

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended .

Unit Name	County	Type	MuniCode
Opinion Date	Audit Submitted	Fiscal Year	

If a local unit of government (authorities & 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, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input type="checkbox"/>	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? <input type="text"/>
<input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies? <input type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text"/>
General Fund Expenditure:	<input type="text"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Last Name	Ten Digit License Number		
CPA Street Address	City	State	Zip Code	Telephone
CPA Firm Name	Unit's Street Address	City	Zip Code	

TUSCOLA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
SECTION ONE: INTRODUCTORY SECTION	
Letter of Transmittal	i - x
List of Principal Officers	xi
Organizational Chart.....	xii
GFOA Certificate.....	xiii
SECTION TWO: FINANCIAL SECTION	
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-15
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17-18
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	19
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds.....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	22
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	
General Fund	23-24
Health Department	25
Statement of Net Assets – Proprietary Funds.....	26
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	27
Statement of Cash Flows – Proprietary Funds	28-29
Statement of Fiduciary Net Assets – Fiduciary Funds	30
Notes to Basic Financial Statements	31-68

TUSCOLA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
General Fund	
Schedule of Revenues and Other Financing Sources – Budget and Actual	69-71
Schedule of Expenditures and Other Financing Uses – Budget and Actual.....	72-80
Nonmajor Governmental Funds	
Combining Balance Sheet	81
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	82
Combining Balance Sheet – Special Revenue Funds.....	83-86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds	87-90
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Special Revenue Funds – Budget and Actual	91-102
Combining Balance Sheet – Capital Project Funds	103
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Capital Project Funds	104
Balance Sheet – Permanent Fund – Nonexpendable Cemetery Fund.....	105
Statement of Revenues, Expenditures and Changes in Fund Balance – Permanent Fund – Nonexpendable Cemetery Fund	106
Nonmajor Enterprise Funds	
Combining Statement of Net Assets	107
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets.....	108
Combining Statement of Cash Flows	109
Internal Service Funds	
Combining Statement of Net Assets	110
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	111
Combining Statement of Cash Flows	112
Fiduciary Funds	
Combining Balance Sheet – Fiduciary Funds	113
Combining Statement of Changes in Assets and Liabilities – Agency Funds	114
Component Unit	
Statement of Net Assets and Governmental Fund Balance Sheet – Drain Commission	115
Statement of Activities and Governmental Fund, Revenues, Expenditures and Changes in Fund Balance – Drain Commission	116

TUSCOLA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
SECTION THREE: STATISTICAL SECTION	
Net Assets by Component	117
Changes in Net Assets	118-119
Fund Balances of Governmental Funds	120
Changes in Fund Balances of Governmental Funds and General Governmental Tax Revenues by Source	121
Assessed Value and Estimated Actual Value of Taxable Property	122
Property Tax Rates Direct and Overlapping Governments	123
Principal Property Taxpayers	124
Property Tax Levies and Collections	125
Ratio of Outstanding Debt by Type	126
Ratios of General Bonded Debt Outstanding	127
Direct and Overlapping Governmental Activities Debt	128
Legal Debt Margin Information	129
Demographic and Economic Statistics	130
Principal Employers	131
Full-time Equivalent County Employees by Function	132
Operating Indicators by Function	133
Capital Asset Statistics by Function	134

TUSCOLA COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>PAGE</u>
SECTION FOUR: SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	135
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Governmental Auditing Standards</i>	136-137
Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	138-139
Schedule of Findings and Questioned Costs	140-144

**Comprehensive Annual Financial Report
Of
Tuscola County, Michigan
Caro, Michigan**



**For the Year Ended
December 31, 2007**

Issued by:

County Controller's Department
Michael R. Hoagland, Controller/Administrator

I. INTRODUCTORY SECTION

The Introductory Section contains:

- ❖ Letter of Transmittal
- ❖ List of Principal Officers
- ❖ Organization Chart
- ❖ Certificate of Achievement

TUSCOLA COUNTY CONTROLLER/ADMINISTRATOR'S OFFICE

Michael R. Hoagland
Controller/Administrator
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207 E. Grant Street
Caro, Michigan 48723

Telephone
989-672-3700

June 23, 2008

To the Honorable Board of Commissioners and Citizens of Tuscola County:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Tuscola County for the fiscal year ended December 31, 2007.

This report consists of management's representations concerning the finances of Tuscola County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Tuscola County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Tuscola County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, Tuscola County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Tuscola County's financial statements have been audited by Rehmann & Robson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Tuscola County for the fiscal year ended December 31, 2007 are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Tuscola County's financial statements for the fiscal year ended December 31, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

I - Profile of the Government

County government is the largest unit of local government in Michigan and is also the oldest political subdivision of the state, having attained stature and importance before any other form of government now in existence. Tuscola County was incorporated in 1851 and is located in the east central portion of the lower peninsula of the state. The County occupies an area of approximately 816 square miles and serves a population of over 58,000.

County government is operated under a five member elected County Board of Commissioners. Members are elected on a partisan basis by district. Districts are established every 10 years through an apportionment process. (See attached County organizational chart). The County Board of Commissioners is responsible, among other things, for adoption of balanced annual operational and capital improvement budgets, determining tax levies, property equalization among local governmental units, establishing certain policies, appointing members to various boards and commissions, and appointing certain County officials.

In 1986, the Board of Commissioners established an appointed County Controller-Administrator position to be the Chief Administrative/Accounting Officer of the County. The duties of this position involve the management of the following: Recycling Operation, Mosquito Abatement, Equalization, Building and Grounds, Animal Control, Information Systems Department, Risk Management, Human Resources Department, Payroll Department, Corporate Council and Accounting-Budgeting Department and is also responsible for other statutory functions of the position.

The offices of Prosecuting Attorney, Sheriff, Clerk, Treasurer, Register of Deeds, and Drain Commissioner are elected at large on a partisan basis and serve for a four-year term. The Judicial branch of government consists of three judges with one each in Circuit/Family Court, District Court, and Probate Court. All judges are elected at large on a non-partisan basis and serve a six-year term.

Tuscola County provides a full range of services which include: police; dispatch; courts; jail; vital records maintenance; drainage; public health; child support and custody; care of abused, neglected, and delinquent youth; building codes; animal control; emergency services/homeland security; economic development; recycling; mosquito abatement; medical care facility; etc. <http://www.tuscolacounty.org/>

II - Annual County Budget Development and Reporting Process

The annual budget in conjunction with monthly financial reports and the annual Comprehensive Annual Financial Report are the foundations for Tuscola County's financial planning and control.

All agencies of Tuscola County are required to submit annual budget appropriation requests to the Controller-Administrator. The Controller-Administrator uses these requests as the starting point for developing a proposed budget. The Controller-Administrator then presents this proposed budget to the Board of Commissioners for review. Departments who are not in

agreement with their budget have opportunities to address specific concerns with the Board of Commissioners. Budget Public Hearings are required to be held and adoption of a final budget is required no later than December 31, which is the close of Tuscola County's fiscal year.

The appropriated budget is prepared by fund, activity, and line item detail. Transfers of appropriations require the approval of the Board of Commissioners. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 23 and 24 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund and health department fund, with appropriated annual budgets, this comparison is presented in the nonmajor governmental fund subsection of this report, which starts on page 81.

III - Economic Factors Affecting Financial Condition

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

Decline in Manufacturing Jobs

Michigan's once powerful manufacturing base, which for years was driven by the automobile industry, has been declining and is anticipated to continue to weaken over the next several years. Hundreds of thousands of quality jobs have been eliminated from the automobile industry. While the national economy continues to grow, the economies of Michigan and Tuscola County continue to dramatically decline. The state has experienced eight consecutive years of employment losses. This level of economic deterioration has not occurred since the Great Depression 75 years ago.

From 2003 to 2005, the state lost more than 100,000 manufacturing jobs primarily in the automobile industry. University of Michigan economists project that even more jobs in the automobile business will be lost with unemployment rates anticipated to go even higher in 2008. Dr. George Fulton, a University of Michigan economist, recently explained that the Big Three market share will continue to decline in 2008. The economist said the state lost more than 40,000 automobile manufacturing jobs in 2006, with estimated losses of 30,000 in 2007 and 24,000 in 2008. This means that in six years Michigan will have lost nearly 200,000 manufacturing jobs centered on the automobile industry.

Local Economic Problems Continue

The economies of Tuscola County and the surrounding region have experienced many economic set-backs and challenges because they are so closely interconnected with the automobile industry. Both General Motors and Ford Motor Companies have restructured with unprecedented employment reductions. Major automobile plants and suppliers are located in nearby Flint, Saginaw and Bay City. The State of Michigan has a major presence within the county at the Caro Center (Regional Mental Health Facility) and Camp Tuscola (Level I state prisoner re-entry facility). Public sector operations including the county, schools and local units of government are major employers. The continued operations of Michigan Ethanol, LLC in servicing the agricultural base of the area give the County strong economic activity amid the weaknesses of other county industries. County economic challenges include:

- Youth are leaving because there are limited employment opportunities and important critical community wealth is being transferred out of the area because of this trend.

- The County population is aging and not growing. Tuscola County median age is older than both the state and nation. The year 2000 median age for these three entities is as follows: county 37.0, state 35.5 and nation 35.3. Since the year 2000, statistics show that Tuscola County's population has continually decreased.
- United States Department of Agriculture unemployment information explains that the County has consistently had a higher unemployment rate than the state and nation.
- Tuscola County families have less purchasing power than the state and national averages. According to the USDA, in 2003 the Tuscola County median household income was \$39,798 compared to \$46,291 for the state and \$43,318 for the nation.
- Tuscola County's median household income was a meager 86% of the state's and 92% of the nation's median household income. County growth in median family income for the five year period from 1998 to 2003 was only 5.7% compared to 10.3% for the state and 11.4% for the nation.
- Area realtors explain that many homes in the area that formerly sold for \$130,000 to \$140,000 are now selling for \$90,000 to \$95,000.
- Property foreclosures are a simple and direct indicator of economic conditions and they continue to rise in Tuscola County. According to information recently provided by the County Register of Deeds foreclosures over the past four years have increased as follows: 2004 – 108 foreclosures, 2005 – 146 foreclosures, 2006 – 201 foreclosures, 2007 – 277 foreclosures. By comparison, 10 years ago during stronger economic times only 19 foreclosures occurred.
- The number of building permits issued in the County has been declining. Building permit trends is also an indicator of the current difficult financial times. According to information recently provided by the South Central Construction Code Commission the number of building permits over the past five years has decreased as follows: 2003 – 5,063 permits, 2004 – 4,326 permits, 2005 – 3,960 permits, 2006 – 3,126 permits, 2007 – 2,601 permits.
- Tuscola County's ability to compete in a global economy is directly tied to educational attainment. The County has consistently lagged behind the state and nation in educational attainment. Only 17.4% of Tuscola County residents that were 25 or older in the year 2000 had completed college, which is strikingly below the 28.7% for the state and 30.7% for the nation.

IV - Positive Steps Taken to Rebuilding the Economy

The County and other entities have taken positive steps to rebuild and strengthen the local economy in working to reverse the trends described above. Major county economic development activities for 2007 and 2008 are described below.

Rebuilding the Economy through Enterprise Facilitation

Tuscola County has become an economic development leader in the state through implementation of the world renowned Sirolli Program of Enterprise Facilitation www.sirolli.com. The County took action several years ago to begin the process of reversing

disconcerting economic trends by working diligently as a partnership of public/private entities and individuals to rebuild the economy through implementation of enterprise facilitation. Tuscola County recognizes that a significant portion of new jobs are created by new and existing local businesses, and that new jobs created by local entities are most likely to remain local in this global economy.

Tremendous progress has been made over the last year with the signing of the 30 month contract with the Sirolli Institute in September of 2007. Through a series of countywide town hall meetings, the purpose and value of the program was explained to over 200 interested citizens. The Board of Management was formed from citizens who attended the town hall meetings. An intensive full day training session was conducted by the Sirolli Institute project managers for the Board of Management and important committees of the Board were formed. A second Rural Business Enterprise Grant was received in the amount of \$45,000. An Enterprise Facilitator was hired in March of 2008 and networking of the facilitator to the community has begun. <http://www.tuscolaenterprise.com/records.html>

There is no doubt that this project will not only create new jobs, but incubate businesses with a better chance of success. A conservative estimate is that at least 25 new jobs will be created each year, with significant potential for even better results. Enterprise Facilitation projects enjoy an average business success rate of approximately 80%, much higher than the usual 20% rate of sustainability.

Economic Gardening - Small Business Association of Michigan

The Small Business Association of Michigan anticipates that the proposed Economic Gardening project will likewise begin to facilitate the growth of promising emerging and small businesses interested within Tuscola County. A key aim of this pilot project is to provide small and emerging businesses within Tuscola County with access to a coordinated and comprehensive market information research “infrastructure.” This infrastructure that will integrate databases provided through local libraries, and the State of Michigan’s Electronic Library (MeL). These integrated databases will be complemented by value-adding technical assistance provided by Michigan State University, Shepherd Advisors, and the Tuscola County Economic Development Corporation. This information packaged appropriately and with follow-up from the Project Team, will provide selected businesses with market research and competitive intelligence which may enable them to substantially improve their growth prospects.

Economic Development Plan - “Tying it Together in Tuscola”

In addition to Enterprise Facilitation, the County Economic Development Corporation (EDC) established a priority for 2008 to concentrate on advancing other economic development recommendations identified in the Economic Development plan “Tying it Together in Tuscola” <http://web1.msue.msu.edu/cdnr/tuscolacatreport.pdf>. This essential plan was prepared by the County Board of Commissioners with assistance from Michigan State University – Extension and the County EDC in 2006. In order to implement essential plan recommendations, the County EDC completed a strategic planning process in 2007 creating a new EDC organizational structure that will facilitate plan implementation. The primary outcome of this process was the important restructuring of the EDC into a committee format. This new committee format has enabled a workload division, workload specialization, and provided the ability to advance new economic development initiatives identified in the “Tying it Together in Tuscola” plan.

Thumb Area Tourism Council Advances

The Thumb Area Tourism Council is a nonprofit corporation created to market the area by promoting the many things to see and do in the Thumb. A web site has been created specific to Tuscola County and identifies business and tourism attractions – www.thumbtourism.org

The County has recently increased the amount of funding provided from the general fund to further the benefits from this tourism promotional group.

Saginaw Bay Coastal Initiative

The Saginaw Bay Coastal Initiative is an important program to improve the environment of the bay and surrounding areas along with capitalizing on the bay as a tremendous asset for tourism/recreation and economic development. Some of the projects include: tourism enhancement, fisheries improvement, muck removal and control, wetland protection, increasing access to the bay, phragmites control, river shed improvements, etc.

http://www.michigan.gov/deq/0,1607,7-135-7251_30353_42900---,00.html

Coastal Zone Management Grant

Commissioners recently authorized application for a Coastal Zone Management Grant to identify problems and implement solutions to make the northern coastal area of the County a point of destination and to increase tourism and economic development in this part of the County. This plan will position the County for grant funds to help solve problems and complement the overall work being done by the Saginaw Bay Coastal Initiative.

Wind Energy Potentials

Recently there has been a heightened interest in wind energy in the County. Many land owners including the County have been approached by energy companies to enter into agreements. To gain more knowledge regarding wind energy leases you may contact the Michigan State University Extension 989-672-3870 (Dennis Stein) and/or Huron County Building Codes Director Russ Lundberg – 989-269-9269. Also, proper land use planning and zoning for wind generators is becoming increasingly important. The Tuscola County Farm Bureau conducted a wind energy education-information seminar on Monday, February 11, 2008.

<http://www.tuscolacounty.org/wind%20energy/>

Sewer and Water System Infrastructure Upgrades

Local governmental units in the County continue to make vital improvements to sewer and water systems by financing through issuing bonds. Maintaining and upgrading the County sewer and water infrastructure is critical to economic development and the well-being of residents. Recent upgrades include: Denmark Township, the Village of Caro and the Village of Millington.

Brownfield Redevelopment Grant

Tuscola County received a \$400,000 Brownfield Redevelopment Grant in 2007 for clean-up of environmentally damaged sites. The objective of the program is to eliminate environmental problems that have occurred at these sites so the land can be properly used. Further information and possible use of these funds for clean-up is available by contacting James McLoskey (Tuscola County Economic Development Corporation Director) at 989-673-2849.

Farmland Preservation Ordinance

In 2007, the County Board of Commissioners approved a Farmland Preservation Ordinance. This ordinance positions the County to purchase farmland and open space if state and/or federal funding becomes available to assure these lands remain available for current and future generations for agriculture production or open space. Implementation of the ordinance had widespread County support including the Tuscola County Farm Bureau and County Planning Commission.

<http://www.tuscolacounty.org/tcfosro.pdf>

V - State Financial Trends – Impact County

Tremendous financial challenges have confronted Tuscola County over the past several years. Unprecedented cuts have been made in state revenue traditionally provided to the County. These cuts combined with a small County allocated (general fund) millage of 3.9 mills; modest tax base, declines in key County revenue sources and six recent failed millage funding attempts have negatively impacted the ability to maintain County services.

The State continues to experience enormous financial problems. Multiple years of billion dollar reductions have been made to close the structural gap between state revenues and expenditures. The state's manufacturing base has declined and many future challenges exist that hinder the rebuilding of state and County economies. Unfortunately, because Tuscola County government, in many respects is an extension of state government, state financial adjustments and a weak state/local economy have impacted Tuscola County financial capabilities.

Although the 2007/2008 State Budget is balanced, there may be additional state revenue reductions to County government in the next several years before the situation improves. For the past several years, the County Board has made timely adjustments to these changing financial conditions and must continue to do so in order to maintain long-term financial stability. The Board of Commissioners is statutorily responsible to maintain a balanced County budget on an annual basis.

VI – 2007 County Activity Summary

Jail Overcrowding Problems Increase

The number of Tuscola County prisoners housed in other county jails increased dramatically in 2007 because the Tuscola County jail was overcrowded several times during the year. Approximately \$106,000 was spent to house prisoners in other counties. The number of prisoners housed out of County and corresponding increased cost to the County would have been even higher without early releases that were approved by the Chief Judge. This is the most the County has ever spent to house prisoners in other counties and clearly indicates that the current 80 bed County jail has become inadequate for the level of crime in the County. In 2007, the Board of Commissioners approved obtaining assistance from Harrison/Landmark Architects to begin developing alternative plans and cost estimates to solve the jail overcrowding problem. Alternatives have been developed and are currently being analyzed for construction and operational costs.

State Prisoner Sentencing Guideline Changes

The above county jail overcrowding situation could be further intensified in future years if the state prisoner sentencing guideline changes are implemented which would push more state prisoners into the county jail. In 2007, County officials reviewed state proposals to revamp prisoner sentencing that would have negatively impacted the County by more prisoners becoming the responsibility of the County instead of the state. Essentially, former proposals revamp sentencing guidelines changing many felonies to misdemeanors and reducing the penalty for many crimes. Although the changes are supposed to reduce state and county jail costs, many parties are skeptical and fear the program will push even more prisoners into already overcrowded county jails.

Adult Probation Program Growth

In order to reduce prison overcrowding and provide financial relief to the state budget, state officials have made the decision that certain state prisoners will be released from prison and put on probation earlier than in the past. Because of this change, at least one and possibly two additional probation officers will be added to the State Probation Department in Tuscola

County in 2008. Under state law, the County is responsible to house state probation officers. However, the state decision to add probation officers has made the current facility too small. Alternative solutions to this problem are being evaluated.

Equality Changes for 911/Dispatch Funding

Tuscola County residents will see a change in the 9-1-1 telephone surcharge on their phone bills beginning July 1, 2008 to provide a more balanced and equitable system of paying for 911/dispatch operations. In December of 2007, the State approved a bill changing the telephone surcharge applied to all devices that can call 9-1-1. Prior to this new law one surcharge was applied to wire line phones (\$4.00/month in Tuscola) and another surcharge was applied to cellular phones (\$.29/month in Tuscola). Other devices did not pay a surcharge. Effective July 1, 2008 any device that can dial 9-1-1 will have a \$1.80/month surcharge applied. This has been a multi-year endeavor to implement a stable funding source for 9-1-1. Unfortunately the new financing was only approved for one-year and will have to be addressed again in 2009. The limitation of \$1.80 and the one-year sunset is under appeal. The object is to be able to set a realistic surcharge that covers annual costs.

Intergenerational Building Completed

The Human Development Commission Intergenerational Building opened in January of 2007. This is an important new community facility providing unique services involving both youth and senior citizens. Adult day care is provided for elderly and short-term day care for children. The building cost approximately \$500,000 and was paid with funding from county senior millage funds and the United States Department of Housing and Urban Development and the Department of Rural Development.

Enhanced Security at Friend of the Court

Security was enhanced at the Friend of the Court (FOC) office by instituting an armed Sheriff's Department police officer. The decision was made to implement this form of security at the FOC because of threats and other security breaches. Estimated annual operational costs are \$60,000 of which approximately 60% is paid by the State and 40% paid by the County. There are also certain FOC space remodeling and other security improvements that have been made.

