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	Delta County	Delta

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
9-30-06	3-18-07	4-21-07

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)	☐	

Certified Public Accountant (Firm Name)	Telephone Number
Anderson, Tackman & Company, PLC	906-786-3111

Street Address	City	State	Zip
901 Ludington Street	Escanaba	MI	49829

Authorizing CPA Signature	Printed Name	License Number
Raymond B. LaMarche, CPA	Raymond B. LaMarche	1101025531

COUNTY OF DELTA, MICHIGAN

BASIC FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2006

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Delta
Escanaba, Michigan 49829

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the County of Delta, 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 the County of Delta'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 Delta County Road Commission, which represents 92 percent, 93 percent, and 58 percent, respectively, of the assets, net assets, and revenues of the discretely presented component units. 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 Delta County Road Commission, is based on the report of the other auditors.

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

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

901 LUDINGTON STREET ESCANABA, MICHIGAN 49829 (906) 786-3111 FAX (906) 786-8940

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2007, on our consideration of the County of Delta, Michigan'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 the budgetary comparison information on pages 3 – 13 and 59 - 60, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Delta's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County of Delta, Michigan. The combining nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company P.L.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

March 16, 2007

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Delta County's financial performance provides an overview of the County's financial activities for the fiscal year ending September 30, 2006. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at $30,536,871 for 2006 and were $27,237,277 for 2005, an increase of $3,299,594. For 2006, net assets for our business-type activities were $13,350,792 or 44% of total net assets, while net assets in our governmental activities were $17,186,079 or 56% of total net assets.

- The County's expenses for 2006 totaled $12,109,814, while revenues from all sources totaled $15,409,408, leaving an increase of $3,299,594. In 2005, total expenses totaled $14,154,782 while revenues totaled $15,044,725, leaving an increase of $899,943.

- In the County's business-type activities, total revenues were $2,503,167, or 16% of total revenue, while expenses totaled $1,362,468, or 11% of total expenses. This provides excess revenues over expenses of $1,140,699 and is primarily due to federal government participation in capital improvement projects at the airport.

- The General Fund reported an increase in fund balance of $275,331 in 2006 and $417,304 in 2005, representing an increase in fund balance of 9% and 16%, respectively. This was after revenues of $8,492,996 compared to $8,330,792 in 2005, and expenditures of $7,177,432 compared to expenses of $7,126,542 in 2005.

USING THIS REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position.* Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities – Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes and state and federal grant funds make up the majority of revenue for these activities.

- Business-type activities – The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The County Airport and the collection of delinquent property taxes primarily make up these activities.

The County also presents three legally separate component units; District Health Department, County Road Commission and Department of Human Services which are reported separately from the financial information of the County. A separate financial statement is available for the County Road Commission and is available at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds – not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the County's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County's general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.

- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County's enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for other County programs and activities.

The County as a Trustee

The County is the trustee, *or fiduciary,* of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 24. We exclude these funds from the County's other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by $3,299,594 in 2006 and $889,943 in 2005.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2006	2005	2006
Current and other assets	$ 12,387,432	$ 14,312,930	$ 2,980,339	$ 2,708,061
Capital assets (net)	8,176,611	8,126,249	9,528,097	10,866,414
Total Assets	20,564,043	22,439,179	12,508,436	13,574,475
Long-term debt outstanding	4,531,113	4,204,632	191,523	150,339
Other liabilities	1,005,746	1,048,468	106,820	73,344
Total Liabilities	5,536,859	5,253,100	298,343	223,683
Net Assets:				
Invested in capital assets, net of related debt	3,681,611	3,951,249	9,336,573	10,716,075
Restricted assets:				
Expendable	1,732,895	2,262,895	-	19,706
Unrestricted	9,612,678	10,971,935	2,873,520	2,615,011
Total net assets	$ 15,027,184	$ 17,186,079	$ 12,210,093	$ 13,350,792

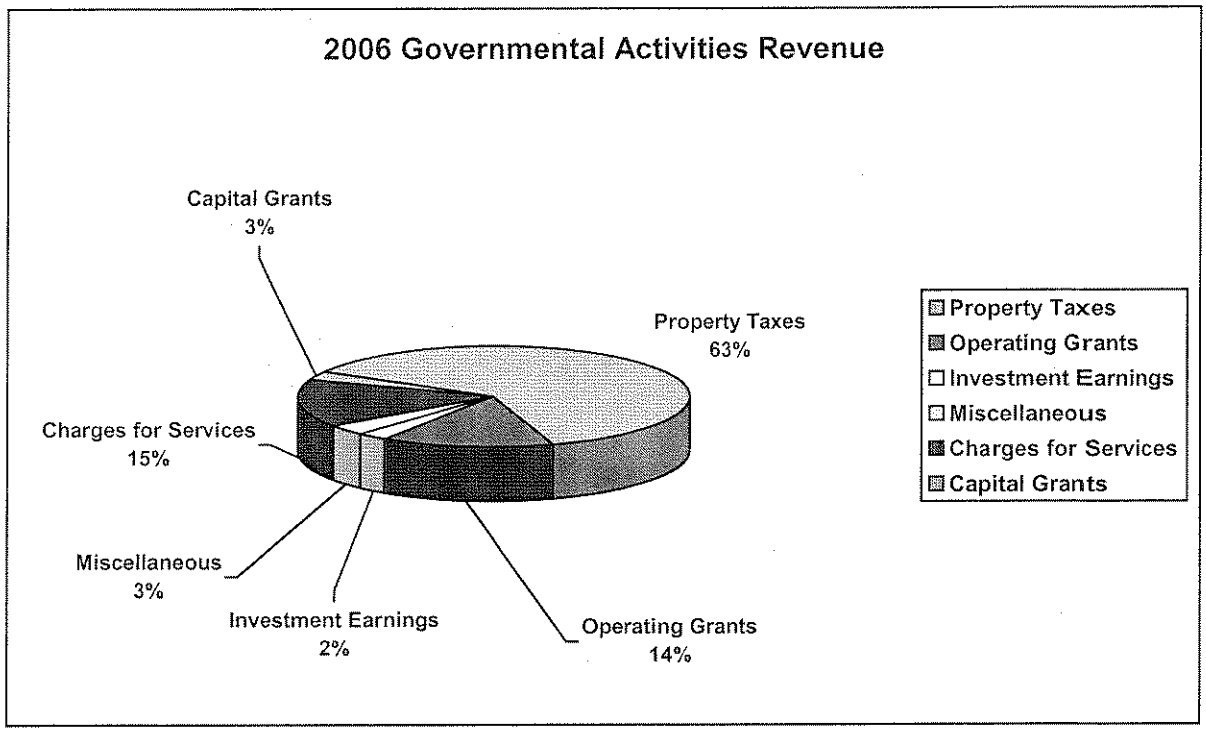
Net assets of the County's governmental activities stood at $17,186,079, up from $15,027,184 in 2005 (+14.4%). Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at $10,971,935 and $9,612,678 for 2006 and 2005 respectively.

