieve success in a global society. A key asset to the business community is the Technical Training Center (M-TEC) of Mid Michigan Community College. The focus of training in the M-TEC center is the industrial and construction trades. Industrial training components include pneumatics, hydraulics, instrumentation, electrical controls and pipe fitting. In the construction trades, training is provided in carpentry, electrical, masonry, and plumbing. A key to the instructional delivery in the M-TEC is providing learners with a variety of instructional delivery systems. Units of instruction are developed that cover the skills specifically identified as critical by business and industry.

Clare County supports a 64-bed hospital, Mid Michigan Medical Center - Clare, where services are offered that are reflective of a rural, primary care hospital. Inpatient care includes special units for intensive, progressive, obstetrical and pediatric care, as well as for medical and surgical care. The Medical Center provides 24-hour emergency room coverage and services including radiology, nuclear medicine, Laboratory, Ultrasound, CT scanning, Rehabilitation services, Outpatient surgery including general, gynecological and ophthalmology.

The citizens of Clare County take great pride in their community and are committed to maintaining the area's high standard of economic excellence. With a strong business climate, a central and convenient location with quick access to nearby major markets, significant interaction with Central Michigan University and proximity to Michigan's favorite vacationlands, Clare County is an ideal place to live, to work, and to "grow" a business.

Clare County's tax base has grown steadily in the last few years and is a sign of the strong economy. From 2005 to 2006, the County's taxable value increased from $886.7 million to $922.2 million, a 6.4% increase.

However, Clare County does have its challenges. Unemployment in Clare County is historically above the statewide average. In 2005, Clare County's unemployment rate stood at 9.3% while the State was at 7.3%. In 2006, Clare County's unemployment rate increased to 10.2% while the state figure was 6.9%.

As a result of Clare County's designation as an Enterprise Zone Community by the U.S. Department of Agriculture - Rural Development Office (USDA-RD), the County has taken advantage of regional economic development opportunities and participates in a two-county economic development organization called Middle Michigan Development Corporation that provides quality economic development services to Clare and Isabella County organizations. Additionally, the Enterprise Zone designation has opened up a host of USDA-RD grant and loan resources.

Long-term Financial Planning

The Clare County Board of Commissioners recognizes the need for long-term planning by annually holding a series of planning sessions that result in the County's Strategic Plan. The 2005-2006 Plan recognized the importance of the human resource base of the County organization and addressed issue affecting the employee workforce.

Cash Management Policies and Practices

The County maintains depository accounts with four (4) banks and two (2) investment firms. The County holds a minimum amount of cash in checking accounts to meet operational needs. The remaining idle cash is invested by County officials in certificates of deposit and other investments as allowed by Michigan Compiled Law and the County's investment policy. The ending balance of the County's investment portfolio for fiscal year 2006 was approximately $3,837,503. The overall portfolio provided $417,565 in investment income.

In compliance with the County's investment policy, the County Treasurer is responsible for its implementation and reports to the County Commission summarizing the investment activity, investment income earned, and the investments on hand at quarter end as required. The reports also compare the investment return with budgetary expectations and suggest improvements that might be made in the investment program.

MAJOR INITIATIVES

Property Tax Shift-State Revenue Sharing

State legislation was enacted to shift the County's property tax collection timing from a December to a July basis. By advancing the collection of county property taxes, counties are receiving a one-time windfall that is set-aside in a reserved fund and withdrawals are allowed up to the annual amounts that the state would have sent counties under the state revenue sharing formula. The legislation allowed the state to pause its payment of revenue sharing funds to counties that resulted in a significant budgetary lightening in light of the state's severe financial situation.

Technology

Recent progress has been made to more fully utilize the geographic information system capabilities. The County continues to inventory its technology needs in order to plan for replacement subject to funding availability.

Central Dispatch/E9-1-1 Improvements

Financed through a special voter approved millage of 0.35 mills over a five-year period, construction was completed on an approximately $600,000 addition to the existing Sheriff's Department to house the emergency dispatch operations previously housed in a small office in the existing Sheriff's Department. The project also involved updating the various dispatch and communications equipment that is projected to cost an additional $300,000 with funding to come from the aforementioned millage.

Employee Health Insurance Cost Reductions

From 2001 to 2005, employee health insurance premiums have skyrocketed an average of 29% for family coverage. In 2006, health care costs appear to be leveling off with an only 5% projected increase in FY 2007 rates as compared to FY 2006. The County continues to review all aspects of employee health insurance in order to realize cost containment.

Sheriff's Department Road Patrol Car Replacement Policy

The Sheriff's Department road patrol cars had in excess of 250,000 miles prior to their replacement while law enforcement standards called for the need for replacement at 180,000. After a two-year phase-in, Clare County was able to develop a replacement schedule whereby patrol cars are replaced at 180,000 in 2005 and continues this policy into 2007.

OTHER INFORMATION

Independent Audit

The County is required by state statute to undertake an annual audit of the books of financial statements of the County by independent certified public accountants selected by the County Commission. This requirement has been complied with, and the independent auditor's report has been included in this report.

Awards and Acknowledgments

Clare County is submitting for the first time its Comprehensive Annual Financial Report (CAFR) to the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting award program for the fiscal year ended September 30, 2006. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

It is management's contention that the current comprehensive annual financial report meets the Certificate of Achievement program's requirements and therefore it is has been submitted to the GFOA to determine its eligibility.

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of the entire staff of the Treasurer's Office and the Accounts Payable/Payroll Division of the Clerk/Register's Office. Finally, special thanks needs to be given to Tracy Byard, Administrative Assistant in the County Administrator's Office for her true dedication and commitment to Clare County. I also wish to express our sincere appreciation to County Department Heads, Elected Officials and the Judiciary throughout the organization, especially those who were instrumental in the successful completion of this report.

I would like to thank the members of the County Commission for their interest and support in planning and conducting the financial operation of the County in a responsible and progressive manner.

Respectfully submitted,

Randolph D. Terronez
County Administrator

Clare County, Michigan

Comprehensive Annual Financial Report
Year Ended September 30, 2006

LIST OF COUNTY OFFICIALS

COUNTY COMMISSION

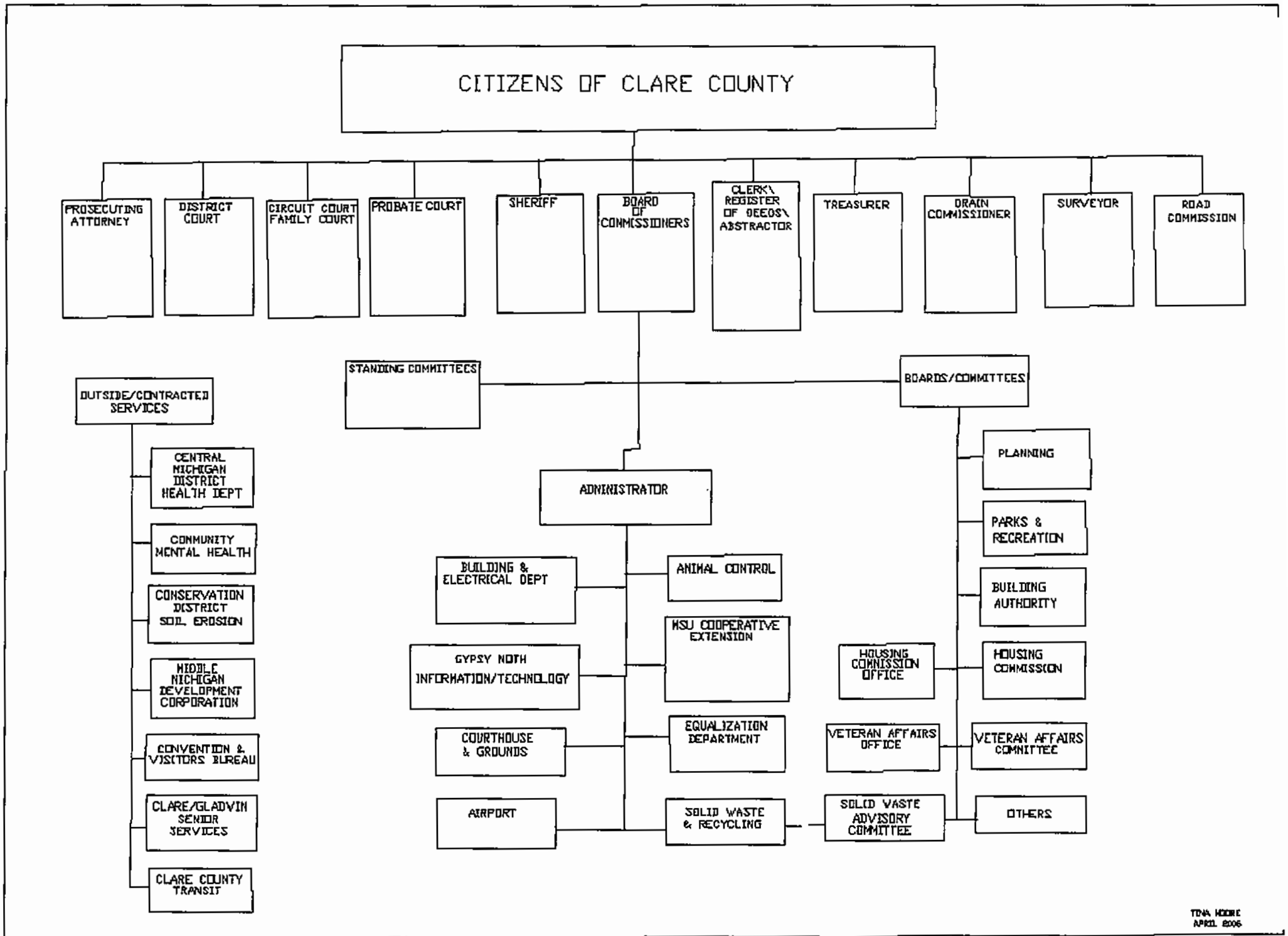
Karen Lipovsky

Jim Gelios	Jordon Lockmiller
Lynn Grim	Robert Krainik II
Forrest Meek	Julie Murphy

COUNTY ADMINISTRATOR
Randolph Terronez

COUNTY TREASURER
Lois Chinn

COUNTY CLERK
Carol McAulay


CITIZENS OF CLARE COUNTY
PROSECUTING ATTORNEY
DISTRICT COURT
CIRCUIT COURT FAMILY COURT
PROBATE COURT
SHERIFF
BOARD OF COMMISSIONERS
CLERK\ REGISTER OF DEEDS\ ABSTRACTOR
TREASURER
DRAIN COMMISSIONER
SURVEYOR
ROAD COMMISSION
STANDING COMMITTEES
BOARDS/COMMITTEES
OUTSIDE/CONTRACTED SERVICES
CENTRAL MICHIGAN DISTRICT HEALTH DEPT
COMMUNITY MENTAL HEALTH
CONSERVATION DISTRICT SOIL EROSION
MIDDLE MICHIGAN DEVELOPMENT CORPORATION
CONVENTION & VISITORS BUREAU
CLARE/GLADWIN SENIOR SERVICES
CLARE COUNTY TRANSIT
ADMINISTRATOR
BUILDING & ELECTRICAL DEPT
ANIMAL CONTROL
MSU COOPERATIVE EXTENSION
GYPSY MOTH INFORMATION/TECHNOLOGY
COURTHOUSE & GROUNDS
EQUALIZATION DEPARTMENT
AIRPORT
SOLID WASTE & RECYCLING
SOLID WASTE ADVISORY COMMITTEE
HOUSING COMMISSION OFFICE
VETERAN AFFAIRS OFFICE
PLANNING
PARKS & RECREATION
BUILDING AUTHORITY
HOUSING COMMISSION
VETERAN AFFAIRS COMMITTEE
OTHERS
TONA MOORE
APRIL 2006

FINANCIAL SECTION

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

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Clare County
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County, Michigan, as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clare County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Road Commission, which represents 86% and 86%, respectively of the total assets and revenues of the component units and the Public Transit Corporation, which represents 33% and 76%, respectively of the total assets and revenues of the business-type funds. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Road Commission and Public Transit Corporation, is based solely on the reports of the other auditors.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County, Michigan, as of September 30, 2006, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2007 on our consideration of Clare County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The management's discussion and analysis and budgetary comparison information, as 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clare County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Except for the statistical section, other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 22, 2007

Clare County, Michigan

Management's Discussion and Analysis

Year Ended September 30, 2006

As management of the County of Clare, Michigan, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by $14,513,927 (*net assets*). Of this amount, $9,167,428 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.

- The primary government's total net assets increased by $1,177,109. This increase was largely due to growth in property taxes, departments controlling expenditures, and a shift of the property tax levy from winter to summer resulting in increasing the Revenue Sharing Reserve Fund.

- As of the close of the current fiscal year, the County of Clare's governmental activities reported ending net assets of $8,084,563, an increase of $2,184,372 in comparison with the prior year. Approximately 50 percent of this total amount, $4,072,768, is available for spending at the government's discretion (*unrestricted net assets*).

- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was $1,957,223, or approximately 17 percent of total general fund expenditures (Total Expenditures and Other Financing Uses).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County of Clare's basic financial statements. These statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and 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 of Clare's finances, in a manner similar to a private-sector business.

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

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

The government-wide financial statements distinguish functions of the County of Clare 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). *Governmental activities* include general government, public safety, public works, health and welfare, community and economic development, recreation and cultural and other functions. *Business-type activities* include delinquent tax collections, public transit and an operation of an inmate commissary.

The County's financial statements also include legally separate entities (component units) for which the County is financially accountable. The *component units* include the Clare County Road Commission, Clare County Economic Development Corporation, the Clare County Drain Commission, the Clare County Housing Commission, the Clare County Enterprise Community, and the Clare County Board of Public Works. Financial information for the component units are reported separately from the financial information presented for the primary government itself. The Clare County Road Commission is audited separately and a copy of that report can be obtained by contacting their administrative offices.

Fund Financial Statements. A fund is a grouping of related accounts and is used to maintain control over resources that have been segregated for specific activities or objectives. The County of Clare, 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 of Clare can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general governmental operations and the basic services it provides.

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

The County of Clare maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Gypsy Moth, Revenue Sharing Reserve, and Council on Aging funds, each of which is considered to be a major fund. Data for the remaining 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.

Proprietary funds. The County maintains two different types of proprietary funds: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax, public transit and inmate commissary operations. *Internal service funds* are used to accumulate and allocate costs internally among the County's various functions. Clare County uses internal service funds to account for the resources used to provide health care to employees and their families and retirees as well as technology such as voice mail and email. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund, since two (2) of the three (3) funds are considered major funds.

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

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.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the County of Clare's budgetary comparison schedules.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

The government-wide financial statements focus on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. As the following table demonstrates, the County's governmental activities assets exceeded its liabilities by $8,084,563 at September 30, 2006.

Clare County, Michigan

Management's Discussion and Analysis

Year Ended September 30, 2006

Clare County's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Assets						
Current and other assets	$ 7,923,467	$ 6,858,906	$ 5,856,077	$ 5,196,906	$ 13,779,544	$ 12,055,812
Capital assets	3,622,092	4,241,333	1,662,422	1,334,704	5,284,514	5,576,037
Total assets	11,545,559	11,100,239	7,518,499	6,531,610	19,064,058	17,631,849
Liabilities						
Current	1,610,982	1,274,702	81,872	102,246	1,692,584	1,376,948
Noncurrent	2,210,612	1,740,974	-	-	2,210,612	1,740,974
Total liabilities	3,821,594	3,015,676	81,872	102,246	3,903,466	3,117,922
Net Assets						
Invested in capital assets-net of related debt	1,330,227	2,264,924	1,662,422	1,334,704	2,992,649	3,599,628
Restricted	2,344,077	1,746,871	-	-	2,344,077	1,746,871
Unrestricted	4,049,611	4,072,768	5,774,205	5,094,660	9,823,816	9,167,428
Total net assets	$ 7,723,915	$ 8,084,563	$ 7,436,627	$ 6,429,364	$ 15,160,542	$ 14,513,927

Clare County's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2006	2005	2006	2005	2006
Revenues						
Program revenue:						
Charges for services	$ 4,250,570	$ 4,377,102	$ 621,959	$ 654,265	$ 4,872,529	$ 5,031,367
Operating grants & contributions	2,345,859	1,444,658	583,088	668,036	2,928,947	2,112,694
Capital grants and contributions	59,827	12,605	878,652	27,165	938,479	39,770
General revenues:						
Property taxes	5,902,411	6,384,730	210,795	256,847	6,113,206	6,641,577
Other	690,493	879,846	88,920	123,055	779,413	1,002,901
Total revenues	13,249,160	13,098,941	2,383,414	1,729,368	15,632,574	14,828,309
Expenses						
General government	4,465,951	4,302,304	-	-	4,465,951	4,302,304
Public safety	5,148,818	5,575,616	-	-	5,148,818	5,575,616
Public works	68,317	108,089	-	-	68,317	108,089
Health and welfare	2,213,698	1,937,636	-	-	2,213,698	1,937,636
Comm. and Econ Development	657,649	57,943	-	-	657,649	57,943
Recreation and Culture	25,821	30,892	-	-	25,821	30,892
Other	533,573	-	-	-	533,573	-0-
Interest on long-term debt	133,026	140,089	-	-	133,026	140,089
Business-type activities	-	-	1,434,242	1,498,631	1,434,242	1,498,631
Total expenses	13,246,853	12,152,569	1,434,242	1,498,631	14,681,095	13,651,200
Change in net assets before transfers	2,307	946,372	949,172	230,737	951,479	1,177,109
Transfers	641,103	1,238,000	(641,103)	(1,238,000)	-	-
Net assets, beginning of year	7,080,555	5,900,191	7,128,558	7,436,627	14,209,113	13,336,818
Net assets, end of year	$ 7,723,965	$ 8,084,563	$ 7,436,627	$ 6,429,364	$ 15,160,592	$ 14,513,927

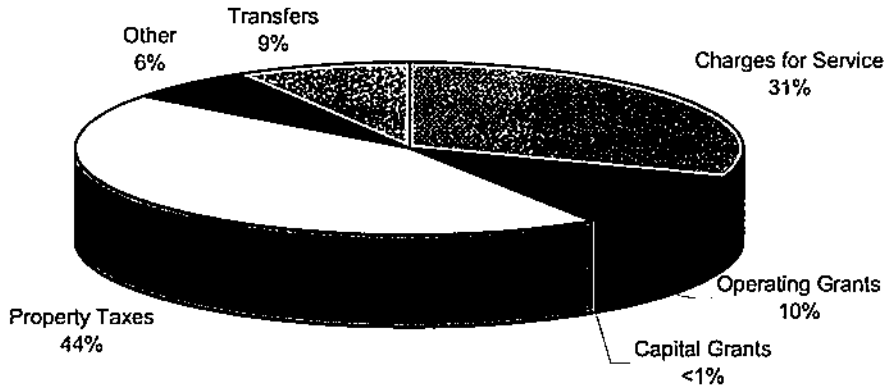
The largest portion of the County's net assets, $9,167,428 (63 percent) represents *unrestricted net assets* that may be used to meet the County's ongoing obligations to citizens and creditors.

An additional portion of the County's net assets, $3,599,628 (25 percent) reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of $1,746,871 (12 percent) represents resources that are subject to external restrictions on how they may be used.

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

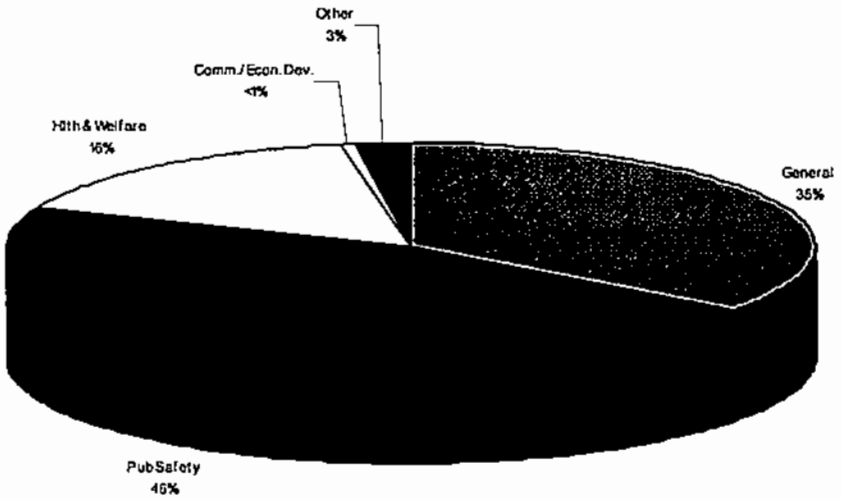
Revenue By Source - Governmental Activities



The primary government's net assets increased by $1,177,109 during the current fiscal year. This increase is attributable to growth in property taxes, and higher investment earnings.

Governmental activities. Governmental activities increased the County's net assets by $2,184,372. This increase is attributable to growth in property taxes, interfund transfers and higher investment earnings.

Expenditures By Source - Governmental Activities



Business-type activities. Business type activities decreased the County's net assets by $1,007,263. This decrease is primarily due to Delinquent Tax operating transfers (to the General Fund) exceeding the annual earnings and higher than anticipated transit activity. The Delinquent Tax Revolving fund transferred a total of $1,238,000 to the General Fund and other funds.

Financial Analysis of the County's Funds

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

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

At September 30, 2006, the County's governmental funds reported combined ending fund balances of $5,964,317, an increase of $1,003,442. This was primarily due to growth in property taxes, departments controlling expenditures, and grant funding in the nonmajor funds. Of the fund balance amount, $4,946,332 constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was $1,957,223, with a total fund balance of $2,443,810. Unreserved fund balance represents approximately 17 percent of total general fund expenditures (Total Expenditures and Other Financing Uses). The fund balance of the County's general fund increased by $506,354 during the current fiscal year. This is primarily attributable to growth in property taxes, increased interest earnings and departments controlling expenditures.

The county Gypsy Moth fund had a total fund balance of $1,179,903 as a result of continued low gypsy moth infestation.

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

Net assets of the enterprise funds at year-end amounted to $6,429,364. The unrestricted portion of those net assets amounts to $5,094,660. The enterprise funds had a decrease in net assets for the year of $1,007,263. The decrease was due to transfers out and the higher transit activity not covered by grant funds.

FINANCIAL ANALYSIS OF THE COUNTY'S MAJOR AND NONMAJOR FUNDS

As the County completed the fiscal year 2006, its governmental funds reported combined fund balances of $5,964,317, an increase of $1,003,442 or 20.2%. The net changes are summarized in the following chart:

FINANCIAL ANALYSIS OF MAJOR AND NONMAJOR FUNDS

	General	Gypsy Moth	Revenue Sharing Reserve	Council on Aging	Nonmajor Governmental	Total
Fund Balance 9/30/05	$ 1,937,456	$ 1,150,724	$ 493,955	$ 124,050	$ 1,254,690	$ 4,960,875
Fund Balance 9/30/06	$ 2,443,810	$ 1,179,903	$ 1,064,971	$ 83,013	$ 1,192,620	$ 5,964,317
Net Change	$ 506,354	$ 29,179	$ 571,016	$(41,037)	$(62,070)	$ 1,003,442
Percent	26.1%	2.5%	115.6%	(33.1%)	(4.9%)	20.2%

The General Fund balance increased by $506,354 or 26.1%. This was due to higher property tax revenue, increased interest earnings and departments holding expenditures to a minimum. The Gypsy Moth Fund balance increased $29,179 or 2.5% due to minimal Gypsy Moth suppression activities. The Revenue Sharing Reserve Fund balance increased by $571,016 or 115.6% as a result of compliance with state legislation that requires the County to accumulate advanced property taxes in lieu of future state revenue sharing payments that will be withdrawn on a an annual basis for use by the General Fund. The Council on Aging Fund balance decreased $41,037 or 33% as a result of increased demand for senior services. The combined Nonmajor Governmental Funds decreased by $62,070 or 4.9% due to lower than anticipated activity in the Social Welfare Fund and Child Care-Probate Fund.