Intergovernmental Service Agreements – Equalization Functions

The County signed an intergovernmental agreement with Huron County whereby the Tuscola County Equalization Department is providing certain equalization services to Huron County. Tuscola County receives payment for services from Huron County in excess of new expenses resulting in additional revenue to Tuscola County. This is a shining example of how alternative methods of service delivery have to be considered if they work to the advantages of all parties. These types of joint service agreements will continue to increase in importance as struggles continue to maintain quality services with declining financial resources.

County Office Space Needs

On-going County office space problems have existed for years. Solutions currently are being reviewed and analyzed. Expiration of the Human Service Building lease (15,000 sq. ft.) on Cleaver Road at the end of October 2008 offers an opportunity to use this building or collect rent to solve many County office space problems. Other alternatives being considered may involve the construction of a free-standing building behind the current Courthouse. An intensive review of these alternatives is currently underway.

Improved Access to County Property Tax Data Base

Version 2.0 of the online Property Tax Query (PTQ) database was recently deployed at the County web site. It is located at <http://www.tuscolacounty.org/taxquery/>. The new release was a major upgrade to the existing online tax database. This project has been ongoing for

over a year and utilized input from the Treasurer, Equalization, and end users. The enhancements to PTQ include free lookups of limited data and users can subscribe online to annual unlimited searches or buy search credits to all of the tax data.

VII - Effective Financial Policies

The County has established long-standing effective financial policies that have stood the tests of time and financial pressures. Although the County has several financial related policies, the two most significant ones are: maintaining a minimum general fund balance and management of how delinquent tax revolving funds are used on an annual basis. It is interesting to note that financial policies that have recently been recommended in Huron and other counties have been in place in Tuscola County for years. Well-reasoned fiscal policy is integral to maintaining fiscal stability and a strong bond rating on a long-term basis. The following is a summary of these two key County financial policies.

- **General Fund Unreserved Fund Balance** – The current County policy stipulates a 10% undesignated fund balance in the general fund which is maintained. This reflects only slightly more than one month's operational expenses. The County Auditors have previously explained the need to maintain an undesignated fund balance in the general fund of 10% to preserve positive cash flow, cover unexpected emergencies and maintain a good bond rating. In 2002, adjustments were made by transferring delinquent tax reserves to establish a general fund balance at the recommended 10% level.
- **Delinquent Tax Revolving Funds** – One of the cornerstones of County finances has been the proper management of delinquent tax revolving funds. The delinquent tax policy of the County is to not spend principle, to use annual net income for operational and capital improvement needs and to maintain a self-funding arrangement. (Self-funding enables the County to pay local taxing units in full for their share of current taxes that are determined to be delinquent on an annual basis rather than borrow funds). It is essential to continue sound County financial policies and practices involving delinquent tax funds. Fiscal discipline and management of these funds are vital to overall long-term County financial stability.

VIII - Cash Management Policies and Practices

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days maturity, in daily interest savings accounts and in interest-bearing checking accounts. Funds are kept in a pooled cash account with various banks.

IX - Pension and Other Post Employment Benefits

The County sponsors a defined-benefit pension plan for its employees. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the County must pay for each of the existing units in the plan to ensure that the plan will be able to fully meet its obligations to retired employees. As a matter of policy, Tuscola County fully funds each year's annual required contribution to the pension plan as determined by the actuary. The County is currently funded 94.7% on an average of all units (as of December 2006). During years 2002, 2003, 2004, 2005, and 2006 the county was funded 94%, 94.1%, 94.1%, 93.9% and 94.7% respectively.

The County provides full coverage health care benefits to its employees, and has experienced several substantial increases in health insurance costs over the past years. Due to strong financial management and application of numerous cost-savings methods, Tuscola County has been able to keep these increases below the industry average. (Tuscola County's average has been 5.5% over the past 4 years, while the industry average has been an estimated 15%). The main cost saving method was switching to a self-funded plan with a specific level of re-insurance. Other options have been to increase our co-pay on drugs, offer mail order prescriptions with discounts for generic drugs, offer an opt-out incentive to reduce the number of employees on the County plan, and, the most recent, to offer a menu of plans with a specific employee premium co-payment for a specific level of coverage.

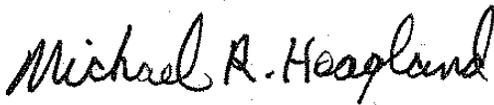
X - Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Tuscola County for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2006. This was the fifth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

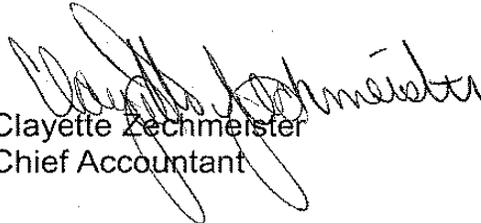
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. We would like to express our appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Tuscola County Board of Commissioners for their unfailing support for maintaining the highest standards of professionalism in the management of Tuscola County's finances.

Respectfully submitted,



Michael R. Hoagland
Controller/Administrator



Clayette Zechmeister
Chief Accountant

The Board of Commissioners

Gerald Peterson
District 5
Chairperson

District 1 David Milligan
District 2 Thomas Bardwell

District 3 Donald McLane
District 4 Roy Petzold

Administration

County Controller/Administrator

Michael Hoagland

Elected Officials

Circuit Court Judge
District Court Judge
Probate Court Judge
Prosecutor
Sheriff
County Clerk
Register of Deeds
Drain Commissioner
Treasurer

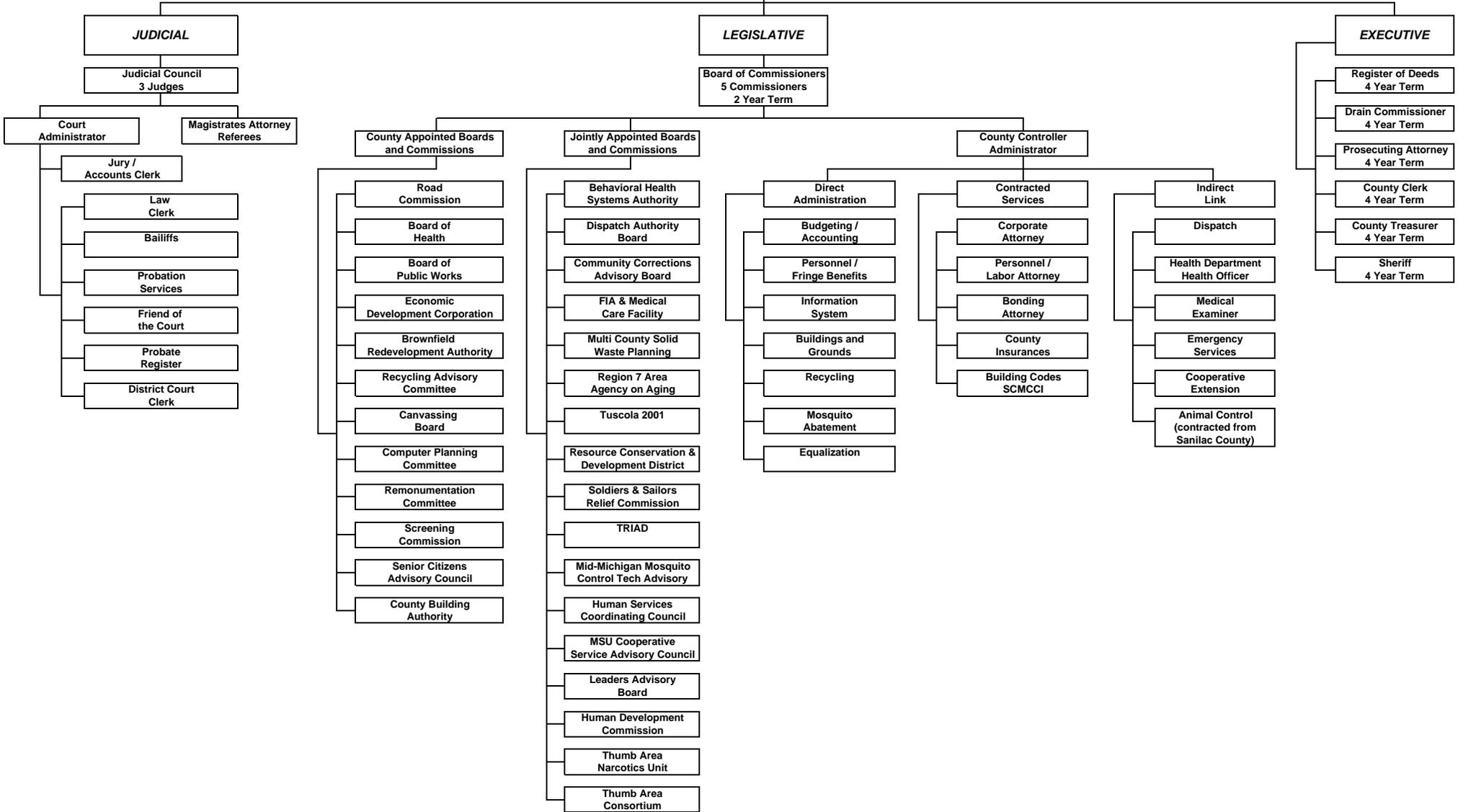
Patrick Joslyn
Kim Glaspie
William Kent
Mark Reene
Thomas Kern
Margie White-Cormier
Virginia McLaren
Sarah Pistro
Patricia Donovan

Appointed Officials

Director of Facilities & Buildings and Codes
Dispatch Director
Equalization Director
Friend of the Court
Mosquito Abatement Director
Juvenile Director
Undersheriff
Director of Information Systems
MSU/Co-Op Director
Recycling Coordinator
Health Officer
District Court Administrator
Circuit Court Administrator

Mike Miller
Robert Klenk
Walter Schlichting
Mary Lou Burns
William Wallace
Robert Popielarz
James Jashinske
Steven Lark
Hal Hudson
Kate Neese
Gretchen Tenbusch
Donna Fraczek
Kyle Jaskulka

CITIZENS OF TUSCOLA COUNTY



Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tuscola County
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2006

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



Oliver S. Cox

President

Jeffrey R. Emery

Executive Director

II. FINANCIAL SECTION

The Financial Section Contains:

- ❖ Independent Auditor's Report
- ❖ Management Discussion and Analysis
- ❖ Basic Financial Statements
- ❖ Notes to financial Statements
- ❖ Supplementary financial Information



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

June 23, 2008

Board of Commissioners
County of Tuscola
Tuscola, 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 ***Tuscola County, 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 ***Tuscola County, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Tuscola County Health Department, which is a major governmental fund, and therefore a separate opinion unit. We also did not audit the Tuscola County Road Commission, which represents 67% and 80% respectively, of assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Tuscola County Health Department and the Tuscola County Road Commission, are based on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Medical Care Facility were not audited in accordance with *Governmental Auditing Standards*. 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of ***Tuscola County, Michigan***, as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund and Health Department Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2008, on our consideration of ***Tuscola County, 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 listed in the table of contents on pages 3-15, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the 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 ***Tuscola County, Michigan***'s basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Lehmann Johnson".

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of *Tuscola County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

Asset Information.

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$38,144,703 (net assets). Of this amount, \$24,291,238 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Although these are classified as unrestricted assets, significant portions of these assets can only be used for specific purposes.
- The County's total net assets increased by \$7,598,077.
- The capital asset portion of the total net assets had a significant increase of \$5,910,163. In 2006 these assets were \$21,119,667 compared to \$27,029,830 in 2007. The Business-type activities had an increase of \$6,088,880 compared to the Governmental Activities again having a decrease of (\$178,717.).
- The restricted portion of total assets increased by \$666,904 from the restricted assets in 2006.
- The unrestricted portion of total assets increased by \$7,094,999. This is mostly due to the Business-type Activities with the increase of \$7,454,961. The difference is a decrease in the Governmental Activities of (\$359,962).

Fund Balance Information.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,208,909. Approximately 62 percent of this total amount, \$5,127,629 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, the general fund's unreserved-undesignated fund balance was \$1,377,311 or approximately 12 percent of the total general fund expenditures. The total fund balance for the general fund was \$1,987,311.

Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), health and welfare, public works, and parks and recreation. The business-type activities of the County include the delinquent tax collections, Medical Care Facility and other enterprise funds that consist of public works activities for local units.

The government-wide financial statements include not only Tuscola County itself (known as the primary government), but also a legally separate Road Commission and Drain Commission office. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Tuscola County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 16-18 of this report.

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

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

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

The County maintains 55 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Health Department Fund, each of which are considered to be major funds. Data from the other 53 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general fund, debt service funds, and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets. The general fund and major governmental fund financial statements can be found on pages 23-25 of this report. For other governmental funds with appropriated budgets the comparisons start on page 91.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its delinquent tax collections, Medical Care Facility, and other funds that consist of public works activities for local units. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Tuscola County uses internal service funds to account for its health insurance, retirement supplement and the workman's compensation funds.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Medical Care Facility and the Delinquent Tax Revolving Funds, which are considered to be major funds of the County, and other enterprise funds that are considered nonmajor enterprise funds. The detail for the non-major enterprise funds can be found on pages 107-109. The internal service funds are combined in a separate single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of *combining statements* on pages 110-112.

The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 30 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-68 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary *information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 69-114 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Tuscola County, assets exceeded liabilities by \$38,144,703 at the close of the most recent fiscal year.

The following tables show net assets for governmental and business-type activities, in addition to a comparison of 2006 and 2007 balances.

Tuscola County's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2007	2006	2007	2006	2007
Current and other assets	\$ 14,252,103	\$ 14,102,028	\$ 15,422,397	\$ 22,909,454	\$ 29,674,500	\$ 37,011,482
Capital assets, net	6,202,092	6,023,375	14,917,575	21,006,455	21,119,667	27,029,830
Total assets	<u>20,454,195</u>	<u>20,125,403</u>	<u>30,339,972</u>	<u>43,915,909</u>	<u>50,794,167</u>	<u>64,041,312</u>
Long-term liabilities outstanding	1,954,907	1,810,580	13,506,697	18,437,096	15,461,604	20,247,676
Other liabilities	3,796,687	3,667,514	1,057,151	1,981,419	4,853,838	5,648,933
Total liabilities	<u>5,751,594</u>	<u>5,478,094</u>	<u>14,563,848</u>	<u>20,418,515</u>	<u>20,315,442</u>	<u>25,896,609</u>
Net Assets						
Invested in capital assets,						
net of related debt	5,041,097	4,989,367	4,074,228	5,206,583	9,115,325	10,195,950
Restricted	2,059,273	2,415,673	931,338	1,241,842	2,990,611	3,657,515
Unrestricted	7,602,231	7,242,269	10,770,558	17,048,969	18,372,789	24,291,238
Total net assets	<u>\$ 14,702,601</u>	<u>\$ 14,647,309</u>	<u>\$ 15,776,124</u>	<u>\$ 23,497,394</u>	<u>\$ 30,478,725</u>	<u>\$ 38,144,703</u>

One of the largest portions of the County's net assets of \$24,291,238 reflects its unrestricted net assets. This is a change from 2006 of \$5,918,449. The total increase is from the business-type activities of \$6,278,411 with a reduction of (\$359,962) in the Governmental activities.

An additional portion of the County's net assets, \$3,657,515 represents resources that are subject to external restrictions on how they may be used.

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

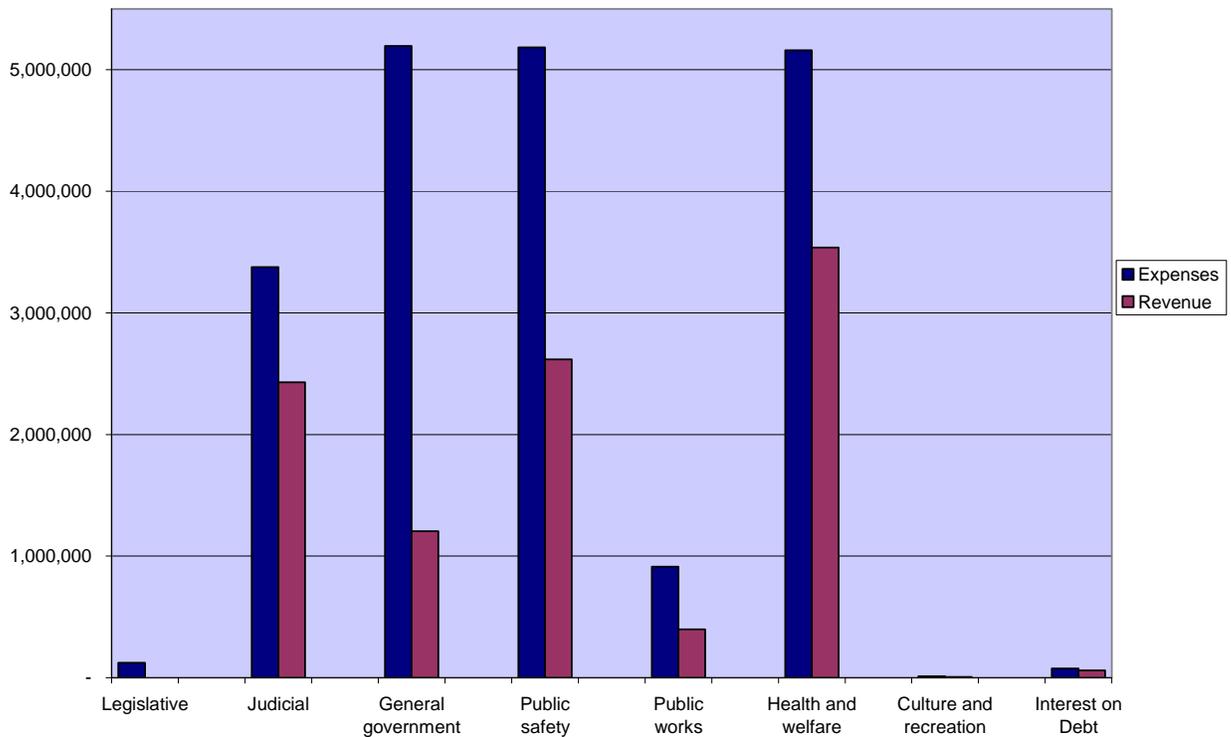
Tuscola County's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2007	2006	2007	2006	2007
Revenues:						
Program revenue:						
Charges for services	\$5,277,691	\$5,372,595	\$12,886,218	13,060,767	18,163,909	18,433,362
Operating grants and contributions	4,500,462	4,734,888	-	-	4,500,462	4,734,888
Capital grants and contributions	185,615	142,617	146,134	7,120,155	331,749	7,262,772
General Revenue:						
Property Taxes	9,127,818	8,152,320	1,575,186	1,677,012	10,703,004	9,829,332
Grants and contributions not restricted to specific programs	106,465	114,210	-	-	106,465	114,210
Unrestricted investment earnings	350,147	530,747	417,938	439,658	768,085	970,405
Miscellaneous general revenues	10,302	-	330,159	307,797	340,461	307,797
Total revenues	<u>19,558,500</u>	<u>19,047,377</u>	<u>15,355,635</u>	<u>22,605,389</u>	<u>34,914,135</u>	<u>41,652,766</u>
Expenses:						
Legislative	119,534	121,633	-	-	119,534	121,633
Judicial	3,403,161	3,376,451	-	-	3,403,161	3,376,451
General Government	5,026,156	5,194,811	-	-	5,026,156	5,194,811
Public Safety	5,040,173	5,182,899	-	-	5,040,173	5,182,899
Public Works	912,869	913,182	-	-	912,869	913,182
Health and Welfare	4,811,305	5,159,902	-	-	4,811,305	5,159,902
Culture and Recreation	3,344	11,173	-	-	3,344	11,173
Interest on debt	69,229	75,153	-	-	69,229	75,153
Medical Care Facility	-	-	12,315,825	13,417,162	12,315,825	13,417,162
Delinquent property tax	-	-	366	4,412	366	4,412
Caro Sewer System	-	-	-	13,143	-	13,143
Caro Sewage (Refunding)	-	-	30,790	36,420	30,790	36,420
Mayville Storm Sewer	-	-	61,350	80,300	61,350	80,300
Richville Water System	-	-	41,195	44,153	41,195	44,153
Millington Sewer System	-	-	12,799	308,915	12,799	308,915
Denmark Sewer System	-	-	-	44,784	-	44,784
Tax Foreclosure	-	-	115,871	112,853	115,871	112,853
Total expenses	<u>19,385,771</u>	<u>20,035,204</u>	<u>12,578,196</u>	<u>14,062,142</u>	<u>31,963,967</u>	<u>34,097,346</u>
Change in net assets before transfers	172,729	(987,827)	2,777,439	8,543,247	2,950,168	7,555,420
Transfers - internal activities	<u>764,246</u>	<u>802,573</u>	<u>(715,932)</u>	<u>(759,916)</u>	<u>48,314</u>	<u>42,657</u>
Change in net assets	936,975	(185,254)	2,061,507	7,783,331	2,998,482	7,598,077
Net assets-beginning of year, as restated	<u>13,765,626</u>	<u>14,832,563</u>	<u>13,714,617</u>	<u>15,714,063</u>	<u>27,480,243</u>	<u>30,546,626</u>
Net assets-end of year	<u>\$14,702,601</u>	<u>\$14,647,309</u>	<u>\$15,776,124</u>	<u>\$23,497,394</u>	<u>\$30,478,725</u>	<u>\$38,144,703</u>

Governmental activities. Governmental activities decreased the County's net assets by (\$185,254) for fiscal year 2007.