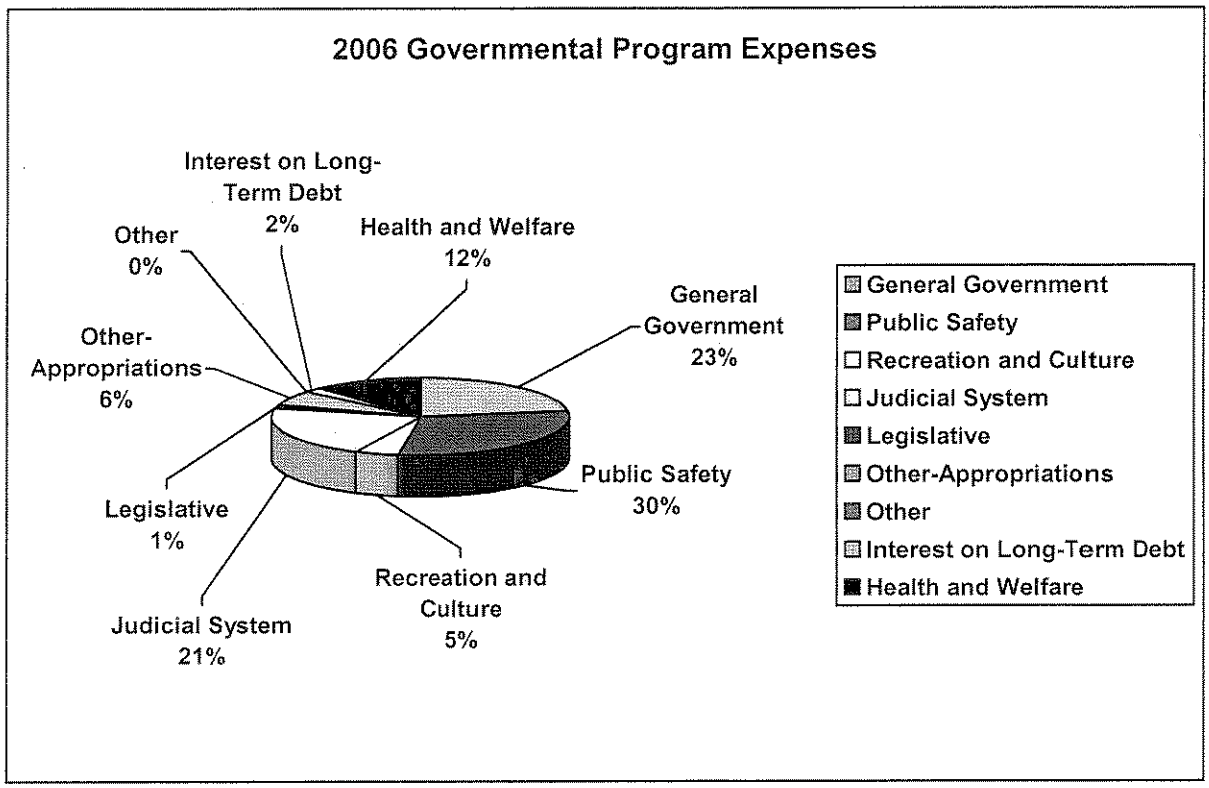
Net assets in our business-type activities stood at $13,350,792, up from $12,210,093 in 2005 (+9.3%). Unrestricted net assets for our business-type activities were $2,615,011 and $2,873,520 for 2006 and 2005 respectively. A large portion of net assets in our business-type activities is the result of the federal government funding a large portion of capital improvements at the county airport.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities	
	2005	2006	2005	2006
Revenues:				
Program Revenues:				
Charges for services	$ 1,974,420	$ 2,030,423	$ 1,060,550	$ 883,621
Operating grants	1,952,585	1,900,638	3,089	37,809
Capital grants	816,040	365,829	1,396,906	1,757,879
General Revenues:				
Property taxes	7,687,781	8,141,317	-	-
Grants and contributions not restricted to specific programs	-	-	-	-
Unrestricted investment earnings	183,569	325,699	28	30
Miscellaneous	434,231	415,358	14,675	25,600
Total Revenues	13,048,626	13,179,264	2,475,248	2,704,939
Program Expenses:				
Legislative	152,512	154,664	-	-
Judicial system	2,445,965	2,299,541	-	-
General government	4,278,031	2,449,104	-	-
Public safety	3,130,519	3,193,241	-	-
Health and welfare	1,035,815	1,279,389	-	-
Recreation and culture	479,937	508,414	-	-
Other-appropriations	956,853	636,427	-	-
Other	400	2,474	-	-
Interest on long-term debt	238,757	224,092	-	-
Delinquent tax revolving	-	-	18,441	43,143
Airport	-	-	1,410,014	1,311,830
Jail commissary	-	-	7,538	7,495
Total Expenses	12,718,789	10,747,346	1,435,993	1,362,468
Excess (deficiency) before transfers and contributions	329,837	2,431,918	1,039,255	1,342,471
Transfers	(97,702)	(273,023)	(381,447)	(201,772)
Increase (decrease) in net assets	232,135	2,158,895	657,808	1,140,699
Net assets - beginning	14,795,049	15,027,184	11,552,285	12,210,093
Net assets - ending	$ 15,027,184	$ 17,186,079	$ 12,210,093	$ 13,350,792

Governmental Activities





Governmental Activities

Revenues for the County's governmental activities totaled $12,906,241, down 1% from $13,048,626 in 2005. Expenses were down 15.5% ($1,971,443) which was partially due to the Renaissance Zone project being substantially completed in the prior year and there was also an increase over the prior year in the amount of excess of revenue over expense allocated from the internal service funds.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Health and Welfare, and Other – Appropriations, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services		Net Cost of Services	
	2005	2006	2005	2006
Public safety	$ 3,130,519	$ 3,193,241	$ 2,448,029	$ 2,488,707
Judicial system	2,445,965	2,299,541	663,581	583,807
General government	4,278,031	2,449,104	2,951,182	1,465,098
Health and welfare	1,035,815	1,279,389	789,029	887,102
Other - appropriations	956,853	636,427	529,039	446,652
Totals	$ 11,847,183	$ 9,857,702	$ 7,380,860	$ 5,871,366

Business-Type Activities

The County's business-type activities net assets totaled $13,350,792, with an increase in the current year of $1,140,699. A majority of the increase was due to contributions by the federal government for capital improvement projects at the airport.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

For the current fiscal year the County's governmental funds reported total fund balance of $7,173,488, which was all unreserved. The General Fund unreserved fund balance amounted to $3,178,231, with $91,446 designated for future retirement benefits. The General Fund had an increase in fund balance of $275,331, representing an increase of 9% over the prior year fund balance.

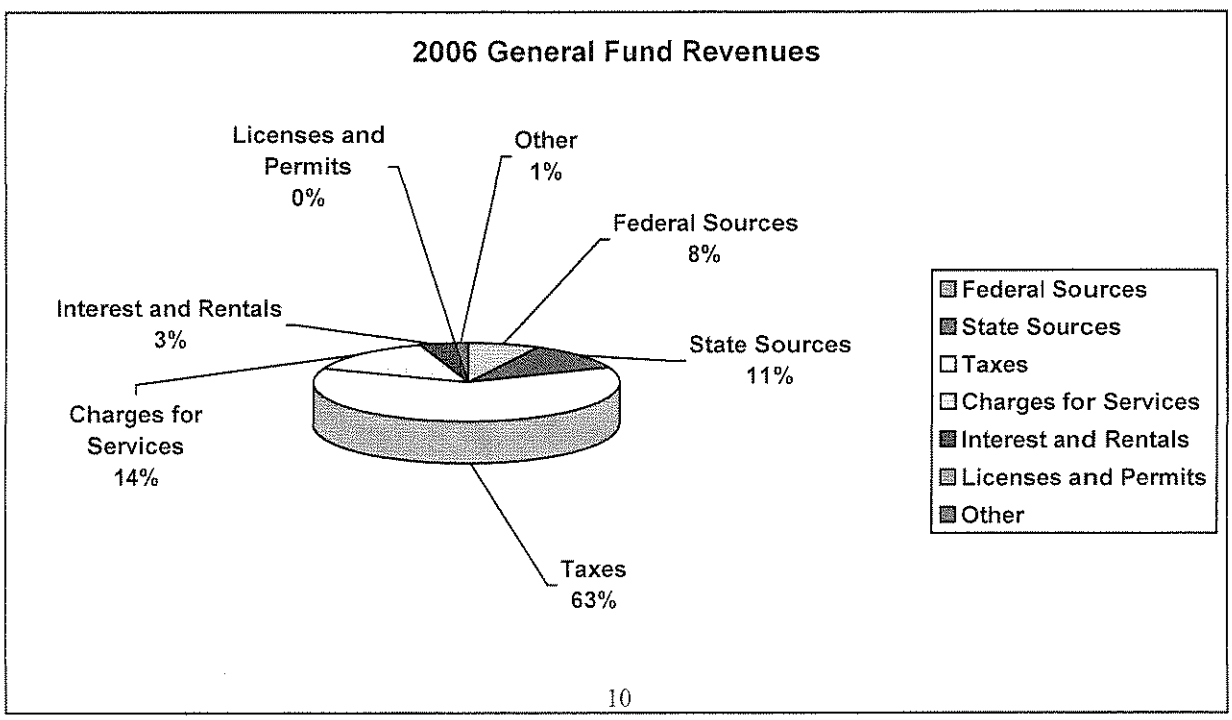
In fiscal year 2005, in accordance with Public Act 357 of 2004, the County established the Revenue Sharing Reserve Fund which is to be used to replace the State revenue sharing payments for the next several years. The Act calls for the County to put one-third of the December 2004 levy into this new fund, and put the same amount in the Revenue Sharing Reserve Fund from the December 2005 and 2006 levy's. In 2006, the County placed $1,522,753 in property taxes from the December 2005 levy into the Revenue Sharing Reserve Fund and also transferred $723,877 to the General Fund for operating purposes. In order to make up the shortfall in the General Fund for property tax revenue, the Act allowed the County to levy two-third's of their property tax levy in July and that amount has been recognized as revenue in the General Fund for 2006.