General Fund Budgetary Highlights

Differences between the original and final amended budgets for revenue (revenue and other financing sources) resulted in a 15% increase, ($1,546,465 increase in appropriations). The increase was primarily attributed to additional property tax revenue as a result of the pass-through of the state revenue sharing reserve and transfer of the county property tax revenue from a December (Winter) tax billing cycle to a Summer (July) tax cycle and an increase in Investment Earnings.

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in an 11% increase, ($1,211,642 increase in appropriations). The increase was due to establishing the pass-through of funds generated from the property tax revenue shift out of the General Fund to the Revenue Sharing Reserve Fund and various Public Safety activities.

Overall during the year, general fund revenues (revenue and other financing sources) exceeded budgetary estimates by $299,406 or 2.5%. Expenditures (expenditures and other financing uses) were less than budgetary estimates overall ($335,222 or 2.7%). This resulted in an actual increase in fund balance of $506,354 as compared to budgeted (anticipated) use of fund balance of $128,274.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental activities as of September 30, 2006, amounted to $4,241,333, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment and vehicular equipment. The total increase in the County's investment in capital assets for the current fiscal year was approximately 17 percent. The following summarizes those assets, net of accumulated depreciation, as of September 30, 2006.

Land and improvements	$ 108,325
Buildings and improvements	3,445,851
Furniture and other assets	507,927
Vehicles	179,230
Total	$ 4,241,333

Additional information on the County's capital assets can be found in Note E of this report.

Long-term debt. Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the primary government had total debt outstanding of $2,253,418.

OUTSTANDING DEBT AS OF SEPTEMBER 30, 2006

	Oct. 1, 2005	Additions	Deletions	Sept. 30, 2006
Primary Government				
Government Activities				
Direct County Obligations	$ 2,395,000	$ -	$ (470,000)	$ 1,925,000
Lease Payable	-	54,115	(2,706)	51,409
Accumulated Comp. Absences	248,239	28,770	-	277,009
Total Primary Government	2,643,239	82,885	(472,706)	2,253,418
Component Units				
Road Commission				
Direct County Obligations	1,040,000	-	(390,000)	650,000
Loans Payable	98,633	-	(13,096)	85,537
Accumulated Comp. Absences	174,825	27,152	-	201,977
Housing Commission				
Accumulated Comp. Absences	8,887	4,151	(8,637)	4,401
Board of Public Works				
Water & Sewer Bonds	1,980,000	-	(290,000)	1,690,000
Drainage Districts				
Loans Payable	6,369	-	(6,369)	-0-
Drain Bonds & Notes	167,713	31,336	(37,429)	161,620
Total Component Units	3,476,427	62,639	(745,531)	2,793,535
Total Reporting Entity	$ 6,119,666	$ 145,524	$ (1,218,237)	$ 5,046,953

The primary government's total debt decreased by $389,821 (15 percent) during the current fiscal year.

Additional information on the County's long-term debt can be found in Note F of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's 2007 budget:

- Property tax revenues are projected to increase 6 percent in 2007.
- Inflationary trends in the region compare favorably to national indices.
- The worsening state economy will result in decreased state funding and potential lower revenue from charges.
- Health insurance costs will moderate (i.e., less than a 10% increase).

Highlights of the 2007 budget are as follows:

- Clare County implemented position reductions eliminating or reducing eight full and part time positions and totaled $160,000 in personnel cost savings. (Note: Clare County has undertaken staff reductions in 3 of the last 4 years totaling $620,000 that involved the elimination of 10 full or part time positions and reducing 20 full or part time positions).
- The County budgeted a contingency of $125,000 as a means of anticipating unexpected revenue shortfalls and/or over-expenditures.
- The adopted 2007 budget is $103,000 (1%) more than the Amended 2006 budget.
- Due to the addition of a Circuit Court Judge based upon the State of Michigan court caseload analysis, Clare County added approximately $175,000 in additional operational expenditures to adequately incorporate the added judge in the County's budget. (This includes judge's staff support as well as additional staff for the County Clerk and Prosecuting Attorney's Offices.
- The County General Fund decreased its reliance on the excess earnings from Delinquent Tax Revolving Fund.
- The final jail bond payment of $475,000 due in FY 2008 is being planned to be entirely funded in FY 2007.

During the current fiscal year, unreserved fund balance in the general fund increased to $1,957,223, representing 17% of the 2006 expenditures. The general rule of thumb is that fund balances can be used to help government weather bad times, but should not be used as a means of funding routine operations. The County decreased its dependence on fund balance to $187,480 in 2005 to $0 in 2006. For the 2007 budget, the County plans to reduce reliance upon fund balance in the general fund.

Contacting the County's Management

This financial report is designed to provide a general overview of the County's finances to all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: County Administrator, County of Clare Administrator's Office, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625.

BASIC FINANCIAL STATEMENTS

Clare County, Michigan

STATEMENT OF NET ASSETS

September 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current assets				
Cash and cash equivalents	$ 4,247,248	$ 1,816,165	$ 6,063,413	$ 1,168,152
Investments	1,031,816	1,227,347	2,259,163	-
Receivables	-	2,595,198	2,595,198	2,547,686
Inventories	-	-	-0-	268,789
Due from other governmental units	710,906	163,399	874,305	-
Prepaids	122,323	141,410	263,733	-
Current portion of lease receivable	-	-	-0-	333,628
Internal balances	746,613	(746,613)	-0-	-
Total current assets	6,858,906	5,196,906	12,055,812	4,318,255
Noncurrent assets				
Lease receivable	-	-	-0-	1,390,000
Capital assets not being depreciated	108,325	-	108,325	187,883
Capital assets being depreciated, net	4,133,008	1,334,704	5,467,712	28,016,540
Total noncurrent assets	4,241,333	1,334,704	5,576,037	29,594,423
TOTAL ASSETS	11,100,239	6,531,610	17,631,849	33,912,678
LIABILITIES				
Current liabilities				
Accounts payable	345,410	24,911	370,321	198,763
Accrued wages	204,988	-	204,988	24,253
Other accrued liabilities	49,556	77,335	126,891	36,766
Due to other governmental units	39,423	-	39,423	-
Unearned revenue	122,881	-	122,881	17,596
Current portion of compensated absences	16,621	-	16,621	3,444
Current portion of long-term debt	495,823	-	495,823	707,109
Total current liabilities	1,274,702	102,246	1,376,948	987,931
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	547,846
Compensated absences	260,388	-	260,388	202,934
Noncurrent portion of long-term debt	1,480,586	-	1,480,586	1,880,048
Total noncurrent liabilities	1,740,974	-0-	1,740,974	2,630,828
TOTAL LIABILITIES	3,015,676	102,246	3,117,922	3,618,759
NET ASSETS				
Invested in capital assets, net of related debt	2,264,924	1,334,704	3,599,628	27,307,266
Restricted for				
Gypsy moth control	1,179,903	-	1,179,903	-
County roads	-	-	-	1,100,668
Other purposes	566,968	-	566,968	-
Unrestricted	4,072,768	5,094,660	9,167,428	1,885,985
TOTAL NET ASSETS	$ 8,084,563	$ 6,429,364	$ 14,513,927	$ 30,293,919

See accompanying notes to financial statements.

Clare County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government								
Governmental activities								
General government	$ 4,302,304	$ 1,661,046	$ 999,019	$ -	$ (1,642,239)	$ -	$ (1,642,239)	$ -
Public safety	5,575,616	2,459,899	250,114	12,605	(2,852,998)	-	(2,852,998)	-
Public works	108,089	-	539	-	(107,550)	-	(107,550)	-
Health and welfare	1,937,636	256,157	192,486	-	(1,488,993)	-	(1,488,993)	-
Community and economic development	57,943	-	-	-	(57,943)	-	(57,943)	-
Recreation and cultural	30,892	-	2,500	-	(28,392)	-	(28,392)	-
Interest on long-term debt	140,089	-	-	-	(140,089)	-	(140,089)	-
Total governmental activities	12,152,569	4,377,102	1,444,658	12,605	(6,318,204)	-0-	(6,318,204)	-0-
Business-type activities								
Delinquent tax revolving	-	302,529	-	-	-	302,529	302,529	-
Transit corporation	1,475,960	328,758	668,036	27,165	-	(452,001)	(452,001)	-
Jail commissary	22,671	22,978	-	-	-	307	307	-
Total business-type activities	1,498,631	654,265	668,036	27,165	-0-	(149,165)	(149,165)	-0-
Total primary government	$ 13,651,200	$ 5,031,367	$ 2,112,694	$ 39,770	(6,318,204)	(149,165)	(6,467,369)	-0-
Component units								
Road Commission	$ 5,654,200	$ 792,582	$ 3,783,608	$ 1,525,777	-	-	-0-	447,767
Drainage Districts	129,918	-	-	19,464	-	-	-0-	(110,454)
Board of Public Works	90,048	-	-	90,048	-	-	-0-	-
Economic Development Corporation	-	-	-	-	-	-	-0-	-
Housing Commission	749,944	199,528	65,052	-	-	-	-0-	(485,364)
Enterprise Community	206,850	-	206,850	-	-	-	-0-	-
Total component units	$ 6,830,960	$ 992,110	$ 4,055,510	$ 1,635,289	-0-	-0-	-0-	(148,051)
General revenues								
Property taxes					6,384,730	256,847	6,641,577	-
Other taxes					105,838	-	105,838	-
Investment earnings					233,997	114,608	348,605	68,960
Gain on disposal of capital assets					-	-	-0-	257,307
Other					540,011	8,447	548,458	387,503
Transfers					1,238,000	(1,238,000)	-0-	-
Total general revenues and transfers					8,502,576	(858,098)	7,644,478	713,770
Change in net assets					2,184,372	(1,007,263)	1,177,109	565,719
Restated net assets, beginning of the year					5,900,191	7,436,627	13,336,818	29,728,200
Net assets, end of the year					$ 8,084,563	$ 6,429,364	$ 14,513,927	$ 30,293,919

See accompanying notes to financial statements.

Clare County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2006

	General	Gypsy Moth	Revenue Sharing Reserve
ASSETS			
Cash and cash equivalents	$ 1,505,704	$ 1,180,220	$ 344,791
Investments	-	-	720,180
Due from other governmental units			
Federal/State	112,424	-	-
Local	462,099	-	-
Due from other funds	746,613	-	-
TOTAL ASSETS	$ 2,826,840	$ 1,180,220	$ 1,064,971
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 163,552	$ 15	$ -
Accrued wages	180,738	302	-
Due to other governmental units - Federal/State	38,740	-	-
Deferred revenue	-	-	-
TOTAL LIABILITIES	383,030	317	-0-
FUND BALANCES			
Reserved for			
Family counseling	31,587	-	-
Debt service	455,000	-	-
Capital projects	-	-	-
Unreserved			
Undesignated, reported in			
General fund	1,957,223	-	-
Special revenue funds	-	1,179,903	1,064,971
TOTAL FUND BALANCES	2,443,810	1,179,903	1,064,971
TOTAL LIABILITIES AND FUND BALANCES	$ 2,826,840	$ 1,180,220	$ 1,064,971

See accompanying notes to financial statements.

Council On Aging	Nonmajor Governmental Funds	Total Governmental Funds
$ 196,686	$ 876,350	$ 4,103,751
-	311,636	1,031,816
-	124,138	236,562
-	12,245	474,344
-	-	746,613
$ 196,686	$ 1,324,369	$ 6,593,086
$ 113,673	$ 68,170	$ 345,410
-	23,948	204,988
-	683	39,423
-	38,948	38,948
113,673	131,749	628,769
-	-	31,587
-	763	455,763
-	530,635	530,635
-	-	1,957,223
83,013	661,222	2,989,109
83,013	1,192,620	5,964,317
$ 196,686	$ 1,324,369	$ 6,593,086

Clare County, Michigan

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

September 30, 2006

Total fund balance - governmental funds		$ 5,964,317
Amounts reported for the governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
The cost of capital assets is	$ 8,884,401	
Accumulated depreciation is	(4,643,068)	
Capital assets, net		4,241,333
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Net assets of governmental activities accounted for in Internal Service Funds	210,537	
Net capital assets of Internal Service Funds included in total capital assets above	(28,650)	
		181,887
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:		
Direct County obligations	1,976,409	
Accrued interest payable	49,556	
Compensated absences	277,009	
		(2,302,974)
Net assets of governmental activities		$ 8,084,563

See accompanying notes to financial statements.

Clare County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2006

	General	Gypsy Moth	Revenue Sharing Reserve
REVENUES			
Taxes	$ 5,865,090	$ 294	$ -
Licenses and permits	81,364	-	-
Intergovernmental	1,457,083	-	-
Charges for services	2,603,915	-	-
Fines and forfeits	32,077	-	-
Interest and rents	645,121	48,890	18,579
Other	362,037	-	-
TOTAL REVENUES	11,046,687	49,184	18,579
EXPENDITURES			
Current			
General government	3,676,574	13,005	-
Public safety	4,440,573	-	-
Public works	85,273	-	-
Health and welfare	576,744	-	-
Community and economic development	52,590	-	-
Recreation and cultural	-	-	-
Other	597,410	-	-
Debt service	-	-	-
Capital outlay	179,833	-	-
TOTAL EXPENDITURES	9,608,997	13,005	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,437,690	36,179	18,579
OTHER FINANCING SOURCES (USES)			
Capital lease	54,115	-	-
Transfers in	1,228,000	-	1,132,437
Transfers out	(2,213,451)	(7,000)	(580,000)
TOTAL OTHER FINANCING SOURCES (USES)	(931,336)	(7,000)	552,437
NET CHANGE IN FUND BALANCES	506,354	29,179	571,016
Fund balances, beginning of year	1,937,456	1,150,724	493,955
Fund balances, end of year	$ 2,443,810	$ 1,179,903	$ 1,064,971

See accompanying notes to financial statements.

Council On Aging	Nonmajor Governmental Funds	Total Governmental Funds
$ 408,922	$ 302,257	$ 6,576,563
-	152,753	234,117
-	433,169	1,890,252
-	389,145	2,993,060
-	5,805	37,882
5,026	31,579	749,195
2,000	253,835	617,872
415,948	1,568,543	13,098,941
-	333,801	4,023,380
-	652,672	5,093,245
-	18,071	103,344
456,985	830,394	1,864,123
-	-	52,590
-	25,208	25,208
-	-	597,410
-	588,610	588,610
-	812,871	992,704
456,985	3,261,627	13,340,614
(41,037)	(1,693,084)	(241,673)
-	-	54,115
-	1,746,014	4,106,451
-	(115,000)	(2,915,451)
-0-	1,631,014	1,245,115
(41,037)	(62,070)	1,003,442
124,050	1,254,690	4,960,875
$ 83,013	$ 1,192,620	$ 5,964,317

Clare County, Michigan

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

Year Ended September 30, 2006

Net change in fund balances - total governmental funds		$ 1,003,442
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,019,682	
Depreciation expense	(383,559)	
Excess of capital outlay over depreciation expense		636,123
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
Increase in net assets of internal service funds	207,821	
Capital outlay of Internal Service Funds included in the total above	(42,974)	
Depreciation expense of Internal Serivce Funds included in the total above	14,324	
		179,171
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Capital lease	(54,115)	
Long-term debt principal retirement	472,706	
		418,591
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
(Increase) in accrued interest payable	(24,185)	
(Increase) in accrued compensated absences	(28,770)	
		(52,955)
Change in net assets of governmental activities		$ 2,184,372

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2006

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 1,797,872	$ 13,100	$ 5,193	$ 1,816,165	$ 143,497
Investments	316,903	910,444	-	1,227,347	-
Receivables					
Accounts	-	19,600	-	19,600	-
Delinquent taxes	2,575,598	-	-	2,575,598	-
Due from other governmental units	150,173	11,665	1,561	163,399	-
Prepaids	-	141,410	-	141,410	122,323
Total current assets	4,840,546	1,096,219	6,754	5,943,519	265,820
Noncurrent assets					
Capital assets being depreciated, net	-	1,334,704	-	1,334,704	28,650
TOTAL ASSETS	4,840,546	2,430,923	6,754	7,278,223	294,470
LIABILITIES					
Current liabilities					
Accounts payable	-	24,476	435	24,911	-
Other accrued liabilities	-	77,335	-	77,335	-
Due to other funds	746,613	-	-	746,613	-
Deferred revenue	-	-	-	-0-	83,933
TOTAL LIABILITIES	746,613	101,811	435	848,859	83,933
NET ASSETS					
Invested in capital assets	-	1,334,704	-	1,334,704	-
Unrestricted	4,093,933	994,408	6,319	5,094,660	210,537
TOTAL NET ASSETS	$ 4,093,933	$ 2,329,112	$ 6,319	$ 6,429,364	$ 210,537

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

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

Year Ended September 30, 2006

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 36,470	$ 328,758	$ 22,978	$ 388,206	$ 1,293,129
Interest and penalties on delinquent taxes	266,059	-	-	266,059	-
TOTAL OPERATING REVENUES	302,529	328,758	22,978	654,265	1,293,129
OPERATING EXPENSES					
Administrative	-	138,907	-	138,907	-
Health Insurance	-	-	-	-0-	1,117,984
Operations	-	838,792	-	838,792	-
Maintenance	-	157,212	-	157,212	-
Supplies	-	-	22,671	22,671	-
Depreciation expense	-	341,049	-	341,049	14,324
TOTAL OPERATING EXPENSES	-0-	1,475,960	22,671	1,498,631	1,132,308
OPERATING INCOME (LOSS)	302,529	(1,147,202)	307	(844,366)	160,821
NONOPERATING REVENUES					
Intergovernmental	-	668,036	-	668,036	-
Property taxes	-	256,847	-	256,847	-
Interest revenue	82,959	31,649	-	114,608	-
Other	544	7,903	-	8,447	-
TOTAL NONOPERATING REVENUES	83,503	964,435	-0-	1,047,938	-0-
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	386,032	(182,767)	307	203,572	160,821
CAPITAL CONTRIBUTIONS					
Intergovernmental	-	27,165	-	27,165	-
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-0-	47,000
Transfers out	(1,238,000)	-	-	(1,238,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,238,000)	-0-	-0-	(1,238,000)	47,000
CHANGE IN NET ASSETS	(851,968)	(155,602)	307	(1,007,263)	207,821
Net assets, beginning of year	4,945,901	2,484,714	6,012	7,436,627	2,716
Net assets, end of year	$4,093,933	$2,329,112	$ 6,319	$6,429,364	$ 210,537

See accompanying notes to financial statements.

Clare County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	Business-type Activities				Governmental Activities
	Delinquent Tax Revolving	Transit Corporation	Nonmajor Enterprise Fund (Jail Commissary)	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers	$ 36,470	$ 329,410	$ 23,050	$ 388,930	$ 1,293,537
Cash paid to suppliers	-	(345,024)	(23,841)	(368,865)	(250,000)
Cash paid for employee services and benefits	-	(807,693)	-	(807,693)	(1,088,671)
Other income	544	9,630	-	10,174	-
Interest on delinquent taxes	(174,271)	-	-	(174,271)	-
NET CASH (USED) BY OPERATING ACTIVITIES	(137,257)	(813,677)	(791)	(951,725)	(45,134)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers out	(1,238,000)	-	-	(1,238,000)	-
State/Federal grants	-	702,550	-	702,550	-
Property taxes	-	279,856	-	279,856	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(1,238,000)	982,406	-0-	(255,594)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfers in	-	-	-	-	47,000
Capital assistance grants	-	27,165	-	27,165	-
Acquisition and construction of capital assets	-	(27,165)	-	(27,165)	(42,974)
Sale of capital assets	-	13,326	-	13,326	-
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-0-	13,326	-0-	13,326	4,026
CASH FLOWS FROM INVESTING ACTIVITIES					
Sale of investments	808,626	-	-	808,626	-
Purchase of investments	-	(210,741)	-	(210,741)	-
Interest revenue	82,959	31,649	-	114,608	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	891,585	(179,092)	-0-	712,493	-0-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(483,672)	2,963	(791)	(481,500)	(41,108)
Cash and cash equivalents, beginning of year	2,281,544	10,137	5,984	2,297,665	184,605
Cash and cash equivalents, end of year	$ 1,797,872	$ 13,100	$ 5,193	$1,816,165	$ 143,497
Reconciliation of operating income (loss) to net cash (used) by operating activities					
Operating income (loss)	$ 302,529	$(1,147,202)	$ 307	$ (844,366)	$ 160,821
Adjustments to reconcile operating income to net cash (used) by operating activities					
Depreciation	-	341,049	-	341,049	14,324
Other income	544	9,630	-	10,174	-
(Increase) decrease in receivables	(578,413)	652	50	(577,711)	-
(Increase) decrease in due from other governmental units	(150,171)	-	22	(150,149)	1,558
(Increase) decrease in prepaids	-	(16,341)	-	(16,341)	29,313
Increase (decrease) in accounts payable	-	10,879	(1,170)	9,709	-
Increase in due to other funds	288,254	-	-	288,254	-
(Decrease) in other accrued liabilities	-	(12,344)	-	(12,344)	-
(Decrease) in deferred revenue	-	-	-	-0-	(1,150)
(Decrease) in advance from other funds	-	-	-	-0-	(250,000)
NET CASH (USED) BY OPERATING ACTIVITIES	$ (137,257)	$ (813,677)	$ (791)	$ (951,725)	$ (45,134)

See accompanying notes to financial statements.

Clare County, Michigan

Fiduciary Funds

STATEMENT OF NET ASSETS

September 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 2,085,054
Investments	20,501
Due from others	815
TOTAL ASSETS	$ 2,106,370
LIABILITIES	
Due to other governmental units	
Federal/State	$ 1,621,097
Local	47,751
Due to individuals and agencies	437,522
TOTAL LIABILITIES	$ 2,106,370

See accompanying notes to financial statements.

Clare County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2006

	Road Commission	Drainage Districts	Board of Public Works
ASSETS			
Current assets			
Cash and cash equivalents	$ 443,268	$ 275,691	$ 440
Receivables	1,082,941	146,060	-
Inventories	268,789	-	-
Current portion of lease receivable	-	-	333,628
Total current assets	1,794,998	421,751	334,068
Noncurrent assets			
Lease receivable	-	-	1,390,000
Capital assets, not being depreciated	187,883	-	-
Capital assets, net of accumulated depreciation	27,222,145	794,395	-
Total noncurrent assets	27,410,028	794,395	1,390,000
TOTAL ASSETS	29,205,026	1,216,146	1,724,068
LIABILITIES			
Current liabilities			
Accounts payable	192,096	1,922	-
Accrued wages	22,473	-	-
Accrued interest payable	-	3,138	33,628
Deferred revenue	-	6,342	-
Current portion of compensated absences	-	-	-
Current portion of long-term debt	354,012	53,097	300,000
Total current liabilities	568,581	64,499	333,628
Noncurrent liabilities			
Advances from other governmental units	277,784	270,062	-
Noncurrent portion of compensated absences	201,977	-	-
Noncurrent portion of long-term debt	381,525	108,523	1,390,000
Total noncurrent liabilities	861,286	378,585	1,390,000
TOTAL LIABILITIES	1,429,867	443,084	1,723,628
NET ASSETS			
Invested in capital assets, net of related debt	26,674,491	632,775	-
Restricted for County roads	1,100,668	-	-
Unrestricted	-	140,287	440
TOTAL NET ASSETS	$ 27,775,159	$ 773,062	$ 440

See accompanying notes to financial statements.