- Some of the factors that may explain this occurrence are that expenditures are on the increase. The Health Department shows an increase of expenditures prior to transfers by \$379,736 from 2006, and General Fund has increased their expenditures prior to transfers by \$576,932 from a year ago.
- Property taxes including general operating and all special purpose millages also are reported to have a decrease of (\$975,498). For fiscal year 2006 they are reported as \$9,127,818 and for 2007 they are reported as \$8,152,320. The main reason for this decrease can be attributed to the tax shift from winter to summer on the current property tax. This trend should stabilize for fiscal year 2008.

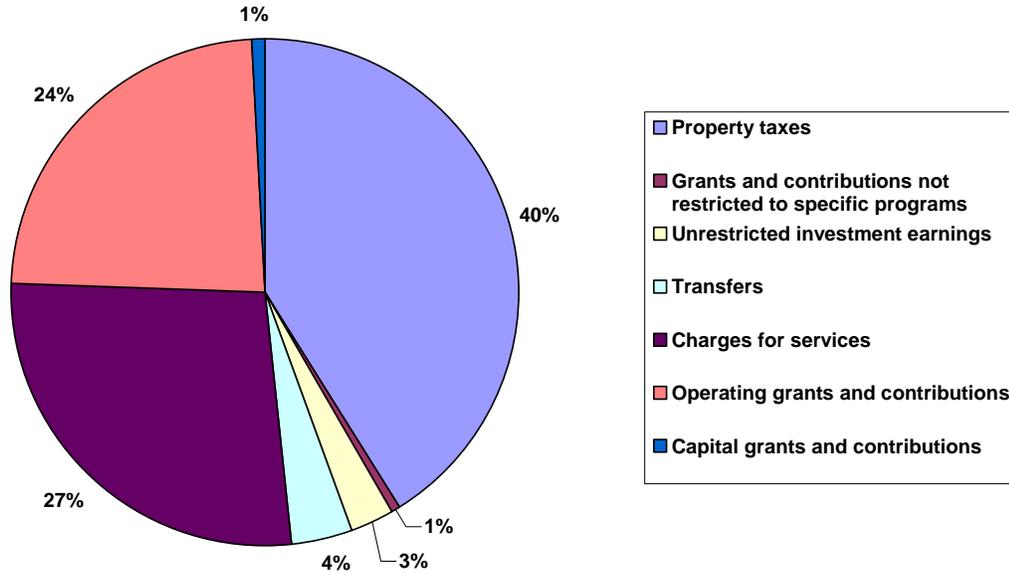
Expenses and Program Revenues - Governmental Activities



- The statement of activities for program revenues on the primary government shows program revenue at \$10,250,100 short of covering governmental expenses by \$9,785,104. Our primary government depends on general revenues like property taxes and transfers to end the year in a positive balance.

The statement of activities can be found on pages 17-18

Revenues by Source - Governmental Activities

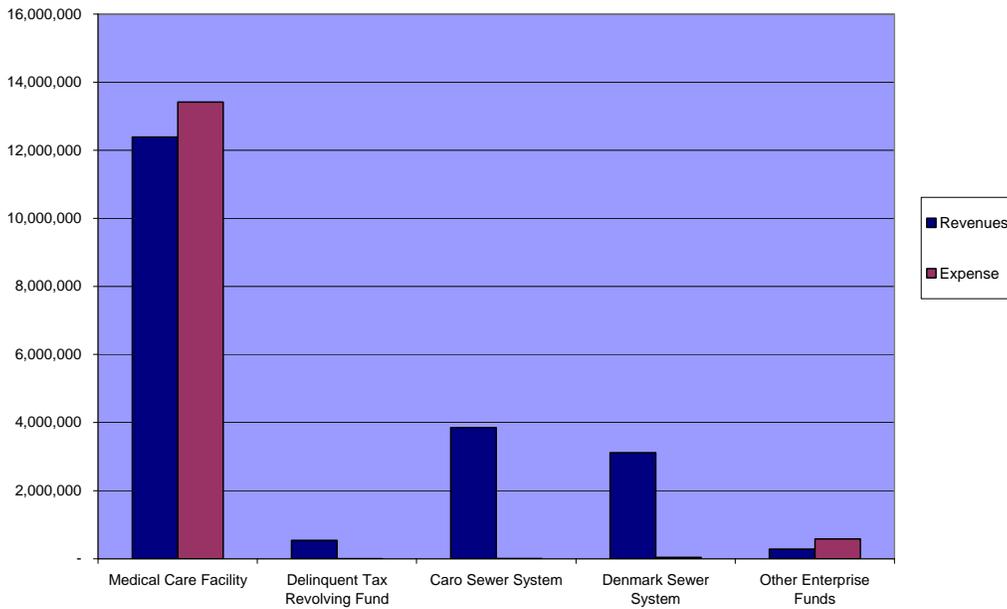


Business-type activities. Business-type activities increased the County's net assets by \$7,783,331 accounting for 100 percent of the total growth in the government's net assets for the current year. This is a substantial increase from 2006.

Key elements of the increases are as follows:

- Reclassification of sewer projects to business-type activities. These former debt and capital funds were re-classed according to MCGAA statement 10. This has caused a substantial increase of \$6,913,626 from fiscal year 2006.
- The Medical Care Facility expansion continues to increase the enterprise funds net assets. For 2007 net assets were increased by \$1,033,938 from 2006. This brings their total net assets to \$10,366,164.
- Interest for the delinquent tax revolving fund was falling short from 2006 by \$10,394. Interest is reported as \$272,341 for interest income and \$365,453 on interest on taxes. The total income before transfers was \$806,677. This amount is down \$28,843 from fiscal year end 2006.

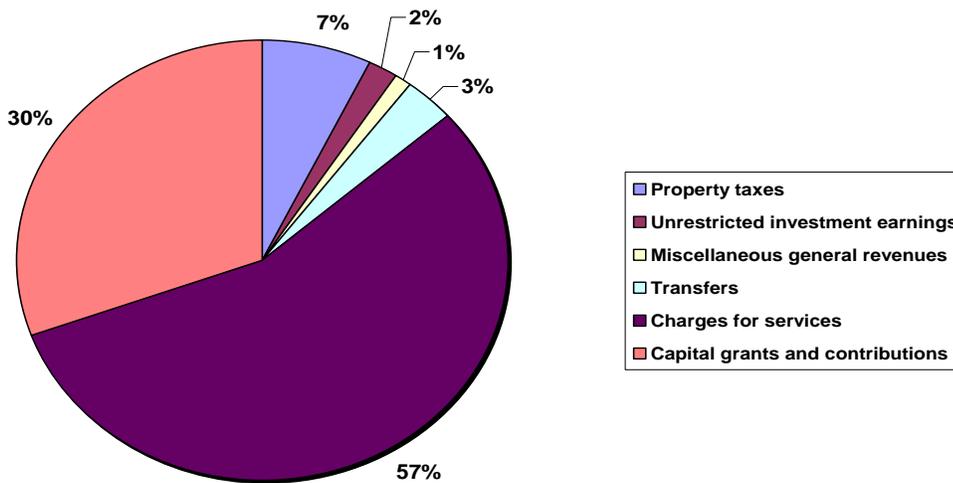
Expense and Program Revenues - Business-type Activities



Major Business-type activities are Medical Care Facility, Delinquent Tax Revolving Funds, Caro Sewer System and Denmark Sewer Systems. Other nonmajor Business-type funds or enterprise funds are Caro sewage disposal (refunded), Mayville storm sewer, Richville water system, Millington sewer system and the Tax foreclosure fund.

Additional information on these nonmajor enterprise funds can be found on pages 107-109.

Revenues by Source - Business-type Activities



The majority of Revenues for all Business-type activities comes from charges for services. This accounts for 57 percent of the total revenue or \$13,060,767.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,208,909. Of this total amount, 62 percent or \$5,127,629 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. However, the *unreserved fund balance* amount is further separated into *unreserved-designated fund balance* of \$1,585,707 and *unreserved-undesignated fund balance* of \$3,541,922. The *unreserved-designated fund balance* has been assigned for specific purposes, such as compensated absences, retirement contributions and wage schedule implementation for the Health Department, and subsequent year's expenditures for other governmental funds. The remainder of *fund balance* is reserved to indicate that it is not available for new spending because it has already been committed to: 1) \$610,000 to cover advances to component units, 2) \$6,800 to cover cemetery maintenance, 3) \$2,400,708 for capital projects, 4) \$39,836 to cover prepaid items, 5) \$23,936 for restricted contributions.

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,377,311, while total fund balance was \$1,987,311. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 12 percent of total general fund expenditures and transfers out.

The revenue reserve sharing fund is no longer a major fund for fiscal year end 2007. The fund balance of \$1,014,042 is expected to be depleted in fiscal year 2008.

The fund balance of the County's general fund decreased by \$267 during the current fiscal year.

The Health Department fund had a decrease of \$8,617 in fund balance for the current year, for an ending fund balance of \$635,148.

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

General Fund Budgetary Highlights

The differences between the original and final amended budgets for expenditures and transfers out resulted in an increase of \$245,975. Variances between budget and actual show a use of fund balance of \$267.

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounted to \$27,029,803 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, construction in progress, vehicles and equipment.

For 2007 the increase of 5,910,163 in capital assets is due to the 2007 Denmark and Caro sewer projects in the business-type activities.

County of Tuscola Capital assets (net of depreciation)

Fiscal Year Ending December 31	Governmental Activities	Business-Type Activities	Total
	2007	2007	2007
Land	560,646	-	560,646
Construction in Progress	-	7,201,422	7,201,422
Buildings	2,788,322	7,904,870	10,693,192
Improvements	1,259,386	579,369	1,838,755
Vehicles	385,211	-	385,211
Equipment	1,459,373	5,320,794	6,780,167
Health Dept accum. Depreciation	(429,563)	-	(429,563)
Total	<u>\$ 6,023,375</u>	<u>\$ 21,006,455</u>	<u>\$ 27,029,830</u>

Additional information on the County's capital assets can be found in note III C on pages 44-45 of this report.

Long-term debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$34,457,432. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government, and \$14,145,020 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment.

The County's bond rating was upgraded in 2004 from BBB+ to A- and continues to remain at the A- status for 2007.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total taxable valuation. The current debt limitation for the County is \$141,375,049 which is significantly higher than the County's current outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note III E on pages 49-53 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the County's budget for the 2008 fiscal year:

- The average unemployment rate for the County of Tuscola as of December 31, 2007 was 8.7 percent, which is an increase from an average rate of 7.9 percent a year ago. This is higher than the State's average unemployment rate of 7.1 percent and the national average rate of 4.6 percent.
- Public Act 357 of 2004 essentially created a funding mechanism to serve as a substitute to state revenue sharing payments where the County is gradually shifting its county operating property tax millage from a winter tax levy to a summer tax levy over three consecutive years. The County is required to deposit an amount equal to the county's December 2004 property tax levy into a separate special revenue fund in three separate distributions as follows:
 - in 2005, 1/3 from the December 2004 property tax levy
 - in 2006, 1/3 from the December 2005 property tax levy
 - in 2007, 1/3 from the December 2006 property tax levy

The County is then allowed to make distributions from the special revenue fund in an amount not to exceed its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation. The state allowed distribution amount for 2007 is \$1,074,592. The county has depleted these funds with the 2008 budget with only \$1,014,043 to transfer. The state allowed distribution for 2008 is set at \$1,099,308. The county will need revenue sharing restored for fiscal year ending 2008 in order to have the full funding allowed by the state.

- The 2008 General Fund budget has an increase over the 2007 amended budget by \$373,908. The County revenue sources are not increasing to keep pace with normal expenditure growth. The 2008 budget is balanced primarily through transfers and one-time sources of funds.

Requests for information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Tuscola County Controller's Office, 207 E. Grant St., Caro, Michigan 48723.

BASIC FINANCIAL STATEMENTS

TUSCOLA COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Drain Commission	Total
Assets						
Cash and cash equivalents	\$ 3,663,100	\$ 2,524,050	\$ 6,187,150	\$ 25,773	\$ 729,994	\$ 755,767
Investments	5,443,601	1,626,511	7,070,112	-	6,591,535	6,591,535
Receivables	4,940,078	13,964,049	18,904,127	1,779,941	11,952,321	13,732,262
Advance to component units	610,000	-	610,000	-	-	-
Internal balances	(680,933)	661,085	(19,848)	-	-	-
Prepaid items and other assets	39,836	214,404	254,240	104,983	-	104,983
Inventory	86,346	-	86,346	308,720	-	308,720
Restricted cash	-	1,251,051	1,251,051	1,630,506	-	1,630,506
Restricted investments	-	2,668,304	2,668,304	-	-	-
Restricted receivables	-	-	-	1,562,723	-	1,562,723
Capital assets, net:						
Assets not being depreciated	560,646	7,201,422	7,762,068	28,461,214	-	28,461,214
Assets being depreciated	5,462,729	13,805,033	19,267,762	41,965,592	17,351,289	59,316,881
Total assets	20,125,403	43,915,909	64,041,312	75,839,452	36,625,139	112,464,591
Liabilities						
Accounts payable	483,856	1,427,178	1,911,034	1,132,107	350,957	1,483,064
Accrued liabilities	447,802	330,198	778,000	106,051	-	106,051
Advance from primary government	-	-	-	-	610,000	610,000
Unearned revenue	2,735,856	224,043	2,959,899	274,605	-	274,605
Noncurrent liabilities:						
Due within one year	740,644	1,022,500	1,763,144	-	1,494,857	1,494,857
Due in more than one year	1,069,936	17,414,596	18,484,532	14,255	12,650,163	12,664,418
Total liabilities	5,478,094	20,418,515	25,896,609	1,527,018	15,105,977	16,632,995
Net Assets						
Invested in capital assets, net of related debt	4,989,367	5,206,583	10,195,950	70,426,806	3,206,269	73,633,075
Restricted for:						
Debt service	-	1,235,423	1,235,423	-	2,726,147	2,726,147
Capital projects	2,400,708	-	2,400,708	1,630,506	3,636,708	5,267,214
Donor contributions	7,924	6,419	14,343	-	-	-
Cemetery maintenance						
Nonexpendable	6,800	-	6,800	-	-	-
Expendable	241	-	241	-	-	-
Unrestricted	7,242,269	17,048,969	24,291,238	2,255,122	11,950,038	14,205,160
Total net assets	\$ 14,647,309	\$ 23,497,394	\$ 38,144,703	\$ 74,312,434	\$ 21,519,162	\$ 95,831,596

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

**TUSCOLA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue
			Charges for Services	Operating Grants and Contributions	
Primary government					
Governmental activities:					
Legislative	\$ 121,633	\$ -	\$ -	\$ -	\$ (121,633)
Judicial	3,374,924	1,527	1,359,716	1,059,074	(957,661)
General government	5,198,849	(4,038)	859,655	345,126	(3,990,030)
Public safety	5,207,899	-	1,855,330	775,387	(2,554,728)
Public works	913,182	-	396,643	-	(516,539)
Health and welfare	5,158,663	1,239	896,500	2,580,301	(1,622,203)
Culture and recreation	11,173	-	4,751	-	(6,422)
Interest on debt	75,153	-	-	-	(15,888)
Total governmental activities	<u>20,061,476</u>	<u>(1,272)</u>	<u>5,372,595</u>	<u>4,759,888</u>	<u>(9,785,104)</u>
Business-type activities:					
Medical care facility	13,415,890	1,272	12,386,663	-	(1,030,499)
Delinquent property tax	4,412	-	538,748	-	534,336
Caro sewer system	13,143	-	13,143	-	3,841,374
Caro sewage disposal (refunded)	36,420	-	-	-	36,420
Mayville storm sewer	80,300	-	-	-	80,300
Richville water system	44,153	-	-	-	44,153
Millington sewer system	308,915	-	956	-	(307,069)
Denmark sewer system	44,784	-	-	-	3,117,018
Tax foreclosure	112,853	-	121,257	-	8,404
Total business-type activities	<u>14,060,870</u>	<u>1,272</u>	<u>13,060,767</u>	<u>-</u>	<u>6,118,780</u>
Total primary government	<u>\$ 34,122,346</u>	<u>\$ -</u>	<u>\$ 18,433,362</u>	<u>\$ 4,759,888</u>	<u>\$ (3,666,324)</u>
Component units					
Road commission	\$ 8,729,564	\$ -	\$ -	\$ 12,192,809	\$ 3,463,245
Drain commission	<u>1,278,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,885,516</u>
Total component units	<u>\$ 10,008,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,192,809</u>	<u>\$ 5,348,761</u>

continued...

TUSCOLA COUNTY
STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2007

Functions/Programs	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Road Commission	Drain Commission	Total
Changes in net assets						
Net (expense) revenue	\$ (9,785,104)	\$ 6,118,780	\$ (3,666,324)	\$ 3,463,245	\$ 1,885,516	\$ 5,348,761
General revenues:						
Property taxes	8,152,320	1,677,012	9,829,332	1,523,704	-	1,523,704
Grants and contributions not restricted to specific programs	114,210	-	114,210	-	-	-
Unrestricted investment earnings	530,747	439,658	970,405	-	383,720	383,720
Gain on equipment disposal	-	-	-	3,795	-	3,795
Other revenue	-	307,797	307,797	50,563	-	50,563
Transfers - internal activities	802,573	(759,916)	42,657	-	-	-
Total general revenues and transfers	9,599,850	1,664,551	11,264,401	1,578,062	383,720	1,961,782
Change in net assets	(185,254)	7,783,331	7,598,077	5,041,307	2,269,236	7,310,543
Net assets, beginning of year, as restated	14,832,563	15,714,063	30,546,626	69,271,127	19,249,926	88,521,053
Net assets, end of year	\$ 14,647,309	\$ 23,497,394	\$ 38,144,703	\$ 74,312,434	\$ 21,519,162	\$ 95,831,596

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

**TUSCOLA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Health Department (F.Y.E. 9-30-07)	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ -	\$ 561,921	\$ 1,916,086	\$ 2,478,007
Investments	3,385,860	-	2,057,741	5,443,601
Receivables:				
Taxes receivable	441,904	-	2,649,510	3,091,414
Taxes receivable - delinquent	19,961	-	26,996	46,957
Accounts receivable	49,398	101,125	224,002	374,525
Interest receivable	4,886	-	-	4,886
Due from other funds	797,064	-	1,631,137	2,428,201
Due from state	150,825	8,146	195,850	354,821
Due from other governmental units	8,457	56,887	-	65,344
Prepaid expenditures	-	39,836	-	39,836
Inventory	-	86,346	-	86,346
Advances to component unit	610,000	-	-	610,000
	<u>\$ 5,468,355</u>	<u>\$ 854,261</u>	<u>\$ 8,701,322</u>	<u>\$ 15,023,938</u>
Total assets				
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 165,701	\$ 96,431	\$ 118,865	\$ 380,997
Accrued liabilities	125,644	36,336	116,027	278,007
Due to other governments	-	-	36,523	36,523
Due to other funds	2,972,183	-	136,951	3,109,134
Deposits payable	-	-	30,000	30,000
Deferred revenue	217,516	86,346	2,676,506	2,980,368
	<u>3,481,044</u>	<u>219,113</u>	<u>3,114,872</u>	<u>6,815,029</u>
Total liabilities				
Fund balance				
Reserved for:				
Advances to component units	610,000	-	-	610,000
Reserved for cemetery maintenance	-	-	6,800	6,800
Restricted contributions	-	7,924	16,012	23,936
Capital projects	-	-	2,400,708	2,400,708
Prepaid items	-	39,836	-	39,836
Unreserved:				
Designated for compensated absences	-	125,079	-	125,079
Designated for retirement contribution	-	124,719	-	124,719
Designated for wage schedule implementation	-	28,388	-	28,388
Designated for data mgt/capital improvements	-	47,000	-	47,000
Designated for subsequent year's expenditures, special revenue funds	-	-	1,260,521	1,260,521
Undesignated	1,377,311	262,202	-	1,639,513
Undesignated, reported in nonmajor:				
Special revenue funds	-	-	1,902,168	1,902,168
Permanent funds	-	-	241	241
	<u>1,987,311</u>	<u>635,148</u>	<u>5,586,450</u>	<u>8,208,909</u>
Total fund balance				
Total liabilities and fund balance	<u>\$ 5,468,355</u>	<u>\$ 854,261</u>	<u>\$ 8,701,322</u>	<u>\$ 15,023,938</u>

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

TUSCOLA COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2007

Fund balances - total governmental funds	\$	8,208,909
<p>Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.</p>		
Add: Capital assets		12,192,788
Subtract: Accumulated depreciation		(6,169,413)
<p>Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (such as certain receivables) are offset by deferred revenues in the governmental funds, and thus are not included in fund balance.</p>		
Add: deferred delinquent property taxes		244,512
Add: Long-term receivables - Due from other governments		1,002,131
<p>Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.</p>		
Add: net assets of governmental activities accounted for in internal service funds		996,093
<p>Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.</p>		
Subtract: bonds payable		(1,005,000)
Subtract: capital leases payable		(29,008)
Subtract: accrued interest payable		(17,131)
Subtract: compensated absences		(776,572)
		(2,827,711)
Net assets of governmental activities	\$	14,647,309

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

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	General	Health Department (F.Y.E. 9-30-07)	Other Governmental Funds	Total
Revenues				
Taxes	\$ 5,464,109	\$ -	\$ 2,486,958	\$ 7,951,067
Licenses and permits	515,904	165,434	-	681,338
Intergovernmental				
Federal	110,236	1,943,750	766,157	2,820,143
State	967,368	-	1,211,901	2,179,269
Local	-	-	417,121	417,121
Charges for services	1,920,831	560,789	1,319,261	3,800,881
Fines and forfeits	73,450	-	8,580	82,030
Interest and rents	413,325	-	212,968	626,293
Reimbursements and refunds	503,117	-	17,398	520,515
Other	-	22,294	107,143	129,437
Total revenues	9,968,340	2,692,267	6,547,487	19,208,094
Expenditures				
Current:				
Legislative	122,906	-	-	122,906
Judicial	2,422,324	-	1,081,589	3,503,913
General government	3,469,265	-	1,334,161	4,803,426
Public safety	2,484,288	-	2,532,137	5,016,425
Public works	910,866	-	-	910,866
Health and welfare	443,192	3,088,355	1,482,178	5,013,725
Culture and recreation	-	-	11,173	11,173
Other	203,733	-	-	203,733
Capital outlay	-	-	540,621	540,621
Debt service - principal	-	-	126,987	126,987
Debt service - interest	-	-	58,022	58,022
Total expenditures	10,056,574	3,088,355	7,166,868	20,311,797
Revenues (under) expenditures	(88,234)	(396,088)	(619,381)	(1,103,703)
Other financing sources (uses)				
Transfer in	1,877,673	387,471	1,452,807	3,717,951
Transfer out	(1,789,706)	-	(1,125,672)	(2,915,378)
Total other financing sources (uses)	87,967	387,471	327,135	802,573
Net change in fund balances	(267)	(8,617)	(292,246)	(301,130)
Fund balance, beginning of year	1,987,578	643,765	5,878,696	8,510,039
Fund balance, end of year	\$ 1,987,311	\$ 635,148	\$ 5,586,450	\$ 8,208,909

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

TUSCOLA COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007

Net change in fund balances - total governmental funds \$ (301,130)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: capital outlay	396,804
Subtract: depreciation expense	(575,225)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to the following fiscal year.