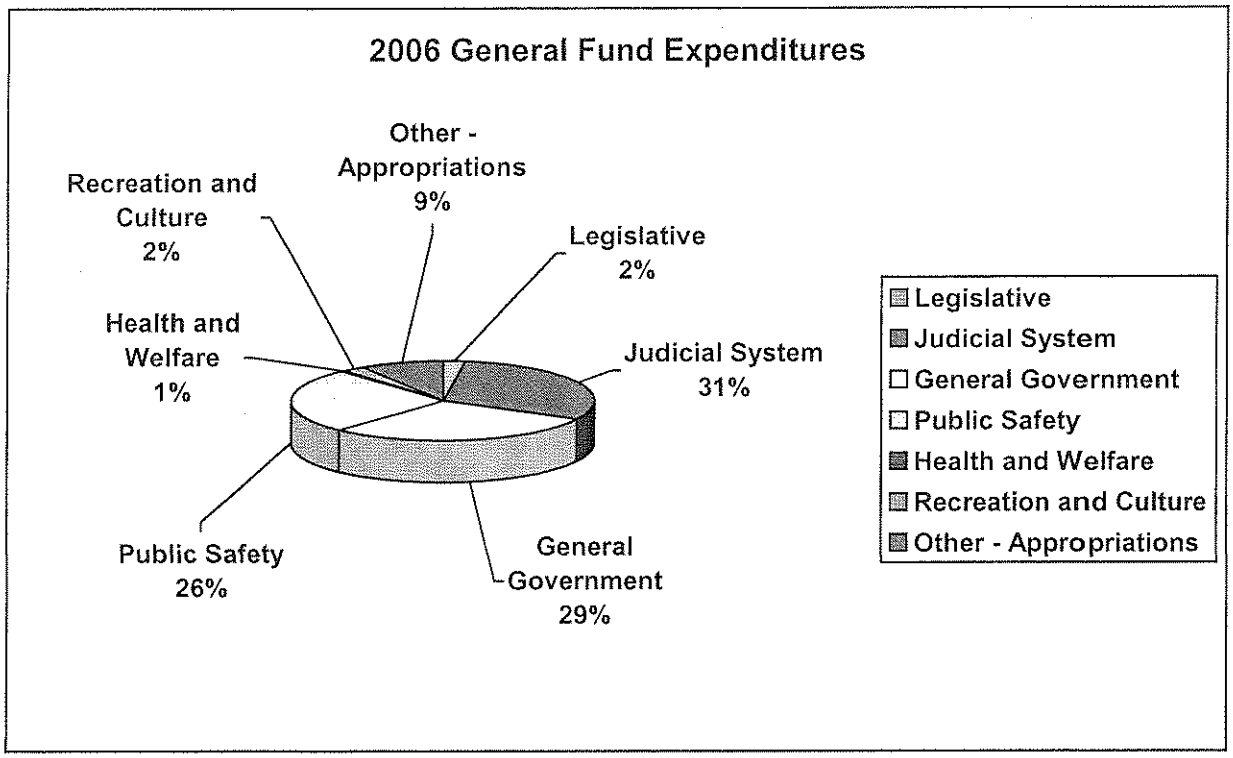
The Renaissance Zone fund was established for the purpose of accounting for the activities relating to the construction of the infrastructure at the Renaissance Zone. The fund balance at year end was a deficit of $215,862, which relates to the County not currently being able to meet the requirements of a State CDBG grant which was budgeted for as matching funds for the federal grant.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended several times. These amendments were made to recognize changes to revenue or expenditures. The budgeted expenditures of the final amended budget increased by $1,272,973 over the original budget, representing an increase of 14%. The original budget was projected to use $200,000 of fund balance, while the actual results showed an increase to fund balance of $275,331. This was due to an increase of revenue, primarily from increased property tax revenue and an effort to contain costs resulted in the net change from the original budget to the final actual amounts. The budgeted revenues net change from the original budget to the final amended budget amounted to $1,272,973, representing an increase of 14%.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2006, the County had $18,992,663, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities		Business-Type Activities	
	2005	2006	2005	2006
Land	$ 13,350	$ 13,350	$ 1,031,579	$ 1,031,579
Land Improvements	151,560	138,619	283,978	267,097
Buildings and improvements	7,680,217	7,697,848	3,594,887	3,502,505
Machinery & Equipment	331,484	276,432	654,902	586,717
Infrastructure	-	-	3,962,751	5,478,516
Total	$ 8,176,611	$ 8,126,249	$ 9,528,097	$ 10,866,414

The most significant increase in additions to capital assets is the airport rehabilitation of the taxiway and apron which was completed as of September 30, 2006. This project is funded primarily with federal funding as well as State of Michigan and local funds.

DEBT

At year-end the County had $4,354,971 in bonds and notes outstanding.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2005	2006	2005	2006	2005	2006
Building Authority Bonds:						
Service Center	$ 1,220,000	$ 1,085,000	$ -	$ -	$ 1,220,000	$ 1,085,000
Courthouse Renovation	3,275,000	3,090,000	-	-	3,275,000	3,090,000
Notes Payable						
Energy conservation	36,113	29,632	-	-	36,113	29,632
1997 Hanger	-	-	73,297	56,750	73,297	56,750
2001 Hanger	-	-	98,092	88,159	98,092	88,159
Fuel tanker	-	-	20,134	5,430	20,134	5,430
Totals	$ 4,531,113	$ 4,204,632	$ 191,523	$ 150,339	$ 4,722,636	$ 4,354,971

There were no significant changes in long-term debt with the exception of the addition of a note payable at the Airport for the purchase of a fuel tanker truck. The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of $4,354,971 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Delta County area appears to be flat in relation to job growth or job loss. The cost of living in the Delta County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2007 budget.

The future budgets of the County need to account for the affects of the above mentioned factors and new ones, while providing for statutory responsibilities. Fluctuations in fuel costs will have a significant impact on some areas of the budget, such as utilities, and indirect affects on others. Reduction in State and Federal programs, without corresponding reductions in service level requirements are likely to occur. The limiting of property tax revenue growth through the Headlee Amendment and Proposal A, may require reductions in discretionary services to fund mandated services. Cash flow issues, due to the shift in property tax collections, will limit the County's ability to use fund reserves.

The uncertainty of the State of Michigan's tax structure, to fund the reinstatement of revenue sharing to counties, makes for an unstable outlook. The current fiscal crisis for the State of Michigan will continue to create a high level of uncertainty for Delta County. The uncertainty of the State of Michigan's tax structure to fund the reinstatement of revenue sharing to counties, may result in a significant reduction of revenues beginning in 2010. Cuts to State programs, cuts in local government support by the State, and shifting funding or program responsibilities to the County in order to balance the State budget, makes for an unstable outlook.

In 2004 the County began to install the infrastructure at the Renaissance Zone located at the county airport. This project is being funded in part by a grant from the United States Department of Economic Development Administration, Community Development Block Grant funds from the State of Michigan and local matching funds. In 2006 Delta County began preliminary studies to replace the aging County jail. By starting this process the County can explore capacity and funding options. Delta County is working with other Upper Peninsula counties to study a regional jail option also. Future capital projects that have been deferred in the past few years will need to be addressed, while capital from outside sources is limited.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Delta County Courthouse, 310 Ludington Street, Escanaba, Michigan, 49829.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
September 30, 2006

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 10,752,446	$ 1,578,464	$ 12,330,910
Investments	2,249,686	-	2,249,686
Receivables:			
Accounts	204,425	11,443	215,868
Current taxes	571,516	-	571,516
Notes	227,782	-	227,782
Delinquent taxes	-	754,686	754,686
Interest	-	97,456	97,456
Due from other governmental units	208,856	-	208,856
Internal balances	813	-	813
Prepaids	97,406	-	97,406
Inventory	-	21,043	21,043
Total current assets	14,312,930	2,463,092	16,776,022
Noncurrent assets:			
Delinquent taxes	-	244,969	244,969
Long-term contract receivable	-	-	-
Capital assets, net of accumulated depreciation	8,126,249	10,866,414	18,992,663
Total noncurrent assets	8,126,249	11,111,383	19,237,632
Total assets	$ 22,439,179	$ 13,574,475	$ 36,013,654
LIABILITIES			
Current liabilities:			
Accounts payable	$ 44,656	$ 611	$ 45,267
Accrued payroll	184,711	12,312	197,023
Accrued interest	34,995	-	34,995
Due to other governmental units	194,793	-	194,793
Deferred revenue	-	-	-
Long-term liabilities due within one year:			
Compensated absences	147,328	15,105	162,433
Notes payable	6,612	32,502	39,114
Bonds payable	330,000	-	330,000
Total current liabilities	943,095	60,530	1,003,625
Long-term liabilities:			
Compensated absences	441,985	45,316	487,301
Notes payable	23,020	117,837	140,857
Bonds payable	3,845,000	-	3,845,000
Total long-term liabilities	4,310,005	163,153	4,473,158
Total liabilities	5,253,100	223,683	5,476,783
NET ASSETS			
Invested in capital assets, net of related debts	3,951,249	10,716,075	14,667,324
Restricted for:			
Expendable:			
Special revenue	2,217,263	-	2,217,263
Debt service	-	-	-
Capital projects	45,632	19,706	65,338
Unrestricted	10,971,935	2,615,011	13,586,946
Total net assets	17,186,079	13,350,792	30,536,871
TOTAL LIABILITIES AND NET ASSETS	$ 22,439,179	$ 13,574,475	$ 36,013,654

See accompanying notes to financial statements.