Economic Development Corporation	Housing Commission	Enterprise Community	Total Component Units
$ 2,125	$ 435,374	$ 11,254	$ 1,168,152
-	1,318,685	-	2,547,686
-	-	-	268,789
-	-	-	333,628
2,125	1,754,059	11,254	4,318,255
-	-	-	1,390,000
-	-	-	187,883
-	-	-	28,016,540
-0-	-0-	-0-	29,594,423
2,125	1,754,059	11,254	33,912,678
-	4,745	-	198,763
-	1,780	-	24,253
-	-	-	36,766
-	-	11,254	17,596
-	3,444	-	3,444
-	-	-	707,109
-0-	9,969	11,254	987,931
-	-	-	547,846
-	957	-	202,934
-	-	-	1,880,048
-0-	957	-0-	2,630,828
-0-	10,926	11,254	3,618,759
-	-	-	27,307,266
-	-	-	1,100,668
2,125	1,743,133	-	1,885,985
$ 2,125	$ 1,743,133	$ -0-	$ 30,293,919

Clare County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenues and Changes in Net Assets
Governmental activities					
Road Commission	$ 5,654,200	$ 792,582	$ 3,783,608	$ 1,525,777	$ 447,767
Drainage Districts	129,918	-	-	19,464	(110,454)
Board of Public Works	90,048	-	-	90,048	-0-
Economic Development Corporation	-	-	-	-	-0-
Housing Commission	749,944	199,528	65,052	-	(485,364)
Enterprise Community	206,850	-	206,850	-	-0-
TOTALS	$ 6,830,960	$ 992,110	$ 4,055,510	$ 1,635,289	(148,051)
General revenues					
Investment earnings					68,960
Gain on disposal of capital assets					257,307
Other					387,503
Total general revenues					713,770
CHANGE IN NET ASSETS					565,719
Restated net assets, beginning of year					29,728,200
Net assets, end of year					$ 30,293,919

See accompanying notes to financial statements.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clare County was organized in 1840 and covers an area of 576 square miles divided into 16 townships, 1 village, and 2 cities. The County seat is located in the City of Harrison. The County operates under an elected county Board of Commissioners and provides services to its more than 31,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Clare County (primary government) and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Units

Building Authority

The Clare County Building Authority is governed by a five (5) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

Public Transit Corporation

The Clare County Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not legally separate, but is administered by a five (5) to twelve (12) member Board elected by a majority of the seated Board members present and voting. The Transit Corporation Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transit Corporation taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transit Corporation Fund. A copy of the Corporation's audited financial statements can be obtained at their administrative offices.

3. Discretely Presented Component Units

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

Clare County Economic Development Corporation

The Clare County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a nine (9) member Board of Directors appointed by the Clare County Board of Commissioners. The EDC may not issue debt without the County's approval. Financial statements for EDC are presented as part of Other Supplementary Information and are not audited separately.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Clare County Road Commission

The Clare County Road Commission, which is established pursuant to the County Road Law (Michigan Compiled Law Section 224.1), is governed by an elected three (3) member Board of County Road Commissioners. The Road Commission may not issue debt or levy a tax without the approval of the County Board of Commissioners. If approval is granted, the Road Commission's 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. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

Clare County Drainage Districts

All drainage districts established pursuant to the Michigan Drain Code of 1956 are separate legal entities with the power to contract, to sue and be sued, and to hold, manage, and dispose of real and personal property. The Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The Drain Commissioner may issue debt or levy a tax as authorized by the Drain Code without the approval of the County Board of Commissioners. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Clare County Department of Public Works

Pursuant to MCL 123.732, the County of Clare entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the County Board of Commissioners and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the County. The Board manages water supply and sanitary sewer system construction projects that are bonded by the County of Clare. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Clare County Board of Commissioners. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

Clare County Housing Commission

The Clare County Housing Commission was created on March 17, 1975, in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended. The Housing Commission is administered by a five (5) member Board appointed by the Clare County Board of Commissioners. Its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County of Clare. Clare County Board of Commissioners approves all grants received by the Housing Commission. The combining financial statements for the Housing Commission are presented as part of Other Supplementary Information and are not audited separately.

Enterprise Community

The Clare County Enterprise Community is governed by an eighteen (18) member Board. Its sole purpose is to improve the quality of life of its citizens and promote economic growth. The Enterprise Community is a legally separate entity with the power to contract, to sue and be sued, and to hold, manage, and dispose of real and personal property. The financial statements of the Enterprise Community are presented as part of Other Supplementary Information and are not audited separately.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Jointly Governed Organizations

Central Michigan District Health Department

Clare, Gladwin, Arenac, Isabella, Osceola and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County.

Central Michigan District Health Department - concluded

The funding formula approved by the member counties is based pro-rata on each unit's population and equalized valuation to the District total population and valuation. Member counties' percentages of the net operating budget for the year of 2006 were:

Clare	16.95%	Isabella	28.67%
Gladwin	14.46%	Osceola	12.45%
Arenac	10.01%	Roscommon	17.46%

Clare County's appropriation to the District Health Department for the year ended September 30, 2006 was $210,342, which included $13,790 cigarette tax. A copy of the Department's audited financial statements can be obtained at their administrative offices.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Service Board consists of the Counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each County to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual County programs. For the fiscal year ended September 30, 2006, the actual County contribution percentages were:

Clare	12.35%	Mecosta	14.83%
Gladwin	8.13%	Midland	36.13%
Isabella	19.22%	Osceola	9.34%

Clare County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2006 was $139,000. A copy of the Department's audited financial statements can be obtained at their administrative offices.

5. Related Organizations

Clare-Gladwin Services for the Aging (CGSA)

Pursuant to MCL 400.571, Clare County entered into an agreement with the Housing Commission of the City of Gladwin to provide services to persons age 60 and over. The Housing Commission is a component unit of the City of Gladwin. Services are provided through commission programs administered by the Clare-Gladwin Services for the Aging (CGSA). Clare County levies the millage and provides appropriations to the CGSA.

Budgets are approved by the County and the Clare-Gladwin Services for the Aging. The amount provided to CGSA by Clare County for the year ended September 30, 2006 was $454,692.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Related Organizations - concluded

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

Clare County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's Board is composed of one member appointed by the Board of Commissioners from each of the participating counties. The County's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the year ended September 30, 2006, the County passed through $63,424.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The major funds of the County are:

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

b. The Gypsy Moth Fund accounts for County millage revenue that is reserved for control of the insect population.

c. The Revenue Sharing Reserve Fund accounts for any shift of State Revenue Sharing dollars from State to local funding.

d. The Council on Aging Fund accounts for the money used for planning and coordinating services for senior citizens.

e. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay their delinquent real property taxes. Revenues are generated by the collection of the delinquent real property taxes, penalties, and interest.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Basis of Presentation - concluded

FUND FINANCIAL STATEMENTS - CONCLUDED

f. The Transit Corporation Fund accounts for resources used to provide transportation services for the people of Clare County, particularly the elderly and handicapped, coordinated through a central dispatch center using a combination of demand-response and reserve trips.

Additionally, the County reports internal service funds to account for the management of activity related to providing health insurance and technology to the County's various departments on a cost reimbursement basis.

The County also reports agency funds to account for assets held by the County as an agent for the other governments, private organizations, or individuals. Agency funds are, by nature, custodial, therefore, operational results are not measured. The County's agency funds are used for general trust and agency activity and library activity.

7. Measurement Focus

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

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

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

8. Basis of Accounting

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

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

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

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

8. Basis of Accounting - concluded

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results, which is a basis consistent with generally accepted accounting principles.

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget document presents information by fund, function, department and line items. The budget is adopted at the line item level for the General Fund and Special Revenue Funds and control is exercised at the line item level for all budgeted funds. The County Board of Commissioners monitors and amends the budgets as necessary. The County Administrator is authorized to transfer amounts between accounts.

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the Fund financial statements. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The County employs the following procedures in establishing budgets:

a. Prior to July 1, the County departments, in conjunction with the Administrator's office, prepare and submit their proposed operating budgets to the Budget and Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.

b. A Public Hearing is held to obtain taxpayers' comments.

c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.

d. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.

e. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

f. The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 621 of 1978, in the preparation and execution of its general appropriations act.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of certificates of deposit and mutual funds.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Investments

Investments consist of certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.*

12. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, accounts receivable related to charges for services, and notes and leases receivable made in connection with Housing Commission programs.

13. Inventories

Inventories consisting of equipment parts and supplies of $171,771 and road materials of $97,018 are stated at cost based on the first in - first out method. Inventory items are charged to equipment repairs and operations, and to road construction and maintenance as used.

14. Prepaids

Prepaids in the proprietary funds consist of insurance premiums which are paid in advance for the next fiscal year.

15. Compensated Absences

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

16. Deferred Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned.

17. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

18. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings, equipment, vehicles, and drain infrastructure and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of $5,000 or more and an estimated useful life of more than one year.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Capital Assets - continued

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONCLUDED

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

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

Land improvements	5 - 30 years
Buildings and improvements	12 - 40 years
Equipment	3 - 10 years
Vehicles	3 - 7 years
Drain infrastructure	50 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than $1,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

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

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements and are subsequently capitalized on the government-wide statements through an adjustment to the governmental activities column.

The Uniform Accounting Procedures prescribed for Michigan County Road Commissions provide for recording depreciation in the General Operating Fund as a charge to various expense accounts and a credit to the depreciation contra expense account. Accordingly, the annual depreciation expense does not affect the available operating fund balance of the General Operating Fund of the Road Commission.

GASB 34 requires major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized by the forth anniversary of the mandated date of adoption of the other provisions of GASB 34. The Clare County Road Commission has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the statement of net assets.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED

18. Capital Assets - concluded

ROAD COMMISSION - COMPONENT UNIT - CONCLUDED

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

19. Long-Term Obligations

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

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

20. Internal Service Funds

The County uses an internal service fund to account for revenues collected from user departments for the payment of costs incurred to administer a self-funded health insurance program including actual claims paid for active and eligible retired employees and their families.

A technology fund was established during the fiscal year 2005-2006. This fund is being used to keep the County's departmental technology such as the voice mail and email systems up to date.

21. Federal Programs

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

22. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

The County utilizes various pooled cash accounts and investments for approximately 35 funds. The County's pooled cash and investments consist of a common checking account, savings, certificates of deposit, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

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

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

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

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

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.

c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.

d. The United States government or federal agency obligations repurchase agreements.

e. Bankers acceptances of United States banks.

f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Deposits

Federal Deposit Insurance Corporation (FDIC), FSLIC, and NCUA regulations provide that deposits of governmental units are to be separately insured for the amount of $100,000 for deposits in an insured bank for savings deposits, and $100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of $100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of September 30, 2006, the carrying amounts and bank balance for each type of bank account are as follows:

ACCOUNT TYPE	Carrying Amount	Bank Balance
PRIMARY GOVERNMENT		
Checking	$ 4,100,738	$ 4,502,917
Savings	484,047	559,559
Certificates of deposit	1,557,901	1,566,739
Total primary government	6,142,686	6,629,215
FIDUCIARY FUNDS		
Checking	2,071,054	2,079,873
Savings	14,000	14,000
Certificates of deposit	20,501	20,501
Total fiduciary funds	2,105,555	2,114,374

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

Deposits - concluded

ACCOUNT TYPE	Carrying Amount	Bank Balance
COMPONENT UNITS		
Checking	$ 704,409	$ 381,409
Savings	377,582	343,000
Total component units	1,081,991	724,409
TOTAL REPORTING ENTITY	$ 9,330,232	$ 9,467,998

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2006, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for $883,767 and the amount of $8,584,231 was uninsured and uncollateralized.

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

Investments

As of September 30, 2006, the County had the following investments:

INVESTMENT TYPE	Carrying Amount	Market Value	Moody's Rating
PRIMARY GOVERNMENT			
Uncategorized pooled investments			
MBIA - Michigan Class	$ 45,146	$ 45,146	Not Rated
Federated U.S. Treas. Cash #632	211,734	212,567	Not Rated
Public Funds Investment Trust	1,184,890	1,234,890	Aaa
Government Op MM Fund	80,895	80,895	Aaa
Municipal Investment Fund	651,000	651,000	Not Rated
TOTAL PRIMARY GOVERNMENT	2,173,665	2,224,498	
COMPONENT UNITS			
Uncategorized pooled investments			
Municipal Investment Fund	85,436	85,436	Not Rated
TOTAL REPORTING ENTITY	$ 2,259,101	$ 2,309,934	

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2006, rating information on the County's investments is presented above.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designing its portfolio in a manner to attain a market rate of return throughout the budgetary and economic cycles while preserving and protecting capital.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio to prevent over concentration of assets in a specific maturity, individual financial institution, or specific class of securities.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the combined balance sheet and statement of net assets, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2006:

	Primary Government	Fiduciary Funds	Component Units	Reporting Entity
Cash and cash equivalents	$ 6,063,413	$ 2,085,054	$ 1,168,152	$ 9,316,619
Investments	2,259,163	20,501	-	2,279,664
	$ 8,322,576	$ 2,105,555	$ 1,168,152	$11,596,283

The cash and cash equivalents captions on the financial statements include $6,225 and $725 in imprest cash, for the primary government and component units, respectively.

NOTE C: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Gypsy Moth Fund	$ 7,000
Revenue Sharing Reserve Fund	580,000
Delinquent Tax Revolving Fund	641,000
	$ 1,228,000
Transfers to Revenue Sharing Reserve Fund from:	
General Fund	$ 1,132,437
Transfers to nonmajor governmental funds from:	
General Fund	$ 1,081,014
Delinquent Tax Revolving Fund	550,000
Nonmajor governmental funds	115,000
	$ 1,746,014
Transfers to internal service funds from:	
Delinquent Tax Revolving Fund	$ 47,000

NOTE D: INTERFUND RECEIVABLES AND PAYABLES

The following schedule details interfund receivables and payables at September 30, 2006:

Primary Government	
Due to General Fund from:	
Delinquent Tax Revolving	$ 746,613
Component Unit - Drainage Districts	
Due to component unit funds from:	
Other component unit funds	$ 58,318

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2006 was as follows:

Primary Government

	Restated Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 108,325	$ -	$ -	$ 108,325
Construction in progress	133,290	451,435	(584,725)	-0-
Subtotal	241,615	451,435	(584,725)	108,325
Capital assets, being depreciated:				
Buildings and improvements	5,646,893	624,455	-	6,271,348
Vehicles	1,097,174	75,981	(18,000)	1,155,155
Furniture and other assets	951,187	452,536	(54,150)	1,349,573
Total capital assets, being depreciated	7,695,254	1,152,972	(72,150)	8,776,076
Less accumulated depreciation for:				
Buildings and improvements	(2,680,553)	(144,944)	-	(2,825,497)
Vehicles	(897,024)	(96,901)	18,000	(975,925)
Furniture and other assets	(754,082)	(141,714)	54,150	(841,646)
Total accumulated depreciation	(4,331,659)	(383,559)	72,150	(4,643,068)
Total capital assets being depreciated, net	3,363,595	769,413	-0-	4,133,008
Governmental activities capital assets, net	$ 3,605,210	$ 1,220,848	$(584,725)	$ 4,241,333

NOTE E: CAPITAL ASSETS - CONTINUED

Primary Government - concluded

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	$ 115,687
Public safety	267,872
Total Governmental Activities	$ 383,559

Transit Corporation - Blended Component Unit

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Business-type activities				
Capital assets, being depreciated:				
Buildings and improvements	$ 735,019	$ 24,991	$ -	$ 760,010
Vehicles	2,410,200	21	(243,913)	2,166,308
Shop equipment	75,293	-	-	75,293
Office furniture and equipment	99,522	2,153	-	101,675
Subtotal	3,320,034	27,165	(243,913)	3,103,286
Less accumulated depreciation for:				
Buildings and improvements	(385,865)	(43,410)	-	(429,275)
Vehicles	(1,143,437)	(285,738)	230,079	(1,199,096)
Shop equipment	(49,870)	(6,562)	-	(56,432)
Office furniture and equipment	(78,440)	(5,339)	-	(83,779)
Subtotal	(1,657,612)	(341,049)	230,079	(1,768,582)
Total capital assets being depreciated, net	$ 1,662,422	$(313,884)	$(13,834)	$ 1,334,704

Discretely Presented Component Units

Component Unit - Drainage Districts				
Capital assets, being depreciated:				
Drains	$ 996,582	$ 2,258	$ -	$ 998,840
Lake levels	168,415	3,074	-	171,489
Subtotal	1,164,997	5,332	-0-	1,170,329
Less accumulated depreciation for:				
Drains	(309,278)	(16,610)	-	(325,888)
Lake levels	(46,627)	(3,419)	-	(50,046)
Subtotal	(355,905)	(20,029)	-0-	(375,934)
Total capital assets being depreciated, net	$ 809,092	$(14,697)	$ -0-	$ 794,395

NOTE E: CAPITAL ASSETS - CONCLUDED

Discretely Presented Component Units - concluded

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006
Component Unit - Road Commission				
Capital assets not being depreciated				
Land and improvements	$ 175,220	$ 12,663	$ -	$ 187,883
Capital assets being depreciated				
Buildings	991,262	99,697	-	1,090,959
Road Equipment	5,677,483	634,143	(655,022)	5,656,604
Shop Equipment	122,097	3,933	-	126,030
Office Equipment	97,796	1,698	-	99,494
Engineer's Equipment	34,850	4,327	-	39,177
Yard and Storage Equipment	102,663	-	-	102,663
Infrastructure - Bridges	5,729,084	-	-	5,729,084
Infrastructure - Roads	33,301,008	2,211,920	-	35,512,928
Total	46,056,243	2,955,718	(655,022)	48,356,939
Less accumulated depreciation				
Buildings	(654,062)	(37,459)	-	(691,521)
Road Equipment	(4,514,442)	(440,833)	597,759	(4,357,516)
Shop Equipment	(95,260)	(6,046)	-	(101,306)
Office Equipment	(69,597)	(8,689)	-	(78,286)
Engineer's Equipment	(22,887)	(2,049)	-	(24,936)
Yard and Storage Equipment	(55,681)	(5,959)	-	(61,640)
Infrastructure - Bridges	(1,620,749)	(137,108)	-	(1,757,857)
Infrastructure - Roads	(12,421,839)	(1,639,893)	-	(14,061,732)
Total	(19,454,517)	(2,278,036)	597,759	(21,134,794)
Net capital assets being depreciated	26,601,726	677,682	(57,263)	27,222,145
Total Net Capital Assets	$ 26,776,946	$ 690,345	$(57,263)	$ 27,410,028

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2005:

PRIMARY GOVERNMENT

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006	Amounts Due Within One Year
Primary Government					
Municipal Purchase Notes	$ 1,290,000	$ -	$(410,000)	$ 880,000	$ 430,000
Building Authority Refunding Bonds	1,105,000	-	(60,000)	1,045,000	55,000
GE Capital Lease	-	54,115	(2,706)	51,409	10,823
Accumulated compensated absences	248,239	28,770	-	277,009	16,621
TOTAL PRIMARY GOVERNMENT	$ 2,643,239	$ 82,885	$(472,706)	$ 2,253,418	$ 512,444

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNITS

	Balance Oct. 1, 2005	Additions	Deletions	Balance Sept. 30, 2006	Amounts Due Within One Year
Road Commission					
General Obligation Bonds	$ 1,040,000	$ -	$(390,000)	$ 650,000	$ 340,000
Installment purchase agreement	98,633	-	(13,096)	85,537	14,012
Accumulated sick and vacation	174,825	27,152	-	201,977	-
	1,313,458	27,152	(403,096)	937,514	354,012
Housing Commission					
Accumulated compensated absences	8,887	4,151	(8,637)	4,401	3,444
Board of Public Works					
Sewer system #4	465,000	-	(20,000)	445,000	20,000
Water supply system #1	425,000	-	(25,000)	400,000	25,000
Sewage disposal system #3 refunding	1,090,000	-	(245,000)	845,000	255,000
	1,980,000	-0-	(290,000)	1,690,000	300,000
Drainage Districts					
Promissory note	6,369	-	(6,369)	-0-	-
Note payable - Little Tobacco Drain	-	31,336	-	31,336	15,668
Note payable - Bertha Lake Drain	125,713	-	(31,429)	94,284	31,429
Note payable - Ross Drain	42,000	-	(6,000)	36,000	6,000
	174,082	31,336	(43,798)	161,620	53,097
TOTAL COMPONENT UNITS	3,476,427	62,639	(745,531)	2,793,535	710,553
TOTAL REPORTING ENTITY	$ 6,119,666	$ 145,524	$(1,218,237)	$ 5,046,953	$ 1,222,997

The County was unable to provide gross additions and deletions for accumulated compensated absences. The County will attempt to provide this information in the future.

PRIMARY GOVERNMENT

General Long-Term Debt Bonds (Payable from Debt Service Funds)

Bonds payable at September 30, 2006, is as follows:

$2,965,000 1997 Municipal Purchase Notes dated October 1, 1997, due in annual principal installments ranging from $430,000 to $450,000 through July 1, 2008, with interest at 5.10 percent, payable semi-annually.	$ 880,000
$1,250,000 1998 Building Authority Refunding Bonds dated April 1, 1998, due in annual principal installments ranging from $50,000 to $110,000 through February 1, 2019, with interest ranging from 4.70 to 6.10 percent, payable semi-annually.	1,045,000
	$ 1,925,000

NOTE F: LONG-TERM DEBT - CONTINUED

PRIMARY GOVERNMENT - CONCLUDED

Capital Lease

The County has entered into a lease purchase agreement which qualifies as a capital lease for accounting purposes (title transfers to County) and therefore has been recorded at the present value of future minimum lease payments as of the date of inception. The following are additional details regarding the lease.

$54,115 Clare County capital lease payable, dated June 29, 2006, due in monthly installments of $995 through June 29, 2011, with interest of 11 percent.	$ 51,409

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to $277,009 for vacation and sick at September 30, 2006. Of this amount, $16,621 has been recorded as a current liability and $260,388 has been recorded as a noncurrent liability. For governmental activities, compensated absences are generally liquidated by the General Fund.

The accrued liability for compensated absences of the County Transit Corporation employees is recorded in the financial statements of the Transit Fund.

COMPONENT UNIT - ROAD COMMISSION

General Obligation Bonds

The general obligation bonds payable is made up of bonds issued on July 24, 1996, June 1, 1998, September 16, 1999, October 4, 2000, and April 1, 2002 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of $5,000 with rates varying from 4.1 to 7.625 percent. The bonds mature in $50,000 increments annually over a 10 year period.

The installment notes payable was entered into on July 10, 2002, for the purchase of land. Principal payments of $20,000 a year are being made with an interest rate of 7 percent until it is paid off.

COMPONENT UNIT - HOUSING COMMISSION

Compensated Absences

In accordance with the Housing Commission personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the Housing Commission at September 30, 2006, amounts to $4,401. Of the total liability, $3,444 has been reported as a current liability and $957 has been reported as a noncurrent liability.

