

# 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 <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name County of Presque Isle, Michigan	County Presque Isle
Fiscal Year End December 31, 2007	Opinion Date May 8, 2008	Date Audit Report Submitted to State June 2, 2008	

We affirm that:

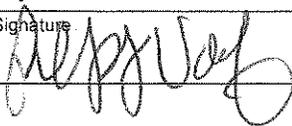
We are certified public accountants licensed to practice in Michigan.

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.)
- YES  NO 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.
  - YES  NO 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.
  - YES  NO The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - YES  NO The local unit has adopted a budget for all required funds.
  - YES  NO A public hearing on the budget was held in accordance with State statute.
  - YES  NO 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.
  - YES  NO The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - YES  NO The local unit only holds deposits/investments that comply with statutory requirements.
  - YES  NO 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).
  - YES  NO 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.
  - YES  NO The local unit is free of repeated comments from previous years.
  - YES  NO The audit opinion is UNQUALIFIED.
  - YES  NO The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - YES  NO The board or council approves all invoices prior to payment as required by charter or statute.
  - YES  NO 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	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Anderson, Tackman & Company, PLC		Telephone Number 906-495-5952	
Street Address 16978 S. Riley Avenue		City Knicheloe	State      Zip MI      49788
Authorizing CPA Signature 		Printed Name Phillip J. Wolf, CPA	License Number 1101017275

**County of Presque Isle, Michigan**

**Basic Financial Statements**

**December 31, 2007**

**COUNTY OF PRESQUE ISLE, MICHIGAN**

ORGANIZATION

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON

ALLAN H. BRUDER

COMMISSIONER

MICHAEL A. DARGA

COMMISSIONER

STEPHEN LANG

COMMISSIONER

ROBERT SCHELL

COMMISSIONER

CARL ALTMAN

**ELECTED OFFICIALS**

COUNTY TREASURER

PATRICIA J. CORNETT

COUNTY CLERK

SUSAN M. RHODE

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT</b> .....	1
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets .....	3
Statement of Activities .....	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	5
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	6
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	7
Proprietary Funds:	
Statement of Net Assets .....	8
Statement of Revenues, Expenses, and Changes in Net Assets .....	9
Statement of Cash Flows .....	10
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	11
Statement of Changes in Fiduciary Net Assets .....	12
<b>COMPONENT UNITS:</b>	
Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
<b>NOTES TO FINANCIAL STATEMENTS</b> .....	15

**REQUIRED SUPPLEMENTARY INFORMATION:**

Major Funds:

Budgetary Comparison Schedule – General Fund ..... 31

Budgetary Comparison Schedule – Revenue Sharing Reserve..... 33

Budgetary Comparison Schedule – S.R.O. – H.U.N.T. .... 34

Budgetary Comparison Schedule – Senior Citizens ..... 35

Budgetary Comparison Schedule – Emergency Services ..... 36

**OTHER SUPPLEMENTARY INFORMATION:**

Combining Balance Sheet – Nonmajor Governmental Funds ..... 37

Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Nonmajor Governmental Funds..... 41

Combining Statement of Net Assets – Combining Major Tax  
Collection –Enterprise Funds ..... 45

Combining Statement of Revenues, Expenses, and Changes in  
Net Assets – Major Tax Collections –Enterprise Funds ..... 46

Combining Statement of Cash Flows – Major Tax Collection –  
Enterprise Funds ..... 47

Statement of Net Assets – Internal Service Fund..... 48

Statement of Revenues, Expenses, and Changes in  
Net Assets – Internal Service Fund ..... 49

**REPORT ON COMPLIANCE:**

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*..... 50

Schedule of Findings and Responses ..... 53



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Board of Commissioners  
County of Presque Isle, Michigan  
Rogers City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and aggregate remaining fund information of the County of Presque Isle, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

As described in Note 1, the financial statements do not include the 2007 component unit financial statements of the Presque Isle County Road Commission which represents 99% of the assets and revenues of all component units of Presque Isle County, in accordance with governmental generally accepted accounting principles.

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, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the County of Presque Isle, Michigan as of December 31, 2007, and the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects of omitting the component unit as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the County of Presque Isle, Michigan as of December 31, 2007, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, 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, and each major fund of the County of Presque Isle, Michigan, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 8, 2008 on our consideration of the County of Presque Isle, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis has not been presented which accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of the basic financial statements.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Presque Isle, Michigan's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

May 8, 2008

## **Basic Financial Statements**

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# County of Presque Isle, Michigan

## Statement of Net Assets December 31, 2007

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS:</b>				
<i>Current Assets:</i>				
Cash & Investments	\$ 4,801,014	\$ 1,324,615	\$ 6,125,629	\$ 58,648
Receivables:				
Taxes	724,972	559,673	1,284,645	-
Interest	-	68,157	68,157	-
Notes	-	-	-	73,370
Loans	94,000	-	94,000	-
Due from Governmental Units	64,869	35,375	100,244	-
Prepaid Expenses	50,937	-	50,937	-
<i>Non-current Assets:</i>				
Capital Assets Not Depreciated	748,100	523,700	1,271,800	74,558
Capital Assets (Net of Accumulated Depreciation)	1,743,004	1,563,212	3,306,216	-
<b>TOTAL ASSETS</b>	<b>\$ 8,226,896</b>	<b>\$ 4,074,732</b>	<b>\$ 12,301,628</b>	<b>\$ 206,576</b>
<b>LIABILITIES:</b>				
<i>Current Liabilities:</i>				
Accounts Payable	\$ 126,912	\$ 3,693	\$ 130,605	\$ -
Accrued Liabilities	48,670	-	48,670	-
Due to Governmental Units	-	9,615	9,615	-
Deferred Revenue	452,900	-	452,900	-
Notes Payable	-	515,000	515,000	-
<i>Non-current Liabilities:</i>				
Compensated Absences	4,060	-	4,060	-
<b>TOTAL LIABILITIES</b>	<b>632,542</b>	<b>528,308</b>	<b>1,160,850</b>	<b>-</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	2,491,104	2,086,912	4,578,016	74,558
Restricted for Special Projects	2,221,683	-	2,221,683	-
Unrestricted	2,881,567	1,459,512	4,341,079	132,018
<b>TOTAL NET ASSETS</b>	<b>\$ 7,594,354</b>	<b>\$ 3,546,424</b>	<b>\$ 11,140,778</b>	<b>\$ 206,576</b>

# County of Presque Isle, Michigan

## Statement of Activities For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 135,643	\$ -	\$ -	\$ -	\$ (135,643)	\$ -	\$ (135,643)	\$ -
Judicial	859,933	216,304	523,478	-	(120,151)	-	(120,151)	-
General Government	1,139,201	165,989	176,113	-	(797,099)	-	(797,099)	-
Public Safety	1,352,546	33,370	174,948	-	(1,144,228)	-	(1,144,228)	-
Health & Welfare	744,679	-	105,831	-	(638,848)	-	(638,848)	-
Community & Economic Development	300,067	52,383	57,355	-	(190,329)	-	(190,329)	-
Recreation & Culture	47,651	-	-	-	(47,651)	-	(47,651)	-
Other	1,239,788	-	-	-	(1,239,788)	-	(1,239,788)	-
Depreciation - Unallocated	21,676	-	-	-	(21,676)	-	(21,676)	-
Total Governmental Activities	<u>5,841,184</u>	<u>468,046</u>	<u>1,037,725</u>	<u>-</u>	<u>(4,335,413)</u>	<u>-</u>	<u>(4,335,413)</u>	<u>-</u>
<b>Business-type activities:</b>								
Airport	212,116	-	28,850	-	-	(183,266)	(183,266)	-
Tax Collection	153,999	84,772	-	-	-	(69,227)	(69,227)	-
Total Business-type Activities	<u>366,115</u>	<u>84,772</u>	<u>28,850</u>	<u>-</u>	<u>-</u>	<u>(252,493)</u>	<u>(252,493)</u>	<u>-</u>
Total Primary Government	<u>\$ 6,207,299</u>	<u>\$ 552,818</u>	<u>\$ 1,066,575</u>	<u>\$ -</u>	<u>(4,335,413)</u>	<u>(252,493)</u>	<u>(4,587,906)</u>	<u>-</u>
<b>Component Unit:</b>								
Economic Development	<u>\$ 2,870</u>	<u>\$ 4,314</u>	<u>\$ -</u>	<u>\$ -</u>				<u>1,444</u>
<b>General Revenues:</b>								
Taxes					4,095,486	-	4,095,486	-
Other					500,361	173,577	673,938	50
Investment Earnings (Loss)					161,934	45,340	207,274	1,523
Loss on transfer of land					-	-	-	(3,432)
Transfers					(95,842)	95,842	-	-
Total General Revenues and Transfers					<u>4,661,939</u>	<u>314,759</u>	<u>4,976,698</u>	<u>(1,859)</u>
Changes in Net Assets					<u>326,526</u>	<u>62,266</u>	<u>388,792</u>	<u>(415)</u>
Net Assets - Beginning					<u>7,267,828</u>	<u>3,484,158</u>	<u>10,751,986</u>	<u>206,991</u>
Net Assets - Ending					<u>\$ 7,594,354</u>	<u>\$ 3,546,424</u>	<u>\$ 11,140,778</u>	<u>\$ 206,576</u>

