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	Lapeer County	Lapeer

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
December 31, 2006	June 13, 2007	June 29, 2007

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

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

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

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

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

Certified Public Accountant (Firm Name)	Telephone Number		
Stewart, Beauvais & Whipple PC	(810) 984-3829		
Street Address	**City**	**State**	**Zip**
1979 Holland Avenue	Port Huron	MI	48060

Authorizing CPA Signature	Printed Name	License Number
Larry J. Allen	Larry J. Allen	1101008117

Lapeer County

Michigan

Comprehensive Annual Financial Report

Year Ended December 31, 2006

John Biscoe
Controller/Administrator
Craig D. Horton
Chief Financial Officer

LAPEER COUNTY, MICHIGAN

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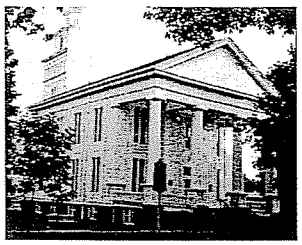

MICHIGAN'S OLDEST COURTHOUSE

Lapeer County
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Lapeer, Michigan 48446

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June 13, 2007

To the Board of Commissioners and Citizens of Lapeer County:

The Comprehensive Annual Financial Report (CAFR) of the County of Lapeer, Lapeer, Michigan, for the year ended December 31, 2006, is submitted herewith. The administration of Lapeer County is responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and the County as a whole. The report is prepared for the purpose of disclosing the County's financial condition to our community, elected officials, and other interested parties.

The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles (GAAP) as stated in the Government Accounting Standards Board's (GASB) Statements and Interpretations. This CAFR is issued pursuant to the requirements of the GASB. Readers of this report will notice a Statement of Net Assets and a Statement of Activities are now now included. These statements present the financial position of Lapeer County viewed in their entirety. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to augment the MD&A and should be read in conjunction with it. The MD&A can be found following the report of the independent auditors.

This report (CAFR) is divided into three main sections. The first is the introductory section, which provides the reader with information regarding the basic composition and other pertinent information about our County. The financial section presents financial data which includes the MD&A, basic financial statements, notes to the financial statements, required and other supplementary information. The statistical section includes statistical data relating to select demographic and financial information presented on a multi-year basis.

Lapeer County's financial statements have been audited by Stewart, Beauvais & Whipple PC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of Lapeer County, for the fiscal year ended December 31, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that Lapeer County's financial statements for the year ended December 31, 2006, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Lapeer County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal awards. These reports are available in Lapeer County's separately issued Single Audit Report.

PROFILE OF LAPEER COUNTY

Incorporated in 1835, Lapeer County covers an area of approximately 666 square miles. Located 56 miles north of the City of Detroit, and 48 miles west of the Canadian border on Interstate 69, the County has exceptional access to transportation systems. Four major state highways, M-21, M-24, M-90, and M-53, cross the County. Bishop International Airport located adjacent to I-75 20 miles to the west in Flint, offers a hub to major commercial and passenger air carriers. The local DuPont Airport serves a growing private aviation community. Rail passenger service is provided by AMTRAK and freight service by CNX via a major east-west rail line that links Canada and Chicago. The Greater Lapeer Transportation Authority provides bus transportation intra-county. There are eighteen townships, two cities, and six villages within the boundaries of the County.

Considered by the U.S. Census Bureau part of the Detroit Metropolitan Statistical Area, the County continues to experience population growth. The U.S. Census Bureau estimated the population at 93,761 in 2006, a 6.2 % increase from the 2000 census of 87,904. The total number of households in the County reached 32,732 in 2000, a 32.7% increase from 24,659 in 1990.

The proximity of Lapeer County to the Detroit Metropolitan Area and substantial job markets in Oakland, Macomb, and Genesee County, remains a principle factor in the local population expansion. Additional job opportunities in the County have also contributed to the population increase. A pastoral landscape and planning efforts to regulate growth and preserve green space are also attractive attributes to those considering relocating to the area.

The expansion of banking services throughout the county is reflective of this growth. The Lapeer County Bank and Trust remains locally owned and managed, and with branches of Bank One, Citizens First Savings, Flagstar, CSB, National City, Tri-County Bank, Independent Bank, Oxford Bank, and two credit unions, county the banking needs of County residents are adequately served.

The taxable value of property reached $2,989,701,382 as compared to $2,805,165,220 in 2005, an increase of 6.58 %. During the same period, S.E.V. increased from $4,004,172,237 to $4,221,145,112 up 5.42%. These increases result primarily from new residential construction throughout the County. A factor in this growth is a low tax levy of 3.7886 reduced from 3.8165 in 2005 for general County operations. In this context, only five Michigan Counties have a lower operational tax rate than Lapeer County. The average residential selling price in 2006 was $167,413 up from $155,895 in 2005 based on data from the Association of Realtors.

With over 250 lakes, two County, two State, and a number of local parks, abundant fishing, camping, and water sports opportunities are available for the enthusiast. Within an hour drive, Lake Huron provides additional fishing and boating experiences and access to the other Great Lakes. Numerous golf courses add to the extensive recreation options. The County is also home to three sites on the national historical register, including one of the oldest Courthouses in the nation. Built in 1846, this significant historical site is an outstanding example of Greek revival architecture and is a community focal point.

Major professional sports teams, the Detroit Lions, the Detroit Red Wings, Detroit Tigers, and the Detroit Pistons, play their home games within a 60-minute drive. Michigan State University in East Lansing and the University of Michigan in Ann Arbor are less than 75 miles from Lapeer. These Big Ten institutions provide ready access to excellent educational and research facilities, and NCAA Division One college athletic events.

Creating a link between government and businesses interested in locating or expanding in the County, the Lapeer Development Corporation continues to lead and coordinate economic development. During 2006, 63 new jobs were created and $5.2 million of new investment value occurred as a result of the efforts of the Corporation. Since its inception in 1981, the LDC has brought a private sector investment of $458,914,837 into the County. An expanded partnership evolved in 2003 with the LDC established as the County Brownfield Authority by the Board of Commissioners. With the Brownfield designation another tool was added to the local economic development process.

Lapeer Regional Medical Center, an acute care facility serves the County and is affiliated with McLaren Health Care Corporation. The Center, located in the City of Lapeer, has 222 beds with a staff of 150 doctors and more than 200 nurses and provides a full range of advanced diagnostic technology including a new imaging center. McLaren has developed a network of care sites throughout the County that provide a range of outpatient services and is renovating the emergency room at the hospital and is constructing a 16,200 square foot state-of-the-art outpatient cancer center.

Nine nursing facilities with 969 beds serve the county and the County Medical Care Facility provides another 202 beds with a staff of 3 doctors and 300 employees.

Reflective of the changing County is the growth of the Lapeer Community Foundation. Since beginning as a fund of the Community Foundation of Flint in 1996, the Foundation's assets have grown to over $7.6 million dollars. Approximately $60,000 is awarded in scholarships and $100,000 is granted to non-profit groups, educational and government institutions annually. The Foundation, which became independent in 2005, manages 40 funds for community organizations.

The Intermediate School District serves five school systems and a number of private schools provide diverse educational experiences within the County. Chatfield School, chartered by Saginaw Valley State University, completed its ninth year of operation in August. Located in the City of Lapeer, the school has an enrollment of 295 elementary students.

Higher education opportunities are provided by a number of institutions at sites within the County.. Mott Community College, the University of Michigan-Flint, and Davenport University offer classes in the City of Lapeer. On the east side of the County, St. Clair Community College operates off campus programs in Imlay City and the Lapeer Voc-Tech Center.

The Lapeer District Library with eight branches, an automated circulation system and an on line catalog offers ready access to residents within the District. The Library also operates the Lapeer Information Depot, a web site that offers links to many sites in the County and a community calendar that notes a wide range of local activities and events. The Almont area is served by a District Library as is the Imlay City area. Both Dryden and North Branch Townships maintain a local library.

Public Safety dispatching is coordinated through one county wide communication center. The Lapeer County 911 Central Dispatch Center is responsible for dispatching 15 local fire departments, the County Sheriff Department, the Michigan State Police, 7 local police departments, and 4 EMS organizations. The Center is also the hub for emergency management communication and coordination in the event of a natural or man made disaster.

ORGANIZATION STRUCTURE

The County is organized under various public acts of the State of Michigan and is governed by a seven member Board of Commissioners. The County operates under the Controller/Administrator form of government. In 2002, the Board was increased from five to seven members as a result of the re-apportionment process, which is required every ten years. Each Commissioner is elected on a partisan basis for a term of two years from districts that are approximately equal in population. The Board annually elects a member to serve as Chairperson and a member to serve as Vice Chairperson. Primary functions of the Board include determination of the type and level of County service, adoption of the County Budget, equalization of County property values, legislative oversight of County services and the appointment of various boards, commissions, and certain County officials.

The Judicial System within the County operates under the direction of the State Supreme Court. Two Judges are elected at large in the 71-A District Court for six-year terms, one Judge is elected at large for a six-year term in the Probate Court, and two Judges are elected at large for six-year terms in the 40th Judicial Circuit Court. One Judge is selected by the Supreme Court to serve as the Chief Judge of the Court. In 1998 Court reorganization in Michigan created the Family Court which combined certain duties of the Probate and Circuit Court. Consequently, the Probate Judge and the Circuit Court Judges under the reorganization plan have specific assignments relating to the cases under the jurisdiction of the Family Court. The office of the Friend of the Court is a statutorily created agency of the circuit court. The office is headed by a Friend of the Court appointed by the chief judge.

Administration of the County is divided by the Michigan Constitution among various statutory County officials including the County Treasurer, County Clerk, Register of Deeds, Prosecuting Attorney, Drain Commissioner, Sheriff, and Surveyor, who are elected at large for four-year terms. The County Treasurer is the custodian of funds for the County, as well as local communities and school districts, and performs other duties concerned with the fiscal affairs of County departments and agencies. The duties of County Clerk include keeping and maintaining records of births, deaths, marriages and discharges of military personnel and serving as Clerk to the Board of Commissioners and the Circuit Court. The duties of the Register of Deeds include the recording of deeds, mortgages, surveys, recording of plats, notices of liens and bills of sales.

The Prosecuting Attorney prosecutes violations of state criminal law within the County and represents the County as Corporate Counsel. The County Drain Commissioner administers the location, construction, and the maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of process, and law enforcement in unincorporated areas. The County Surveyor is responsible for a multi-year County Remonumentation Project and is responsible for the Public Land Survey Records in the County.

In addition, the Board of Commissioners appoints several County Officers including the County Administrator/Controller, the Chief Financial Officer, the Health Officer, the Medical Examiner, the E-911 Director, the Equalization Director, the Veterans Affairs Director, the Animal Control Director, the Parks Director, and the Emergency Management Coordinator. The responsibility of these Officials is defined by Statute or the Board of Commissioners.

The Board of Commissioners also appoints various boards and commissions to oversee specific County services and to advise the Board. Appointments to specific County functions include the Department of Human Services Board, the Collaborative Planning Commission, the Veterans Affairs Board, the Solid Waste Authority, the 911 Authority, the Historical Courthouse Committee, the Community Mental Health Board, the Community Corrections Board, and the Local Emergency Planning Committee.

FINANCIAL PRACTICES

Factors Affecting Financial Condition

With the ongoing fiscal difficulties faced by the State of Michigan, substantial reductions in revenue sharing payments to local governments including Lapeer County have occurred. Since December 2002 the State by executive order of the Governor or by legislative action, has been forced to reduce the level of spending and/or increase taxes and fees. Included in those reductions was revenue sharing payment to Lapeer County which declined from a peak of $1,774,671 in 2001 to $699,788 in FY 2004.

In 2004, PA 356 was signed into law by the Governor which temporally suspended revenue sharing for counties and created a Revenue Sharing Reserve Fund. PA 356 provided that the RSRF would be funded through a phased adjustment over three years (2004-2006) by moving the collection of only County operating property tax from the December levy to July. The revenue generated each year from the accelerated tax collection beginning in 2004 is deposited into the RSRF with annual transfers to the General Fund in lieu of the annual revenue sharing payment beginning in 2006. The full shift to the July tax date will occur in 2007 as indicated in the following table:

Year	July Tax	December Tax	RSRF
2004	-	3/3	1/3
2005	1/3	2/3	1/3
2006	2/3	1/3	1/3
2007	3/3	-	-

The transfer to the General Fund from the RSRF is indexed to the FY 2003/2004 state payment of $1,432,407 with annual consumer price index adjustment by PA 356. The reserve fund is expected to last until FY 2010/2011 at which time state revenue sharing will resume pursuant to PA 356.

The level of investment income remains is an important element in the County Budget. The County Treasurer and the Finance Office engage in a vigorous investment program within the statutory guidelines. Timely investment management produced approximately $1.2 million for use in the General Fund Budget in 2006.

Growth in development throughout the County continues to provide an incremental annual increase in property tax revenue. While not offsetting other lost or reduced revenue, the expansion of taxable value, even with the required rollback in the tax rate, provides some restrained capacity to meet the growing demands on the general fund budget. Trends however suggest that this growth will level with the slowing of the State economy and the corresponding revenue forecast may require adjustment accordingly.

Remaining as a possible threat to general fund is a law suit filed against the Register of Deeds by a Title Company could result in the reduction in revenue for the general fund. The Company asserts that the Register of Deeds should sell discounted title information notwithstanding the statutory one dollar fee to title companies. Historically, revenue from activity in the ROD office has helped offset expense for mandated County services.

The growing State of Michigan budget deficit, compounded by the elimination of the single business tax, continues to create a perplexing dilemma at the County level of government. With approximately 17% of general fund revenue, 21% of the Health Department budget, and 15% of the Community Mental Health Budget state revenue, the uncertainty of future funding and/or reimbursement warrants increased vigilance regarding decisions in Lansing that may have a direct effect on county government operations.

Long term Financial Planning/Budgeting

In response to the constraints evolving with revenue reductions and limitations, Lapeer County focuses on a long-term financial planning perspective. In 2003 the Board of Commissioners adopted a Multi-Year Fiscal Plan and established a biennial budget process. Under the provisions of the Uniform Budget Act for Local Government (PA 621 of 1978), the General Appropriations Act serves as the foundation for financial planning and control. The two year budget and the Multi-Year Fiscal Plan provide a basis to anticipate current fiscal challenges and take appropriate action to respond to major budgetary fluctuations.

The County has also adopted a position control system and adheres to the practice of budgeting for full employment. Consequently, salary and fringe benefits appropriations are tied to specific authorized positions, not to the individual factors and variances that occur with employees in the respective positions. This practice adds substantial stability to budget management.

Grant management has received additional attention by analyzing long term budget effects occurring through the transfer of expense to the general fund when a grant expires. A historical review of grant based initiatives underscores the program and activities cost that has subsequently become an expense in the general fund. Therefore, grant proposals are reviewed to ensure that any long time cost are identified prior to any authorization to submit and any match or continuation expense are fully identified before approval.

Capital Improvement/Acquisitions

A key element in overall fiscal planning has been the strong support of the Board of Commissioners in maintaining facilities and equipment. Through the adoption of a capital planning and budgeting process, the County has taken affirmative steps to maintain buildings, parking lots, and the fleet. Capital budgeting has in addition provided the means to address technology needs and to replace aging equipment on a schedule. The Delinquent Tax Revolving Fund is becoming the principle source of funding for the capital budget, relieving the General Fund of a major cost. Through this systematic approach, the cost of major capital expenditures may be planned within available revenue sources without the necessity of debt.

A multi-year technology plan has been approved by the board of Commissioners. This Plan provides a footprint for the development of a cost effective informational technology system that gives each department the capacity to meet internal needs, yet ensures that hardware and software are acquired to integrate into the county-wide system. A single point of access, at substantial cost benefit, provides internet capacity for all departments.

Cooperative Purchasing

Substantial benefit has been achieved from the participation in cooperative/ group purchasing programs. Fleet replacement vehicles have been acquired from the State of Michigan and/or the Oakland County programs at discounted prices. By partnering with the Road Commission for gasoline purchases, each unit has benefited through lower pricing per gallon. Office supplies are obtained through contract pricing with the State and various service programs.

Privatization

Not overlooked in the fiscal planning process has been the opportunity to privatize certain services when warranted. Food services for senior citizens home delivered and congregate meals, and for jail inmates have been contracted with a private vendor. Custodial and snow removal, vehicle repair and technology services are also under contract. Periodic review of contractual cost compared to the expense of in-house services provides a bench mark in the decision of which fiscal model presents the most cost-effective manner of service delivery.

Shared Services

As the County faces new budgetary pressures, opportunities to partner with other units of government are considered when circumstances allow. While highly nontraditional, the County continues an agreement with St Clair County to share the duties of their Equalization Director and Director of Veterans Affairs. This arrangement has resulted in cost containment and will be monitored during the life of the agreement to determine cost benefit and measure the delivery of service. Preliminary reviews indicate that service has been enhanced and cost savings achieved. A principle factor in the equalization office was meeting the State mandate to obtain the service of a Level IV assessor. With the agreement, the Level IV requirement was met.

Bond Rating

The County of Lapeer is cognizant of the value of Bond ratings for the present and future development of infrastructure throughout the County. A constant focus of fiscal planning is the attainment of Bond ratings that support low interest rates when the need to acquire capital occurs. It is not only the County th benefits from a favorable rate, but local units that borrow with the pledge of limited faith and credit of the County. In fiscal 2005 Standard & Poor's affirmed it's A+ rating and A+ underlying rating on the outstanding GO bonds. Concurrently, Moody's Investment Service upgraded the general obligation limited tax pledge debt to A1 from A2. In November 2006, S&P assigned an A+ rating on the South Branch of Mill Creek Intercounty Drainage District drain bonds. The continued growth of the County underscores the potential for greater borrowing in the foreseeable future. Without a focused financial planning perspective relating to ratings of future debt issues, the cost to the citizens of the County to construct and/or improve public facilities and infrastructure may be significantly higher.

Budgeting Controls

The County maintains budgetary internal controls with the objective of ensuring compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General Fund and Special revenue funds are included in the annual appropriated budget. The approved budgets of the County are adopted for the General Fund at the activity level and the Special Revenue at the fund level. These are the legally enacted levels under the State of Michigan Uniform Budgeting and Accounting Act. However, budgets are maintained throughout the year at the account level to provide additional control in preventing over-expenditures at levels adopted for reporting to the State of Michigan. Budgetary transfers are permitted in accordance with Board adopted budget policies.

Cash Management: The County remains conservative in cash management and fully complies with State regulations regarding investments. The County Treasurer invests first for the safety of principle, then for liquidity for cash flow, finally to maximize interest earned. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions with which investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial market. Typical investments include demand deposits, a cash management investment trust fund, certificates of deposit, U.S. Government securities, bankers' acceptance of United States banks, and high quality commercial paper. The average yield on pooled cash investments during 2006 was .

Risk Management: The County is completely self-insured for unemployment compensation. In addition the County has assumed some risk for workers' compensation, health, dental, and vision insurance, and liability insurance. As part of the overall risk management plan, resources are being accumulated in internal service funds to meet liabilities. Reserves are also maintained in a loss retention fund with the Michigan Municipal Risk Management Authority to meet potential losses. MMRMA provides $10 million in liability coverage on an occurrence basis with an $185,000 self-insured retention per liability claim; $30,000 retention for each vehicle claim, and 10% of the first $100,000 of property loss after a $1,000 deductible.

Major Initiatives

The extensive renovation and security work reached the final stages in the County Complex Building. With the installation of the tile on the third level floor, all of the public hallways now have a durable long wearing surface. The control room in the secure lock up area has been completely remodeled allowing security staff to monitor all court rooms and public areas of the building with state of the art video and recording equipment. Security staff also has the capacity to maintain surveillance of the exterior parking areas and grounds with the enhanced system.

The implementation of the Information Systems Plan to upgrade technology throughout all Departments continues to progress according to the timetable. The collaborative effort with the Immediate School District for Internet service and fiber optic lines has proven to be a cost effective and productive initiative. The process of imagining records to provide for immediate access and to reduce the need for expensive storage space for paper documents continues. Imaging will be implemented over a multi-year time line, as the legal requirements for document retention are amended to allow for the digital storage of data.

Late in the year the upgrade of the telephone system at the Sheriff Department completed the intra-County phone network. Finalizing this phase of the network linking all Departments through the County PBX has resulted in cost containment for telephone communications. Enhanced voice mail and message switching capacity have also resulted in staff efficiencies.

A significant operational change in the delivery of services to the senior population of the County occurred with the merging of all senior programs under the Health Department. Prior to this reorganization, senior programs were under two Departments. This realignment established a single point of access enabling senior citizens to obtain all services from one contact point. With an increasing senior population, the more effective use of staff and resources has resulted in greater program utilization.

The Historic Courthouse restoration continued into the year. Constructed in 1846, this building has been the focus of a community supported effort to preserve one of the oldest Courthouses in the Nation. As a National Historical Site, this building is a focal point of the community. In addition to a County allocation, the volunteer Restoration Committee remains committed to the task of raising funds to underwrite the expense to preserve this historic treasure. The Historical Society, a principle partner in the restoration undertaking, continues to regularly schedule dates allowing visitors to tour the more accessible building.

AWARDS AND ACKNOWLEDGEMENTS:

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lapeer County for its CAFR for the fiscal year ending December 31, 2005. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The County has been a recipient of the Award each year since 1997.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to Certificate of Achievement Program requirements, and are submitting it to the GFOA to determine eligibility for recognition for FY 2006.

Acknowledgments: The preparation of this report could not have been accomplished without the patient and dedicated services of many of the County departments and the various elected and appointed officials. Our appreciation is extended to all who assisted in the preparation of this document. We would also like to thank the Board of Commissioners for their commitment and support in the planning and management of the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

John Biscoe
Administrator/Controller

Craig D. Horton
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lapeer County Michigan

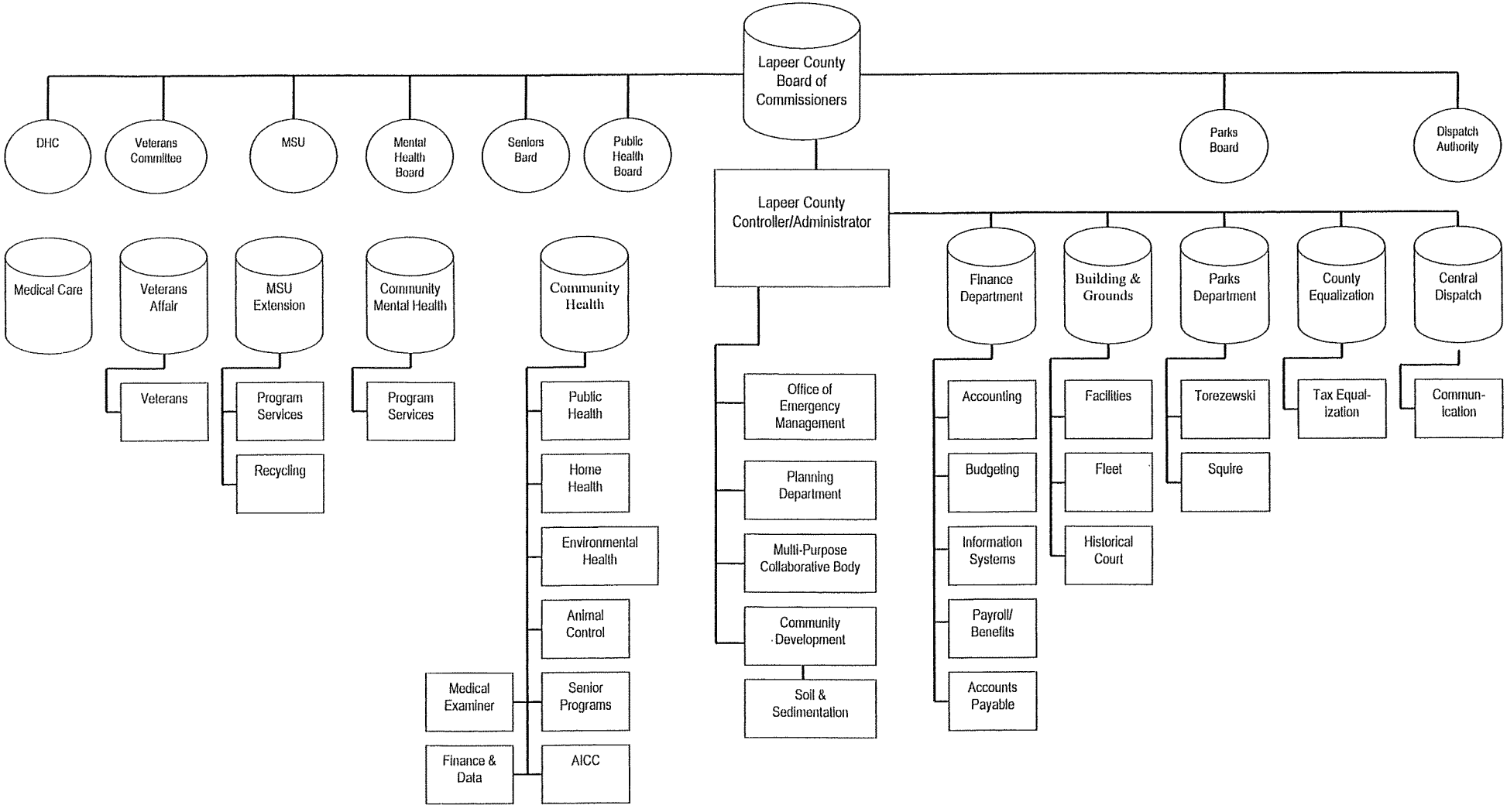
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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

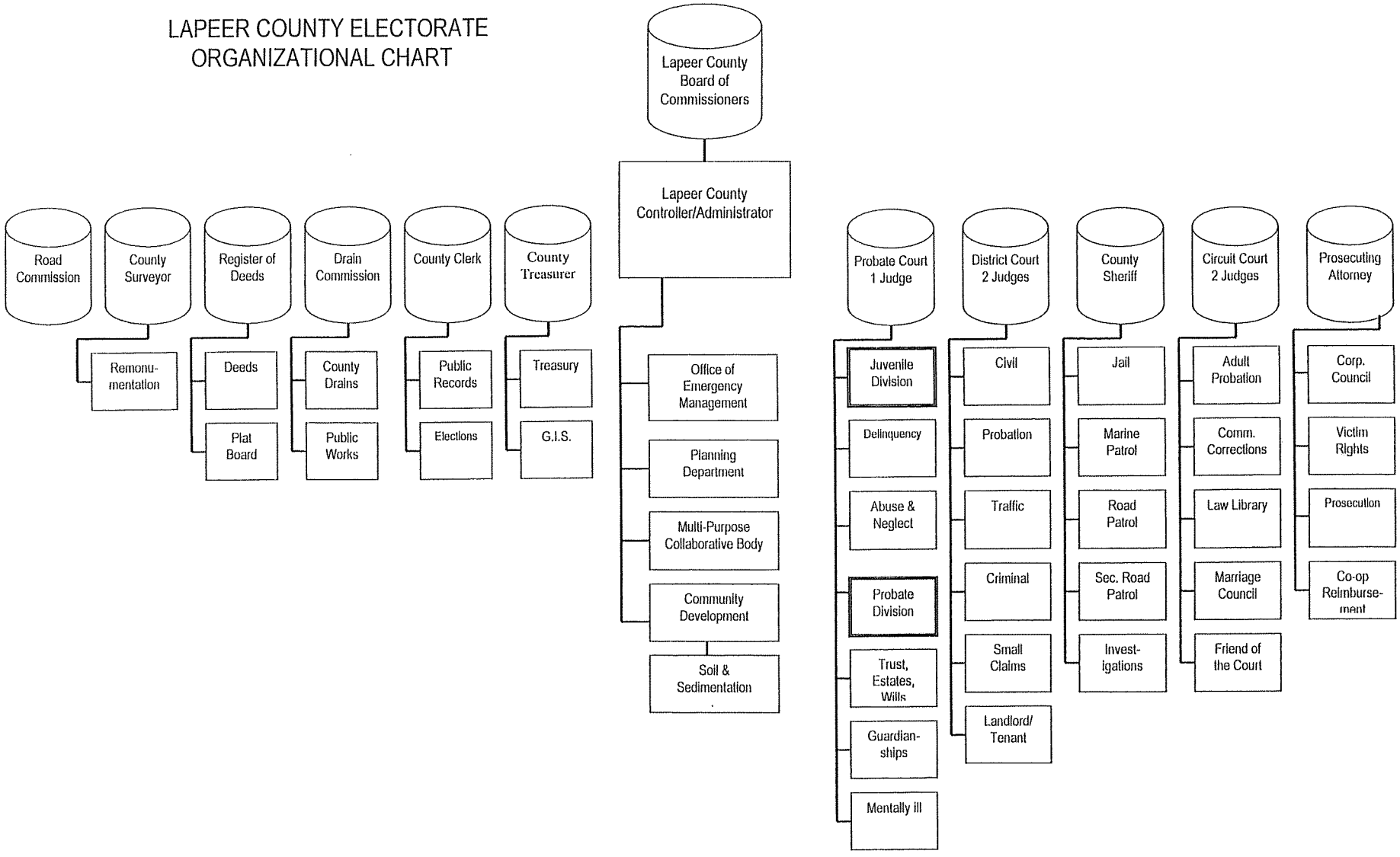
President

Executive Director

LAPEER COUNTY APPOINTED ORGANIZATIONAL CHART



LAPEER COUNTY ELECTORATE ORGANIZATIONAL CHART



LAPEER COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Chairperson
David Taylor

Vice Chairperson
Cheryl Clark

Members

Dyle Henning
Lenny Schneider

Joyce Bonesteel

C. Ian Kempf
Ron Dahlke

COURT JUDGES

John T. Connolly
District Court

Michael Higgins
Family Court

Laura Cheger Barnard
District Court

Nick O. Holowka
Family Court

Justus Scott
Family Court

COUNTY ELECTED OFFICIALS

Sally Eilersen
Treasurer

Ron Kalanquin
Sheriff

John Cosens
Drain Commissioner

Marlene M. Bruns
Clerk

Byron Konschuh
Prosecuting Attorney

Ray Davis
Surveyor

Melissa DeVaugh
Register of Deeds

County Appointed
John Biscoe
Controller/Administrator

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with ***Government Auditing Standards***, we have also issued our report dated June 13, 2007, on our consideration of Lapeer County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards***, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12, and schedules of budgetary comparisons on pages 66 through 70 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

1979 Holland Avenue, Port Huron, Michigan 48060 (810) 984-3829 Fax (810) 984-8943

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements, individual fund financial statements and schedules 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. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly we express no opinion on them.