Add: change in deferred delinquent property taxes	201,253
Subtract: change in long-term receivables	(102,869)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities	126,987
Subtract: increase in accrued interest payable	(17,131)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Add: decrease in the accrual of compensated absences	17,339
Subtract: loss on the disposal of capital assets	(295)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The net revenue (expense) of internal service funds is reported with governmental activities.

Add: net income from governmental activities accounted for in internal service funds	69,013
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Change in net assets of governmental activities	<u>\$ (185,254)</u>
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TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 5,299,100	\$ 5,481,100	\$ 5,464,109	\$ (16,991)
Licenses and permits	534,951	513,526	515,904	2,378
Intergovernmental				
Federal	74,160	90,160	110,236	20,076
State	956,524	968,943	967,368	(1,575)
Charges for services	1,896,410	1,888,940	1,920,831	31,891
Fines and forfeits	74,950	69,950	73,450	3,500
Interest and rents	254,899	358,899	413,325	54,426
Other	457,500	523,096	503,117	(19,979)
Total revenues	<u>9,548,494</u>	<u>9,894,614</u>	<u>9,968,340</u>	<u>73,726</u>
Expenditures				
Legislative				
Board of commissioners	<u>131,082</u>	<u>131,082</u>	<u>122,906</u>	<u>(8,176)</u>
Judicial				
Circuit court	1,151,930	1,204,310	1,201,646	(2,664)
District court	1,237,772	1,248,453	1,191,535	(56,918)
Jury commission	5,450	5,450	3,972	(1,478)
Adult probation	<u>21,000</u>	<u>25,172</u>	<u>25,171</u>	<u>(1)</u>
Total judicial	<u>2,416,152</u>	<u>2,483,385</u>	<u>2,422,324</u>	<u>(61,061)</u>
General government				
Elections	20,700	20,700	4,492	(16,208)
Legal	50,000	60,550	60,550	-
County clerk	367,563	379,312	353,961	(25,351)
Controller	339,681	344,181	329,654	(14,527)
Equalization	185,071	189,523	179,375	(10,148)
Prosecuting attorney	479,031	479,031	457,060	(21,971)
Cooperative reimbursement - prosecutor	168,474	168,474	148,976	(19,498)
Register of deeds	253,977	253,977	244,721	(9,256)
Treasurer	354,901	354,901	317,425	(37,476)
Cooperative extension	109,412	109,412	100,832	(8,580)
Computer operations	398,409	407,409	385,709	(21,700)
Building and grounds	781,992	796,501	721,316	(75,185)
Drain commission	174,596	173,001	165,194	(7,807)
Livestock claims	<u>825</u>	<u>825</u>	<u>-</u>	<u>(825)</u>
Total general government	<u>3,684,632</u>	<u>3,737,797</u>	<u>3,469,265</u>	<u>(268,532)</u>
Public safety				
Courthouse security	132,855	132,855	123,716	(9,139)
Sheriff's department	1,844,826	2,004,629	1,907,367	(97,262)
Liquor/traffic enforcement	5,000	5,000	4,555	(445)
Marine safety	31,910	47,910	47,342	(568)
Secondary road patrol	133,446	133,446	133,446	-
Thumb area narcotics group	27,838	27,951	27,951	-
Planning commission	9,479	9,479	3,734	(5,745)
Plat board	656	656	273	(383)
Emergency services	89,568	89,568	112,122	22,554
Animal shelter	<u>97,700</u>	<u>123,782</u>	<u>123,782</u>	<u>-</u>
Total public safety	<u>2,373,278</u>	<u>2,575,276</u>	<u>2,484,288</u>	<u>(90,988)</u>

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (CONCLUDED)
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public works				
Building codes	\$ 400,000	\$ 371,876	\$ 371,876	\$ -
Department of public works	3,000	3,000	2,530	(470)
Drains at large	536,460	536,460	536,460	-
Total public works	<u>939,460</u>	<u>911,336</u>	<u>910,866</u>	<u>(470)</u>
Health and welfare				
Substance abuse	54,298	57,105	57,105	-
Medical examiner	37,420	37,420	33,475	(3,945)
Veterans' burial	22,000	22,000	16,520	(5,480)
Economic development	33,000	28,000	28,000	-
Mental health appropriations	288,243	288,243	288,243	-
Cigarette tax	25,710	25,710	19,849	(5,861)
Total health and welfare	<u>460,671</u>	<u>458,478</u>	<u>443,192</u>	<u>(15,286)</u>
Other	<u>338,960</u>	<u>236,534</u>	<u>203,733</u>	<u>(32,801)</u>
Total expenditures	<u>10,344,235</u>	<u>10,533,888</u>	<u>10,056,574</u>	<u>(477,314)</u>
Revenues over (under) expenditures	<u>(795,741)</u>	<u>(639,274)</u>	<u>(88,234)</u>	<u>551,040</u>
Other financing sources (uses)				
Transfer in	2,211,506	2,111,361	1,877,673	(233,688)
Transfer out	<u>(1,415,765)</u>	<u>(1,472,087)</u>	<u>(1,789,706)</u>	<u>(317,619)</u>
Total other financing sources (uses)	<u>795,741</u>	<u>639,274</u>	<u>87,967</u>	<u>(551,307)</u>
Net change in fund balance	-	-	(267)	(267)
Fund balance, beginning of year	<u>1,987,578</u>	<u>1,987,578</u>	<u>1,987,578</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,987,578</u>	<u>\$ 1,987,578</u>	<u>\$ 1,987,311</u>	<u>\$ (267)</u>

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

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HEALTH DEPARTMENT
YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Licenses and permits	\$ 169,945	\$ 170,020	\$ 165,434	\$ (4,586)
Intergovernmental				
Federal/state	1,843,604	1,799,712	1,943,750	144,038
Charges for services	458,543	499,360	560,789	61,429
Other	<u>12,255</u>	<u>12,812</u>	<u>22,294</u>	<u>9,482</u>
Total revenues	2,484,347	2,481,904	2,692,267	210,363
Expenditures				
Current				
Health and welfare	<u>2,871,820</u>	<u>2,869,377</u>	<u>3,088,355</u>	<u>218,978</u>
Revenues (under) expenditures	(387,473)	(387,473)	(396,088)	(8,615)
Other financing sources				
Transfer in	<u>387,473</u>	<u>387,473</u>	<u>387,471</u>	<u>(2)</u>
Net change in fund balance	-	-	(8,617)	(8,617)
Fund balance, beginning of year	<u>643,765</u>	<u>643,765</u>	<u>643,765</u>	<u>-</u>
Fund balance, end of year	<u>\$ 643,765</u>	<u>\$ 643,765</u>	<u>\$ 635,148</u>	<u>\$ (8,617)</u>

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

TUSCOLA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Enterprise Funds					Total	Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds		Internal Service Funds
Assets							
Current assets:							
Cash and cash equivalents	\$ 2,307,504	\$ -	\$ 2	\$ 761	\$ 215,783	\$ 2,524,050	\$ 1,185,093
Investments	1,626,511	-	-	-	-	1,626,511	-
Receivables:							
Taxes receivable - delinquent	8,634	2,163,539	-	-	-	2,172,173	-
Accounts receivable	1,619,110	-	-	-	-	1,619,110	-
Allowance for uncollectible accounts	(89,744)	-	-	-	-	(89,744)	-
Interest receivable	-	215	-	-	-	215	-
Due from other governmental units	-	275,347	1,059,307	160,018	259,249	1,753,921	-
Net pension asset	185,423	-	-	-	-	185,423	-
Other assets	28,981	-	-	-	-	28,981	-
Restricted cash	1,251,051	-	-	-	-	1,251,051	-
Restricted investments	-	2,668,304	-	-	-	2,668,304	-
Due from other funds	-	1,456,666	-	-	-	1,456,666	-
Total current assets	6,937,470	6,564,071	1,059,309	160,779	475,032	15,196,661	1,185,093
Noncurrent assets:							
Due from other governmental units	-	-	3,841,374	2,160,000	2,507,000	8,508,374	-
Capital assets, net	13,805,033	-	3,841,372	3,360,050	-	21,006,455	-
Total noncurrent assets	13,805,033	-	7,682,746	5,520,050	2,507,000	29,514,829	-
Total assets	20,742,503	6,564,071	8,742,055	5,680,829	2,982,032	44,711,490	1,185,093
Liabilities							
Current liabilities:							
Accounts payable	209,994	45,595	1,047,956	114,558	9,075	1,427,178	-
Accrued and other liabilities	218,252	-	11,351	22,518	35,249	287,370	189,000
Due to other funds	-	795,581	-	-	-	795,581	-
Patient trust fund	15,628	-	-	-	-	15,628	-
Deposits payable	27,200	-	-	-	-	27,200	-
Bonds payable, current	775,000	-	-	23,500	224,000	1,022,500	-
Total current liabilities	1,246,074	841,176	1,059,307	160,576	268,324	3,575,457	189,000
Noncurrent liabilities:							
Bonds payable, net of current portion	9,000,000	-	3,841,374	2,160,000	2,507,000	17,508,374	-
Deferred costs	(93,778)	-	-	-	-	(93,778)	-
Unearned revenue	224,043	-	-	-	-	224,043	-
Total long-term liabilities	9,130,265	-	3,841,374	2,160,000	2,507,000	17,638,639	-
Total liabilities	10,376,339	841,176	4,900,681	2,320,576	2,775,324	21,214,096	189,000
Net assets							
Invested in capital assets, net of related debt	4,030,033	-	-	1,176,550	-	5,206,583	-
Restricted for:							
Donor contributions	6,419	-	-	-	-	6,419	-
Debt service	1,235,423	-	-	-	-	1,235,423	-
Unrestricted	5,094,289	5,722,895	3,841,374	2,183,703	206,708	17,048,969	996,093
Total net assets	\$ 10,366,164	\$ 5,722,895	\$ 3,841,374	\$ 3,360,253	\$ 206,708	\$ 23,497,394	\$ 996,093

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

TUSCOLA COUNTY
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2007

	Enterprise Funds					Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds		Internal Service Funds
Operating revenue							
Charges for services	\$ 12,386,663	\$ 173,295	\$ -	\$ -	\$ 121,257	\$ 12,681,215	\$ 1,586,845
Interest on taxes	-	365,453	-	-	-	365,453	-
Other operating revenue	228,175	-	-	-	79,622	307,797	-
Total operating revenue	12,614,838	538,748	-	-	200,879	13,354,465	1,586,845
Operating expenses							
Operation and maintenance	12,000,143	4,412	-	-	-	12,004,555	1,512,915
Benefits and claims	-	-	-	-	-	-	4,917
Administration	-	-	-	-	112,853	112,853	-
Depreciation	992,289	-	-	-	-	992,289	-
Total operating expenses	12,992,432	4,412	-	-	112,853	13,109,697	1,517,832
Operating income (loss)	(377,594)	534,336	-	-	88,026	244,768	69,013
Nonoperating revenue (expenses)							
Property taxes	1,677,012	-	-	-	-	1,677,012	-
Contributions from local units	-	-	3,854,517	2,250,784	162,719	6,268,020	-
Contributions to local units	-	-	-	-	(303,684)	(303,684)	-
Federal grants	-	-	-	866,234	-	866,234	-
Interest and rent	159,250	272,341	-	18	8,049	439,658	-
Loss on disposal of capital assets	(110)	-	-	-	-	(110)	-
Amortization of discount and issuance costs	(11,384)	-	-	-	-	(11,384)	-
Interest expense and fiscal charges	(413,236)	-	(13,143)	(44,784)	(166,104)	(637,267)	-
Total non-operating revenue (expenses)	1,411,532	272,341	3,841,374	3,072,252	(299,020)	8,298,479	-
Income (loss) before transfers	1,033,938	806,677	3,841,374	3,072,252	(210,994)	8,543,247	69,013
Transfers							
Transfers in	-	43,165	-	-	-	43,165	-
Transfers out	-	(795,581)	-	-	(7,500)	(803,081)	-
Total transfers	-	(752,416)	-	-	(7,500)	(759,916)	-
Change in net assets	1,033,938	54,261	3,841,374	3,072,252	(218,494)	7,783,331	69,013
Net assets, beginning of year, as restated	9,332,226	5,668,634	-	288,001	425,202	15,714,063	927,080
Net assets, end of year	\$ 10,366,164	\$ 5,722,895	\$ 3,841,374	\$ 3,360,253	\$ 206,708	\$ 23,497,394	\$ 996,093

**TUSCOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Enterprise Funds						Governmental
	Medical	Delinquent Tax	Caro	Denmark	Other	Total	Internal
	Care Facility	Revolving Fund	Sewer System	Sewer System	Enterprise Funds		Service Funds
Cash flows from operating activities							
Cash received from customers	\$ 12,186,636	\$ 185,639	\$ -	\$ -	\$ 121,257	\$ 12,493,532	\$ 2,768,705
Cash payments for interfund services provided	-	(254,924)	-	-	239	(254,685)	-
Cash payments to suppliers for goods and services	(6,545,435)	29,226	-	-	(103,778)	(6,619,987)	(1,583,612)
Cash payments to employees for services	(5,535,640)	-	-	-	-	(5,535,640)	-
Other operating revenue	-	-	-	-	79,622	79,622	-
Net cash provided (used) by operating activities	105,561	(40,059)	-	-	97,340	162,842	1,185,093
Cash flows from noncapital financing activities							
Transfers in	-	43,165	-	-	-	43,165	-
Transfers out	-	(795,581)	-	-	(7,500)	(803,081)	-
Net cash provided (used) by noncapital financing activities	-	(752,416)	-	-	(7,500)	(759,916)	-
Cash flows from capital and related financing activities							
Property taxes	1,677,012	-	-	-	-	1,677,012	-
Proceeds from the sale of capital assets	2,195	-	-	-	-	2,195	-
Federal grants	-	-	-	866,234	-	866,234	-
Contributions from local units	-	-	13,143	67,842	325,470	406,455	-
Issuance of long-term debt	-	-	3,841,374	2,206,000	-	6,047,374	-
Principal paid on long-term debt	(700,000)	-	-	(22,500)	(198,000)	(920,500)	-
Interest paid on long-term debt	(382,267)	-	(13,143)	(44,784)	(130,855)	(571,049)	-
Purchases and construction of capital assets	(282,976)	-	(3,841,372)	(3,072,049)	(223,338)	(7,419,735)	-
Net cash provided (used) by capital and related financing activities	313,964	-	2	743	(226,723)	87,986	-
Cash flows from investing activities							
Purchase of investments	(67,588)	-	-	-	-	(67,588)	-
Interest and rent	159,250	272,341	-	18	8,049	439,658	-
Sale of investments	-	169,096	-	-	-	169,096	-
Net cash provided (used) by investing activities	91,662	441,437	-	18	8,049	541,166	-
Net increase (decrease) in cash and cash equivalents	511,187	(351,038)	2	761	(128,834)	32,078	1,185,093
Cash and cash equivalents, beginning of year	3,047,368	351,038	-	-	344,617	3,743,023	-
Cash and cash equivalents, end of year	\$ 3,558,555	\$ -	\$ 2	\$ 761	\$ 215,783	\$ 3,775,101	\$ 1,185,093
Statement of net assets classification of cash and cash equivalents							
Cash and cash equivalents	\$ 2,307,504	\$ -	\$ 2	\$ 761	\$ 215,783	\$ 2,524,050	\$ 1,185,093
Restricted cash	1,251,051	-	-	-	-	1,251,051	-
	\$ 3,558,555	\$ -	\$ 2	\$ 761	\$ 215,783	\$ 3,775,101	\$ 1,185,093

**TUSCOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2007**

	Enterprise Funds						Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (377,594)	\$ 534,336	\$ -	\$ -	\$ 88,026	\$ 244,768	\$ 69,013
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	992,289	-	-	-	-	992,289	-
Bad debt expense	46,101	-	-	-	-	46,101	-
Changes in assets and liabilities which increase (decrease) cash:							
Receivables	(454,390)	(219,698)	-	-	-	(674,088)	(65,780)
Due from other governments	-	(133,411)	(1,059,307)	150,925	(35,249)	(1,077,042)	-
Due from other funds	-	(341,368)	-	-	239	(341,129)	1,181,860
Accounts payable	(180,712)	33,638	1,047,956	(173,443)	9,075	736,514	-
Accrued and other liabilities	53,679	-	11,351	22,518	35,249	122,797	-
Due to other funds	-	86,444	-	-	-	86,444	-
Unearned revenue	26,188	-	-	-	-	26,188	-
Net cash provided (used) by operating activities	\$ 105,561	\$ (40,059)	\$ -	\$ -	\$ 97,340	\$ 162,842	\$ 1,185,093

Noncash transaction: During the year ended December 31, 2007, the County transferred ownership of the Millington Sewer System to Millington Township.

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

TUSCOLA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2007

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,688,934</u>
Liabilities	
Accrued liabilities	\$ 385,018
Due to other governmental units	356,869
Undistributed receipts	32,015
Undistributed taxes	<u>915,032</u>
Total liabilities	<u>\$ 1,688,934</u>

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of *Tuscola County* (the “County”), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies:

A. REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County and its component units. The component units discussed below are included in the County’s reporting entity because they are entities for which the County is considered to financially accountable.

Blended Component Unit - The Building Authority has been included as part of the County financial statements since the County appoints the five-member governing authority and the Building Authority provides its services entirely to Tuscola County. The purpose of the Building Authority is to finance through tax-exempt bonds the construction of public facilities for use by the County, with the bonds secured by lease agreements with, and serviced through lease payments from, the County.

Discretely Presented Component Units – The following component units are reported separately on the government-wide financial statements to emphasize that they are legally separate from the County.

Tuscola County Road Commission (the “Road Commission”) - The County Board of Commissioners appoints the governing Board of the Road Commission, and the Road Commission deposits money with the County Treasurer. The County has the ability to significantly influence operations of the Road Commission. A complete financial statement can be obtained from the Tuscola County Road Commission, 1733 Mertz Road, Caro, Michigan 48723.