**County of Presque Isle, Michigan**

**Balance Sheet  
Governmental Funds  
December 31, 2007**

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Emergency Services	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash & Investments	\$ 1,892,671	\$ 2,221,683	\$ 7,292	\$ 3,506	\$ 103,229	\$ 565,928	\$ 4,794,309
Receivables:							
Taxes	272,072	-	303,426	149,474	-	-	724,972
Loans	-	-	-	-	94,000	-	94,000
Prepaid Expenditures	50,937	-	-	-	-	-	50,937
Due from Governmental Units	40,122	-	-	10,852	-	13,895	64,869
<b>TOTAL ASSETS</b>	<u>\$ 2,255,802</u>	<u>\$ 2,221,683</u>	<u>\$ 310,718</u>	<u>\$ 163,832</u>	<u>\$ 197,229</u>	<u>\$ 579,823</u>	<u>\$ 5,729,087</u>
<b>LIABILITIES:</b>							
Accounts Payable	\$ 66,796	\$ -	\$ 11,079	\$ -	\$ -	\$ 45,710	\$ 123,585
Accrued Liabilities	38,810	-	3,665	-	-	6,195	48,670
Deferred Revenue	-	-	303,426	149,474	94,000	-	546,900
<b>TOTAL LIABILITIES</b>	<u>105,606</u>	<u>-</u>	<u>318,170</u>	<u>149,474</u>	<u>94,000</u>	<u>51,905</u>	<u>719,155</u>
<b>FUND BALANCES:</b>							
Reserved	-	2,221,683	-	-	-	-	2,221,683
Unreserved:							
Designated for Special Purposes	-	-	-	14,358	103,229	536,509	654,096
Undesignated	2,150,196	-	(7,452)	-	-	(8,591)	2,134,153
<b>TOTAL FUND BALANCES</b>	<u>2,150,196</u>	<u>2,221,683</u>	<u>(7,452)</u>	<u>14,358</u>	<u>103,229</u>	<u>527,918</u>	<u>5,009,932</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 2,255,802</u>	<u>\$ 2,221,683</u>	<u>\$ 310,718</u>	<u>\$ 163,832</u>	<u>\$ 197,229</u>	<u>\$ 579,823</u>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>							
Capital assets used by governmental activities							2,469,925
Compensated absences liability							(4,060)
Other long-term assets not available to pay current expenditures and therefore deferred in the funds							94,000
Internal service funds included in governmental activities							24,557
<b>Net assets of governmental activities</b>							<u>\$ 7,594,354</u>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2007

	General	Revenue Sharing Reserve	S.R.O.- H.U.N.T.	Senior Citizens	Emergency Services	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>							
Taxes	\$ 3,685,940	\$ -	\$ 122,145	\$ 287,401	\$ -	\$ -	\$ 4,095,486
Licenses & Permits	5,646	-	-	-	-	-	5,646
Federal Sources	-	-	-	-	-	43,550	43,550
State Sources	532,126	-	-	104,423	-	357,626	994,175
Local Sources	-	-	-	-	23,819	152,307	176,126
Charges for Services	421,157	-	-	-	-	65,061	486,218
Interest & Rentals	58,471	77,603	3,162	386	4,295	18,017	161,934
Fines and Forfeitures	20,447	-	-	-	-	17,145	37,592
Other Revenue	186,619	-	-	-	-	100,024	286,643
<b>TOTAL REVENUES</b>	<b>4,910,406</b>	<b>77,603</b>	<b>125,307</b>	<b>392,210</b>	<b>28,114</b>	<b>753,730</b>	<b>6,287,370</b>
<b>EXPENDITURES:</b>							
Legislative	135,643	-	-	-	-	-	135,643
Judicial	711,176	-	-	-	-	147,754	858,930
General Government	1,005,301	-	-	-	-	91,431	1,096,732
Public Safety	1,007,382	-	167,701	-	45,000	127,546	1,347,629
Health & Welfare	19,852	-	-	380,305	-	354,104	754,261
Community & Economic Development	-	-	-	-	-	300,067	300,067
Recreation & Cultural	-	-	-	-	-	12,356	12,356
Capital Outlay	-	-	-	-	-	143,583	143,583
Debt Service	-	-	-	-	-	18,576	18,576
Other Expenditures	1,203,851	-	-	-	-	13,868	1,217,719
<b>TOTAL EXPENDITURES</b>	<b>4,083,205</b>	<b>-</b>	<b>167,701</b>	<b>380,305</b>	<b>45,000</b>	<b>1,209,285</b>	<b>5,885,496</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>827,201</b>	<b>77,603</b>	<b>(42,394)</b>	<b>11,905</b>	<b>(16,886)</b>	<b>(455,555)</b>	<b>401,874</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	267,713	-	-	-	-	369,500	637,213
Operating Transfers Out	(440,000)	(267,713)	-	-	-	(25,342)	(733,055)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>654,914</b>	<b>(190,110)</b>	<b>(42,394)</b>	<b>11,905</b>	<b>(16,886)</b>	<b>(111,397)</b>	<b>306,032</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,495,282</b>	<b>2,411,793</b>	<b>34,942</b>	<b>2,453</b>	<b>120,115</b>	<b>639,315</b>	<b>4,703,900</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,150,196</b>	<b>\$ 2,221,683</b>	<b>\$ (7,452)</b>	<b>\$ 14,358</b>	<b>\$ 103,229</b>	<b>\$ 527,918</b>	<b>\$ 5,009,932</b>

See accompanying notes to financial statements.

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2007

Net Changes in fund balances - total governmental funds \$ 306,032

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$171,177) exceeded depreciation (\$141,597) and loss on disposal (\$1,488) in the current period. 28,092

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences	(483)
Deferred Revenues recognized as earned income.	21,182
Internal Service Activity	<u>(28,297)</u>
Changes in net assets of governmental activities	<u>\$ 326,526</u>

**Statement of Net Assets  
Proprietary Funds  
December 31, 2007**

	Business - type Activities			Governmental Activities
	Enterprise Funds		Total Business- Type	Internal Service Fund
	Tax Collections	Airport		
	-	-	-	-
<b>ASSETS:</b>				
Cash & Investments	\$ 1,310,921	\$ 13,694	\$ 1,324,615	\$ 6,705
Taxes Receivable	559,673	-	559,673	-
Accrued Interest Receivable	68,157	-	68,157	-
Due from Other Governmental Units	35,375	-	35,375	-
Capital Assets, net of accumulated depreciation	-	2,086,912	2,086,912	21,179
<b>TOTAL ASSETS</b>	<u>\$ 1,974,126</u>	<u>\$ 2,100,606</u>	<u>\$ 4,074,732</u>	<u>\$ 27,884</u>
<b>LIABILITIES:</b>				
Accounts Payable	-	\$ 3,693	\$ 3,693	\$ 3,327
Due to Other Governmental Units	9,615	-	9,615	-
Notes Payable	515,000	-	515,000	-
<b>TOTAL LIABILITIES</b>	<u>524,615</u>	<u>3,693</u>	<u>528,308</u>	<u>3,327</u>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	-	2,086,912	2,086,912	-
Unrestricted	1,449,511	10,001	1,459,512	24,557
<b>TOTAL NET ASSETS</b>	<u>\$ 1,449,511</u>	<u>\$ 2,096,913</u>	<u>\$ 3,546,424</u>	<u>\$ 24,557</u>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2007

	Business - type Activities			Governmental
	Enterprise			Activities
	Funds		Total	Internal
	Tax Collections	Airport	Business- Type	Service Fund
<b>OPERATING REVENUES:</b>				
Federal Sources	\$ -	\$ 13,600	\$ 13,600	\$ -
State Sources	-	8,654	8,654	-
Local Sources	-	6,596	6,596	-
Charges for Services	84,772	-	84,772	24,045
Interest & Rentals	116,641	33	116,674	-
Other Revenue	56,903	-	56,903	-
Total Operating Revenues	<u>258,316</u>	<u>28,883</u>	<u>287,199</u>	<u>24,045</u>
<b>OPERATING EXPENSES:</b>				
Personal Services	-	7,658	7,658	-
Utilities	-	9,300	9,300	-
Depreciation	-	111,401	111,401	12,341
Repairs and Maintenance	-	15,124	15,124	3,334
Other Supplies and Expenses	-	5,170	5,170	8,974
Professional and Contractual Services	-	58,963	58,963	28,628
General and Administrative	123,941	4,500	128,441	-
Total Operating Expenses	<u>123,941</u>	<u>212,116</u>	<u>336,057</u>	<u>53,277</u>
<b>OPERATING INCOME (LOSS)</b>	<u>134,375</u>	<u>(183,233)</u>	<u>(48,858)</u>	<u>(29,232)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest Income	45,340	-	45,340	935
Interest Expense	(30,058)	-	(30,058)	-
Total Non-operating Revenues (Expenses)	<u>15,282</u>	<u>-</u>	<u>15,282</u>	<u>935</u>
Income (loss) before transfers	149,657	(183,233)	(33,576)	(28,297)
Operating Transfers In	29,808	113,925	143,733	-
Operating Transfers Out	(47,891)	-	(47,891)	-
<b>CHANGES IN NET ASSETS</b>	<u>131,574</u>	<u>(69,308)</u>	<u>62,266</u>	<u>(28,297)</u>
NET ASSETS, JANUARY 1	<u>1,317,937</u>	<u>2,166,221</u>	<u>3,484,158</u>	<u>52,854</u>
<b>NET ASSETS, DECEMBER 31</b>	<u>\$ 1,449,511</u>	<u>\$ 2,096,913</u>	<u>\$ 3,546,424</u>	<u>\$ 24,557</u>

See accompanying notes to financial statements.