NOTE F: LONG-TERM DEBT - CONTINUED

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

$630,000 Sewage Disposal System #4 Bonds dated November 1, 1996, due in annual principal installments ranging from $20,000 to $35,000 through May 1, 2022, with interest ranging from 5.10 to 5.85 percent, payable semi-annually.	$ 445,000
$575,000 Water Supply System #1 Bonds dated November 1, 1996, due in annual principal installments ranging from $15,000 to $35,000 through May 1, 2022, with interest ranging from 5.10 to 5.85 percent, payable semi-annually.	400,000
$1,810,000 Sewage Disposal System #3 Refunding Bonds dated March 28, 2002, due in annual principal installments ranging from $255,000 to $320,000 through November 1, 2008, with interest ranging from 3.875 to 4.125 percent, payable semi-annually.	845,000
	$ 1,690,000

COMPONENT UNIT - DRAINAGE DISTRICTS

Long-Term Debt Note Payable Agreements

$31,336 Little Tobacco Intercounty Drain Note dated April 12, 2006, due in annual installments of $15,668 through May 1, 2008, with interest of 5.27 percent, payable annually.	$ 31,336
$220,000 Bertha Lake Drain Note dated November 9, 2001, due in annual installments of $31,429 through May 1, 2009, with interest of 4.95 percent, payable annually.	94,284
$60,000 Ross Drain Note dated September 18, 2002, due in annual installments of $6,000 through July 1, 2012, with interest of 5.10 percent, payable annually.	36,000
	$ 161,620

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

	Governmental Activities			
	Direct County Obligations		Capital Lease	
Year Ending September 30,	Principal	Interest	Principal	Interest
2007	$ 485,000	$ 103,350	$ 10,823	$ 1,120
2008	510,000	78,400	10,823	1,120
2009	65,000	52,115	10,823	1,120
2010	65,000	48,605	10,823	1,120
2011	70,000	44,918	8,117	840
2012-2016	420,000	157,955	-	-
2017-2019	310,000	29,280	-	-
	$ 1,925,000	$ 514,623	$ 51,409	$ 5,320

NOTE F: LONG-TERM DEBT - CONCLUDED

	Component Units					
	Road Commission Bonds Payable		Board of Public Works Water and Sewer Bonds		Drainage Districts Drain Notes	
Year Ending Sept. 30,	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 354,012	$ 36,428	$ 300,000	$ 74,388	$ 53,097	$ 8,265
2008	194,993	20,242	315,000	61,573	53,097	5,493
2009	106,043	10,492	365,000	47,195	37,426	2,780
2010	60,489	1,511	45,000	38,364	6,000	918
2011	20,000	4,955	50,000	35,858	6,000	612
2012-2016	-	-	255,000	138,711	6,000	307
2017-2021	-	-	295,000	62,804	-	-
2022	-	-	65,000	1,901	-	-
	$ 735,537	$ 73,628	$ 1,690,000	$ 460,794	$ 161,620	$ 18,375

Advance refunding - prior

On April 1, 1998, the County defeased a portion of the 1994 General Obligation Building Authority Bonds, which are due and payable February 1, 1999 through February 1, 2019. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued General Obligation Building Authority Refunding Bonds in the amount of $1,250,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2006, bonds due and payable February 1, 2007 through February 1, 2019 for the 1994 G.O. Building Authority Bonds in the amount of $705,000 are considered defeased.

On March 28, 2002, the County defeased a portion of the 1988 Sewage Disposal System No. 3 Bonds, which are due and payable November 1, 2002 through November 1, 2008. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government securities sufficient to meet the applicable principal and interest obligations. The County issued Sewage Disposal System No. 3 Refunding Bonds in the amount of $1,810,000 to provide resources to fund the escrow amounts and pay the costs of refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2006, bonds due and payable November 1, 2006 through November 1, 2008 for the 1988 Sewage Disposal System No. 3 Bonds in the amount of $905,000 are considered defeased.

NOTE G: EMPLOYEE RETIREMENT SYSTEM

PRIMARY GOVERNMENT

The County participates in the Michigan Municipal Employees Retirement System (MERS), an agent multiple employer public retirement system. MERS is authorized and operated under State law, Act 135 of the Public Acts of 1945, as amended. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917. All full-time County employees are covered by the retirement system with exception of the Road Commission employees. The Road Commission employees are covered under a separate retirement plan.

The benefits and conditions outlined below are for general information only. Public Act 427 of 1984, as amended, covers the benefits and conditions of the Municipal Retirement systems.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT - CONTINUED

Normal Retirement:

Age 50 with 25 or more years of credited service
Age 55 with 15 or more years of credited service
Age 60 with 10 or more years of credited service
Mandatory Retirement: None

Deferred Retirement:

The termination of membership before age 60, other than by retirement or death, after 10 years of credited service is considered a deferred retirement. Retirement allowance begins upon application and satisfaction of normal retirement requirements. The retirement allowance is computed in the same manner as a service retirement with the applicable benefit program being determined as of the date of termination of membership.

Rights to an allowance are forfeited if the member's accumulated contributions are withdrawn.

Benefit allowances are computed based on the applicable criteria as detailed within the plan. Death and disability benefits are also provided.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the County and by negotiation with the County's collective bargaining units. The plan requires contribution from the employees and the amount is determined by each of the County's collective bargaining units.

Annual Pension Cost

For the year ended September 30, 2006 the County's annual pension cost of $276,266 for the plan was equal to the County's required contribution. The annual required contribution was determined as part of an actuarial valuation of the plan as of December 31, 2004, using the entry actual age cost method. Significant actuarial assumptions include (1) a rate of return on the investment of present and future assets of 8.0%, (2) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (3) additional projected salary increases ranging from 0.0% to 8.4% per year, depending on age, attributable to seniority/merit. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over an open period of 30 years in the 2005 valuation. This period will be reduced by one (1) year in each of the next five (5) valuations. Beginning with the 2011 valuation the twenty-five (25) year period will be re-established with each annual valuation. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his or her projected benefit.

Three (3) year trend information

	Year Ended December 31,		
	2003	2004	2005
Actuarial value of assets	$ 9,918,912	$10,495,823	$10,995,295
Actuarial accrued liability (AAL) (entry age)	9,726,118	11,292,428	11,959,186
Unfunded (overfunded) AAL	(192,794)	796,605	1,003,891
Funded ratio	102%	93%	92%
Covered payroll	3,611,478	4,022,625	4,387,069
UAAL as a percentage of covered payroll	0%	20%	23%

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

PRIMARY GOVERNMENT - CONCLUDED

Three (3) year trend information - concluded

	Year Ended September 30,		
	2004	2005	2006
Annual pension cost	$ 116,456	$ 190,429	$ 276,266
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Blended Component Unit

The Transit Corporation provides the following pension plans for its employees:

Profit Sharing Plan and Trust 401(k)

The Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(k) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2006, there were six plan members. Employees may at their option, defer up to 10% of their gross income. The Transit Corporation will match the employee's contribution at the rate of ¼ of the employee's contribution, up to a maximum of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed $900 during the fiscal year and employees contributed $3,867. Plan provisions and contributions requirements are established and may be amended by the Clare County Transit Corporation Board. The Plan is administered by Plan Administrators, Inc. of DePere, Wisconsin.

SIMPLE Section 408(p)

The Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (the "SIMPLE"), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2006, there were five plan members. The Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to $2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed $3,961 during the current fiscal year and employees contributed $5,150. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board of Directors. The Plan has no administrator.

COMPONENT UNIT - ROAD COMMISSION

Plan Description

The Clare County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employees' Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System (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 nonprofit entity qualified under section 401(a) of the Internal Revenue Code, 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.

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONTINUED

COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Plan Description - concluded

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, which includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 49817.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25 percent of the member's five year final average compensation. The system also provides death and disability benefits which are established by State Statute.

Participating Road Commission employees are required to contribute 5.0 percent of their annual salary to the system. The Road Commission is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employee Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2005. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0 percent, (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0 percent to 4.2 percent per year, depending on age, attributable to seniority/merit and (d) the assumption that benefits will increase 2.5 percent annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB Statement No. 25 Information (as of 12/31/05)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	$ 5,209,000
Terminated employees not yet receiving benefits	165,326
Nonvested terminated employees	173
Current Employees:	
Accumulated employee contributions including allocated investment income	706,295
Employer financed	2,284,557
Total actuarial accrued liability	8,365,351
Net assets available for benefits, at actuarial value (Market value is $7,489,397)	7,692,090
Unfunded (overfunded) actuarial accrued liability	$ 673,261

NOTE G: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED

COMPONENT UNIT - ROAD COMMISSION - CONCLUDED

GASB Statement No. 27 Information (as of 12/31/05)

Fiscal Year Beginning January 1, 2007

Annual required contributions	$ 123,252
Amortization factor used - Underfunded liabilities (30 years)	0.053632
Amortization factor used - Overfunded liabilities (10 years)	0.119963

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 the fiscal year ended December 31, 2005 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.

Annual Pension Cost

Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	$ 52,644	100 %	$ -0-
2004	110,880	100	-0-
2005	123,252	100	-0-

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percent of Covered Payroll
12/31/03	$ 7,519,456	$ 7,536,470	$ 17,014	100 %	$ 1,234,382	1 %
12/31/04	7,650,590	8,159,102	508,512	94	1,279,896	40
12/31/05	7,692,090	8,365,351	673,261	92	1,307,116	52

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

NOTE H: POST-EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

The County provides certain post-employment health and dental care benefits per contractual agreement. The health care benefits may be continued after retirement or termination by the individual paying the majority of the premiums, in advance, to the County Clerk's office. The net cost for retirees incurred for the year ended September 30, 2006, was $238,029. During 2006, there were 24 individuals covered under this agreement.

Component Unit - Road Commission

In addition to the pension benefits described in Note G, the Road Commission provides post-employment health care benefits to all employees who retire from the Road Commission on or after attaining age 60 with ten (10) or more years of service; or, those who retire under a valid disability claim who have reached age 60. The health care benefits consist of the Road Commission paying the monthly health insurance until the recipient reaches the age of 65. The costs of retirees' health care benefits are recognized as expenditures as claims are paid. For the fiscal year ended September 30, 2006, those costs totaled $53,089.

Upcoming Reporting Change

The Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The pronouncement is effective for the year ending September 30, 2009.

NOTE I: RISK MANAGEMENT

Primary Government, except for Transit Corporation

The County is a voluntary member of the Michigan Municipal Risk Management Authority (the Authority), which is organized under Public Act 138 of 1982, as amended, as a governmental group self-insurance pool. Public Act 138 authorizes local units of government to exercise jointly any power, privilege, or authority which each might exercise separately.

The administration of the Authority is directed by a nine (9) member Board of Directors composed of municipal representatives from the membership elected by the membership. The Board establishes the general policy of the Authority, creates and publishes rules to be followed by the Manager and Board, and is empowered with the Authority to impose sanctions or terminate membership. The County, by resolution of the County Board of Commissioners, has designated a representative to the Authority to be responsible for the execution of all loss control measures, to ensure the payment of all annual and supplementary or other payment requirements, to ensure the filing of all required reports, and to act as a liaison between the County and the Authority.

The Authority provides risk management, underwriting, reinsurance, and claim services with member contributions allocated to meet these obligations. The Authority administers a risk management fund providing Clare County with loss protection for general and auto liability, motor vehicle physical damage, and property damage. Under most circumstances the County's maximum loss per occurrence is limited as follows:

NOTE I: RISK MANAGEMENT - CONTINUED

Primary Government, except for Transit Corporation - concluded

COVERAGE	SELF-INSURED RETENTION (SIR) (Excess of Deductibles)
Liability	$75,000
Vehicle physical damage $1,000 County deductible	$30,000 per occurrence
Property and crime Deductible per occurrence	10% of the remaining up to $100,000 of loss

The Authority has established a Retained Risk Program to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that losses are incurred in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess. The Authority may authorize dividends to individual members in the event that the members and individual fund balance is determined to be sufficient to do so.

Liability insurance claims are expensed as incurred. The liability is determined by the Michigan Municipal Risk Management Authority management based on an actuarial study performed using historical data and available insurance industry statistics. The liability includes a reserve for reported claims, and reported legal expenses as well as incurred but not reported claims.

The Authority has reserved fund balance to pay losses incurred by members that exceed individual retention levels and are not covered under existing reinsurance agreements. Losses incurred within the established limits are general obligations of the Authority. In the event that Clare County incurs a loss in excess of the resources available, the Authority as a whole (i.e., all constituent municipalities) is liable for the excess.

In addition, the Authority has accumulated resources to create and fund an internal Stop Loss Fund. The Stop Loss Fund was initiated to eliminate the need to purchase aggregate reinsurance for aggregate losses paid in excess of $161,000, net of reinsurance recoveries for any one member in any one year. Aggregate paid losses in excess of $161,000 net of reinsurance recoveries are paid entirely from the Internal Stop Loss Fund. If at any time the Stop Loss Fund is insufficient to fund Clare County's losses, the remaining liability shall become the responsibility of the Authority as a whole.

At September 30, 2006, the County had reserves for reported claims of $26,793 on deposit with the Authority.

The County also participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. The County has no liability for additional assessments based on the claims filed against the pool nor do they have any right to dividends.

Clare County is self insured for health insurance through Blue Cross/Blue Shield of Michigan (BCBSM). Under the terms of the agreement between the County and BCBSM, the County is responsible for the first $50,000 of health care costs of each employee contract. Claims in excess of $50,000 are covered by Stop Loss coverage purchased through BCBSM.

NOTE I: RISK MANAGEMENT - CONCLUDED

Transit Corporation

The Transit Corporation 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 Transit Corporation purchases commercial insurance for business auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers compensation and medical benefit claims. The Transit Corporation participates in the Michigan Transit Pool for claims relating to auto and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past four (4) fiscal years.

The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of MCL 124.1 et seq. and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101 et seq., as the Michigan Transit Pool, Inc. The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Pool is a separate legal and administrative entity. Settled claims for the Pool have not exceeded the amounts of insurance coverage in any of the past four (4) years.

Road Commission (Component Unit)

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

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

The Clare County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors and omissions liability and bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that it will be self sustaining through member premiums determined necessary by the Pool Board.

The Road Commission is also self-insured for workers compensation as a member of the County Road Association Self-Insurance Fund.

During the year ended September 30, 2006 and the previous two (2) years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

NOTE J: CONTINGENT LIABILITIES

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

NOTE K: PREPAID INSURANCE

Clare County Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to $25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of $125,069 with the pool, which is recorded as prepaid insurance as of September 30, 2006.

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

PRIMARY GOVERNMENT

In the budgetary comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the line item level for all budgeted funds.

During the year ended September 30, 2006, the County incurred expenditures in the General Fund and thirteen (13) Special Revenue Funds in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
General Fund			
Board of commissioners			
Salary	$ 50,999	$ 51,000	$ 1
Professional consultation	7,000	7,689	689
Circuit court			
Script reimbursement	-	135	135
Trial court attorneys	140,000	153,988	13,988
Jury fees	7,000	10,559	3,559
Witness fees	2,700	3,106	406
Telephone	1,900	2,367	467
Seminars and education	320	475	155
New law books	1,450	1,631	181
Circuit court reporter			
FICA expense	-	23	23
Medicare expense	-	5	5
District court			
Full time salaries	289,252	292,403	3,151
Medicare expense	4,589	4,936	347
Health insurance	91,298	95,775	4,477
Script reimbursement	-	105	105
Vacations	-	3,152	3,152
Court appointed attorneys	113,625	130,225	16,600
Witness fees	4,000	8,206	4,206
Volunteers insurance	1,738	1,815	77
Transcripts	6,000	7,036	1,036
Telephone	3,600	4,009	409
Public guardian			
Telephone	750	966	216
Probate court			
Contracted service	500	1,159	659
Court appointed attorneys	62,000	62,014	14
Telephone	4,800	5,196	396
Circuit court probation			
Office supplies	524	1,017	493

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	Amounts Appropriated	Amounts Expended	Variance
General Fund - continued			
Probate juvenile			
Juvenile probation officer	$ 76,170	$ 76,177	$ 7
FICA expense	7,775	7,932	157
Medicare expense	1,818	1,855	37
Travel and expense	650	1,523	873
County administrator			
Full time admin assist	25,686	26,690	1,004
Travel and expense	5,073	5,524	451
Election expense			
Full time salary	24,572	24,643	71
FICA expense	1,523	1,554	31
Medicare expense	356	363	7
County clerk			
Salary	17,352	17,355	3
Payroll bank charges	750	785	35
Prosecutor			
Overtime	664	1,061	397
Office supplies	3,076	4,431	1,355
Subpoena	500	4,640	4,140
Postage	4,000	4,725	725
Witness fees	1,687	4,485	2,798
Paternity blood tests	1,413	1,648	235
Equipment maintenance	2,000	3,352	1,352
Telephone	3,000	3,674	674
Travel and expense	3,750	3,777	27
New law books	6,500	7,984	1,484
Surveyor			
Part time	3,517	3,546	29
FICA expense	218	220	2
Remonumentation			
Professional consultation	60,881	60,883	2
Travel	30	38	8
County treasurer			
Full time salaries	74,047	74,476	429
Health insurance	25,293	28,008	2,715
Courthouse and grounds			
Part time salaries	1,399	1,473	74
Temp-part time	3,262	3,436	174
FICA expense	1,720	1,794	74
Medicare expense	402	419	17
Janitorial supplies	7,000	8,430	1,430
Janitorial service	39,667	40,000	333
Telephone/telephone maintenance	21,974	23,294	1,320
Travel	958	1,055	97
Lights-consumers	35,500	41,970	6,470
Sewer and water	5,900	6,583	683
Building repairs and maintenance	17,243	19,634	2,391
Ground care and maintenance	13,269	13,586	317
Drain commissioner			
Health insurance	21,043	21,883	840

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	Amounts Appropriated	Amounts Expended	Variance
General Fund - continued			
Duplicating department			
Supplies	$ 4,375	$ 6,222	$ 1,847
Copier lease	-	2,706	2,706
Copier lease interest	-	445	445
Mailing department			
Maintenance contracts	3,536	3,868	332
County audit			
Audit additional expense	3,510	3,555	45
Sheriff			
Full time salaries	540,029	553,927	13,898
Part time salaries	71,772	72,565	793
Part time - liq	22,062	22,413	351
FICA expense	52,781	54,195	1,414
Medicare expense	12,347	12,675	328
Gas, oil and grease	92,000	95,566	3,566
Laundry and dry cleaning	9,081	9,449	368
Telephone	21,048	24,875	3,827
Travel and expense	735	738	3
Extradition	8,093	8,195	102
Equipment repairs and maintenance	(1,500)	90	1,590
Schooling and training - state	6,515	6,562	47
Harrison city contract			
Salary	75,045	76,898	1,853
Part time	7,085	7,712	627
Health insurance	15,883	16,605	722
Holidays	4,120	4,183	63
Vehicle repairs	8,400	8,827	427
Lincoln Township contract			
Salary	65,861	70,226	4,365
Overtime	7,956	9,126	1,170
COBRA/HIPAA	30	31	1
Grant Township			
Part time salary	14,031	14,152	121
FICA expense	902	925	23
Medicare expense	211	216	5
MMCC security contract			
Part time salaries	24,558	24,571	13
Hayes Township law enforcement			
FICA - Hayes Township contract	1,744	1,802	58
Medicare - Hayes Township contract	408	421	13
Marine safety			
Salary - law enforcement	15,487	15,807	320
CCS&M	-	1,619	1,619
Secondary road patrol grant			
Salary	36,087	37,627	1,540
Holidays	2,602	2,641	39
Vehicle repairs and maintenance	1,084	1,292	208
New equipment	5,058	5,833	775
Jail and corrections			
Full time salaries	658,553	688,854	30,301
Full time bailiff	35,230	35,235	5

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	Amounts Appropriated	Amounts Expended	Variance
General Fund - continued			
Jail and corrections - concluded			
Part time salaries	$ 163,501	$ 167,198	$ 3,697
Part time bailiff	77,469	79,284	1,815
Overtime	43,323	44,715	1,392
Part time overtime	16,613	16,795	182
FICA expense	63,752	65,178	1,426
Medicare expense	14,910	15,243	333
Health insurance	201,162	204,236	3,074
COBRA/HIPAA	255	300	45
Dry cleaning	16,316	16,681	365
Janitorial supplies	29,150	29,932	782
Dishwashing supplies/chemicals	4,850	5,231	381
Medical supplies	10,000	10,372	372
Prisoners meals	250,356	267,461	17,105
Health services counties	88,500	92,452	3,952
Health services - renters	51,600	57,190	5,590
OUIL blood draws	2,400	2,507	107
Doctor / nurse - in county	15,000	15,817	817
Drug screening	2,950	3,259	309
Freight	625	703	78
Travel and expense	3,400	3,938	538
Supplies and parts	5,850	6,029	179
Utilities	167,275	174,381	7,106
Building repair and maintenance	17,907	18,901	994
Equipment	2,715	2,753	38
Planning commission			
Consultant fees	15,000	16,020	1,020
Local emergency planning commission			
Equipment	850	979	129
Emergency preparedness			
Salary	20,138	20,802	664
Office supplies	600	767	167
Gas, oil, and grease	1,500	3,797	2,297
Equipment maintenance	1,500	1,587	87
Animal control			
Salary	28,779	29,925	1,146
Department manager	35,321	37,037	1,716
Part time	41,132	45,721	4,589
FICA expense	6,590	6,856	266
Medicare expense	1,541	1,604	63
Section 125 plan	(75)	-	75
Animal food, etc.	5,545	5,648	103
Postage	200	205	5
Gas, oil, and grease	4,500	7,445	2,945
Animal control - dog census	100	197	97
Restricted spay/neuter	9,336	11,933	2,597
Restricted rab/vac. lic depo	675	1,100	425
Dues and subscriptions	510	660	150
Adoption fee refund	-	155	155
Telephone	2,340	2,731	391
Vehicle repairs and maintenance	3,595	4,898	1,303

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	Amounts Appropriated	Amounts Expended	Variance
General Fund - concluded			
Animal control - concluded			
Utilities	$ 19,800	$ 22,690	$ 2,890
Equipment repairs and maintenance	4,700	5,320	620
Shelter repair - maintenance	3,520	3,606	86
Solid waste			
Salary	13,882	14,670	788
Overtime	-	59	59
Supplies and postage	6,500	7,102	602
Electronics	865	900	35
Contagious diseases			
Health services	1,000	1,163	163
Medical examiner			
Service and investigations	13,000	14,445	1,445
Mileage/travel	5,200	5,214	14
Veterans' affairs			
Director salary	29,935	30,278	343
Assistant salary	25,322	25,621	299
FICA expense	3,426	3,434	8
Medicare expense	801	803	2
Insurance & bonds			
Life insurance	(29)	-	29
County outside counsel			
Attorney fees	20,000	24,480	4,480
New equipment - computers	2,500	59,715	57,215
Appropriations transfers out			
Jail building debt appropriation	475,790	476,090	300
Parks and Recreation Fund			
Office supplies	235	241	6
Postage	1,294	1,385	91
Gas, oil and grease	505	781	276
Friend of the Court Fund			
Salary	45,835	47,210	1,375
Secretary salary	151,320	152,254	934
COBRA/HIPAA	-	74	74
Section 125 plan	-	198	198
Vacations	-	1,167	1,167
Office supplies	3,000	3,047	47
Postage	3,500	4,106	606
Conventions and seminar expenses	600	662	62
Building Department Fund			
Building inspector			
Building inspector salary	31,362	31,732	370
Secretary salary	12,661	12,810	149
Script reimbursement	840	975	135
Electrical inspector			
Electrical inspector salary	31,362	31,732	370
Secretary salary	12,661	12,810	149
Overtime	1,500	1,924	424

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

	Amounts Appropriated	Amounts Expended	Variance
Register of Deeds Automation Fund			
Contractual services	$ 50,000	$ 52,000	$ 2,000
911 Service Fund			
Part time	103,851	104,348	497
Health insurance	45,659	47,869	2,210
Maintenance contracts - 911	11,029	11,160	131
Utilities	122	163	41
Office equip. maintenance - lien mach.	8,635	10,550	1,915
Schooling and training - count	3,618	3,727	109
Local Corrections Officer Training Fund			
Expenditure control	-	10	10
Drug Law Enforcement Fund			
New equipment	2,993	4,755	1,762
Law Library Fund			
Expenditure control	3,500	3,876	376
Clare County Council on Aging Fund			
Expenditure control	-	2,000	2,000
Contract services/senior	428,281	454,692	26,411
Child Care Probate Fund			
Probate			
CO juvenile detention	99,974	195,196	95,222
Other - private	20,444	45,737	25,293
Child Care DHS Fund			
Expenditure control	117,000	164,527	47,527
Soldier and Sailor Relief Fund			
Travel & expense	450	452	2
Airport Fund			
Natural gas and electricity	1,000	1,014	14

COMPONENT UNIT - ROAD COMMISSION

Public Act 621 of 1978, section 18 (l), as amended, provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the twelve months ended September 30, 2006 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts appropriated as follows:

	Amounts Appropriated	Amounts Expended	Variance
Local Road			
Heavy maintenance	$ 550,000	$ 1,347,552	$(797,552)
Maintenance	1,710,000	1,943,307	(233,307)
State Trunkline			
Nonmaintenance	-	46,336	(46,336)

NOTE L: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONCLUDED

COMPONENT UNIT - ROAD COMMISSION - CONCLUDED

	Amounts Appropriated	Amounts Expended	Variance
Equipment expense - net	$(50,000)	$ 125,861	$(175,861)
Long-Term Debt	400,000	403,096	(3,096)

The Road Commission does not use encumbrances for budgetary purposes. During the twelve months ended September 30, 2006, the Road Commissioners made one amendment to the General Operating Fund Budget.