Drain Commission – The Drain Commission is considered a discrete component unit as the nature and significance of the relationship between the primary government and the Commission is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Each of the drainage districts established pursuant to the Drain Code of 1956 are separate legal entities, with the power to contract, to sue and be sued, to hold, manage and dispose of real and personal property, etc. The statutory drainage Board of Chapter 21 drainage districts consists of the State Director of Agriculture and the Drain Commissioner of

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

each county involved in the project. The County Drain Commissioner has sole responsibility to administer the drainage districts established pursuant to Chapters 3, 4 and 8 of the Drain Code. The Drainage Board or Drain Commissioner, on behalf of the drainage districts, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district. A complete financial statement may be obtained from the Tuscola County Drain Commissioner, 440 N. State St., Caro, Michigan 48723.

Other Year Ends

Health Department – The financial statements of the Health Department are prepared on a September 30 fiscal year.

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 the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial 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 revenues.

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

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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 financial statements; the agency funds use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible 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, or within one year for reimbursement – based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *health department fund* accounts for the grant revenues and the related operations of the Tuscola County Health Department.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The government reports the following major proprietary funds:

The *Tuscola County Medical Care Facility fund* accounts for the operations of the Tuscola County Medical Care Facility.

The *Delinquent Tax Revolving fund* accounts for the purchase of delinquent taxes from other local taxing units.

The *Caro Sewer System fund* accounts for the construction of the Caro Sewer System. The construction project is funded with bonds payable.

The *Denmark Sewer System fund* accounts for the construction of the Denmark Township Sewer System. The construction project is funded by loans and grants from the USDA.

Additionally, the County reports the following fund types:

Internal service funds account for the workers compensation, health insurance and retirement services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for assets held for other governments in an agency capacity, including tax collections.

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the delinquent tax revolving and Medical Care Facility enterprise funds are charges to customers for sales and services and interest collected on delinquent taxes. Operating expenses for enterprise funds include the cost of operation and maintenance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

1. DEPOSITS AND INVESTMENTS

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Statutory Authority

- a. Bonds, securities, other obligations and repurchase agreements 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 qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The County's investment policy allows for all of these types of investments.

2. RECEIVABLES AND PAYABLES

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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

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

3. INVENTORIES AND PREPAIDS

Inventories of the Health Department are valued at cost using the first-in / first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventory for the Road Commission is valued at the lower of cost or market. Inventory items are charged to road construction, maintenance, equipment repairs and operations as they are used.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

4. RESTRICTED ASSETS

Restricted assets are assets that have been set aside for future purposes in the Medical Care Facility and Road Commission.

5. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, lighting systems and similar assets that are immovable and of value only to Tuscola County), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

In the Drain Commissioner component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2003.

The Road Commission component unit has capitalized the current year's infrastructure, as required by GASB 34, and has reported the infrastructure in the Statement of Net Assets. The Road Commission will retroactively capitalize the major infrastructure assets acquired on or before December 31, 2003, as permitted by GASB 34.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

Buildings	5-30 years
Equipment	5-10 years
Vehicles	5-10 years
Improvements	5-30 years
Infrastructure	8-50 years

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Depreciation is recorded on the capital assets of the Road Commission Component Unit over the estimated useful lives (ranging from 5 to 50 years) of the assets, using the sum-of-years digits method for road equipment as prescribed by the Uniform Accounting Procedures for Michigan County Road Commissions, which does not vary significantly from the straight-line basis, and straight-line method for all other capital assets.

6. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

7. FUND EQUITY

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary data reflected in the financial statements.

- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Annual Informational Budget Summaries are prepared for Enterprise Funds and Internal Service Funds.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

- The County Controller is authorized to transfer budgeted amounts from one category to another within an activity and between activities within the same fund in an amount up to \$5,000 for all expenditures. Revisions that alter the total expenditures of any fund or total activity within the General Fund must be approved by the Board of Commissioners. The activity level in the General Fund and Special Revenue Funds is the legal level of control.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Internal Service and Enterprise Fund informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (“GAAP”).
- Budget appropriations lapse at year-end.
- The original budget was amended during the year in compliance with local and state laws. The budget to actual expenditures in the financial statements represent the final budgeted expenditures as amended by the County. Supplemental appropriations were necessary during the year.

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had excess of expenditures over appropriations at the legal level of budgetary control:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
GENERAL FUND			
Transfers out:			
Capital improvements	\$ -	\$318,668	\$ 318,668
Health department	282,587	282,588	1
SPECIAL REVENUE FUND			
Health Department			
Health and welfare	2,869,377	3,088,355	218,978

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the basic financial statements to the County's deposits and investments is as follows:

	<u>Carrying Amount</u>
Government-Wide Financial Statement Captions:	
Primary Government:	
Cash and cash equivalents	\$ 6,187,150
Investments	7,070,112
Restricted cash	1,251,051
Restricted investments	2,668,304
Component Units:	
Cash and cash equivalents	755,767
Investments	6,591,535
Restricted cash	1,630,506
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>1,688,934</u>
Total	<u>\$ 27,843,359</u>
Notes to financial statements	
Deposits	\$ 13,071,190
Investments	14,763,580
Cash on hand	<u>8,589</u>
Total	<u>\$ 27,843,359</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Deposits and investments

The County chooses to disclose its investments by specifically identifying each. As of year-end, the County had the following investments.

Investment	Maturity In years	Fair Value	Ratings
Michigan Class Accounts	N/A	\$ 9,358,500	Fitch AAA, V1+
PFIT Money Market	30 day avg	419,134	S&P AAA
Commercial Paper	2	913,543	S&P A1+, Moody P1
Federal Home Loan	>1	3,518,612	S&P AAA, Moody Aaa
Comerica Money Market	N/A	553,791	S&P P1, Moody A1
		<u>\$ 14,763,580</u>	

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note D.1. of the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity dates for each investment are identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in Note D.1. of the summary of significant accounting policies. The County's investment policy does not have specific limits in excess of state law on investment credit. The ratings for each investment are identified above for investments held at year-end.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Custodial Credit Risk – Deposits. Custodial 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 \$13,427,096 of the County’s bank balance of \$14,248,440 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the County does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the County’s funds are not exposed to custodial credit risk since the securities are held in the counterparty’s trust department in the County’s name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note D.1. of the summary of significant accounting policies. The County’s investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the County’s investments are in Michigan Class Accounts, commercial paper and Federal Home Loans. All investments held at year-end are reported above.

B. RECEIVABLES

Receivables in the primary government and component units are as follows:

	Governmental Activities	Business-type Activities	Component Units
Taxes	\$ 3,138,371	\$ 2,172,173	\$ -
Accounts	379,411	1,619,325	1,782,224
Special assessments			
Due within one year	-	-	2,300,000
Due after one year	-	-	9,650,038
Intergovernmental			
Due within one year	542,296	1,753,921	-
Due after one year	880,000	8,508,374	-
Less: allowance for uncollectible accounts	-	(89,744)	-
Total	\$ 4,940,078	\$ 13,964,049	\$ 13,732,262

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

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

	<u>Unavailable</u>	<u>Unearned</u>
Property taxes receivable (General Fund)	\$ 217,516	\$ -
Property taxes receivable (Nonmajor Governmental fund types)	26,996	2,649,510
Grant drawdowns prior to meeting all eligibility Requirements (Health Department)	<u>-</u>	<u>86,346</u>
Total	<u>\$ 244,512</u>	<u>\$ 2,735,856</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2007, was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated:				
Land	\$ 560,646	\$ -	\$ -	\$ 560,646
Capital assets being depreciated:				
Buildings	6,031,860	-	-	6,031,860
Improvements	1,605,347	81,292	-	1,686,639
Equipment	2,733,251	157,179	(26,002)	2,864,428
Vehicles	<u>1,069,744</u>	<u>158,333</u>	<u>(178,862)</u>	<u>1,049,215</u>
Total capital assets being depreciated	<u>11,440,202</u>	<u>396,804</u>	<u>(204,864)</u>	<u>11,632,142</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Less accumulated depreciation				
Buildings	\$(3,003,945)	\$(168,288)	\$ -	\$(3,172,233)
Improvements	(434,438)	(81,566)	-	(516,004)
Equipment	(1,219,483)	(181,920)	13,795	(1,387,609)
Vehicles	(752,062)	(90,635)	178,693	(664,004)
Health Department	<u>(388,828)</u>	<u>(52,816)</u>	<u>12,081</u>	<u>(429,563)</u>
Total accumulated depreciation	<u>(5,798,756)</u>	<u>(575,225)</u>	<u>204,569</u>	<u>(6,169,413)</u>
Total capital assets being depreciated, net	<u>5,641,446</u>	<u>(178,421)</u>	<u>(295)</u>	<u>5,462,729</u>
Governmental activities				
capital assets, net	<u>\$ 6,202,092</u>	<u>\$(178,421)</u>	<u>\$ (295)</u>	<u>\$ 6,023,375</u>

The Health Department is audited by other auditors and in their report provided to us, accumulated depreciation and depreciation expense is not allocated between asset classifications.

Business-type activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ <u>399,772</u>	\$ <u>7,136,759</u>	\$ <u>(335,109)</u>	\$ <u>7,201,422</u>
Capital assets being depreciated:				
Land improvements	\$ 710,726	\$ 7,087	\$ -	717,813
Buildings	9,677,887	142,126	(1,547)	9,818,466
Equipment	<u>6,576,950</u>	<u>133,763</u>	<u>(1,681)</u>	<u>6,709,032</u>
Total capital assets being depreciated	<u>16,965,563</u>	<u>282,976</u>	<u>(3,228)</u>	<u>17,245,311</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Beginning Balance	Additions	Disposals	Ending Balance
Less accumulated depreciation:				
Land improvements	\$ (90,787)	\$ (47,657)	\$ -	\$ (138,444)
Buildings	(1,401,539)	(513,544)	1487	(1,913,596)
Equipment	(957,968)	(431,088)	818	(1,388,238)
Total accumulated Depreciation	(2,450,294)	(992,289)	2,305	(3,440,278)
Total capital assets being depreciated, net	14,515,269	(709,313)	(923)	13,805,033

Business-type activities

capital assets, net	\$ 14,915,041	\$ 6,427,446	\$ (336,032)	\$ 21,006,455
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Judicial	\$ 4,500
General government	127,265
Public safety	304,838
Public works	1,714
Health and welfare	136,908

Total depreciation expense – governmental activities **\$ 575,225**

Business-type activities:

Total depreciation expense – Medical Care Facility **\$ 992,289**

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Discretely presented component units

Activity for the Drain Commission for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ 4,624,317	\$ 2,320,355	\$(6,944,672)	\$ -
Capital assets being depreciated:				
Infrastructure	11,604,912	6,944,672	-	18,549,584
Less accumulated depreciation				
Infrastructure	<u>(925,087)</u>	<u>(273,208)</u>	<u>-</u>	<u>(1,198,295)</u>
Total capital assets being depreciated	<u>10,679,825</u>	<u>6,671,464</u>	<u>-</u>	<u>17,351,289</u>
Drain commission capital assets, net	<u>\$ 15,304,142</u>	<u>\$ 8,991,819</u>	<u>\$(6,944,672)</u>	<u>\$ 17,351,289</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Activity for the Road Commission for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and right of ways	\$ 294,218	\$ -	\$ -	\$ 294,218
Land improvements	<u>25,477,137</u>	<u>2,689,859</u>	<u>-</u>	<u>28,166,996</u>
Total capital assets not being depreciated	<u>25,771,355</u>	<u>2,689,859</u>	<u>-</u>	<u>28,461,214</u>
Capital assets being depreciated:				
Infrastructure	71,990,155	5,346,722	-	77,336,877
Buildings	2,308,183	1,850	(306,383)	2,003,650
Equipment	4,715,093	92,540	(187,981)	4,619,652
Depletable assets	<u>282,717</u>	<u>-</u>	<u>-</u>	<u>282,717</u>
Total capital assets being depreciated	<u>79,296,148</u>	<u>5,441,112</u>	<u>(494,364)</u>	<u>84,242,896</u>
Less accumulated depreciation				
Infrastructure	(33,854,988)	(3,345,742)	-	(37,200,730)
Buildings	(1,222,304)	(5,905)	216,309	(1,011,900)
Equipment	(3,792,589)	(372,146)	143,914	(4,020,821)
Depletable assets	<u>(43,426)</u>	<u>(427)</u>	<u>-</u>	<u>(43,853)</u>
Total accumulated depreciation	<u>(38,913,307)</u>	<u>(3,724,220)</u>	<u>360,223</u>	<u>(42,277,304)</u>
Total capital assets being depreciated, net	<u>40,382,841</u>	<u>1,716,892</u>	<u>(134,141)</u>	<u>41,965,592</u>
Road commission capital assets, net	<u>\$ 66,154,196</u>	<u>\$4,406,751</u>	<u>\$(134,141)</u>	<u>\$ 70,426,806</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To	Due From			Total
	General Fund	Nonmajor Governmental Funds	Combined Revolving Tax Fund	
General Fund	\$ -	\$ 1,483	\$ 795,581	\$ 797,064
Health Department	19,848	-	-	19,848
Nonmajor Governmental Funds	1,495,669	135,468	-	1,631,137
Combined Revolving Tax Fund	1,456,666	-	-	1,456,666
Total	\$ 2,972,183	\$ 136,951	\$ 795,581	\$ 3,904,715

The balance of \$1,175,280 due to the nonmajor governmental funds from the General Fund resulted from negative cash balances in the County's pooled cash account.

The balance of \$1,456,666 due to the Combined Revolving Tax Fund from the General Fund resulted from negative cash balances in the County's pooled cash account.

The balance of \$795,581 due to the General Fund from the Combined Revolving Tax Fund resulted from net income of the Combined Revolving Tax Fund due, but not yet transferred to the General Fund.

The total governmental activities interfund balances exceed the total business-type activities interfund balances by \$19,848. This imbalance is because of the effect of presenting the Tuscola Health Department as of September 30, 2007.

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

Advances to/from component units:

	<u>Receivable</u>	<u>Payable</u>
General	\$ 610,000	\$ -
Drain Commission	-	610,000
Total	\$ 610,000	\$ 610,000

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Transfers from	Transfers to				Total
	General Fund	Health Department	Nonmajor Governmental Funds	Delinquent Tax Revolving Fund	
General	\$ -	\$ 344,814	\$ 1,444,892	\$ -	\$1,789,706
Nonmajor governmental funds	1,074,592	-	7,915	43,165	1,125,672
Delinquent Tax Revolving Fund	795,581	-	-	-	795,581
Nonmajor Enterprise Funds	7,500	-	-	-	7,500
	1,877,673	344,814	1,452,807	43,165	3,718,459
Reconciling item	-	42,657	-	-	42,657
Total	\$1,877,673	\$ 387,471	\$ 1,452,807	\$ 43,165	\$3,761,116

The reconciling item is because of the effect of presenting the Tuscola Health Department as of September 30, 2007.

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 and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

E. LONG-TERM DEBT

Changes in long-term debt

Long-term activity for the year ended December 31, 2007, was as follows:

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Notes Payable	\$ 55,995	\$ -	\$ (26,987)	\$ 29,008	\$ 29,008
Building Authority:					
General obligation bonds:					
Tuscola County Series 1999	1,105,000	-	(100,000)	1,005,000	125,000
Compensated absences	<u>793,912</u>	<u>586,636</u>	<u>(603,976)</u>	<u>776,572</u>	<u>586,636</u>
Governmental activities					
Long-term liabilities	<u>\$ 1,954,907</u>	<u>\$ 586,636</u>	<u>\$ (730,963)</u>	<u>\$ 1,810,580</u>	<u>\$ 740,644</u>
Business-type activities					
General obligation bonds	\$ 10,475,000	\$ -	\$ (700,000)	\$ 9,775,000	\$ 775,000
Less deferred amounts	(102,303)	-	8,525	(93,778)	-
General obligation bonds:					
Mayville Storm Sewer	1,209,000	-	(18,000)	1,191,000	19,000
Millington Sanitary Sewer	90,000	-	(5,000)	85,000	5,000
Richville Water System	740,000	-	(60,000)	680,000	65,000
Caro Area Sewage System	890,000	-	(115,000)	775,000	135,000
Caro Sewer System	-	3,841,374	-	3,841,374	-
USDA loans:					
Denmark Sewer System	<u>-</u>	<u>2,206,000</u>	<u>(22,500)</u>	<u>2,183,500</u>	<u>23,500</u>
Business-type activity					
Long-term liabilities	<u>\$ 13,301,697</u>	<u>\$ 6,047,374</u>	<u>\$ (911,975)</u>	<u>\$ 18,437,096</u>	<u>\$ 1,022,500</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Units:					
Road Commission:					
Compensated absences	\$ 14,736	\$ -	\$ (481)	\$ 14,255	\$ -
Installment purchase agreement	<u>50,000</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>-</u>
Total Road Commission	<u>\$ 64,736</u>	<u>\$ -</u>	<u>\$ (50,481)</u>	<u>\$ 14,255</u>	<u>\$ -</u>
Drain Commission:					
General obligation bonds:					
Moore Drain	\$ 3,395,000	\$ -	\$ (150,000)	\$ 3,245,000	\$ 150,000
Bach and Branches Drain	2,080,000	-	(125,000)	1,955,000	125,000
Alder Creek Drain	900,000	-	(100,000)	800,000	100,000
Constant DuRussel	660,000	-	(165,000)	495,000	165,000
S.O. Drain	55,000	-	(55,000)	-	-
Sucker Creek Drain	125,000	-	(125,000)	-	-
Shebon I/C Drain	38,160	-	(9,540)	28,620	9,540
State and Colling Drain	800,000	-	(175,000)	625,000	200,000
Northwest Drain	4,550,000	-	(350,000)	4,200,000	350,000
Sebewaing River Intercounty Drain	2,200,000	-	(275,000)	1,925,000	275,000
Reese Drain	415,000	-	(25,000)	390,000	25,000
Notes Payable	<u>259,880</u>	<u>324,500</u>	<u>(102,980)</u>	<u>481,400</u>	<u>95,317</u>
Total Drain Commission	<u>\$ 15,478,040</u>	<u>\$ 324,500</u>	<u>\$ (1,657,520)</u>	<u>\$ 14,145,020</u>	<u>\$ 1,494,857</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The County issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. The original amount of general obligation bonds issued in prior years was \$1,240,000 for governmental activities and \$16,887,000 for business-type activities. During the year, the County issued \$6,047,374 in general obligation bonds and notes for business-type activities.

General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. These bonds are generally issued as 5 to 40-year serial bonds with varying amounts of principal maturing each year. General obligation bonds and notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	2.5 – 14.8%	\$ 1,034,008
Business-type activities	7.2 – 8.7%	18,530,874

For the governmental activities, compensated absences are generally liquidated by the general fund.

Annual debt service requirements to maturity for general obligation and notes are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008 \$	154,008	\$ 49,986	\$ 1,022,500	\$ 1,425,820
2009	110,000	42,209	1,374,500	597,107
2010	115,000	36,471	1,436,500	554,785
2011	120,000	30,479	1,538,500	507,827
2012	130,000	24,088	1,540,500	457,134
2013-2017	405,000	30,878	8,095,500	1,448,423
2018-2022	-	-	1,033,874	607,668
2023-2027	-	-	453,000	508,082
2028-2032	-	-	567,000	392,848
2033-2037	-	-	629,500	253,448
2038-2042	-	-	429,500	139,074
2043-2046	-	-	410,000	43,086
Total \$	<u>1,034,008</u>	<u>\$ 214,111</u>	<u>\$ 18,530,874</u>	<u>\$ 6,935,302</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Component Units

Road Commission. During the 2004 fiscal year, the Road Commission entered into an installment purchase agreement for 36.2 acres of land in Watertown Township. This agreement entails annual installments of \$50,000, plus interest at 5.5% annually.

Drain Commission. General obligation drain improvement bonds and notes are issued by the County to finance certain drainage district construction projects. The original amount of general obligation bonds and notes issued in prior years was \$12,377,533. These bonds and notes are direct obligations, and pledge the full faith and credit of the County and the respective drainage districts. The bonds are generally issued as 10 to 20-year serial bonds with varying amounts of principal maturing each year. During the year the Drain Commission issued notes payable in the amount of \$324,500. Long term debt of the Drain Commission will be repaid through special assessments. General obligation bonds and notes currently outstanding are as follows.