**Statement of Cash Flows  
Proprietary Fund Types  
For the Year Ended December 31, 2007**

	Business - Type Activities			Governmental
	Enterprise			Activities
	Funds		Total	Internal
	Tax		Business-	Service
Collections	Airport	Type	Fund	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 1,717,326	\$ 28,883	\$ 1,746,209	\$ 24,045
Payments to Suppliers	(1,645,860)	(92,441)	(1,738,301)	(38,514)
Payments to Employees	-	(7,658)	(7,658)	-
Internal Activity - Payments/Receipts with Other Funds	35,000	(35,000)	-	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>106,466</u>	<u>(106,216)</u>	<u>250</u>	<u>(14,469)</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Operating transfers in	29,808	113,925	143,733	-
Operating transfers out	(47,891)	-	(47,891)	-
<i>Net Cash Provided (Used) by Noncapital and Related Financing Activities</i>	<u>(18,083)</u>	<u>113,925</u>	<u>95,842</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Notes	1,050,000	-	1,050,000	-
Purchase of capital assets	-	-	-	(13,091)
Interest Payments	(30,058)	-	(30,058)	-
Principal Payments	(995,000)	-	(995,000)	-
<i>Net Cash Provided (Used) by Capital and Related Financing Activities</i>	<u>24,942</u>	<u>-</u>	<u>24,942</u>	<u>(13,091)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest income	45,340	-	45,340	935
<i>Net Cash Provided (Used) by Investing Activities</i>	<u>45,340</u>	<u>-</u>	<u>45,340</u>	<u>935</u>
Net Increase (Decrease) in Cash and Cash Equivalents	158,665	7,709	166,374	(26,625)
Balances - Beginning of the Year	1,152,256	5,985	1,158,241	33,330
Balances - End of the Year	<u>\$ 1,310,921</u>	<u>\$ 13,694</u>	<u>\$ 1,324,615</u>	<u>\$ 6,705</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 134,375	\$ (183,233)	\$ (48,858)	\$ (29,232)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	111,401	111,401	12,341
Change in Assets and Liabilities:				
(Increase)Decrease in Assets:				
Taxes Receivable	(61,917)	-	(61,917)	-
Accrued Interest Receivables	(8,537)	-	(8,537)	-
Due from Other Governmental Units	7,472	-	7,472	-
Due from Other Funds	35,000	-	35,000	-
Increase(Decrease) in Liabilities:				
Due to Other Funds	-	(35,000)	(35,000)	-
Accounts Payable	-	616	616	2,422
Due to Other Governmental Units	73	-	73	-
<i>Net Cash Provided (Used) by Operating Activities</i>	<u>\$ 106,466</u>	<u>\$ (106,216)</u>	<u>\$ 250</u>	<u>\$ (14,469)</u>

See accompanying notes to financial statements.

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**December 31, 2007**

	Private Purpose Employee Retirement	Agency Funds
<b>ASSETS:</b>		
Cash & Equivalents:		
Unrestricted	\$ 5,445	\$ 609,585
TOTAL ASSETS	\$ 5,445	\$ 609,585
<b>LIABILITIES:</b>		
Due to Other Governmental Units	\$ -	\$ 8,261
Undistributed Tax Collections	-	405,586
Undistributed Receipts	-	195,738
TOTAL LIABILITIES	-	\$ 609,585
<b>NET ASSETS:</b>		
Held in Trust for Other Purposes	\$ 5,445	

Statement of Changes in  
Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2007

	<u>Private Purpose Employee Retirement</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer & Employee	\$ 256,098
Total Contributions	<u>256,098</u>
<b>DEDUCTIONS:</b>	
Benefits	<u>255,669</u>
Total Deductions	<u>255,669</u>
Changes in Net Assets	429
Net Assets, Beginning of the Year	<u>5,016</u>
Net Assets, End of the Year	<u><u>\$ 5,445</u></u>

# **Component Units**

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Statement of Net Assets  
Component Unit  
December 31, 2007

	<u>Economic Development Corporation</u>
<b>ASSETS:</b>	
Cash & Equivalents - Unrestricted	\$ 58,648
Notes Receivable	73,370
Capital Assets (net)	<u>74,558</u>
 TOTAL ASSETS	 <u><u>\$ 206,576</u></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets	\$ 74,558
Unrestricted	<u>132,018</u>
 TOTAL NET ASSETS	 <u><u>206,576</u></u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 206,576</u></u>

**County of Presque Isle, Michigan**

**Statement of Activities  
Component Unit  
For the Year Ended December 31, 2007**

Functions/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Economic Development Corporation</b>					
Community/Economic Development	\$ 2,870	\$ 4,314	\$ -	\$ -	\$ 1,444
Total Component Units	<u>\$ 2,870</u>	<u>\$ 4,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,444</u>
<b>General Revenues:</b>					
Investment Earnings					1,523
Loss on transfer of land					(3,432)
Other					<u>50</u>
<b>Total General Revenues</b>					<u>(1,859)</u>
Changes in Net Assets					(415)
Net Assets - Beginning					<u>206,991</u>
<b>Net Assets - Ending</b>					<u>\$ 206,576</u>

## **Notes to Financial Statements**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the County of Presque Isle, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

**A – Reporting Entity**

Presque Isle County was established under the authority granted by the Constitution and the State of Michigan. The County is governed by an elected Board of Commissioners consisting of five members. The County provides services to its residents in many areas including law enforcement, fire protection, community enrichment and development, and human services.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statement No. 39 provide criteria for determining the reporting entity. The criteria was established for various governmental organizations to be included in the reporting entity's financial statement based on legal separation, oversight, financial accountability, and fiscal dependency.

Component Units:

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

**Blended Component Units**

County Development Commission:

The financial statements include the financial data of the Presque Isle County Development Commission ("Development Commission"). The Development Commission is an entity legally separate from the County, organized under the authority of Public Act 46 of 1966. It is governed by a Board appointed by the County Commission and is fiscally dependent of the County. Its primary purpose is to promote economic development within the County of Presque Isle. As such, it is reported as a Special Revenue Fund of the County; that is, a blended component unit.

**Discretely Presented Component Units**

Road Commission:

The basic financial statements do not include the financial data of the County's component unit, the Presque Isle County Road Commission (the "Road Commission"). This unit would be reported in a separate column to emphasize that it is legally separate from the County.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The County appoints a majority of the members of the governing board of the Road Commission. The County also has the ability to significantly influence the operations of the Road Commission and must approve bonded debt. A complete financial statement of the Road Commission can be obtained from the Presque Isle County Road Commission, 657 S. Bradley Highway, Rogers City, Michigan, 49779.

Economic Development Corporation of Presque Isle County (EDCPIC):

The EDCPIC was created on June 29, 2000 pursuant to the provisions of the Economic Development Corporations Act, Act No. 338, Public Acts of 1974, as amended. The EDCPIC is an entity legally separate from the County. It is governed by a Board appointed by the County Commission and is fiscally independent of the County. Its primary purpose is to promote economic development within the County of Presque Isle.

**Multi-County Agencies**

The County participates jointly in the operation of the District Health Department #4 with Alpena, Cheboygan, and Montmorency Counties. All financial operations of the District Health Department are recorded in Alpena County. The funding formula requires the County to provide approximately 57% of the budget appropriations requirement, which amounted to \$105,194 for the year ended December 31, 2007.

The County participates jointly in the operation of the Northeast Michigan Community Mental Health Authority with Alpena, Alcona, and Montmorency Counties. All financial operations of the Authority are recorded in Alpena County. The funding formula requires the County to provide approximately 24% of the budget appropriation requirement, which amounted to \$43,599 for the year ended December 31, 2007.

**B – Government-Wide and Fund Financial Statements**

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The County first utilizes restricted resources to finance qualifying activities.

**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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Taxes Receivable – Current or Property Taxes

The County of Presque Isle property tax is levied on each December 1st and July 1st on the taxable valuation of property (as defined by State statutes) located in the County of Presque Isle as of the preceding December 31st.

Although the County of Presque Isle 2006 ad valorem tax is levied and collectible on December 1, 2006, and 2007 ad valorem tax is levied and collectible on July 1, 2007, it is the County of Presque Isle's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax revolving funds within one year.

The December 1, 2006 taxable valuation of the County of Presque Isle totaled \$573,772,943, on which ad valorem taxes levied consisted of 1.8617 mills for the County operating, 0.2100 mills H.U.N.T. and 0.5000 for Senior Citizen. These amounts are recognized in the respective General and Special Revenue Fund financial statements as revenue.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The July 1, 2007 taxable valuation of the County of Presque Isle totaled \$613,602,354, on which ad valorem taxes levied consisted of 5.7400 mills for the General Fund, this amount is recognized in the General Fund.

All other revenue items are considered to be available only when cash is received by the government.

The County reports the following major governmental funds:

**General Fund**

This 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.

**Revenue Sharing Reserve**

This Fund accounts for restricted funds that are limited to amounts previously reported as state revenue sharing distributed annually, which can be used to fund governmental operations.

**S.R.O. – H.U.N.T.**

This fund accounts for the collection of the tax mileage for the School Resource Officer and Huron Undercover Narcotics Team.

**Senior Citizen**

This fund accounts for the operation of the senior citizen program.

**Emergency Services**

This fund accounts for loans to various townships in the County for emergency services equipment.

The County reports the following major proprietary funds:

**Tax Collection Fund**

This fund accounts for property tax administration within the County.

**Airport Fund**

This fund accounts for airport operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Additionally, the County reports the following fund types:

**Internal Service Fund**

This fund accounts for purchases of data processing equipment for the various departments of the government.

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds.

**Private Purpose Trust Fund**

This fund accounts for fiduciary resources held in trust and the receipt, investment, and distribution of retirement contributions.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

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 tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D - Assets, Liabilities, and Net Assets or Equity**

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on December 1st and July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years
Infrastructure – Roads	8 to 20 years
Infrastructure – Bridges	12 to 30 years

Compensated Absences: - Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Vacation days must be used each year, prior to the employee’s anniversary date of employment. County employees are given (12) twelve days of sick time when hired. They may accumulate ½ day each month. Every January employees are paid 50% of any unused sick leave accumulated over the twelve days.