Stewart, Beauvais & Whipple

Certified Public Accountants

June 13, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a discussion and analysis of the County of Lapeer's financial performance with an overview of the activities for the fiscal year ending December 31, 2006. This analysis should be read in conjunction with the transmittal letter, beginning on page i of this report, and with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- In total, Lapeer County improved its financial position during fiscal year 2006.
- Net assets increased $5,691,840 to $62,662,280 (excluding component units).
- Government activities net assets increased $2,382,419 to $37,361,723.
- Business-type activity net assets increased $3,309,421 to $25,300,557.
- Change includes a prior year adjustment in the amount of $37,449.

Fund Level:

- At the close of the fiscal year, the County's governmental funds reported combined ending fund balances of $16,877,251 increasing $2,856,510 from the prior year governmental funds combined ending fund balance.
- The primary reason for the increase was the establishment of the "Revenue Sharing Reserve Fund" (RSRF) required by PA 357 of 2004. The RSRF was created from the proceeds of shifting the annual County operating millage from a December 1 levy date to a July 1 levy date over three years. The balance in the RSRF increased from $4,659,353 in FY 2005 to $6,669,959.
- The shift accelerates the tax collections and results in an additional year of property tax collection over the three-year period (e.g., Four years of property tax levied within three fiscal years). This additional tax revenue will be used to replace the State Revenue Sharing the County had received which was suspended by PA 357 of 2004. An annual transfer from the RSRF equaling the last State Revenue Sharing payment in 2004 of $1.46 million was made to the General Fund in 2005 and will occur in each subsequent fiscal year through 2010 until the Fund is depleted and the suspended State Revenue is restored.
- The General Fund Balance increased by $67,776 to $2,483,684.
- The Budget Stabilization Fund balance increased to $2,128,097 from $2,027,275 consistent with the financial planning objective of the Fund having a balance equaling 10% of the General Fund.

Capital and Long-Term Debt Activities:

- The County's capital assets experienced a net decrease of $1,482,238 to $28,643,310 during the fiscal year.
- The County issued $1,236,098 of bonds for the South Branch of Mill Creek Inter-County Drainage District.
- The County Board of Public Works defeased general obligation bonds in the amount of $1,005,000 for the Village of Dryden Waste Water Treatment System.
- The County Board of Public Works issued general obligation notes in the amount of $240,000 for Almont Water Supply System Improvements.
- The County paid $3,520,000 in bond and note obligations during fiscal year 2006.
- The County is $408,633,413 below its authorized debt limit.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report of the County consists of 1) the Introductory Section, which includes the Transmittal Letter; 2) the Financial Section, which contains the Auditor's Report, the Management's Discussion and Analysis, the Basic Financial Statements (government-wide financial statements, fund financial statements, and notes to the financial statements), Required Supplementary Information, such as a budget to actual comparison for the Major Funds, additional Non-Required Information including combining financial statements for all non-major funds and proprietary funds and; 3) the Statistical Section, which provides a 10-year history on specific data regarding the County.

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

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

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

Both statements report the following activities:

Governmental Activities - Both the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the County included legislative, judicial, general government, public safety, public works, health and welfare, and recreation and culture.

Business-type Activities – These activities operate like private businesses. The County charges fees to recover the cost of the service provided. The Medical Care Facility is an example of this type of activity.

Discretely Presented Component Units - Component units are legally separate organizations for which the Board of Commissioners appoints a majority of the organization's policy board and there is a degree of financial accountability to the County. The Road Commission is an example of this type of activity.

The government-wide financial statements include not only the County itself (known as the primary government) but also a legally separate Road Commission, a legally separate Department of Public Works, and legally separated Drainage Districts for which the County is financially accountable. Financial information for these component units is reported separately from the primary governmental unit itself.

The government-wide financial statements can be found on pages 13 - 15 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the governmental-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in the fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Community Mental Health Fund, and the Revenue Sharing Reserve Fund, all of which are considered major funds. Data from the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Revenue Sharing Reserve Fund was established pursuant to PA 357 of 2004. In 2004, the State suspended revenue sharing to counties. To replace the lost revenue, counties were required to create a Revenue Sharing Reserve Fund (RSRF) and impose a summer property tax levy. Beginning in 2005, one-third (1/3) of the ad valorem property tax levy was collected as a summer tax. In 2006, two-thirds (2/3) of the levy shifted to summer collection, and by 2007, the entire collection will occur in the summer. The intent of the act in creating the RSRF was to provide alternative funding to replace the lost Revenue Sharing. The shift in tax collection will build a balance in the fund, wherein pursuant to State guidelines, the County may withdraw approximately $1.46 (adjusted by CPI) million per year until the balance is exhausted by 2010. PA 357 of 2004 affirms that State Revenue Sharing will be restored when the RSRF is depleted.

The County adopts a biennial (rolling) appropriated budget for its General and Special Revenue Funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16 - 20 of this report.

Proprietary Funds: Proprietary funds use the accrual basis of accounting, which is the same type used by private business. The County maintains two types of proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the activities of the Delinquent Tax Fund and the Medical Care Facility.

Internal Service funds are an accounting device used to accumulate and allocate cost internally among the County's various functions. The County uses internal service funds to account for its various employee benefits and risk programs as well as an equipment pool.

Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary financial statements provide separate information for the Delinquent Tax Fund and the Medical Care Facility, which are considered major funds of the County. The County's Internal Service Funds are presented in the proprietary fund financial statements in the Governmental Activities-Internal Service Funds column.

The basic proprietary fund financial statements can be found on pages 20 - 24 of the report.

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

The basic fiduciary fund financial statements can be found on pages 25 - 26 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 - 65 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary comparisons for the 3 major governmental funds. This required supplementary information can be found on pages 66 - 70 of this report.

The combining statements referred to earlier in connection with the non-major governmental, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 71 - 105 of this report.

Government-wide Financial Analysis

GASB Statement No. 34 was implemented by Lapeer County in 2003. Comparative analysis of government-wide data is presented in this MD&A.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by $62,662,280.

Approximately 36.1%, or $22,590,432 of the County's net assets, is unrestricted and available for future obligations. Approximately 40.5%, or $25,349,810 of net assets represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The analysis below focuses on the net assets of the County's government and business-type activities.

Net Assets of Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total Governmental	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	$ 22,169,530	$ 23,180,359	$ 20,342,025	$ 16,893,556	$ 42,511,555	$ 40,073,915
Capital Assets	19,570,568	20,627,273	9,072,742	9,498,275	28,643,310	30,125,548
Total Assets	41,740,098	43,807,632	29,414,767	26,391,831	71,154,865	70,199,463
Liabilities						
Long-term debt outstanding	1,308,000	1,552,056	1,348,779	2,424,359	2,656,779	3,976,415
Other Liabilities	3,070,375	7,276,272	2,765,431	1,976,336	5,835,806	9,252,608
Total Liabilities	4,378,375	8,828,328	4,114,210	4,400,695	8,492,585	13,229,023
Net Assets:						
Invested in Capital Assets, net of debt	18,342,068	19,165,973	7,007,742	7,433,275	25,349,810	26,599,248
Restricted	13,948,783	11,296,788	773,255	615,632	14,722,038	11,912,420
Unrestricted	5,070,872	4,516,543	17,519,560	13,942,229	22,590,432	18,458,772
Total Net Assets	$ 37,361,723	$ 34,979,304	$25,300,557	$ 21,991,136	$ 62,662,280	$ 56,970,440

The County's combined net assets increased from $56,970,440 to $62,662,280 for a net change of Governmental and Business-type activities of $5,691,840.

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

Changes in Net Assets for Governmental and Business-type Activities

	Governmental Activities		Business-type Activities		Total Governmental	
	2006	2005	2006	2005	2006	2005
Revenue:						
Program Revenue:						
Charges for services	$ 20,180,381	$ 10,954,595	$ 18,263,714	$ 14,537,302	$ 38,444,095	$ 25,491,897
Operating grants and Contributions	7,694,183	17,645,715	-	-	7,694,183	17,645,715
Capital Grants and Contributions	397,396	785,924	-	-	397,396	785,924
General Revenue:						
Property Taxes	15,972,806	15,081,491	2,024,514	2,054,142	17,997,320	17,135,633
Grants and Contributions not restricted to specific Programs-	429,022	311,804	395,858	311,804	824,880	
Other	1,156,276	567,529	426,375	125,453	1,582,651	692,982
Total Revenue	45,830,064	45,035,254	21,110,461	17,028,701	66,940,525	62,063,955
Expenses:						
Legislative	249,736	273,694	-	-	249,736	273,694
Judicial	4,741,232	4,588,516	-	-	4,741,232	4,588,516
General Government	5,836,173	5,627,863	-	-	5,836,173	5,627,863
Public Safety	10,685,775	9,080,322	-	-	10,685,775	9,080,322
Public Works	451,726	486,381	-	-	451,726	486,381
Health and Welfare	19,833,250	21,418,610	-	-	19,833,250	21,418,610
Recreation and Culture	822,279	846,669	-	-	822,279	846,669
Other Activities	1,544,827	1,567,547	-	-	1,544,827	1,567,547
Interest on Long-Term Debt	63,684	66,483	-	-	63,684	66,483
Medical Care Facility	-	-	16,813,212	15,304,727	16,813,212	15,304,727
Delinquent Tax	-	-	50,379	130,799	50,379	130,799
Total Expenses	44,228,682	43,956,085	16,863,591	15,435,526	61,092,273	59,391,611
Increase in net assets before transfers	1,601,382	1,079,169	4,246,870	1,593,175	5,848,252	2,672,344
Transfers	781,037	253,026	(900,000)	(414,845)	(118,963)	(161,819)
Increase in net assets	2,382,419	1,332,195	3,346,870	1,178,330	5,729,289	2,510,525
Net assets at beginning of year, as restated	34,979,304	33,647,109	21,953,687	20,812,806	56,932,991	54,459,915
Net assets at end of year	$ 37,361,723	$ 34,979,304	$ 25,300,557	$ 21,991,136	$ 62,662,280	$ 56,970,440

Governmental Activities:

The largest revenue for governmental activities is the allocated operating property tax. The property tax rate decreased from 3.8165 in 2005 to 3.7886 in 2006 as a result of the Headlee Amendment and the application of the base tax rate reduction fraction. As noted, this rate is the sixth lowest among the 83 counties in Michigan.

Although the taxable value of the property increased from $2,805,165,220 in 2005 to $2,989,701,382, the County does not retain the entire property tax that is collected from this base. Tax Increment Finance Authorities (TIFA) and Downtown Development Authorities (DDA) established by local units of government "captured" $561,224 property tax revenue that otherwise would have been available for use in the General Fund. It is important to note the existing TIFA's and DDA's continue to "capture" each year an increasing percentage of the total property tax, thereby limiting the capacity of the County to otherwise apply the revenue to mandated and essential activities.

The increase in charges for services by $9,225,786 and the decrease of operating grants by $9,951,532 are due to the reclassification of revenue. Managed Care Capitated Payments to Community Mental Health of Lapeer County was classified as operating grants and contributions in 2005 and charges for services in 2006. The total of Managed Care Capitated Payments was $10,570,047 in 2006.

State Revenue Sharing, which had been the second largest single source of general revenue, was suspended in 2004. In 2001 the County received $1,774,671 in State Revenue Sharing, declining to $699,788 by 2004. As noted in the introduction section, PA 357 of 2004 provided for the shift of property tax payments and the creation of the Revenue Sharing Reserve Fund. In accordance with the Act, $1,513,709 was transferred to the General Fund from the RSRF for operations. This was sent from the RSRF and as with revenue sharing, represents the second single source of general revenue.

Revenue by Source – Governmental Activities

	2006	2005
Taxes	$ 15,972,806	$ 15,215,839
Licenses and permits	604,566	744,802
Intergovernmental	8,437,447	18,431,639
Charges for services	15,740,144	6,595,429
Fines and forfeits	470,635	567,729
Rents and royalties	498,268	454,466
Interest	1,156,276	567,529
Other	2,949,922	2,592,169
	$ 45,830,064	$ 45,169,600

In total, fiscal year 2006 governmental activity revenue increased by $660,464. This net increase was principally the result of the accelerated property tax collections effected by PA 357 of 2004.

Business-type Activities:

Business-type activities increased the County's net assets by $3,309,421.

Revenue by source – Business-Type Activities

	2006	2005
Charges for services	$ 17,112,963	$ 13,813,759
Interest on taxes	275,155	354,158
Fees and penalties on delinquent taxes	657,386	196,781
Other operating revenues	218,210	172,604
Property Taxes	2,024,514	2,054,142
Donations	65,839	9,929
Interest on investments	426,375	125,453
Intergovernmental transfer payment and management fee	330,019	301,875
Gain (Loss) on sale of assets	2,248	(223)
	$ 21,112,709	$ 17,028,478

Financial Analysis of the County's Major Funds

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

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

At December 31, 2006, the County's governmental funds reported combined ending fund balances of $16,877,251, an increase of $2,856,510 in comparison to the prior year. $16,234,467 of this fund balance is unreserved which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or policy, all County revenues and expenditures are recorded in the General Fund. At December 31, 2006 the general fund reported a fund balance of $2,483,684 with $2,285,684 of that amount unreserved/undesignated. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund and the total fund to total fund expenditures. Unreserved fund balance represents 12.8% of the total general fund expenditures and transfers.

The 2006 amended budget of the general fund had revenues of $17,488,775 and transfers in of $1,512,243 with expenditures and transfers out of $21,201,018. Included in the transfers out were $75,000 to the Capital Construction & Improvement Fund for building improvements and technology. The budget variance at the end of the year was a positive $2,267,776, or approximately 10.7% of expenditures and transfers out.

Of the two other major government funds, Community Mental Health reported a fund balance of $869,160 with $427,000 reserved, and Revenue Sharing Reserve reported a fund balance of $6,669,959.

Proprietary Funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2006.

The Delinquent Tax Fund reported an increase in net assets of $425,254 to $10,864,612. The Medical Care Facility Fund reported an increase of $2,921,616 to $14,435,945.

Capital Assets and Debt Administration

Capital Assets: The County's investment in capital assets for its governmental and business-type activities as of December 31, 2006 amounted to $28,643,310 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, building and improvements, construction in progress, machinery and equipment, and vehicles.

Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total Governmental	
	2006	2005	2006	2005	2006	2005
Land	$ 790,857	$ 790,857	$ -	$ -	$ 790,857	$ 790,857
Land improvement	529,382	602,322	1,714	2,052	531,096	604,374
Construction in progress	234,535	182,456	-	-	234,535	182,456
Buildings and improvements	16,669,065	17,197,498	8,122,787	8,427,076	24,791,852	25,624,574
Machinery and equipment	870,293	1,411,203	948,241	1,069,147	1,818,534	2,480,350
Vehicles	476,436	442,937	-	-	476,436	442,937
Totals	$ 19,570,568	$ 20,627,273	$ 9,072,742	$ 9,498,275	$ 28,643,310	$ 30,125,548

Note 5 of the financial statements provides additional information regarding capital assets.

Outstanding Debt

Long-term Debt: At December 31, 2006, the County had a total debt outstanding of $3,711,779, declining from the 2005 debt by $1,187,780.

	Governmental Activities		Business-type Activities		Total Governmental	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds	$ 1,270,000	$ 1,425,000	$ 2,065,000	$ 2,985,000	$ 3,335,000	$ 4,410,000
Accrued Vacation and Sick	-	-	196,664	200,793	196,664	200,793
Accrued Claims Liability	98,000	150,200	82,115	138,566	180,115	288,766
	$ 1,368,000	$ 1,575,200	$ 2,343,779	$ 3,324,359	$ 3,711,779	$ 4,899,559

Additional information about the County's long-term debt can be found in Note 8 of the financial statements.

Economic Outlook

Lapeer County's use of a two year operating budget and a fiscal planning process has compelled a longer-term focus on fiscal stability. In this context, the County has maintained a balanced budget without disruptions in the delivery of mandated and essential public services. Not withstanding the economic conditions and budget concerns impacting the State of Michigan and other local units of government in the state, the County through concerted fiscal management and prudent use of public funds has reduced an already low debt and insured that legacy cost obligations have been met. Additionally, the Capital Planning and Budget process has provided an effective means to address long-term capital needs within the available revenue without having to request additional funding from the voters.

Regardless of the present balanced budget, fiscal pressures continue to exacerbate. The suspended state revenue sharing, the on-going increases in health care cost, new expenses from the State, and energy cost concerns, are examples of threats to our fiscal stability and underscore the need for intense fiscal planning and spending discipline. The Board of Commissioners continues to review services beyond those mandated by the State of Michigan to ascertain the appropriate level of service to be offered to the citizens of the County. Fiscal flexibility is also constrained by external pressures on the budgets, consequently limiting the ability to address growing demands for service with the increasing population particularly with emerging public safety and public health concerns.

What appear to be new fiscal realities in Michigan and changing needs and demands on county government emphasize the requirement for long term fiscal planning and "out-of-the-box" thinking to maintain effective and efficient services. Some of the initiatives undertaken by the County in this regard are discussed in the transmittal letter.

Request for Information

This financial report is designed to provide a general overview of the County's finances for our citizens, taxpayers, customers, investors and creditors and to demonstrate the County's accountability for the taxpayer money we receive. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of Administrator/Controller, 255 Clay Street, Lapeer, Michigan 48446, or contact us at 810-667-0366.

BASIC FINANCIAL STATEMENTS

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
DECEMBER 31, 2006

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Units
ASSETS:				
Cash and cash equivalents	$ 8,403,497	$ 3,379,103	$ 11,782,600	$ 7,210,086
Investments	14,892,555	1,998,840	16,891,395	-
Receivables (net of allowance)	5,642,865	5,526,308	11,169,173	11,988,595
Prepaid items	473,595	106,767	580,362	1,063,425
Internal balances	(7,745,614)	7,300,000	(445,614)	-
Inventory	2,469	119,822	122,291	902,891
Advance to component units	90,000	-	90,000	-
Other Assets	-	22,472	22,472	-
Temporary restricted - Assets -				
Cash and cash equivalents	410,163	806,291	1,216,454	-
Receivable - property taxes	-	1,082,422	1,082,422	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	1,025,392	-	1,025,392	38,669,580
Assets being depreciated	18,545,176	9,072,742	27,617,918	48,427,645
Total Assets	41,740,098	29,414,767	71,154,865	108,262,222
LIABILITIES:				
Payables and accrued liabilities	2,288,595	1,649,973	3,938,568	1,502,992
Advances and deposits	-	-	-	455,961
Advances from primary government	-	-	-	90,000
Unearned revenue	781,780	-	781,780	-
Liabilities payable from restricted assets	-	1,115,458	1,115,458	-
Non-current liabilities -				
Due within one year	157,500	20,000	177,500	1,901,749
Due in more than one year	1,150,500	1,328,779	2,479,279	11,416,440
Total Liabilities	4,378,375	4,114,210	8,492,585	15,367,142
NET ASSETS:				
Invested in capital assets, net of related liabilities	18,342,068	7,007,742	25,349,810	78,614,684
Net assets -				
Restricted -				
Debt service	208,701	773,255	981,956	1,679,771
Primary and local roads	-	-	-	2,069,314
Plant replacement and expansion	903,985	-	903,985	1,311,233
Revenue sharing reserve	6,669,959	-	6,669,959	-
E - 911 operations	806,311	-	806,311	-
Budget stabilization	2,128,097	-	2,128,097	-
Local reserve	1,015,000	-	1,015,000	-
Health services and senior activities	827,569	-	827,569	-
General and mental health	442,160	-	442,160	-
Police services and law enforcement	385,580	-	385,580	-
Other purposes	561,421	-	561,421	-
Unrestricted	5,070,872	17,519,560	22,590,432	9,220,078
Total Net Assets	$ 37,361,723	$ 25,300,557	$ 62,662,280	$ 92,895,080

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

LAPEER COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	$ 249,736	$ 1,119	$ -	$ -
Judicial	4,741,232	1,517,028	1,220,047	-
General Government	5,836,173	3,449,296	676,295	-
Public Safety	10,685,775	1,804,213	766,095	397,396
Public Works	451,726	-	12,810	-
Health and Welfare	19,833,250	12,382,563	4,953,666	-
Recreation and Culture	822,279	226,032	12,389	-
Other Activities	1,544,827	568,204	52,881	-
Interest on Long Term Debt	63,684	231,926	-	-
Total governmental activities	44,228,682	20,180,381	7,694,183	397,396
Business type activities:				
Medical Care Facility	16,813,212	17,192,706	-	-
Delinquent Tax	50,379	1,071,008	-	-
Total business type activities	16,863,591	18,263,714	-	-
Total Primary Government	61,092,273	38,444,095	7,694,183	397,396
Component Units				
Road Commission	12,073,306	3,185,826	7,558,456	2,059,321
Department of Public Works	230,222	-	-	205,069
Drainage Districts	1,339,040	353,928	15,748	297,999
Total Component Units	13,642,568	3,539,754	7,574,204	2,562,389

General revenues:
- Property taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment income

Transfers - internal activities

Total general revenues and transfers

Change in net assets

Net assets at beginning of year

Prior period adjustments

Net assets at beginning of year restated

Net assets at end of year

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

Net (Expense) Revenue and Change in Net Assets			
Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
$(248,617)	$ -	$(248,617)	$ -
(2,004,157)	-	(2,004,157)	-
(1,710,582)	-	(1,710,582)	-
(7,718,071)		(7,718,071)	-
(438,916)	-	(438,916)	-
(2,497,021)	-	(2,497,021)	-
(583,858)	-	(583,858)	-
(923,742)		(923,742)	
168,242	-	168,242	-
(15,956,722)	-	(15,956,722)	-
-	379,494	379,494	-
-	1,020,629	1,020,629	-
-	1,400,123	1,400,123	-
(15,956,722)	1,400,123	(14,556,599)	-
-	-	-	730,297
-	-	-	(25,153)
-	-	-	(671,365)
-	-	-	33,779
15,972,806	2,024,514	17,997,320	-
429,022	395,858	824,880	-
1,156,276	426,375	1,582,651	317,672
781,037	(900,000)	(118,963)	-
18,339,141	1,946,747	20,285,888	317,672
2,382,419	3,346,870	5,729,289	351,451
34,979,304	21,991,136	56,970,440	92,543,629
-	(37,449)	(37,449)	-
34,979,304	21,953,687	56,932,991	92,543,629
$ 37,361,723	$ 25,300,557	$ 62,662,280	$ 92,895,080

LAPEER COUNTY, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	General	Mental Health	Revenue Sharing Reserve	Other Governmental Funds	Total Governmental Funds
ASSETS					
Assets:					
Cash and cash equivalents	$ 80,149	$ 1,679,671	$ 33,401	$ 4,620,277	$ 6,413,498
Investments	13,597,027	-	-	1,295,528	14,892,555
Receivables -					
Current and delinquent property taxes	3,748,921	-	-	618,399	4,367,320
Interest and accounts	109,448	99,995	-	243,071	452,514
Due from other governmental units -					
Federal/State	113,153	20,861	-	742,564	876,578
Local	-	44,447	-	-	44,447
Due from other funds	79,781	-	5,036,558	572,000	5,688,339
Interfund receivables	-	-	1,600,000	302,618	1,902,618
Inventory	-	-	-	2,469	2,469
Advances to other funds	108,000	7,500	-	-	115,500
Advances to component units	90,000	-	-	-	90,000
Prepayments and deposits	-	9,337	-	15,315	24,652
Restricted Assets -					
Cash	-	410,163	-	-	410,163
Total Assets	$ 17,926,479	$ 2,271,974	$ 6,669,959	$ 8,412,241	$ 35,280,653
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 192,147	$ 969,615	$ -	$ 192,609	$ 1,354,371
Accrued liabilities	269,498	79,969	-	196,426	545,893
Due to other governmental units -					
Federal/State	7,421	74,435	-	30,975	112,831
Local	8,556	202,539	-	-	211,095
Due to other funds	6,065,173	-	-	117,298	6,182,471
Interfund payables	8,900,000	-	-	302,618	9,202,618
Advances from other funds	-	-	-	7,500	7,500
Deferred revenue	-	76,256	-	710,367	786,623
Total Liabilities	15,442,795	1,402,814	-	1,557,793	18,403,402
Fund Balances:					
Reserved	198,000	427,000	-	17,784	642,784
Unreserved -					
Undesignated -					
General Fund	2,285,684	-	-	-	2,285,684
Special Revenue Funds	-	442,160	6,669,959	5,723,978	12,836,097
Debt Service Funds	-	-	-	208,701	208,701
Capital Project Funds	-	-	-	903,985	903,985
Total Equity	2,483,684	869,160	6,669,959	6,854,448	16,877,251
Total Liabilities and Fund Equity	$ 17,926,479	$ 2,271,974	$ 6,669,959	$ 8,412,241	$ 35,280,653

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

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2006

Fund Balances - total governmental funds	$	16,877,251
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		30,828,847
Accumulated depreciation	(	14,358,373)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Delinquent Personal Property taxes	(	90,185)
Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)		
Bond premiums	(	90,874)
Deferred charges for bond issuance costs are currently expended in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)		39,427
Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)		111,447
Internal Service Funds used by management to charge cost of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		5,383,375
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds payable	(	1,270,000)
Insurance claims payable	(	60,000)
Accrued interest on bonds/notes payable	(	9,192)
Net Assets of governmental activities	$	37,361,723

The notes to the financial statements are an integral part of this statement.

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Mental Health	Revenue Sharing Reserve	Other Governmental Fund	Total Governmental Funds
Revenues:					
Taxes	$ 10,318,105	$ -	$ 3,376,023	$ 2,278,678	$ 15,972,806
Licenses and permits	13,065	-	-	591,501	604,566
Intergovernmental	1,452,774	2,325,693	-	4,658,980	8,437,447
Charges for services	2,503,694	10,501,106	-	2,735,344	15,740,144
Fines and forfeits	350,626	-	-	120,009	470,635
Rents and royalties	167,953	-	-	330,315	498,268
Interest	750,799	127,296	148,292	129,889	1,156,276
Other	2,450,480	172,145	-	327,297	2,949,922
Total Revenues	18,007,496	13,126,240	3,524,315	11,172,013	45,830,064
Expenditures:					
Current -					
Legislative	249,736	-	-	-	249,736
Judicial	3,475,960	-	-	1,260,018	4,735,978
General Government	5,139,061	-	-	290,687	5,429,748
Public Safety	5,061,635	-	-	4,936,923	9,998,558
Public Works	422,514	-	-	28,612	451,126
Health and Welfare	166,274	13,325,015	-	6,113,147	19,604,436
Recreation and Cultural	242,019	-	-	504,331	746,350
Other Activities	1,586,008	-	-	-	1,586,008
Capital Outlay	-	-	-	312,739	312,739
Debt Service-					
Principal	-	-	-	155,000	155,000
Interest	-	-	-	56,700	56,700
Total Expenditures	16,343,207	13,325,015	-	13,658,157	43,326,379
Excess of revenues over (under) expenditures	1,664,289	(198,775)	3,524,315	(2,486,144)	2,503,685
Other Financing Sources (Uses):					
Transfers in	1,513,709	297,735	-	3,708,799	5,520,243
Transfers out	(3,110,222)	(28,212)	(1,513,709)	(515,275)	(5,167,418)
Total Other Sources (Uses)	(1,596,513)	269,523	(1,513,709)	3,193,524	352,825
Net change in Fund Balances	67,776	70,748	2,010,606	707,380	2,856,510
Fund Balances at beginning of year	2,415,908	798,412	4,659,353	6,147,068	14,020,741
Fund Balances at end of year	$ 2,483,684	$ 869,160	$ 6,669,959	$ 6,854,448	$ 16,877,251

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

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2006

Net change in fund balances - total governmental funds	$	2,856,510
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		319,420
Depreciation expense	(	1,310,630)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.		
Principal payments on long term liabilities		155,000
Accrued interest expense on bonds and the amortization of bond issuance costs, discounts, premium and deferred losses are not recorded by governmental funds, but are reported under interest and fiscal charges for purpose of net assets:		
Decrease in accrued interest payable		516
Amortization of bond issuance costs	(	4,929)
Amortization of premium on bonds		11,360
Amortization on of deferred loss on refunding	(	13,931)
Internal service funds used by management to charge costs of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The net revenues (expenses) attributable to those funds is reported with governmental activities.		327,903
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Decrease in accrued insurance claims payable		41,200
Change in net assets of governmental activities	$	2,382,419

The notes to the financial statements are an integral part of this statement.