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	3.75 – 6.5%	\$ 14,145,020

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,494,857	\$ 551,734
2009	1,494,857	490,522
2010	1,534,857	427,765
2011	1,099,117	371,174
2012	1,104,117	327,454
2013-2017	4,542,215	1,043,066
2018-2022	2,175,000	325,095
2023-2026	700,000	61,272
Total	<u>\$ 14,145,020</u>	<u>\$3,598,082</u>

F. DESIGNATED FUND EQUITY

The County has recorded various designations of net assets in the proprietary funds that reflect management's plans for use of those funds. Since designations are not appropriate for presentation on the face of the applicable statements of net assets, the designations are listed here.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The following are the various net asset designations as of December 31, 2007:

Delinquent Tax Revolving Fund	
Designated for compensated absences	\$ 776,572
Designated for debt service on state police building	1,066,631
Designated for property tax settlements	<u>3,000,000</u>
Total	<u>\$ 4,843,203</u>

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLANS

MERS

Plan Description. The General County, Medical Care Facility, Health Department, and Road Commission defined benefit pension plans provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The County, Medical Care Facility, Health Department, and Road Commission participate in the Municipal Employees Retirement System of Michigan ("MERS"), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Funding Policy. The County, Health Department, and Road Commission are required to contribute at actuarially determined rates; the current rates are 1.38%-13.84% of annual covered payroll. The Medical Care Facility is required to contribute at an actuarially determined rate; however, they were not required to contribute to the plan for the current year. Employees are required to contribute 3.0%-5.0% of their annual covered payroll. The contribution requirements of the County, Medical Care Facility, Health Department, and Road Commission are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the County, Medical Care Facility, Health Department, and Road Commission Boards depending on the MERS contribution program adopted by the appropriate Board.

Annual Pension Cost. For the year ended December 31, 2007, the annual pension cost of \$406,387 for the County, \$127,946 for the Health Department, and \$93,840 for the Road Commission for MERS was equal to the required and actual contributions. The Medical Care Facility had a pension cost of \$625, which was in excess of the required and actual contribution of \$0. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2006, the date of the latest actuarial valuation, was 26 years.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

General County Plan

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/05	\$359,130	100%	\$0
12/31/06	364,181	100	0
12/31/07	406,387	100	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/04	\$17,829,901	\$18,850,858	\$1,020,957	95%	\$5,449,245	19.0%
12/31/05	18,804,202	20,032,289	1,228,087	94	5,674,721	22.0
12/31/06	20,136,041	21,260,458	1,124,417	95	6,022,135	19.0

Medical Care Facility Plan

The Medical Care Facility's annual pension cost and net pension obligation to MERS for the current year were as follows:

Annual required contribution	\$ -
Less: Interest on net pension asset	(14,884)
Plus: Adjustment to annual required contribution	<u>15,509</u>
Annual pension cost	625
Contributions made	<u>-</u>
Decrease in net pension asset	625
Net pension (asset), beginning of year	<u>(186,048)</u>
Net pension (asset), end of year	<u><u>\$ (185,423)</u></u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Asset
12/31/05	\$ 0	100%	\$ 174,624
12/31/06	0	0	186,049
12/31/07	625	0	185,423

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$8,805,851	\$7,481,746	\$(1,324,105)	118%	\$4,491,087	(29.0)%
12/31/05	9,179,884	7,958,259	(1,221,625)	115	4,412,174	(24.0)
12/31/06	9,725,999	8,299,125	(1,426,874)	117	5,971,270	(23.0)

Health Department Plan

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/05	\$102,942	100%	\$0
9/30/06	113,390	100	0
9/30/07	127,946	100	0

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$4,666,152	\$4,958,294	\$ 292,142	94%	\$1,171,612	25%
12/31/05	5,033,724	5,493,348	459,624	92	1,185,815	39
12/31/06	5,488,915	6,009,115	520,000	91	1,376,380	38

Road Commission Plan

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/05	\$108,108	100%	\$0
12/31/06	97,226	100	0
12/31/06	93,840	100	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/04	\$2,105,045	\$3,068,059	\$963,014	68.6%	\$788,509	122.1%
12/31/05	2,195,640	3,187,163	991,523	68.9	678,624	146.1
12/31/06	2,335,396	3,370,443	1,035,047	69.3	747,723	138.4

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Road Commission Massachusetts Mutual Plan

Plan Description. The Road Commission defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Road Commission provides a single-employer plan administered by the Massachusetts Mutual Life Insurance Company (“Massachusetts Mutual Plan”). The Board of County Road Commissioners establishes and amends the benefit provisions of the participants. The Massachusetts Mutual Plan issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Tuscola County Road Commission, 1733 Mertz Road, Caro, Michigan 48723.

Funding Policy. The Road Commission is required to contribute at actuarially determined rates. The current rates are \$.03 per hour for employees and \$.81 per hour for the employer. The contribution requirements of plan members are established and may be amended by the Board of County Road Commissioners.

Annual Pension Cost. For the year ended December 31, 2007, the Road Commission’s annual pension cost of \$13,772 for the Massachusetts Mutual Plan was not equal to the Road Commission’s required contribution of \$50,962. The required contribution was determined as part of the April 1, 2006, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a rate of return on the investment of present and future assets of 5%. The actuarial value of Massachusetts Mutual Plan assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The unfunded actuarial accrued liability at April 1, 2007, is \$451,044.

Three-Year Trend Information

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost (APC)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/05	\$ 45,621	32%	\$ 30,870
12/31/06	43,253	33	28,690
12/31/07	50,962	27	37,190

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
April 1, 2005	\$157,793	\$464,021	\$333,339	34.0%	\$2,487,412	13.4%
April 1, 2006	85,412	502,454	417,042	17.0	2,328,064	17.9
April 1, 2007	53,979	505,023	451,044	10.7	2,315,427	19.5

B. RISK MANAGEMENT

General Liability

Tuscola County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the County carried commercial insurance to cover these risks of loss, unless otherwise disclosed. The County has had no settled claims resulting from these risks that exceed their commercial coverage in the past three years.

Component Units:

Tuscola County Road Commission

The Road Commission joined together with other Road Commissions to form the Michigan County Road Commission Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability insurance. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the Michigan County Road Commission Self-Insurance Pool provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for large claims. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceed commercial insurance coverage in any of the past three fiscal years.

Workers' Compensation Benefits

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The County has established a workers' compensation benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. The primary government, including the Health Department and Medical Care Facility as separate units, participate in the Self-Insurance Plan. The Road Commission has obtained workers' compensation insurance through third party agents. The Plan is administered under contractual agreement with Citizens Management, Inc. as third-party administrator.

Under the re-insurance agreement provided by Citizens Management, Inc., the County is responsible for claims for expenses up to an agreed-upon ceiling, but is insured against further loss by a third-party "stop-loss" policy. In order to provide for the re-insurance, the County pays a separate premium. The stop-loss coverage is currently \$250,000 per occurrence.

The Workers' Compensation Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying claim settlements, administrative fees, and "stop-loss" re-insurance premiums.

Interfund premiums are recognized as expenditures in the contributing funds and interfund revenue is recognized in the Workers' Compensation Insurance Fund as earned.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported ("IBNR"s). Claims liabilities are estimated based on actual claims filed subsequent to year-end. There are outstanding claims at the end of 2007.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2006</u>	<u>2007</u>
Unpaid Claims, beginning of year	\$ -	\$ -
Incurred Claims (including IBNR)	(2,938)	(4,917)
Claims Paid	<u>2,938</u>	<u>4,917</u>
Unpaid Claims	<u>\$ -</u>	<u>\$ -</u>

Employee Health Benefits

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The County has established an employee health benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. The Health Department, Medical Care Facility, and the Road Commission have obtained health insurance through third party agents separate from the rest of the County. The County Plan is administered under contractual agreement with Blue Cross and Blue Shield of Michigan (“BCBSM”) as third-party administrator.

Under the co-insurance agreement provided by Blue Cross and Blue Shield of Michigan, the County is responsible for claims for major medical expenses up to an agreed-upon ceiling, but is insured against further loss by BCBSM. In order to provide for the co-insurance, the County pays a “stop-loss” premium.

Certain benefits (e.g., dental and vision) are not covered by the co-insurance policy. The stop-loss coverage is currently \$15,000 per occurrence. The co-insurance arrangements are renegotiated annually with Blue Cross and Blue Shield of Michigan.

The Health Insurance Fund is responsible for collecting interfund premiums from the participating funds and departments and for paying claim settlements, administrative fees, and “stop-loss” co-insurance premiums.

Interfund premiums are treated as quasi-external transactions, meaning that interfund premiums are recognized as expenditures in the contributing funds and interfund revenue is recognized in the Health Insurance Fund as earned. Retirees also make contributions to the Health Insurance Fund, as do former employees under COBRA.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include a provision for claims that have been incurred but not reported ("IBNR"s). Claims liabilities are estimated based on actual claims filed subsequent to year-end. There are outstanding claims at the end of 2007. The provision for IBNR is based upon historical trends.

Changes in the balance of claim liabilities during the current year and the prior year are as follows:

	<u>2006</u>	<u>2007</u>
Unpaid Claims, beginning of year	\$ 254,780	\$ 254,780
Incurred Claims (including IBNR)	1,519,715	1,485,471
Claims Paid	<u>(1,519,715)</u>	<u>(1,551,251)</u>
Unpaid Claims	<u>\$ 254,780</u>	<u>\$ 189,000</u>

C. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2007 on the taxable valuation of property located in the County as of the preceding December 31. On July or December 1, the property tax attachment is an enforceable lien on property and is payable by the last day of the next September or February, respectively.

Although the County's 2007 ad valorem tax is levied and collectible by December 1, 2007, it is the County's policy for all governmental fund types (with the exception below) to recognize revenues from the current tax levy in the year when the proceeds of the levy are budgeted and made available for financing County operations.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

Beginning with the 2004 tax levy the State has mandated the creation of a Revenue Sharing Reserve fund into which one-third of the County's 2004 to 2006 ad valorem operating tax is being recognized. The purpose of the fund is to accumulate reserves of the County's own local funds from which an amount similar to Revenue Sharing payments, formerly made by the State, will be made back to the General Fund. As part of this process, the County's tax levy shifted over three years from winter to summer. The property tax shift was completed in 2006 and 100% of the general operating taxes were levied July 1 in 2007.

The taxable value of real and personal property for the December 1, 2006, levy totaled \$1,351,878,756. The taxable value of real and personal property for the July 1, 2007, levy totaled \$1,413,750,488. The tax levy for fiscal year 2007 operations was based on the following rates:

General Operating	3.9141 mills
Road Patrol	.8953 mills
Senior Citizens	.1989 mills
Mosquito	.6316 mills
Recycling	.1483 mills
Medical Care Facility Construction Debt	1.0000 mills
Medical Care Facility	.2481 mills

The Road Commission, a discretely presented component unit, tax levy for the fiscal year 2007 operations was as follows:

Primary Road	.9510 mills
Bridge	.4731 mills

By agreement with various taxing authorities, the County purchases at face value the real property taxes receivable returned delinquent each March 1. Subsequent collections on delinquent taxes receivable, plus interest and collection fees thereon and investment earnings, are used to service the tax notes. This activity is accounted for in the Enterprise Fund (Delinquent Tax Revolving Fund).

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

D. RESTATEMENTS

During the year ended December 31, 2007, a prior period adjustment in the amount of \$129,962 was necessary to correct the overstatement of accrued liabilities during the year ended December 31, 2006, in the Workers' Compensation Insurance Internal Service Fund. The effect on the Internal Service Funds' Statement of Net Assets net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$797,118
Prior period adjustment	<u>129,962</u>
Net assets, beginning of year, as restated	<u>\$927,080</u>

The effect on the Governmental Activities' Statement of Net Assets net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$14,702,601
Prior period adjustment	<u>129,962</u>
Net assets, beginning of year, as restated	<u>\$14,832,563</u>

During the year ended December 31, 2007, a prior period adjustment in the amount of \$62,061 was necessary to correct the overstatement of revenues during the year ended December 31, 2006, in the Delinquent Tax Revolving Fund and the understatement of expenses during the year ended December 31, 2006, in the Medical Care Facility Fund. The effect on the Proprietary Funds' and Business-type Activities' Statement of Net Assets net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$15,776,124
Prior period adjustment	<u>(62,061)</u>
Net assets, beginning of year, as restated	<u>\$15,714,063</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

During the year ended December 31, 2007, a prior period adjustment in the amount of \$67,140 was necessary to correct the understatement of expenses during the year ended December 31, 2006, in the Drain Commission Component Unit. The effect on the Drain Commission's Statement of Net Assets net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$19,317,066
Prior period adjustment	<u>(67,140)</u>
Net assets, beginning of year, as restated	<u>\$19,249,926</u>

E. CONTINGENCIES AND PENDING LITIGATION

The County is a defendant in several matters which involve various claims against Tuscola County related to disciplinary proceedings, unfair labor practices and property tax appeals. Outside counsel has advised that the possibility of unfavorable outcomes does exist, but believes that this is not likely. If an unfavorable outcome does occur, legal counsel is currently unable to predict the amount of range of potential loss.

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, County management does not believe such disallowances, if any, will be material to the financial position of the County.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

F. OPERATING LEASES

The County has entered into lease agreements with other governmental entities for buildings owned by the County. The total rent revenue received from these agreements by the County for the fiscal year ended December 31, 2007, was \$46,308. The original cost of the building is \$1,066,371, which has \$675,368 of accumulated depreciation leaving a carrying value of \$391,003 and annual depreciation expense of \$35,546. The future rental payments to be received by the County are as follows:

Fiscal Year	Principal
<u>Ended</u>	
2008	<u>\$ 3,859</u>

The Health Department has entered into an operating lease with the County of Tuscola for office space. The lease provides for monthly payments to the County to partially finance the County Building Authority's debt service requirement on bonds issued to finance construction of the Health Department Building. The original cost of the building is \$1,226,783, which has \$654,284 of accumulated depreciation leaving a carrying value of \$572,499 and annual depreciation expense of \$40,893. The total rental expense under this operating lease for the year ended September 30, 2007, was \$85,676. Lease payments are determined annually by Tuscola County.

During the current fiscal year, the Health Department entered into an operating lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2007, was \$1,896. The future payments due under the lease are as follows:

Fiscal Year	Principal
<u>Ended</u>	
2008	\$ 1,896
2009	1,896
2010	<u>1,422</u>
Total	<u>\$ 5,214</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

The Road Commission has entered into various operating leases for road equipment. The future payments due under these leases are as follows:

<u>Fiscal Year</u> <u>Ended</u>	<u>Principal</u>
2008	\$ 180,905
2009	93,550
2010	25,260
2011	25,260
2012	25,260
2013	16,375
Total	<u>\$ 366,610</u>

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TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
Property taxes	\$ 5,290,000	\$ 5,472,000	\$ 5,456,559	\$ (15,441)
Payment in lieu of taxes	4,100	4,100	2,889	(1,211)
Trailer park taxes	5,000	5,000	4,661	(339)
Total taxes	<u>5,299,100</u>	<u>5,481,100</u>	<u>5,464,109</u>	<u>(16,991)</u>
Licenses and permits				
Marriage licenses	1,900	1,900	1,920	20
Building code licenses	400,000	371,675	371,647	(28)
Dog licenses	110,020	110,020	115,675	5,655
Unified court licenses	11,719	18,619	18,643	24
Other	11,312	11,312	8,019	(3,293)
Total licenses and permits	<u>534,951</u>	<u>513,526</u>	<u>515,904</u>	<u>2,378</u>
Intergovernmental				
Federal				
Co-op reimbursement - prosecutor	50,160	50,160	46,331	(3,829)
Civil defense	24,000	24,000	22,951	(1,049)
Homeland security grant	-	-	25,000	25,000
Marine safety	-	16,000	15,954	(46)
State				
Co-op reimbursement - prosecutor	25,840	25,840	23,867	(1,973)
Marine safety	12,000	12,000	22,407	10,407
SCAAP	750	750	1,657	907
Judges	236,577	236,577	239,424	2,847
Juvenile officer	27,317	27,317	27,317	-
State payment courts	308,000	308,000	295,530	(12,470)
Secondary road patrol	133,446	133,446	130,321	(3,125)
SSI incentive	4,400	4,400	4,200	(200)
Liquor licenses	9,100	9,100	8,616	(484)
Hotel liquor tax	108,594	114,210	114,210	-
DHS building payment	51,500	51,500	60,898	9,398
Bench warrant enforcement	4,000	10,803	10,802	(1)
Cigarette tax	35,000	35,000	28,119	(6,881)
Total intergovernmental - federal/state	<u>1,030,684</u>	<u>1,059,103</u>	<u>1,077,604</u>	<u>18,501</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Charges for services				
District court costs	\$ 340,200	\$ 360,650	\$ 332,861	\$ (27,789)
District court - probation	213,000	227,000	215,695	(11,305)
County clerk costs	135,000	154,880	140,591	(14,289)
Friend of the court costs	34,000	34,000	43,205	9,205
Bond costs	3,500	3,500	3,020	(480)
District court				
Screening assessment	27,000	27,000	26,990	(10)
Probate court	70,700	40,923	39,040	(1,883)
Civil	145,000	140,000	142,905	2,905
Warrant fees	12,000	12,000	12,129	129
Friend of the court	7,000	7,000	6,683	(317)
Child care	11,500	2,673	-	(2,673)
Court	750	750	1,346	596
Searches and motion fees	100	100	-	(100)
Other	1,150	1,150	1,130	(20)
Circuit court				
Court	2,500	3,700	2,910	(790)
Searches and motion fees	12,400	12,400	12,402	2
Jury, entry and forensic fees	20,000	18,884	18,218	(666)
Other	500	1,000	780	(220)
Family division				
Admin fees	-	29,777	30,547	770
Filing fees	-	1,116	1,116	-
Collection fees	-	8,827	8,920	93
County clerk				
Db/co-partnership	8,000	8,000	5,720	(2,280)
Certified	34,000	34,000	34,414	414
Copies	6,050	6,050	7,609	1,559
Other	23,540	23,540	31,414	7,874
Equalization	100	100	192	92
Register of deeds				
Transfer	130,000	110,000	113,959	3,959
Recordings	206,000	183,000	167,067	(15,933)
Copies	50,000	50,000	52,766	2,766
Other	1,000	1,000	852	(148)
County treasurer	95,300	95,300	97,173	1,873
Animal shelter	1,000	1,000	1,210	210
Sheriff	10,020	10,020	11,229	1,209
Jail	254,500	239,000	295,556	56,556
Other	8,600	8,600	9,281	681
Sheriff				
Canteen	3,500	3,500	4,488	988
Auction	7,500	7,500	17,138	9,638
Animal shelter	1,000	1,000	1,760	760
Other	13,500	13,500	21,191	7,691
Film	6,500	6,500	7,324	824
Total charges for services	1,896,410	1,888,940	1,920,831	31,891

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fines and forfeits				
District court				
Bond forfeitures	\$ 12,000	\$ 12,000	\$ 14,072	\$ 2,072
Ordinance fines and warrant fees	50,150	45,150	45,323	173
County treasurer	12,000	12,000	14,055	2,055
Sheriff	800	800	-	(800)
Total fines and forfeits	<u>74,950</u>	<u>69,950</u>	<u>73,450</u>	<u>3,500</u>
Interest and rents				
Interest	160,000	264,000	317,779	53,779
Rentals	94,899	94,899	95,546	647
Total interest and rent	<u>254,899</u>	<u>358,899</u>	<u>413,325</u>	<u>54,426</u>
Other revenue				
Reimbursements and refunds	457,500	523,096	503,117	(19,979)
Total revenues	<u>9,548,494</u>	<u>9,894,614</u>	<u>9,968,340</u>	<u>73,726</u>
Transfers in				
Revolving tax	830,000	830,000	795,581	(34,419)
County retirement	306,059	199,269	-	(199,269)
Tax foreclosure	5,000	7,500	7,500	-
Revenue sharing reserve	1,070,447	1,074,592	1,074,592	-
Total transfers in	<u>2,211,506</u>	<u>2,111,361</u>	<u>1,877,673</u>	<u>(233,688)</u>
Total revenues and other financing sources	<u>\$ 11,760,000</u>	<u>\$ 12,005,975</u>	<u>\$ 11,846,013</u>	<u>\$ (159,962)</u>

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Legislative				
Board of commissioners				
Salaries and fringes	\$ 100,133	\$ 100,133	\$ 89,897	\$ (10,236)
Supplies, printing and postage	3,200	3,200	3,879	679
Memberships and subscription	10,200	10,200	11,137	937
Travel	10,700	10,700	11,649	949
Advertising	500	500	789	289
Telephone	1,800	1,800	1,494	(306)
Employee training	4,549	4,549	4,061	(488)
Total legislative	131,082	131,082	122,906	(8,176)
Judicial				
Circuit court				
Salaries and fringes	694,954	725,334	711,717	(13,617)
Supplies, printing and postage	9,650	9,478	10,124	646
Contracted services	73,420	94,120	105,752	11,632
Court appointed counsel	275,000	275,000	284,737	9,737
Court appointed appeal of right	10,000	27,000	28,035	1,035
Witness fees and travel	5,000	5,500	5,498	(2)
Steno transcript	15,130	6,202	3,017	(3,185)
Steno appeal transcript	9,000	9,000	8,293	(707)
Jury fees, meals and travel	40,000	28,800	23,913	(4,887)
Memberships and subscriptions	2,325	2,257	1,704	(553)
Visiting judge	6,500	10,256	10,202	(54)
Travel	2,500	2,844	3,435	591
Telephone	2,100	2,100	2,134	34
Advertising	200	336	290	(46)
Repairs and maintenance	2,000	2,000	1,002	(998)
Employee training	3,651	3,651	1,394	(2,257)
Books	500	432	399	(33)
Total circuit court	1,151,930	1,204,310	1,201,646	(2,664)
District court				
Salaries and fringes	1,040,959	1,048,540	1,002,369	(46,171)
Supplies, printing and postage	29,388	32,488	31,169	(1,319)
Contracted services	-	-	688	688
Court appointed counsel	98,000	98,000	97,260	(740)
Guardianship service	2,500	2,500	2,041	(459)