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

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

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1 and lapses on December 31. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year end, the County’s deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Investments -					
Unrestricted	\$ 4,752,886	\$ 1,324,615	\$ 6,077,501	\$ 615,030	\$ 58,648
Restricted	<u>48,128</u>	<u>-</u>	<u>48,128</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,801,014</u>	<u>\$ 1,324,615</u>	<u>\$ 6,125,629</u>	<u>\$ 615,030</u>	<u>\$ 58,648</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit, mutual funds)	\$ 6,122,184	\$ 615,030	\$ 58,648
Petty Cash and Cash on Hand	<u>3,445</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,125,629</u>	<u>\$ 615,030</u>	<u>\$ 58,648</u>

Cash is restricted in the Community Development Commission for future community development.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

At year end, the County’s Primary Government has the following investments at fair value:

	<u>Fair Value</u>	<u>Concentration</u>	<u>Rating</u>
Primary Government: Mutual Funds	\$ <u>2,477,439</u>	100%	A

*Interest rate risk.* The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit risk.* State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The County has no investment policy that would further limit its investment choices.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. State law does not require and the County does not have a policy for deposit custodial credit risk. As of year end, \$3,963,979 of the County’s bank balance of \$4,408,060 was exposed to credit risk because it was uninsured and uncollateralized.

*Custodial investment credit risk.* Custodial investment credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County’s \$2,477,439 in investments, \$0 is not in the name of the County, but in the name of the agent.

Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker’s acceptance of United States banks.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The County’s deposits and investment policy are in accordance with statutory authority.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 748,100	\$ -	\$ -	\$ 748,100
<i>Capital assets being depreciated:</i>				
Buildings and Building Improvements	2,162,933	133,002	-	2,295,935
Machinery and equipment	<u>1,150,160</u>	<u>51,266</u>	<u>(17,861)</u>	<u>1,183,565</u>
Subtotal	<u>3,313,093</u>	<u>184,268</u>	<u>(17,861)</u>	<u>3,479,500</u>
<i>Less accumulated depreciation for:</i>				
Buildings and Building Improvements	(874,297)	(65,871)	-	(940,168)
Machinery and equipment	<u>(724,634)</u>	<u>(88,067)</u>	<u>16,373</u>	<u>(796,328)</u>
Subtotal	<u>(1,598,931)</u>	<u>(153,938)</u>	<u>16,373</u>	<u>(1,736,496)</u>
Net Capital Assets Being Depreciated	<u>1,714,162</u>	<u>30,330</u>	<u>(1,488)</u>	<u>1,743,004</u>
Governmental Activities Capital Assets, Net of Depreciation	<u>\$ 2,462,262</u>	<u>\$ 30,330</u>	<u>\$ (1,488)</u>	<u>\$ 2,491,104</u>

**NOTE 4 - CAPITAL ASSETS (Continued)**

	<u>Beginning Balances</u>	<u>Increases/ Adjustments</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 523,700	\$ -	\$ -	\$ 523,700
<i>Capital assets being depreciated:</i>				
Land and improvements	1,990,950	-	-	1,990,950
Building and Building Improvements	45,000	-	-	45,000
Equipment	<u>162,000</u>	<u>-</u>	<u>-</u>	<u>162,000</u>
Subtotal	<u>2,197,950</u>	<u>-</u>	<u>-</u>	<u>2,197,950</u>
<i>Less accumulated depreciation for:</i>				
Land and improvements	(453,840)	(99,548)	-	(553,388)
Buildings and Building Improvements	(26,297)	(1,053)	-	(27,350)
Equipment	<u>(43,200)</u>	<u>(10,800)</u>	<u>-</u>	<u>(54,000)</u>
Subtotal	<u>(523,337)</u>	<u>(111,401)</u>	<u>-</u>	<u>(634,738)</u>
Net Capital Assets Being Depreciated	<u>1,674,613</u>	<u>(111,401)</u>	<u>-</u>	<u>1,563,212</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 2,198,313</u>	<u>\$ (111,401)</u>	<u>\$ -</u>	<u>\$ 2,086,912</u>

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

Governmental Activities:	
Judicial	\$ 1,003
General Government	26,354
Public Safety	69,192
Health and Welfare	418
Park and Recreation	35,295
Unallocated	<u>21,676</u>
Total Governmental Activities	<u>\$ 153,938</u>
Business Activities:	
Airport	<u>\$ 111,401</u>

The following is a summary of changes for the Economic Development Corporation of Presque Isle County:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Capital Assets Not Being Depreciated:</b>				
Land	<u>\$ 77,990</u>	<u>\$ -</u>	<u>\$ 3,432</u>	<u>\$ 74,558</u>

**NOTE 5 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County reports interfund balances between some of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets for governmental funds and proprietary funds.

**Interfund Transfers**

		<b>TRANSFERS OUT</b>				
<b>TRANSFERS IN</b>		General Fund	Revenue Sharing Reserve	Tax Collections	All Others	Total
	General Fund	\$	-	\$ 267,713	\$ -	\$ -
Tax Collections		-	-	4,466	25,342	29,808
Airport		79,000	-	34,925	-	113,925
All Other		<u>361,000</u>	-	<u>8,500</u>	-	<u>369,500</u>
Total	\$	<u>440,000</u>	<u>\$ 267,713</u>	<u>\$ 47,891</u>	<u>\$ 25,342</u>	<u>\$ 780,946</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 6 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-Type Activities</b>							
Tax Anticipation Notes:							
2006 Tax Notes Series	variable*	2007	\$ 460,000	\$ -	\$ (460,000)	\$ -	\$ -
2007 Tax Notes Series	variable*	2008	-	<u>1,050,000</u>	<u>(535,000)</u>	<u>515,000</u>	<u>515,000</u>
Total Business-Type Activities			<u>\$ 460,000</u>	<u>\$ 1,050,000</u>	<u>\$ (995,000)</u>	<u>\$ 515,000</u>	<u>\$ 515,000</u>

\* Interest payments vary according to payment dates and interest rates.

**NOTE 6 - LONG-TERM DEBT (Continued)**

A summary of vested benefits payable at December 31, 2007 is as follows:

Sick Leave, January 1, 2007	\$	3,577	
Increases		<u>483</u>	(net)
Sick Leave, December 31, 2007	\$	<u>4,060</u>	

**NOTE 7 - RISK MANAGEMENT**

The County of Presque Isle signed the Michigan Township Participating Plan, which is a risk management program that will lessen or prevent the incidence or severity of casualty losses in the operations of its members. The programs are subject to change in the future. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The County is unable to provide an estimate of the amounts of any potential additional assessments.

**NOTE 8 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2007.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplies by the sum of 2.0 percent times the final compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2006.

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the County’s competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2007 is as follows:

Courthouse Employees	9.62%
Sheriff Department	7.92%
Jail	8.19%
Elected and Appointed Officials	9.75%
Commissioners	65.66%

Annual Pension Cost

During the year ended December 31, 2007, the County’s contributions totaling \$174,601 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2005. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member’s retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial Value of Assets	\$ 5,672,177	\$ 6,038,316	\$ 6,527,053
Actuarial Accrued Liability	6,592,720	7,077,866	7,610,975
Unfunded AAL	920,543	1,039,550	1,083,922
Funded Ratio	86%	85%	86%
Covered Payroll	1,846,977	1,978,875	1,993,029
UAAL as a Percentage of Covered Payroll	50%	53%	54%

**NOTE 9 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Year Ended <u>Dec 31</u>	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2005	\$ 176,696	100%	0
2006	200,864	100%	0
2007	174,601	100%	0

**NOTE 10 - RELATED PARTIES**

The County conducts business with various local financial institutions as the County's depositories. Specifically, Huron National Bank and Citizen's National Bank hold deposits of the County, which at December 31, 2007 amounted to \$2,841,448 and \$650,970, respectively. Several County Commissioners and the County Treasurer are stockholders in Huron National Bank. Additionally, some County Commissioners own stock in Citizen's National Bank.

**NOTE 11 - NOTES RECEIVABLE**

The following is a summary of the notes receivable:

	<u>Balance 01/01/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/07</u>
Economic Development	\$ 83,901	\$ -	\$ (10,531)	\$ 73,370

**NOTE 12 - DEFICIT FUND EQUITY BALANCES**

A fund equity deficit existed in the following funds as indicated:

SRO – H.U.N.T.	\$ 7,452
Parks and Recreation	822
Local Unit Appropriations	474
Building and Zoning	1,494
Child Care	5,801

The County plans to recover these deficits with transfers from the general fund.

**NOTE 13 - FUND EQUITY DESIGNATIONS/RESERVATIONS**

Fund equity designations can be described as follows:

Special Revenue	\$ 618,224	Designated for Fund Purpose
Capital Projects	29,522	Designated for Capital Projects
Debt Service	6,350	Designated for Debt Service

Fund equity reservations are described as follows:

Revenue Sharing Reserve	\$ 2,221,683	Reserved for Revenue Sharing
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**NOTE 14 - SUBSEQUENT EVENTS**

In January 2008, the County purchased property and a structure across from the county building for \$210,000. This facility will be used in future county operations.