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Fund
ASSETS:				
Current Assets:				
Cash and cash equivalents	$ 3,285,201	$ 93,902	$ 3,379,103	$ 1,989,999
Investments	1,000,000	998,840	1,998,840	-
Accounts receivable-				
Delinquent taxes	704,895	2,622,141	3,327,036	-
Accounts (net of allowance for doubtful accounts)	1,778,870	-	1,778,870	2,006
Accrued interest	16,045	404,357	420,402	
Inventories	119,822	-	119,822	-
Interfund receivables	-	7,300,000	7,300,000	-
Prepaid items	106,767	-	106,767	448,943
Due from other funds	-	-	-	48,518
Restricted Assets -				
Cash and cash equivalents	806,291	-	806,291	-
Receivable - property taxes (debt millage)	1,082,422	-	1,082,422	-
Total Current Assets	8,900,313	11,419,240	20,319,553	2,489,466
Capital Assets:				
Property, plant and equipment net of accumulated depreciation	9,071,334	1,408	9,072,742	3,100,094
Other Assets:				
Capital lease discount, net of amortization	22,472	-	22,472	-
Total Non-current assets	9,093,806	1,408	9,095,214	3,100,094
Total Assets	17,994,119	11,420,648	29,414,767	5,589,560
LIABILITIES:				
Current Liabilities:				
Accounts payable	547,438	-	547,438	55,213
Accrued liabilities	373,890	-	373,890	-
Advances and deposits	-	-	-	108,000
Due to other governmental units -				
Federal/State	172,609	-	172,609	-
Local	-	556,036	556,036	-
Current portion of workers' compensation claims	20,000	-	20,000	11,000
Deferred revenue	-	-	-	4,972
Liabilities payable from restricted assets -				
Patient trust liability	42,266	-	42,266	-
Patient deposits	78,192	-	78,192	-
Current portion of capital lease payable	995,000	-	995,000	-
Total Current Liabilities	2,229,395	556,036	2,785,431	179,185

Continued

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Fund
Long-Term Liabilities (less current portions):				
Accrued vacation and sick	196,664	-	196,664	-
Accrued workers' compensation claims	62,115	-	62,115	27,000
Capital lease payable (net of current portion)	1,070,000	-	1,070,000	-
Total Long-Term Liabilities	1,328,779	-	1,328,779	27,000
Total Liabilities	3,558,174	556,036	4,114,210	206,185
NET ASSETS:				
Invested in capital assets, net	7,006,334	1,408	7,007,742	3,100,094
Restricted for:				
Debt service	773,255	-	773,255	-
Unrestricted	6,656,356	10,863,204	17,519,560	2,283,281
Total Net Assets	$ 14,435,945	$ 10,864,612	$ 25,300,557	$ 5,383,375

Concluded

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

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Operating Revenues:				
Charges for services	$ 16,987,110	$ 125,853	$ 17,112,963	$ 3,948,242
Interest on taxes	-	275,155	275,155	-
Fees and penalties on delinquent taxes	-	657,386	657,386	-
Other	205,596	12,614	218,210	-
Total Operating Revenues	17,192,706	1,071,008	18,263,714	3,948,242
Operating Expenses:				
Personal services	-	-	-	314,866
Insurance and claims	-	-	-	3,482,645
Administrative and general	3,264,548	12,942	3,277,490	-
Maintenance	1,041,017	-	1,041,017	-
Nursing	6,838,354	-	6,838,354	-
Daycare	380,315	-	380,315	-
Professional service	4,004,250	-	4,004,250	-
Other services	-	36,030	36,030	-
Depreciation and amortization	627,069	1,407	628,476	474,265
Total Operating Expenses	16,155,553	50,379	16,205,932	4,271,776
Operating Income (Loss)	1,037,153	1,020,629	2,057,782	(323,534)
Non-Operating Revenues:				
Donations	65,839	-	65,839	-
Property taxes	2,024,514	-	2,024,514	-
Interest	121,750	304,625	426,375	-
Intergovernmental transfer payment and management fee	330,019	-	330,019	210,921
Maintenance of effort	(538,895)	-	(538,895)	-
Interest on capital lease and note	(121,012)	-	(121,012)	-
Gain on sale of assets	2,248	-	2,248	12,304
Total Non-Operating Revenues	1,884,463	304,625	2,189,088	223,225
Net Income (Loss) Before Transfers	2,921,616	1,325,254	4,246,870	(100,309)
Transfers:				
Transfers in	-	-	-	428,212
Transfers out	-	(900,000)	(900,000)	-
Change in Net Assets	2,921,616	425,254	3,346,870	327,903
Net Assets at beginning of year	11,551,778	10,439,358	21,991,136	5,055,472
Prior period adjustments	(37,449)	-	(37,449)	-
Net Assets at beginning of year restated	11,514,329	10,439,358	21,953,687	5,055,472
Net Assets end of year	$ 14,435,945	$ 10,864,612	$ 25,300,557	$ 5,383,375

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

LAPEER COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Cash Flows From Operating Activities:				
Cash receipts from customers	$ 16,653,189	$ 138,467	$ 16,791,656	$ 3,946,302
Cash receipts for taxes	-	464,173	464,173	-
Cash payments to suppliers and employees	(15,168,691)	(52,472)	(15,221,163)	(3,880,425)
Other receipts (payments)	205,596	-	205,596	(23,399)
Net Cash Provided by Operating Activities	1,690,094	550,168	2,240,262	42,478
Cash Flows From Noncapital Financing Activities:				
Internal balance receivables	-	(3,000,000)	(3,000,000)	-
Intergovernmental transfer payment	330,019	-	330,019	-
Property taxes	847,535	-	847,535	-
Maintenance of effort payment	(538,895)	-	(538,895)	-
Patient trust deposits	(10,516)	-	(10,516)	-
Transfers from/to other funds	-	(900,000)	(900,000)	428,212
Net Cash Provided (Used) By Noncapital Financing Activities	628,143	(3,900,000)	(3,271,857)	428,212
Cash Flows From Capital and Related Financing Activities:				
Property taxes and contributions	1,272,676	-	1,272,676	-
Capital lease payment	(920,000)	-	(920,000)	-
Acquisition of capital assets	(240,392)	-	(240,392)	(408,769)
Gain on equipment disposal	2,248	-	2,248	12,304
Interest on capitalized lease	(113,762)	-	(113,762)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	770	-	770	(396,465)
Cash Flows From Investing Activities:				
Redemption (Purchase) of investments	(1,000,000)	2,995,597	1,995,597	-
Interest earned	108,322	304,625	412,947	-
Net Cash Provided (Used) by Investing Activities	(891,678)	3,300,222	2,408,544	-
Net Increase in Cash and Cash Equivalents	1,427,329	(49,610)	1,377,719	74,225
Cash and Cash Equivalents at Beginning of Year	2,664,163	143,512	2,807,675	1,915,774
Cash and Cash Equivalents at End of Year	$ 4,091,492	$ 93,902	$ 4,185,394	$ 1,989,999
Statement of Net Assets -				
Cash and Cash Equivalent -				
Current assets	3,285,201	93,902	3,379,103	1,989,999
Temporary restricted assets	806,291	-	806,291	-
Cash and Cash Equivalents at End of Year	$ 4,091,492	$ 93,902	$ 4,185,394	$ 1,989,999

Continued

LAPEER COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business Type Activities-Enterprise Funds			Governmental Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	$ 1,037,153	$ 1,020,629	$ 2,057,782	$(323,534)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities -				
Depreciation and amortization	627,069	1,407	628,476	474,265
Change in assets and liabilities-				
(Increase) decrease in -				
Receivable	(332,598)	(803,524)	(1,136,122)	(11,023)
Due from other funds	-	-	-	(23,399)
Due from other governmental units	-	335,156	335,156	-
Prepaid and deposits	56,807	-	56,807	(111,174)
Inventory	(10,712)	-	(10,712)	-
Increase (decrease) in-				
Accounts payable	289,641	(3,500)	286,141	48,343
Accrued liabilities	(60,630)	-	(60,630)	(11,000)
Due to other governmental units	83,364	-	83,364	-
Net Cash Provided By Operating Activities	$ 1,690,094	$ 550,168	$ 2,240,262	$ 42,478

Concluded

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

LAPEER COUNTY, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	Pension and Other Employee Benefit Trust Funds	Agency Funds
ASSETS:		
Cash and cash equivalents	$ 1,243,958	$ 1,887,167
Due from other funds	438,881	-
Total Assets	1,682,839	1,887,167
LIABILITIES:		
Accounts payable	148,729	-
Due to individuals and agencies	-	1,499,363
Due to other governmental units	-	387,804
Total Liabilities	148,729	$ 1,887,167
NET ASSETS:		
Held in trust for pension and health care benefits	$ 1,534,110	

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

LAPEER COUNTY, MICHIGAN

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Additions:		
Contributions - employer	$	1,200,000
Deductions:		
Transfer to administrative agent		2,344,696
Net reductions to net assets held in trust	(	1,144,696)
Net assets held in trust at beginning of year		2,678,806
Net assets held in trust at end of year	$	1,534,110

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

COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006

	Road Commission	Board of Public Works	Drainage Districts	Totals
ASSETS				
Cash and cash equivalents	$ 2,156,457	$ 708,925	$ 4,344,704	$ 7,210,086
Receivables	3,308,385	4,803,507	3,876,703	11,988,595
Inventories	902,891	-	-	902,891
Prepayments and deposits	79,856	-	983,569	1,063,425
Capital Assets (net of accumulated depreciation)				
Assets not being depreciated	35,607,948	-	3,061,632	38,669,580
Assets being depreciated	33,983,494	-	14,444,151	48,427,645
Total Assets	76,039,031	5,512,432	26,710,759	108,262,222
LIABILITIES				
Payables and current liabilities	645,949	718,067	1,996	1,366,012
Accrued interest	53,446	35,858	47,676	136,980
Advances and deposits	455,961	-	-	455,961
Advance from primary government	-	-	90,000	90,000
Non-current liabilities-				
Due within one year	808,474	759,375	333,900	1,901,749
Due in more than one year	2,364,020	3,999,132	5,053,288	11,416,440
Total Liabilities	4,327,850	5,512,432	5,526,860	15,367,142
NET ASSETS				
Invested in capital assets, net of related liabilities	66,496,089	-	12,118,595	78,614,684
Restricted for:				
Primary and local roads	2,069,314	-	-	2,069,314
Debt service	-	-	1,679,771	1,679,771
Capital projects	-	-	1,311,233	1,311,233
Unrestricted	3,145,778	-	6,074,300	9,220,078
Total net assets	$ 71,711,181	$ -	$ 21,183,899	$ 92,895,080

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

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Road Commission	Board of Public Works	Drainage Districts	Total
Expenses:				
Public works	$ -	$ 230,222	$ 1,339,040	$ 1,569,262
Highways and streets	12,073,306	-	-	12,073,306
Total expenses	12,073,306	230,222	1,339,040	13,642,568
Program revenues:				
Charges for services	3,185,826	-	353,928	3,539,754
Operating grants and contributions	7,558,456	-	15,748	7,574,204
Capital grants and contributions	2,059,321	205,069	297,999	2,562,389
Total program revenues	12,803,603	205,069	667,675	13,676,347
Net program (expense) revenue	730,297	(25,153)	(671,365)	33,779
General revenues:				
Unrestricted investment income	90,735	25,153	201,784	317,672
Total general revenues	90,735	25,153	201,784	317,672
Change in net assets	821,032	-	(469,581)	351,451
Net assets, beginning of year	70,890,149	-	21,653,480	92,543,629
Net assets, end of year	$ 71,711,181	$ -	$ 21,183,899	$ 92,895,080

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

The County of Lapeer, Michigan, was organized in 1837 and covers an area of approximately 666 square miles with the county seat located in the City of Lapeer, Michigan. The County operates under an elected Board of Commissioners (seven members) and provides services to approximately 88,000 residents in many areas; including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture.

These financial statements present the County and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

BLENDED COMPONENTS UNITS -

LAPEER COUNTY BUILDING AUTHORITY is governed by a three (3) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Lapeer County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. Separate financial statements for the Authority are not published.

DISCRETELY PRESENTED COMPONENT UNITS -

LAPEER COUNTY ROAD COMMISSION maintains primary, local and state trunklines within Lapeer County. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, federal financial assistance, reimbursements from the Department of State Highways for work performed by the Road Commission on state trunklines and contributions from other local governmental units within the County. The three (3) member Board of Road Commissioners are elected by Lapeer County residents through a general election. The Road Commission is financially accountable to the County for the following reasons: All general long-term debt issuances excluding capital lease purchase agreements require County authorization. In addition, the County must approve the annual budget appropriating the salaries and fringe benefits of the members of the Board of County Road Commissioners.

LAPEER COUNTY BOARD OF PUBLIC WORKS (BPW) is administrated by the Drain Commissioner as appointed by the County Board of Commissioners. The BPW Board establishes policy and reviews operations of the BPW for the County Board of Commissioners. The BPW has the responsibility of administering the various public works construction projects and the associated debt service funds under the provision of Act 185 P.A. 1957, as amended. The Board of Public Works is financially accountable to the County because all general obligation bond issuances require County authorization and are backed by the full faith and credit of the County.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

LAPEER COUNTY DRAINAGE DISTRICTS established pursuant to Act 40, P.A. 1956, as amended, the Michigan Drain Code are under the administration of the Lapeer County Drain Commissioner. The statutory Intercounty Drainage Board consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district upon authorization of the County Board of Commissioners. The Drain Commission and all operations for the Drain Commission office are budgeted and reported as part of the County General Fund, except for maintenance and construction of individual drains, which are accounted for through the various drain funds.

COMPONENT UNIT FINANCIAL STATEMENTS - Complete financial statements of the Lapeer County Road Commission are audited separately and may be obtained from the administration office at the following location:

Lapeer County Road Commission
820 Davis Lake Road
Lapeer, Michigan 48446

The funds associated with the activities of the public works projects administered by the Lapeer County BPW and the drainage districts administered by the Lapeer County Drain Commissioner are included within the scope of the audit of the basic financial statements. Separate audited financial statements for these component units were not issued.

FISCAL YEAR ENDS - All of the County funds operate and are reported on a December 31 year end, with the exception of the Mental Health, Health Department, Personal Care – Aide Program, Community Grants, Law Enforcement, Thumb Narcotics Unit, Department of Senior Activities (DOSA), DHS, Lapeer Continuation Coordinator and Child Care (Special Revenue) Funds, which operate and are reported on a September 30 fiscal year end.

B. Government-wide and fund financial statements -

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due (2004 levy in 2005). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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 collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers all revenues available if they are normally collected within 60 days after the year-end except for reimbursement grants which are recognized if collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Property taxes which are levied on December 1, and due on February 28, are recognized as revenue in the year due. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The County reports the following major governmental funds:

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

Mental Health Fund - is used to account for the operations of providing specialized mental health services. Financing is provided by State Public Act 258, federal grants, charges for services and General Fund appropriations.

Revenue Sharing Reserve Fund - is used to account for the collection of tax revenues that had been designated as replacement of State Shared Revenues.

The County reports the following major proprietary funds:

Medical Care Facility - is used to account for the operations of the County-owned Long-Term Care Facility.

Delinquent Tax Fund - is used to account for the County's annual purchase of delinquent real property taxes from each of the local taxing units within the County and the ultimate collection from the property owners of the delinquent taxes with penalty and interest.

Additionally, the government reports the following fund types:

Governmental Fund Types -

Special Revenue Funds - are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - are used to account for the accumulation of resources for, and the payment of principal, interest and related costs on the long-term debt of the governmental funds.

Capital Project Funds - are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds).

Proprietary Fund Type -

Internal Service Funds - are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, for unemployment, workers' compensation, equipment acquisition and replacement and health care, and to account for the payment of related insurance claims and expenses.

Fiduciary Fund Types -

Retirement System Trust Fund - is used to account for the charges for services from departments and funds within the County and to account for the payment of contributions to the County defined benefit retirement plan.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Public Employee Health Care Trust Fund - is used to account for the accumulation and investment of funds to provide for the funding of health care benefits to former employees of the County.

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

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 the business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses for Enterprise and Internal Service Funds include costs 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 the unrestricted resources, as they are needed.

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

The County maintains a common checking account for its operation funds. Each participating fund reports its share separately. To the extent that some funds have negative balances in their share of common cash, such negative balances represent temporary interfund borrowings and, at December 31, have been recorded as interfund payables to funds with positive balances.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition and financial institution pooled funds. The financial institution pool funds have the general characteristics of demand deposit accounts in that the County may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty.

Investments are stated at fair value, which is determined as follows: (a) short-term investments are reported at cost, which approximates fair value; (b) securities traded on a national or international exchange are value at the last reported sales price at current exchange rates; (c) investments that do not have established market values are reported at estimated fair value; and (d) cash deposits are reported at carrying amount which reasonably approximates fair value.

State statues authorize the County to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

Receivables and Payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectible.

Inventories -

All inventories are valued at cost using the first in/first out (FIFO) method, except for the Road Commission (component unit) inventories that are stated at average cost. Inventories of governmental funds are recorded as expenditures when purchased, except the Road Commission (component unit) inventories which are recognized using the consumption method (recorded as expenditures when used).

Prepaid Items -

Certain payments to vendors reflect costs applicable to further accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Property Tax Calendar -

The County's 2005 property taxes (2006 revenues) were levied on December 1, 2005 based on the taxable value of property located in the County as of the proceeding December 31 by the various municipalities within the County. On September 30, 2004, the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to the following July starting in December 2004. All special purpose taxes will still be levied in December. As a result, the County levied 1/3 of its general millage in December 2006 based on the taxable value of property as of December 31, 2005 and 2/3 of the millage on July 1, 2006 based on the assessed value as of December 31, 2006. The entire 2006 property tax (2007 revenue) general millage will be levied in July 2007.

The property taxes levied in December 2005 are recognized as revenue in 2006. The property taxes levied December 1, 2006 are budgeted as revenues in the subsequent year, except as explained below, therefore have been accrued as current taxes receivable, with the appropriate deferral.

In connection, Public Act 357 provided a funding mechanism to serve as substitute to State Revenue Sharing Payments. This funding mechanism involves levying 1/3 of the general millage each December through 2006, of which an amount equal to 1/3 of the December 2004 levy is recorded in a Revenue Sharing Reserve Fund. This Revenue Sharing Reserve Fund will then pay the general fund the amount equal to the 2003 State Revenue Sharing payments. The amount equal to 1/3 of the December 31, 2004 levy has been recorded as receivable and revenue in the current year.

Capital Assets -

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. For the County, infrastructure exists in the Road Commission and Drainage Districts component units. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years, except for the Lapeer County Road Commission equipment which is capitalized as defined by the Michigan Department of Transportation without consideration of a minimum cost. 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives, with the exception for road equipment which is computed on the sum-of-the-years' digits method:

	Years		
	Primary Government	Road Commission	Drainage Districts
Building/improvements	5-50	40	-
Drain System	-	-	50
Road Systems/Other Infrastructure	-	8-50	-
Equipment	5-15	5-8	5-15

Compensated Absences -

In accordance with contracts negotiated with the various employee groups of the Medical Care Facility and the Road Commission (component unit), individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the contracts. All vested vacation and sick leave is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

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 statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Federal Programs -

Federal Programs are accounted for in specific Special Revenue Funds or as part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to August 31, 2007, under separate cover as supplementary information to the Annual Financial Statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

The General and Special Revenue Funds budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

The County departments, in conjunction with the Finance Committee, prior to July 1, prepare budgets for the calendar year commencing the following January 1. The budgets include proposed expenditures and resources to finance them.

Prior to December 31, the proposed budgets are presented to the County Board of Commissioners. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through passage of a Board of County Commissioners Resolution.

The approved budgets of the County were adopted for the General fund at the activity level and the Special Revenue Funds at the fund level. These are the enacted levels under the State of Michigan Uniform Budgeting and Accounting Act and the legally adopted levels of the budget. State statutes do not require legally adopted budgets for debt service or capital projects funds.

Budgets are maintained throughout the year at the account level, to provide additional control in preventing over-expenditures at the legally adopted levels. Amendments at the activity level for the General Fund and fund level for the Special Revenue Funds must be approved by the County Board of Commissioners. The Administrator/Controller is given authorization by the Board of Commissioners to make the final amendments to the legally adopted budget in December of each year, to allow for efficiency of the budget process.

The County does not employ encumbrance accounting as an extension of formal budgetary integration. All annual appropriations lapse at year-end.

Budget amounts are reported as originally adopted, or as amended by the Board of Commissioners, during the year.

Michigan Public Act 621 of 1978 Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated at the legally enacted level.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (cont'd):

During the year ended December 31, 2006, the County (primary government) incurred expenditures in the General Fund and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level for the General Fund and fund level for the Special Revenue Funds as follows:

Excess of Expenditures Over Appropriations -

Fund Type/Function/Activity	Amended Budget	Expended	Variance
PRIMARY GOVERNMENT -			
General Fund -			
Judicial -			
Circuit Court	$ 584,553	$ 594,007	$ 9,454
Indigent Council	303,500	315,678	12,178
General Government -			
County Treasurer	519,742	519,976	234
Building and Grounds	730,576	739,671	9,095
Public Safety -			
Marine Safety	8,002	8,041	39
Public Works -			
Drain – County at Large	114,257	183,768	69,511
Other -			
Health Care Savings Program	800,000	1,200,000	400,000
Transfers Out	2,514,461	3,110,222	595,761
Mental Health (Health & Welfare) -			
Transfers Out	-	28,212	28,212
Revenue Sharing Reserve (General Government) -			
Transfers Out	-	1,513,709	1,513,709
Nonmajor Special Revenue Funds -			
General Government -			
Rental Property	81,168	87,548	6,380
Public Safety -			
E-911	1,713,850	1,939,760	225,910
Thumbs Narcotics Unit	197,885	212,340	14,455
Community Development	141,598	152,449	10,851
Health and Welfare -			
Community Development	249,549	270,532	20,983
DOSA	616,283	670,500	54,217
Department of Human Services	54,908	256,076	201,168
Multipurpose Collaborative Body	363,678	371,925	8,247
Other -			
Juvenile Grant (transfer out)	-	34,742	34,742
Senior Millage (transfer out)	-	480,533	480,533
Lapeer Area Youth Coordinator	35,320	36,761	1,441

The budget reported for the Department of Human Services Fund reflects only the anticipated local portion of the Agency budget provided by an annual County appropriation. The balance of the budget is financed through the State of Michigan. The Department of Human Services only requires a budget for the locally funded portion of the Department of Human Services Fund. Revenue Sharing Reserve Fund, a special revenue fund, did not have a budget for 2006.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

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

Act 20 PA 1943 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying Amount -

At year-end, the carrying amount of the County Reporting Entity's cash on hand, deposits and investments as follows:

	Primary Government	Component Units	Fiduciary Unit	Reporting Entity
Cash on Hand -				
Petty cash and cash on hand	$ 10,105	$ 350	$ 300	$ 10,755
Deposits with Financial Institutions -				
Checking/Money Market	402,589	46,496	1,180,586	1,629,671
Savings/Certificates of Deposit	10,094,652	488,203	56,351	10,639,206
Total	10,507,346	535,049	1,237,237	12,279,632
Investments -				
Investment Trust Funds	8,202,166	6,675,037	1,893,888	16,771,091
Cash and Cash Equivalents with Brokers	3,261,997	-	-	3,261,997
U.S. Government Securities	7,918,940	-	-	7,918,940
Total Investments	19,383,103	6,675,037	1,893,888	27,952,028
Grand Total	$ 29,890,449	$ 7,210,086	$ 3,131,125	$ 40,231,660

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Reconciliation To Statement of Net Assets

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	$ 10,755
Cash in Checking	1,629,671
Cash in Savings	1,666,751
Cash and Cash Equivalents with Brokers	3,261,997
Investment Trust Funds	16,771,091
Total Cash and Cash Equivalents Reported on Statement of Net Assets	23,340,265
Reported as Investments -	
Certificates of Deposits -	
Negotiable CD's	6,100,000
Non-Negotiable CD's	2,872,455
U.S. Government Securities	7,918,940
Total Investments Reported on Statement of Net Assets	16,891,395
Grand Total – Statement of Net Assets	$ 40,231,660

Deposits with Financial Institutions -

The County has deposits and investments which are maintained for its primary government, component units, and fiduciary fund types.

Michigan Public Acts authorize the units of local government in Michigan to deposit in the accounts of federally insured banks, insured credit unions, and savings and loan associations. All deposits of the County are at federally insured banks in the State of Michigan in the name of the County.

Custodial Credit Risk - Deposits - Custodial credit risk for deposits is the risk that in the event of a bank failure, the County's deposits may not be returned. As an indication of the level of deposit custodial credit risk assumed by the County, as of December 31, 2006, the book value of the County's deposits was $9,396,423 with a corresponding bank balance of $10,530,277. Insured deposits were $1,001,862, and the remaining $9,528,415 was uninsured or uncollateralized.

The County's Investment Policy allows for the use of bank deposits including certificates of deposit. The County's investment policy does not address custodial credit risk for deposits

An element of the County cash structure is the common accounts which are utilized by most of the funds and component units within the reporting entity. The common account consists of checking accounts and investment trust funds. The investment trust portions of $16,771,091 in the common accounts are reported in the investment category of this note.

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

NOTE 3 - DEPOSITS AND INVESTMENTS - (cont'd):

Investments -

As of December 31, the County had the following investment types:

Investment Type	Fair Value	Percentage
U.S. Agency Securities	$ 7,918,940	28.33 %
Investment Trust Funds	16,771,091	60.00
Cash and Cash Equivalent with Brokers	3,261,997	11.67
Total	$ 27,952,028	100.00 %

Credit Risk - Investments – The County has invested $7,918,940 in U.S. Agencies which are rated AAA by Standard & Poor's (S&P) and Aaa by Moody's. In addition, the County investment trust funds have a fair value of $16,771,091, in which $14,945,676 carries an Aaa (Moody's) rating and $1,825,415 is not rated. The investment funds seek to preserve the value of investment at $1 per unit. The County's investment policy is silent on the use of rated versus unrated investment.

Custodial Credit Risk - Investments - 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 that are in the possession of another party. The County's policy requires securities to be diversified by institution and may be held by a third party custodian designated by the treasurer and evidenced by safekeeping receipts. As of December 31, 2006, $13,966,075 of investments were held in third-party safekeeping not in the County's name, however, evidenced by safekeeping receipts.

Concentration of Credit Risk - Investments - is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investment policy requires diversification by security type but does not place a fixed percentage limit for any one issuer. As of December 31, 2006, the County had investments of 5% or more of the total portfolio as followed:

	Fair Value	Percentage
Federal Home Loan Bank	$ 3,267,614	11.69 %
Federal Home Loan Mortgage Corporation	2,232,436	7.99
Federal National Mortgage Association	1,815,103	6.49

Interest Rate Risk - Investment - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. At year-end, the County's investments have the following range of maturity dates:

		Maturity (Years)			
Investment Type	Fair Value	<1	1-5	6-10	>10
U.S. Agency Securities	$ 7,918,940	$ -	$ 3,647,978	$ 1,390,097	$ 2,880,865
Investment Trust Funds	16,771,091	16,771,091	-	-	-
Cash and Cash Equivalents - with Brokers	3,261,997	3,261,997	-	-	-
Total Investments	$ 27,952,028	$ 20,033,088	$ 3,647,978	$ 1,390,097	$ 2,880,865
Certificates of Deposits (1)	$ 8,972,455	$ 6,100,000	$ 832,841	$ 1,316,394	$ 723,220

(1) Certificate of Deposits was presented to give an overall view of associated interest rate risks.

NOTE 3 – DEPOSITS AND INVESTMENTS – (cont'd):

Negotiability – Negotiable certificates of deposit are usually in bearer form, and have secondary markets that are easily transferable and highly liquid. As of December 31, 2006, the County had negotiable Certificate of Deposits in the amount of $2,872,455, and non-negotiable Certificate of Deposits in the amount of $6,100,000.

NOTE 4 - RECEIVABLES:

Receivables in the governmental and business type activities are as follows:

	Governmental Activities	Business Type Activities
Property Taxes	$ 4,367,320	$ 3,327,036
Interest and accounts	454,520	2,199,272
Intergovernmental -		
Federal/State	876,578	-
Local	44,447	-
	5,742,865	5,526,308
Less - allowance for uncollectible	(100,000)	-
	$ 5,642,865	$ 5,526,308

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned or are received in advance of the period they are intended to finance. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Mental Health -		
Grants/fees received prior to meeting all eligibility requirements	$ -	$ 76,256

NOTE 4 - RECEIVABLES - (cont'd):

	Unavailable	Unearned
Non-Major Governmental Funds -		
Property taxes	$ 9,815	$ 681,451
State grants	-	19,101
	9,815	700,552
Internal Service Funds -		
Prepaid services	-	4,972
	$ 9,815	$ 781,780

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2006 was as follows:

	January 1 Balance	Additions	Disposals	December 31 Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 790,857	$ -	$ -	$ 790,857
Construction in progress	182,456	52,079	-	234,535
Total capital assets, not being depreciated	973,313	52,079	-	1,025,392
Capital assets, being depreciated:				
Buildings	24,556,794	222,262	-	24,779,056
Improvement other than buildings	1,687,442	-	-	1,687,442
Machinery and equipment	7,925,495	225,816	-	8,151,311
Vehicles	1,838,180	248,155	359,624	1,726,711
Total capital assets being depreciated	36,007,911	696,233	359,624	36,344,520
Less accumulated depreciation for:				
Buildings	7,359,296	750,695	-	8,109,991
Improvements other than buildings	1,085,120	72,940	-	1,158,060
Machinery and equipment	6,514,292	766,726	-	7,281,018
Vehicles	1,395,243	194,534	339,502	1,250,275
Total accumulated depreciation	16,353,951	1,784,895	339,502	17,799,344
Total capital assets being depreciated, net	19,653,960	(1,088,662)	20,122	18,545,176
Governmental activities capital assets, net	$ 20,627,273	$(1,036,583)	$ 20,122	$ 19,570,568

NOTE 5 - CAPITAL ASSETS - (cont'd):

	January 1 Balance	Additions	Deletions	December 31 Balance
Business Type Activities:				
Capital assets, being depreciated:				
Buildings	$ 12,765,423	$ 149,540	$ 3,635	$ 12,911,328
Improvement other than buildings	6,750	-	-	6,750
Machinery and equipment	2,906,016	90,852	129,264	2,867,604
Total capital assets being depreciated	15,678,189	240,392	132,899	15,785,682
Less accumulated depreciation for:				
Buildings	4,338,347	451,604	1,410	4,788,541
Improvements other than buildings	4,698	338	-	5,036
Machinery and equipment	1,836,869	176,534	94,040	1,919,363
Total accumulated depreciation	6,179,914	628,476	95,450	6,712,940
Total capital assets being depreciated, net	9,498,275	(388,084)	37,449	9,072,742
Business activities capital assets, net	$ 9,498,275	$(388,084)	$ 37,449	$ 9,072,742

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

Governmental activities:	
General government	$ 364,616
Public Safety	674,674
Public Works	600
Health and Welfare	196,194
Recreation and Cultural	74,546
Depreciation expense-governmental activities	1,310,630
Depreciation in the internal service funds	474,265
Total depreciation	$ 1,784,895
Business-type activities:	
Medical Care Facility	$ 627,069
Delinquent Tax Revolving	1,407
Total depreciation expense-business-type activities	$ 628,476

NOTE 5 - CAPITAL ASSETS - (cont'd):

Discretely Presented Component Units

Drainage Districts. Activity for the Drainage Districts for the year ended December 31, 2006, was as follows:

	Balance January 1, 2006	Additions	Deletions	Reclassification	Balance December 31, 2006
Capital assets, not being depreciated:					
Land Improvements	$ 2,805,169	$ 3,934	$ -	$ -	$ 2,809,103
Construction in progress	-	252,529	-	-	252,529
Total capital assets, not being depreciated	2,805,169	256,463	-	-	3,061,632
Capital assets, being depreciated:					
Equipment	360,677	-	-	-	360,677
Infrastructure	24,979,383	62,408	-	-	25,041,791
Total capital assets being depreciated, net	25,340,060	62,408	-	-	25,402,468
Less accumulated depreciation for:					
Equipment	360,677	-	-	-	360,677
Infrastructure	9,710,536	901,886	-	-	10,612,422
Total depreciation	10,071,213	901,886	-	-	10,973,099
Total capital assets being depreciated, net	15,268,847	(839,478)	-	-	14,429,369
Drain Commissioner capital assets, net	$18,074,016	$(583,015)	$ -	$ -	$17,491,001

Road Commission. Activity for the Road Commission for the year ended December 31, 2006 was as follows:

	Balance January 1, 2006	Additions	Deletions	Adjustments and Removals	Balance December 31, 2006
Capital assets, not being depreciated:					
Land	$ 159,507	$ -	$ -	$ -	$ 159,507
Land improvements	34,037,394	1,231,001	-	-	35,268,395
Right of Ways	180,046	-	-	-	180,046
Construction in Progress	12,383	(12,383)	-	-	-
Total capital assets, not being depreciated	34,389,330	1,218,618	-	-	35,607,948
Capital assets, being depreciated:					
Buildings and improvements	1,857,834	-	-	-	1,857,834
Road Equipment	7,237,194	88,803	609,982	-	6,716,015
Shop Equipment	154,591	-	-	-	154,591
Office Equipment	507,095	-	-	-	507,095
Engineering equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	39,929,704	1,846,501	-	(1,928,824)	39,847,381
Bridges	12,314,117	547,031	-	-	12,861,148
Traffic signals	83,723	-	-	-	83,723
Depletable assets -					
Gravel pits	205,130	-	-	-	205,130
Total Capital Assets, being depreciated	62,360,088	2,482,335	609,982	(1,928,824)	62,303,617

NOTE 5 - CAPITAL ASSETS - (cont'd):

	Balance January 1, 2006	Additions	Deletions	Adjustments and Removals	Balance December 31, 2006
Less - accumulated depreciation for:					
Buildings and improvements	$ 1,237,331	$ 50,662	$ -	$ -	$ 1,287,993
Road Equipment	4,459,401	766,906	605,361	-	4,620,946
Shop Equipment	154,591	-	-	-	154,591
Office Equipment	507,095	-	-	-	507,095
Engineering Equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	16,956,783	2,911,006	-	(1,928,824)	17,938,965
Bridges	3,301,817	262,329	-	-	3,564,146
Traffic signals	36,634	4,770	-	-	41,404
Depletable Assets -					
Gravel Pits	134,283	-	-	-	134,283
Total depreciation	26,858,635	3,995,673	605,361	(1,928,824)	28,320,123
Total Capital Assets, being depreciated, net	35,501,453	(1,513,338)	4,621	-	33,983,494
Road Commissioner capital assets, net	$ 69,890,783	$(294,720)	$ 4,621	$ -	$ 69,591,442

Total depreciation for the year ended December 31, 2006 was $3,995,673. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

NOTE 6 - PAYABLES:

Payables in the governmental and business-type activities are as follows:

	Governmental Activities	Business-Type Activities
Accounts payable/accrued liabilities	$ 1,409,584	$ 547,438
Accrued Interest	9,192	-
Wages and fringe benefits	545,893	373,890
Intergovernmental -		
Federal/State	112,831	172,609
Local	211,095	556,036
	$ 2,288,595	$ 1,649,973
Payables from restricted assets		
Patient Trust Liability	$ -	$ 42,266
Patient Deposits	-	78,192
Capital lease/GO Bonds current	-	995,000
	$ -	$ 1,115,458

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of December 31, 2006 is as follows:

Due To/From Other Funds -

	Receivable	Payable
General Fund	$ 79,781	$ 6,065,173
Parks and Recreation	47,000	774
E-911	-	5,269
Friend of the Court	-	3,234
Health Department	-	4,893
Local Reserve	500,000	-
Revenue Sharing Reserve	5,036,558	-
Personal Care Aid	-	163
Animal Control	-	821
Budget Stabilization	25,000	79,705
Emergency Management	-	230
Community Grants	-	269
Police Service Contracts	-	4,104
Law Enforcement Program	-	273
Community Development Block Grant	-	448
DOSA	-	386
Lapeer Area Youth Coordinator	-	23
Club Supporter	-	15
Child Care	-	304
Lapeer Family Continuation Coordinator	-	552
Municipal Building	-	15,835
	5,688,339	6,182,471
Internal Service Funds		
Capital Acquisition	15,835	-
Unemployment Insurance	25,365	-
Workers' Compensation	7,318	-
	48,518	-
Fiduciary Funds		
Retirement System Fund	438,881	-
Total per Financial Statements	6,175,738	6,182,471
Adjustments for September 30, year-end funds	6,733	-
Total	$ 6,182,471	$ 6,182,471

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Total due from primary government funds, as shown on the accompanying financial statements, being more than due to primary government funds by $6,733, was attributable to transactions with funds reported in a September 30 year-end.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

Advances From/To Other Funds -

	Receivable	Payable
General Fund	$ 108,000	$ -
Mental Health	7,500	-
Multi Purpose Collaborative Body	-	7,500
Centralized Purchasing	-	4,000
Equipment Acquisition & Replacement	-	104,000
	$ 115,500	$ 115,500

The advances from the General Fund and Mental Health Fund were executed in order to assist the cash position (cash flow) of the respective recipient fund.