NOTE M: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of September 30, 2006:

PRIMARY GOVERNMENT	
General Fund	
Reserved for family counseling	$ 31,587
Reserved for debt service	455,000
	$ 486,587
Nonmajor governmental funds	
Reserved for debt service	$ 763
Reserved for capital projects	530,635
	$ 531,398
COMPONENT UNITS	
Board of Public Works	
Reserved for debt service	$ 440
Drainage Districts	
Designated for capital projects	$ 30,416

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

Beginning with the 2004 tax levy, the state has mandated the creation of a Revenue Sharing Reserve Fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As a part of this process, the County's tax levy is shifting over the next three years from winter to summer.

NOTE N: PROPERTY TAXES AND TAXES RECEIVABLE - CONCLUDED

The County's Winter 2005 and Summer 2006 ad valorem taxes were levied and collectible on December 1, 2005 and July 1, 2006, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2005 and Summer 2006 tax levies have been recognized as revenue in the current fiscal year. The 2005 taxable value of Clare County amounted to $866,696,112 on which ad valorem taxes levied for County general operating purposes consisted of 3.1590 mills. For the year ended September 30, 2006, the County levied 0.4758 mills for the Council on Aging, 0.3469 mills for the Jail Building Debt. The Clare County Transit Corporation levied 0.2974 mills for transportation services.

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the real property taxes receivable returned delinquent on March 1, 2006. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

NOTE O: FEDERAL FINANCIAL ASSISTANCE

COMPONENT UNIT - ROAD COMMISSION

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. However, only the federal financial assistance applicable to negotiated account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation.

The federal aid secondary revenue of $32,770 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors paid for and administered by the Michigan Department of Transportation.

NOTE P: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2006:

PRIMARY GOVERNMENT	
Governmental Activities	
Restricted for	
Gypsy moth control	$ 1,179,903
Other purposes	
Drug law enforcement	9,541
Local corrections officers	12,589
Public building and improvements	58,684
911 service	46,486
Law library	1,133
Council on Aging	83,013
Animal shelter	355,522
	566,968
	$ 1,746,871

NOTE P: RESTRICTED NET ASSETS - CONCLUDED

COMPONENT UNITS	
Restricted for	
County roads	$ 1,100,668

NOTE Q: FUND BALANCE DEFICITS

The following funds had a fund balance deficit at September 30, 2006:

	Deficit
Component units	
Drainage Districts	
Lake level	$ 8,005
Lake improvement revolving	25,046

NOTE R: RESTATED NET ASSETS

Beginning net assets were restated to reclassify the Housing Commission as a discretely presented component unit and to correct overstated capital assets as of September 30, 2006 as follows:

Governmental Activities	
Net assets as of September 30, 2005	$ 7,723,965
Housing Commission	(1,806,892)
Capital assets	(16,882)
Restated net assets as of September 30, 2005	$ 5,900,191
Discretely Presented Component Units	
Net assets as of September 30, 2005	$27,921,308
Housing Commission	1,806,892
Restated net assets as of September 30, 2005	$29,728,200

REQUIRED SUPPLEMENTARY INFORMATION

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current and delinquent property taxes	$ 4,121,340	$ 5,264,277	$ 5,674,409	$ 410,132
Payments in lieu of taxes	5,200	5,200	13,989	8,789
Mobile home park taxes	1,200	1,200	2,488	1,288
Tax reverted lands	500	500	-	(500)
Other taxes	56,917	56,917	51,903	(5,014)
Administrative fees	115,000	115,000	122,301	7,301
Total taxes	4,300,157	5,443,094	5,865,090	421,996
Licenses and permits				
Dog licenses	75,000	75,000	67,818	(7,182)
Marriage license fees	4,000	4,000	4,280	280
Gun permits	7,835	7,835	4,897	(2,938)
Other permits	4,100	4,100	4,369	269
Total licenses and permits	90,935	90,935	81,364	(9,571)
Intergovernmental - Federal/State				
Soil erosion and sedimentation	25,000	25,000	18,350	(6,650)
Bullet proof vest	3,000	3,000	1,975	(1,025)
Homeland security	31,063	89,775	47,709	(42,066)
MMCC security	25,000	28,825	27,763	(1,062)
Single business tax	36,307	36,307	36,307	-0-
Michigan justice training	5,000	6,515	10,824	4,309
Remonumentation grant	33,693	24,654	24,384	(270)
Snowmobile grant	10,388	10,388	4,677	(5,711)
Byrne grant	28,000	16,250	12,795	(3,455)
Secondary road patrol	57,500	73,278	70,623	(2,655)
Food stamp fraud grant	-	-	2,363	2,363
Prosecutor - CRP	37,500	37,500	51,141	13,641
Caseflow assistance grant	6,000	6,000	8,259	2,259
Victims' Rights	7,000	49,287	49,287	-0-
Juvenile Incentive Block grant	53,991	53,991	11,540	(42,451)
Probate court judge salary	93,207	93,207	101,458	8,251
Judges salary standardization	75,444	75,444	75,445	1
Court equity	210,000	210,000	215,268	5,268
Liquor law enforcement	10,880	10,880	4,297	(6,583)
Michigan Works grant	61,155	-	-	-0-
Off-road vehicle	12,860	12,860	9,860	(3,000)
Convention facility tax	109,983	120,095	126,848	6,753
Juvenile officer grant	27,317	27,317	27,317	-0-
Solid waste management grant	64,000	64,000	51,086	(12,914)
Cigarette tax	20,000	20,000	18,457	(1,543)
Marine safety grant	10,932	10,932	19,881	8,949
Other	450	450	574	124
Total intergovernmental - Federal/State	1,055,670	1,105,955	1,028,488	(77,467)

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONTINUED				
Intergovernmental - local				
School safety	$ 78,316	$ 78,316	$ 72,290	$ (6,026)
Law enforcement	345,630	361,168	344,215	(16,953)
Enterprise Community	-	5,000	12,090	7,090
Total intergovernmental - local	423,946	444,484	428,595	(15,889)
Charges for services				
Circuit Court costs	47,050	47,050	51,562	4,512
District Court costs	326,600	355,600	413,621	58,021
Probate/family court	27,000	27,000	34,190	7,190
Care of prisoners	1,463,500	1,463,500	1,291,765	(171,735)
Treasurer	3,000	3,000	3,955	955
Real estate transfer tax	105,000	105,000	92,135	(12,865)
Clerk	48,000	48,000	46,542	(1,458)
Register of deeds	228,860	236,360	243,254	6,894
Court attorney fees	86,500	111,500	113,642	2,142
Sheriff department	32,500	32,500	38,474	5,974
Jail	11,100	11,100	21,825	10,725
Inmate work release	13,500	13,500	7,608	(5,892)
Preliminary breath test fees	15,000	15,000	16,700	1,700
Public guardian services	25,000	25,000	24,060	(940)
Telephone commissions	60,000	60,000	58,256	(1,744)
Drug screening and tether	8,500	8,500	9,100	600
Equalization	56,006	61,206	92,945	31,739
Central services	26,702	26,702	26,702	-0-
Animal control	16,110	16,110	15,486	(624)
Miscellaneous services	4,795	4,995	2,093	(2,902)
Total charges for services	2,604,723	2,671,623	2,603,915	(67,708)
Fines and forfeits				
District Court	10,000	10,000	7,590	(2,410)
Ordinance fines	10,000	17,000	18,522	1,522
Circuit Court	1,850	1,850	5,965	4,115
Total fines and forfeits	21,850	28,850	32,077	3,227
Interest and rents				
Investment earnings	20,000	65,000	138,020	73,020
Royalties	455,000	455,000	427,619	(27,381)
Rental fees	65,000	82,823	79,482	(3,341)
Total interest and rents	540,000	602,823	645,121	42,298

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES - CONCLUDED				
Other				
Reimbursements - workers' compensation	$ 10,000	$ 10,000	$ 10,922	$ 922
Reimbursements - inmate medical	41,300	69,800	60,060	(9,740)
Reimbursements - insurance	10,000	10,000	4,736	(5,264)
Reimbursements - elections	20,000	20,000	14,986	(5,014)
Reimbursements - jury fees	5,000	5,000	9,265	4,265
Reimbursements - courts	67,625	67,625	49,505	(18,120)
Reimbursements - Prosecutor	-	-	786	786
Reimbursements - Treasurer	1,500	1,500	106	(1,394)
Reimbursements - Sheriff	6,000	6,000	1,850	(4,150)
Reimbursements - restitution	100	100	856	756
Reimbursements - jail	3,000	3,000	494	(2,506)
Reimbursements - tax collect bond	2,100	2,100	3,130	1,030
Reimbursements - postage	11,600	11,600	19,710	8,110
Reimbursements - Register of Deeds	-	-	322	322
Reimbursements - other	400	1,075	12,977	11,902
Landfill amendment fee	-	150,000	150,000	-0-
Sale of capital assets	-	-	344	344
Donations - general	6,975	23,782	20,283	(3,499)
Miscellaneous revenue	50	50	1,705	1,655
Total other	185,650	381,632	362,037	(19,595)
TOTAL REVENUES	9,222,931	10,769,396	11,046,687	277,291
OTHER FINANCING SOURCES				
Capital lease	-	-	54,115	54,115
Transfers in				
Delinquent tax revolving	641,000	641,000	641,000	-0-
Revenue sharing reserve	612,000	612,000	580,000	(32,000)
Gypsy moth	7,000	7,000	7,000	-0-
TOTAL OTHER FINANCING SOURCES	1,260,000	1,260,000	1,282,115	22,115
TOTAL REVENUES AND OTHER FINANCING SOURCES	$ 10,482,931	$ 12,029,396	$ 12,328,802	$ 299,406

Clare County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General government				
Board of Commissioners	$ 127,918	$ 135,418	$ 116,318	$ 19,100
County administrator	144,034	143,667	136,613	7,054
Elections	101,007	101,007	55,502	45,505
Clerk	281,149	287,895	276,496	11,399
Equalization	207,736	207,736	180,474	27,262
Prosecutor	337,931	345,330	327,147	18,183
Register of Deeds	269,529	271,100	230,520	40,580
Abstract department	40,247	40,247	38,083	2,164
Record copying and mailing	76,856	81,170	83,921	(2,751)
Professional services	60,115	66,365	66,135	230
Survey and remonumentation	73,936	65,163	65,090	73
Treasurer	178,427	179,643	176,483	3,160
Cooperative extension service	94,965	106,874	74,087	32,787
Data processing	54,860	54,860	45,808	9,052
Building authority	354	354	-	354
Courthouse and grounds	244,617	230,249	228,648	1,601
Drain commissioner	93,025	93,025	85,205	7,820
Soil conservation	27,800	27,800	24,885	2,915
Circuit Court	260,293	267,837	266,696	1,141
Circuit Court probation	4,250	3,774	3,915	(141)
Public guardian	31,944	31,944	31,653	291
District Court	588,214	626,339	650,910	(24,571)
Michigan Works employment grant	61,155	-	-	-0-
Probate Court	358,979	358,979	349,860	9,119
Probate Court juvenile	165,481	166,787	161,655	5,132
Family counseling	1,500	1,500	-	1,500
Jury board	725	725	470	255
Total general government	3,887,047	3,895,788	3,676,574	219,214
Public safety				
Sheriff	1,338,684	1,395,190	1,405,343	(10,153)
School safety	79,862	79,862	71,913	7,949
Marine safety	20,495	20,495	18,635	1,860
Jail	2,009,537	2,057,765	2,125,089	(67,324)
City and township contracts	357,218	372,781	337,406	35,375
Emergency preparedness	55,856	117,918	91,140	26,778
Bayanet grant	61,952	61,952	48,301	13,651
Off road grant	13,242	13,242	9,860	3,382
MMCC Security	25,000	28,825	27,668	1,157
Snowmobile grant	11,222	11,222	7,476	3,746
Secondary road patrol	67,781	85,929	70,007	15,922
Animal control	192,617	214,395	227,735	(13,340)
Total public safety	4,233,466	4,459,576	4,440,573	19,003
Public works				
Board of public works	408	408	140	268
Solid waste	138,965	111,155	80,630	30,525
Drain at large	4,703	4,703	4,503	200
Total public works	144,076	116,266	85,273	30,993

Clare County, Michigan

General Fund

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

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES - CONCLUDED				
Health and welfare				
Central Michigan District Health Department	$ 207,194	$ 210,342	$ 210,342	$ -0-
Contagious disease	1,165	1,165	1,163	2
Community Mental Health	139,000	139,000	139,000	-0-
Medical examiner	52,325	64,325	64,770	(445)
Veteran's affairs	91,635	96,752	89,885	6,867
Juvenile incentive	16,491	16,491	11,536	4,955
Substance Abuse Council	57,749	60,048	60,048	-0-
Total health and welfare	565,559	588,123	576,744	11,379
Community economic and development				
Middle Michigan Development	20,000	22,500	22,500	-0-
Convention and visitors bureau	5,000	5,000	5,000	-0-
Planning commission	20,800	26,000	25,090	910
Total community economic and development	45,800	53,500	52,590	910
Other				
Contingency	224,369	12,764	-	12,764
Insurance and bonds	609,325	637,916	597,410	40,506
Total other	833,694	650,680	597,410	53,270
Capital outlay	151,000	168,234	179,833	(11,599)
TOTAL EXPENDITURES	9,860,642	9,932,167	9,608,997	323,170
OTHER FINANCING USES				
Transfers out				
Parks and recreation	7,060	7,060	7,060	-0-
Revenue sharing reserve	-	1,132,437	1,132,437	-0-
Social welfare	10,000	10,000	10,000	-0-
Soldiers and sailors relief	18,150	12,352	-	12,352
Friend of the court	12,166	12,166	12,166	-0-
Child care probate	375,000	375,000	375,000	-0-
Jail building debt	475,790	475,790	476,090	(300)
Building authority refunding bond	112,220	112,220	112,220	-0-
Child care DHS	75,000	75,000	75,000	-0-
911 service	-	13,478	13,478	-0-
TOTAL OTHER FINANCING USES	1,085,386	2,225,503	2,213,451	12,052
TOTAL EXPENDITURES AND OTHER FINANCING USES	$ 10,946,028	$ 12,157,670	$ 11,822,448	$ 335,222

Clare County, Michigan

Gypsy Moth Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ -	$ -	$ 294	$ 294
Interest	15,000	15,000	48,890	33,890
TOTAL REVENUES	15,000	15,000	49,184	34,184
EXPENDITURES				
Current				
General government	110,660	110,660	13,005	97,655
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,660)	(95,660)	36,179	131,839
OTHER FINANCING USES				
Transfers out	(7,000)	(7,000)	(7,000)	-0-
NET CHANGE IN FUND BALANCE	(102,660)	(102,660)	29,179	131,839
Fund balance, beginning of year	1,150,724	1,150,724	1,150,724	-0-
Fund balance, end of year	$ 1,048,064	$ 1,048,064	$ 1,179,903	$ 131,839

Clare County, Michigan

Revenue Sharing Reserve Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Interest	$ -	$ 20,000	$ 18,579	$ (1,421)
OTHER FINANCING SOURCES (USES)				
Transfers in	612,000	1,132,437	1,132,437	-0-
Transfers out	(612,000)	(612,000)	(580,000)	32,000
TOTAL OTHER FINANCING SOURCES (USES)	-0-	520,437	552,437	32,000
NET CHANGE IN FUND BALANCE	-0-	540,437	571,016	30,579
Fund balance, beginning of year	493,955	493,955	493,955	-0-
Fund balance, end of year	$ 493,955	$ 1,034,392	$ 1,064,971	$ 30,579

Clare County, Michigan

Council on Aging Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$ 361,091	$ 414,447	$ 408,922	$ (5,525)
Interest	2,449	3,085	5,026	1,941
Other	-	-	2,000	2,000
TOTAL REVENUES	363,540	417,532	415,948	(1,584)
EXPENDITURES				
Current				
Health and welfare	429,031	429,031	456,985	(27,954)
NET CHANGE IN FUND BALANCE	(65,491)	(11,499)	(41,037)	(29,538)
Fund balance, beginning of year	124,050	124,050	124,050	-0-
Fund balance, end of year	$ 58,559	$ 112,551	$ 83,013	$ (29,538)

OTHER SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue from specific revenue sources (other than major capital projects) and related expenditures, which are restricted for specific purposes by administrative action or law.

Parks and Recreation (208) - This Fund was established for the development, maintenance and operation of the Clare County parks and recreation activities. Funding is provided from the General Fund appropriations, State grants, and user charges.

Friend of the Court Medical Grant (214) - This Fund accounts for the operations of the Friend of the Court Medical Support Enforcement Grant.

Friend of the Court (215) - This Fund accounts for the operations of the Friend of the Court activities the Co-operative Reimbursement Grant.

Public Building and Improvement (245) - This Fund is used to account for earmarked revenues set aside for public improvements. Funding is provided from General Fund appropriations.

Building Department (249) - This Fund is used to account for building and electrical inspections activities. Funding is generated from inspection fees.

Register of Deed Automation (256) - This Fund is utilized to account for resources received which are utilized to add technology and automation to the Register of Deeds Office.

911 Service (261) - This Fund is used to account for emergency dispatch operations. Funding is generated from landline and cell phone fees and the balance from a special millage.

Local Corrections Officers Training (264) - This Fund is used to account for corrections training funds received through Public Act 302.

Drug Law Enforcement (265) - This Fund is used to account for earmarked revenue set aside for drug law enforcement under the provisions of Public Act 135 of 1985.

Law Library (269) - This Fund is used to account for amounts available for the County's law library.

Social Welfare (290) - This Fund is used to account for monies from State and local funding sources and to assist with the welfare program, which offers aid to disadvantaged individuals of Clare County.

Child Care-Probate (291) - This Fund is used to account for care of delinquent youth under the control of the Probate Court. Primary funding comes from State and County appropriations, and is used to aid delinquent children who require placement outside of their home.

Child Care DHS (292) - This Fund is used to account for revenues and expenditures generated through providing childcare neglect welfare services by the Family Independence Agency (recently renamed the Department of Human Services).

Soldiers and Sailors Relief (293) - This Fund is used to account for emergency relief provided to eligible veterans. Funding comes from a General Fund appropriation.

Veterans Trust (294) - This Fund is used to account for monies received from the State and distributed to needy veterans. This Fund was established under Section 35.607 of the 1970 Michigan Compiled Laws.

Airport (295) - This Fund is used to account for revenues and expenditures for maintenance, operation and construction of the County's airport operations. Rental income is the primary revenue source.

DEBT SERVICE FUNDS

Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

Jail Building (366) - This Fund accounts for the accumulation of resources for payment of principal and interest on bonds issued to finance most recent jail building projects for the County of Clare. The source of funds is an appropriation from the General Fund, which receives out-county bed rental revenue.

Building Authority Refunding Debt (370) - This Fund was established to account for the accumulation of resources for payment of principal and interest on bonds issued to finance the building projects for the County of Clare. Funds come from a General Fund appropriation.

CAPITAL PROJECT FUNDS

Capital Projects Funds account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds. Capital projects are funded primarily by general obligation bonds.

Animal Shelter Improvement (413) - This Fund is used to account for revenues generated from a millage to construct and equip the County's animal control facility.

Jail Construction (466) - This Fund is used to account for financial resources to be used for the acquisition, construction, and maintenance of the current jail facilities and new Central Dispatch addition.