## **Required Supplementary Information**

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**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 4,104,015	\$ 3,163,867	\$ 3,685,940	\$ 522,073
Licenses & Permits	7,000	5,591	5,646	55
State Sources	534,950	496,884	532,126	35,242
Charges for Services	416,780	420,940	421,157	217
Interest & Rentals	38,300	58,471	58,471	-
Fines & Forfeitures	6,600	20,447	20,447	-
Other Revenue	424,202	186,619	186,619	-
<b>TOTAL REVENUES</b>	<b>5,531,847</b>	<b>4,773,759</b>	<b>4,910,406</b>	<b>136,647</b>
<b>EXPENDITURES:</b>				
<b>Legislative:</b>				
Board of Commissioners	79,358	82,554	135,643	(53,089)
<b>Judicial:</b>				
Circuit Court	184,560	201,535	209,563	(8,028)
Family Court	106,789	117,174	122,140	(4,966)
District Court	147,816	138,706	141,155	(2,449)
Jury Board	5,380	5,376	5,376	-
Probate Court	192,183	196,198	200,238	(4,040)
Circuit Court Probation	7,600	5,496	5,496	-
Negotiations	11,025	25	25	-
Public Guardian	23,400	27,183	27,183	-
<b>Total Judicial</b>	<b>678,753</b>	<b>691,693</b>	<b>711,176</b>	<b>(19,483)</b>
<b>General Government:</b>				
County Clerk	172,660	174,179	177,477	(3,298)
Equalization	112,564	110,828	114,085	(3,257)
Prosecuting Attorney	252,596	219,690	224,693	(5,003)
County Surveyor	73,764	73,764	73,764	-
Treasurer	92,543	99,454	100,633	(1,179)
Cooperative Extension	66,204	56,186	69,735	(13,549)
Buildings & Grounds	126,553	133,885	140,121	(6,236)
Register of Deeds	96,058	93,699	95,224	(1,525)
Plat Board	300	414	414	-
Drain Commissioner	10,180	9,155	9,155	-
<b>Total General Government</b>	<b>1,003,422</b>	<b>971,254</b>	<b>1,005,301</b>	<b>(34,047)</b>

**Required Supplementary Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff/Marine/Snowmobile/Road	570,891	536,990	555,892	(18,902)
D.A.R.E.	34,041	48,952	50,304	(1,352)
Corrections - Jail	333,909	325,710	342,818	(17,108)
Emergency Services	10,320	10,127	10,127	-
Animal Control	50,920	47,368	48,241	(873)
Total Public Safety	<u>1,000,081</u>	<u>969,147</u>	<u>1,007,382</u>	<u>(38,235)</u>
Health & Welfare:				
Medical Examiner	19,225	8,945	10,102	(1,157)
State Institutions	10,000	2,010	2,010	-
Contagious Disease	500	-	-	-
Veterans Services	15,100	7,740	7,740	-
Total Health & Welfare	<u>44,825</u>	<u>18,695</u>	<u>19,852</u>	<u>(1,157)</u>
Other Expenditures:				
Health Insurance	572,880	546,841	557,203	(10,362)
Social Security	172,000	177,949	177,949	-
Retirement Benefits	179,388	174,601	174,601	-
Bonds and Insurance	129,200	124,054	73,487	50,567
Duplicating	15,300	14,087	14,858	(771)
Contingencies	1,183,066	657,851	-	657,851
Communications	26,600	21,690	21,771	(81)
Appropriations to Other Governmental Units	184,974	183,982	183,982	-
Total Other Expenditures	<u>2,463,408</u>	<u>1,901,055</u>	<u>1,203,851</u>	<u>697,204</u>
TOTAL EXPENDITURES	<u>5,269,847</u>	<u>4,634,398</u>	<u>4,083,205</u>	<u>551,193</u>
EXCESS OF REVENUES OVER EXPENDITURES	262,000	139,361	827,201	687,840
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		517,713	267,713	(250,000)
Operating Transfers Out	(262,000)	(440,000)	(440,000)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ 217,074</u>	654,914	<u>\$ 437,840</u>
FUND BALANCE, JANUARY 1			<u>1,495,282</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 2,150,196</u>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Revenue Sharing Reserve  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 957,451	\$ 957,451	\$ -	\$ (957,451)
Interest & Rentals	50,750	50,750	77,603	26,853
 TOTAL REVENUES	 1,008,201	 1,008,201	 77,603	 (930,598)
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(267,713)	(517,713)	(267,713)	250,000
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	 \$ 740,488	 \$ 490,488	 (190,110)	 \$ (680,598)
 FUND BALANCE, JANUARY 1			 2,411,793	
 FUND BALANCE, DECEMBER 31			 \$ 2,221,683	

# County of Presque Isle, Michigan

**Required Supplementary Information**  
**Budgetary Comparison Schedule**  
**S.R.O.-H.U.N.T.**  
**For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 120,501	\$ 120,501	\$ 122,145	\$ 1,644
Interest & Rentals	1,300	1,300	3,162	1,862
<b>TOTAL REVENUES</b>	<b>121,801</b>	<b>121,801</b>	<b>125,307</b>	<b>3,506</b>
EXPENDITURES:				
Public Safety	136,487	152,957	167,701	(14,744)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ (14,686)</b>	<b>\$ (31,156)</b>	<b>(42,394)</b>	<b>\$ (11,238)</b>
FUND BALANCE, JANUARY 1			34,942	
FUND BALANCE, DECEMBER 31			<b>\$ (7,452)</b>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Senior Citizens  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUES:				
Taxes	\$ 286,906	\$ 286,906	\$ 287,401	\$ 495
State Sources	43,411	43,411	104,423	61,012
Interest & Rentals	100	100	386	286
<b>TOTAL REVENUES</b>	<b>330,417</b>	<b>330,417</b>	<b>392,210</b>	<b>61,793</b>
EXPENDITURES:				
Health and Welfare	330,317	380,306	380,305	1
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ 100</b>	<b>\$ (49,889)</b>	<b>11,905</b>	<b>\$ 61,792</b>
FUND BALANCE, JANUARY 1			2,453	
FUND BALANCE, DECEMBER 31			<b>\$ 14,358</b>	

**Required Supplementary Information  
Budgetary Comparison Schedule  
Emergency Services  
For the Year Ended December 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Local Sources	\$ -	\$ -	\$ 23,819	\$ 23,819
Interest & Rentals	3,000	3,000	4,295	1,295
<b>TOTAL REVENUES</b>	<b>3,000</b>	<b>3,000</b>	<b>28,114</b>	<b>25,114</b>
EXPENDITURES:				
Public Safety	7,500	45,000	45,000	-
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ (4,500)</b>	<b>\$ (42,000)</b>	<b>(16,886)</b>	<b>\$ 25,114</b>
FUND BALANCE, JANUARY 1			120,115	
FUND BALANCE, DECEMBER 31			<b>\$ 103,229</b>	

## **Other Supplementary Information**

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# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
<b>ASSETS:</b>									
Cash & Investments	\$ 3,614	\$ 16,882	\$ 966	\$ 153,548	\$ 71,035	\$ 3,221	\$ 19,429	\$ 665	\$ 419
Due from Governmental Units	-	-	-	-	10,816	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,614</b>	<b>\$ 16,882</b>	<b>\$ 966</b>	<b>\$ 153,548</b>	<b>\$ 81,851</b>	<b>\$ 3,221</b>	<b>\$ 19,429</b>	<b>\$ 665</b>	<b>\$ 419</b>
<b>LIABILITIES:</b>									
Accounts Payable	\$ -	\$ 728	\$ 1,788	\$ 645	\$ 5,583	\$ 2,928	\$ -	\$ 1,139	\$ 550
Accrued Liabilities	-	-	-	3,261	1,571	-	-	-	1,363
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>728</b>	<b>1,788</b>	<b>3,906</b>	<b>7,154</b>	<b>2,928</b>	<b>-</b>	<b>1,139</b>	<b>1,913</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	-	-	(822)	-	-	-	-	(474)	(1,494)
Designated	3,614	16,154	-	149,642	74,697	293	19,429	-	-
<b>TOTAL FUND BALANCES</b>	<b>3,614</b>	<b>16,154</b>	<b>(822)</b>	<b>149,642</b>	<b>74,697</b>	<b>293</b>	<b>19,429</b>	<b>(474)</b>	<b>(1,494)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,614</b>	<b>\$ 16,882</b>	<b>\$ 966</b>	<b>\$ 153,548</b>	<b>\$ 81,851</b>	<b>\$ 3,221</b>	<b>\$ 19,429</b>	<b>\$ 665</b>	<b>\$ 419</b>

# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds								
	Register of	County				MSU			
	Deeds Technology	Development Commission	Drug Forfeiture	Law Enforcement	Law Library	Extension Grant	State Grants	Multi-County Grant	Children's Trust
<b>ASSETS:</b>									
Cash & Investments	\$ 68,376	\$ 48,128	\$ 768	\$ 17,439	\$ 6,952	\$ 778	\$ 164	\$ -	\$ 53
Due from Governmental Units	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 68,376</b>	<b>\$ 48,128</b>	<b>\$ 768</b>	<b>\$ 17,439</b>	<b>\$ 6,952</b>	<b>\$ 778</b>	<b>\$ 164</b>	<b>\$ -</b>	<b>\$ 53</b>
<b>LIABILITIES:</b>									
Accounts Payable	\$ 4,925	\$ 1,715	\$ -	\$ 330	\$ 2,295	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>4,925</b>	<b>1,715</b>	<b>-</b>	<b>330</b>	<b>2,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	-	-	-	-	-	-	-	-	-
Designated	63,451	46,413	768	17,109	4,657	778	164	-	53
<b>TOTAL FUND BALANCES</b>	<b>63,451</b>	<b>46,413</b>	<b>768</b>	<b>17,109</b>	<b>4,657</b>	<b>778</b>	<b>164</b>	<b>-</b>	<b>53</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 68,376</b>	<b>\$ 48,128</b>	<b>\$ 768</b>	<b>\$ 17,439</b>	<b>\$ 6,952</b>	<b>\$ 778</b>	<b>\$ 164</b>	<b>\$ -</b>	<b>\$ 53</b>

# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Ocqueoc Recreation
<b>ASSETS:</b>									
Cash & Investments	\$ 107	\$ 44,081	\$ 23,428	\$ 12,466	\$ 356	\$ 14,772	\$ 779	\$ 17,815	\$ 3,815
Due from Governmental Units	-	141	-	2,938	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 107</b>	<b>\$ 44,222</b>	<b>\$ 23,428</b>	<b>\$ 15,404</b>	<b>\$ 356</b>	<b>\$ 14,772</b>	<b>\$ 779</b>	<b>\$ 17,815</b>	<b>\$ 3,815</b>
<b>LIABILITIES:</b>									
Accounts Payable	\$ -	\$ -	\$ -	\$ 21,205	\$ -	\$ 1,193	\$ 55	\$ -	\$ 631
Accrued Liabilities	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,205</b>	<b>-</b>	<b>1,193</b>	<b>55</b>	<b>-</b>	<b>631</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	-	-	-	(5,801)	-	-	-	-	-
Designated	107	44,222	23,428	-	356	13,579	724	17,815	3,184
<b>TOTAL FUND BALANCES</b>	<b>107</b>	<b>44,222</b>	<b>23,428</b>	<b>(5,801)</b>	<b>356</b>	<b>13,579</b>	<b>724</b>	<b>17,815</b>	<b>3,184</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 107</b>	<b>\$ 44,222</b>	<b>\$ 23,428</b>	<b>\$ 15,404</b>	<b>\$ 356</b>	<b>\$ 14,772</b>	<b>\$ 779</b>	<b>\$ 17,815</b>	<b>\$ 3,815</b>

# County of Presque Isle, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2007

	Debt Service	Capital Project Funds		Totals
	Fund	County		
	Employee Termination	Park Construction	Courthouse Construction	
<b>ASSETS:</b>				
Cash & Investments	\$ 6,350	\$ 29,211	\$ 311	\$ 565,928
Due from Governmental Units	-	-	-	13,895
<b>TOTAL ASSETS</b>	<u>\$ 6,350</u>	<u>\$ 29,211</u>	<u>\$ 311</u>	<u>\$ 579,823</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 45,710
Accrued Liabilities	-	-	-	6,195
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,905</u>
<b>FUND BALANCES:</b>				
Unreserved:				
Undesignated	-	-	-	(8,591)
Designated	6,350	29,211	311	536,509
<b>TOTAL FUND BALANCES</b>	<u>6,350</u>	<u>29,211</u>	<u>311</u>	<u>527,918</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 6,350</u>	<u>\$ 29,211</u>	<u>\$ 311</u>	<u>\$ 579,823</u>

# County of Presque Isle, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds								
	State Survey and Remon. Grant	County Elections	Parks & Recreation	911	Friend of the Court	Resource Recovery	Drunk Driving	Local Unit Appropriation	Building & Zoning
<b>REVENUES:</b>									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ 13,296	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	78,441	98,118	-	4,569	-	-
Local Sources	-	-	-	-	8	-	-	-	-
Charges for Services	-	-	-	-	12,678	-	-	-	52,383
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	3	471	37	5,986	2,821	209	478	155	-
Other Revenue	-	26,848	-	47,237	-	-	-	-	1,060
<b>TOTAL REVENUES</b>	<b>3</b>	<b>27,319</b>	<b>37</b>	<b>131,664</b>	<b>126,921</b>	<b>209</b>	<b>5,047</b>	<b>155</b>	<b>53,443</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	147,754	-	-	-	-
General Government	-	34,164	-	-	-	-	-	-	-
Public Safety	-	-	-	115,929	-	-	-	-	-
Health and Welfare	-	-	-	-	-	43,865	-	-	-
Community and Economic Development	-	-	12,472	-	-	-	-	-	80,054
Recreation and Culture	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	13,868	-
Capital Outlay	-	-	-	327	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>34,164</b>	<b>12,472</b>	<b>116,256</b>	<b>147,754</b>	<b>43,865</b>	<b>-</b>	<b>13,868</b>	<b>80,054</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3</b>	<b>(6,845)</b>	<b>(12,435)</b>	<b>15,408</b>	<b>(20,833)</b>	<b>(43,656)</b>	<b>5,047</b>	<b>(13,713)</b>	<b>(26,611)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	9,500	-	-	45,000	-	8,500	25,500
Operating Transfers Out	-	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>3</b>	<b>(6,845)</b>	<b>(2,935)</b>	<b>15,408</b>	<b>(20,833)</b>	<b>1,344</b>	<b>5,047</b>	<b>(5,213)</b>	<b>(1,111)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>3,611</b>	<b>22,999</b>	<b>2,113</b>	<b>134,234</b>	<b>95,530</b>	<b>(1,051)</b>	<b>14,382</b>	<b>4,739</b>	<b>(383)</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 3,614</b>	<b>\$ 16,154</b>	<b>\$ (822)</b>	<b>\$ 149,642</b>	<b>\$ 74,697</b>	<b>\$ 293</b>	<b>\$ 19,429</b>	<b>\$ (474)</b>	<b>\$ (1,494)</b>

# County of Presque Isle, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds								
	Register of Deeds Technology	County Development Commission	Drug Forfeiture	Law Enforcement	Law Library	MSU Extension Grant	State Grants	Multi-County Grant	Children's Trust
<b>REVENUES:</b>									
Federal Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	3	2,986	-	-	-	-	-
Local Sources	39,252	14,104	-	4,288	2,500	4,567	3,050	-	-
Charges for Services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Interest Income	2,837	564	-	557	-	-	-	-	-
Other Revenue	-	-	-	-	97	-	-	-	-
<b>TOTAL REVENUES</b>	<b>42,089</b>	<b>14,668</b>	<b>3</b>	<b>7,831</b>	<b>2,597</b>	<b>4,567</b>	<b>3,050</b>	<b>-</b>	<b>-</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	-	-	-
General Government	39,589	-	-	-	13,111	4,567	-	-	-
Public Safety	-	-	-	7,498	-	-	3,848	-	-
Health and Welfare	-	-	-	-	-	-	-	-	-
Community and Economic Development	-	61,965	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	-
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>39,589</b>	<b>61,965</b>	<b>-</b>	<b>7,498</b>	<b>13,111</b>	<b>4,567</b>	<b>3,848</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>2,500</b>	<b>(47,297)</b>	<b>3</b>	<b>333</b>	<b>(10,514)</b>	<b>-</b>	<b>(798)</b>	<b>-</b>	<b>-</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	25,000	-	2,000	14,000	-	-	-	-
Operating Transfers Out	-	-	-	-	-	-	(25,342)	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,500</b>	<b>(22,297)</b>	<b>3</b>	<b>2,333</b>	<b>3,486</b>	<b>-</b>	<b>(26,140)</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>60,951</b>	<b>68,710</b>	<b>765</b>	<b>14,776</b>	<b>1,171</b>	<b>778</b>	<b>26,304</b>	<b>-</b>	<b>53</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 63,451</b>	<b>\$ 46,413</b>	<b>\$ 768</b>	<b>\$ 17,109</b>	<b>\$ 4,657</b>	<b>\$ 778</b>	<b>\$ 164</b>	<b>\$ -</b>	<b>\$ 53</b>

# County of Presque Isle, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Special Revenue Funds								
	County Housing Commission	Housing Commission "F" - State	Department of Human Services	Child Care	Veterans Trust	Jail Telephone Revenue	Capital Acquisitions	Courthouse Preservation	Ocqueoc Recreation
<b>REVENUES:</b>									
Federal Sources	\$ -	\$ 30,254	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	27,101	-	145,000	1,408	-	-	-	-
Local Sources	-	71,534	-	5,239	-	7,660	-	105	-
Charges for Services	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	17,145	-	-	-	-	-
Interest Income	-	-	885	133	-	155	442	563	2
Other Revenue	-	-	60	17,072	-	-	-	-	7,650
<b>TOTAL REVENUES</b>	<b>-</b>	<b>128,889</b>	<b>945</b>	<b>184,589</b>	<b>1,408</b>	<b>7,815</b>	<b>442</b>	<b>668</b>	<b>7,652</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	271	-	-	-
Health and Welfare	-	-	5,224	303,632	1,383	-	-	-	-
Community and Economic Development	-	145,576	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-	12,356
Appropriations to Other Governmental Units	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	1,193	127,168	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>145,576</b>	<b>5,224</b>	<b>303,632</b>	<b>1,383</b>	<b>1,464</b>	<b>127,168</b>	<b>-</b>	<b>12,356</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>(16,687)</b>	<b>(4,279)</b>	<b>(119,043)</b>	<b>25</b>	<b>6,351</b>	<b>(126,726)</b>	<b>668</b>	<b>(4,704)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	6,000	125,000	-	-	79,000	5,000	-
Operating Transfers Out	-	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>-</b>	<b>(16,687)</b>	<b>1,721</b>	<b>5,957</b>	<b>25</b>	<b>6,351</b>	<b>(47,726)</b>	<b>5,668</b>	<b>(4,704)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>107</b>	<b>60,909</b>	<b>21,707</b>	<b>(11,758)</b>	<b>331</b>	<b>7,228</b>	<b>48,450</b>	<b>12,147</b>	<b>7,888</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 107</b>	<b>\$ 44,222</b>	<b>\$ 23,428</b>	<b>\$ (5,801)</b>	<b>\$ 356</b>	<b>\$ 13,579</b>	<b>\$ 724</b>	<b>\$ 17,815</b>	<b>\$ 3,184</b>