Advances From/To Primary Government & Component Units -

	Receivable	Payable
Primary Government -		
General Fund	$ 90,000	$ -
Component Unit -		
Drainage Districts	-	90,000
	$ 90,000	$ 90,000

The advances from the General Fund to the Drainage Districts were executed in order to assist in providing cash flow for various drain projects prior to the levy of special assessments.

Interfund receivable/payable –

	Receivable	Payable
Primary Government -		
Governmental Funds -		
General Fund	$ -	$ 8,900,000
Revenue Sharing Reserve	1,600,000	-
Parks	-	37,462
Friend of the Court	-	25,561
Personal Care Aide Program	-	6,006
County Surveyor	-	58,745
Emergency Management	-	36,186
Community Grant	-	33,358
DOSA	-	33,677
Child Care	-	32,424
Multi Purpose Collaborative Body	-	39,199
Local Reserve	302,618	-
Proprietary Fund -		
Delinquent Tax	7,300,000	-
	$ 9,202,618	$ 9,202,618

The interfund receivable/payable balances at December 31, 2006 represent short-term borrowing between funds to cover negative cash balance in the common checking account in accordance with County Board of Commissioner's Policy.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS - (cont'd):

Transfers In and Out -

Transfers In	Transfers Out	Amount
Parks and Recreation	(1) General Fund	$ 262,000
Friend of the Court	(1) General Fund	308,138
Health Department	(1) General Fund	144,398
Health Department	(1) General Fund	36,647
Health Department	(1) General Fund	554,886
Mental Health	(1) General Fund	297,735
Animal Control	(1) General Fund	47,439
Environment/Recycling	(1) General Fund	13,341
Budget Stabilization	(1) General Fund	35,000
Emergency Management	(1) General Fund	50,474
Community Corrections	(1) General Fund	40,411
Public Service Contracts	(1) General Fund	264,919
Law Enforcement Grants	(1) General Fund	2,352
Law Library	(1) General Fund	4,500
Community Development	(1) General Fund	48,346
Local Reserve	(1) General Fund	515,000
Cooperative Extension	(1) General Fund	3,888
Department of Human Services	(1) General Fund	14,036
Child Care	(1) General Fund	263,632
Multi Purpose Collaborative Body	(1) General Fund	33,080
Municipal Building Fund	(1) General Fund	75,000
Courthouse Restoration (1) General Fund	20,000	
Capital Equipment	(1) General Fund	75,000
General Fund	(2) RSRF	1,513,709
Capital Acquisition Fund	(4) Community Mental Health	28,212
Personal Care	(2) Senior Millage	152,283
Department of Senior Activities	(2) Senior Millage	328,250
Childcare Probate	(5) Juvenile Grant	34,742
Total transfers out per Governmental Funds		5,167,418
Local Reserve	(3) Delinquent Revolving Fund	500,000
Municipal Building	(1) Delinquent Revolving Fund	100,000
Building Equipment Replacement	(3) Delinquent Revolving Fund	300,000
Total transfers out for Proprietary Funds		900,000
Total transfers out		6,067,418
Adjustments for September 30, year-end funds		(118,963)
Total transfers out		$ 5,948,455

Transfers represent (1) the movement of unrestricted revenues collected in the General Fund and Health Department Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations (annual appropriations), (2) the movement of tax revenue from the collecting fund to the fund that is authorized to expend the tax collections, (3) the movement of unrestricted revenues collected in the Delinquent Tax Revolving Fund to other funds on an as needed basis in accordance with budgetary authorization, (4) the transfer of funds to finance capital acquisition, and (5) the transfer of funds to move activities to the childcare probate fund.

Total transfers in for the primary government funds as shown in the accompanying financial statements were $5,948,455 and total transfers out were $6,067,418. The difference between these amounts, $118,963, was attributable to transactions with funds, which are reported on a September 30, year-end. As such, this is reported as an uneliminated internal balance in the statement of activities.

NOTE 8 - LONG-TERM LIABILITIES:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term liabilities (including current portions) of the Primary Government for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Governmental Activities:					
Governmental Funds -					
General Obligation Bonds	$ 1,425,000	$ -	$ 155,000	$ 1,270,000	$ 150,000
Accrued Claims Liability	101,200	29,820	71,020	60,000	4,000
Add (Less) Deferred Amounts For -					
Issuance Premium	102,234	-	11,360	90,874	11,359
Bond Issuance Costs	(44,356)	-	(4,929)	(39,427)	(4,928)
Refunding Loss	(125,378)	-	(13,931)	(111,447)	(13,931)
Total Governmental Funds	1,458,700	29,820	218,520	1,270,000	146,500
Internal Service Funds -					
Workers' Compensation Fund -					
Accrued Claims Liabilities	49,000	59,000	70,000	38,000	11,000
Total Governmental Activities	1,507,700	88,820	288,520	1,308,000	157,500
Enterprise Funds:					
Medical Care Facility -					
Capital lease/LTGO bonds	2,985,000	-	920,000	2,065,000	995,000
Accrued Claims Liabilities	158,566	15,310	91,761	82,115	20,000
Accrued Vacation and Sick	200,793	645,027	649,156	196,664	-
Total Enterprise Funds	3,344,359	660,337	1,660,917	2,343,779	1,015,000
Total Primary Government	$ 4,852,059	$ 749,157	$1,949,437	$ 3,651,779	$ 1,172,500

Significant details regarding outstanding long-term liabilities (including current portions) are presented as follows:

Building Obligation Bonds -

Building authority bonds (Limited Tax General Obligation) in the amount of $2,300,000, dated March 23, 1989 were issued in connection with the construction of the CMH Building completed in 1990.

Building authority refunding bonds in the amount of $2,170,000, dated July 13, 1994 were issued to partially defease the 1989 issue.

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

On February 18, 2004, building authority refunding bonds in the amount of $1,535,000 were issued to defease the 1994 issue. The payments are due in annual installments on May 1 ranging from $140,000 to $180,000 through 2014, with interest ranging from 2.00% to 5.00% due on May 1 and November 1 of each year. Issuance costs net of premium amounted to $75,000.	$ 1,270,000

The Building Authority Refunding Bonds - Series 2004 were issued net of a premium of $113,593 and an underwriter's discount of $9,898 in the amount of $1,638,695. After paying $26,386 for bond issuance and $13,000 for insurance costs, the net proceeds of $1,599,309 were placed in a special escrow account.

As a result of the advance refunding, the County reduced the total debt service requirements by $140,107. This resulted in an economic gain (difference between the present value of the old and new debt) of $124,601.

The proceeds of the 2004 refunding bonds like the 1994 refunding bonds that were placed in special escrow accounts are invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the Financial Statements. At December 31, 2006, the defeased bonds outstanding amounts to $1,250,000 for the 1994 issue.

On September 6, 1990, the County defeased the General Obligation Hospital Bonds, dated December 1, 1976, by establishing an irrevocable trust with cash and U.S. Treasury strips sufficient to meet the remaining principal and interest obligations. Accordingly, the trust account assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2006, there was no outstanding balance.

Accrued Claims Liability -

The County has estimated accrued liability claims, including an estimate for claims incurred but not reported (IBNR), administered through the Michigan Municipal Risk Management Authority. The dollar amount of these estimated claims is $60,000 at December 31, 2006.

The County has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2006. The dollar amount of these claims is reported as a long-term liability on the balance sheet of the Workers' Compensation Fund is $38,000 at December 31, 2006.

The Medical Care Facility has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2006. The dollar amount of these claims reported as a long-term liability on the balance sheet of the Medical Care Facility (Enterprise) Fund is $82,115 at December 31, 2006.

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Capital Lease/G.O. Bonds -

The County is obligated under a contract to lease with the Lapeer County Building Authority, the expansion and improvements to the Medical Care Facility. The obligation of the County under the Contract of Lease to make rental payments constitutes a general obligation of the County secured by its full faith and credit and under the provisions of the Act the County is required to provide annually sufficient moneys from its general funds for payment thereof, including any collections of ad valorem taxes which the County is authorized to levy on all taxable property within its boundaries. The lease payments are to be sufficient to cover the debt service requirements on the $7,250,000 Building Authority Bonds – Series 2001. The payments are due in annual installments ranging from $995,000 to $1,070,000, with interest of 4.76%. $ 2,065,000

Accrued Vacation and Sick -

In accordance with the contracts negotiated with the various employee groups of the Medical Care Facility of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in their contracts. The dollar amount of these vested rights, which has been accrued on the balance sheet of the Medical Care Facility Fund, amounts to approximately $196,664 for vacation and sick leave at December 31, 2006. Sick days not used at the end of the calendar year are reimbursed to the employee at the rate of 50 percent. The governmental fund portion is generally liquidated by the General Fund or the fund where the employee is charged.

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2006, for the following bonds and notes (excluding accrued vacation and sick accrued insurance claims) of the Primary Government is as follows:

Year Ending	General Obligation Bonds		Capital Lease/G.O. Bonds	
December 31,	Principal	Interest	Principal	Interest
2007	$ 150,000	$ 53,650	$ 995,000	$ 70,538
2008	140,000	50,575	1,070,000	24,075
2009	160,000	45,000	-	-
2010	155,000	37,125	-	-
2011	145,000	29,625	-	-
2012-2017	520,000	39,750	-	-
	$ 1,270,000	$ 255,725	$ 2,065,000	$ 94,613

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

COMPONENT UNITS -

The following is a summary of changes in long-term liabilities (including current portions) of the Component Units for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006	Due Within One Year
Road Commission -					
MTF Notes	$ 2,450,000	$ -	$ 490,000	$ 1,960,000	$ 490,000
Installment purchase agreement	1,419,191	-	283,838	1,135,353	283,838
Accrued vacation	78,021	88,730	89,610	77,141	34,636
Total Road Commission	3,947,212	88,730	863,448	3,172,494	808,474
Board of Public Works -					
General Obligation Bonds	4,267,000	945,000	1,350,000	3,862,000	480,000
Board of Public Works Note	-	240,000	-	240,000	240,000
Michigan State Revolving Loan	746,507	-	45,000	701,507	45,000
Less Deferred Amounts for:					
Issuance Costs	-	(17,413)	-	(17,413)	(2,177)
Bond Discount	-	(14,046)	-	(14,046)	(1,756)
Refunding Loss	-	(13,541)	-	(13,541)	(1,692)
Total Board of Public Works	5,013,507	1,140,000	1,395,000	4,758,507	759,375
Drainage Districts -					
Drain Notes	423,000	-	285,000	138,000	69,000
Drain bonds	4,480,000	1,236,098	275,000	5,441,098	275,000
Less Deferred Amounts for:					
Bond Issuance Costs	(202,010)	-	(10,100)	(191,910)	(10,100)
Total Drainage Districts	4,700,990	1,236,098	549,900	5,387,188	333,900
Total Component Units	$ 13,661,709	$ 2,464,828	$ 2,808,348	$13,318,189	$ 1,901,749

Road Commission

MTF Note - Series 1997

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 1997, dated October 1, 1997, in the original amount of $700,000. The payments are due in annual installments on August 1 of $70,000 through 2007, with interest ranging from 4.8% to 4.9% due on February 1 and August 1 of each year. At December 31, 2006, the outstanding principal balance is $70,000.

MTF Note - Series 2000

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2000, dated May 11, 2000, in the original amount of $2,200,000. Principal payments are due in annual installments on August 1 of $220,000 through 2010, with interest ranging from 4.8% to 5.0% due on February 1 and August 1 of each year. At December 31, 2006, the outstanding principal balance is $880,000.

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

MTF Note - Series 2000 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2000B, dated November 21, 2000 in the original amount of $700,000. Principal payments are due in annual installments on August 1 of $70,000 through 2010, with interest ranging from 4.8% to 5.0% due on February 1 and August 1 of each year. At December 31, 2006, the outstanding balance is $280,000.

MTF Note - Series 2002

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2002, dated April 1, 2002, in the original amount of $500,000. Principal payments are due in annual installments on August 1 of $50,000 through 2011, with interest ranging from 4.15% to 4.60% due on February 1 and August 1 of each year. At December 31, 2006, the outstanding principal balance is $250,000.

MTF Note - Series 2002 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2002B, dated May 15, 2002 in the original amount of $800,000. Principal payments are due in annual installments on August 1 of $80,000 through 2012, with interest ranging from 3.50% to 4.10% due on February 1 and August 1 of each year. At December 31, 2006, the outstanding balance is $480,000.

Accrued Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the financial statements in the government-wide statements, amounts to approximately $77,141 at December 31, 2006.

The annual requirements to amortize long-term liabilities outstanding at December 31, 2006, except compensated absences, are as follows:

	MTF Note-Series 1997		MTF Notes-Series 2000		MTF Notes – Series 2002	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 70,000	$ 3,430	$ 290,000	$ 57,350	$ 130,000	$ 29,160
2008	-	-	290,000	43,175	130,000	24,110
2009	-	-	290,000	28,965	130,000	19,234
2010	-	-	290,000	14,500	130,000	14,125
2011	-	-	-	-	130,000	7,630
2012	-	-	-	-	80,000	4,430
	$ 70,000	$ 3,430	$ 1,160,000	$ 143,990	$ 730,000	$ 98,689

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Installment Purchase Agreement

The Road Commission entered into an Installment Purchase Agreement in connection with the purchase of 12 truck cabs and chassis, dated May 5, 2005, in the original amount of $884,314. The payments are due in annual installments on May 5 of $176,862 through 2010, with interest of 3.3%, due May 5 of each year. At December 31, 2006, the outstanding principal balance was $707,451.

The Road Commission entered into an Installment Purchase Agreement in connection with the purchase of 12 truck boxes, dated November 17, 2005 in the original amount of $534,877. The payments are due in annual installments on November 11 of $106,975 through 2010, with interest ranging of 3.3% May 5 of each year. At December 31, 2006, the outstanding principal balance was $427,907.

The annual debt service requirements to maturity for the Installment Purchase Contracts outstanding at December 31, 2006 are as follows:

Year Ending December 31,	Principal	Interest
2007	$ 283,839	$ 37,466
2008	283,838	28,100
2009	283,838	18,733
2010	283,838	9,367
	$ 1,135,353	$ 93,666

Board of Public Works

General Obligation Bonds

General Obligation Bonds have been issued by the County to construct several water supply and sewage disposal system for various township, villages and cities in the County. The County in turn is leasing the systems to the various municipalities who operate, maintain and manage the systems. The bonds were sold with the full faith and credit of the Townships, Villages, Cities, and County pursuant to Act 185, Public Acts of Michigan, 1957, as amended. Original amount of the general obligation bonds issued in prior years was $7,265,000. During the year no general obligation bonds were issued.

The principal and interest on the bonds are to be paid out of money received from the various municipalities by the Board of Public Works of the County pursuant to the lease agreements. Upon final payment of the bond issues, ownership of the systems reverts to the Township, Village or Cities. General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rate	
Governmental activities	4.00 - 7.50	$ 2,457,000
Governmental activities - refunding	3.38 - 5.95	1,405,000
		$ 3,862,000

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

On April 11, 1996, the County, through its Board of Public Works, defeased a portion of the Village of Dryden Wastewater Treatment System Bonds dated March 1, 1990 and the Township of Elba Wastewater Treatment System Bonds dated August 1, 1990, by establishing an irrevocable trust with the U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of $1,550,000 and $1,480,000 respectively. Accordingly, the trust account's assets and liabilities for the defeased bond issues are not included in the County's financial statements. At December 31, 2006, the bonds outstanding of $1,005,000 and $530,000 respectively are considered defeased.

On February 25, 1993, the County through its Board of Public Works defeased the Wastewater Treatment System (Village of Almont) Bonds dated March 1, 1987, by establishing an irrevocable trust with U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of $1,725,000. Accordingly, the trust account's assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2006, the bonds outstanding of $175,000 are considered defeased.

On February 28, 2006, the County through its Board of Public Works issued 2006 (tax exempt) refunding bonds to refund 1996 Waste Water Treatment System Refunding Bonds – Limited Tax General Obligation (Village of Dryden). The refunding resulted in issuance costs of $17,413, Bond Discount $14,046, and loss on the refunding in an amount of $13,541. The 1996 Bonds were issued April 11,1996 in the principal amount of $1,500,000 and remaining outstanding principal in amount of $990,000.

Annual debt service requirements to maturities for general obligation bonds and loans are as follows:

Year Ending	General Obligation Bonds		G.O. Bonds Refunded	
December 31,	Principal	Interest	Principal	Interest
2007	$ 120,000	$ 120,565	$ 360,000	$ 53,995
2008	121,000	115,350	200,000	40,863
2009	126,000	109,906	215,000	31,915
2010	125,000	104,095	115,000	22,009
2011	135,000	98,175	120,000	17,660
2012-2016	770,000	386,100	395,000	23,574
2017-2021	885,000	172,625	-	-
2022-2026	175,000	8,575	-	-
	$2,457,000	$1,115,391	$1,405,000	$ 190,016

Annual debt service requirements to maturities for the State of Michigan Revolving loan are as follows:

General Obligation Note

On November 15, 2006, the County through its Board of Public Works issued Water Supply Notes (Almont 2007 Water Supply System Improvements). The note bears interest at 3.84% payables at maturity. The note amount of $240,000 and interest in amount of $8,832 are due on October 1, 2007.

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

State of Michigan Revolving Loan

A State of Michigan Revolving Loan has been obtained to construct a sewage disposal system for a Village in the County. The County in turn is leasing the system to the Village who operates, maintains and manages the system. The loan is backed by the full faith and credit of the Village and County pursuant to Act 185, Public Act of Michigan 1957, as amended. The original amount of the State of Michigan Revolving Loan was $1,021,507.

The principal and interest are to be paid out of money received from the Village by the Board of Public Works pursuant to the lease agreement. Upon final payment of the loan, ownership of the system reverts to the Village. State of Michigan Revolving Loan currently outstanding is as follows:

Purpose	Interest Rate	
Governmental activities	2.0%	$ 701,507

Annual debt service requirements to maturities for the State of Michigan Revolving Loan are as follows:

Year Ending December 31,	Principal	Interest
2007	$ 45,000	$ 16,975
2008	45,000	15,850
2009	45,000	14,725
2010	50,000	13,538
2011	50,000	12,288
2012-2016	275,000	41,626
2017-2021	191,507	7,094
	$ 701,507	$ 122,096

	Interest Rate	
Governmental Activities (G.O. Bonds) -		
Water System Improvements Bonds (Village of North Branch)	5.03 – 7.50 %	$ 480,000
Sewage Disposal Systems Improvement Bonds - Series 2001 (Village of Almont)	4.65 – 5.10	32,000
Sewage Disposal Systems Improvement Bonds - Series 2002 (Village of Almont)	4.00 – 4.90	1,945,000
		2,457,000
Governmental Activities (G.O. Refunding) -		
Wastewater Treatment System Refunding Bonds – Series 1994 (Village of Almont)	5.60	165,000
Wastewater Treatment System Refunding Bonds – Series 2006 (Village of Dryden)	3.38 – 4.00	945,000
Wastewater Treatment System Refunding Bonds (Township of Elba)	5.10 – 5.55	295,000
		1,405,000
		$ 3,862,000
Governmental Activities (Note) -		
Water Supply System Improvements Note Series 2006 (Village of Almont)	3.84	$ 240,000
Governmental Activities (Revolving Loans) -		
Water System (Village of Dryden)	2.50	$ 701,507

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Drainage Districts -

Lapeer County through the Drain Commissioner, administers the construction of drains which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes and bonds are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Pubic Acts of 1976. Repayment of the notes and bonds are made from the special assessment revenues collected and are serviced from debt service funds. The full faith and credit of the Drainage Districts have been pledged for the making of said payments. Also, pursuant to a resolution adopted by its Board of Commissioners, the County of Lapeer has pledged its full faith and credit as additional security for the payment of the principal of and interest on the bonds.

On March 29, 2005, the County issued $2,830,000 in bonds connection with the Imlay-Bigelow Drain and Branches Drainage District. The payments are due in annual installments on June 1, 2006, ranging from $125,000 to $150,000 through 2025, with interest ranging from 4.2% to 4.7% due on June 1 and December 1 of each year. Underwriting fees and other issuance costs were approximately $202,010.

In November 2006, the South Branch of Mill Creek Intercounty Drainage District issued $3,220,000 of bonds for improvements to the drain. The Drainage District includes both Lapeer and St. Clair Counties and the bonds are backed by the full faith and credit of both Counties. Payments on the bonds have been split 38.39% and 61.61% for Lapeer County and St. Clair County, respectively, and will be paid from special assessments against property and public corporations within the Drainage District. St. Clair County is responsible for maintaining the fund to account for the activity of the issue and the construction, with the respective portions being reported by the two Counties.

Principal on the bonds is due on June 1, 2008 through 2017 with interest due semi-annually at interest rates ranging from 4.0% to 6.0%. Lapeer County's balance at December 31, 2006 was $1,236,098.

The balance at December 31, 2006 was as follows:

	Interest Rate	
Governmental Activities -		
Drain Notes -		
Lake Lapeer Lake Level	3.48 %	$ 138,000
Drain Bonds -		
Potter Lake/Elba Sewer	4.50 – 5.00	$ 1,115,000
Winn Lake District	5.00 – 5.60	410,000
Imlay-Bigelow and Branches Drainage District	4.20 – 4.70	2,680,000
Mill Creek Intercounty Drain	4.00 – 6.00	1,236,098
		5,441,098
		$ 5,579,098

NOTE 8 - LONG-TERM LIABILITIES - (cont'd):

Annual debt service requirements to maturities are as follows:

Year Ended December 31,	Drain Notes		Drain Bonds	
	Principal	Interest	Principal	Interest
2007	$ 69,000	$ 4,802	$ 275,000	$ 191,022
2008	69,000	2,405	390,164	175,639
2009	-	-	397,842	152,574
2010	-	-	399,761	136,237
2011	-	-	399,761	120,847
2012-2016	-	-	2,018,808	403,130
2017-2021	-	-	1,059,762	127,513
2022-2026	-	-	500,000	28,875
	$ 138,000	$ 7,207	$5,441,098	$ 1,335,837

NOTE 9 - RETIREMENT PLAN:

Plan Description -

Lapeer County, Michigan (the Primary Government along with the Board of Public Works and Drainage Districts) participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. The MERS plan was organized pursuant to Section 12A of Act 156, Public Acts of 1851 (MSA 5.33(a); MCLA 46.12(a), as amended, and is regulated under Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 N. Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy -

The plan adopted by the Board of County Commissioners requires no member contribution except for department heads, elected officials, and POLC (sheriff union employees). The County is required to contribute at an actuarially determined rate; the weighted average rate for 2005 was 10.16% for sheriff's department employees, 6.66% for union employees and 12.00% for non-union employees at the Medical Care Facility, 9.15% for Department of Senior Activities and Health Department employees, 11.45% for general non-union employees, 10.50% for general union employees, and 12.14% for elected commissioners. The contribution requirements of plan members and the County are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

NOTE 9 – RETIREMENT PLAN – (cont'd):

Annual Pension Costs -

For the year ended December 31, 2006, the County's annual pension cost of $1,612,887 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually), after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

Three-Year Trend Information

Fiscal Year Ending December 31,	Annual Pension Costs (APC)	Percentage of APCNet Contribution	Pension Obligation
2004	$ 1,526,544	100 %	-
2005	1,662,850	100	-
2006	1,612,887	100	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAl as a % of Covered Payroll [(b-a)/c]
2003	$ 40,320,750	$ 49,842,139	$ 9,521,389	81 %	$ 22,301,228	43 %
2004	44,605,818	53,364,956	8,759,138	84	21,785,129	40
2005	48,484,521	57,449,535	8,965,014	84	21,929,614	41

Road Commission -

The Lapeer County Road Commission, a component unit of the Lapeer County reporting entity, maintains a separate plan with MERS.

For the year ended December 31, 2006, employer contributions totaling $346,194 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2004.

Detailed information regarding the Lapeer County Road Commission pension plan is presented in its separately issued financial statements. The actuarially determined contribution requirement has been met.

NOTE 10 – POST EMPLOYMENT BENEFITS:

Primary Government -

The Primary Government along with the Board of Public Works and Drainage Districts provides post-employment benefit for health care to select groups of employees based on employment contracts on a pay-as-you-go basis. At December 31, 2006, thirty-six sheriff deputies qualified under labor contract to receive a $100-200 stipend per month and one sheriff deputy qualified to receive a $100-200 per month towards health insurance after retirement. In 2006, sheriff deputies received benefits of $2,350.

The County has contracted with a third party administrator to administer a defined contribution plan for postemployment health benefits.

Once an employee has worked for the County ten years in a full-time capacity, the County will transfer thirty dollars ($30) per month to the third party administrator to be deposited in the respective employees account upon reaching eligibility. Upon separation from County employment, the former employee will be entitled to draw from his account for the payment of postemployment health benefits after vesting.

Road Commission -

In addition to the pension benefits described in Note 10, the Lapeer County Road Commission provides postemployment health care and life insurance to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Expenditures for postemployment health care and life insurance benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2006, health care costs amounted to approximately $353,745 for 40 eligible participants, $22,427 for optical/dental reimbursement for approximately 31 eligible participants, $21,648 for prescription reimbursement for approximately 32 eligible participants and $11,992 for life insurance costs for approximately 34 eligible participants.

NOTE 11 - CONTINGENT LIABILITIES:

Primary Government -

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

Lapeer County Medical Care Facility is currently involved in litigation regarding grant funds (Hill-Burton Funds) they received several years ago to help build the facility. Under the grant document, the facility was to provide free services equal to the amount of funds received. The dispute is now over what qualifies under this stipulation. Isabella County Medical Care Facility and several other Michigan agencies are currently combining efforts on fighting this issue. At this time, it is undeterminable what the result of this suit may be and what, if any, effect it will have on the Facility’s current financial statements.

NOTE 11 – POST EMPLOYMENT BENEFITS – (cont'd):

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

There are various other legal actions pending against the County. Due to the inconclusive nature of many of the actions, it is not possible for Corporation Counsel to determine the probable outcome or a reasonable estimate of the County's potential liability, if any. Those actions, for which a reasonable estimate can be determined of the County's potential liability, if any, are considered to be immaterial.

Road Commission -

In the normal course of its operations, the Lapeer County Road Commission often becomes a party to various claims and lawsuits. In the opinion of the Road Commission's legal counsel, if any of these claims should result in an unfavorable resolution to the Road Commission, the Road Commission's liability would be limited to its deductible under insurance policies. The insurer would pay the losses, and there should be no material effect on the financial position of the Road Commission.

Also as a part of its trunkline maintenance agreement with the State of Michigan, the Road Commission's costs charged to the State are subject to audit. The amounts, if any, which may have to be paid back to the State, cannot be determined at this time, although the Road Commission expects such amounts, if any, to be immaterial.

NOTE 12 - RISK MANAGEMENT:

Primary Government -

The County maintains separate internal service funds to account for the costs of providing workers' compensation, unemployment and health insurance and the resources to finance those costs. Each participating fund of the County makes payments to the respective internal service fund equal to an established percentage of gross salaries for that fund. These payments are accounted for as other services and charges in the paying fund and charges for services in the receiving fund. The settlements have not exceeded insurance coverage for each of the past three years for workers' compensation, health care and the risk covered through participation with the Michigan Municipal Risk Management Authority.