Component Units		
District Health Department	Road Commission	Department of Human Services
$ 326,715	$ 114,587	$ 229,159
-	1,237,485	-
300,200	76	55,786
-	-	-
-	-	-
-	-	-
-	-	-
274,055	899,385	153,204
-	-	-
85,287	33,771	-
-	807,671	-
986,257	3,092,975	438,149
-	-	-
-	65,000	-
335,075	18,209,400	-
335,075	18,274,400	-
$ 1,321,332	$ 21,367,375	$ 438,149
$ 192,213	$ 567,832	$ -
100,954	55,233	-
-	105,344	-
-	244,342	55,786
14,315	462,210	-
81,297	-	-
-	-	-
-	115,000	-
388,779	1,549,961	55,786
243,890	197,065	-
-	-	-
-	4,920,000	-
243,890	5,117,065	-
632,669	6,667,026	55,786
335,075	13,069,056	-
-	-	-
-	-	-
-	-	-
353,588	1,631,293	382,363
688,663	14,700,349	382,363
$ 1,321,332	$ 21,367,375	$ 438,149

COUNTY OF DELTA, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets			
					Primary Government			
Functions/Programs	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:								
Governmental activities:								
Legislative	$ 154,664	$ -	$ -	$ -	$ (154,664)	$ -	$ (154,664)	$ -
Judicial system	2,299,541	667,962	1,047,772	-	(583,807)	-	(583,807)	-
General government	2,449,104	651,919	153,067	179,020	(1,465,098)	-	(1,465,098)	-
Public safety	3,193,241	341,822	286,853	75,859	(2,488,707)	-	(2,488,707)	-
Health and welfare	1,279,389	58,166	334,121	-	(887,102)	-	(887,102)	-
Recreation and culture	508,414	310,554	-	-	(197,860)	-	(197,860)	-
Other - appropriation	636,427	-	78,825	110,950	(446,652)	-	(446,652)	-
Other	2,474	-	-	-	(2,474)	-	(2,474)	-
Interest on long-term debt	224,092	-	-	-	(224,092)	-	(224,092)	-
Total governmental activities	10,747,346	2,030,423	1,900,638	365,829	(6,450,456)	-	(6,450,456)	-
Business-type activities:								
Delinquent tax revolving	43,143	339,004	-	-	-	295,861	295,861	-
Airport	1,311,830	525,716	37,809	1,757,879	-	1,009,574	1,009,574	-
Jail commissary	7,495	18,901	-	-	-	11,406	11,406	-
Total business-type activities	1,362,468	883,621	37,809	1,757,879	-	1,316,841	1,316,841	-
Total primary government	12,109,814	2,914,044	1,938,447	2,123,708	(6,450,456)	1,316,841	(5,133,615)	-
Component units:								
District Health Department	3,802,894	767,294	2,447,912	-	-	-	-	(587,688)
Road Commission	5,033,655	1,253,812	4,060,966	2,122,850	-	-	-	2,403,973
Department of Human Services	1,636,169	-	1,652,520	-	-	-	-	16,351
Total component units	$ 10,472,718	$ 2,021,106	$ 8,161,398	$ 2,122,850	-	-	-	1,832,636
General revenues:								
Property taxes					8,141,317	-	8,141,317	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					325,699	30	325,729	65,696
Miscellaneous					415,358	25,600	440,958	15,880
Transfers					(273,023)	(201,772)	(474,795)	474,795
Total general revenues and transfers					8,609,351	(176,142)	8,433,209	556,371
Change in net assets					2,158,895	1,140,699	3,299,594	2,389,007
Net assets, beginning					15,027,184	12,210,093	27,237,277	13,644,072
Restatement of net assets					-	-	-	(261,704)
Restated net assets, beginning of year					15,027,184	12,210,093	27,237,277	13,382,368
Net assets, ending					$ 17,186,079	$ 13,350,792	$ 30,536,871	$ 15,771,375

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2006

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and equivalents:				
Unrestricted	$ 3,252,506	$ 1,508,426	$ 2,267,002	$ 7,027,934
Receivables:				
Accounts	-	-	188,800	188,800
Property taxes	571,516	-	-	571,516
Due from other funds	30,331	-	86,741	117,072
Due from State of Michigan	208,856	-	-	208,856
Prepaid expense	97,406	-	-	97,406
Total assets	$ 4,160,615	$ 1,508,426	$ 2,542,543	$ 8,211,584
LIABILITIES				
Accounts payable	$ 35,405	$ -	$ 4,405	$ 39,810
Due to other funds	542,113	-	85,181	627,294
Due to other governmental units	174,753	-	20,040	194,793
Accrued payroll and related liabilities	132,707	-	43,492	176,199
Total liabilities	884,978	-	153,118	1,038,096
FUND BALANCES				
Unreserved:				
Designated	91,446	-	961,371	1,052,817
Undesignated	3,086,785	1,508,426	-	4,595,211
Unreserved, reported as non-major:				
Special revenue funds	-	-	1,447,827	1,447,827
Debt service	-	-	48,240	48,240
Capital projects	-	-	(68,013)	(68,013)
Reserved - prepaid expenditures	97,406	-	-	97,406
Total fund balances	3,275,637	1,508,426	2,389,425	7,173,488
Total liabilities and fund balances	$ 4,160,615	$ 1,508,426	$ 2,542,543	$ 8,211,584

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
September 30, 2006

Total fund balances for governmental funds		$ 7,173,488
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land and land improvements	271,512	
Buildings and improvements	12,024,270	
Machinery and equipment	803,740	
Accumulated depreciation	(4,973,273)	
Total capital assets		8,126,249
The County uses internal service funds for the purpose of internally financing various County projects and for activities related to the Service Center. The assets and liabilities of these internal service funds are included in the governmental activities in the statement of net assets.		6,715,282
Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.		
Accrued interest on long-term debt	(34,995)	
Bonds payable	(4,175,000)	
Notes payable	(29,632)	
Compensated absences	(589,313)	(4,828,940)
Total net assets of governmental activities		$ 17,186,079

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2006

	General Fund	Revenue Sharing Reserve	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	$ 5,257,397	$ 1,522,753	$ 1,361,167	$ 8,141,317
Licenses and permits	1,430	-	204,805	206,235
Federal sources	637,998	-	502,438	1,140,436
State sources	970,026	-	361,188	1,331,214
Local sources	-	-	238,916	238,916
Charges for services	1,205,287	-	188,902	1,394,189
Interest and rentals	295,923	26,794	2,982	325,699
Other	124,935	-	276,323	401,258
Total revenues	8,492,996	1,549,547	3,136,721	13,179,264
EXPENDITURES:				
Legislative	154,664	-	-	154,664
Judicial system	2,197,435	-	29,024	2,226,459
General government	2,089,347	-	449,257	2,538,604
Public safety	1,899,747	-	1,183,240	3,082,987
Health and welfare	48,448	-	1,225,753	1,274,201
Recreation and cultural	151,364	-	326,690	478,054
Others - appropriations	636,427	-	-	636,427
Capital outlay	-	-	366,253	366,253
Debt service:				
Principal	-	-	320,000	320,000
Interest	-	-	226,915	226,915
Other	-	-	2,474	2,474
Total expenditures	7,177,432	-	4,129,606	11,307,038
Excess revenues (expenditures)	1,315,564	1,549,547	(992,885)	1,872,226
OTHER FINANCING SOURCES (USES):				
Transfer in	794,234	-	1,246,256	2,040,490
Transfer out	(1,834,467)	(723,877)	(164,857)	(2,723,201)
Total other financing sources (uses)	(1,040,233)	(723,877)	1,081,399	(682,711)
Net change in fund balance	275,331	825,670	88,514	1,189,515
Fund balances - beginning of year	3,000,306	682,756	2,300,911	5,983,973
Fund balances - end of year	$ 3,275,637	$ 1,508,426	$ 2,389,425	$ 7,173,488

See accompanying notes to financial statements.