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2006

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
ASSETS			
Cash and cash equivalents	$ 54,852	$ 15,688	$ 47,897
Investments	-	-	-
Due from other governmental units			
Federal/State	-	-	33,310
Local	-	-	-
TOTAL ASSETS	$ 54,852	$ 15,688	$ 81,207
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 120	$ -	$ 927
Accrued wages	-	-	8,347
Deferred revenue	37,030	-	-
Advance from State	-	683	-
TOTAL LIABILITIES	37,150	683	9,274
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in Special revenue funds	17,702	15,005	71,933
TOTAL FUND BALANCES	17,702	15,005	71,933
TOTAL LIABILITIES AND FUND BALANCES	$ 54,852	$ 15,688	$ 81,207

Revenue				
Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
$ 58,684	$ 35,224	$ 129,452	$ 19,547	$ 12,589
-	-	-	-	-
-	-	-	29,349	-
-	-	-	12,245	-
$ 58,684	$ 35,224	$ 129,452	$ 61,141	$ 12,589
$ -	$ 340	$ 138	$ 3,727	$ -
-	4,673	-	10,928	-
-	-	-	-	-
-	-	-	-	-
-0-	5,013	138	14,655	-0-
-	-	-	-	-
58,684	-	-	-	-
-	30,211	129,314	46,486	12,589
58,684	30,211	129,314	46,486	12,589
$ 58,684	$ 35,224	$ 129,452	$ 61,141	$ 12,589

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2006

	Special		
	Drug Law Enforcement	Law Library	Social Welfare
ASSETS			
Cash and cash equivalents	$ 9,541	$ 1,133	$ 58,273
Investments	-	-	-
Due from other governmental units			
Federal/State	-	-	40,757
Local	-	-	-
TOTAL ASSETS	$ 9,541	$ 1,133	$ 99,030
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ 15,817
Accrued wages	-	-	-
Deferred revenue	-	-	1,918
Advance from State	-	-	-
TOTAL LIABILITIES	-0-	-0-	17,735
FUND BALANCES			
Reserved for			
Debt service	-	-	-
Capital projects	-	-	-
Undesignated, reported in Special revenue funds	9,541	1,133	81,295
TOTAL FUND BALANCES	9,541	1,133	81,295
TOTAL LIABILITIES AND FUND BALANCES	$ 9,541	$ 1,133	$ 99,030

Revenue				
Child Care Probate	Child Care DHS	Soldiers & Sailors Relief	Veterans Trust	Airport
$ 191,059	$ 41,005	$ 11,934	$ 123	$ 26,271
-	-	-	-	-
20,722	-	-	-	-
-	-	-	-	-
$ 211,781	$ 41,005	$ 11,934	$ 123	$ 26,271
$ 26,889	$ 12,844	$ 78	$ 84	$ 5,206
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
26,889	12,844	78	84	5,206
-	-	-	-	-
-	-	-	-	-
184,892	28,161	11,856	39	21,065
184,892	28,161	11,856	39	21,065
$ 211,781	$ 41,005	$ 11,934	$ 123	$ 26,271

Clare County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2006

	Debt Service		Capital
	Jail Building	Building Authority Refunding Debt	Animal Shelter Improvement
ASSETS			
Cash and cash equivalents	$ 15	$ 748	$ 43,886
Investments	-	-	311,636
Due from other governmental units			
Federal/State	-	-	-
Local	-	-	-
TOTAL ASSETS	$ 15	$ 748	$ 355,522
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ -	$ -	$ -
Accrued wages	-	-	-
Deferred revenue	-	-	-
Advance from State	-	-	-
TOTAL LIABILITIES	-0-	-0-	-0-
FUND BALANCES			
Reserved for			
Debt service	15	748	-
Capital projects	-	-	355,522
Undesignated, reported in			
Special revenue funds	-	-	-
TOTAL FUND BALANCES	15	748	355,522
TOTAL LIABILITIES AND FUND BALANCES	$ 15	$ 748	$ 355,522

Projects	
Jail Construction	Total Nonmajor Governmental Funds
$ 118,429	$ 876,350
-	311,636
-	124,138
-	12,245
$ 118,429	$ 1,324,369
$ 2,000	$ 68,170
-	23,948
-	38,948
-	683
2,000	131,749
-	763
116,429	530,635
-	661,222
116,429	1,192,620
$ 118,429	$ 1,324,369

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2006

	Special		
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court
REVENUES			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	2,500	-	238,184
Charges for services	1,500	-	43,097
Fines and forfeits	-	-	-
Interest and rents	-	-	-
Other	-	-	-
TOTAL REVENUES	4,000	-0-	281,281
EXPENDITURES			
Current			
General government	-	-	276,965
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	25,208	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	25,208	-0-	276,965
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(21,208)	-0-	4,316
OTHER FINANCING SOURCES (USES)			
Transfers in	7,060	-	12,166
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	7,060	-0-	12,166
NET CHANGE IN FUND BALANCES	(14,148)	-0-	16,482
Fund balances, beginning of year	31,850	15,005	55,451
Fund balances, end of year	$ 17,702	$ 15,005	$ 71,933

Revenue				
Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers Training
$ -	$ -	$ -	$ -	$ -
-	152,753	-	-	-
-	-	-	-	-
-	-	56,315	282,293	5,940
-	-	-	-	-
4,050	-	3,949	-	-
-	-	-	-	-
4,050	152,753	60,264	282,293	5,940
-	-	52,936	-	-
-	193,398	-	452,016	2,504
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
37,790	-	-	-	-
37,790	193,398	52,936	452,016	2,504
(33,740)	(40,645)	7,328	(169,723)	3,436
-	-	-	128,478	-
-	-	-	-	-
-0-	-0-	-0-	128,478	-0-
(33,740)	(40,645)	7,328	(41,245)	3,436
92,424	70,856	121,986	87,731	9,153
$ 58,684	$ 30,211	$ 129,314	$ 46,486	$ 12,589

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2006

	Special		
	Drug Law Enforcement	Law Library	Social Welfare
REVENUES			
Taxes	$ -	$ -	$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Charges for services	-	-	-
Fines and forfeits	2,305	3,500	-
Interest and rents	-	-	-
Other	220	-	253,532
TOTAL REVENUES	2,525	3,500	253,532
EXPENDITURES			
Current			
General government	-	3,875	-
Public safety	4,754	-	-
Public works	-	-	-
Health and welfare	-	-	218,485
Recreation and cultural	-	-	-
Debt service	-	-	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	4,754	3,875	218,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,229)	(375)	35,047
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	10,000
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	-0-	10,000
NET CHANGE IN FUND BALANCES	(2,229)	(375)	45,047
Fund balances, beginning of year	11,770	1,508	36,248
Fund balances, end of year	$ 9,541	$ 1,133	$ 81,295

Revenue				
Child Care Probate	Child Care DHS	Soldiers & Sailors Relief	Veterans Trust	Airport
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
109,918	80,503	-	2,064	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	8,430
83	-	-	-	-
110,001	80,503	-0-	2,064	8,430
-	-	-	-	-
-	-	-	-	-
-	-	-	-	18,071
433,264	164,527	10,980	3,138	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
433,264	164,527	10,980	3,138	18,071
(323,263)	(84,024)	(10,980)	(1,074)	(9,641)
375,000	75,000	-	-	-
-	-	-	-	-
375,000	75,000	-0-	-0-	-0-
51,737	(9,024)	(10,980)	(1,074)	(9,641)
133,155	37,185	22,836	1,113	30,706
$ 184,892	$ 28,161	$ 11,856	$ 39	$ 21,065

Clare County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2006

	Debt Service		Capital
	Jail Building	Building Authority Refunding Debt	Animal Shelter Improvement
REVENUES			
Taxes	$ -	$ -	$ 247
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rents	-	-	11,636
Other	-	-	-
TOTAL REVENUES	-0-	-0-	11,883
EXPENDITURES			
Current			
General government	-	-	25
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Recreation and cultural	-	-	-
Debt service	476,090	112,520	-
Capital outlay	-	-	24,551
TOTAL EXPENDITURES	476,090	112,520	24,576
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(476,090)	(112,520)	(12,693)
OTHER FINANCING SOURCES (USES)			
Transfers in	476,090	112,220	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	476,090	112,220	-0-
NET CHANGE IN FUND BALANCES	-0-	(300)	(12,693)
Fund balances, beginning of year	15	1,048	368,215
Fund balances, end of year	$ 15	$ 748	$ 355,522

Projects	
Jail Construction	Total Nonmajor Governmental Funds
$ 302,010	$ 302,257
-	152,753
-	433,169
-	389,145
-	5,805
3,514	31,579
-	253,835
305,524	1,568,543
-	333,801
-	652,672
-	18,071
-	830,394
-	25,208
-	588,610
750,530	812,871
750,530	3,261,627
(445,006)	(1,693,084)
550,000	1,746,014
(115,000)	(115,000)
435,000	1,631,014
(10,006)	(62,070)
126,435	1,254,690
$ 116,429	$ 1,192,620

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Parks and Recreation				
REVENUES				
Intergovernmental				
Local	$ 2,250	$ 10,816	$ 2,500	$ (8,316)
Charges for services	-	1,500	1,500	-0-
TOTAL REVENUES	2,250	12,316	4,000	(8,316)
EXPENDITURES				
Current				
Recreation and cultural	94,452	104,518	25,208	79,310
EXCESS OF REVENUES (UNDER) EXPENDITURES	(92,202)	(92,202)	(21,208)	70,994
OTHER FINANCING SOURCES				
Transfers in	7,060	7,060	7,060	-0-
NET CHANGE IN FUND BALANCE	(85,142)	(85,142)	(14,148)	70,994
Fund balance, beginning of year	31,850	31,850	31,850	-0-
Fund balance, end of year	$ (53,292)	$ (53,292)	$ 17,702	$ 70,994
Friend of the Court Medical Grant				
REVENUES				
Intergovernmental - Federal/State	$ -	$ -	$ -	$ -0-
EXPENDITURES				
Current				
General government	-	-	-	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	15,005	15,005	15,005	-0-
Fund balance, end of year	$ 15,005	$ 15,005	$ 15,005	$ -0-

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Friend of the Court				
REVENUES				
Intergovernmental - Federal/State	$ 249,286	$ 249,286	$ 238,184	$ (11,102)
Charges for services	26,300	26,300	43,097	16,797
TOTAL REVENUES	275,586	275,586	281,281	5,695
EXPENDITURES				
Current				
General government	283,026	283,901	276,965	6,936
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(7,440)	(8,315)	4,316	12,631
OTHER FINANCING SOURCES				
Transfers in	12,166	12,166	12,166	-0-
NET CHANGE IN FUND BALANCE	4,726	3,851	16,482	12,631
Fund balance, beginning of year	55,451	55,451	55,451	-0-
Fund balance, end of year	$ 60,177	$ 59,302	$ 71,933	$ 12,631
Public Building and Improvement				
REVENUES				
Interest	$ 3,000	$ 3,000	$ 4,050	$ 1,050
EXPENDITURES				
Capital outlay	3,000	40,790	37,790	3,000
NET CHANGE IN FUND BALANCE	-0-	(37,790)	(33,740)	4,050
Fund balance, beginning of year	92,424	92,424	92,424	-0-
Fund balance, end of year	$ 92,424	$ 54,634	$ 58,684	$ 4,050

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Building Department				
REVENUES				
Licenses and permits	$ 198,457	$ 166,650	$ 152,753	$ (13,897)
EXPENDITURES				
Current				
Public safety	213,526	219,356	193,398	25,958
NET CHANGE IN FUND BALANCE	(15,069)	(52,706)	(40,645)	12,061
Fund balance, beginning of year	70,856	70,856	70,856	-0-
Fund balance, end of year	$ 55,787	$ 18,150	$ 30,211	$ 12,061
Register of Deeds Automation				
REVENUES				
Charges for services	$ 55,000	$ 55,000	$ 56,315	$ 1,315
Interest	1,700	1,700	3,949	2,249
TOTAL REVENUES	56,700	56,700	60,264	3,564
EXPENDITURES				
Current				
General government	54,500	54,500	52,936	1,564
NET CHANGE IN FUND BALANCE	2,200	2,200	7,328	5,128
Fund balance, beginning of year	121,986	121,986	121,986	-0-
Fund balance, end of year	$ 124,186	$ 124,186	$ 129,314	$ 5,128

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
911 Service				
REVENUES				
Charges for services	$ 283,000	$ 349,757	$ 282,293	$ (67,464)
Taxes	133,695	133,695	-	(133,695)
TOTAL REVENUES	416,695	483,452	282,293	(201,159)
EXPENDITURES				
Current				
Public safety	431,587	466,464	452,016	14,448
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,892)	16,988	(169,723)	(186,711)
OTHER FINANCING SOURCES				
Transfers	-	(36,917)	128,478	165,395
NET CHANGE IN FUND BALANCE	(14,892)	(19,929)	(41,245)	(21,316)
Fund balance, beginning of year	87,731	87,731	87,731	-0-
Fund balance, end of year	$ 72,839	$ 67,802	$ 46,486	$ (21,316)
Local Corrections Officers Training				
REVENUES				
Charges for services	$ 5,000	$ 5,000	$ 5,940	$ 940
EXPENDITURES				
Current				
Public safety	5,000	5,000	2,504	2,496
NET CHANGE IN FUND BALANCE	-0-	-0-	3,436	3,436
Fund balance, beginning of year	9,153	9,153	9,153	-0-
Fund balance, end of year	$ 9,153	$ 9,153	$ 12,589	$ 3,436

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Drug Law Enforcement				
REVENUES				
Fines and forfeits	$ 2,700	$ 2,920	$ 2,305	$ (615)
Other				
Sale of assets	-	-	220	220
TOTAL REVENUES	2,700	2,920	2,525	(395)
EXPENDITURES				
Current				
Public safety	2,700	3,693	4,754	(1,061)
NET CHANGE IN FUND BALANCE	-0-	(773)	(2,229)	(1,456)
Fund balance, beginning of year	11,770	11,770	11,770	-0-
Fund balance, end of year	$ 11,770	$ 10,997	$ 9,541	$ (1,456)
Law Library				
REVENUES				
Fines and forfeits	$ 3,500	$ 3,500	$ 3,500	$ -0-
EXPENDITURES				
Current				
General government	3,500	3,500	3,875	(375)
NET CHANGE IN FUND BALANCE	-0-	-0-	(375)	(375)
Fund balance, beginning of year	1,508	1,508	1,508	-0-
Fund balance, end of year	$ 1,508	$ 1,508	$ 1,133	$ (375)

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Social Welfare Fund				
REVENUES				
Other	$ 259,000	$ 259,000	$ 253,532	$ (5,468)
EXPENDITURES				
Current				
Health and welfare	269,000	269,000	218,485	50,515
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,000)	(10,000)	35,047	45,047
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000	10,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	45,047	45,047
Fund balance, beginning of year	36,248	36,248	36,248	-0-
Fund balance, end of year	$ 36,248	$ 36,248	$ 81,295	$ 45,047
Child Care Probate				
REVENUES				
Intergovernmental - State	$ 75,000	$ 75,000	$ 109,918	$ 34,918
Other	1,000	1,000	83	(917)
TOTAL REVENUES	76,000	76,000	110,001	34,001
EXPENDITURES				
Current				
Health and welfare	526,000	526,000	433,264	92,736
EXCESS OF REVENUES (UNDER) EXPENDITURES	(450,000)	(450,000)	(323,263)	126,737
OTHER FINANCING SOURCES				
Transfers in	375,000	375,000	375,000	-0-
NET CHANGE IN FUND BALANCE	(75,000)	(75,000)	51,737	126,737
Fund balance, beginning of year	133,155	133,155	133,155	-0-
Fund balance, end of year	$ 58,155	$ 58,155	$ 184,892	$ 126,737

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Child Care DHS				
REVENUES				
Intergovernmental - State	$ 42,000	$ 42,000	$ 80,503	$ 38,503
EXPENDITURES				
Current				
Health and welfare	117,000	117,000	164,527	(47,527)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(75,000)	(75,000)	(84,024)	(9,024)
OTHER FINANCING SOURCES				
Transfers in	75,000	75,000	75,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	(9,024)	(9,024)
Fund balance, beginning of year	37,185	37,185	37,185	-0-
Fund balance, end of year	$ 37,185	$ 37,185	$ 28,161	$ (9,024)
Soldiers & Sailors Relief				
REVENUES	$ -	$ -	$ -	$ -0-
EXPENDITURES				
Current				
Health and welfare	18,150	18,150	10,980	7,170
EXCESS OF REVENUES (UNDER) EXPENDITURES	(18,150)	(18,150)	(10,980)	7,170
OTHER FINANCING SOURCES				
Transfers in	18,150	38,486	-	(38,486)
NET CHANGE IN FUND BALANCE	-0-	20,336	(10,980)	(31,316)
Fund balance, beginning of year	22,836	22,836	22,836	-0-
Fund balance, end of year	$ 22,836	$ 43,172	$ 11,856	$ (31,316)

Clare County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
	Veterans Trust			
REVENUES				
Intergovernmental - State	$ 4,704	$ 4,704	$ 2,064	$ (2,640)
EXPENDITURES				
Current				
Health and welfare	4,704	4,704	3,138	1,566
NET CHANGE IN FUND BALANCE	-0-	-0-	(1,074)	(1,074)
Fund balance, beginning of year	1,113	1,113	1,113	-0-
Fund balance, end of year	$ 1,113	$ 1,113	$ 39	$ (1,074)
	Airport			
REVENUES				
Intergovernmental - State	$ -	$ 8,885	$ -	$ (8,885)
Interest and rents	8,880	8,880	8,430	(450)
TOTAL REVENUES	8,880	17,765	8,430	(9,335)
EXPENDITURES				
Current				
Public works	15,170	24,055	18,071	5,984
NET CHANGE IN FUND BALANCE	(6,290)	(6,290)	(9,641)	(3,351)
Fund balance, beginning of year	30,706	30,706	30,706	-0-
Fund balance, end of year	$ 24,416	$ 24,416	$ 21,065	$ (3,351)

Internal Service Funds
Fund Descriptions

Internal Service Funds are used to track activity related to cost centers that management desires to keep separate for internal reporting purposes. Internal Service Funds are funded mainly by charges for service paid by other funds of the government.

Technology (644) - This Fund was created to account for software and hardware updates to the County's phone system's voice mail component and the County's computer network electronic mail component.

Health Insurance (677) - This Fund was established to account for employee and eligible retiree health insurance activity self-funded with Blue Cross/Blue Shield via an Administrative Services Contract that includes stop loss coverage for any single health claim that exceeds $50,000.

Clare County, Michigan

Internal Service Funds

COMBINING STATEMENTS OF NET ASSETS

September 30, 2006

	Technology	Health Insurance	Total Internal Service Funds
ASSETS			
Current assets			
Cash and cash equivalents	$ 4,026	$ 139,471	$ 143,497
Prepaids	-	122,323	122,323
Total current assets	4,026	261,794	265,820
Noncurrent assets			
Capital assets, net of accumulated depreciation	28,650	-	28,650
TOTAL ASSETS	32,676	261,794	294,470
LIABILITIES			
Deferred revenue	-	83,933	83,933
NET ASSETS			
Unrestricted	$ 32,676	$ 177,861	$ 210,537

Clare County, Michigan

Internal Service Funds

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

Year Ended September 30, 2006

	Technology	Health Insurance	Total Internal Service Funds
OPERATING REVENUES			
Charges for services	$ -	$ 1,293,129	$ 1,293,129
OPERATING EXPENSES			
Health insurance	-	1,117,984	1,117,984
Depreciation	14,324	-	14,324
TOTAL OPERATING EXPENSES	14,324	1,117,984	1,132,308
INCOME BEFORE TRANSFERS	(14,324)	175,145	160,821
TRANSFERS IN	47,000	-	47,000
CHANGE IN NET ASSETS	32,676	175,145	207,821
Net assets, beginning of year	-	2,716	2,716
Net assets, end of year	$ 32,676	$ 177,861	$ 210,537

Clare County, Michigan

Internal Service Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2006

	Technology	Health Insurance	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	$ -	$ 1,293,537	$ 1,293,537
Cash paid to suppliers	-	(250,000)	(250,000)
Cash paid for employee services and benefits	-	(1,088,671)	(1,088,671)
NET CASH (USED) BY OPERATING ACTIVITIES	-0-	(45,134)	(45,134)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Transfers in	47,000	-	47,000
Purchase of capital assets	(42,974)	-	(42,974)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	4,026	-0-	4,026
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,026	(45,134)	(41,108)
Cash and cash equivalents, beginning of year	-	184,605	184,605
Cash and cash equivalents, end of year	$ 4,026	$ 139,471	$ 143,497
Reconciliation of operating income (loss) to net cash (used) by operating activities			
Operating income (loss)	$ (14,324)	$ 175,145	$ 160,821
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities			
Depreciation	14,324	-	14,324
Decrease in due from other governmental units	-	1,558	1,558
Decrease in prepaids	-	29,313	29,313
(Decrease) in deferred revenue	-	(1,150)	(1,150)
(Decrease) in advance from other funds	-	(250,000)	(250,000)
NET CASH (USED) BY OPERATING ACTIVITIES	$ -0-	$ (45,134)	$ (45,134)

Agency Funds
Fund Descriptions

Agency Funds account for assets held by the County in a trustee or agency capacity for individuals, private organization, other governmental units and/or other funds.

Trust and Agency (701) - This Fund was established to account for monies received by the County for later distribution to other agencies or persons.

Library (721) - This Fund was established under Act 236 of 1961 to account for monies from District Court fines, which are received monthly for operations of the County's libraries.

Clare County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2006

	Agency Funds		
	Trust and Agency	Library	Total
ASSETS			
Cash and cash equivalents	$ 2,038,143	$ 46,911	$ 2,085,054
Investments	20,501	-	20,501
Due from others	815	-	815
TOTAL ASSETS	$ 2,059,459	$ 46,911	$ 2,106,370
LIABILITIES			
Due to other governmental units			
Federal/State	$ 1,621,097	$ -	$ 1,621,097
Local	840	46,911	47,751
Due to individuals and agencies	437,522	-	437,522
TOTAL LIABILITIES	$ 2,059,459	$ 46,911	$ 2,106,370

Clare County, Michigan

Agency Funds

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2006

	Balance October 1, 2005	Additions	Deductions	Balance September 30, 2006
	All Agency Funds			
ASSETS				
Cash and cash equivalents	$ 2,172,492	$ 20,059,635	$ 20,147,073	$ 2,085,054
Investments	20,501	-	-	20,501
Due from others	467	815	467	815
TOTAL ASSETS	$ 2,193,460	$ 20,060,450	$ 20,147,540	$ 2,106,370
LIABILITIES				
Due to other governmental units				
Federal/State	$ 2,036,318	$ 5,952,076	$ 6,367,297	$ 1,621,097
Local	47,361	543,835	543,445	47,751
Due to individuals and agencies	109,781	13,564,539	13,236,798	437,522
TOTAL LIABILITIES	$ 2,193,460	$ 20,060,450	$ 20,147,540	$ 2,106,370
	Trust and Agency Fund			
ASSETS				
Cash and cash equivalents	$ 2,125,720	$ 19,525,342	$ 19,612,919	$ 2,038,143
Investments	20,501	-	-	20,501
Due from others	467	815	467	815
TOTAL ASSETS	$ 2,146,688	$ 19,526,157	$ 19,613,386	$ 2,059,459
LIABILITIES				
Due to other governmental units				
Federal/State	$ 2,036,318	$ 5,952,076	$ 6,367,297	$ 1,621,097
Local	589	9,542	9,291	840
Due to individuals and agencies	109,781	13,564,539	13,236,798	437,522
TOTAL LIABILITIES	$ 2,146,688	$ 19,526,157	$ 19,613,386	$ 2,059,459
	Library Fund			
ASSETS				
Cash and cash equivalents	$ 46,772	$ 534,293	$ 534,154	$ 46,911
LIABILITIES				
Due to other governmental units				
Local	$ 46,772	$ 534,293	$ 534,154	$ 46,911

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2006

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
ASSETS				
Cash and cash equivalents	$ 67,896	$ 7,134	$ 28,597	$ 17,733
Due from other funds	-	22,561	-	35,757
Special assessments receivable	146,060	-	-	-
TOTAL ASSETS	$ 213,956	$ 29,695	$ 28,597	$ 53,490
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable	$ 1,077	$ -	$ 845	$ -
Advances from other governmental units	7,500	29,695	-	53,490
Deferred revenue	152,402	-	-	-
Due to other funds	22,561	-	35,757	-
TOTAL LIABILITIES	183,540	29,695	36,602	53,490
FUND BALANCES (DEFICITS)				
Designated for capital projects	30,416	-	-	-
Unreserved - undesignated	-	-	(8,005)	-
TOTAL FUND BALANCES (DEFICITS)	30,416	-	(8,005)	-
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	$ 213,956	$ 29,695	$ 28,597	$ 53,490

Projects Lake Improvement Revolving	Total
$ 154,331	$ 275,691
-	58,318
-	146,060
$ 154,331	$ 480,069
$ -	$ 1,922
179,377	270,062
-	152,402
-	58,318
179,377	482,704
-	30,416
(25,046)	(33,051)
(25,046)	(2,635)
$ 154,331	$ 480,069

Clare County, Michigan

Component Unit Funds

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

September 30, 2006

Total fund balance (deficit) - governmental funds		$	30,416
Amounts reported for the governmental activities in the statement of net assets are different because:			
Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:			
Deferred revenue			146,060
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.			
The cost of capital assets is	$ 1,170,329		
Accumulated depreciation is	(375,934)		
Capital assets, net			794,395
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:			
Bonds and loans payable	161,620		
Accrued interest payable	3,138		
			(164,758)
Net assets of governmental activities		$	806,113

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

	Capital			
	Drain	Drain Revolving	Lake Level	Lake Level Revolving
REVENUES				
Interest	$ 777	$ -	$ -	$ -
Other				
Special assessments	52,733	-	12,524	-
TOTAL REVENUES	53,510	-0-	12,524	-0-
EXPENDITURES				
Current				
Public works	39,440	-	42,226	-
Debt service				
Principal redemption	43,798	-	-	-
Interest and fees	8,499	-	-	-
TOTAL EXPENDITURES	91,737	-0-	42,226	-0-
EXCESS OF REVENUES (UNDER) EXPENDITURES	(38,227)	-0-	(29,702)	-0-
OTHER FINANCING SOURCES				
Note proceeds	31,336	-	-	-
NET CHANGE IN FUND BALANCES	(6,891)	-0-	(29,702)	-0-
Fund balances, beginning of year	37,307	-	21,697	-
Fund balances (deficits), end of year	$ 30,416	$ -0-	$ (8,005)	$ -0-

Projects Lake Improvement Revolving	Total
$ -	$ 777
-	65,257
-0-	66,034
25,046	106,712
-	43,798
-	8,499
25,046	159,009
(25,046)	(92,975)
-	31,336
(25,046)	(61,639)
-	59,004
$ (25,046)	$ (2,635)

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

Net change in fund balances - total governmental funds		$ (61,639)
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(45,793)
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 5,332	
Depreciation expense	(20,029)	
Excess of depreciation expense (over) capital outlay		(14,697)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:		
Note proceeds	(31,336)	
Debt principal retirements	43,798	
		12,462
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
(Increase) in accrued interest payable		(10)
Change in net assets of governmental activities		$ (109,677)

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2006

	Debt Service			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
ASSETS				
Cash and cash equivalents	$ -0-	$ 440	$ -0-	$ 440
FUND BALANCES				
Reserved for				
Debt service	$ -0-	$ 440	$ -0-	$ 440

Clare County, Michigan

Component Unit Funds

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

September 30, 2006

Total fund balance - governmental funds		$ 440
Amounts reported for the governmental activities in the statement of net assets are different because:		
Long-term receivables are not available to pay for current period expenditures and therefore are not reported as assets in the funds. Long-term receivables at year-end consist of:		
Lease receivable		1,723,628
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Accrued interest payable	$ 33,628	
Direct county obligations	1,690,000	
		(1,723,628)
Net assets of governmental activities		$ 440

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

	Debt Service			
	Clare Water #1	Clare Sewer Refunding Bonds - 2002	Clare Sewer #4	Total
REVENUES				
Intergovernmental - local	$ 47,948	$ 283,296	$ 45,275	$ 376,519
Interest	-	12	-	12
TOTAL REVENUES	47,948	283,308	45,275	376,531
EXPENDITURES				
Debt service				
Principal	25,000	245,000	20,000	290,000
Interest and fiscal charges	22,948	38,296	25,275	86,519
TOTAL EXPENDITURES	47,948	283,296	45,275	376,519
NET CHANGE IN FUND BALANCES	-0-	12	-0-	12
Fund balances, beginning of year	-	428	-	428
Fund balances, end of year	$ -0-	$ 440	$ -0-	$ 440

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

Net change in fund balances - total governmental funds		$	12
Amounts reported for governmental activities in the statement of activities are different because:			
Contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year in which the debt was incurr			(290,000)
Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:			
Long-term debt retirements			290,000
Some items reported in the Statement of Activities do not require the use of financial resources and are therefore not reported as expenditures in governmental funds. These items consist of:			
(Decrease) in lease receivable	$ (3,529)		
Decrease in accrued interest payable	3,529		
			-0-
Change in net assets of governmental activities		$	12

Clare County, Michigan

Component Unit Funds

BALANCE SHEET - ECONOMIC DEVELOPMENT CORPORATION

September 30, 2006

	Special Revenue
ASSETS	
Current assets	
Cash	$ 2,125
FUND BALANCE	
Unreserved - undesignated	$ 2,125

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of September 30, 2006.