The County is completely self-insured for unemployment compensation, and is self-insured for workers' compensation claims up to an aggregate annual amount of $300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of $5,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage.

In addition, the Primary Government, including the Board of Public Works and Drainage Districts, is a voluntary member of the Michigan Risk Management Authority established pursuant to laws of the State of Michigan which authorize local units of government to exercise jointly any power, privilege or authority which each might exercise separately.

NOTE 12 – RISK MANAGEMENT – (cont'd):

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

The Authority administers risk management funds providing Lapeer County with loss protection for general and auto liability, motor vehicle physical damage, and property. Under most circumstances the County's maximum loss per occurrence is limited as follows:

Type of Risk	Maximum Retention Per Occurrence
General and auto liability	$ 75,000
Motor vehicle physical damage	15,000 per vehicle
	30,000 per occurrence
Property and Crime	1,000 per occurrence, plus 10% of the next $100,000 of loss

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2006, that Stop Loss Program limited the retention for Lapeer County to $25,949 in aggregate claims paid during the year.

The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations.

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

The County provides health insurance coverage through a private carrier, paying premiums adjusted annually. The coverage provided does not have individual or aggregate claims limits beyond deductibles of $1,000 per claim. The deductible is shared $800 by the County and $200 by the employee.

NOTE 12 - RISK MANAGEMENT - (cont'd):

Changes in the balance of claims liability during the past year are as follows:

	General Fund		Medical Care Facility		Workers' Compensation	
	2006	2005	2006	2005	2006	2005
Unpaid claims, beginning of year	$ 101,200	$ 184,550	$ 158,566	$ 134,414	$ 49,000	$ 69,000
Incurred claims (including IBNR's)	29,820	28,630	15,310	1,002,362	59,000	20,800
Claims Paid	(71,020)	(111,980)	(91,761)	(978,210)	(70,000)	(40,800)
Unpaid claims, end of year	60,000	101,200	82,115	158,566	38,000	49,000
Less current portion	(4,000)	(24,000)	(20,000)	(20,000)	(11,000)	(12,300)
Long-Term Liabilities	$ 56,000	$ 77,200	$ 62,115	$ 138,566	$ 27,000	$ 36,700

Component Units -

Road Commission -

The Road Commission is also a member of the County Road Association Self Insurance Pool for workers' compensation self-insurance. The Pool is a municipal self-insurance entity operating within the laws of the State of Michigan. The Pool has entered into reinsurance agreements providing for loss coverage in excess of amounts to be retained by the Pool.

The Road Commission provides for its employees dental/optical reimbursement programs for regular full-time employees, spouses and dependent children under nineteen (19) years of age. Based on their bargaining unit employees may be reimbursed for dental and/or optical up to $650 for bills or apply their reimbursement amount to the cost of the insurance premium.

The Road Commission carries commercial insurance for all other risks of loss, including life, disability and health insurance, automobile liability, errors or omissions liability and bodily injury, property damage, personal injury liability and property (building and grounds). The amount of settlements (claims) for the past three years have not exceeded insurance coverage.

NOTE 13 - DEFERRED COMPENSATION:

The County, including its component units, offers its employees Deferred Compensation Plans created in accordance with the Internal Revenue Code Section 457.

A trust, custodial account or annuity contract assets are owned or held by a trust, custodian or insurer for the exclusive benefit of participants and beneficiaries, and are not subject to the claims of public employer creditors nor can they be used by the public employer for any purpose other than the payment of benefits to those individuals participating in the plan or their designated beneficiaries. As a result, the County and its component units have determined a fiduciary relationship does not exist and therefore the Deferred Compensation Plans are not reported as part of the County or its component units.

As part of its fiduciary role, the County, including its component units have an obligation of due care in selecting the third party administrator. The County, including its component units believe they have acted in a prudent manner and are not liable for losses that may arise from the administration of the plan.

NOTE 14 – FUND EQUITY:

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2006:

Fund Type/Fund	Description	Amount
Primary Government -		
General Fund	Advance to Other Funds/Component Units	$ 198,000
Special Revenue Funds -		
Mental Health	Prepaid Expenditures	9,337
	Advance to Other Funds	7,500
	Accrued Vacation and Sick	93,965
	Risk Corridor Financing	316,198
		427,000
Health Department	Prepaid Expenditures	4,559
Parks	Prepaid Expenditures	300
DOSA	Inventory	2,469
E-911	Prepaid Expenditures	10,456
Total Governmental Funds		642,784
Fiduciary Fund -		
Pension	Pension Benefit	728,987
Public Employee - Health Care	Health Benefit	805,123
		1,534,110
Total Primary Government Reserved Fund Balance		$ 2,176,894

NOTE 15 – PRIOR PERIOD ADJUSTMENT:

Enterprise Fund – Medical Care Facility –

There is a prior period adjustment to correct an error in capitalizing expenses. The prior period adjustments resulted in a reduction of net assets and capital assets.

REQUIRED SUPPLEMENTARY INFORMATION

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	$ 10,256,227	$ 10,256,227	$ 10,318,105	$ 61,878
Licenses and permits	16,180	16,180	13,065	(3,115)
Intergovernmental - Federal/State	1,369,067	1,370,714	1,452,774	82,060
Charges for services	2,683,400	2,683,400	2,503,694	(179,706)
Fines and forfeits	332,000	332,000	350,626	18,626
Interest and rent	429,198	429,198	918,752	489,554
Other	2,401,056	2,401,056	2,450,480	49,424
Total Revenues	17,487,128	17,488,775	18,007,496	518,721
Expenditures:				
Legislative:				
Board of Commissioners	270,897	270,897	249,736	21,161
Judicial:				
Circuit Court	571,553	584,553	594,007	(9,454)
District Court	1,512,083	1,512,083	1,448,627	63,456
Jury Board	4,198	4,198	3,693	505
Indigent Counsel	303,500	303,500	315,678	(12,178)
Probate Court	1,170,670	1,170,670	1,101,863	68,807
Adult Probation	14,214	14,214	12,092	2,122
	3,576,218	3,589,218	3,475,960	113,258
General Government:				
Administrative	242,676	242,676	234,349	8,327
Elections	151,014	151,014	140,712	10,302
Professional Services	290,000	290,000	201,161	88,839
County Clerk	472,252	472,252	465,392	6,860
Tax Equalization	227,257	227,257	227,077	180
Prosecuting Attorney	1,159,643	1,159,643	1,142,948	16,695
Register of Deeds	348,079	348,079	324,406	23,673
County Treasurer	514,892	519,742	519,976	(234)
Computer Operations	253,908	253,908	133,374	120,534
Accounting	337,674	337,674	268,095	69,579
Building Operations	460,000	460,000	387,991	72,009
Building and Grounds	730,576	730,576	739,671	(9,095)
Drain Commissioner	405,764	405,764	353,472	52,292
Boundary Commission	593	593	437	156
	5,594,328	5,599,178	5,139,061	460,117

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public Safety:				
Sheriff	2,681,573	2,681,573	2,600,389	81,184
Criminal Justice Training	9,524	11,171	11,171	-
Marine Safety	8,002	8,002	8,041	(39)
Emergency Services	2,000	2,000	-	2,000
Jail/Feeding Prisoners	2,423,720	2,423,720	2,396,745	26,975
Livestock Claims	1,000	1,000	-	1,000
Planning Commission	49,858	49,858	45,201	4,657
PLAT Board	627	627	88	539
	5,176,304	5,177,951	5,061,635	116,316
Public Works:				
Road Commission	239,582	238,747	238,746	1
Drains - County at Large	144,257	144,257	183,768	(39,511)
	383,839	383,004	422,514	(39,510)
Health and Welfare:				
Medical Examiner	55,209	55,209	47,076	8,133
Veterans' Affairs	104,405	104,405	102,818	1,587
Veterans' Relief	1,000	1,000	-	1,000
Veterans' Burial	37,500	37,500	9,380	28,120
Economic Development Commission	7,000	7,000	7,000	-
	205,114	205,114	166,274	38,840
Recreation and Cultural:				
Conservation Activities	10,710	10,710	10,710	-
Cooperative Extension	232,248	232,248	231,309	939
	242,958	242,958	242,019	939
Other:				
Bonds and Insurance	600,000	600,000	369,909	230,091
Health Care Saving Program	-	800,000	1,200,000	(400,000)
Memberships and Dues	18,050	18,050	16,099	1,951
Contingencies	1,216,552	1,800,187	-	1,800,187
	1,834,602	3,218,237	1,586,008	1,632,229
Total Expenditures	17,284,260	18,686,557	16,343,207	2,343,350
Excess of revenues over (under) expenditures	202,868	(1,197,782)	1,664,289	2,862,071
Other Financing Sources (Uses):				
Transfers In	1,512,243	1,512,243	1,513,709	1,466
Transfers Out	(3,115,111)	(2,514,461)	(3,110,222)	(595,761)
Total Transfers	(1,602,868)	(1,002,218)	(1,596,513)	(594,295)
Net Change in Fund Balance	(1,400,000)	(2,200,000)	67,776	2,267,776
Fund Balance at beginning of year	1,400,000	2,200,000	2,415,908	215,908
Fund Balance at end of year	$ -	$ -	$ 2,483,684	$ 2,483,684

Concluded

LAPEER COUNTY, MICHIGAN

SCHEDULE OF TRANSFERS OUT
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Transfers Out:				
County Appropriations -				
Special Revenue Funds -				
Parks Department	$ 250,000	$ 215,000	$ 262,000	$(47,000)
Friend of the Court	308,138	308,138	308,138	-
Health Department	554,886	554,886	554,886	-
Mental Health	297,735	297,735	297,735	-
Animal Control	47,439	47,439	47,439	-
Environment/Recycling	11,000	13,341	13,341	-
Local Reserve	15,323	15,000	515,000	(500,000)
Budget Stabilization	10,000	10,000	35,000	(25,000)
Emergency Management	50,474	50,474	50,474	-
Community Corrections	75,504	40,411	40,411	-
Police Service Contracts	286,149	286,149	264,919	21,230
Law Enforcement	11,240	2,352	2,352	-
Law Library	4,500	4,500	4,500	-
Community Development	-	-	48,346	(48,346)
Cooperative Extension	3,888	3,888	3,888	-
Department of Social Service	54,908	14,036	14,036	-
Child Care	734,387	263,634	263,632	2
Law Enforcement - Marine Division	5,157	-	-	-
Juvenile Grant	1,302	-	-	-
Multi Purpose Collaborative Body	33,081	33,080	33,080	-
	2,755,111	2,160,063	2,759,177	(599,114)
Capital Projects Funds -				
Capital Construction & Improvement	75,000	75,000	75,000	-
Old Courthouse	20,000	20,000	20,000	-
	95,000	95,000	95,000	-
Internal Service Funds -				
Equipment Acquisition & Replacement	75,000	75,000	75,000	-
Total Primary Government Appropriations	2,925,111	2,330,063	2,929,177	(599,114)
Other -				
Special Revenue Funds -				
Health Department-				
Cigarette tax	40,000	40,000	36,647	3,353
Liquor tax	150,000	144,398	144,398	-
	190,000	184,398	181,045	3,353
Total Primary Government	$ 3,115,111	$ 2,514,461	$ 3,110,222	$(595,761)

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - MENTAL HEALTH SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Intergovernmental -				
Federal/State	$ 2,377,932	$ 2,377,932	$ 2,217,908	$(160,024)
Local	90,000	90,000	107,785	17,785
Charges for services	10,696,047	10,696,047	10,501,106	(194,941)
Interest	95,275	95,275	127,296	32,021
Other	134,848	134,848	172,145	37,297
Total Revenues	13,394,102	13,394,102	13,126,240	(267,862)
Expenditures:				
Health and Welfare	13,691,837	13,691,837	13,325,015	366,822
Excess of revenues over expenditures	(297,735)	(297,735)	(198,775)	98,960
Other Financing Uses:				
Transfers in	297,735	297,735	297,735	-
Transfers out	-	-	(28,212)	(28,212)
Total Other Sources (Uses)	297,735	297,735	269,523	(28,212)
Net change in Fund Balance	-	-	70,748	70,748
Fund Balance at beginning of year	-	-	798,412	798,412
Fund Balance at end of year	$ -	$ -	$ 869,160	$ 869,160

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - REVENUE SHARING RESERVE SPECIAL REVENUE FUND FOR THE YEAR ENDED DECEMBER 31, 2006

	Budget			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues:				
Taxes	$ -	$ -	$ 3,376,023	$ 3,376,023
Interest			148,292	148,292
Total Revenues	-	-	3,524,315	3,524,315
Other Financing Uses:				
Transfers Out	-	-	(1,513,709)	(1,513,709)
Net change in Fund Balance	-	-	2,010,606	2,010,606
Fund Balance at beginning of year	-	-	4,659,353	4,659,353
Fund Balance at end of year	$ -	$ -	$ 6,669,959	$ 6,669,959

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The General and Major Special Revenue Funds budgets shown in the required supplementary information were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds of the County are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The Nonmajor Special Revenue Funds of the County are as follows:

Parks Department - is used to account for the operations of the County Park System financed primarily through an annual appropriation from the General Fund.

Polly Ann Trail - is used to account for grants to develop old railroad right-of-ways into walking and hiking trails.

E - 911 - is used to report the operations of the county-wide E-911 system. The Operations are financed primarily with telephone surcharges

Friend of the Court - is used to account for the revenues and expenditures of the Friend of the Court office required in 1982 under Public Acts 294 through 298. A significant amount of the financing of operations is from federal and state sources in the form of grant funding. Other sources of revenue include fees and General Fund appropriations.

Family Marriage Counseling - is used to account for the portion of marriage license fees set aside for providing family counseling to individuals who have domestic-related actions pending before the Circuit Court.

Health Department - is used to account for the portions of providing health protection and preventive health services. Financing is provided by state and federal grants, charges for services and general fund appropriation

Personal Care Aide Program - is used to account for the federal and state funded grant program to provide in-home services to eligible recipients.

Animal Control - is used to account for the operations of providing public safety services associated with the control of domestic and wild animals within the County.

Emergency Disaster - is used to account for funds provided by the county Board of Commissioners to be used in the event of an emergency disaster.

County Surveyor - is used to account for funds received from Michigan Department of Labor & Economic Growth, Bureau of Construction Codes & Fire Safety Office of Land Survey and Remonumentation

Register of Deeds Automation - is used to account for the revenues and expenditures set aside for the updating and streamlining of the records system in the register of deeds office.

Budget Stabilization - is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds are transferred to this fund by resolution of the County Board of Commissioners and are only to be returned to the General Fund under conditions of the act.

Rental Property - is used to account for the collection of rents on a building purchased by the County to provide room for future expansion.

Emergency Management - is used to account for the costs of assuring that the County is ready and prepared for any emergency disasters and is primarily funded through federal and state grants.

Policing Contracts - is used to account for the providing of deputies to various communities through federal funding under the C.O.P.S. program.

Law Enforcement - is used to account for a number of law enforcement programs financed primarily with federal and state funding.

Law Enforcement - Other - is used to account for seized drug forfeitures and confiscated property earmarked for drug law enforcement under the provision of Public Act 135 of 1985.

Juvenile Grant- is used to account for

Law Library - is used to account for penal fines earmarked for maintaining a law library. The County also supplements the operations with General Fund appropriations.

Community Development - is used to account for programs which benefit the members of the community. The funding is primarily federal grants for qualified housing renovations and permit fees.

Senior Millage - is used to account for an ad valorem special property tax Millage and the distribution to various funds and agencies that provide programs for seniors.

D.O.S.A. - Department of Senior Activities - is used to account for the operation of senior citizens health, welfare and recreational programs financed primarily through an ad valorem special property tax Millage and federal and state grant sources.

Department of Human Services (FIA) - is used to maintain the operations of the County Family Independence Agency. The Agency administers programs financed primarily with federal and state funds to provide assistance to enable eligible recipients to gain self-sufficiency.

Child Care - is used to account for court-ordered expenses for the health and welfare of minor children. Financing is provided by General Fund appropriations and state matching of certain eligible costs.

Veterans' Trust - is used to account for earmarked revenue for aid to veterans. This fund is required by state law and financed by state grants.

Environmental/Recycling - is used to maintain the community host tipping fees assessed to users of the landfill. These fees support the costs of monitoring the landfill.

Local Reserve - is used to account for funds set aside

The remaining special revenue funds are the Juvenile Grant, Community Grants, Thumb Narcotics Unit, Police Service Contracts, Law Enforcement Program, Lapeer Area Youth Coordinator, Multi Purpose Collaborative Body, 4-H Programs and K.I.N.D. Funds. These funds are utilized to maintain various programs and activities financed primarily primarily with federal and state grants.

DEBT SERVICE FUND

The Debt Service Fund of the County is used to account for the accumulation of resources for, and the payment of, principal, interest and related costs on long-term debt of the governmental funds. The Debt Service Fund of the County is as follows:

Lapeer Mental Health - is used to account for the accumulation of rents paid by the Community Mental Health Department for payment of the Building Authority bond issue sold to defray the cost of construction of the Community Mental Health Building.

CAPITAL PROJECTS FUNDS

Capital Projects Funds of the County are used to account for financial resources to be used for the acquisition or construction of major capital projects (other than those financed by Proprietary and Trust Funds). The Capital Projects Funds of the County are as follows:

Jail - is used to account for the construction of the new jail facility.

Capital Construction & Improvement - is used to account for the construction costs associated with the development and furnishing of the County Complex.

Old Courthouse - is used to account for local and other revenue sources provided to fund the ongoing renovation project of the Historic County Courthouse.

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds				
	Parks Department	Polly Ann Trail	E-911	Friend of the Court	Family Marriage Counseling
ASSETS					
Cash and cash equivalents	$ 50	$ 129	$ 678,681	$ -	$ 23,839
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	9,815	-	-
Accounts and interest	-	-	120,061	-	-
Due from other governmental units -					
Federal/State	-	-	44,562	151,675	-
Due from other funds	47,000	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
Prepayments and deposits	300	-	10,456	-	-
Total Assets	$ 47,350	$ 129	$ 863,575	$ 151,675	$ 23,839
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 1,410	$ -	$ 4,022	$ 4,116	$ -
Accrued liabilities	7,566	-	38,158	29,957	-
Due to other governmental units -					
Federal/State	-	-		-	-
Due to other funds	774	-	5,269	3,234	-
Interfund payables	37,462	-	-	25,561	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	9,815	-	-
Total Liabilities	47,212	-	57,264	62,868	-
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Prepayments and deposits	300	-	10,456	-	-
Unreserved	(162)	129	795,855	88,807	23,839
Total Fund Balance	138	129	806,311	88,807	23,839
Total Liabilities and Fund Balance	$ 47,350	$ 129	$ 863,575	$ 151,675	$ 23,839

Special Revenue Funds						
Health Department	Personal Care Aide Program	Animal Control	Emergency Disaster	County Surveyor	Register of Deeds Automation	Budget Stabilization
$ 288,136	$ -	$ 23,247	$ 34,296	$ -	$ 278,334	$ 873,732
-	-	-	-	-	-	1,295,528
-	-	-	-	-	-	-
104,473	-	-	-	-	-	13,542
4,952	28,686	-	-	59,029	-	-
-	-	-	-	-	-	25,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,559	-	-	-	-	-	-
$ 402,120	$ 28,686	$ 23,247	$ 34,296	$ 59,029	$ 278,334	$ 2,207,802
$ 31,271	$ 2,103	$ 873	$ -	$ 284	$ 1,241	$ -
51,306	5,221	7,710	-	-	-	-
-	-	-	-	-	-	-
4,893	163	821	-	-	-	79,705
-	6,006	-	-	58,745	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
87,470	13,493	9,404	-	59,029	1,241	79,705
-	-	-	-	-	-	-
4,559	-	-	-	-	-	-
310,091	15,193	13,843	34,296	-	277,093	2,128,097
314,650	15,193	13,843	34,296	-	277,093	2,128,097
$ 402,120	$ 28,686	$ 23,247	$ 34,296	$ 59,029	$ 278,334	$ 2,207,802

Continued

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds				
	Rental Property	Emergency Management	Community Grant	Thumb Narcotics Unit	Police Service Contracts
ASSETS					
Cash and cash equivalents	$ 17,920	$ -	$ -	$ 97,066	$ 115,462
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	-	69,072	51,247	24,526	4,250
Due from other funds	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
Prepayments and deposits	-	-	-	-	-
Total Assets	$ 17,920	$ 69,072	$ 51,247	$ 121,592	$ 119,712
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 12,953	$ 6,568	$ 13,428	$ 23,210	$ -
Accrued liabilities	-	2,650	2,719	-	31,859
Due to other governmental units -					
Federal/State	-	-	-	-	-
Due to other funds	-	230	269	-	4,104
Interfund payables	-	36,186	33,358	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	12,953	45,634	49,774	23,210	35,963
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Prepayments and deposits	-	-	-	-	-
Unreserved	4,967	23,438	1,473	98,382	83,749
Total Fund Balance	4,967	23,438	1,473	98,382	83,749
Total Liabilities and Fund Balance	$ 17,920	$ 69,072	$ 51,247	$ 121,592	$ 119,712

Special Revenue Funds						
Law Enforcement Program	Policing Contracts	Law Enforcement	Law Enforcement Other	Juvenile Grant	Law Library	Community Development
$ 92,512	$ 9,518	$ 28,586	$ 101,394	$ -	$ 16,680	$ 5,263
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	4,995	-	-	-	-
-	-	69,584	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 92,512	$ 9,518	$ 103,165	$ 101,394	$ -	$ 16,680	$ 5,263
$ 510	$ -	$ 20,377	$ 938	$ -	$ 1,589	$ 381
-	-	2,150	-	-	-	4,434
-	-	-	-	-	-	-
-	-	273	-	-	-	448
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
510	-	22,800	938	-	1,589	5,263
-	-	-	-	-	-	-
-	-	-	-	-	-	-
92,002	9,518	80,365	100,456	-	15,091	-
92,002	9,518	80,365	100,456	-	15,091	-
$ 92,512	$ 9,518	$ 103,165	$ 101,394	$ -	$ 16,680	$ 5,263

Continued

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds				
	Senior Millage	D.O.S.A.	Lapeer Area Youth Coordinator	4-H Programs	Department Of Human Services
ASSETS					
Cash and cash equivalents	$ 552,528	$ -	$ 895	$ 285	$ 35,372
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	608,584	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	-	69,557	288	538	20,731
Due from other funds	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	2,469	-	-	-
Prepayments and deposits	-	-	-	-	-
Total Assets	$ 1,161,112	$ 72,026	$ 1,183	$ 823	$ 56,103
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ 2,535	$ 31,299	$ -	$ -	$ 1,630
Accrued liabilities	-	3,634	1,160	762	-
Due to other governmental units -					
Federal/State	-	-	-	-	19,000
Due to other funds	-	386	23	15	-
Interfund payables	-	33,677	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	681,451	-	-	-	19,101
Total Liabilities	683,986	68,996	1,183	777	39,731
Fund Balance:					
Reserved for:					
Inventory	-	2,469	-	-	-
Prepayments and deposits	-	-	-	-	-
Unreserved	477,126	561	-	46	16,372
Total Fund Balance	477,126	3,030	-	46	16,372
Total Liabilities and Fund Balance	$ 1,161,112	$ 72,026	$ 1,183	$ 823	$ 56,103

Special Revenue Funds						Debt Service Fund
Child Care	Veterans' Trust	K.I.N.D.	Multi Purpose Collaborative Body	Environmental/ Recycling	Local Reserve	Lapeer Mental Health
$ -	$ 814	$ 77	$ -	$ 4,130	$ 212,382	$ 208,701
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
78,320	-	-	62,517	3,030	-	-
-	-	-	-	-	500,000	-
-	-	-	-	-	302,618	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ 78,320	$ 814	$ 77	$ 62,517	$ 7,160	$ 1,015,000	$ 208,701
$ 23,081	$ -	$ -	$ 1,906	$ 6,456	$ -	$ -
2,536	-	-	4,604	-	-	-
11,975	-	-	-	-	-	-
304	-	-	552	-	-	-
32,424	-	-	39,199	-	-	-
-	-	-	7,500	-	-	-
-	-	-	-	-	-	-
70,320	-	-	53,761	6,456	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,000	814	77	8,756	704	1,015,000	208,701
8,000	814	77	8,756	704	1,015,000	208,701
$ 78,320	$ 814	$ 77	$ 62,517	$ 7,160	$ 1,015,000	$ 208,701

Continued

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Capital Project Funds			
	Jail	Capital Construction & Improvement	Old Courthouse	Total
ASSETS				
Cash and cash equivalents	$ 629,558	$ 256,337	$ 34,353	$ 4,620,277
Investments	-	-	-	1,295,528
Receivables -				
Current and delinquent property taxes	-	-	-	618,399
Accounts and interest	-	-	-	243,071
Due from other governmental units -				
Federal/State	-	-	-	742,564
Due from other funds	-	-	-	572,000
Interfund receivables	-	-	-	302,618
Inventory	-	-	-	2,469
Prepayments and deposits	-	-	-	15,315
Total Assets	$ 629,558	$ 256,337	$ 34,353	$ 8,412,241
LIABILITIES AND FUND BALANCE				
Liabilities:				
Accounts payable	$ -	$ 138	$ 290	$ 192,609
Accrued liabilities	-	-	-	196,426
Due to other governmental units -				
Federal/State	-	-	-	30,975
Due to other funds	-	15,835	-	117,298
Interfund payables	-	-	-	302,618
Advances from other funds	-	-	-	7,500
Deferred revenue	-	-	-	710,367
Total Liabilities	-	15,973	290	1,557,793
Fund Balance:				
Reserved for:				
Inventory	-	-	-	2,469
Prepayments and deposits	-	-	-	15,315
Unreserved	629,558	240,364	34,063	6,836,664
Total Fund Balance	629,558	240,364	34,063	6,854,448
Total Liabilities and Fund Balance	$ 629,558	$ 256,337	$ 34,353	$ 8,412,241

Concluded

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds				
	Parks Department	Polly Ann Trail	E-911	Friend of the Court	Family Marriage Counseling
Revenues:					
Taxes	$ -	$ -	$ 1,594,133	$ -	$ -
Licenses and permits	-	-	-	-	8,490
Intergovernmental -					
Federal/State	-	6,405	-	796,531	-
Local	-	-	-	-	-
Charges for services	210,515	-	25,393	119,890	-
Fines and forfeits	-	-	-	-	-
Rents and royalties	6,300	-	-	-	-
Interest	-	-	44,902	-	-
Other	525	-	-	5,120	-
Total Revenues	217,340	6,405	1,664,428	921,541	8,490
Expenditures:					
Current -					
Judicial	-	-	-	1,250,674	2,030
General Government	-	-	-	-	-
Public Safety	-	-	1,939,760	-	-
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Recreation and Cultural	483,248	6,418	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service-					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	483,248	6,418	1,939,760	1,250,674	2,030
Excess of revenues over (under) expenditures	(265,908)	(13)	(275,332)	(329,133)	6,460
Other Financing Sources (Uses):					
Transfers In	262,000	-	-	308,138	-
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	262,000	-	-	308,138	-
Net change in Fund Balances	(3,908)	(13)	(275,332)	(20,995)	6,460
Fund Balances at beginning of year	4,046	142	1,081,643	109,802	17,379
Fund Balances at end of year	$ 138	$ 129	$ 806,311	$ 88,807	$ 23,839

Special Revenue Funds						
Health Department	Personal Care Aide Program	Animal Control	Emergency Disaster	County Surveyor	Register of Deeds Automation	Budget Stabilization
$ -	$ -	$ -	$ -	$ -	$ -	$ -
257,920	-	210,343	-	-	-	-
1,202,055	164,015	-	-	98,377	-	-
-	-	-	-	-	-	-
937,481	3,947	51,979	-	3,500	111,365	-
-	-	16,419	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	11,334	65,822
117,654	14,163	2,311	-	-	-	-
2,515,110	182,125	281,052	-	101,877	122,699	65,822
-	-	-	-	-	-	-
-	-	-	-	101,877	64,501	-
-	-	338,485	-	-	-	-
-	-	-	-	-	-	-
3,341,367	319,247	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
3,341,367	319,247	338,485	-	101,877	64,501	-
(826,257)	(137,122)	(57,433)	-	-	58,198	65,822
560,563	152,283	47,439	-	-	-	35,000
-	-	-	-	-	-	-
560,563	152,283	47,439	-	-	-	35,000
(265,694)	15,161	(9,994)	-	-	58,198	100,822
580,344	32	23,837	34,296	-	218,895	2,027,275
$ 314,650	$ 15,193	$ 13,843	$ 34,296	$ -	$ 277,093	$ 2,128,097

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds				
	Rental Property	Emergency Management	Community Grants	Thumb Narcotics Unit	Police Service Contracts
Revenues:					
Taxes	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	-	418,055	338,199	133,081	-
Local	-	-	-	-	-
Charges for services	-		65,182	-	852,579
Fines and forfeits	-	-	-	38,727	-
Rents and royalties	92,089	-	-	-	-
Interest	-	-	-	112	-
Other	-	733	-	23,615	-
Total Revenues	92,089	418,788	403,381	195,535	852,579
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	87,548	-	-	-	-
Public Safety	-	469,297	442,319	212,340	1,118,524
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service-					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	87,548	469,297	442,319	212,340	1,118,524
Excess of revenues over (under) expenditures	4,541	(50,509)	(38,938)	(16,805)	(265,945)
Other Financing Sources (Uses):					
Transfers In	-	50,474	40,411	-	264,919
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	-	50,474	40,411	-	264,919
Net change in Fund Balances	4,541	(35)	1,473	(16,805)	(1,026)
Fund Balances at beginning of year	426	23,473	-	115,187	84,775
Fund Balances at end of year	$ 4,967	$ 23,438	$ 1,473	$ 98,382	$ 83,749

Special Revenue Funds						
Law Enforcement Programs	Policing Contracts	Law Enforcement	Law Enforcement Other	Juvenile Grant	Law Library	Community Development
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	114,748
12,882	-	174,728	-	3,071	-	168,162
-	-	200	-	-	-	-
30,251	-	9,534	-	-	-	37,441
-	-	-	56,340	-	6,500	1,217
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,950	-	9,648	-	-	-	-
45,083	-	194,110	56,340	3,071	6,500	321,568
-	-	-	-	-	7,314	-
-	-	-	-	-	-	-
40,985	-	199,877	22,887	-	-	152,449
-	-	-	-	-	-	-
-	-	-	-	3,250	-	270,532
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
40,985	-	199,877	22,887	3,250	7,314	422,981
4,098	-	(5,767)	33,453	(179)	(814)	(101,413)
-	-	2,352	-	-	4,500	48,346
-	-	-	-	(34,742)	-	-
-	-	2,352	-	(34,742)	4,500	48,346
4,098	-	(3,415)	33,453	(34,921)	3,686	(53,067)
87,904	9,518	83,780	67,003	34,921	11,405	53,067
$ 92,002	$ 9,518	$ 80,365	$ 100,456	$ -	$ 15,091	$ -