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
District court - continued				
Steno transcript	\$ 5,000	\$ 5,000	\$ 2,568	\$ (2,432)
Jury fees, meals and travel	27,500	26,474	24,620	(1,854)
Witness fees and travel	3,500	3,500	2,962	(538)
Memberships and subscriptions	4,264	4,290	4,731	441
Visiting judge	8,500	9,500	8,825	(675)
Travel	4,720	4,720	4,009	(711)
Advertising	250	250	-	(250)
Repairs and maintenance	5,391	5,391	4,415	(976)
Employee training	4,100	4,100	2,257	(1,843)
Books	3,700	3,700	3,621	(79)
Total district court	<u>1,237,772</u>	<u>1,248,453</u>	<u>1,191,535</u>	<u>(56,918)</u>
Jury commission				
Salaries and fringes	1,950	1,950	913	(1,037)
Supplies, printing and postage	3,200	3,200	2,877	(323)
Travel	300	300	182	(118)
Total jury commission	<u>5,450</u>	<u>5,450</u>	<u>3,972</u>	<u>(1,478)</u>
Adult probation				
Supplies, printing and postage	6,000	4,500	4,928	428
Utilities	5,500	5,500	4,329	(1,171)
Lease payments	9,500	15,172	15,914	742
Total adult probation	<u>21,000</u>	<u>25,172</u>	<u>25,171</u>	<u>(1)</u>
Total judicial	<u>2,416,152</u>	<u>2,483,385</u>	<u>2,422,324</u>	<u>(61,061)</u>
General government				
Elections				
Salaries and fringes	400	400	609	209
Supplies, printing and postage	20,000	20,000	3,687	(16,313)
Travel	300	300	196	(104)
Total elections	<u>20,700</u>	<u>20,700</u>	<u>4,492</u>	<u>(16,208)</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Legal	\$ 50,000	\$ 60,550	\$ 60,550	\$ -
County clerk				
Salaries and fringes	352,663	364,412	338,511	(25,901)
Supplies, printing and postage	12,500	12,500	13,035	535
Memberships and subscription	550	550	418	(132)
Employee training	1,600	1,600	1,763	163
Travel	250	250	234	(16)
Total county clerk	367,563	379,312	353,961	(25,351)
Controller				
Salaries and fringes	331,681	336,181	320,466	(15,715)
Supplies, printing and postage	2,900	2,900	4,251	1,351
Memberships and subscription	800	800	785	(15)
Health services	2,000	2,000	1,257	(743)
Travel	300	300	141	(159)
Employee training	2,000	2,000	2,754	754
Total controller	339,681	344,181	329,654	(14,527)
Equalization				
Salaries and fringes	182,071	185,929	177,039	(8,890)
Supplies, printing and postage	1,100	1,262	853	(409)
Memberships and subscription	750	750	825	75
Travel	750	1,182	543	(639)
Employee training	400	400	115	(285)
Total equalization	185,071	189,523	179,375	(10,148)
Prosecuting attorney				
Salaries and fringes	454,931	454,931	431,325	(23,606)
Supplies, printing and postage	8,800	8,800	9,448	648
Contracted services	1,000	1,000	1,141	141
Steno transcript	1,000	1,000	924	(76)
Steno appeal transcript	500	500	-	(500)
Memberships and subscription	3,500	3,500	3,320	(180)
Travel	1,250	1,250	3,120	1,870
Employee training	3,000	3,000	2,947	(53)
Equipment rental	50	50	-	(50)
Books	5,000	5,000	4,835	(165)
Total prosecuting attorney	479,031	479,031	457,060	(21,971)

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Cooperative reimbursement - prosecutor				
Salaries and fringes	\$ 162,074	\$ 162,074	\$ 144,656	\$ (17,418)
Supplies, printing and postage	2,150	2,150	2,245	95
Contracted services	1,000	1,000	909	(91)
Memberships and subscription	100	100	-	(100)
Telephone	800	800	1,155	355
Transcripts	1,600	1,600	11	(1,589)
Employee training	750	750	-	(750)
Total cooperative reimbursement - prosecutor	<u>168,474</u>	<u>168,474</u>	<u>148,976</u>	<u>(19,498)</u>
Register of deeds				
Salaries and fringes	246,177	246,177	229,778	(16,399)
Supplies, printing and postage	5,000	5,000	4,003	(997)
Contracted services	-	-	8,432	8,432
Memberships and subscription	600	600	616	16
Travel	1,200	1,200	1,090	(110)
Employee training	1,000	1,000	802	(198)
Total register of deeds	<u>253,977</u>	<u>253,977</u>	<u>244,721</u>	<u>(9,256)</u>
Treasurer				
Salaries and fringes	303,351	303,351	280,980	(22,371)
Supplies, printing and postage	49,000	49,000	35,069	(13,931)
Memberships and subscription	350	350	337	(13)
Travel	700	700	609	(91)
Employee training	1,500	1,500	430	(1,070)
Total treasurer	<u>354,901</u>	<u>354,901</u>	<u>317,425</u>	<u>(37,476)</u>
Cooperative extension				
Salaries and fringes	-	-	269	269
Supplies, printing and postage	6,300	6,300	6,766	466
Contractual services	92,662	92,662	84,125	(8,537)
Memberships and subscription	550	550	560	10
Travel	6,500	6,500	6,631	131
Repairs and maintenance	1,300	1,300	507	(793)
Employee training	2,000	2,000	1,914	(86)
Books	100	100	60	(40)
Total cooperative extension	<u>109,412</u>	<u>109,412</u>	<u>100,832</u>	<u>(8,580)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Computer operations				
Salaries and fringes	\$ 139,609	\$ 139,609	\$ 133,216	\$ (6,393)
Supplies, printing and postage	9,200	9,200	9,852	652
Memberships and subscription	300	300	199	(101)
Employee training	500	500	1,119	619
Computer service contract	235,300	235,300	222,538	(12,762)
Computer repairs and maintenance	7,500	7,500	7,496	(4)
Computer contractual	6,000	15,000	11,289	(3,711)
Total computer operations	<u>398,409</u>	<u>407,409</u>	<u>385,709</u>	<u>(21,700)</u>
Building and grounds				
Salaries and fringes	295,842	306,552	279,798	(26,754)
Supplies, printing and postage	12,700	12,700	14,633	1,933
Uniforms and accessories	2,900	2,900	2,806	(94)
Gas, oil and grease	8,000	8,000	8,741	741
Janitorial supplies	17,100	17,100	18,062	962
Telephone	65,700	65,700	64,896	(804)
Utilities	246,500	250,299	221,747	(28,552)
Repairs and maintenance	127,000	127,000	104,669	(22,331)
Grounds care and maintenance	6,250	6,250	5,964	(286)
Total building and grounds	<u>781,992</u>	<u>796,501</u>	<u>721,316</u>	<u>(75,185)</u>
Drain commission				
Salaries and fringes	162,746	162,746	154,822	(7,924)
Supplies, printing and postage	6,700	5,105	5,313	208
Memberships and subscription	750	750	711	(39)
Travel	2,900	2,900	2,644	(256)
Employee training	1,500	1,500	1,704	204
Total drain commission	<u>174,596</u>	<u>173,001</u>	<u>165,194</u>	<u>(7,807)</u>
Livestock claims				
Trustee fees	25	25	-	(25)
Dog damages	800	800	-	(800)
Total livestock claims	<u>825</u>	<u>825</u>	<u>-</u>	<u>(825)</u>
Total general government	<u>3,684,632</u>	<u>3,737,797</u>	<u>3,469,265</u>	<u>(268,532)</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public safety				
Courthouse security				
Salaries and fringes	\$ 131,235	\$ 131,235	\$ 123,155	\$ (8,080)
Supplies, printing and postage	400	400	250	(150)
Laundry - employees	420	420	311	(109)
Employee training	800	800	-	(800)
Total courthouse security	<u>132,855</u>	<u>132,855</u>	<u>123,716</u>	<u>(9,139)</u>
Sheriff's department				
Salaries and fringes	1,423,390	1,423,390	1,344,792	(78,598)
Supplies, printing and postage	11,100	11,100	8,166	(2,934)
Food	1,500	1,500	199	(1,301)
Vehicle operating supplies	1,000	1,000	569	(431)
Kitchen supplies	1,000	1,000	984	(16)
Other supplies	500	500	503	3
Clothing and bedding	6,500	6,500	6,497	(3)
Uniforms and accessories	6,000	6,000	4,137	(1,863)
Gas, oil and grease	9,111	9,672	14,014	4,342
Drugs and prescriptions	20,000	20,000	18,061	(1,939)
Janitorial supplies	8,000	8,000	6,732	(1,268)
Contractual services	30,000	183,000	107,174	(75,826)
Memberships and subscription	1,500	1,500	1,657	157
Laundry - employees	6,000	6,000	6,827	827
Laundry - inmates	3,800	3,800	3,154	(646)
Jail	213,136	213,136	229,909	16,773
Health services	55,800	55,800	101,563	45,763
Telephone	24,400	24,400	18,304	(6,096)
Travel	1,200	1,200	951	(249)
Advertising (help bids)	1,000	1,000	977	(23)
Insurance and bonds	4,000	4,000	4,684	684
Repairs and maintenance	7,500	7,500	11,065	3,565
Equipment rental	3,000	3,000	3,059	59
Bench warrant enforcement	3,389	9,631	10,409	778
Investigations	1,000	1,000	813	(187)
Employee training	1,000	1,000	2,167	1,167
Total sheriff's department	<u>1,844,826</u>	<u>2,004,629</u>	<u>1,907,367</u>	<u>(97,262)</u>
Liquor/traffic enforcement	<u>5,000</u>	<u>5,000</u>	<u>4,555</u>	<u>(445)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Marine safety				
Salaries and fringes	\$ 21,110	\$ 21,110	\$ 21,793	\$ 683
Supplies, printing and postage	150	150	8	(142)
Uniforms and accessories	300	300	74	(226)
Gas, oil and grease	2,200	2,200	3,101	901
Equipment maintenance and supplies	750	750	296	(454)
Insurance	2,000	2,000	2,040	40
Repairs and maintenance	1,000	1,000	3	(997)
Rentals	3,050	3,050	3,050	-
Employee training	650	650	24	(626)
Equipment	700	16,700	16,953	253
Total marine safety	<u>31,910</u>	<u>47,910</u>	<u>47,342</u>	<u>(568)</u>
Secondary road patrol				
Salaries and fringes	121,916	121,916	123,851	1,935
Uniforms and accessories	350	350	499	149
Gas, oil and grease	9,400	9,400	7,478	(1,922)
Laundry	515	515	510	(5)
Liability and blanket bond	1,265	1,265	1,108	(157)
Total secondary road patrol	<u>133,446</u>	<u>133,446</u>	<u>133,446</u>	<u>-</u>
Thumb area narcotics group				
Salaries and fringes	<u>27,838</u>	<u>27,951</u>	<u>27,951</u>	<u>-</u>
Planning commission				
Salaries and fringes	2,649	2,649	2,054	(595)
Supplies, printing and postage	2,200	2,200	420	(1,780)
Memberships and subscription	3,630	3,630	270	(3,360)
Travel	1,000	1,000	990	(10)
Total planning commission	<u>9,479</u>	<u>9,479</u>	<u>3,734</u>	<u>(5,745)</u>
Plat board				
Salaries and fringes	<u>656</u>	<u>656</u>	<u>273</u>	<u>(383)</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Emergency services				
Salaries and fringes	\$ 77,923	\$ 77,923	\$ 78,064	\$ 141
Supplies, printing and postage	2,750	2,750	27,350	24,600
Uniforms and accessories	400	400	392	(8)
Gas, oil and grease	1,500	1,500	1,265	(235)
Memberships and subscription	350	350	347	(3)
Telephone	1,270	1,270	998	(272)
Travel	400	400	147	(253)
Vehicle insurance	1,200	1,200	894	(306)
Repairs and maintenance	2,500	2,500	1,956	(544)
Employee training	1,275	1,275	709	(566)
Total emergency services	<u>89,568</u>	<u>89,568</u>	<u>112,122</u>	<u>22,554</u>
Animal shelter				
Contractual services	91,000	117,082	113,337	(3,745)
Supplies, printing and postage	1,000	1,000	1,035	35
Gas, oil and grease	4,500	4,500	8,268	3,768
Telephone	700	700	602	(98)
Dog license and collection fees	500	500	540	40
Total animal shelter	<u>97,700</u>	<u>123,782</u>	<u>123,782</u>	<u>-</u>
Total public safety	<u>2,373,278</u>	<u>2,575,276</u>	<u>2,484,288</u>	<u>(90,988)</u>
Public works				
Building codes				
Salaries and fringes	-	159	188	29
Contractual services	400,000	371,675	371,647	(28)
Travel	-	42	41	(1)
Total building codes	<u>400,000</u>	<u>371,876</u>	<u>371,876</u>	<u>-</u>
Department of public works	<u>3,000</u>	<u>3,000</u>	<u>2,530</u>	<u>(470)</u>
Drains at large	<u>536,460</u>	<u>536,460</u>	<u>536,460</u>	<u>-</u>
Total public works	<u>939,460</u>	<u>911,336</u>	<u>910,866</u>	<u>(470)</u>
Health and welfare				
Substance abuse	<u>54,298</u>	<u>57,105</u>	<u>57,105</u>	<u>-</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2007

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Medical examiner				
Supplies, printing and postage	\$ 2,000	\$ 2,000	\$ 1,688	\$ (312)
Body transport	2,500	2,500	1,591	(909)
Autopsies	18,000	18,000	15,432	(2,568)
Telephone	1,400	1,400	1,344	(56)
Contractual services	13,520	13,520	13,420	(100)
Total medical examiner	37,420	37,420	33,475	(3,945)
Veterans' burial	22,000	22,000	16,520	(5,480)
Economic development	33,000	28,000	28,000	-
Mental health appropriations	288,243	288,243	288,243	-
Cigarette tax	25,710	25,710	19,849	(5,861)
Total health and welfare	460,671	458,478	443,192	(15,286)
Other				
Insurance and bonds	185,000	172,334	151,278	(21,056)
Tax refunds and rebates	-	10,500	10,325	(175)
Appropriations	107,260	7,000	2,740	(4,260)
Audit	28,200	28,200	28,200	-
Accounting services	18,500	18,500	11,190	(7,310)
Total other	338,960	236,534	203,733	(32,801)
Total expenditures	10,344,235	10,533,888	10,056,574	(477,314)
Transfers out				
Capital improvements	-	-	318,668	318,668
Friend of the court	282,970	282,970	282,970	-
Health department	282,587	282,587	282,588	1
Veterans counsel	59,276	62,226	62,226	-
Equipment/capital improvement	157,142	158,737	158,737	-
State survey grant	4,000	4,007	4,007	-
Child care - department of human services	167,000	167,000	167,000	-
Parks and recreation	3,000	6,050	6,050	-
Community corrections	18,790	11,395	10,345	(1,050)
Department of human services	13,000	13,000	13,000	-
Probate child care	410,000	410,000	410,000	-
Entrepreneurship programs	-	48,115	48,115	-
Soldiers' relief	18,000	26,000	26,000	-
Total transfers out	1,415,765	1,472,087	1,789,706	317,619
Total expenditures and other financing uses	<u>\$ 11,760,000</u>	<u>\$ 12,005,975</u>	<u>\$ 11,846,280</u>	<u>\$ (159,695)</u>

NonMajor Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

Road Patrol (207) This fund is used to account for revenues received from a County millage and the County's General Fund. This is the only countywide 24-hour police service.

Parks and Recreation (208) This fund is used to account for the activities to maintain and improve the operations of Vanderbilt Park. The revenue sources of this fund are fees collected for the use of facility and the appropriation from the General Fund.

County Disaster (211) This fund has set aside monies to prepare for a natural or man-made disaster. There are no regular sources of revenues. An appropriation to establish this fund was made from the General Fund.

Local Government Police Contract (213) The revenue source for this fund is generated from the reimbursement from Arbela Township for services provided by the Tuscola County Sheriff Department for a specific number of hours and for the support in enforcing township ordinances.

Friend of the Court, Act 294 (215) This fund was established to provide a separate accounting for the expenditures related to the operations of the Friend of the Court. The revenue sources for this fund are generated by federal and state grants. The County has established a base appropriation to this fund to comply with criteria established to receive maximum reimbursements from the federal and state levels. Fees and Charges established through the court systems also make up revenue used to operate the Friend of the Court at an efficient level.

Family Counseling (216) Marriage license fees collected by the County are proportioned into this fund and represent the only revenue source. Expenditures are ordered by the Judge of the Circuit Court, to provide counseling to families at his discretion.

Dispatch/911 (218) This fund is established to provide emergency 9-1-1 dispatch services to all law enforcement, fire and emergency medical services. The revenue sources are generated from the surcharges on landlines and wireless telephone customers.

Vassar Township Police Contract (225) The revenue for this fund is provided by reimbursement of Vassar Township for services provided by the Tuscola County Sheriff Department in the support of enforcing township ordinances.

SPECIAL REVENUE FUNDS: (continued)

Recycling (230) This fund was established by a grant provided by the State. The revenue source was then established to be an appropriation from the General Fund. Current revenues also include income from the sale of material.

Millington Township Police Contract (232) The revenue for this fund is provided by reimbursement of Millington Township for services provided by the Tuscola County Sheriff Department in the support of enforcing township ordinances.

Building Strong Families (235) The Building Strong Families Fund is a state grant that sets aside monies to educate parents in building stronger families skills.

Victim Services (236) The revenue source for this fund is generated by a State Grant reimbursement. The fund provides services to individuals who are victims of crimes.

Voted Mosquito (240) The revenue source for this fund derives from a county wide millage. The revenue is used to reduce the risk of mosquito-borne diseases in Tuscola County. The goal is also to minimize the nuisance population of mosquitoes whenever possible.

Equipment and Capital Improvement (244) The revenue source for this fund is an appropriation from the General Fund. This fund provides for a separate accounting for all equipment and capital outlay projects.

Entrepreneurship Programs (245) The revenue source for this fund derives from state and local grants and contributions. This fund provides for Sirolli Institute and management board expenditures.

CDBG Housing Grant (250) The revenue source for this fund is a State Housing Grant. The Human Development Commission is contracted by Tuscola County to administer the grant, which provides improvements to homes in the County.

Principal Residence Exemption (251) This fund is used to account for the collection of taxes and interest due from principal residential exemption (homestead) denials.

State Survey Grant (252) State grant funds are received every year and a small appropriation from the General Fund to cover administrative cost makes up the revenue sources for this fund. The revenues are used to replace section corners within the County to improve the process of surveying. Expenditures must meet grant requirements to qualify for reimbursement.

Victim of Crime Act Grant (255) This grant is established to provide services to victims for various reasons. The revenue source is a state grant reimbursement for qualified expenditures.

SPECIAL REVENUE FUNDS: (continued)

Register of Deed Automation (256) This fund is used to account for funds set aside under provisions of Public Act 698 of 2002 (MCL 600.2568). The fund was created for upgrading technology in the Register of Deeds' Office.

Community Corrections Services (264) State of Michigan, Department of Corrections grant program which allows an employee to oversee sentenced inmates of the county jail to work as part of their sentence. They provide community service to non-profit organizations. They also accept contributions that help pay for some expenses.

Local Correction Officer Training (265) The revenue source for this fund is established from Public Act 134 of 2003 as amended in new section MCL 801.4b. This new source of revenue will allow training programs for local correctional officers.

Forfeiture Sheriff/Prosecutor (266) The monies are forfeited from the confiscation of property, cars, and monies that were determined to be used in a criminal act involving drugs. The forfeited monies will be used to fight the war against drugs in Tuscola County.

Law Library (269) The revenue source for this fund is the established penal fine amount of \$6,500. Appropriations from the General Fund also create a revenue source. The Law Books purchased will be located in one central location.

Michigan Justice Training (285) This fund was established to provide training to sworn officers only. The revenue is generated by fees collected by the courts and by the State of Michigan. Agencies are mandated to provide training from the General Fund each year.

Revenue Sharing Reserve (287) Public Act 357 of 2004 provides a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involves a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and additionally, requires the establishment of this fund to be known as the Revenue Sharing Reserve Fund.

Child Care DHS (288) The revenue sources for this fund are State reimbursements, Department of Human Services client payments, and an appropriation from the County's General Fund. The dollars are spent to pay foster care cost for neglected or abused children. The reimbursements to Foster Care Parents are for payments of medical expenses, clothing and other extraordinary items.