# County of Presque Isle, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2007

	Debt Service	Capital Project Funds		Totals
	Fund	County		
	Employee Termination	Park Construction	Courthouse Construction	
<b>REVENUES:</b>				
Federal Sources	\$ -	\$ -	\$ -	\$ 43,550
State Sources	-	-	-	357,626
Local Sources	-	-	-	152,307
Charges for Services	-	-	-	65,061
Fines and Forfeitures	-	-	-	17,145
Interest Income	33	1,686	-	18,017
Other Revenue	-	-	-	100,024
<b>TOTAL REVENUES</b>	<b>33</b>	<b>1,686</b>	<b>-</b>	<b>753,730</b>
<b>EXPENDITURES:</b>				
Judicial	-	-	-	147,754
General Government	-	-	-	91,431
Public Safety	-	-	-	127,546
Health and Welfare	-	-	-	354,104
Community and Economic Development	-	-	-	300,067
Recreation and Culture	-	-	-	12,356
Appropriations to Other Governmental Units	-	-	-	13,868
Capital Outlay	-	14,895	-	143,583
Debt Service	18,576	-	-	18,576
<b>TOTAL EXPENDITURES</b>	<b>18,576</b>	<b>14,895</b>	<b>-</b>	<b>1,209,285</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(18,543)</b>	<b>(13,209)</b>	<b>-</b>	<b>(455,555)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	25,000	-	-	369,500
Operating Transfers Out	-	-	-	(25,342)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>6,457</b>	<b>(13,209)</b>	<b>-</b>	<b>(111,397)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>(107)</b>	<b>42,420</b>	<b>311</b>	<b>639,315</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 6,350</b>	<b>\$ 29,211</b>	<b>\$ 311</b>	<b>\$ 527,918</b>

# County of Presque Isle, Michigan

## Combining Statement of Net Assets Combining Major Tax Collection Enterprise Fund December 31, 2007

	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
<b>ASSETS:</b>								
Cash & Investments	\$ 2,101	\$ 37,605	\$ 84,325	\$ 2,174	\$ 663,015	\$ 2,179	\$ 519,522	\$ 1,310,921
Taxes Receivable	-	63,480	460,527	-	35,666	-	-	559,673
Accrued Interest Receivable	-	21,781	46,376	-	-	-	-	68,157
Due from Other Governmental Units	-	10,302	21,751	-	1,001	-	2,321	35,375
<b>TOTAL ASSETS</b>	<b>\$ 2,101</b>	<b>\$ 133,168</b>	<b>\$ 612,979</b>	<b>\$ 2,174</b>	<b>\$ 699,682</b>	<b>\$ 2,179</b>	<b>\$ 521,843</b>	<b>\$ 1,974,126</b>
<b>LIABILITIES:</b>								
Due to Other Governmental Units	\$ 2,101	-	-	\$ 2,174	\$ 5,340	-	-	\$ 9,615
Notes Payable	-	-	515,000	-	-	-	-	515,000
<b>TOTAL LIABILITIES</b>	<b>2,101</b>	<b>-</b>	<b>515,000</b>	<b>2,174</b>	<b>5,340</b>	<b>-</b>	<b>-</b>	<b>524,615</b>
<b>NET ASSETS:</b>								
Unrestricted	-	133,168	97,979	-	694,342	2,179	521,843	1,449,511
<b>TOTAL NET ASSETS</b>	<b>-</b>	<b>133,168</b>	<b>97,979</b>	<b>-</b>	<b>694,342</b>	<b>2,179</b>	<b>521,843</b>	<b>1,449,511</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,101</b>	<b>\$ 133,168</b>	<b>\$ 612,979</b>	<b>\$ 2,174</b>	<b>\$ 699,682</b>	<b>\$ 2,179</b>	<b>\$ 521,843</b>	<b>\$ 1,974,126</b>

# County of Presque Isle, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Major Tax Collection Enterprise Fund For the Year Ended December 31, 2007

	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ -	\$ 7,845	\$ -	\$ -	\$ 2,236	\$ -	\$ 74,691	\$ 84,772
Interest & Rentals	-	30,942	84,356	-	1,343	-	-	116,641
Other Revenue	-	13,606	37,824	-	5,431	2	40	56,903
<b>TOTAL OPERATING REVENUES</b>	<b>-</b>	<b>52,393</b>	<b>122,180</b>	<b>-</b>	<b>9,010</b>	<b>2</b>	<b>74,731</b>	<b>258,316</b>
<b>OPERATING EXPENSES:</b>								
General and Administrative	-	-	6,072	-	18,257	3,610	96,002	123,941
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>6,072</b>	<b>-</b>	<b>18,257</b>	<b>3,610</b>	<b>96,002</b>	<b>123,941</b>
<b>OPERATING INCOME (LOSS)</b>	<b>-</b>	<b>52,393</b>	<b>116,108</b>	<b>-</b>	<b>(9,247)</b>	<b>(3,608)</b>	<b>(21,271)</b>	<b>134,375</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest Income	-	44	4,125	-	18,813	-	22,358	45,340
Interest Expense	-	(7,804)	(22,254)	-	-	-	-	(30,058)
<b>Total Non-operating Revenues (Expenses)</b>	<b>-</b>	<b>(7,760)</b>	<b>(18,129)</b>	<b>-</b>	<b>18,813</b>	<b>-</b>	<b>22,358</b>	<b>15,282</b>
Income (loss) before transfers	-	44,633	97,979	-	9,566	(3,608)	1,087	149,657
Operating Transfers In	-	-	-	-	25,343	4,465	-	29,808
Operating Transfers Out	-	-	-	-	(47,891)	-	-	(47,891)
<b>CHANGES IN NET ASSETS</b>	<b>-</b>	<b>44,633</b>	<b>97,979</b>	<b>-</b>	<b>(12,982)</b>	<b>857</b>	<b>1,087</b>	<b>131,574</b>
<b>NET ASSETS, JANUARY 1</b>	<b>-</b>	<b>88,535</b>	<b>-</b>	<b>-</b>	<b>707,324</b>	<b>1,322</b>	<b>520,756</b>	<b>1,317,937</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 133,168</b>	<b>\$ 97,979</b>	<b>\$ -</b>	<b>\$ 694,342</b>	<b>\$ 2,179</b>	<b>\$ 521,843</b>	<b>\$ 1,449,511</b>

# County of Presque Isle, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2007

	Homestead Denial	2005 Tax Revolving	2006 Tax Revolving	2007 Tax Revolving	Tax Revolving Reserve	County Treasurers Admin	County Foreclosure	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers	\$ -	\$ 429,429	\$ 1,113,344	\$ 2,174	\$ 98,256	\$ 2	\$ 74,121	\$ 1,717,326
Payments to Suppliers	-	-	(1,527,249)	-	(18,999)	(3,610)	(96,002)	(1,645,860)
Internal Activity - Payments/Receipts with Other Funds	-	-	-	-	35,000	-	-	35,000
<i>Net Cash Provided (Used) by Operating Activities</i>	-	429,429	(413,905)	2,174	114,257	(3,608)	(21,881)	106,466
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>								
Operating Transfers In	-	-	-	-	25,343	4,465	-	29,808
Operating Transfers Out	-	-	-	-	(47,891)	-	-	(47,891)
<i>Net Cash Provided (Used) by Noncapital Financing Activities</i>	-	-	-	-	(22,548)	4,465	-	(18,083)
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>								
Proceeds from Notes	-	-	1,050,000	-	-	-	-	1,050,000
Interest Paid	-	(7,804)	(22,254)	-	-	-	-	(30,058)
Principal Payments	-	(460,000)	(535,000)	-	-	-	-	(995,000)
<i>Net Cash Provided (Used) by Capital Financing Activities</i>	-	(467,804)	492,746	-	-	-	-	24,942
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest Income	-	44	4,125	-	18,813	-	22,358	45,340
<i>Net Cash Provided (Used) by Investing Activities</i>	-	44	4,125	-	18,813	-	22,358	45,340
Net Increase (Decrease) in Cash and Cash Equivalents	-	(38,331)	82,966	2,174	110,522	857	477	158,665
Balances - Beginning of the Year	2,101	75,936	1,359	-	552,493	1,322	519,045	1,152,256
Balances - End of the Year	\$ 2,101	\$ 37,605	\$ 84,325	\$ 2,174	\$ 663,015	\$ 2,179	\$ 519,522	\$ 1,310,921
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>								
Operating Income (Loss)	\$ -	\$ 52,393	\$ 116,108	\$ -	\$ (9,247)	\$ (3,608)	\$ (21,271)	\$ 134,375
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
(Increase)Decrease in Assets:								
Taxes Receivable	-	344,749	(460,527)	-	53,861	-	-	(61,917)
Accrued Interest Receivables	-	19,042	(46,376)	-	18,797	-	-	(8,537)
Due from Other Governmental Units	-	13,245	(21,751)	-	16,588	-	(610)	7,472
Due from Other Funds	-	-	-	-	35,000	-	-	35,000
Increase(Decrease) in Liabilities:								
Due to Other Governmental Units	-	-	(1,359)	2,174	(742)	-	-	73
Due to Other Funds	-	-	-	-	-	-	-	-
<i>Net Cash Provided (Used) by Operating Activities</i>	\$ -	\$ 429,429	\$ (413,905)	\$ 2,174	\$ 114,257	\$ (3,608)	\$ (21,881)	\$ 106,466