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds				
	Senior Millage	D.O.S.A.	Lapeer Area Youth Coordinator	4-H Programs	Department Of Human Services
Revenues:					
Taxes	$ 684,545	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	-	284,789	24,048	5,984	198,029
Local	-	45,015	6,636	-	-
Charges for services	-	830	-	-	-
Fines and forfeits	-	-	-	-	-
Rents and royalties	-	-	-	-	-
Interest	-	-	-	-	-
Other	-	5,648	-	8,692	12,432
Total Revenues	684,545	336,282	30,684	14,676	210,461
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	-	-	36,761	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Welfare	14,614	670,500	-	-	256,076
Recreation and Cultural	-	-	-	14,665	-
Capital Outlay	-	-	-	-	-
Debt Service-					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Total Expenditures	14,614	670,500	36,761	14,665	256,076
Excess of revenues over (under) expenditures	669,931	(334,218)	(6,077)	11	(45,615)
Other Financing Sources (Uses):					
Transfers In	-	328,250	3,888	-	40,755
Transfers Out	(480,533)	-	-	-	-
Total Other Sources (Uses)	(480,533)	328,250	3,888	-	40,755
Net change in Fund Balances	189,398	(5,968)	(2,189)	11	(4,860)
Fund Balances at beginning of year	287,728	8,998	2,189	35	21,232
Fund Balances at end of year	$ 477,126	$ 3,030	$ -	$ 46	$ 16,372

Special Revenue Funds						Debt Service Fund
Child Care	Veterans' Trust	K.I.N.D.	Multi Purpose Collaborative Body	Environmental/ Recycling	Local Reserve	Lapeer Mental Health
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
299,068	10,069	-	243,771	12,810	-	-
-	-	-	13,000	-	-	-
258,569	-	-	16,888	-	-	-
806	-	-	-	-	-	-
-	-	-	-	-	-	231,926
-	-	-	-	-	-	7,719
-	-	-	41,652	-	-	-
558,443	10,069	-	315,311	12,810	-	239,645
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	28,612	-	-
856,282	9,354	-	371,925	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	155,000
-	-	-	-	-	-	56,700
856,282	9,354	-	371,925	28,612	-	211,700
(297,839)	715	-	(56,614)	(15,802)	-	27,945
303,060	-	-	33,080	13,341	1,015,000	-
-	-	-	-	-	-	-
303,060	-	-	33,080	13,341	1,015,000	-
5,221	715	-	(23,534)	(2,461)	1,015,000	27,945
2,779	99	77	32,290	3,165	-	180,756
$ 8,000	$ 814	$ 77	$ 8,756	$ 704	$ 1,015,000	$ 208,701

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Capital Project Funds			
	Jail	Capital Construction & Improvement	Old Courthouse	Total
Revenues:				
Taxes	$ -	$ -	$ -	$ 2,278,678
Licenses and permits	-	-	-	591,501
Intergovernmental -				
Federal/State	-	-	-	4,594,129
Local	-	-	-	64,851
Charges for services	-	-	-	2,735,344
Fines and forfeits	-	-	-	120,009
Rents and royalties	-	-	-	330,315
Interest	-	-	-	129,889
Other	-	-	83,154	327,297
Total Revenues	-	-	83,154	11,172,013
Expenditures:				
Current -				
Judicial	-	-	-	1,260,018
General Government	-	-	-	290,687
Public Safety	-	-	-	4,936,923
Public Works	-	-	-	28,612
Health and Welfare	-	-	-	6,113,147
Recreation and Cultural	-	-	-	504,331
Capital Outlay	-	243,506	69,233	312,739
Debt Service-				
Principal	-	-	-	155,000
Interest and charges	-	-	-	56,700
Total Expenditures	-	243,506	69,233	13,658,157
Excess of revenues over (under) expenditures	-	(243,506)	13,921	(2,486,144)
Other Financing Sources (Uses):				
Transfers In	-	175,000	20,000	3,708,799
Transfers Out	-	-	-	(515,275)
Total Other Sources (Uses)	-	175,000	20,000	3,193,524
Net change in Fund Balances	-	(68,506)	33,921	707,380
Fund Balances at beginning of year	629,558	308,870	142	6,147,068
Fund Balances at end of year	$ 629,558	$ 240,364	$ 34,063	$ 6,854,448

Concluded

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
PARKS DEPARTMENT			
Revenues:			
Intergovernmental-			
Federal/State	$ 4,000	$ -	$(4,000)
Charges for services	213,600	210,515	(3,085)
Rents and royalties	6,875	6,300	(575)
Other	42,212	525	(41,687)
Total Revenues	266,687	217,340	(49,347)
Expenditures:			
Recreation and cultural	486,687	483,248	3,439
Excess of revenues under expenditures	(220,000)	(265,908)	(45,908)
Other Financing Sources:			
Transfers in	215,000	262,000	47,000
Net change in fund balance	(5,000)	(3,908)	1,092
Fund Balance at beginning of year	5,000	4,046	(954)
Fund Balance at end of year	$ -	$ 138	$ 138
POLLY ANN TRAIL			
Revenues:			
Intergovernmental - Federal/State	$ 20,016	$ 6,405	$(13,611)
Expenditures:			
Recreation and cultural	20,016	6,418	13,598
Excess of revenues under expenditures	-	(13)	(13)
Fund Balance at beginning of year	-	142	142
Fund Balance at end of year	$ -	$ 129	$ 129

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
E - 911			
Revenues:			
Taxes	$ 1,680,549	$ 1,594,133	$(86,416)
Charges for services	21,238	25,393	4,155
Interest	12,063	44,902	32,839
Total Revenues	1,713,850	1,664,428	(49,422)
Expenditures:			
Public Safety	1,713,850	1,939,760	(225,910)
Excess of revenues under expenditures	-	(275,332)	(275,332)
Fund Balance at beginning of year	-	1,081,643	1,081,643
Fund Balance at end of year	$ -	$ 806,311	$ 806,311
FRIEND OF THE COURT			
Revenues:			
Intergovernmental - Federal/State	$ 844,563	$ 796,531	$(48,032)
Charges for services	103,400	119,890	16,490
Other	36,882	5,120	(31,762)
Total Revenues	984,845	921,541	(63,304)
Expenditures:			
Judicial	1,292,983	1,250,674	42,309
Excess of revenues under expenditures	(308,138)	(329,133)	(20,995)
Other Financing Sources:			
Transfers in	308,138	308,138	-
Net change in Fund Balance	-	(20,995)	(20,995)
Fund Balance at beginning of year	-	109,802	109,802
Fund Balance at end of year	$ -	$ 88,807	$ 88,807

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
FAMILY MARRIAGE COUNSELING			
Revenues:			
Licenses and permits	$ 9,337	$ 8,490	$(847)
Expenditures:			
Judicial	9,337	2,030	7,307
Excess of revenues over expenditures	-	6,460	6,460
Fund Balance at beginning of year	-	17,379	17,379
Fund Balance at end of year	$ -	$ 23,839	$ 23,839
HEALTH DEPARTMENT			
Revenues:			
Licenses and permits	$ 598,113	$ 257,920	$(340,193)
Intergovernmental - Federal/State	1,286,798	1,202,055	(84,743)
Charges for services	1,435,988	937,481	(498,507)
Other	118,640	117,654	(986)
Total Revenues	3,439,539	2,515,110	(924,429)
Expenditures:			
Health and welfare	4,359,353	3,341,367	1,017,986
Excess of revenues over (under) expenditures	(919,814)	(826,257)	93,557
Other Financing Sources:			
Transfers in	744,886	560,563	(184,323)
Net change in Fund Balance	(174,928)	(265,694)	(90,766)
Fund Balance at beginning of year	174,928	580,344	405,416
Fund Balance at end of year	$ -	$ 314,650	$ 314,650

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
PERSONAL CARE AIDE PROGRAM			
Revenues:			
Intergovernmental - Federal/State	$ 163,071	$ 164,015	$ 944
Charges for services	-	3,947	3,947
Other	15,000	14,163	(837)
Total Revenues	178,071	182,125	4,054
Expenditures:			
Health and welfare	330,355	319,247	11,108
Excess of revenues over (under) expenditures	(152,284)	(137,122)	15,162
Other Financing Sources:			
Transfers in	152,284	152,283	(1)
Net change in Fund Balance	-	15,161	15,161
Fund Balance at beginning of year	-	32	32
Fund Balance at end of year	$ -	$ 15,193	$ 15,193
ANIMAL CONTROL			
Revenues:			
Licenses and permits	$ 217,461	$ 210,343	$(7,118)
Charges for services	55,000	51,979	(3,021)
Fines and forfeits	22,000	16,419	(5,581)
Other	1,000	2,311	1,311
Total Revenues	295,461	281,052	(14,409)
Expenditures:			
Public safety	345,846	338,485	7,361
Excess of revenues under expenditures	(50,385)	(57,433)	(7,048)
Other Financing Sources:			
Transfers in	47,439	47,439	-
Net change in Fund Balance	(2,946)	(9,994)	(7,048)
Fund Balance at beginning of year	2,946	23,837	20,891
Fund Balance at end of year	$ -	$ 13,843	$ 13,843
EMERGENCY DISASTER			
Fund Balance at beginning of year	$ -	$ 34,296	$ 34,296
Fund Balance at end of year	$ -	$ 34,296	$ 34,296

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
COUNTY SURVEYOR			
Revenues:			
Intergovernmental - Federal/State	$ 98,377	$ 98,377	$ -
Charges for services	3,500	3,500	-
Total Revenues	101,877	101,877	-
Expenditures:			
General Government	101,877	101,877	-
Excess of revenues over expenditures	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ 101,877	$ 101,877	$ -
REGISTER OF DEEDS AUTOMATION			
Revenues:			
Charges for services	$ 140,000	$ 111,365	$(28,635)
Interest	2,500	11,334	8,834
Total Revenues	142,500	122,699	(19,801)
Expenditures:			
General Government	142,500	64,501	77,999
Excess of revenues over expenditures	-	58,198	58,198
Fund Balance at beginning of year	-	218,895	218,895
Fund Balance at end of year	$ -	$ 277,093	$ 277,093
BUDGET STABILIZATION			
Revenues:			
Interest	$ -	$ 65,822	$ 65,822
Expenditures:			
General Government	10,000	-	10,000
Excess of revenues over (under) expenditures	(10,000)	65,822	75,822
Other Financing Sources:			
Transfer In	10,000	35,000	(25,000)
Net change in Fund Balance	-	100,822	50,822
Fund Balance at beginning of year	-	2,027,275	2,027,275
Fund Balance at end of year	$ -	$ 2,128,097	$ 2,128,097

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
RENTAL PROPERTY			
Revenues:			
Rents and royalties	$ 81,168	$ 92,089	$ 10,921
Expenditures:			
General Government	81,168	87,548	(6,380)
Excess of revenues over expenditures	-	4,541	4,541
Fund Balance at beginning of year	-	426	426
Fund Balance at end of year	$ -	$ 4,967	$ 4,967
EMERGENCY MANAGEMENT			
Revenues:			
Intergovernmental -			
Federal/State	$ 637,601	$ 418,055	$(219,546)
Other	725	733	8
	638,326	418,788	(219,538)
Expenditures:			
Public safety	688,800	469,297	219,503
Excess of revenues under expenditures	(50,474)	(50,509)	(35)
Other Financing Sources:			
Transfers in	50,474	50,474	-
Net change in Fund Balance	-	(35)	(35)
Fund Balance at beginning of year	-	23,473	23,473
Fund Balance at end of year	$ -	$ 23,438	$ 23,438

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
COMMUNITY GRANTS			
Revenues:			
Intergovernmental -			
Federal/State	$ 382,475	$ 338,199	$(44,276)
Charges for services	76,817	65,182	(11,635)
Total Revenues	459,292	403,381	(55,911)
Expenditures:			
Public safety	534,796	442,319	92,477
Excess of revenues under expenditures	(75,504)	(38,938)	36,566
Other Financing Sources:			
Transfers in	75,504	40,411	(35,093)
Net change in Fund Balance	-	1,473	1,473
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ 1,473	$ 1,473
THUMB NARCOTICS UNIT			
Revenues:			
Intergovernmental -			
Federal/State	$ 134,765	$ 133,081	$(1,684)
Fines and forfeitures	38,750	38,727	(23)
Interest	270	112	(158)
Other	24,100	23,615	(485)
Total Revenues	197,885	195,535	(2,350)
Expenditures:			
Public safety	197,885	212,340	(14,455)
Excess of revenues under expenditures	-	(16,805)	(16,805)
Fund Balance at beginning of year	-	115,187	115,187
Fund Balance at end of year	$ -	$ 98,382	$ 98,382

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
POLICE SERVICE CONTRACTS			
Revenues:			
Charges for services	$ 912,699	$ 852,579	$(60,120)
Expenditures:			
Public safety	1,198,848	1,118,524	80,324
Excess of revenues over (under) expenditures	(286,149)	(265,945)	20,204
Other Financing Sources:			
Transfers in	286,149	264,919	(21,230)
Net change in Fund Balance	-	(1,026)	(1,026)
Fund Balance at beginning of year	-	84,775	84,775
Fund Balance at end of year	$ -	$ 83,749	$ 83,749
LAW ENFORCEMENT PROGRAMS			
Revenues:			
Intergovernmental - Federal/State	$ 15,475	$ 12,882	$(2,593)
Charges for services	30,000	30,251	251
Other	2,917	1,950	(967)
Total Revenues	48,392	45,083	(3,309)
Expenditures:			
Public safety	56,171	40,985	15,186
Excess of revenues over (under) expenditures	(7,779)	4,098	11,877
Other Financing Sources:			
Transfers in	5,157	-	(5,157)
Net change in Fund Balance	(2,622)	4,098	6,720
Fund Balance at beginning of year	2,622	87,904	85,282
Fund Balance at end of year	$ -	$ 92,002	$ 92,002

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
POLICING CONTRACTS			
Fund Balance at beginning of year	$ -	$ 9,518	$ 9,518
Fund Balance at end of year	$ -	$ 9,518	$ 9,518
LAW ENFORCEMENT			
Revenues:			
Intergovernmental -			
Federal/State	$ 178,868	$ 174,728	$(4,140)
Local	3,000	200	(2,800)
Charges for services	20,000	9,534	(10,466)
Other	21,473	9,648	(11,825)
Total Revenues	223,341	194,110	(29,231)
Expenditures:			
Public safety	223,341	199,877	23,464
Excess of revenues under expenditures	-	(5,767)	(5,767)
Other Financing Sources:			
Transfers in	-	2,352	2,352
Net change in Fund Balance	-	(3,415)	(3,415)
Fund Balance at beginning of year	-	83,780	83,780
Fund Balance at end of year	$ -	$ 80,365	$ 80,365
LAW ENFORCEMENT - OTHER			
Revenues:			
Fines and forfeits	$ 24,000	$ 56,340	$ 32,340
Expenditures:			
Public safety	38,171	22,887	15,284
Excess of revenues over (under) expenditures	(14,171)	33,453	47,624
Fund Balance at beginning of year	14,171	67,003	52,832
Fund Balance at end of year	$ -	$ 100,456	$ 100,456

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
JUVENILE GRANT			
Revenues:			
Intergovernmental - Federal/State	$ 11,716	$ 3,071	$(8,645)
Expenditures:			
Health and welfare	13,018	3,250	9,768
Excess of revenues over (under) expenditures	(1,302)	(179)	1,123
Other Financing Sources:			
Transfers in	1,302	-	(1,302)
Transfers out	-	(34,742)	(34,742)
	1,302	(34,742)	(36,044)
Net change in Fund Balance	-	(34,921)	(34,921)
Fund Balance at beginning of year	-	34,921	34,921
Fund Balance at end of year	$ -	$ -	$ -
LAW LIBRARY			
Revenues:			
Fines and forfeits	$ 6,500	$ 6,500	$ -
Expenditures:			
Judicial	11,000	7,314	3,686
Excess of revenues over (under) expenditures	(4,500)	(814)	3,686
Other Financing Sources:			
Transfers in	4,500	4,500	-
Net change in Fund Balance	-	3,686	3,686
Fund Balance at beginning of year	-	11,405	11,405
Fund Balance at end of year	$ -	$ 15,091	$ 15,091

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
COMMUNITY DEVELOPMENT			
Revenues:			
Licenses and permits	$ 117,458	$ 114,748	$(2,710)
Intergovernmental - Federal/State	146,549	168,162	21,613
Charges for services	103,000	37,441	(65,559)
Fines and forfeits	1,000	1,217	217
Total Revenues	368,007	321,568	(46,439)
Expenditures:			
Public Safety	141,598	152,449	(10,851)
Health and welfare	249,549	270,532	(20,983)
Total Expenditures	391,147	422,981	(31,834)
Excess of revenues under expenditures	(23,140)	(101,413)	(78,273)
Other Financing Uses:			
Transfers in	-	48,346	(48,346)
Net change in Fund Balance	(23,140)	(53,067)	(126,619)
Fund Balance at beginning of year	23,140	53,067	29,927
Fund Balance at end of year	$ -	$ -	$(96,692)
SENIOR MILLAGE			
Revenues:			
Taxes	$ 682,823	$ 684,545	$ 1,722
Expenditures:			
Health and welfare	723,614	14,614	709,000
Excess of revenues over (under) expenditures	(40,791)	669,931	710,722
Other Financing Uses:			
Transfers out	-	(480,533)	(480,533)
Net change in Fund Balance	(40,791)	189,398	230,189
Fund Balance at beginning of year	40,791	287,728	246,937
Fund Balance at end of year	$ -	$ 477,126	$ 477,126

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
D.O.S.A.			
Revenues:			
Intergovernmental -			
Federal/State	$ 236,790	$ 284,789	$ 47,999
Local	35,075	45,015	9,940
Charges for services	4,050	830	(3,220)
Other	5,200	5,648	448
Total Revenues	281,115	336,282	55,167
Expenditures:			
Health and welfare	616,283	670,500	(54,217)
Excess of revenues over (under) expenditures	(335,168)	(334,218)	950
Other Financing Sources:			
Transfers in	335,168	328,250	(6,918)
Net change in Fund Balance	-	(5,968)	(5,968)
Fund Balance at beginning of year	-	8,998	8,998
Fund Balance at end of year	$ -	$ 3,030	$ 3,030
LAPEER AREA YOUTH COORDINATOR			
Revenues:			
Intergovernmental -			
Federal/State	$ 23,949	$ 24,048	$ 99
Local	7,483	6,636	(847)
	31,432	30,684	(748)
Expenditures:			
General government	35,320	36,761	(1,441)
Excess of revenues under expenditures	(3,888)	(6,077)	(2,189)
Other Financing Sources:			
Transfers in	3,888	3,888	-
Net change in Fund Balance	-	(2,189)	(2,189)
Fund Balance at beginning of year	-	2,189	2,189
Fund Balance at end of year	$ -	$ -	$ -

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
4-H PROGRAMS			
Revenues:			
Intergovernmental -			
Federal/State	$ 5,211	$ 5,984	$ 773
Other	10,189	8,692	(1,497)
Total Revenues	15,400	14,676	(724)
Expenditures:			
Recreation and cultural	15,400	14,665	735
Excess of revenues over expenditures	-	11	11
Fund Balance at beginning of year	-	35	35
Fund Balance at end of year	$ -	$ 46	$ 46
DEPARTMENT OF HUMAN SERVICES			
Revenues:			
Intergovernmental -			
Federal/State	$ -	$ 198,029	$ 198,029
Other	-	12,432	12,432
Total Revenues	-	210,461	210,461
Expenditures:			
Health and welfare	54,908	256,076	(201,168)
Excess of revenues over (under) expenditures	(54,908)	(45,615)	9,293
Other Financing Sources:			
Transfers in	54,908	40,755	(14,153)
Net change in Fund Balance	-	(4,860)	(4,860)
Fund Balance at beginning of year	-	21,232	21,232
Fund Balance at end of year	$ -	$ 16,372	$ 16,372

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
CHILD CARE			
Revenues:			
Intergovernmental -			
Federal/State	$ 598,242	$ 299,068	$(299,174)
Charges for services	254,209	258,569	4,360
Fines and forfeits	9,000	806	(8,194)
Total Revenues	861,451	558,443	(303,008)
Expenditures:			
Health and welfare	1,595,838	856,282	739,556
Excess of revenues over (under) expenditures	(734,387)	(297,839)	436,548
Other Financing Sources:			
Transfers in	734,387	303,060	(431,327)
Net change in Fund Balance	-	5,221	5,221
Fund Balance at beginning of year	-	2,779	2,779
Fund Balance at end of year	$ -	$ 8,000	$ 8,000
VETERANS' TRUST			
Revenues:			
Intergovernmental -			
Federal/State	$ 11,240	$ 10,069	$(1,171)
Expenditures:			
Health and welfare	11,240	9,354	1,886
Excess of revenues over expenditures	-	715	715
Fund Balance at beginning of year	-	99	99
Fund Balance at end of year	$ -	$ 814	$ 814
K.I.N.D.			
Fund Balance at beginning of year	$ -	$ 77	$ 77
Fund Balance at end of year	$ -	$ 77	$ 77

Continued

LAPEER COUNTY, MICHIGAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS FOR THE YEAR ENDED DECEMBER 31, 2006

	Final Budget	Actual	Variance Positive (Negative)
MULTI PURPOSE COLLABORATIVE BODY			
Revenues:			
Intergovernmental -			
Federal/State	$ 243,415	$ 243,771	$ 356
Local	18,000	13,000	(5,000)
Charges for services	15,625	16,888	1,263
Other	46,293	41,652	(4,641)
Total Revenues	323,333	315,311	(8,022)
Expenditures:			
Health and welfare	363,678	371,925	(8,247)
Excess of revenues under expenditures	(40,345)	(56,614)	(16,269)
Other Financing Sources:			
Transfers in	33,081	33,080	(1)
Net change in Fund Balance	(7,264)	(23,534)	(16,270)
Fund Balance at beginning of year	7,264	32,290	25,026
Fund Balance at end of year	$ -	$ 8,756	$ 8,756
ENVIRONMENTAL/RECYCLING			
Revenues:			
Intergovernmental -			
Federal/State	$ 12,761	$ 12,810	$ 49
Expenditures:			
Public works	26,312	28,612	(2,300)
Excess of revenues over (under) expenditures	(13,551)	(15,802)	2,349
Other Financing Sources:			
Transfers in	13,341	13,341	-
Net change in Fund Balance	(210)	(2,461)	2,349
Fund Balance at beginning of year	210	3,165	2,955
Fund Balance at end of year	$ -	$ 704	$ 5,304
LOCAL RESERVE			
Other Financing Sources:			
Transfers in	$ -	$ 1,015,000	$ 1,015,000
Net change in Fund Balance	-	1,015,000	1,015,000
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ 1,015,000	$ 1,015,000

Concluded

INTERNAL SERVICE FUNDS

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	Health Insurance	Unemployment Insurance	Workers' Compensation	Centralized Purchasing
ASSETS				
Current Assets:				
Cash and cash equivalents	$(50,214)	$ 170,120	$ 1,357,752	$ 10,009
Cash on deposit with agent	-	-	6,000	-
Receivables -				
Accrued interest and other	-	6	-	-
Due from other funds	450,000	25,365	7,318	-
Prepaid expenses	448,943	-	-	-
Total Current Assets	848,729	195,491	1,371,070	10,009
Noncurrent Assets:				
Property, plant, and equipment net of accumulated depreciation	-	-	-	-
Total Assets	848,729	195,491	1,371,070	10,009
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	-	-	-	-
Current portion of claims liabilities	-	-	11,000	-
Due to other funds	-	-	450,000	-
Deferred revenue	-	-	-	-
Total Current Liabilities	-	-	461,000	-
Long-Term Liabilities:				
Accrued claims liabilities	-	-	27,000	-
Advances from other funds	-	-	-	4,000
Total Long-Term Liabilities	-	-	27,000	4,000
Total Liabilities	-	-	488,000	4,000
Net Assets				
Invested in capital assets, net of related liabilities	-	-	-	-
Unrestricted	848,729	195,491	883,070	6,009
Total Net Assets	848,729	195,491	883,070	6,009
Total Liabilities and Net Assets	$ 848,729	$ 195,491	$ 1,371,070	$ 10,009

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
$ 15,037	$ 481,295	$ 1,983,999
-	-	6,000
-	2,000	2,006
-	15,835	498,518
-	-	448,943
15,037	499,130	2,939,466
543,019	2,557,075	3,100,094
558,056	3,056,205	6,039,560
-	55,213	55,213
-	-	11,000
-	-	450,000
-	4,972	4,972
-	60,185	521,185
-	-	27,000
-	104,000	108,000
-	104,000	135,000
-	164,185	656,185
543,019	2,557,075	3,100,094
15,037	334,945	2,283,281
558,056	2,892,020	5,383,375
$ 558,056	$ 3,056,205	$ 6,039,560

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Health Insurance	Unemployment Insurance	Workers' Compensation	Centralized Purchasing
Operating Revenues:				
Charges for services	$ 3,212,348	$ 15,429	$ 327,058	$ -
Operating Expenses:				
Administrative and operating	-	-	-	-
Insurance and claims	3,389,850	25,368	67,427	-
Depreciation	-	-	-	-
Total Operating Expenses	3,389,850	25,368	67,427	-
Operating Gain (Loss)	(177,502)	(9,939)	259,631	-
Non-operating Revenues:				
Intergovernmental-				
Federal/State	-	-	-	-
Gain on sale of assets	-	-	-	-
	-	-	-	-
Net Income (Loss) Before Transfers	(177,502)	(9,939)	259,631	-
Transfers:				
Transfers In	450,000	25,000	-	-
Transfers Out	-	-	(450,000)	-
	450,000	25,000	(450,000)	-
Change in net assets	272,498	15,061	(190,369)	-
Net Assets at beginning of year	576,231	180,430	1,073,439	6,009
Net Assets at end of year	$ 848,729	$ 195,491	$ 883,070	$ 6,009

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
$ 67,972	$ 325,435	$ 3,948,242
1,622	313,244	314,866
-	-	3,482,645
52,237	422,028	474,265
53,859	735,272	4,271,776
14,113	(409,837)	(323,534)
-	210,921	210,921
-	12,304	12,304
-	223,225	223,225
14,113	(186,612)	(100,309)
28,212	375,000	878,212
-	-	(450,000)
28,212	375,000	428,212
42,325	188,388	327,903
515,731	2,703,632	5,055,472
$ 558,056	$ 2,892,020	$ 5,383,375

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Health Insurance	Unemployment Insurance	Workers' Compensation	Centralized Purchasing
Cash Flows From Operating Activities:				
Receipts for services	$ 3,212,348	$ 15,429	$ 327,118	$ -
Payments to suppliers	(3,501,024)	(25,368)	(79,396)	-
Other cash receipts (payments)	-	(24,924)	1,525	-
Net Cash Provided (Used) By Operating Activities	(288,676)	(34,863)	249,247	-
Cash Flows From Noncapital Financing Activities:				
Interfund	(450,000)	-	450,000	-
Transfers in	450,000	25,000	-	-
Transfers out	-	-	(450,000)	-
Net Cash Provided By Non-capital Financing Activities	-	25,000	-	-
Cash Flows From Capital and Related Financing Activities:				
Acquisition and disposal of fixed assets	-	-	-	-
Gain on sale of assets	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	-	-	-	-
Net increase (decrease) in cash and cash equivalents	(288,676)	(9,863)	249,247	-
Cash and Cash Equivalents at beginning of year	238,462	179,983	1,114,505	10,009
Cash and Cash Equivalents at end of year	$(50,214)	$ 170,120	$ 1,363,752	$ 10,009
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Gain (Loss)	$(177,502)	$(9,939)	$ 259,631	$ -
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	-	-	-	-
Change in assets and liabilities:				
Accounts receivables	-	-	60	-
Due to/from other funds	-	(24,924)	1,525	-
Prepaid expenses	(111,174)	-	-	-
Accounts payable	-	-	(969)	-
Accrued claims	-	-	(11,000)	-
Net Cash Provided (Used) by Operating Activities	$(288,676)	$(34,863)	$ 249,247	$ -

Supplemental Disclosure - Capital and Related Financing Activities:

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
$ 67,972	$ 323,435	$ 3,946,302
(10,705)	(263,932)	(3,880,425)
-	-	(23,399)
57,267	59,503	42,478
-	-	-
28,212	375,000	878,212
-	-	(450,000)
28,212	375,000	428,212
(101,968)	(306,801)	(408,769)
-	12,304	12,304
(101,968)	(294,497)	(396,465)
(16,489)	140,006	74,225
31,526	341,289	1,915,774
$ 15,037	$ 481,295	$ 1,989,999
$ 14,113	$(409,837)	$(323,534)
52,237	422,028	474,265
(9,083)	(2,000)	(11,023)
-	-	(23,399)
-	-	(111,174)
-	49,312	48,343
-	-	(11,000)
$ 57,267	$ 59,503	$ 42,478

FIDUCIARY FUNDS

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2006

	Pension	Public Employee Health Care	Total
Assets:			
Cash and cash equivalents	$ 438,835	$ 805,123	$ 1,243,958
Due from other funds	438,881	-	438,881
Total Assets	877,716	805,123	1,682,839
Liabilities:			
Accounts payable	148,729	-	148,729
Net Assets held in trust for pension and health care benefits	$ 728,987	$ 805,123	$ 1,534,110

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF CHANGES IN PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS FIDUCIARY NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2006

	Pension	Public Employee Health Care	Total
Additions:			
Contributions - employer	$ 1,200,000	$ -	$ 1,200,000
Deductions:			
Transfer to administrative agent	1,807,629	537,067	2,344,696
Net deductions to net assets held in trust	(607,629)	(537,067)	(1,144,696)
Net assets held in trust at beginning of year	1,336,616	1,342,190	2,678,806
Net assets held in trust at end of year	$ 728,987	$ 805,123	$ 1,534,110

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006

	Agency Funds				
	General Agency	Library Penal Fines	District Court	Common Banking	Total
ASSETS					
Cash and cash equivalents	$ 1,801,492	$ 30,776	$(19,561)	$ 74,460	$ 1,887,167
LIABILITIES					
Liabilities:					
Due to other governmental units	541,319	-	(182,653)	29,138	387,804
Due to individuals and agencies	1,260,173	30,776	163,092	45,322	1,499,363
Total Liabilities	$ 1,801,492	$ 30,776	$(19,561)	$ 74,460	$ 1,887,167