DELTA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2006

Net changes in fund balances - total governmental funds		$ 1,189,515
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($377,976) exceeded capital outlays ($349,263).		(28,713)
Internal service funds are used by management to account for activities related to accumulating resources to pay for sick leave upon termination, the accumulation of residual equity from delinquent tax collections and the operation of the service center building. The net revenue (expense) of the internal service funds is reported with governmental activities.		711,187
Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.		
Principal repayments:		
Bond principal		320,000
Note principal		6,482
Net change in net book value of asset disposals		(21,650)
Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:		
Compensated absences	(20,749)	
Accrued interest on bonds	2,823	(17,926)
Changes in net assets of governmental activities		$ 2,158,895

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2006

	Airport	Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
ASSETS					
Current assets:					
Cash and cash equivalents					
Unrestricted	$ 25,647	$ 694,246	$ 838,865	$ 1,558,758	$ 3,724,512
Restricted	19,706	-	-	19,706	-
Investments	-	-	-	-	2,249,686
Receivables:					
Accounts	11,443	-	-	11,443	15,625
Notes	-	-	-	-	227,782
Current taxes	-	651,361	103,325	754,686	-
Interest	-	60,793	36,663	97,456	-
Due from other funds	-	-	-	-	542,113
Inventory	21,043	-	-	21,043	-
Total current assets	77,839	1,406,400	978,853	2,463,092	6,759,718
Noncurrent assets:					
Delinquent taxes	-	217,120	27,849	244,969	-
Capital assets, net of accumulated depreciation	10,866,414	-	-	10,866,414	-
Total noncurrent assets	10,866,414	217,120	27,849	11,111,383	-
Total assets	$ 10,944,253	$ 1,623,520	$ 1,006,702	$ 13,574,475	$ 6,759,718
LIABILITIES					
Current liabilities:					
Accounts payable	$ 611	$ -	$ -	$ 611	$ 4,846
Accrued payroll	12,312	-	-	12,312	8,512
Due to other funds	-	-	-	-	31,078
Compensated absences	15,105	-	-	15,105	-
Notes payable	32,502	-	-	32,502	-
Total current liabilities	60,530	-	-	60,530	44,436
Noncurrent liabilities:					
Compensated absences	45,316	-	-	45,316	-
Notes payable	117,837	-	-	117,837	-
Total noncurrent liabilities	163,153	-	-	163,153	-
Total liabilities	223,683	-	-	223,683	44,436
NET ASSETS					
Invested in capital assets, net of related debt	10,716,075	-	-	10,716,075	-
Restricted - capital projects (expendable)	19,706	-	-	19,706	-
Unrestricted	(15,211)	1,623,520	1,006,702	2,615,011	6,715,282
Total net assets	10,720,570	1,623,520	1,006,702	13,350,792	6,715,282
TOTAL LIABILITIES AND NET ASSETS	$ 10,944,253	$ 1,623,520	$ 1,006,702	$ 13,574,475	$ 6,759,718

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Airport	Tax Revolving 2005	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:					
Charges for services	$ 68,250	$ 47,180	$ 112,129	$ 227,559	$ -
Fuel sales	376,503	-	-	376,503	-
State sources	37,809	-	-	37,809	-
Rental and interest income	66,156	106,881	87,908	260,945	676,602
Miscellaneous	14,807	-	3,807	18,614	5,914
Total operating revenue	563,525	154,061	203,844	921,430	682,516
OPERATING EXPENSES:					
Salaries and fringes	422,340	-	-	422,340	418,510
Supplies	6,387	1,073	18,120	25,580	44,352
Cost of goods sold	268,814	-	-	268,814	-
Contracted services	11,931	3,168	22,653	37,752	9,800
Travel	1,069	-	-	1,069	-
Repairs and maintenance	33,441	-	-	33,441	35,587
Utilities	66,463	-	-	66,463	67,910
Recording fees	-	1,300	4,324	5,624	-
Advertising and promotion	39,002	-	-	39,002	-
Insurance	14,433	-	-	14,433	-
Education and training	2,048	-	-	2,048	-
Depreciation	419,561	-	-	419,561	-
Miscellaneous	22,526	-	-	22,526	-
Total operating expenses	1,308,015	5,541	45,097	1,358,653	576,159
Operating income (loss)	(744,490)	148,520	158,747	(437,223)	106,357
NONOPERATING REVENUES (EXPENSES):					
Interest income	30	-	-	30	195,142
Gain on sale of assets	25,600	-	-	25,600	-
Interest expense	(3,815)	-	-	(3,815)	-
Total nonoperating revenue (expense)	21,815	-	-	21,815	195,142
Income (loss) before transfers and contributions	(722,675)	148,520	158,747	(415,408)	301,499
Capital contributions	1,757,879	-	-	1,757,879	-
Transfer in	406,272	1,475,000	10,416	1,891,688	2,103,344
Transfer out	-	-	(2,093,460)	(2,093,460)	(1,693,656)
Change in net assets	1,441,476	1,623,520	(1,924,297)	1,140,699	711,187
Total net assets - beginning	9,279,094	-	2,930,999	12,210,093	6,004,095
Total net assets - ending	$ 10,720,570	$ 1,623,520	$ 1,006,702	$ 13,350,792	$ 6,715,282

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2006

	Airport	Tax Revolving 2005	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	$ 483,044	$ 47,180	$ 112,129	$ 642,353	$ -
Receipts from interest and rents	66,156	46,088	164,029	276,273	834,571
Cash received for collection of taxes	-	1,167,184	851,247	2,018,431	-
Payments to suppliers	(507,901)	(5,541)	(45,097)	(558,539)	(152,803)
Payments for wages and related benefits	(406,559)	-	-	(406,559)	(419,411)
Cash payments for taxes	-	(2,035,665)	-	(2,035,665)	-
Other receipts (payments)	14,807	-	-	14,807	-
Net cash provided (used) by operating activities	(350,453)	(780,754)	1,082,308	(48,899)	262,357
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfer in	406,272	1,475,000	10,416	1,891,688	2,103,344
Operating transfer out	-	-	(2,093,460)	(2,093,460)	(1,693,656)
Net cash provided (used) by noncapital financing activities	406,272	1,475,000	(2,083,044)	(201,772)	409,688
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of fixed assets	(1,757,879)	-	-	(1,757,879)	-
Principal paid on debt instruments	(41,186)	-	-	(41,186)	-
Interest paid on debt instruments	(3,815)	-	-	(3,815)	-
Gain on sale of assets	25,600	-	-	25,600	-
Capital contributions	1,757,879	-	-	1,757,879	-
Net cash provided (used) by capital and related financing activities	(19,401)	-	-	(19,401)	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest earnings	30	-	-	30	195,142
Net increase (decrease) in cash and equivalents	36,448	694,246	(1,000,736)	(270,042)	867,187
Cash and equivalents, beginning of year	8,905	-	1,839,601	1,848,506	5,107,011
Cash and equivalents, end of year	$ 45,353	$ 694,246	$ 838,865	$ 1,578,464	$ 5,974,198
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	$ (744,490)	$ 148,520	$ 158,747	$ (437,223)	$ 106,357
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	419,561	-	-	419,561	-
Changes in assets and liabilities:					
(Increase) decrease in receivables	485	(929,274)	923,561	(5,228)	81,699
(Increase) decrease in due from other funds	-	-	-	-	70,356
(Increase) decrease in inventory	7,467	-	-	7,467	-
Increase (decrease) in accounts payable	(49,257)	-	-	(49,257)	4,846
Increase (decrease) in accrued payroll	15,781	-	-	15,781	(901)
Total adjustments	394,037	(929,274)	923,561	388,324	156,000
Net cash provided by operating activities	$ (350,453)	$ (780,754)	$ 1,082,308	$ (48,899)	$ 262,357

See accompanying notes to financial statements.

COUNTY OF DELTA, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2006

	Agency Funds
ASSETS	
Cash and cash equivalents:	
Unrestricted	$ 3,508,385
Due from other funds	14,446
Total assets	$ 3,522,831
LIABILITIES	
Due to other funds	$ 15,259
Due to other governmental units	102,279
Undistributed taxes	2,562,531
Other liabilities	842,762
Total liabilities	$ 3,522,831

See accompanying notes to financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Delta was organized under the provisions of the Michigan Constitution. The County is operated under a Commission/Administrator form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Escanaba.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Delta County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

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

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Parks - The Parks Fund is governed by a board, which is appointed by the County's Board of Commissioners. For financial reporting purposes, the Parks Fund is reported as if it were part of the County's operations because its purpose is to provide recreational facilities to the citizens of the County.