Statement of Net Assets  
Internal Service Fund  
December 31, 2007

	<u>Data Processing</u>
<b>ASSETS:</b>	
Cash & Equivalents - Unrestricted	\$ 6,705
Capital Assets, Net	<u>21,179</u>
 TOTAL ASSETS	 <u><u>\$ 27,884</u></u>
 <b>LIABILITIES:</b>	
Accounts Payable	<u>\$ 3,327</u>
 <b>NET ASSETS:</b>	
Unrestricted	<u>24,557</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 27,884</u></u>

# County of Presque Isle, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Internal Service Fund For the Year Ended December 31, 2007

	Data Processing
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ 24,045
<b>TOTAL OPERATING REVENUES</b>	<u>24,045</u>
<b>OPERATING EXPENSES:</b>	
Contractual Services	28,628
Repairs and Maintenance	3,334
Other Supplies and Expenses	8,974
Depreciation	<u>12,341</u>
Total Operating Expenses	<u>53,277</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(29,232)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest Income	<u>935</u>
Total Non-operating Revenues (Expenses)	<u>935</u>
<b>CHANGES IN NET ASSETS</b>	(28,297)
NET ASSETS, JANUARY 1	<u>52,854</u>
<b>NET ASSETS, DECEMBER 31</b>	<u><u>\$ 24,557</u></u>

# **Report on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
KENNETH A. TALSMA, CPA, PRINCIPAL  

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

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

Honorable Chairman and Members of  
The Board of Commissioners  
Presque Isle County  
Rogers City, 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 the County of Presque Isle, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 8, 2008. Our report was modified for the omission of a discretely presented component unit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the County of Presque Isle Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Presque Isle, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiencies described in 07-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Presque Isle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as item 07-1.

We noted certain matters that we reported to management of the County of Presque Isle, Michigan in a separate letter dated May 8, 2008.

The County of Presque Isle, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the County of Presque Isle, Michigan's response and, accordingly, we express not opinion on it.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Presque Isle, Michigan

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



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

May 8, 2008

NONCOMPLIANCE WITH STATE STATUTES

**Fund Equity Deficit**

***Finding 07-1***

*Statement of Condition/Criteria:* Public Act 275 requires that a deficit reduction plan be submitted to the State of Michigan within (90) days of the end of the fiscal year. As of December 31, 2007, the S.R.O. H.U.N.T., Parks and Recreation, Local Unit Appropriations, Building and Zoning, and Child Care Funds had immaterial accumulated fund equity deficits.

*Effect:* The County is not in compliance with Public Act 275.

*Cause of Condition:* Failure to implement a deficit reduction plan when required.

*Recommendation:* We recommend that the individual responsible for general ledger maintenance review the general ledger on a monthly basis to determine if any funds have a deficit fund equity and to implement a deficit reduction plan when required.

*Management's Response – Corrective Action Plan:* The deficits will be resolved by increasing appropriations from the General Fund.

SIGNIFICANT DEFICIENCIES

**Preparation of the Financial Statements in Accordance  
with Generally Accepted Accounting Principles**

***Finding 07-2***

*Specific Requirement:* Establishment and maintenance of internal control over the financial reporting process as defined by Statement on Auditing Standards Number 112 requires management to prepare annual audit statements in accordance with GASB Statement Number 34. (Audit report format)

*Criteria:* Internal controls should be in place to provide reasonable assurance to the County that management reports financial statements (with GASB Statement number 34 formats) necessary to monitor and report annual financial activity without auditor intervention.

*Condition:* Auditor assists in preparation of financial statements and annual report in compliance with GASB 34.

*Effect:* The effect of this condition places a reliance on the independent auditor as part of the County's internal controls over financial reporting.

*Cause:* Change in application of auditing standards.

*Recommendation:* The County should consider subcontracting financial statement preparation activities to monitor and report annual financial activity in accordance with GASB Statement Number 34.

*Planned Corrective Action:* As a result of limited funding, the County does not have resources to fund this process. We intend to re-evaluate once funding becomes available for the additional reporting and monitoring.

- Contact Person(s) Responsible for Correction:  
Susan Rhode, County Clerk



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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MICHIGAN & WISCONSIN**

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE**

Honorable Chairman and Members  
of the Board of Commissioners  
County of Presque Isle, Michigan  
Rogers City, MI

We have audited the 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 the County of Presque Isle, Michigan for the year ended December 31, 2007, and have issued our report thereon dated May 8, 2008. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated October 15, 2007, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the County of Presque Isle. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the County of Presque Isle's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on March 28, 2008.

### **Significant Accounting Policies**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Presque Isle, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of the depreciation expense based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determine that it is reasonable in relation to the financial statements taken as a whole.

#### ***Difficulties Encountered in Performing the Audit***

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### ***Disagreement with Management***

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated May 8, 2008.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### ***Comments and Recommendations***

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We noted no material matters involving the internal control over financial reporting and compliance, as reported in a separate letter in accordance with Government Auditing Standards of the basic financial statement audit report.

#### **Child Care Fund (Prior Comment)**

The County's shared child care fund contains numerous expenditure account numbers to track various kinds of salaries/wages and care. Although the accounts appear to be sufficient, the coding of the expenditures to the accounts at the voucher level is very inconsistent. As a result, one cannot reasonably compare expenditure totals in each account from one year to another.

The County remains responsible to ensure that the Child Care Fund is fairly and accurately stated. To ensure a consistent accounting treatment of Child Care Fund expenditures, the County should use a uniform chart of accounts and uniform coding procedures for the Fund.

Status: The Clerk is currently working on this.

#### **DARE Fund (Prior Comment)**

The DARE fund bank account is not recorded on the County general ledger. All funds utilizing the County's federal identification number should be recorded in the general ledger and the County treasurer should be an authorized signer on the account.

Status: No change.

### **Policies (Prior Comment)**

The County does not currently have a written capitalization policy. It is recommended the County adopt a policy stating what assets are to be capitalized including the procedure for depreciating those assets.

Status: Corrected.

### **County Appropriations (Prior Comment)**

During a review of County Appropriations, it was noted the County appropriated monies to a non-profit organization without a written contract outlining the uses of the monies. It is recommended the County have a written contract with all non-profit organizations prior to disbursing County Appropriations, or that the County defines the governmental purpose of the appropriations. Also, an audited or reviewed financial statement should be obtained to assure funds are spent accordingly. Contributions to nonprofit agency can be a violation of state law if they do not provide allowed services.

Status: No appropriations were given to non-profit organizations in 2007.

### **Summer Tax Levy (Prior Comment)**

With the change in the funding of Revenue Sharing, various issues have surfaced. The State allowed Counties to place an amount equal to 1/3 of their 2004 levy for three years from the 2004, 2005, and 2006 levies in a Reserve fund each January. To replace this 1/3 taken from the operating levy the County is allowed to levy a summer tax beginning in July of 2005. 1/3 of the 2005 levy, 2/3 of the 2006 levy and 3/3 of the 2007 levy would be summer collections. This process of funding would allow the Counties to fund Revenue Sharing and receive 100% of their operating levies each year. One area of concern is that the summer collections are not completely received in cash at year end. Furthermore, what isn't collected does not become delinquent until March 1 of each year. This creates a cash flow shortage, which can be alleviated by borrowing from the Revenue Sharing Reserve Fund. It also creates a revenue recognition issue in that the revenue is not completely collected within 60 days of year end. It is collected when tax settlement occurs in March. In summary, because the legislature intended that the summer levy would make the Counties whole, we recommend that tax revenue be recorded in the General Fund to account for the uncollected portion of the summer levy at year end.

Status: This was recorded as revenue in the General Fund as an audit adjustment per the County's request.

### **Personal Property Taxes (Prior Comment)**

Currently, the County is not recording the amount of outstanding delinquent personal property taxes that are due to the County in the general ledger. It is recommended the County record the amount of outstanding delinquent personal property taxes in the general ledger of each fund that has a tax levy. The County should maintain subsidiary ledgers, which show the amount of delinquent personal property taxes owed by each taxing unit by individual tax year.

### **Form 1099's (Prior Comment)**

It was noted that 1099's are recorded in the salary and wage line items. We recommend that only those paid with a W-2 be recorded in the salary and wage line items and those paid via 1099 be reported in a contractual services account in accordance with the Uniform Chart of Accounts (account number 801-831).

Status: Uncorrected.

### **Payroll (Prior Comment)**

It was noted during the testing of payroll that the Employment Eligibility Verification Form I-9 for one employee was incomplete. The error noted related to a form completed in a prior year. We recommend that the personnel files for all current employees, regardless of hire date, be reviewed and any I-9's with errors be replaced to assure that every form is completed in its entirety according to the instructions outlined on the form.

Status: No instances of incomplete payroll forms were noted in 2007.

### **Check Copies (Prior Comment)**

Due to changes in bank practices, the County does not receive canceled checks. The County should contact the bank to obtain, "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Status: Corrected.

### **Inmate Activity**

During our review of the inmate activity, it was noted that the Sheriff's office maintains a bank account, which accounts for all activity of the County inmates. This bank account is not recorded on the County's general ledger. An enterprise fund, 'Sheriff Commissary Fund' should be established to account for the activity of the commissary. Also, a trust & agency fund should be established to account for the cash balance owed to the inmates. It is recommended that these funds be reconciled to the detailed report owed to inmates as well as the bank statement.

### **Community Development Commission (CDC)**

The County loans money to various business around the County through the CDC. In order to improve controls over the repayments, the County should record loans receivable and deferred revenue on the general ledger of the County.

**Conclusion**

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

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of any further assistance, please contact us.

A handwritten signature in blue ink that reads "Anderson Tackman & Co. PLC". The signature is written in a cursive, flowing style.

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

May 8, 2008