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance January 1, 2006	Additions	Reductions	Balance December 31, 2006
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	$ 961,656	$ 91,221,582	$ 90,296,071	$ 1,887,167
Receivables	43,880	-	43,880	-
Total Assets	1,005,536	91,221,582	90,339,951	1,887,167
Liabilities:				
Accounts payable	-	30,293,666	30,293,666	-
Due to other governmental units	507,650	25,433,737	25,553,583	387,804
Due to individuals and agencies	497,886	15,963,492	14,962,015	1,499,363
Total Liabilities	$ 1,005,536	$ 71,690,895	$ 70,809,264	$ 1,887,167
GENERAL AGENCY FUND				
Assets:				
Cash and cash equivalents	$ 826,619	$ 58,862,687	$ 57,887,814	$ 1,801,492
Liabilities:				
Accounts Payable	-	28,871,289	28,871,289	-
Due to other governmental units	607,154	19,493,961	19,559,796	541,319
Due to individuals and agencies	219,465	10,734,562	9,693,854	1,260,173
Total Liabilities	$ 826,619	$ 59,099,812	$ 58,124,939	$ 1,801,492
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	$ 28,548	$ 467,531	$ 465,303	$ 30,776
Liabilities:				
Due to -				
Individuals and agencies	$ 28,548	$ 921,106	$ 918,878	$ 30,776

Continued

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance January 1, 2005	Additions	Reductions	Balance December 31, 2005
DISTRICT COURT				
Assets:				
Cash and cash equivalents	$ 55,183	$ 3,013,370	$ 3,088,114	$(19,561)
Receivables	5,598	-	5,598	-
Total assets	$ 60,781	$ 3,013,370	$ 3,093,712	$(19,561)
Liabilities:				
Accounts payable	$ -	$ 738,115	$ 738,115	$ -
Due to other governmental units	(141,937)	701,006	741,722	(182,653)
Due to individuals and agencies	202,718	3,012,097	3,051,723	163,092
Total Liabilities	$ 60,781	$ 4,451,218	$ 4,531,560	$(19,561)
COMMON BANKING				
Assets:				
Cash and cash equivalents	$ 51,306	$ 28,877,994	$ 28,854,840	$ 74,460
Receivables	38,282	-	38,282	-
Total assets	$ 89,588	$ 28,877,994	$ 28,893,122	$ 74,460
Liabilities:				
Accounts payable	$ -	$ 684,262	$ 684,262	$ -
Due to other governmental units	42,433	5,238,770	5,252,065	29,138
Due to individuals and agencies	47,155	1,295,727	1,297,560	45,322
Total Liabilities	$ 89,588	$ 7,218,759	$ 7,233,887	$ 74,460

Concluded

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

LAPEER COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Adjusted Balance January 1, 2006	Additions	Disposals	Balance December 31, 2006
General County:				
Land	$ 472,827	$ -	$ -	$ 472,827
Land improvements	1,684,159	-	-	1,684,159
Buildings	21,910,086	147,267	-	22,057,353
Equipment	6,059,678	120,074	-	6,179,752
Vehicles	317,281	-	117,060	200,221
	30,444,031	267,341	117,060	30,594,312
Less - accumulated depreciation	(13,164,803)	(1,310,630)	(117,060)	(14,358,373)
	17,279,228	(1,043,289)	-	16,235,939
Construction in progress	182,456	52,079	-	234,535
Net Total Investment in General Fixed Assets	$ 17,461,684	$(991,210)	$ -	$ 16,470,474

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2006

	Total	Land and Improvements	Buildings	Equipment	Vehicles
General Government:					
Legislative	$ 397,283	$ -	$ 397,283	$ -	$ -
Judicial	3,418,583	-	3,279,075	139,508	-
General Services	6,286,858	388,309	5,702,051	190,951	5,547
	10,102,724	388,309	9,378,409	330,459	5,547
Public Works:					
Sanitary Landfill	30,000	-	30,000	-	-
Drain Commission	194,674	-	-	-	194,674
	224,674	-	30,000	-	194,674
Public Safety:					
Animal Shelter	274,324	25,302	221,800	27,222	-
911 Communications Center	6,170,288	75,926	969,067	5,125,295	-
Sheriff	6,112,532	498,390	5,488,611	125,531	-
	12,557,144	599,618	6,679,478	5,278,048	-
Health and Welfare:					
Health Department	628,619	37,221	238,782	352,616	-
Mental Health	2,977,343	129,692	2,709,808	137,843	-
D.O.S.A.	32,686	-	-	32,686	-
Family Independence Agency	1,883,330	143,480	1,728,320	11,530	-
	5,521,978	310,393	4,676,910	534,675	-
Recreation and Cultural:					
Parks and Recreation	2,040,974	817,068	1,194,356	29,550	-
Cooperative Extension	7,021	-	-	7,021	-
Libraries	139,797	41,597	98,200	-	-
	2,187,792	858,665	1,292,556	36,571	-
Total Capital Assets	30,594,312	2,156,985	22,057,353	6,179,753	200,221
Less: accumulated depreciation	(14,358,373)	(1,154,776)	(7,494,106)	(5,509,270)	(200,221)
	16,235,939	1,002,209	14,563,247	670,483	-
Construction in progress	234,535	-	234,535	-	-
Total Capital Assets (Net of Accumulated Depreciation)	$ 16,470,474	$ 1,002,209	$ 14,797,782	$ 670,483	$ -

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

LAPEER COUNTY, MICHIGAN

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2006

	Balance January 1, 2006	Additions	Disposals	Balance December 31, 2006
General Government:				
Legislative	$ 315,088	$ 82,195	$ -	$ 397,283
Judicial	3,363,412	55,171	-	3,418,583
General Services	6,269,569	26,545	9,256	6,286,858
Total General Government	9,948,069	163,911	9,256	10,102,724
Construction in Progress	182,456	52,079	-	234,535
Total General Government	10,130,525	215,990	9,256	10,337,259
Public Works:				
Sanitary Landfill	30,000	-	-	30,000
Drain Commission	209,274	-	14,600	194,674
Total Public Works	239,274	-	14,600	224,674
Public Safety:				
Animal Shelter	242,449	31,875	-	274,324
911 Center	6,133,768	46,840	10,319	6,170,289
Sheriff	6,168,770	-	56,239	6,112,531
Total Public Safety	12,544,987	78,715	66,558	12,557,144
Health and Welfare:				
Health Department	615,434	13,185	-	628,619
Mental Health	2,977,343	-	-	2,977,343
D.O.S.A.	32,686	-	-	32,686
Family Independence Agency	1,871,800	11,530	-	1,883,330
Total Health and Welfare	5,497,263	24,715	-	5,521,978
Recreation and Cultural:				
Parks and Recreation	2,050,134	-	9,160	2,040,974
Cooperative Extension	7,021	-	-	7,021
Libraries	157,283	-	17,486	139,797
Total Recreation and Cultural	2,214,438	-	26,646	2,187,792
Construction in Progress	-	-	-	-
Total Recreation and Cultural	2,214,438	-	26,646	2,187,792
Total Capital Assets	$ 30,626,487	$ 319,420	$ 117,060	$ 30,828,847

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in the internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

DISCRETELY PRESENTED COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
GOVERNMENTAL FUND TYPES
BOARD OF PUBLIC WORKS
DECEMBER 31,2006

	Major Funds				
	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
ASSETS					
Cash and cash equivalents	$ 840	$ 682	$ 6,361	$ 4,636	$ 405,034
Contracts receivable	945,000	701,507	165,000	295,000	1,945,000
Total Assets	$ 945,840	$ 702,189	$ 171,361	$ 299,636	$ 2,350,034
IABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 137
Deferred revenue	945,000	701,507	165,000	295,000	1,945,000
Total Liabilities	945,000	701,507	165,000	295,000	1,945,137
Fund Balance:					
Unreserved					
Undesignated	840	682	6,361	4,636	404,897
Total Liabilities and Fund Balance	$ 945,840	$ 702,189	$ 171,361	$ 299,636	$ 2,350,034

Major Funds		Nonmajor Funds				
Capital Projects		Debt Service				
Almont Sewage Disposal 2002	Almont WSS 2007	Almont Wastewater Treatment	Almont WSS 2007	North Branch Wastewater Treatment	Total Nonmajor Funds	Total
$ 54,773	$ 235,910	$ 312	$ -	$ 377	$ 689	$ 708,925
-	-	32,000	240,000	480,000	752,000	4,803,507
$ 54,773	$ 235,910	$ 32,312	$ 240,000	$ 480,377	$ 752,689	$ 5,512,432
$ -	$ 6,532	$ -	$ -	$ -	$ -	$ 6,669
-	-	32,000	240,000	480,000	752,000	4,803,507
-	6,532	32,000	240,000	480,000	752,000	4,810,176
54,773	229,378	312	-	377	689	702,256
$ 54,773	$ 235,910	$ 32,312	$ 240,000	$ 480,377	$ 752,689	$ 5,512,432

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
BOARD OF PUBLIC WORKS
DECEMBER 31, 2006

Fund Balance - Total Governmental Funds		$ 702,256
Amounts available in the Capital Projects Funds that reduce the contract receivable on the government wide statements		(711,398)
Liabilities that are not payable in the current period and therefore not reported in the fund statements		
Bonds/Notes Payable		(4,803,507)
Accrued interest on bonds/notes payable		(35,858)
Losses on refunding are reported in the governmental funds, whereas they are capitalized and amortized for net assets, (netted against bonds payables)	14,046	
Discounts and Premiums on bonds are reported as other financing sources or uses in the governmental funds, where they are capitalized and amortized from net assets (netted against bonds payables)		
Bond Discount	13,541	
Bond Issuance costs reported as debt retirement in the governmental funds, where they are deferred and amortized from net assets (netted against bonds payables)	17,413	45,000
Revenues that are deferred in the fund statements because the amounts are not available		
Lease revenue		4,803,507
Net Assets of governmental activities		$ -

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Major Funds				
	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
Revenues:					
Intergovernmental -					
Local	$ 139,081	$ 63,100	$ 179,278	$ 105,630	$ 148,725
Interest	293	25	2,011	1,280	19,103
Total Revenues	139,374	63,125	181,289	106,910	167,828
Expenditures:					
Capital Outlay	-	-	-	-	-
Debt Service-					
Principal retirement	-	45,000	165,000	85,000	80,000
Interest and fiscal charges	20,744	18,100	14,278	20,630	93,571
Bond Issuance costs	17,413	-	-	-	-
Total Expenditures	38,157	63,100	179,278	105,630	173,571
Excess of revenues over (under) expenditures	101,217	25	2,011	1,280	(5,743)
Other Financing Sources (Uses):					
Bond/Note proceeds	945,000	-	-	-	-
Bond discount	(13,541)	-	-	-	-
Loss on refunding	(14,046)	-	-	-	-
Payment to refunding escrow agent	(1,017,951)	-	-	-	-
Total Other Sources (Uses)	(100,538)	-	-	-	-
Net change in Fund Balances	679	25	2,011	1,280	(5,743)
Fund Balances at beginning of year	161	657	4,350	3,356	410,640
Fund Balances at end of year	$ 840	$ 682	$ 6,361	$ 4,636	$ 404,897

Major Funds		Nonmajor Funds				
Capital Projects		Debt Service				
Almont Sewage Disposal 2002	Almont WSS 2007	Almont Wastewater Treatment	Almont WSS 2007	North Branch Wastewater Treatment	Total Nonmajor Funds	Total
$ -	$ -	$ 12,336	$ -	$ 50,015	$ 62,351	$ 698,165
2,126	-	153	-	162	315	25,153
2,126	-	12,489	-	50,177	62,666	723,318
3,777	-	-	-	-	-	3,777
-	-	10,000	-	20,000	30,000	405,000
-	10,622	2,337	-	30,015	32,352	210,297
-	-	-	-	-	-	17,413
3,777	10,622	12,337	-	50,015	62,352	636,487
(1,651)	(10,622)	152	-	162	314	86,831
-	240,000	-	-	-	-	1,185,000
-	-	-	-	-	-	(13,541)
-	-	-	-	-	-	(14,046)
-	-	-	-	-	-	(1,017,951)
-	240,000	-	-	-	-	139,462
(1,651)	229,378	152	-	162	314	226,293
56,424	-	160	-	215	375	475,963
$ 54,773	$ 229,378	$ 312	$ -	$ 377	$ 689	$ 702,256

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS DECEMBER 31, 2006 FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balances - total governmental funds	$	226,293
Amounts reported for governmental activities in the statement activities are different because:		
Interest reported in the governmental funds as it is paid but in the statement of activities as it is incurred	(	16,148)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.		
Principal payments on long term liabilities		405,000
Payments to refunding bond escrow agent		1,017,951
Bond/Note proceeds	(	1,185,000)
Bond discount		13,541
Bond issuance costs		17,413
Loss on refunding		14,046
Revenues reported in the governmental funds when received, however, in the	(	493,096)
Change in net assets of governmental activities	$	-

DRAINAGE DISTRICT FUNDS

LAPEER COUNTY, MICHIGAN

COMBINING BALANCE SHEET
GOVERNMENTAL FUND TYPES
DRAINAGE DISTRICTS
DECEMBER 31, 2006

	Major Funds				
	Debt Service				Capital Project
	Potter's Lake	Winn Lake	Lake Lapeer Lake Level	Imlay Bigelow	Special Assessment Drain
ASSETS					
Cash and cash equivalents	$ 575,372	$ 86,861	$ 24,926	$ 23,932	$ 2,665,420
Receivables -					
Special assessments	525,568	316,837	133,180	2,730,810	170,308
Due from other funds	65,820	32,019	5,117	387,471	-
Deposits		-	-	-	-
Total Assets	$ 1,166,760	$ 435,717	$ 163,223	$ 3,142,213	$ 2,835,728
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	$ -	$ -	$ -	$ -	$ 1,119
Due to other funds	-	-	-	-	874,124
Advances from primary government	-	-	-	-	-
Deferred revenue	450,630	280,297	63,735	2,446,610	-
Total Liabilities	450,630	280,297	63,735	2,446,610	875,243
Fund Balances -					
Reserved -					
Debt service	716,130	155,420	99,488	695,603	-
Capital projects	-	-	-	-	-
Unreserved - undesignated	-	-	-	-	1,960,485
Total Fund Balance	716,130	155,420	99,488	695,603	1,960,485
Total Liabilities and Fund Balance	$ 1,166,760	$ 435,717	$ 163,223	$ 3,142,213	$ 2,835,728

Major Funds		Nonmajor Funds				
Capital Project		Debt Service		Capital Project		
Imlay Bigelow	Branch Mill Creek	Drain	Branch Mill Creek	Drain Revolving	Total Nonmajor Funds	Total
$ 145,690	$ -	$ 13,130	$ 114,114	$ 83,853	$ 211,097	$ 3,733,298
-	-	-	-	-	-	3,876,703
-	128,897	-	-	63,755	63,755	683,079
-	983,569	-	-	-	-	983,569
$ 145,690	$ 1,112,466	$ 13,130	$ 114,114	$ 147,608	$ 274,852	$ 9,276,649
$ -	$ -	$ -	$ -	$ -	$ -	$ 1,119
4,531	-	-	114,114	-	114,114	992,769
-	-	-	-	90,000	90,000	90,000
-	-	-	-	-	-	3,241,272
4,531	-	-	114,114	90,000	204,114	4,325,160
-	-	13,130	-	-	13,130	1,679,771
141,159	1,112,466	-	-	57,608	57,608	1,311,233
-	-	-	-	-	-	1,960,485
141,159	1,112,466	13,130	-	57,608	70,738	4,951,489
$ 145,690	$ 1,112,466	$ 13,130	$ 114,114	$ 147,608	$ 274,852	$ 9,276,649

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS DECEMBER 31, 2006

Fund Balances - Total Governmental Funds	$	4,951,489
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Capital assets		28,464,100
Accumulated depreciation	(	10,973,099)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
Special Assessments		3,241,272
An internal service fund used by management to charge costs of maintenance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		935,001
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds/notes payable	(	5,579,098)
Bond issuance cost (netted against bonds payables)		191,910
Accrued interest on bonds/notes payable	(	47,676)
Net Assets of governmental activities	$	21,183,899

LAPEER COUNTY, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - DRAINAGE DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Major Funds				
	Debt Service				Capital Project
	Potter's Lake	Winn Lake	Lake Lapeer Lake Level	Imlay Bigelow	Special Assessment Drain
Revenues:					
Local contribution	$ -	$ -	$ -	$ -	$ 15,748
Interest	23,177	3,962	2,293	5,106	115,974
Other -					
Special assessments	74,739	36,539	69,446	421,032	168,899
Miscellaneous	-	-	-	-	936
Total Revenues	97,916	40,501	71,739	426,138	301,557
Expenditures:					
Capital Outlay-					
Construction	-	-	-	-	-
Maintenance	-	-	-	-	239,419
Debt Service -					
Principal retirement	100,000	25,000	69,000	150,000	-
Interest and fiscal charges	56,750	22,247	7,204	119,230	9,410
Total Expenditures	156,750	47,247	76,204	269,230	248,829
Excess of revenues over (under) expenditures	(58,834)	(6,746)	(4,465)	156,908	52,728
Other Financing Sources:					
Bond Proceeds	-	-	-	-	-
Net change in Fund Balances	(58,834)	(6,746)	(4,465)	156,908	52,728
Fund Balances at beginning of year	774,964	162,166	103,953	538,695	1,907,757
Fund Balances at end of year	$ 716,130	$ 155,420	$ 99,488	$ 695,603	$ 1,960,485

Major Funds		Nonmajor Funds				
Capital Project		Debt Service		Capital Project		
Imlay Bigelow	Branch Mill Creek	360 Drain	Branch Mill Creek	Drain Revolving	Total Nonmajor Funds	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 15,748
6,416	-	13,130	-	4,375	17,505	174,433
-	128,897	-	-	-	-	899,552
-	-	-	-	-	-	936
6,416	128,897	13,130	-	4,375	17,505	1,090,669
69,342	252,529	-	-	-	-	321,871
-	-	-	-	35,286	35,286	274,705
-	-	-	-	-	-	344,000
-	-	-	-	-	-	214,841
69,342	252,529	-	-	35,286	35,286	1,155,417
(62,926)	(123,632)	13,130	-	(30,911)	(17,781)	(64,748)
-	1,236,098	-	-	-	-	1,236,098
(62,926)	1,112,466	13,130	-	(30,911)	(17,781)	1,171,350
204,085	-	-	-	88,519	88,519	3,780,139
$ 141,159	$ 1,112,466	$ 13,130	$ -	$ 57,608	$ 70,738	$ 4,951,489

LAPEER COUNTY, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS DECEMBER 31, 2006

Net change in fund balances - Total Governmental Funds	$	1,171,350
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		318,871
Depreciation expense	(	901,886)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(	432,654)
The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.		
Bond proceeds	(	1,236,098)
Principal payments on long term liabilities		560,000
Amorization of bond issuance costs	(	10,100)
An internal service fund is used by management to charge costs of maintenance. The net revenues attributable to this fund are reported with governmental activities		79,027
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		
Increase in accrued interest payable	(	18,091)
Change in net assets of governmental activities	$(	469,581)

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
DECEMBER 31,2006

Assets:		
Current Assets -		
Cash and cash equivalents	$	611,406
Due from other funds		309,690
		921,096
Capital Assets -		
Property, plant and equipment		
net of accumulated depreciation		14,782
Total Assets	$	935,878
Liabilities:		
Accounts payable	$	877
Net Assets:		
Invested in capital assets		14,782
Unrestricted		920,219
Total Net Assets	$	935,001

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Operating Revenue:		
Charges for services	$	184,093
Operating Expenses:		
Administrative and Operating -		
Drain Maintenance		125,026
Depreciation		7,391
Total Operating Expenses		132,417
Operating income		51,676
Nonoperating Revenue:		
Interest		27,351
Change in net assets		79,027
Net Assets at beginning of year		855,974
Net Assets at end of year	$	935,001

LAPEER COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
DRAIN EQUIPMENT AND MAINTENANCE PROPRIETARY FUND - DRAINAGE DISTRICTS
FOR THE YEARS ENDED DECEMBER 31, 2006

Cash Flows From Operating Activities:	
Receipts for services	$ 98,293
Payment to suppliers	(124,978)
Net Cash Used by Operating Activities	(26,685)
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital assets	(22,173)
Cash Flows From Investing Activities:	
Interest earned on investments	27,351
Net increase in cash and cash equivalents	(21,507)
Cash and Cash Equivalents at beginning of year	632,913
Cash and Cash Equivalents at end of year	$ 611,406
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities:	
Operating income	$ 51,676
Adjustments to reconcile operating income to net cash used by operating activities:	
depreciation	7,391
Changes in assets and liabilities:	
accrued liabilities	48
due from other funds	(85,800)
Net Cash Used by Operating Activities	$(26,685)

SECTION THREE: STATISTICAL SECTION

This section of Lapeer County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required reports about the County's overall financial health. These tables are presented because they are representative of the County activity and are the statistics commonly used to assess County operations and financial position.

Contents Page Number

Financial Trends 128

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity 136

These schedules contain information to help the reader assess the government's most significant local revenue source, Michigan transportation funds.

Debt Capacity 141

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the ability to issue additional debt in the future.

Demographic and Economic Information 142

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE NET ASSETS BY COMPONENT
LAST FOUR YEARS (A)
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	$ 19,997,437	$ 19,575,975	$ 19,165,973	$ 18,342,068
Restricted	-	6,562,611	11,296,788	13,948,783
Unrestricted	12,714,648	7,508,523	4,516,543	5,070,872
Total Government activities net assets	$ 32,712,085	$ 33,647,109	$ 34,979,304	$ 37,361,723
Business type activities				
Invested in capital assets, net of related debt	$ 6,893,437	$ 7,145,228	$ 7,433,275	$ 7,007,742
Restricted	399,139	498,836	615,632	773,255
Unrestricted	13,287,507	13,168,742	13,942,229	17,519,560
Total business-type activities net assets	$ 20,580,083	$ 20,812,806	$ 21,991,136	$ 25,300,557
Primary government				
Invested in capital assets, net of related debt	$ 26,890,874	$ 26,721,203	$ 26,599,248	$ 25,349,810
Restricted	399,139	7,061,447	11,912,420	14,722,038
Unrestricted	26,002,155	20,677,265	18,458,772	22,590,432
Total primary government net assets	$ 53,292,168	$ 54,459,915	$ 56,970,440	$ 62,662,280

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE CHANGES IN NET ASSETS
LAST FOUR YEARS (A)
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	2003	2004	2005	2006
Expenses				
Governmental activities				
Legislative	$ 249,625	$ 252,618	$ 273,694	$ 249,736
Judicial	4,300,006	4,418,052	4,588,516	4,741,232
General government	5,684,277	6,320,824	5,627,863	5,836,173
Public safety	8,000,530	8,052,226	9,080,322	10,685,775
Public works	233,266	378,218	486,381	451,726
Health and welfare	22,243,064	21,641,181	21,418,610	19,920,716
Recreation and Culture	1,656,481	821,982	846,669	822,279
Other Activities	666,630	1,403,536	1,567,547	1,544,827
Interest on long term debt	105,844	33,098	66,483	63,684
Total governmental activities expenses	43,139,723	43,321,735	43,956,085	44,316,148
Business type activities				
Medical care facility	15,208,745	16,057,336	15,304,504	16,813,212
Delinquent tax	165,983	57,718	130,799	50,379
Total Business type activities expenses	15,374,728	16,115,054	15,435,303	16,863,591
Total primary government expenses	58,514,451	59,436,789	59,391,388	61,179,739
Program revenues				
Charges for services				
Legislative	-	-	-	1,119
Judicial	1,518,238	1,472,387	1,580,081	1,517,028
General government	3,490,415	3,604,610	3,660,140	3,449,296
Public safety	3,586,791	1,990,574	2,166,574	1,804,213
Public works	45,463	90	-	-
Health and welfare	12,429,967	12,184,060	2,696,314	12,382,563
Recreation and Culture	185,350	165,998	229,879	226,032
Other Activities	306,996	334,424	413,985	568,204
Interest on long term debt	207,623	207,623	207,622	231,926
Operating grants and contributions	7,168,123	7,660,864	17,645,715	7,781,649
Capital grants and contributions	143,718	181,941	785,924	397,396
Total governmental activities program revenues	29,082,684	27,802,571	29,386,234	28,359,426
Business type activities				
Charges for services				
Medical care facility	15,097,043	13,714,790	13,876,815	17,192,706
Delinquent tax	988,896	969,041	660,487	1,071,008
Operating grants and contributions	-	-	-	-
Total business type activities program revenues	16,085,939	14,683,831	14,537,302	18,263,714
Total primary government revenues	45,168,623	42,486,402	43,923,536	46,623,140
Net (expense) revenue				
Government activities	(14,057,039)	(15,519,164)	(14,569,851)	(15,956,722)
Business-type activities	711,211	(1,431,223)	(898,001)	1,400,123
Total primary government net expenses	$(13,345,828)	$(16,950,387)	$(15,467,852)	$(14,556,599)

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

Continued

LAPEER COUNTY, MICHIGAN

GOVERNMENT-WIDE CHANGES IN NET ASSETS
LAST FOUR YEARS (A)
ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	2003	2004	2005	2006
General Revenues				
Governmental activities				
Property Taxes	$ 9,121,348	$ 13,825,956	$ 15,081,491	$ 15,972,806
Unrestricted grants and contributions	2,164,556	1,287,208	-	429,022
Investment earnings	199,943	537,174	567,529	1,156,276
Gain on Sale of capital assets	446,923	-	-	-
Transfers	393,860	803,850	253,026	781,037
Total governmental activities	12,326,630	16,454,188	15,902,046	18,339,141
Business type activities				
Property Taxes	1,877,376	1,925,363	2,054,142	2,024,514
Unrestricted grants and contributions	230,864	317,946	311,804	395,858
Investment earnings	82,373	20,637	125,453	426,375
Loss on Sale of capital assets	(26,526)	-	(223)	-
Transfers	(600,000)	(600,000)	(414,845)	(900,000)
Total Business type activities	1,564,087	1,663,946	2,076,331	1,946,747
Total primary government expenses	13,890,717	18,118,134	17,978,377	20,285,888
Change in Net Assets				
Government activities	(1,730,409)	935,024	1,332,195	2,382,419
Business-type activities	2,275,298	232,723	1,178,330	3,346,870
Total primary government	$ 544,889	$ 1,167,747	$ 2,510,525	$ 5,729,289

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

Concluded

LAPEER COUNTY, MICHIGAN

FUND BALANCES, GOVERNMENTAL FUNDS
LAST FOUR YEARS (A)
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	2003	2004	2005	2006
General Fund				
Reserved	$ 208,000	$ 198,596	$ 198,000	$ 198,000
Unreserved	1,725,292	1,943,248	2,217,908	2,285,684
Total general fund	$ 1,933,292	$ 2,141,844	$ 2,415,908	$ 2,483,684
All other Governmental Funds				
Reserved	$ 569,624	$ 378,004	$ 308,045	$ 444,784
Unreserved, reported in:				
Special revenue funds	5,654,640	8,149,382	10,177,462	12,836,097
Debt service funds	87,198	138,128	180,756	208,701
Capital project funds	1,364,928	1,276,701	938,570	903,985
Total general fund	$ 7,676,390	$ 9,942,215	$ 11,604,833	$ 14,393,567

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Lapeer County Finance Department

LAPEER COUNTY, MICHIGAN

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	1997	1998	1999	2000
Revenues				
Taxes	$ 7,860,509	$ 9,980,316	$ 9,304,898	$ 10,203,971
Licenses and permits	469,032	470,370	560,314	572,510
Intergovernmental	9,725,866	9,563,552	17,344,008	18,876,382
Charges for services	7,424,757	10,701,978	5,960,665	6,127,686
Fines and forfeits	623,485	578,776	731,825	654,474
Rents and royalties	536,938	533,320	537,044	1,402,327
Interest on long term debt	793,474	739,143	963,728	1,514,771
Other	2,442,777	1,013,488	1,156,953	1,106,685
Total Revenues	29,876,838	33,580,943	36,559,435	40,458,806
Expenditures				
Current-				
Legislative	103,541	93,576	130,831	150,060
Judicial	3,139,990	3,322,276	3,434,095	3,439,243
General government	2,734,357	2,924,932	3,370,913	3,481,487
Public safety	4,312,430	5,151,418	5,882,861	6,337,890
Public works	272,695	282,042	303,164	255,057
Health and welfare	12,263,965	15,521,091	15,641,160	17,057,474
Recreation and Culture	1,391,133	1,652,821	1,706,875	2,099,346
Other Activities	198,193	130,480	249,114	306,112
Capital outlay	9,574,726	1,621,098	2,533,241	8,083,491
Debt Service	348,735	1,405,402	1,677,731	2,243,437
Total Expenditures	34,339,765	32,105,136	34,929,985	43,453,597
Revenues over (under) expenditures	(4,462,927)	1,475,807	1,629,450	(2,994,791)
Other financing sources (uses)				
Issuance of bonds	3,100,000	-	7,177,500	-
Premium of refunding bonds	-	-	-	-
Payment to refunding escrow agent	-	-	-	-
Transfers in	6,879,033	3,207,194	2,603,975	4,647,510
Transfers out	(7,469,109)	(4,253,727)	(3,293,975)	(4,320,604)
Transfers to component units	-	-	(166,390)	(179,469)
Total other financing sources (uses)	2,509,924	(1,046,533)	6,321,110	147,437
Net change in fund balance	$(1,953,003)	$ 429,274	$ 7,950,560	$(2,847,354)
Debt service as a percentage of noncapital expenditures	1.4%	4.6%	5.2%	6.3%

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, capital outlay under GASB No. 34. has been allocated to the governmental activities to which it applies with the exception of capital project funds.