Airport - The members of the governing board of the Delta County Airport are appointed by the County's Board of Commissioners. For financial reporting purposes, the Airport is reported as if it were part of the County's operations because its purpose is to provide the opportunity for air travel for the citizens of the Delta County area.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Building Authority - The Delta County Building Authority is governed by a board which has been appointed by the County's Board of Commissioners. For financial reporting purposes, the Building Authority is reported as if it were part of the County's operations because its purpose is to finance construction projects for the County and the departments of the County.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Delta-Menominee District Health, Department of Human Services and the Delta County Road Commission. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Delta-Menominee District Health - The members of the governing board of Delta-Menominee District Health are jointly appointed by the Delta County Board of Commissioners and Menominee County Board of Commissioners. Two of the three board members appointed by Delta County are County Commissioners. The Health Department's operations and capital budgets must be approved by the County Commissioners. Complete financial statements of the Health Department can be obtained directly from their administrative office. The Health Department received $619,158 in appropriations, Delta County's appropriation was $474,795 or 77% of total appropriations and Menominee County's appropriation was $144,363 or 23% of total appropriations.

Delta-Menominee District Health
2920 College Avenue
Escanaba, Michigan 49829

Department of Human Services - The Department of Human Services in 2004 became a Zone 1 Regional DHS which accounted for the activities of the following counties: Delta, Menominee, Dickinson, Iron, Schoolcraft, Gogebic, Ontonagon, Alger, Chippewa, Houghton, Keweenaw, Luce, Marquette and Baraga. Each county maintains its own three member DHS board, two appointed by the County and one appointed by the Michigan Governor, but the financial activity is reported in Delta County's financial report because the treasury function of the Agency rests with the Delta County Treasurer. Additional financial information of the agency may be obtained directly from their administrative offices.

Department of Human Services
2920 College Avenue
Escanaba, Michigan 49829

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Delta County Road Commission - The members of the governing board of the Road Commission are elected by the citizenry in a general, popular election. The Road Commission provides the citizens of Delta County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval.

Delta County Road Commission
3000 32nd Avenue North
Escanaba, Michigan 49829

Related Organization - The Delta Area Transit Authority is an authority for which the Delta County Board of Commissioners appoints the governing board but the Authority is not financially accountable to the County Board. The Delta Area Transit Authority provides low-cost transportation to the citizens of Delta County. Complete financial statements of the Authority can be obtained directly from their administrative office.

Delta Area Transit Authority
2901 27th Avenue North
Escanaba, Michigan 49829

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Delta:

Delta County Landfill Authority - The Authority is formed under separate statutes and ordinances which provide for operation as a joint venture of the participating governmental units. Certain information applicable to the Authority is disclosed in Note Q to the financial statements.

Pinecrest Medical Care Facility - Delta County is a participant with Dickinson and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Pathways -On January 1, 1998 the Delta County Community Mental Health Center merged its operations with Superior Behavioral Health which operates under the name of Pathways.

Pathways was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7. The County does not have an ongoing financial interest or an ongoing financial responsibility in Pathways but did make an appropriation in the amount of $275,608.

Complete financial statements for Pathways can be obtained from their office located at 2820 College Avenue, Escanaba, MI 49829.

Accounting Policies - The accounting policies of the County of Delta conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

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

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

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

Revenue Sharing Reserve – The Revenue Sharing Reserve fund accounts for the activities related to the passing of Public Act 357 of 2004, which requires the County to place one-third of their December 2004, 2005 and 2006 levy into this fund and transfer a portion of those funds to the General Fund annually until the Revenue Sharing Reserve fund is depleted. The fund was created to supplement the County for the loss of State revenue sharing payments. The amount transferred to the General Fund is determined annually by the State of Michigan.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The County reports the following as major proprietary funds:

Airport – The Airport fund accounts for the activities relating to the operation of a county airport, which is utilized by commercial and private air carriers.

Tax Revolving 2005 – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, "report any activity for which a fee is charged to external users for goods and services." GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Internal service funds - These funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governmental entities, on a cost reimbursement basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

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

Private-sector standards of accounting 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 enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

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 Airport enterprise fund are charges to customers for sales and services and the principal operating revenues of the Tax Revolving 2005 fund are interest and fees collected on delinquent property taxes. The County's internal service funds primarily recognize rental income as operating revenue related to renting space in county owned buildings to other governmental entities. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting - The County utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

a. In mid-year a proposed operating budget for the fiscal year commencing the following October 1st is submitted to the County Board of Commissioners. The operating budget includes proposed expenditures and the means of financing them.

b. Numerous opportunities exist for public comment during the budget process including at least one formal public hearing conducted at the Courthouse to obtain taxpayer comment.

c. Pursuant to statute, prior to commencement of a year, the budget for the ensuing year is legally enacted through adoption by the County Board of Commissioners.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. The general statute governing County budgetary activity is the Uniform Budgeting and Accounting Act.

e. The County of Delta adopts its Annual Budget on a line item basis. The budget structure consists of levels of detail as follows:

Resources (revenues)
General appropriations and functional groups
Departmental appropriations

At each level of detail, governmental operations are summarized into revenue or expenditure account groups. Budgetary control exists at the level adopted by the Board of Commissioners. Accounting, i. e. classification control, resides at the line item detail level.

f. Budgets are adopted on a basis consistent with the accounting principles followed in the recording of transactions. Budgeted amounts reflected in the financial statements are as originally adopted and subsequently amended by the County Board of Commissioners.

g. Budgets of certain funds reflect utilization of a portion of beginning fund balance. Only the appropriated beginning fund balance amount is reflected in the budgets under the caption "Fund balance, beginning of year."

h. Budgets have been amended during 2006. All budget amendments are presented to the Finance Committee or the County Administrator by the department heads for approval. In September, the Board of Commissioners approved all amendments to the annual budget.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the statement of net assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are stated at cost or amortized cost which approximates market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory - Inventory is valued and recorded as an asset at cost on the first-in first-out method for the Airport enterprise fund. Inventories of all other funds are accounted for as expenditures when purchased.

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on December 1, and are payable without penalty through the following February 28.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided.

The December 2005 taxable valuation of Delta County amounted to $955,206,152 on which ad valorem taxes of 3.3653 mills were levied for County operations, .8778 mills for county road patrol, and .5850 mills for senior citizens programs. The December 2005 tax levy should raise approximately $3,214,555 for County operations, $838,480 for road patrol and $558,796 for senior citizens programs.

In fiscal year 2005, the County was required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy from County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County levied one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County levied two-thirds of the total number of mills allocated for County operations, with $1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the General Fund to cover fiscal year 2006 operations. In July 2006, the County levied two-thirds of the total number of mills allocated for County operations and the proceeds from this levy funded County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County will levy one-third of the total number of mills allocated for County operations, with $1,159,297 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County will levy the entire allocated County operating mills, which will be used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes (continued)

Because County operating mills will be levied on July 1st for each fiscal year ended September 30, it is the County of Delta's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made available for financing operations. Available means collected within the current period or expected to be paid from the delinquent tax revolving fund within one year.

The Revenue Sharing Reserve Fund will be funded by property taxes in the amount of $4,568,259 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually, an amount of $723,877 was transferred for fiscal year 2006. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2012 fiscal year.

Capital Assets – Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than $5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences – County employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

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

NOTE B – BUDGET AND FUND BALANCE NON-COMPLIANCE

Budget Violations – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended September 30, 2006 expenditures were incurred in excess of amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
Law Library	$ 22,800	$ 23,702	$ (902)
CDBG Fund	-	160,436	(160,436)
Summer Tax	-	1,528	(1,528)

During the year ended September 30, 2006, expenditures were incurred in excess of amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the following funds as of September 30, 2006:

Building and Zoning	$ 111,523
Co-Probation	61,253
Juvenile Drug Grant	8,366
Renaissance Zone	215,862

Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficits will be eliminated.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

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

b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.

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

d. Repurchase agreements consisting of instruments listed in subdivision (a).

e. Bankers' acceptances of United States banks.

f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.

g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 sat. 789,15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:

    i. The purchase of securities on a when-issued or delayed delivery basis.

    ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.

    iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.

h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.

i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.

j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The balance sheet caption "Cash" includes imprest cash of $3,090. Total imprest cash, deposits, investments and the Governmental Accounting Standards Board (GASB) Statement No. 40, risk disclosures for deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	$ 1,628,250	$ 1,716,588
Uninsured	14,211,045	14,485,963
Total cash	$ 15,839,295	$ 16,202,551
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted & restricted	$ 12,330,910	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	3,508,385	
Total cash and equivalents	$ 15,839,295	

	Fair Value	S & P Credit Rating	Maturity Date
Investments:			
G.E. Capital Corp Commercial Paper	$ 304,644	AAA	10/20/2006
Pooled investment account	1,945,042	not rated	N/A
Total Investments	$ 2,249,686		

Cash has been restricted in the Airport Fund in the amount of $19,706 for lease payments received from the Renaissance Zone which are only allowed to be used on selected capital projects at the Airport, per FAA requirements.

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

The County's cash and investments are subject to several types of risk, which are examined below in more detail:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has $14,485,963 of bank deposits that were uninsured and uncollateralized.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. The County's pooled investment accounts are in a 2a7-like investment pool, which is evidenced by shares in the pool, not by securities that exist in physical or book-entry form.

Interest Rate Risk

Interest rate risk in the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investments are in 2a7-like investment pools are not subject to interest rate risk disclosure.

Credit Risk

State law and the County's investment policy limits the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The County's investments are with 2a7-like investment pools, which are not rated.

NOTE D - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances at September 30, 2006 represent short-term borrowings between funds and are summarized as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
		Termination/Sick Leave	$ 15,337
		Trust and Agency	14,994
General Fund	$ 30,331	Subtotal	30,331
Road Patrol	15,741	Termination/Sick Leave	15,741
Residual Equity	542,113	General Fund	542,113
		County Parks	14,181
		Crime Victim Restitution	265
Trust and Agency	14,446		14,446
Co-Probation	71,000	Child Care	71,000
Total	$ 673,631	Total	$ 673,631

Financial Statement Presentation:

Governmental Funds	$ 117,072	Governmental Funds	$ 627,294
Enterprise Funds	-	Enterprise Funds	-
Internal Service Funds	542,113	Internal Service Funds	31,078
Fiduciary Funds	14,446	Fiduciary Funds	15,259
Total	$ 673,631		$ 673,631

NOTE E – CAPITAL ASSETS

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

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 13,350	$ -	$ -	$ 13,350
Capital assets being depreciated:				
Land improvements	258,162	-	-	258,162
Buildings and improvements	11,746,313	277,957	-	12,024,270
Machinery and equipment	820,334	71,306	87,900	803,740
Total depreciable capital assets	12,824,809	349,263	87,900	13,086,172
Total capital assets	12,838,159	349,263	87,900	13,099,522
Less accumulated depreciation:				
Land improvements	106,602	12,941	-	119,543
Buildings and improvements	4,066,095	260,326	-	4,326,421
Machinery and equipment	482,103	104,709	59,503	527,309
Total accumulated depreciation	4,654,800	377,976	59,503	4,973,273
Net depreciable capital assets	8,170,009	(28,713)	28,397	8,112,899
Governmental activities capital assets, net	$ 8,183,359	$ (28,713)	$ 28,397	$ 8,126,249
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 1,031,579	$ -	$ -	$ 1,031,579
Capital assets being depreciated:				
Land improvements	337,621	-	-	337,621
Buildings and improvements	4,318,476	-	-	4,318,476
Machinery and equipment	1,189,751	-	-	1,189,751
Infrastructure	6,288,802	1,757,879	-	8,046,681
Total depreciable capital assets	12,134,650	1,757,879	-	13,892,529
Total capital assets	13,166,229	1,757,879	-	14,924,108
Less accumulated depreciation:				
Land improvements	53,643	16,881	-	70,524
Buildings and improvements	723,589	92,381	-	815,970
Machinery and equipment	534,849	68,185	-	603,034
Infrastructure	2,326,052	242,114	-	2,568,166
Total accumulated depreciation	3,638,133	419,561	-	4,057,694
Net depreciable capital assets	8,496,517	1,338,318	-	9,834,835
Business-type activities capital assets, net	$ 9,528,096	$ 1,338,318	$ -	$ 10,866,414

NOTE E – CAPITAL ASSETS (continued)

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

Governmental activities:	
Judicial system	$ 67,895
General government	174,654
Public safety	105,067
Recreation and culture	30,360
Total governmental activities depreciation expense	$ 377,976
Business-type activities:	
Airport	$ 419,561

NOTE F - ROAD COMMISSION CAPITAL ASSETS

The following is a summary of changes in capital assets of the Road Commission:

	Balance at 10/01/05	Additions	Disposals	Balance at 09/30/06
Capital assets not being depreciated:				
Land	$ 1,410,797	$ 1,565	$ -	$ 1,412,362
Construction in progress	133,637	242,702	74,365	301,974
Infrastructure land improvements	822,541	205,196	-	1,027,737
Capital assets being depreciated:				
Buildings and improvements	6,785,221	2,633	-	6,787,854
Machinery and equipment	6,599,168	311,609	148,068	6,762,709
Infrastructure - roads	6,992,528	1,617,601	-	8,610,129
Infrastructure - bridges	153,037	1,107,247	-	1,260,284
Total depreciable capital assets	20,529,954	3,039,090	148,068	23,420,976
Total capital assets	22,896,929	3,488,553	222,433	26,163,049
Less accumulated depreciation:				
Buildings and improvements	1,324,471	196,123	-	1,520,594
Machinery and equipment	5,211,277	524,871	147,176	5,588,972
Infrastructure - roads	490,506	350,516	-	841,022
Infrastructure - bridges	9,129	(6,068)	-	3,061
Total accumulated depreciation	7,035,383	1,065,442	147,176	7,953,649
Net depreciable capital assets	13,494,571	1,973,648	892	15,467,327
Capital assets, net	$ 15,861,546	$ 2,423,111	$ 75,257	$ 18,209,400

NOTE G – LONG – TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2006:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006	Amounts Due Within One Year
Governmental activities:					
Building Authority bonds-Service Center	$ 1,220,000	$ -	$ 135,000	$ 1,085,000	$ 135,000
Building Authority bonds-Courthouse Renovation	3,275,000	-	185,000	3,090,000	195,000
Energy note	36,114	-	6,482	29,632	6,612
Compensated absences	568,564	20,749	-	589,313	147,328
Total governmental activities long-term debt	$ 5,099,678	$ 20,749	$ 326,482	$ 4,793,945	$ 483,940
Business-type activities:					
Note payable-1997 hanger	$ 73,297	$ -	$ 16,547	$ 56,750	$ 16,917
Note payable-2001 hanger	98,092	-	9,933	88,159	10,155
Note payable-fuel truck	20,134	-	14,704	5,430	5,430
Compensated absences	47,840	12,581	-	60,421	15,105
Total business-type activities long-term debt	$ 239,363	$ 12,581	$ 41,184	$ 210,760	$ 47,607

Debt service requirements on long-term debt at September 30, 2006 are as follows:

For the Year Ending September 30,	Governmental Activities				Business-Type Activities	
	Bonds Payable		Notes Payable		Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 330,000	$ 211,050	$ 6,612	$ 532	$ 32,502	$ 3,224
2008	365,000	194,550	6,746	399	27,676	2,324
2009	370,000	176,140	6,882	263	28,293	1,707
2010	375,000	157,330	7,021	124	15,708	1,169
2011	385,000	138,205	2,371	10	46,160	2,124
2012-2016	1,705,000	399,500	-	-	-	-
2017-2021	645,000	48,750	-	-	-	-
Total	$4,175,000	$1,325,525	$ 29,632	$ 1,328	$ 150,339	$ 10,548

NOTE G – LONG – TERM DEBT (continued)

Governmental Activities:

In 1988, the Delta County Building Authority issued bonds for the purpose of constructing a Mental Health Facility. In 1994 the Building Authority redeemed the outstanding 1988 bond issue with a refunding bond issue in the amount of $2,180,000. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate ranging between 3.1% to 5.3%.

In 1994 the Delta County Building Authority issued bonds in the amount of $4,820,000 for the purpose of renovating the county courthouse. Annual principal payments are due each August 1st and semi-annual interest payments are due each February 1st and August 1st, the bonds bear an interest rate of 5%.

In 2004, the County signed a note with Northern Lights Revolving Loan Fund, which is operated by the Michigan Technical Education Center in the amount up to $250,000 for the purposes of funding certain energy improvement projects on county operated facilities. The note amounted to $50,632 and will be amortized for seven years and bears an interest rate of 2%.