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

	Special Revenue
REVENUES	$ -
EXPENDITURES	-
NET CHANGE IN FUND BALANCE	-0-
Fund balance, beginning of year	2,125
Fund balance, end of year	$ 2,125

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended September 30, 2006.

Clare County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - HOUSING COMMISSION

September 30, 2006

	Special Revenue		
	Housing	Housing Revolving	Total
ASSETS			
Cash and cash equivalents	$ 77,831	$ 357,543	$ 435,374
Accounts receivable	-	400	400
Notes receivable	1,318,285	-	1,318,285
TOTAL ASSETS	$ 1,396,116	$ 357,943	$ 1,754,059
LIABILITIES AND FUND BALANCES			
Accounts payable	$ 400	$ 4,345	$ 4,745
Accrued wages	1,780	-	1,780
Deferred revenue	1,318,285	-	1,318,285
TOTAL LIABILITIES	1,320,465	4,345	1,324,810
FUND BALANCES			
Unreserved - undesignated	75,651	353,598	429,249
TOTAL LIABILITIES AND FUND BALANCES	$ 1,396,116	$ 357,943	$ 1,754,059

Clare County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - HOUSING COMMISSION

September 30, 2006

Total fund balance - governmental funds	$ 429,249
Amounts reported for the governmental activities in the statement of net assets are different because:	
Long-term receivables are not available to pay for current expenditures and are therefore deferred in the funds.	
Deferred revenue	1,318,285
Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:	
Compensated absences	(4,401)
Net assets of governmental activities	$1,743,133

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

	Special Revenue		
	Housing	Housing Revolving	Total
REVENUES			
Intergovernmental	$ -	$ 65,052	65,052
Charges for services	27,693	170,827	198,520
Interest and rents	4,757	29,345	34,102
Other	63,110	324,393	387,503
TOTAL REVENUES	95,560	589,617	685,177
EXPENDITURES			
Community and economic development	511,455	242,975	754,430
NET CHANGE IN FUND BALANCES	(415,895)	346,642	(69,253)
Fund balance, beginning of year	491,546	6,956	498,502
Fund balance, end of year	$ 75,651	$ 353,598	$ 429,249

Clare County, Michigan

Component Unit Funds

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

Year Ended September 30, 2006

Net change in fund balances - total governmental funds	$ (69,253)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues earned but not available for current period expenditures are not reported as revenues in the funds. In the current period, these amounts were:	1,008
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governemntal funds. These activities consist of:	
Decrease in compensated absences	4,486
Change in net assets of governmental activities	$ (63,759)

Clare County, Michigan

Component Unit Funds

BALANCE SHEET - ENTERPRISE COMMUNITY

September 30, 2006

	Special Revenue
ASSETS	
Cash and cash equivalents	$ 11,254
LIABILITIES	
Deferred revenue	$ 11,254
FUND BALANCE	
Unreserved - undesignated	-0-
TOTAL LIABILITIES AND FUND BALANCE	$ 11,254

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for this component unit is not required as the component unit's fund balance was equal to the component unit's net assets as of September 30, 2006.

Clare County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - ENTERPRISE COMMUNITY

Year Ended September 30, 2006

	Special Revenue
REVENUES	
Intergovernmental - Federal	$ 206,850
EXPENDITURES	
Current	
Community and economic development	206,850
NET CHANGE IN FUND BALANCE	-0-
Fund balance, beginning of year	-
Fund balance, end of year	$ -0-

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended September 30, 2006.

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

To the Board of Commissioners
Clare County
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County, Michigan as of and for the year ended September 30, 2006, which collectively comprise Clare County, Michigan's basic financial statements and have issued our report thereon dated May 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

2005-1 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted one (1) bank account that is not recorded in the County's general ledger. The account is an Inmate/Commissary account maintained at the jail. The balance in this account was not considered to be material to the financial statements. This issue was noted and reported in our audit comments last year.

Criteria: The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County.

Effect: The County has failed to identify all of the bank accounts that they have custody over. As a result, the County has not maintained adequate internal control over cash activities.

Recommendation: We recommend that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger.

Corrective Action Response: Management of the County is currently reviewing procedures related to identification of all bank accounts and will implement necessary changes in order to comply with the cited requirements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we reported to management and the Board of Commissioners of Clare County in a separate letter dated May 22, 2007.

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 22, 2007

STATISTICAL SECTION (UNAUDITED)

Clare County, Michigan

NET ASSETS BY COMPONENT

2004-2006
(Unaudited)

	Fiscal Year		
	2004	2005	2006
Governmental activities			
Invested in capital assets, net of related debt	$ 856,704	$ 1,330,277	$ 2,264,924
Restricted	3,022,536	2,344,077	1,746,871
Unrestricted	3,201,315	4,049,611	4,072,768
Total governmental activities net assets	$ 7,080,555	$ 7,723,965	$ 8,084,563
Business-type activities			
Invested in capital assets, net of related debt	$ 1,035,536	$ 1,662,422	$ 1,334,704
Unrestricted	6,093,022	5,774,205	5,094,660
Total business-type activities net assets	$ 7,128,558	$ 7,436,627	$ 6,429,364
Primary government			
Invested in capital assets, net of related debt	$ 1,892,240	$ 2,992,699	$ 3,599,628
Restricted	3,022,536	2,344,077	1,746,871
Unrestricted	9,294,337	9,823,816	9,167,428
Total primary government net assets	$ 14,209,113	$ 15,160,592	$ 14,513,927

Notes:
(1) Source: Clare County Basic Financial Statements.
(2) The County implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

Clare County, Michigan

CHANGES IN NET ASSETS

2004-2006
(Unaudited)

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental activities			
General government	$ 4,333,949	$ 4,652,702	$ 4,302,304
Public safety	5,203,686	5,362,247	5,575,616
Public works	36,443	73,653	108,089
Health and welfare	2,784,116	2,304,405	1,937,636
Community and economic development	862,702	689,663	57,943
Recreation and cultural	21,036	31,157	30,892
Interest on long-term debt	175,237	133,026	140,089
Total governmental activities expenses	13,417,169	13,246,853	12,152,569
Business-type activities			
Delinquent tax revolving	-	-	-
Transit corporation	1,323,134	1,406,680	1,475,960
Jail commissary	27,240	27,562	22,671
Total business-type activities expenses	1,350,374	1,434,242	1,498,631
Total primary government expenses	$ 14,767,543	$ 14,681,095	$ 13,651,200
Revenues			
Governmental activities			
Charges for services	$ 4,764,659	$ 4,250,570	$ 4,377,102
Operating grants and contributions	2,882,549	2,345,859	1,444,658
Capital grants and contributions	166,110	59,827	12,605
Total governmental activities program revenues	7,813,318	6,656,256	5,834,365
Business-type activities			
Charges for services	597,308	621,959	654,265
Operating grants and contributions	601,680	583,088	668,036
Capital grants and contributions	76,639	878,652	27,165
Total business-type activities program revenues	1,275,627	2,083,699	1,349,466
Total primary government program revenues	$ 9,088,945	$ 8,739,955	$ 7,183,831
Net (Expenses) Revenue			
Governmental activities	$ (5,603,851)	$ (6,590,597)	$ (6,318,204)
Business-type activities	(74,747)	649,457	(149,165)
Total primary government net (expense) revenue	$ (5,678,598)	$ (5,941,140)	$ (6,467,369)

Clare County, Michigan

CHANGES IN NET ASSETS - CONCLUDED

2004-2006
(Unaudited)

	Fiscal Year		
	2004	2005	2006
General Revenues			
Governmental activities			
Taxes	$ 4,482,920	$ 5,964,674	$ 6,490,568
State shared revenue	626,019	-	-
Investment earnings	47,388	139,268	233,997
Miscelleneous	528,265	488,962	540,011
Transfers	650,000	641,103	1,238,000
Total governmental activities general revenues	6,334,592	7,234,007	8,502,576
Business-type activities			
Taxes	201,698	210,795	256,847
Investment earnings	54,471	83,370	114,608
Miscelleneous	1,911	5,550	8,447
Transfers	(650,000)	(641,103)	(1,238,000)
Total business-type activities general revenues	(391,920)	(341,388)	(858,098)
Total primary government general revenues	$ 5,942,672	$ 6,892,619	$ 7,644,478
Change in Net Assets			
Governmental activities	$ 730,741	$ 643,410	$ 2,184,372
Business-type activities	(466,667)	308,069	(1,007,263)
Total primary government	$ 264,074	$ 951,479	$ 1,177,109

Notes:
(1) Source: Clare County Basic Financial Statements.
(2) The County implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Net asset information for periods prior to implementation is not readily available.

Clare County, Michigan

FUND BALANCES - GOVERNMENTAL FUNDS

1997-2006
(Unaudited)

	Fiscal			
	1997	1998	1999	2000
General Fund				
Reserved	$ 141,141	$ 130,397	$ 123,488	$ 127,761
Unreserved	1,410,281	1,521,411	1,144,211	2,383,005
Total General Fund	$ 1,551,422	$ 1,651,808	$ 1,267,699	$ 2,510,766
All other governmental funds				
Reserved	$ -	$ 1,964	$ 2,970	$ 3,734
Unreserved, reported in				
Special revenue funds	1,135,536	1,509,386	1,628,425	1,640,255
Debt service funds	145	1,698	84,700	1,764
Capital projects funds	3,143,693	384,757	442,981	511,673
Total all other governmental funds	$ 4,279,374	$ 1,897,805	$ 2,159,076	$ 2,157,426

Notes:
(1) Source: Clare County Basic Financial Statements.

Year					
2001	2002	2003	2004	2005	2006
$ 310,810	$ 228,103	$ 212,750	$ 608,750	$ 609,280	$ 486,587
2,359,265	2,134,637	1,986,155	1,516,186	1,382,176	1,957,223
$ 2,670,075	$ 2,362,740	$ 2,198,905	$ 2,124,936	$ 1,991,456	$ 2,443,810
$ 6,521	$ 5,262	$ 359,312	$ 478,718	$ 588,137	$ 531,398
2,393,415	2,772,248	2,528,092	2,587,671	2,933,784	2,989,109
1,716	1,716	-	-	-	-
(84,313)	64,432	-	-	-	-
$ 2,317,339	$ 2,843,658	$ 2,887,404	$ 3,066,389	$ 3,521,921	$ 3,520,507

Clare County, Michigan

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

1997-2006
(Unaudited)

	Fiscal			
	1997	1998	1999	2000
Revenues				
Taxes	$ 3,069,465	$ 3,321,161	$ 3,474,402	$ 3,631,247
Licenses and permits	167,592	188,842	195,573	164,551
Intergovernmental	6,866,752	1,966,847	2,308,035	2,014,837
Charges for services	1,992,135	1,385,804	2,469,711	2,085,462
Fines and forfeits	20,802	20,086	35,353	27,658
Interest and rents	547,183	740,118	614,191	563,909
Other revenue	630,746	660,584	527,554	445,539
Total revenues	13,294,675	8,283,442	9,624,819	8,933,203
Expenditures				
General government	2,254,803	2,508,710	2,820,097	2,430,174
Public safety	1,823,239	2,220,491	2,979,695	2,601,159
Public works	22,241	35,939	7,055	7,980
Health and welfare	1,788,745	1,774,560	1,827,203	1,484,289
Community and econimic development	-	-	-	-
Recreation and cultural	-	-	-	-
Other	1,617,214	268,755	1,038,215	545,492
Debt service	105,065	276,963	585,774	627,002
Capital outlay	1,110,538	3,253,839	589,618	639,023
Total expenditures	8,721,845	10,339,257	9,847,657	8,335,119
Excess of revenues over (under) expenditures	4,572,830	(2,055,815)	(222,838)	598,084
Other financing sources (uses)				
Proceeds from borrowing	3,668,236	1,326,532	-	-
Bond discount and issuance costs	-	(1,217,251)	-	-
Transfers in	1,870,999	1,482,100	1,533,571	1,544,216
Transfers out	(754,371)	(2,010,484)	(1,433,571)	(900,883)
Total other financing sources (uses)	4,784,864	(419,103)	100,000	643,333
Net change in fund balances	$ 9,357,694	$ (2,474,918)	$ (122,838)	$ 1,241,417
Debt service as a percentage of noncapital expenditures	1.4%	3.9%	6.3%	8.1%

Notes:
(1) Source: Clare County Basic Financial Statements.

Year					
2001	2002	2003	2004	2005	2006
$ 4,462,973	$ 4,188,464	$ 4,412,105	$ 4,588,011	$ 6,079,310	$ 6,576,563
201,591	195,279	209,815	252,890	234,181	234,117
2,682,529	2,759,049	2,813,318	3,641,412	2,760,664	1,890,252
2,834,871	2,901,874	3,022,048	3,038,021	3,004,694	2,993,060
45,184	33,524	24,170	22,147	36,761	37,882
813,357	683,799	624,960	580,616	450,981	749,195
524,039	665,169	805,321	1,001,990	635,012	617,872
11,564,544	11,427,158	11,911,737	13,125,087	13,201,603	13,098,941
3,300,314	3,536,686	3,926,897	3,965,833	4,212,936	4,023,380
3,738,949	4,122,461	4,411,586	4,717,208	4,916,437	5,093,245
6,398	2,421	19,961	29,779	68,332	103,344
2,119,658	2,651,823	2,236,266	2,650,836	2,214,194	1,864,123
-	-	461,805	816,054	657,801	52,590
-	11,101	18,784	14,372	25,828	25,208
509,250	651,847	587,904	666,398	533,573	597,410
583,627	627,760	833,904	605,261	585,626	588,610
1,562,534	314,155	184,719	204,330	359,927	992,704
11,820,730	11,918,254	12,681,826	13,670,071	13,574,654	13,340,614
(256,186)	(491,096)	(770,089)	(544,984)	(373,051)	(241,673)
228,000	55,080	-	-	-	54,115
-	-	-	-	-	-
1,983,036	2,480,202	2,554,004	1,958,187	3,469,528	4,106,451
(1,635,628)	(1,825,202)	(1,904,004)	(1,308,187)	(2,828,425)	(2,915,451)
575,408	710,080	650,000	650,000	641,103	1,245,115
$ 319,222	$ 218,984	$ (120,089)	$ 105,016	$ 268,052	$ 1,003,442
5.7%	5.4%	6.7%	4.5%	4.4%	4.8%

Clare County, Michigan

ASSESSED AND ACTUAL VALUE OF TAXABLE PROPERTY

1997-2006
(Unaudited)

Fiscal Year	Property Value			Total Direct Tax Rate
	Real	Personal	Total	
1997	$ 502,980,573	$ 91,212,031	$ 594,192,604	5.8053
1998	552,712,301	89,769,290	642,481,591	5.8053
1999	622,579,420	98,866,796	721,446,216	5.7478
2000	700,052,833	99,839,053	799,891,886	5.7478
2001	787,923,583	96,352,424	884,276,007	6.7378
2002	932,291,110	94,416,687	1,026,707,797	5.9464
2003	1,013,419,548	94,699,370	1,108,118,918	5.8925
2004	1,084,054,636	98,149,304	1,182,203,940	5.7879
2005	1,167,276,109	100,303,586	1,267,579,695	6.8169
2006	1,239,033,716	102,674,874	1,341,708,590	7.4014

Notes:
(1) Tax rates are per $1,000 of assessed value.
(2) Source: Assessor's equalization reports.

Clare County, Michigan

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(Per $1,000 of Assessed Value)

1997-2006
(Unaudited)

Fiscal Year	General	Senior Citizens	Animal Shelter	Gypsy Moth	Jail Debt	County Transit	Total
1997	5.0753	0.4800	0.2500	-	-	-	5.8053
1998	5.0753	0.4800	0.2500	-	-	-	5.8053
1999	5.0251	0.4752	0.2475	-	-	-	5.7478
2000	5.0251	0.4752	0.2475	-	-	-	5.7478
2001	5.0110	0.4800	0.2468	1.0000	-	-	6.7378
2002	4.9749	0.4765	0.2450	0.2500	-	-	5.9464
2003	4.9236	0.4715	0.2474	0.2500	-	-	5.8925
2004	4.8339	0.4629	0.2411	0.2500	-	-	5.7879
2005	6.3592	0.4577	-	-	-	-	6.8169
2006	6.2993	0.4578	-	-	0.3469	0.2974	7.4014

Notes:
(1) Table in mills.
(2) Source: Tax Warrants issued by Equalization Department.

Clare County, Michigan

PRINCIPAL TAXPAYERS

September 30, 2006
(Unaudited)

Taxpayer	Nature of Business	2006 Assessed Value	Percent of Total Assessed Valuation
Consumers Energy	Utility	$ 42,838,289	3.19%
Great Lakes Gas Transmission	Gas pipeline	21,617,397	1.61%
ANR Pipeline & Mid Michigan Gas Storage	Gas pipeline	11,708,678	0.87%
Renosol	Automotive components	4,870,994	0.36%
R&R Real Estate & Stageright	Real estate	4,294,941	0.32%
Mighigan Consolidated Gas Company	Utility	4,499,048	0.34%
Doherty Hotel, Inc.	Hospitality services	2,758,909	0.21%
Chodaka LLC	Architecture	2,054,918	0.15%
Federal Broach & Machine	Metalworking	3,316,410	0.25%
Holiday Inn Express	Hospitality services	1,323,373	0.10%
Total assessed value of ten largest taxpayers		99,282,957	7.40%
Total assessed value of other taxpayers		1,242,425,633	92.60%
Total assessed value of all taxpayers		$ 1,341,708,590	100.00%

Note:
(1) Source: Clare County Equalization Reports.

Clare County, Michigan

PROPERTY TAX LEVIES AND COLLECTIONS

1997-2006
(Unaudited)

Fiscal Year	General	Senior Citizens	Animal Shelter	Gypsy Moth	County Transit	911
1997	$ 2,886,045	$ 260,136	$ -	$ -	$ 150,009	$ -
1998	3,027,488	272,886	-	-	157,364	-
1999	3,186,504	287,037	-	-	165,491	-
2000 [(a)]	-	-	-	-	-	-
2001	3,176,578	304,429	156,386	633,901	172,804	-
2002	3,369,636	322,591	165,945	169,332	183,589	-
2003	3,557,104	340,669	180,767	180,767	194,125	-
2004	3,707,718	354,520	180,321	191,911	201,822	-
2005	5,262,295	373,376	-	-	212,217	285,462
2006	5,617,092	411,869	-	-	257,320	302,832

Notes:

(a) Starting in the year 2000, the County switched fiscal years from ending December 31 to year ending September 30, resulting in a short fiscal year for the County (1/1/00 to 9/30/00). At this time, taxes were only levied on December 1st, so in the fiscal year ending 9/30/00, no taxes were levied. Taxes levied on 12/1/00 are included in the 2001 fiscal year in the table above.

(1) The table includes Ad Valorem taxes only. It excludes commercial and industrial facilities taxes as provided under Public Acts 198 and 255.

(2) The portion of levy collected duing the fiscal year and in subsequent years is not readily available for fiscal years 2004 and prior.

(3) Source: Clare County Financial Statements and Clare County Treasurer's office.

Total Tax Levy	Amount Collected in Fiscal Year of Levy		Amount Collected in Subsequent Years	Total Tax Collections	Percent Collected (1)
	Amount	Percentage			
$ 3,296,190	$ -	-	$ -	$ 3,034,825	92.07%
3,457,738	-	-	-	3,293,288	95.24%
3,639,032	-	-	-	3,451,670	94.85%
-0-	-	-	-	-0-	0.00%
4,444,098	-	-	-	4,428,028	99.64%
4,211,093	-	-	-	4,176,429	99.18%
4,453,432	-	-	-	4,445,226	99.82%
4,636,292	-	-	-	4,613,830	99.52%
6,133,350	4,155,079	67.75%	1,960,174	6,115,253	99.70%
6,589,113	4,398,068	66.75%	-	4,398,068	66.75%

Clare County, Michigan

RATIOS OF OUTSTANDING DEBT BY TYPE

1997-2006
(Unaudited)

Fiscal Year	Population	Governmental Activities: General Obligation Bonds [4]	Governmental Activities: Notes and Loans [4]	Total Primary Government
1997	24,952 [1]	$ 2,050,000	$ 2,965,000	$ 5,015,000
1998	24,952 [1]	2,130,000	3,014,485	5,144,485
1999	24,952 [1]	1,805,000	2,990,481	4,795,481
2000	24,952 [1]	1,460,000	2,965,000	4,425,000
2001	31,252 [2]	1,543,000	2,745,000	4,288,000
2002	31,252 [2]	1,485,000	2,440,640	3,925,640
2003	31,252 [2]	1,215,000	2,068,339	3,283,339
2004	31,252 [2]	1,160,000	1,680,000	2,840,000
2005	31,252 [2]	1,105,000	1,290,000	2,395,000
2006	31,252 [2]	1,045,000	935,734	1,980,734

Note:
(1) Source: 1990 Census Report.
(2) Source: 2000 Census Report.
(3) See section titled "Assessed and Actual Value of Taxable Property" for assessed value data.
(4) Source: Clare County Basic Financial Statements.
(5) Source: Bureau of Economic Analysis and Bureau of Labor Statistics.
(6) Data for 2005 will not be available until September 2007.
Data for 2006 will not be available until September 2008.