Source: Lapeer County Finance Department

2001	2002	2003	2004	2005	2006
$ 10,519,340	$ 10,569,557	$ 10,272,241	$ 13,827,448	$ 15,215,837	$ 15,972,806
569,475	583,292	665,679	673,888	744,802	604,566
19,043,961	19,484,696	19,161,681	18,564,780	18,431,639	8,524,913
6,147,365	6,431,061	7,133,436	6,750,267	6,595,429	15,740,144
656,205	766,103	662,086	441,379	567,729	470,635
1,384,982	1,391,408	284,049	455,079	454,466	498,268
1,237,287	636,197	405,047	537,174	567,529	1,156,276
1,534,138	2,292,784	2,550,890	2,452,965	2,592,169	2,949,922
41,092,753	42,155,098	41,135,109	43,702,980	45,169,600	45,917,530
182,844	218,131	249,625	252,618	273,694	249,736
3,801,117	4,074,305	4,300,006	4,378,037	4,567,986	4,735,978
3,941,682	4,517,676	4,817,436	5,200,831	5,328,706	5,429,748
7,207,059	7,847,720	6,978,942	7,314,798	8,334,778	9,998,558
294,796	277,651	219,521	368,071	485,781	451,126
18,322,730	18,815,657	21,822,341	21,149,886	21,091,963	19,691,902
2,200,602	2,281,305	1,165,073	726,496	743,898	746,350
403,074	499,260	666,630	1,403,536	1,461,013	1,586,008
3,526,148	1,723,173	1,166,824	929,230	841,275	312,739
1,116,799	1,138,130	207,107	207,284	169,350	211,700
40,996,851	41,393,008	41,593,505	41,930,787	43,298,444	43,413,845
95,902	762,090	(458,396)	1,772,193	1,871,156	2,503,685
-	-	-	1,535,000	-	-
-	-	-	113,593	-	-
-	-	-	(1,599,309)	-	-
5,413,908	4,104,897	4,472,012	4,621,964	4,768,233	5,520,243
(6,002,996)	(4,677,156)	(4,484,171)	(3,969,064)	(4,702,707)	(5,167,418)
(190,813)	(182,074)	(220,711)	-	-	-
(779,901)	(754,333)	(232,870)	702,184	65,526	352,825
$(683,999)	$ 7,757	$(691,266)	$ 2,474,377	$ 1,936,682	$ 2,856,510
3.0%	2.9%	0.5%	0.5%	0.4%	0.5%

LAPEER COUNTY, MICHIGAN

GENERAL FUND CHANGES IN FUND BALANCES
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	1997	1998	1999	2000
Revenues				
Taxes	$ 6,083,030	$ 6,386,215	$ 6,779,556	$ 7,510,583
Licenses and permits	16,399	22,297	16,800	15,980
Intergovernmental	2,982,873	3,102,902	3,135,169	3,273,923
Charges for services	2,012,794	2,368,283	2,763,557	2,744,739
Fines and forfeits	212,214	211,715	292,567	306,672
Rents and royalties	172,567	168,336	172,221	297,018
Interest on long term debt	515,299	556,154	585,959	949,500
Other	600,490	476,832	539,069	735,623
Total Revenues	12,595,666	13,292,734	14,284,898	15,834,038
Expenditures				
Current-				
Legislative	103,541	93,576	130,831	150,060
Judicial	2,153,005	2,261,380	2,343,934	2,381,350
General government	2,734,357	2,924,932	3,370,913	3,481,487
Public safety	3,210,296	3,609,793	3,828,755	4,002,965
Public works	185,958	201,747	226,131	171,456
Health and welfare	140,110	143,283	150,256	154,112
Recreation and Culture	181,540	175,351	196,544	190,300
Other Activities	145,041	97,973	220,479	242,615
Capital outlay	35,450	43,370	26,271	28,454
Total Expenditures	8,889,298	9,551,405	10,494,114	10,802,799
Revenues over (under) expenditures	3,706,368	3,741,329	3,790,784	5,031,239
Other financing sources (uses)				
Bond note and proceeds	-	-	-	50,000
Transfers in	-	-	-	-
Transfers out	(3,726,516)	(3,438,023)	(3,224,433)	(3,799,252)
Transfers to component units	-	-	(166,390)	(179,469)
Total other financing sources (uses)	(3,726,516)	(3,438,023)	(3,390,823)	(3,928,721)
Net change in fund balance	$(20,148)	$ 303,306	$ 399,961	$ 1,102,518

(A) - Lapeer County implemented GASB Statement No. 34 as of and for the year ended December 31, 2003. Accordingly, capital outlay under GASB No. 34. has been allocated to the governmental activities to which it applies.

Source: Lapeer County Finance Department

2001	2002	2003	2004	2005	2006
$ 7,682,964	$ 8,269,037	$ 8,841,375	$ 9,253,271	$ 9,723,100	$ 10,318,105
27,524	37,035	12,300	22,817	18,818	13,065
3,428,275	3,353,851	2,897,238	2,169,168	1,375,351	1,452,774
2,807,435	3,143,010	3,422,080	3,018,360	3,009,202	2,503,694
282,897	321,948	405,245	367,628	445,362	350,626
183,865	168,337	-	167,314	167,920	167,953
847,494	520,945	347,269	490,240	437,402	750,799
877,357	1,870,795	1,752,176	2,062,205	2,235,759	2,450,480
16,137,811	17,684,958	17,677,683	17,551,003	17,412,914	18,007,496
182,844	218,131	249,625	252,618	273,694	249,736
2,649,341	2,945,132	3,134,079	3,212,947	3,383,182	3,475,960
3,873,954	4,420,123	4,673,508	4,900,931	5,083,180	5,139,061
4,165,025	4,561,536	4,704,818	4,818,071	4,931,469	5,061,635
162,651	136,344	129,736	351,792	458,180	422,514
158,160	168,947	189,358	181,367	171,403	166,274
211,577	218,642	242,232	243,037	230,892	242,019
270,773	343,802	425,239	1,147,127	1,402,842	1,586,008
21,457	76,527	-	-	-	-
11,695,782	13,089,184	13,748,595	15,107,890	15,934,842	16,343,207
4,442,029	4,595,774	3,929,088	2,443,113	1,478,072	1,664,289
-	-	-	-	-	-
-	1,063	-	663,154	1,480,197	1,513,709
(5,468,335)	(4,427,332)	(3,635,189)	(2,897,715)	(2,684,205)	(3,110,222)
(190,813)	(182,074)	(220,711)	-	-	-
(5,659,148)	(4,608,343)	(3,855,900)	(2,234,561)	(1,204,008)	(1,596,513)
$(1,217,119)	$(12,569)	$ 73,188	$ 208,552	$ 274,064	$ 67,776

LAPEER COUNTY, MICHIGAN

PROPERTY RATES-ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(UNAUDITED)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
County-										
Operating	4.0710	4.0405	4.0977	4.0977	3.9901	3.9454	3.8941	3.8539	3.8165	3.7886
Extra Voted	1.7401	2.5259	2.5620	2.4942	1.7459	1.7325	1.7098	1.8200	1.8021	1.7888
Total County	5.8111	6.5664	6.6597	6.5919	5.7360	5.6779	5.6039	5.6739	5.6186	5.5774
Townships-										
Almont	3.0052	3.0269	2.9874	2.341	2.8951	3.8704	3.6763	3.8195	3.7556	3.7556
Arcadia	1.5526	1.6000	1.5812	1.5468	1.5140	1.5085	1.4757	1.4509	1.4305	1.4149
Attica	2.6023	2.5837	2.5472	2.6205	4.2470	4.1806	4.0997	4.0413	3.9624	3.3695
Burlington	1.7884	1.7637	1.7541	1.7428	1.7063	1.6769	1.6626	1.6463	1.6188	1.6003
Burnside	1.5077	1.5077	1.6937	1.6772	1.6585	1.6462	1.6172	1.5966	1.5966	1.5966
Deerfield	1.5168	1.4417	1.5356	1.4755	1.4744	1.4107	1.3586	1.3185	1.4012	1.6349
Dryden	5.1716	5.1514	5.6356	4.8820	4.7392	4.6911	4.6537	4.5652	4.6975	4.6252
Elba	3.0798	3.0592	3.0274	3.0329	2.9752	2.9212	2.8717	2.9389	2.9006	3.1285
Goodland	2.4978	2.4773	2.4254	1.5625	1.5215	1.5209	1.5012	1.4915	1.4625	1.4332
Hadley	2.1241	2.0521	2.4285	2.4416	2.3431	2.2440	2.1803	2.1003	2.0237	1.9367
Imlay	1.6901	1.6830	1.6547	1.6401	2.6501	2.5634	2.5017	2.4629	2.4535	1.9790
Lapeer	1.7004	1.6924	1.6811	1.6743	1.6510	1.6570	1.6402	1.6287	1.6148	1.8572
Marathon	1.6412	1.6230	1.5530	1.5408	1.5221	1.7461	1.4424	1.4206	1.4071	1.3927
Mayfield	1.7261	1.7130	1.6703	1.6452	1.6216	1.6066	1.5948	1.5823	1.5720	1.8091
Metamora	4.7329	4.6534	4.6253	5.3822	4.6892	4.5718	4.5667	4.6333	4.5845	4.4955
North Branch	3.2042	3.1719	3.1095	3.1151	3.0854	3.0480	3.0144	2.9595	2.9458	2.9207
Oregon	1.6749	1.6568	1.6140	1.6074	1.5786	1.5554	1.5298	1.5030	1.4807	1.7238
Rich	1.7843	1.7856	1.7491	1.7164	1.6904	4.5568	4.5128	4.4256	4.5856	4.5035
Cities-										
Imlay City	17.7500	17.7500	17.7500	17.7500	16.7500	17.7500	17.7500	17.7500	19.7627	20.2061
City of Lapeer	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	9.8000	10.0500
Brown City	17.0000	17.0000	17.0000	18.0289	18.0206	18.0094	17.9962	17.9633	17.9716	18.1233

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Villages-										
Almont	18.0731	17.2511	16.6526	15.9486	15.4714	14.9314	14.6769	14.5044	14.6711	14.1004
Clifford	21.9418	21.7843	21.7608	21.7608	21.6534	21.3587	21.1034	21.1034	16.1034	19.6034
Columbiaville	15.3640	15.0014	14.7463	14.6607	14.5404	14.3150	14.0616	13.7480	13.5184	13.2101
Dryden	10.7750	10.7750	10.7750	10.5765	10.3734	10.1182	10.0433	10.0021	9.8110	9.8110
Metamora	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711
North Branch	15.6499	15.6280	15.5358	15.2902	15.2871	15.2703	14.9831	14.8991	14.8215	14.7918
Otter Lake	12.0000	12.0000	12.0000	12.0000	14.0000	14.3672	13.8586	13.3638	12.6688	13.2483
Local School Districts-										
Almont	14.4500	14.4500	14.4500	14.4500	14.4500	17.8613	13.4500	14.4500	14.4500	14.4500
Brandon	14.2400	14.2400	14.2400	14.2400	14.2400	15.9718	13.2400	14.2400	14.2400	14.2400
Brown City	6.7800	7.1800	6.0000	6.0000	11.9980	17.7948	10.9980	11.9980	11.9980	11.9980
Capac	10.4000	9.9000	9.9000	9.9000	9.9000	17.9748	8.9000	9.9000	9.9000	9.9000
Davison	9.6989	9.5473	9.5394	9.3774	9.2390	17.8525	8.4428	9.4191	9.4016	9.3325
Dryden	8.0000	6.8500	7.5000	7.7000	7.7000	18.0000	7.2400	8.2400	8.2400	8.2400
Goodrich	13.0000	13.0000	13.0000	13.7500	13.7500	17.9973	12.7500	13.7500	13.7498	13.7500
Imlay	12.7000	12.7000	12.7000	14.4500	12.2000	18.0000	11.0635	11.0000	11.7500	11.7500
Kingston	11.0200	11.0200	11.0200	12.3000	12.3000	0.0000	11.6400	12.6400	12.5000	12.2500
Lakeville	6.0000	6.0000	6.0000	11.9500	11.9500	18.0000	10.9500	10.7500	10.7000	10.3400
Lapeer	6.7500	6.6500	6.6000	6.6000	6.3750	18.0000	7.2500	8.2320	8.2194	8.2038
Marlette	7.0000	6.4700	6.0000	6.6000	6.0000	17.8293	5.0000	6.0000	6.0000	6.0000
Mayville	6.4000	6.3000	6.1200	6.6000	6.0000	17.8578	5.0000	12.0000	12.0000	12.0000
North Branch	13.3000	13.3000	13.3000	13.3000	13.3000	17.7750	12.3000	13.3000	13.0000	13.0000
Oxford	13.0000	13.0000	13.0000	13.3000	13.0000	16.3326	12.0000	13.0000	13.0000	13.0000
Intermediate School Districts-										
Lapeer	3.2223	3.1978	3.1605	3.1189	3.0773	3.0467	3.0084	2.9794	2.9509	2.9295

Notes:

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

2. Rates are levied in December of the year preceding the County's fiscal year end.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS
ALL TAXING UNITS WITHIN THE COUNTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended	Levy Year	Total Adjusted Tax Levy	Current Collections To	Current Collections Amount	Percentage Collected
1998	1997	$ 44,443,273	03/01/98	$ 38,356,640	86.30
1999	1998	$ 49,642,291	03/01/99	$ 44,206,957	89.05
2000	1999	$ 53,405,052	03/01/00	$ 47,304,472	88.58
2001	2000	$ 57,192,846	03/01/01	$ 50,967,164	89.11
2002	2001	$ 60,054,672	03/01/02	$ 54,165,151	90.19
2003	2002	$ 62,484,455	03/01/03	$ 56,708,306	90.76
2004	2003	$ 66,920,480	03/01/04	$ 61,037,274	91.21
2005	2004	$ 73,965,772	03/01/05	$ 67,342,098	91.04
2006	2005	$ 79,441,073	03/01/06	$ 72,500,633	91.26%
2007	2006	$ 84,354,063	03/01/07	$ 76,964,520	91.24%

Notes:

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

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

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

PROPERTY TAX LEVIES AND COLLECTIONS
COUNTY OPERATING LEVY ONLY
LAST TEN FISCAL YEARS
(UNAUDITED)

Year Ended	Levy Year	Total Tax Levy	Current Collections To	Current Collections Amount	Percentage Collected
1998	1997	$ 6,594,471	03/01/98	$ 5,926,180	89.87
1999	1998	$ 7,044,363	03/01/99	$ 6,308,343	89.55
2000	1999	$ 7,670,678	03/01/00	$ 6,915,652	90.16
2001	2000	$ 8,117,860	03/01/01	$ 7,295,980	89.88
2002	2001	$ 8,693,592	03/01/02	$ 7,904,912	90.93
2003	2002	$ 9,257,414	03/01/03	$ 8,437,468	91.14
2004	2003	$ 9,658,415	03/01/04	$ 8,776,707	90.87
2005	2004	$ 10,128,070	03/01/05	$ 9,176,986	90.61
2006	2005	$ 10,689,927	03/01/06	$ 9,826,649	91.92
2007	2006	$ 11,326,328	03/01/07	$ 9,934,719	87.71

Notes:

1. Property taxes are levied each December 1; property taxes are budgeted and recognized as revenue in the year following levy year in the General Fund, County Library and Senior Millage (Special Revenue) Funds and the E-911 (Debt Service) Fund. Property taxes are recognized as revenue in the year of the levy in the Medical Care Facility Enterprise Fund because it operates on the accrual basis of accounting.

2. The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding delinquent real taxes receivable are purchased from the taxing units. All units, including the County General, Special Revenue, Debt Service and Enterprise Funds receive full payment for all real taxes levied under this arrangement.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
LAST TEN YEARS
(UNAUDITED)

Year Ended	Levy Year	Current Assessments Levied	Current Assessments Collected	Total Collections Ratio
Drain Special Assessments				
1997	1996	$ 821,747	$ 821,747	100
1998	1997	$ 436,592	$ 436,592	100
1999	1998	$ 661,372	$ 661,372	100
2000	1999	$ 889,768	$ 889,768	100
2001	2000	$ 534,463	$ 534,463	100
2002	2001	$ 413,300	$ 413,300	100
2003	2002	$ 543,486	$ 543,486	100
2004	2003	$ 487,705	$ 487,705	100
2005	2004	$ 420,383	$ 420,383	100
2006	2005	$ 432,740	$ 432,740	100

Notes:

1. Special Assessments are levied each December 1; assessments are recognized as revenue in the year following the levy year.

2. The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding assessments receivable are purchased from the taxing units. All units receive full payment for all assessments levied under this arrangement.

3. Drain special assessments are levied annually (with one year payback periods) against the benefited properties.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

COMPUTATION OF DIRECT AND OVERLAPPING LONG-TERM BONDED DEBT
DECEMBER 31, 2006
(UNAUDITED)

	Gross	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Net
Direct Debt:			
Building Authority	$ 3,315,000	$ -	3,315,000
Water	1,295,000	1,295,000	-
Drain	5,031,098	4,828,725	202,373
Wastewater	1,405,000	1,405,000	-
Sewer	2,025,000	2,025,000	-
MTF Notes	1,960,000	1,960,000	-
Special Assessment	410,000	-	410,000
Total Direct Debt	$ 15,441,098	$ 11,513,725	$ 3,927,373
Overlapping Debt of County:			
Villages			7,025,274
Cities			8,738,354
Townships			1,635,537
School Districts			147,166,275
Intermediate School Districts			962,650
Community College			1,689,877
Total Overlapping Debt			167,217,967
Total County Net Direct and Overlapping Debt			$ 171,145,340

Debt Ratios:

Per Capita 2006 State Equalized Value	$ 48,385.08
Per Capita 2006 True Cash Value	$ 96,770.16
Per Capita Net Direct Debt	$ 44.68
Per Capita Net Direct and Overlapping Debt	$ 1,946.96
Percent of Net Direct Debt of 2006 State Equalized Value	0.092%
Percent of Net Direct and Overlapping Debt of 2006 State Equalized Values	4.024%
Percent of Net Direct Debt of 2006 True Cash Values	0.046%
Percent of Net Direct and Overlapping Debt of 2006 True Cash Values	2.012%

Source: Municipal Advisory Counsel of Michigan and Oppenheimer & Co Inc.

LAPEER COUNTY, MICHIGAN

DEMOGRAPHIC STATISTICS
PROPERTY VALUES
LAST TEN FISCAL YEARS
(UNAUDITED)

Year	State Equalized Value (S.E.V.)	Taxable Value	Estimated Property Value (S.E.V. x 2)
1997	$ 1,771,674,245	$ 1,619,066,518	$ 3,543,348,490
1998	$ 2,026,584,049	$ 1,744,859,206	$ 4,053,168,098
1999	$ 2,307,495,097	$ 1,874,360,817	$ 4,614,990,194
2000	$ 2,596,452,794	$ 2,009,003,207	$ 5,192,905,588
2001	$ 2,945,993,749	$ 2,179,025,395	$ 5,891,987,498
2002	$ 3,244,559,723	$ 2,348,559,163	$ 6,489,119,446
2003	$ 3,510,193,880	$ 2,483,938,539	$ 7,020,387,760
2004	$ 3,701,389,668	$ 2,632,809,751	$ 7,402,779,336
2005	$ 4,004,172,237	$ 2,805,165,220	$ 8,008,344,474
2006	$ 4,221,145,112	$ 2,989,701,382	$ 8,442,290,224

Notes:

In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a nonuniform basis. The legislation implementing this constitutional amendment, added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State Equalized Value ("SEV") and Taxable Value. Property taxes are levied on Taxable Value.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS
EMPLOYMENT BY INDUSTRY
2000 U.S. CENSUS
(UNAUDITED)

The following table reflects the breakdown of employment by category and industry for the County of Lapeer residents and the State of Michigan as of the 2000 U.S. Census:

	County of Lapeer		State of Michigan	
Category	Number of Workers	% of Total Workers	Number of Workers	% of Total Workers
Management, Professional & Related	11,043	26.93 %	1,459,767	31.48 %
Service Occupations	5,608	13.67	687,336	14.82
Sales and Office Occupations	8,581	20.92	1,187,015	25.60
Farming, Fishing and Forestry	165	0.40	21,120	0.46
Construction, Extraction & Maintenance	5,687	13.87	425,291	9.17
Production, Transp. & Mat. Moving	9,928	24.21	856,932	18.48
Total	41,012	100.00 %	4,637,461	100.00 %

The following table reflects the breakdown of employment by major industry groups for the County of Lapeer residents and the State of Michigan as of the 2000 U.S. Census:

	County of Lapeer		State of Michigan	
Category	Number of Workers	% of Total Workers	Number of Workers	% of Total Workers
Agriculture, Forestry, Mining & Fishing	610	1.49 %	49,496	1.07 %
Construction	3,767	9.19	278,079	6.00
Manufacturing	12,237	29.84	1,045,651	22.55
Wholesale Trade	767	1.87	151,656	3.27
Retail Trade	4,486	10.94	550,918	11.88
Transportation, Warehousing & Utilities	1,433	3.49	191,799	4.14
Information	655	1.60	98,887	2.13
Finance, Insurance, Real Estate & Rental	1,499	3.66	246,633	5.32
Professional, Scientific, Management, Administrative & Waste Services	2,537	6.19	371,119	8.00
Educational, Health & Social Services	7,209	17.58	921,395	19.87
Arts, Entertainment, Recreation, Accommodation & Food Services	2,298	5.60	351,229	7.57
Public Administration	1,255	3.06	167,731	3.62
Other Categories of Employment	2,259	5.51	212,868	4.59
Total	41,012	100.00 %	4,637,461	100.00 %

Source: U. S. Department of Commerce - Bureau of Census - 2000

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS
DESCRIPTION OF INSURANCE COVERAGE IN FORCE
DECEMBER 31, 2006
(UNAUDITED)

Lapeer County became a member of the Michigan Municipal Risk Management Authority in 1985. The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations. This program covers the Public Officials Surety Bond and Faithful Performance as well as General Liability, Law Enforcement Officers, Business Auto, Building and Contents, Boiler and Machinery, Errors and Omissions, and Umbrella Coverage. The total amount of liability coverage for the County amounts to $10,000,000. The County's total contribution for 2006 is approximately $ 25,949 reported in the General Fund.

Lapeer County is self-insured for Workers' Compensation for claims up to an annual aggregate amount of $300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of $3,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage. The County's total expenditures for claims and insurance costs reported in the Workers' Compensation Fund for 2006 is $67,427. The County's ending retained earnings for the Workers' Compensation Fund at December 31, 2006 is $883,070.

Lapeer is self insured for Unemployment Insurance. The County's total expenditures for claims reported in the Unemployment Insurance Fund for 2006 is $25,368. The County's ending retained earnings for the the Unemployment Insurance Fund at December 31, 2006 is $195,491.

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS
OTHER STATISTICS
DECEMBER 31, 2006
(UNAUDITED)

Form of Government

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

The County operates under the Controller/Administrator form of government.

Location

Lapeer County covers an area of approximately 666 square miles in the thumb area of Michigan's lower peninsula and is located 56 miles north of Detroit and 48 miles west of the Canadian border on I-69, between Port Huron and Flint. The County is accessible by four major highways, M-21, M-24, M-90, M-53 and the Interstate.

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

MANAGEMENT LETTER

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have recently completed our audit of the basic financial statements of the County of Lapeer, Michigan as of and for the year ended December 31, 2006. In connection with the audit, we believe that certain changes in your accounting procedures would be helpful in further improving management's control and the operational efficiency of the County's recordkeeping system or compliance with laws and regulations. These observations are a result of our evaluation of internal financial and compliance controls for audit purposes and our discussions with management.

This is the County's first year to be audited under the provisions of Statement on Auditing Standards No. 112 "Communicating Internal Control Related Matters Indentified in an Audit". This SAS provides guidance to the auditor on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. In particular the SAS:

- Defines the terms, significant deficiency and material weakness
- Provides guidance on evaluating the severity of control deficiencies identified in an audit of financial statements
- Requires the auditor to communicate, in writing, to management and those charged with governance, significant deficiencies and material weaknesses identified in an audit.

Under these new requirements and definitions the first three observations are considered to be significant deficiencies in internal control over financial reporting. They are also considered to be material weaknesses because they result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. These three observations are also noted in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial statements performed in accordance with ***Government Auditing Standards***, which is included with the Single Audit for the year end December 31, 2006.

Bank Reconciliations

Common Cash:

The County has several checking accounts that must be reconciled to the general ledger on a timely basis. Two of these bank accounts represent the cash balance of several funds. The general common cash account and the drain special assessment fund account are examples of these types of checking accounts.

During the year, the County changed the common checking account to positive pay. As a result of difficulties with this change the bank reconciliation for the common checking account was not performed timely. The December 31, 2006 balance was actually reconciled in May 2007.

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Even though this was a unique situation, it did leave the County at risk in that errors could have occurred in the general ledger reporting process that could have not been prevented or detected.

Drainage District's Cash:

As has been communicated the last several years, the Drainage District Special Assessment Fund Cash has been reconciled to the general ledger in total, however, has not been maintained and reconciled and reconciled by Drainage District.

Even though the bank account is reconciled, the County is at risk that errors between Drainage District's could occur that would not be prevented or detected.

District Court Cash:

It was noted during the audit that the checking account that maintains bonds and restitutions did not reconcile to the general ledger. Also, the amount of cash in the general ledger was not supported by a listing that reconciled to the general ledger.

These two significant deficiencies allow the County to be at risk that errors could occur in the District Court account that would not be prevented or detected.

Proposed Audit Adjusting Journal Entries

Several material adjusting entries to the financial records of the County were proposed by our firm. These entries were reviewed, accepted and recorded by the County.

It is our belief that several of the entries could have been made had the County personnel had sufficient time to review the circumstances, and prepare the entry. However, we believe that there were circumstances requiring journal entries that were not detected during the year that are material to the financial statements.

As a result of both conditions described in the previous paragraph the entries were not recorded, thus the financial information was not reported correctly in a timely manner, putting the County at risk that errors could occur that would not be prevented or detected.

Comprehensive Annual Financial Report

The County is responsible for the Comprehensive Annual Financial Report. However, the County relies on our firm to assist in reporting the CAFR in accordance with Generally Accepted Accounting Principles (GAAP) and Government Financial Officers Association (GFOA) requirements.

The County has individuals on staff to review that the CAFR is accurate and that the financial information reflects the recording of proposed journal entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles and Government Finance Officers Association requirements.

As a result, reporting errors or omissions could occur in the preparation of the CAFR that would be a departure from GAAP or GFOA requirements and the County would not be in a position to detect the errors or omissions.

FORMAL POLICIES

As part of the audit we inquire of management about formal written policies the County has to assist us in the testing of accounting and compliance controls. The adoption of the two following policies should assist in the internal controls of the County:

Electronic Fund Transfers (EFT's)

Per discussions with County management, the County does not have a formal written policy establishing control over electronic fund transfers.

With the increased use of EFT's and the resulting materiality of the dollar value, it is important to establish controls through a formal written policy. The policy would not only document the types of transfers allowed but also individuals and amount thresholds.

We recommend that a formal written EFT policy be adopted.

County Vehicles

Per discussions with County management, the County does not have a formal written policy for personal use of County owned vehicles.

In order to assist the County in meeting IRS requirements for the reporting of personal use of County owned vehicles, it is important that the County document its policy requirements and communicate those requirements to the County employees.

We recommend that a formal written policy be adopted on the reporting of the personal use of County owned vehicles.

COMPUTER CONTROLS

The County working with its computer consultant has implemented internal controls to protect data and activity related to the County computer system. One of the less complex yet important controls is the use of passwords for access to various software.

Through inquiry it came to our attention that passwords are not changed periodically. In order to increase the security of unauthorized entry into the software system, passwords should be changed periodically.

We recommend that a procedure be put in place that has passwords periodically changed.

OTHER FINANCIAL ISSUES:

General Ledger Account Balances for DHS Funds

During the audit of the Department of Human Services, we noted that the general ledger was recorded inconsistently with either the cash or modified accrual basis of accounting. This resulted in an inconsistency on the recording of receivables and deferrals and the resulting revenue equal to expenditures for reimbursement grants.

We understand that the County Finance Department will be more involved with the DHS general ledger and the processing of the DHS County related activity.

We recommend that the procedures for posting to accounts be reviewed and technical assistance provided to the DHS department to improve the reporting process.

General Ledger Account Balance for DTR Fund

During the audit of the County DTR fund it was noted that several delinquent tax receivable accounts had not been reconciled and that the current year delinquent receivable had been recorded incorrectly.

In order to control delinquent tax receivables by tax year, it is important that a delinquent tax receivable control total be maintained that is supported by a delinquent role. Because of complications that can occur related to the eventual collection of delinquent taxes, it is extremely important that the original delinquent tax receivable is recorded correctly.

We recommend that additional attention be paid to the general ledger account balances.

General Ledger Account Balance for Drainage District's Funds

During the audit of the special assessments receivables for the Drainage District's we noted an inconsistency in the recording of collections between appropriate funds. In most instances even if the receivable was recorded in a Debt Service Fund the collection was reported in the 801 Fund. This made it difficult to determine the correct special assessment receivable balance per the general ledger to compare to detail special assessment listings.

We recommend that the special assessment receivable balances per the general ledger be reconciled monthly to the detail. This will be facilitated by recording collections in the appropriate fund.

COMPLIANCE ISSUES

Budget Amendments

As indicated in the Notes to Financial Statements, the County of Lapeer has not complied with certain provisions of Public Act 621 of 1978, as amended. The Uniform Budgeting and Accounting Act. Michigan Public Act 621 of 1978, Section 18, as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. The Act requires the Board of Commissioners to make budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2006, the County (primary government) incurred expenditures in excess of appropriations for eight (8) activities of the General Fund and had excess expenditures over appropriations in the thirteen (13) budgeted special revenue funds which includes the Revenue Sharing Reserve Fund that did not have a budget which is also required by Public Act 621 of 1978 as amended.

Sole Source Procurement Documentation

The County has a formal written procurement policy that establishes purchasing procedures.

During our audit of procurement, we noted that purchases that were considered to be sole sources were not properly documented at time of purchase.

We were provided substantial explanation for obtaining capital assets through sole source, however, this documentation should have been already on file and readily available.

We recommend that the County develop procedures that stipulate the maintaining of documentation for sole source procurement be performed at time of purchase.

Equipment Acquired under Federal Awards

The Federal government requires that property records be maintained for equipment acquired under Federal Awards. The property records should contain the following information about the equipment: description (including serial number or other identification number), source, who holds title, acquisition data and cost, percentage of federal participation in the cost, location, condition, and any ultimate disposition data including date of disposal and sales price or method used to determine current market value.

With the Homeland Security grant increasing the amount of equipment purchases under federal awards it is even more important that the County have procedures in place to assure the above documentation is maintained. Also, a periodic physical inventory should be taken of the equipment in order to keep information current on the equipment record.

We recommend that a procedure that meets the Federal requirements for equipment management be developed.

Cost Allocation – Health Department

It was noted during the audit, that the Health Department allocated indirect costs to departments based on budgeted FTE's. Federal regulations require costs to be allocated based on actual data, not budget.

The Health Department performed a comparative allocation based on actual FTE's, which indicated immaterial variances from the amounts allocated.

We recommend that if allocations are on budgeted FTE's, that the amounts be periodically compared to amounts based on actual FTE's and adjustments made.

Negative Cash Balances

The use of a common checking account allows for the County to issue checks on a fund when the amount is not available in the funds portion of the common checking account. This occurs because the cash of the fund is in another cash or investment account.

The transaction results in negative cash, which is not a bank overdraft because cash in total is positive. However, the Michigan Department of Treasury considers this to be interfund borrowing, which may or may not be legal based on the fund type.

In order to not report negative cash on the various funds' balance sheets in the CAFR, we propose an entry to report interfund receivable/payables that we believe meet the Michigan Department of Treasury legal requirements. That entry for December 31, 2006 was $9,202,618.

We recommend that the County monitor these negative balances more closely so that large entries are not required.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our audit of the December 31, 2006, financial statements. We have not considered internal control since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and controls to prevent and detect fraud.

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

We wish to express our appreciation for the courtesy and cooperation extended to us during our examination. We are available to discuss these conditions with you and to provide assistance in implementation of improvements.

Sincerely,

Stewart, Beaumont & Whipple

June 13, 2007