Business-Type Activities:

During the year ended September 30, 1997 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of $183,000 for the construction of hangars. The note calls for monthly payments of $1,500 until the year 2010 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately 2.209% for the year ended September 30, 2006.

Also, during the year ended September 30, 2001, the Airport Fund borrowed an additional $135,000 from the Residual Equity Fund for the construction of an additional hangar. The note calls for monthly payments of $1,000 per month until the year 2014 and has the same interest rate feature as the 1997 note.

During the year ended September 30, 2005 the Residual Equity Fund, an internal service fund, made a loan to the Airport Fund, an enterprise fund, in the amount of $30,000 for the purchase of a fuel tanker truck. The note calls for monthly payments of $1,250 until the year 2007 and bears an interest rate which varies from year to year and is based upon investment rate of returns earned by the County which was approximately 2.209% for the year ended September 30, 2006.

Compensated Absences:

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters, dependent upon which labor contract the employee is subject to or upon which department or fund the employee is within. Compensated absences in the amount of $589,313 are reported under the governmental activities and $60,421 is reported under business-type activities in the Statement of Net Assets.

NOTE H - ROAD COMMISSION LONG-TERM DEBT

The general long-term debt of the Road Commission may be summarized as follows:

Type of Debt	Balance 10/1/2005	Additions	Deductions	Balance 9/30/2006	Amounts Due Within One Year
Michigan Transportation Fund Bonds	$ 5,145,000	$ -	$ 110,000	$ 5,035,000	$ 115,000
Compensated Absences	239,407	-	42,342	197,065	-
Total long-term debt	$ 5,384,407	$ -	$ 42,342	$ 5,232,065	$ 115,000

Debt service requirements on long-term debt at September 30, 2006 are as follows:

For the Year Ending September 30,	County Road Commission Bonds Payable	
	Principal	Interest
2007	$ 115,000	$ 250,180
2008	120,000	244,775
2009	125,000	239,140
2010	135,000	233,160
2011	140,000	226,835
2012	150,000	220,090
2013	160,000	212,725
2014	165,000	204,843
2015	175,000	196,425
2016-2020	1,030,000	835,525
2021-2025	1,350,000	536,361
2026-2028	1,370,000	147,081
Total	$ 5,035,000	$ 3,547,140

Bonds Payable:

In 1999, the Delta County Board of Commissioners approved and issued Michigan Transportation Fund Bonds in the amount of $5,690,000 for the purpose of constructing a new county road commission facility. Annual principal payments are due each November 1st and semi-annual interest payments are due each May 1st and November 1st, and bear an interest rate ranging between 4.6% to 7.0%.

NOTE H – ROAD COMMISSION LONG-TERM DEBT (continued)

Compensated Absences:

The Road Commission employment policies provide for vacation and sick leave benefits to be earned in varying amounts depending on the number of years of service of the employee. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to $197,065 for the year ended September 30, 2006.

NOTE I – DISTRICT HEALTH COMPENSATED ABSENCES

The Health Department's policies regarding vacation and sick time permits employees to accumulate earned but unused vacation and sick time. The liability for these compensated absences is recorded as long-term debt in the government-wide financial statements and amounted to $325,187 for the year ended September 30, 2006.

NOTE J - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are made to fund various County programs operational expenditures and are summarized as follows for the year ended September 30, 2006:

	Transfers In	Transfers Out
Governmental Funds:		
General Fund	$ 794,234	$ 1,834,467
Revenue Sharing Reserve	-	723,877
Road Patrol	-	35,000
County Parks	67,500	-
Jail/Out of County Prisoner	120,000	70,357
Drug Enforcement	35,000	-
Law Library	21,000	-
Soldiers and Sailors	350	-
Juvenile Drug Grant	55,000	-
Child Care	400,000	55,000
Library Penal Fines	-	4,500
Courthouse Renovation	348,750	-
Service Center Debt	198,656	-
Enterprise Funds:		
Airport	406,272	-
Tax Revolving Administration	10,416	-
Tax Revolving 2001	-	258,094
Tax Revolving 2002	-	2,922
Tax Revolving 2003	-	154,807
Tax Revolving 2004	-	1,677,637
Tax Revolving 2005	1,475,000	-
Internal Service Funds:		
Termination/Sick Leave	20,300	-
Service Center	-	198,656
Residual Equity	2,083,044	1,495,000
Component Units:		
District Health	474,795	-
Total	$ 6,510,317	$ 6,510,317

NOTE K - RETIREMENT PLANS

General County

Plan Description - The General County, District Health Department (discretely presented component unit) and the County Road Commission (discretely presented component unit) participate in a defined benefit non-contributory retirement plan. The union personnel for the District Health Department participate in a defined benefit contributory plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity 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.

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 publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Plan

General County Retirement Plan - The General County offers its various departments benefit B-4. Benefit B-4 provides for employees to receive 2.5% of their final three or five year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. The most recent actuarial report gives the details of the plan and a copy is on file at the County Administration office.

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 actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

NOTE K – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions 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 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:		
Retirees and beneficiaries currently receiving benefits	$	9,381,084
Terminated employees not yet receiving benefits		631,412
Non-vested terminated employees (pending refunds of accumulated member contributions)		26,207
Current Employees:		
Accumulated employee contributions including allocated investment income		271,146
Employer financed		11,405,490
Total actuarial accrued liability		21,715,339
Net assets available for benefits, at actuarial value (market value is $14,575,270)		14,969,735
Unfunded (overfunded) actuarial accrued liability	$	6,745,604

GASB 27 INFORMATION (as of 12/31/05)

Fiscal year beginning		October 1, 2007
Annual required contribution (ARC)	$	878,832
Amortization factor used		0.053632

NOTE K - RETIREMENT PLANS (continued)

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 cost 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 September 30,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	$ 685,795	100%	$ -
2004	715,819	100%	-
2005	831,477	100%	-

The General County was required to contribute $882,606 for the year ended September 30, 2006. Payments were based on contribution calculations made by MERS.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	$ 12,945,707	$ 18,167,008	$ 5,221,301	71%	$ 3,729,501	140%
2004	13,979,445	20,362,065	6,382,620	69%	4,039,633	158%
2005	14,969,735	21,715,339	6,745,604	69%	4,113,173	164%

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 K - RETIREMENT PLANS (continued)

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

	Contribution Percentage			
	2007 *	2006 *	2005 *	2004 *
Circuit court employees	16.93%	17.26%	17.49%	16.99%
Sheriff	18.95%	18.82%	17.66%	16.59%
General AFSCME	21.21%	21.12%	21.24%	21.46%
Elected department heads	25.94%	25.63%	23.96%	23.18%
District court employees	15.79%	16.94%	15.43%	15.60%
Probate court employees	26.27%	27.63%	26.97%	28.80%
Nonunion contract employee	26.55%	0.00%	0.00%	0.00%
Road patrol deputy	17.42%	16.17%	13.13%	14.41%

* Represents the actuarial required contribution for the fiscal year ended.

District Health Department (component unit)

District Health Department Retirement Plan - The District Health Department offers its employees either benefit C-2 or B-4 with six and ten year vesting. Under benefit C-2 employees shall receive 2.0% of their five year final average compensation which is payable until attainment of the age at which unreduced Social Security benefits are available at which time the benefit reverts to the basic Benefit A, C New, C Old, C-1 New, C-1 Old or B-1. Also under benefit C-2, employees have a contribution of between 3% - 5% of annual compensation. Under benefit B-4 employees shall receive 2.5% of their highest five years final average compensation, with a maximum benefit of 80% of the final average compensation. The most recent actuarial report gives the details of the plan and a copy is on file in the accounting department at the District Health Department.

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 actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

NOTE K - RETIREMENT PLANS (continued)

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

GASB 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:		
Retirees and beneficiaries currently receiving benefits	$	405,158
Terminated employees not yet receiving benefits		585,143
Non-vested terminated employees (pending refunds of accumulated member contributions)		26,486
Current Employees:		
Accumulated employee contributions including allocated investment income		254,875
Employer financed		3,030,550
Total actuarial accrued liability		4,302,212
Net assets available for benefits, at actuarial value (market value is $5,080,534)		5,218,034
Unfunded (overfunded) actuarial accrued liability	$	(915,822)

GASB 27 INFORMATION (as of 12/31/05)

Fiscal year beginning		January 1, 2007
Annual required contribution (ARC)	$	112,884
Amortization factor used - overfunded liabilities (30 years)		0.053632
Amortization factor used - overfunded liabilities (10 years)		0.119963