Percentage of Personal Income [5]	Net Debt Per Capita
1.18%	$ 200.99
1.17%	206.18
1.04%	192.19
0.93%	177.34
0.68%	137.21
0.63%	125.61
0.50%	105.06
0.41%	90.87
N/A [6]	76.64
N/A [6]	63.38

Clare County, Michigan

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING

1997-2006
(Unaudited)

Fiscal Year	Population	Assessed Value of Property [3]	General Obligation Bonds [4][5]	Bonded Debt Service Funds Available [4]	Net General Bonded Debt
1997	24,952 [1]	$ 593,809,929	$ 2,050,000	$ 142	$ 2,049,858
1998	24,952 [1]	642,480,849	2,130,000	1,698	2,128,302
1999	24,952 [1]	721,595,447	1,805,000	84,700	1,720,300
2000	24,952 [1]	799,891,886	1,460,000	1,764	1,458,236
2001	31,252 [2]	884,276,007	1,543,000	1,716	1,541,284
2002	31,252 [2]	1,026,707,797	1,485,000	1,716	1,483,284
2003	31,252 [2]	1,108,118,918	1,215,000	1,798	1,213,202
2004	31,252 [2]	1,182,203,940	1,160,000	1,363	1,158,637
2005	31,252 [2]	1,267,579,695	1,105,000	1,063	1,103,937
2006	31,252 [2]	1,341,708,590	1,045,000	763	1,044,237

Note:
(1) Source: 1990 Census Report.
(2) Source: 2000 Census Report.
(3) Source: Clare County Equalization Reports.
(4) Source: Clare County Basic Financial Statements.
(5) Primary government only.

Net Debt to Assessed Value	Net Debt Per Capita
0.35%	$ 82.15
0.33%	85.30
0.24%	68.94
0.18%	58.44
0.17%	49.32
0.14%	47.46
0.11%	38.82
0.10%	37.07
0.09%	35.32
0.08%	33.41

Clare County, Michigan

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2006
(Unaudited)

Jurisdiction	Debt Outstanding	Estimated Percent Applicable	Direct and Estimated Overlapping Debt
School districts	$ 69,555,000	52%	$ 35,555,310
Cities and villages	3,919,000	91%	3,573,243
Mid Michigan Community College	6,235,000	56%	3,516,781
Total overlapping debt [1]	79,709,000		42,645,334
Clare County	1,045,000	100%	1,045,000
Total direct and overlapping debt	$ 80,754,000		$ 43,690,334

Note:
(1) Source: Municipal Advisory Council.
(2) This schedule is as of February 28, 2007. September 30, 2006 was not available.

Clare County, Michigan

LEGAL DEBT MARGIN INFORMATION

September 30, 2006
(Unaudited)

Fiscal Year 2006 Legal Debt Margin calculation

State Taxable Assessed Value [1]		
Real property		$ 1,239,033,716
Personal property		102,674,874
Total taxable assessed value		$ 1,341,708,590
Debt Limit		
10% of State equalized assessed value		$ 134,170,859
Amount of Debt Applicable to Debt Limit		
Total bonded debt [2]	$ 1,045,000	
Less:		
Amount available in debt service funds [2]	763	
Total amount of debt applicable to debt limit		1,044,237
Legal debt margin		$ 133,126,622

Historical trend

Fiscal Year	Debt Limit	Net Applicable Debt	Legal Debt Margin
1997	$ 59,419,260	$ 2,049,858	$ 57,369,402
1998	64,248,159	2,128,302	62,119,857
1999	72,144,622	1,720,300	70,424,322
2000	79,989,189	1,458,236	78,530,953
2001	88,427,601	1,541,284	86,886,317
2002	102,670,780	1,483,284	101,187,496
2003	110,811,892	1,213,202	109,598,690
2004	118,220,394	1,158,637	117,061,757
2005	126,757,970	1,103,937	125,654,033
2006	134,170,859	1,044,237	133,126,622

Note:
(1) Source: Clare County Equalization reports.
(2) Source: Clare County Basic Financial Statements.

Clare County, Michigan

DEMOGRAPHIC AND ECONOMIC STATISTICS

1997-2006
(Unaudited)

Fiscal Year	Population	Personal Income[3]	Personal Income Per Capita[3]	Unemployment Rate [5]
1997	24,952 [1]	$ 426,255,016	$ 17,083	7.1%
1998	24,952 [1]	441,176,312	17,681	9.0%
1999	24,952 [1]	462,011,232	18,516	6.2%
2000	24,952 [1]	476,159,016	19,083	7.7%
2001	31,252 [2]	627,790,176	20,088	8.9%
2002	31,252 [2]	621,727,288	19,894	9.0%
2003	31,252 [2]	654,323,124	20,937	11.1%
2004	31,252 [2]	693,138,108	22,179	12.3%
2005	31,252 [2]	N/A [4]	N/A [4]	9.3%
2006	31,252 [2]	N/A [4]	N/A [4]	0.0%

Notes:
(1) Source: 1990 Census Report.
(2) Source: 2000 Census Report.
(3) Source: Bureau of Economic Analysis and Bureau of Labor Statistics.
(4) Data for 2005 will not be available until September 2007.
Data for 2006 will not be available until September 2008.

Clare County, Michigan

CONCENTRATION OF WORKFORCE

September 30, 2006
(Unaudited)

	2004		1997	
Industry	Number of Jobs [1][2]	Percentage of Workforce	Number of Jobs [1]	Percentage of Workforce
Construction and Mining	1,424	10.52%	856	7.80%
Manufacturing	1,019	7.53%	1,136	10.36%
Trade, Transportation, and Utilities	2,584	19.10%	3,618	32.99%
Information	73	0.54%	-	0.00%
Financial Activities	403	2.98%	597	5.44%
Real estate	866	6.40%	-	0.00%
Accomodation and food service	935	6.91%	-	0.00%
Professional and Business Services	437	3.23%	2,653	24.19%
Agricultural and forestry	115	0.85%	110	1.00%
Administrative and waste services	440	3.25%	-	0.00%
Recreation	251	1.85%	-	0.00%
Other services	2,762	20.41%	-	0.00%
Government	1,756	12.98%	1,532	13.97%
Farming	466	3.44%	466	4.25%
Total	13,531	100.00%	10,968	100.00%

Notes:
(1) Source: Bureau of Economic Analysis.
(2) Number of jobs is presented the most recent year available, which is 2004.

Clare County, Michigan

FULL TIME EQUIVALENT COUNTY EMPLOYEES BY FUNCTION

1997-2006
(Unaudited)

Function	Full time Equivalent Employees			
	1997	1998	1999	2000
General government	108	64	79	79
Public safety	73	74	76	87
Public works	20	9	7	6
Health and welfare	6	4	2	3
Total	207	151	164	175

Note:
Source: Clare County Payroll reports.

as of September 30					
2001	2002	2003	2004	2005	2006
74	80	76	78	70	68
90	84	88	87	84	93
3	5	6	5	5	6
2	2	2	2	2	2
169	171	172	172	161	169

Clare County, Michigan

OPERATING INDICATORS BY FUNCTION

2004-2006
(Unaudited)

Function	2004	2005	2006
General government			
Circuit court cases	532	573	Unavailable
District court cases	8,198	9,215	Unavailable
Probate court cases	194	209	Unavailable
Public safety			
Sheriff patrol services			
Total incidents	31,201	38,818	39,195
Incidents - Sheriff's department	20,593	27,279	26,930
Written reports - Sheriff's department	4,349	4,768	4,510
Arrests - Sheriff's department	706	912	947
Traffic stops - Sheriff's department	3,574	3,935	3,732
Citations issued - Sheriff's department	1,826	2,416	1,363
Animal control			
Field services			
Complaints	1,411	1,491	1,524
Animals picked up	537	552	662
Cruelty investigations	148	76	47
Bite reports	74	82	78
Patrol miles	25,437	29,884	34,963
Shelter services			
Animals handled	2,096	2,259	2,147
Animals adopted	812	900	878
Animals euthanized	885	972	894
Adoption rate	39%	42%	44%
Health and welfare			
Veteran's affairs			
Veterans/families served	565	2,731	Unavailable
Active cases	139	190	Unavailable

Notes:
(1) Source: Clare County Administrator's office.
(2) Information for fiscal years prior to 2004 was not readily available.

Clare County, Michigan

CAPITAL ASSET STATISTICS BY FUNCTION

2004-2006
(Unaudited)

Function	2004	2005	2006
General government			
Number of acres of land	237	237	237
Number of vehicles	32	32	33
Number of watercraft	3	3	3
Public safety			
Police protection			
Number of vehicles	17	18	21
Number of watercraft	2	2	2
Number of jail buildings	1	1	1
Animal control			
Number of animal shelters	1	1	1

Note:
The County implemented the reporting requirements of GASB Statement 34 in fiscal year 2004. Capital asset information for periods prior to implementation is not readily available.

Clare County, Michigan

SUPPLEMENTARY INFORMATION TO FINANCIAL STATEMENTS (FEDERAL AWARDS)

September 30, 2006

Clare County, Michigan

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

To the Board of Commissioners
of Clare County
Harrison, Michigan

Compliance

We have audited the compliance of Clare County 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, 2006. Clare County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Clare County's management. Our responsibility is to express an opinion on Clare County's compliance based on our audit.

Clare County's basic financial statements include the operations of the Clare County Road Commission, which received $32,770 in federal awards during the year ended September 30, 2006, and the Clare County Transit Corporation, which received $195,341 in federal awards during the year ended September 30, 2006. Our audit described below did not include the operations of the Clare County Road Commission or the Clare County Transit Corporation because the component units have engaged other auditors to perform separate audits in accordance with OMB Circular A-133 or were not required to be audited in accordance with OMB Circular A-133.

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 Nonprofit 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 Clare County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Clare County's compliance with those requirements.

In our opinion, Clare County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ending September 30, 2006.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one (1) or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2006, and have issued our report thereon dated May 22, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Clare County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Clare County, the 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 22, 2007

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year Revenues	Current Year Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Office of Rural Development (Direct Programs)				
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers	10.443	1921000559	$ 65,052	$ 65,052
Solid Waste Management Grants	10.762	N/A	51,086	51,086
Empowerment Zones Program [c]	10.772	N/A	206,850	206,850
U.S. DEPARTMENT OF JUSTICE				
Office of Justice Programs				
Passed through Michigan Department of Human Services				
Juvenile Accountability Incentive Block Grant [d] 05/06	16.523	JABGN-05-18001	10,386	10,386
Passed through Michigan State Police				
Byrne Formula Grant Program	16.579	ODCP-70909-6-06-B	12,795	12,795
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Human Services				
Child Support Enforcement (Title IV-D) [c]	93.563			
Cooperative Reimbursement [a] Friend of the Court - 05/06		CS/FOC-06-18001	195,537	195,537
Cooperative Reimbursement [a] Prosecuting Attorney - 05/06		CS/PA-06-18002	51,141	51,141
Title IV-D Incentive Payments [b] 2006 Regular		N/A	42,647	42,647
			289,325	289,325

Clare County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2006

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantors Number	Current Year Revenues	Current Year Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan State Police				
State Domestic Preparedness Equipment Support Program				
2004 SHSP	97.004	N/A	$ 21,951	$ 21,951
Homeland Security Grant Program	97.067			
2005 SHSP		N/A	13,153	13,153
2006 LETPP		N/A	5,028	5,028
			18,181	18,181
Emergency Management Performance Grants	97.042	N/A	7,567	7,567
Passed through Michigan Department of Natural Resources				
Boating Safety Financial Assistance	97.012	N/A	18,226	18,226
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 701,419	$ 701,419

Clare County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2006

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Clare County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are reconciled in Note C.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

(a) Reimbursement of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal, except for the Medical Support Collection portion which is 34% State funded.

(b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.

(c) Denotes program tested as "major program".

(d) The amounts reported represent the Federal portion of the respective amounts based on 90% of eligible expenditures for the grant.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the September 30, 2006 basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/State Revenue	Less State Revenue	Federal Expenditures
PRIMARY GOVERNMENT			
GENERAL FUND			
Prosecutor - CRP	$ 51,141	$ -	$ 51,141
Homeland security	47,709	(10)	47,699
Juvenile Incentive Block grant	11,540	(1,154)	10,386
Byrne grant	12,795	-	12,795
Solid waste management grant	51,086	-	51,086
Marine safety grant	19,881	(1,655)	18,226
Other programs	834,336	(834,336)	-0-
TOTAL GENERAL FUND	1,028,488	(837,155)	191,333
SPECIAL REVENUE FUNDS			
Friend of the Court	238,184	-	238,184
Other funds	194,985	(194,985)	-0-
TOTAL SPECIAL REVENUE FUNDS	433,169	(194,985)	238,184
TOTAL PRIMARY GOVERNMENT	1,461,657	(1,032,140)	429,517

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

	Federal/State Revenue	Less State Revenue	Federal Expenditures
COMPONENT UNITS			
Housing Commission	$ 65,052	$ -	$ 65,052
Enterprise Community	206,850	-	206,850
TOTAL COMPONENT UNITS	271,902	-0-	271,902
TOTAL REPORTING ENTITY	$ 1,668,507	$(967,088)	$ 701,419

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

To the Board of Commissioners
Clare County
Harrison, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Clare County, Michigan as of and for the year ended September 30, 2006, and have issued our report thereon dated May 22, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Clare County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Clare County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2005-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clare County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

We noted certain matters that we have reported to management and the Board of Commissioners of Clare County, Michigan in a separate letter dated May 22, 2007.

This report is intended solely for the information and use of the administration and Board of Commissioners of Clare County, the 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.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 22, 2007

Clare County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2006

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Reportable condition(s) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?		Yes	X	No
Reportable condition(s) identified that are not considered to be material weakness(es)?		Yes	X	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified			
Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133?		Yes	X	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Child Support Enforcement (Title IV-D)
10.772	Empowerment Zone Program

Dollar threshold used to distinguish between Type A and Type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?		Yes	X	No

Section II - Financial Statement Findings

2005-1 BANK ACCOUNTS NOT RECORDED

Condition: During the course of our audit, we noted one (1) bank account that is not recorded in the County's general ledger. The account is an Inmate/Commissary account maintained at the jail. The balance in this account was not considered to be material to the financial statements. This issue was noted and reported in our prior year audit comments.

Criteria: The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County.

Effect: The County has failed to identify all of the bank accounts that they have custody over. As a result, the County has not maintained adequate internal control over cash activities.

Section II - Financial Statement Findings - Concluded

2005-1 BANK ACCOUNTS NOT RECORDED - CONCLUDED

Recommendation: We recommend that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger.

Corrective Action Response: Management of the County is currently reviewing procedures related to identification of all bank accounts and will implement necessary changes in order to comply with the cited requirements.

Section III - Federal Award Findings and Questioned Costs

None

Clare County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2006

FINDINGS/NONCOMPLIANCE

Financial Statement Findings

2005-1 BANK ACCOUNTS NOT RECORDED

During the course of our prior year audit, we noted one (1) bank account that is not recorded in the County's general ledger. The account is an Inmate/Commissary account maintained at the jail. The balance in this account was not considered to be material to the financial statements. The account has not been recorded in the County's general ledger at September 30, 2006 and therefore the finding is not considered to be resolved.

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

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MANAGEMENT LETTER

To the Board of Commissioners
of Clare County
Harrison, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Clare County, Michigan for the year ended September 30, 2006. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the internal control structure and our discussions with management.

1. Repeat management letter comments should be addressed.

   During the course of our audit, we reviewed the progress that Clare County has made in implementing improvements that we recommended or suggested in our annual internal control and management letters to the Board of Commissioners for the prior year.

   Following is a list of issues that were communicated in the prior year but have not been addressed:

   a. The Inmate Trust/Jail Commissary bank account maintained at the jail is not recorded in the County's general ledger. The recording of all cash accounts is necessary to demonstrate stewardship over all of the activities that have been entrusted to the County. This issue has been noted and reported in the County's Single Audit as a material weakness in internal control.

      We recommend that the County take steps to ensure that all bank accounts are properly identified and recorded in the County's general ledger.

   b. As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General and Special Revenue Funds. This issue has also been noted for the current year.

      It is a violation of Michigan Public Act 621 of 1978, as amended, for the County to incur expenditures in excess of the amounts appropriated.

      We suggest the County monitor expenditures against the adopted budget on a periodic basis, preferably monthly. Appropriate budget amendments should be made as needed.

   c. During the course of our audit it was noted that the inmate trust account had not been reconciled to the appropriate subsidiary ledger. The bank account consists partially of balances that are due to inmates with the remainder being County funds arising from the jail commissary. The portion of this bank account pertaining to inmate balances has not been reconciled to supporting documentation such as amounts due to individual inmates.

      We suggest the inmate trust account be reconciled monthly and any necessary adjustments be made through County funds.

d. The County should review and revise Special Revenue Fund budgets as necessary. During the course of our audit, we noted that the Parks and Recreation Fund had a budgeted fund deficit at September 30, 2006 of $53,292. Through discussions with management, we determined that this was caused by an inaccurate beginning fund balance being used for budgetary purposes.

   We suggest the County monitor Special Revenue Fund budgets and amend the budgets as necessary throughout the year.

e. The County's investments are recorded at historical cost, meaning that accrued interest for the County's investments is not being recorded in the general ledger. Generally accepted accounting principles require that investments be reported at fair market value, which includes the recording of investment income or gains/losses in the financial statements. These amounts are not reflected in the County's financial statements as they were not considered to be material to those statements.

   We suggest that the County's investments be recorded at fair market value. All investments should be analyzed on a monthly basis and any accrued interest or gains/losses should be recorded in the general ledger.

f. The County should reconcile department balances. During the course of our audit, we reconciled the outside accounting records of two County departments to the general ledger for presentation in the financial statements. The Family Independence Agency and Housing Commission departments both maintain accounting records that provide information required to be presented in the financial statements, but this information is not available in the summarized information available from the Treasurer. As a result, reconciliations must be prepared between the two sets of records for financial statement purposes.

   We suggest that the County reconcile these department records to the general ledger in the future. This will help ensure that the audit is conducted efficiently and in a cost effective manner.

2. <u>The County should adopt budgets at a more summarized level</u>.

   As noted in the financial statements, each year the County legally adopts budgets for the General Fund and various other governmental funds at the line item level. This is a level of detail that is not common for an entity the size of Clare County to employ. As a result, numerous line items are over budget, in violation of Michigan Public Act 621 of 1978, as amended. Note L to the financial statements lists the full extent of line items that exceeded the amounts appropriated during the year.

   As Note L demonstrates, attempting to micro-manage the budget at this level as the County is currently doing makes it extremely difficult to maintain compliance with State law and is generally not a desirable budgetary practice. Additionally, the County processes a large amount of line item changes to the budget, all of which must be approved by County Administration and the Board of Commissioners. This represents a drain on resources that could be better applied to other areas.

   We suggest that the County legally adopt budgets for the upcoming fiscal year at the activity (department) level in the General Fund and the total expenditure level for all other budgeted funds. A line item budget could be entered into the County's financial system as it currently is being done, but this would be informational only and would not represent the legally adopted budget.

3. <u>The County should prepare for implementation of GASB Statement No. 45</u>.

   The Governmental Accounting Standards Board has recently issued Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the Clare County the year ended September 30, 2009.

   The County is subject to this new standard in that it pays for health care benefits for employees who retire under the County's pension plan.

   We would like the County to be aware of this upcoming change and also suggest that the County begin to discuss options for implementing this new standard. The County has the option of contracting with an actuary to determine the total liability and required contribution amount or calculating the liability and required contribution amount using the alternate method described in GASB Statement No. 45.

4. The County should develop formal procedures for processing void receipts.

   During the course of our audit it was noted that voided receipts are not reviewed or approved by a supervisor at several of the decentralized departments. This lack of verification by a supervisor could expose the County to additional threats of fraud or misappropriation of funds.

   We suggest that original voided receipts be reviewed to ensure that the voiding of the receipt was proper and justified. In addition, the review should provide for verification that the voided receipt was reentered in the accounting system when applicable and should be done by someone who is not involved in receipting payments and who does not have the capability to void receipts.

5. The County should review all budgeted line items that have a negative appropriated amount.

   As shown in the notes to the financial statements, the County had three (3) budgeted expenditure line items that were negative amounts in the original appropriated budget. This deficit creates an automatic excess of expenditures over appropriations in those line items.

   We suggest the County review the status of all budgets and make appropriate adjustments as needed.

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

   As noted in the financial statements, the County had two (2) funds that ended the year in a deficit financial position. As a result, the County will be required to submit a deficit elimination plan to the State of Michigan for these funds.

   We suggest the County review the status of all funds near year-end and make appropriate adjustments when possible to eliminate deficits.

7. The County should consider establishing the position of Financial Coordinator.

   Recently, the American Institute of Certified Public Accountants issued a new auditing standard that we must follow when we communicate certain internal control related matters to you as part of our audit of your financial statements for the year ended September 30, 2007. This new standard will require us to report on internal control in a much different way and will require us to report issues to the Board that may not have been reported before.

   Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit,* emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

   SAS 112 effectively requires us to assess whether the County is capable of preparing its own financial statements if we did not. The underlying presumption is that if the County is capable of preparing the financial statements then they possess the skills and competencies to prevent, detect and correct material misstatements in their financial statements. If management is capable of drafting the financial statements (and our involvement is therefore only a matter of convenience), then they are truly capable of understanding and taking responsibility for the statements and the auditor is not part of internal controls.

   Management of Clare County may not currently be capable of drafting the financial statements. This means that management may not truly be capable of understanding and taking responsibility for the financial statements - that material misstatements may be present and be unknown by management. Clare County is currently relying on us as auditors to supply this expertise. SAS 112 will be effective for the audit of Clare County's financial statements as of September 30, 2007 and will require us to report this as a material weakness in internal control.

   SAS 112 also will require us to report (or at least strongly consider) a material weakness for the following other issues that currently exist at Clare County:

- Material or numerous journal entries provided by the auditors.
- Repeat management letter comments.
- Prior period adjustments (if any, but these are not uncommon for Clare County)
- Reconciling DHS and Housing Commission information to the County's general ledger
- Un-reconciled or un-recorded bank accounts

We suggest that the County strongly consider hiring a professional Financial Coordinator, whose function would be to oversee the financial reporting process. This person would prepare and record monthly and year-end accruals, keep management informed of significant financial issues, assist the outside auditors with preparation of the comprehensive annual financial report, and possibly become involved in the budgetary process. The addition of this type of position would allow management to truly take responsibility for the financial statements and avoid the potential of audit comments that would otherwise result from the implementation of SAS 112.

8. The bank account for the Department of Human Services (DHS) should be reconciled earlier.

During our auditing procedures related to cash, we noted that the September 30, 2006 bank account for DHS had not been reconciled in time for our fieldwork in early December. It was reconciled at our request and submitted for audit after the team had left the field later that month.

We suggest that all of the County's bank accounts be reconciled and ready for audit at the commencement of annual fieldwork.

9. The County should provide information on increases and decreases for compensated absences.

The County's liability for compensated absences is accrued and presented at the government-wide level as required by generally accepted accounting principles (GAAP). The County does not present, however, information on increases and decreases to this liability as required by Governmental Accounting Standards Board Statement Number 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" (GASB 34) paragraph 119b.

We suggest that the County provide this information in the future so that it may be included in the note disclosure as required by GAAP.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated May 22, 2007.

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 22, 2007