Department of Human Services (290) The revenue sources for this fund are generated by the State of Michigan. The General Fund of the County appropriates funds to cover the cost of board administration and adult hospitalization not covered under other programs and guardianships. This agency administers programs providing for economic, social and medical assistance to the disadvantaged residents of Tuscola County.

SPECIAL REVENUE FUNDS: (continued)

Probate Child Care (292) The Probate Court Juvenile Fund provides services to families of youth involved in the Courts. The revenue sources are State reimbursements, charges for services and the County General Fund appropriation.

Soldiers Relief (293) The fund was established to provide services to indigent veterans who may not qualify for Veterans Trust Fund monies. The revenue source for this fund is an appropriation from the County's General Fund.

Veterans Trust (294) The fund provides services to veterans and/or dependents that require assistance with such items as shelter, food, clothing, utility bills, medical care and other expenses. A Veterans Trust Fund Board is established and reviews all claims. The revenue source is State Reimbursement.

Voted Senior Citizens (297) A millage passed by the voters of Tuscola County provides the revenue source for this fund. This fund provides services for the senior citizens of Tuscola County. Examples of some services are flu shots and home delivered and congregated meals.

Employee Vacation and Sick Time (730) This fund was established by the transfer of funds from General Fund for the obligation the County has to pay to employees who qualify for the pay out of vacation and sick time.

DEBT SERVICE FUND:

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

Building Authority Bonds

State Police Post Building (381)

CAPITAL PROJECT FUNDS:

Capital project funds are used to account for the accumulation of resources, often through the issuance of long-term debt, for the purposes of constructing capital assets.

Building Authority

D.H.S. Building Capital Expenditures (469)

State Police Post Building Authority (482)

Capital Improvements Fund_ (483)

State Police Capital Expenditures (470)

PERMANENT FUND:

Non-Expendable Cemetery Trust Fund (711) This fund was established with the deposits from local townships in trust for the maintenance of specific plots within cemeteries in each township. The interest earned is disbursed each year.

**TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Special Revenue Funds	Debt Service Fund - State Police Post Building	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,617,259	\$ 7,915	\$ 290,912	\$ -	\$ 1,916,086
Investments	267,563	-	1,783,137	7,041	2,057,741
Taxes receivable	2,649,510	-	-	-	2,649,510
Taxes receivable - delinquent	26,996	-	-	-	26,996
Accounts receivable	223,926	-	76	-	224,002
Due from other funds	1,304,554	-	326,583	-	1,631,137
Due from state	195,850	-	-	-	195,850
Total assets	\$ 6,285,658	\$ 7,915	\$ 2,400,708	\$ 7,041	\$ 8,701,322
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 118,865	\$ -	\$ -	\$ -	\$ 118,865
Accrued liabilities	116,027	-	-	-	116,027
Due to other governments	36,523	-	-	-	36,523
Due to other funds	129,036	7,915	-	-	136,951
Deposits payable	30,000	-	-	-	30,000
Deferred revenue	2,676,506	-	-	-	2,676,506
Total liabilities	3,106,957	7,915	-	-	3,114,872
Fund balance					
Reserved for cemetery maintenance	-	-	-	6,800	6,800
Reserved for capital projects	-	-	2,400,708	-	2,400,708
Reserved for restricted contributions	16,012	-	-	-	16,012
Unreserved					
Designated for subsequent year's expenditures	1,260,521	-	-	-	1,260,521
Undesignated	1,902,168	-	-	241	1,902,409
Total fund balance	3,178,701	-	2,400,708	7,041	5,586,450
Total liabilities and fund balance	\$ 6,285,658	\$ 7,915	\$ 2,400,708	\$ 7,041	\$ 8,701,322

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007

	Special Revenue Funds	Debt Service Fund - State Police Post Building	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues					
Taxes	\$ 2,486,958	\$ -	\$ -	\$ -	\$ 2,486,958
Intergovernmental					
Federal	766,157	-	-	-	766,157
State	1,049,767	162,134	-	-	1,211,901
Local	417,121	-	-	-	417,121
Charges for services	1,319,261	-	-	-	1,319,261
Fines and forfeits	8,580	-	-	-	8,580
Interest and rent	118,301	-	94,306	361	212,968
Reimbursements and refunds	17,398	-	-	-	17,398
Other	107,143	-	-	-	107,143
Total revenues	6,290,686	162,134	94,306	361	6,547,487
Expenditures					
Current					
Judicial	1,081,589	-	-	-	1,081,589
General government	1,334,161	-	-	-	1,334,161
Public safety	2,532,137	-	-	-	2,532,137
Health and welfare	1,482,178	-	-	-	1,482,178
Culture and recreation	10,819	-	-	354	11,173
Capital outlay	474,213	-	66,408	-	540,621
Debt service - principal	26,987	100,000	-	-	126,987
Debt service - interest	3,803	54,219	-	-	58,022
Total expenditures	6,945,887	154,219	66,408	354	7,166,868
Revenues over (under) expenditures	(655,201)	7,915	27,898	7	(619,381)
Other financing sources (uses)					
Transfer in	1,126,224	-	326,583	-	1,452,807
Transfer out	(1,117,757)	(7,915)	-	-	(1,125,672)
Total other financing sources (uses)	8,467	(7,915)	326,583	-	327,135
Net change in fund balance	(646,734)	-	354,481	7	(292,246)
Fund balance, beginning of year	3,825,435	-	2,046,227	7,034	5,878,696
Fund balance, end of year	\$ 3,178,701	\$ -	\$ 2,400,708	\$ 7,041	\$ 5,586,450

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Road Patrol	Parks and Recreation	County Disaster	Local Government Police Contract
Assets				
Cash and cash equivalents	\$ 102,305	\$ 1	\$ 2,692	\$ -
Investments	94,771	-	-	-
Taxes receivable	1,265,731	-	-	-
Taxes receivable - delinquent	14,816	-	-	-
Accounts receivable	-	-	-	7,155
Due from other funds	-	1,050	-	-
Due from state	-	1,991	-	-
Total assets	\$ 1,477,623	\$ 3,042	\$ 2,692	\$ 7,155
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 6,245	\$ 130	\$ -	\$ 123
Accrued liabilities	38,927	-	-	2,208
Due to other governments	-	-	-	-
Due to other funds	433	2,908	-	4,824
Deposits payable	-	-	-	-
Deferred revenue	1,280,547	-	-	-
Total liabilities	1,326,152	3,038	-	7,155
Fund balance				
Reserved for restricted contributions	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	47,365	-	-	-
Undesignated	104,106	4	2,692	-
Total fund balance	151,471	4	2,692	-
Total liabilities and fund balance	\$ 1,477,623	\$ 3,042	\$ 2,692	\$ 7,155

Friend of the the Court Act 294	Family Counseling	Dispatch/ 911	Vassar Township Police Contract	Recycling	Millington Township Police Contract	Building Strong Families
\$ -	\$ 41,098	\$ -	\$ -	\$ 289,699	\$ -	\$ -
-	-	24,918	-	17,565	-	-
-	-	-	-	209,659	-	-
-	-	71	-	953	-	-
46,484	-	145,649	7,835	-	16,587	-
-	-	-	-	-	-	-
98,448	-	-	-	-	-	4,783
<u>\$ 144,932</u>	<u>\$ 41,098</u>	<u>\$ 170,638</u>	<u>\$ 7,835</u>	<u>\$ 517,876</u>	<u>\$ 16,587</u>	<u>\$ 4,783</u>

\$ 16,909	\$ 768	\$ 752	\$ 403	\$ 1,630	\$ 155	\$ 22
22,196	-	34,567	2,492	3,449	6,142	914
-	-	-	-	-	-	-
29,944	-	19,594	4,940	-	10,290	483
-	-	-	-	-	-	-
-	-	71	-	210,612	-	-
<u>69,049</u>	<u>768</u>	<u>54,984</u>	<u>7,835</u>	<u>215,691</u>	<u>16,587</u>	<u>1,419</u>
-	-	-	-	-	-	-
29,483	-	-	-	-	-	785
46,400	40,330	115,654	-	302,185	-	2,579
<u>75,883</u>	<u>40,330</u>	<u>115,654</u>	<u>-</u>	<u>302,185</u>	<u>-</u>	<u>3,364</u>
<u>\$ 144,932</u>	<u>\$ 41,098</u>	<u>\$ 170,638</u>	<u>\$ 7,835</u>	<u>\$ 517,876</u>	<u>\$ 16,587</u>	<u>\$ 4,783</u>

(Continued)

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Victim Services	Voted Mosquito	Equipment and Capital Improvement
Assets			
Cash and cash equivalents	\$ -	\$ 4,076	\$ 218,294
Investments	-	92,728	-
Taxes receivable	-	892,925	-
Taxes receivable - delinquent	-	8,238	-
Accounts receivable	-	-	-
Due from other funds	-	260,303	-
Due from state	11,515	-	-
Total assets	\$ 11,515	\$ 1,258,270	\$ 218,294
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 1,219	\$ 39	\$ 43,426
Accrued liabilities	-	1,172	-
Due to other governments	-	-	-
Due to other funds	8,913	-	-
Deposits payable	-	-	-
Deferred revenue	-	901,163	-
Total liabilities	10,132	902,374	43,426
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	1,383	-	41,145
Undesignated	-	355,896	133,723
Total fund balance	1,383	355,896	174,868
Total liabilities and fund balance	\$ 11,515	\$ 1,258,270	\$ 218,294

Entrepreneurship Programs	CDBG Housing Grant	Principal Residence Exemption	State Survey Grant	Victim of Crime Act Grant	Register of Deed Automation
\$ 76,202	\$ -	\$ 95,529	\$ -	\$ -	\$ 106,719
-	-	-	-	-	3,676
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	10,665	-
<u>\$ 76,202</u>	<u>\$ -</u>	<u>\$ 95,529</u>	<u>\$ -</u>	<u>\$ 10,665</u>	<u>\$ 110,395</u>
\$ 144	\$ -	\$ -	\$ -	\$ -	\$ 962
-	-	-	-	1,777	375
-	-	-	-	-	-
-	-	-	-	6,875	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,652</u>	<u>1,337</u>
-	-	-	-	-	-
48,105	-	-	-	-	-
27,953	-	95,529	-	2,013	109,058
<u>76,058</u>	<u>-</u>	<u>95,529</u>	<u>-</u>	<u>2,013</u>	<u>109,058</u>
<u>\$ 76,202</u>	<u>\$ -</u>	<u>\$ 95,529</u>	<u>\$ -</u>	<u>\$ 10,665</u>	<u>\$ 110,395</u>

(Continued)

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Community Corrections Services	Local Correction Officer Training	Forfeiture Sheriff / Prosecutor
Assets			
Cash and cash equivalents	\$ -	\$ 39,141	\$ 17,423
Investments	-	-	-
Taxes receivable	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	216	-
Due from other funds	671	-	-
Due from state	7,349	-	-
Total assets	\$ 8,020	\$ 39,357	\$ 17,423
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 4,913	\$ -	\$ -
Accrued liabilities	1,808	-	-
Due to other governments	-	-	-
Due to other funds	1,289	-	-
Deposits payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	8,010	-	-
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	-	-	15,872
Undesignated	10	39,357	1,551
Total fund balance	10	39,357	17,423
Total liabilities and fund balance	\$ 8,020	\$ 39,357	\$ 17,423

Law Library	Michigan Justice Training	Revenue Sharing Reserve	Child Care DHS	Department of Human Services
\$ 13,187	\$ 13,066	\$ -	\$ 7,838	\$ 89,398
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	1,014,042	28,488	-
-	-	-	-	7,803
<u>\$ 13,187</u>	<u>\$ 13,066</u>	<u>\$ 1,014,042</u>	<u>\$ 36,326</u>	<u>\$ 97,201</u>

\$ 448	\$ -	\$ -	\$ -	\$ 848
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	30,000
-	-	-	-	-
<u>448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,848</u>
-	-	-	-	16,012
-	-	1,014,042	12,000	50,341
<u>12,739</u>	<u>13,066</u>	<u>-</u>	<u>24,326</u>	<u>-</u>
<u>12,739</u>	<u>13,066</u>	<u>1,014,042</u>	<u>36,326</u>	<u>66,353</u>
<u>\$ 13,187</u>	<u>\$ 13,066</u>	<u>\$ 1,014,042</u>	<u>\$ 36,326</u>	<u>\$ 97,201</u>

(Continued)

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007

	Probate Child Care	Soldiers Relief	Veterans Trust
Assets			
Cash and cash equivalents	\$ 194,958	\$ 2,074	\$ 528
Investments	-	-	-
Taxes receivable	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Due from state	53,296	-	-
Total assets	\$ 248,254	\$ 2,074	\$ 528
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 23,758	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other governments	36,523	-	-
Due to other funds	28,488	-	-
Deposits payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	88,769	-	-
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	-	-	-
Undesignated	159,485	2,074	528
Total fund balance	159,485	2,074	528
Total liabilities and fund balance	\$ 248,254	\$ 2,074	\$ 528

Voted Senior Citizens	Employee Vacation and Sick Time	Totals
\$ -	\$ 303,031	\$ 1,617,259
33,905	-	267,563
281,195	-	2,649,510
2,918	-	26,996
-	-	223,926
-	-	1,304,554
-	-	195,850
<u>\$ 318,018</u>	<u>\$ 303,031</u>	<u>\$ 6,285,658</u>

\$ 15,971	\$ -	\$ 118,865
-	-	116,027
-	-	36,523
10,055	-	129,036
-	-	30,000
284,113	-	2,676,506
<u>310,139</u>	<u>-</u>	<u>3,106,957</u>
-	-	16,012
-	-	1,260,521
7,879	303,031	1,902,168
<u>7,879</u>	<u>303,031</u>	<u>3,178,701</u>
<u>\$ 318,018</u>	<u>\$ 303,031</u>	<u>\$ 6,285,658</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Road Patrol	Parks and Recreation	County Disaster	Local Government Police Contract
Revenues				
Taxes	\$ 1,187,293	\$ -	\$ -	\$ -
Intergovernmental				
Federal	7,780	-	-	-
State	-	-	-	-
Local	-	-	-	66,583
Charges for services	-	4,751	-	-
Fines and forfeits	-	-	-	-
Interest and rent	12,584	-	-	-
Reimbursements and refunds	4,366	-	-	-
Other	3,819	-	-	-
Total revenues	1,215,842	4,751	-	66,583
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	1,066,403	-	-	66,583
Health and welfare	-	-	-	-
Culture and recreation	-	10,819	-	-
Capital outlay	108,611	-	-	-
Debt service - principal	26,987	-	-	-
Debt service - interest	3,803	-	-	-
Total expenditures	1,205,804	10,819	-	66,583
Revenues over (under) expenditures	10,038	(6,068)	-	-
Other financing sources (uses)				
Transfer in	-	6,050	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	6,050	-	-
Net change in fund balance	10,038	(18)	-	-
Fund balance, beginning of year	141,433	22	2,692	-
Fund balance, end of year	\$ 151,471	\$ 4	\$ 2,692	\$ -

Friend of the the Court Act 294	Family Counseling	Dispatch/ 911	Vassar Township Police Contract	Recycling	Millington Township Police Contract	Building Strong Families
\$ -	\$ -	\$ -	\$ -	\$ 196,573	\$ -	\$ -
496,569	-	-	-	-	-	25,915
203,308	-	125,312	-	-	-	-
-	-	-	69,677	-	138,412	-
76,406	5,580	1,074,476	-	79,472	-	-
-	-	-	-	-	-	-
71	-	1,038	-	11,929	-	-
-	6,245	-	-	-	-	-
11,670	-	22,939	-	908	-	-
788,024	11,825	1,223,765	69,677	288,882	138,412	25,915
1,061,869	14,345	-	-	-	-	-
-	-	-	-	217,144	-	-
-	-	1,004,452	69,677	-	138,412	-
-	-	-	-	-	-	27,371
-	-	-	-	-	-	-
6,220	-	60,494	-	511	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,068,089	14,345	1,064,946	69,677	217,655	138,412	27,371
(280,065)	(2,520)	158,819	-	71,227	-	(1,456)
282,970	-	-	-	-	-	-
-	-	(43,165)	-	-	-	-
282,970	-	(43,165)	-	-	-	-
2,905	(2,520)	115,654	-	71,227	-	(1,456)
72,978	42,850	-	-	230,958	-	4,820
\$ 75,883	\$ 40,330	\$ 115,654	\$ -	\$ 302,185	\$ -	\$ 3,364

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Victim Services	Voted Mosquito	Equipment and Capital Security
Revenues			
Taxes	\$ -	\$ 839,668	\$ -
Intergovernmental			
Federal	-	-	-
State	53,468	-	6,500
Local	-	-	-
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rent	-	17,614	-
Reimbursements and refunds	-	275	3,891
Other	-	-	-
Total revenues	<u>53,468</u>	<u>857,557</u>	<u>10,391</u>
Expenditures			
Current			
Judicial	-	-	-
General government	-	718,714	-
Public safety	53,601	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	61,844	235,094
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total expenditures	<u>53,601</u>	<u>780,558</u>	<u>235,094</u>
Revenues over (under) expenditures	<u>(133)</u>	<u>76,999</u>	<u>(224,703)</u>
Other financing sources (uses)			
Transfer in	-	-	158,737
Transfer out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>158,737</u>
Net change in fund balance	(133)	76,999	(65,966)
Fund balance, beginning of year	<u>1,516</u>	<u>278,897</u>	<u>240,834</u>
Fund balance, end of year	<u>\$ 1,383</u>	<u>\$ 355,896</u>	<u>\$ 174,868</u>

Entrepreneurship Programs	CDBG Housing Grant	Principal Residence Exemption	State Survey Grant	Victim of Crime Act Grant	Register of Deed Automation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	177,048	-	-	58,845	-
30,000	-	-	106,609	-	-
47,375	-	95,074	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
902	-	455	-	-	3,639
-	-	-	-	-	-
6,243	-	-	-	-	61,469
84,520	177,048	95,529	106,609	58,845	65,108
-	-	-	-	-	-
-	177,048	-	110,616	-	28,803
-	-	-	-	59,842	-
56,577	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	1,439
-	-	-	-	-	-
-	-	-	-	-	-
56,577	177,048	-	110,616	59,842	30,242
27,943	-	95,529	(4,007)	(997)	34,866
48,115	-	-	4,007	-	-
-	-	-	-	-	-
48,115	-	-	4,007	-	-
76,058	-	95,529	-	(997)	34,866
-	-	-	-	3,010	74,192
\$ 76,058	\$ -	\$ 95,529	\$ -	\$ 2,013	\$ 109,058

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Community Corrections Services	Local Correction Officer Training	Forfeiture Sheriff / Prosecutor
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal	-	-	-
State	34,373	-	-
Local	-	-	-
Charges for services	2,516	18,438	-
Fines and forfeits	-	-	2,080
Interest and rent	-	-	-
Reimbursements and refunds	-	-	-
Other	-	-	-
Total revenues	36,889	18,438	2,080
Expenditures			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	50,382	15,003	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total expenditures	50,382	15,003	-
Revenues over (under) expenditures	(13,493)	3,435	2,080
Other financing sources (uses)			
Transfer in	10,345	-	-
Transfer out	-	-	-
Total other financing sources (uses)	10,345	-	-
Net change in fund balance	(3,148)	3,435	2,080
Fund balance, beginning of year	3,158	35,922	15,343
Fund balance, end of year	\$ 10	\$ 39,357	\$ 17,423

Law Library	Michigan Justice Training	Revenue Sharing Reserve	Child Care DHS	Department of Human Services
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	7,349	-	149,510	156,259
-	-	-	-	-
-	-	-	32,103	-
6,500	-	-	-	-
-	-	67,121	-	-
-	-	-	-	-
-	-	-	-	-
6,500	7,349	67,121	181,613	156,259
5,375	-	-	-	-
-	-	-	-	-
-	7,782	-	-	-
-	-	-	330,855	165,939
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,375	7,782	-	330,855	165,939
1,125	(433)	67,121	(149,242)	(9,680)
-	-	-	167,000	13,000
-	-	(1,074,592)	-	-
-	-	(1,074,592)	167,000	13,000
1,125	(433)	(1,007,471)	17,758	3,320
11,614	13,499	2,021,513	18,568	63,033
\$ 12,739	\$ 13,066	\$ 1,014,042	\$ 36,326	\$ 66,353

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Probate Child Care	Soldiers Relief	Veterans Trust
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal	-	-	-
State	151,477	-	25,602
Local	-	-	-
Charges for services	25,519	-	-
Fines and forfeits	-	-	-
Interest and rent	-	-	-
Reimbursements and refunds	2,621	-	-
Other	-	95	-
Total revenues	<u>179,617</u>	<u>95</u>	<u>25,602</u>
Expenditures			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	571,659	24,026	26,128
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total expenditures	<u>571,659</u>	<u>24,026</u>	<u>26,128</u>
Revenues over (under) expenditures	<u>(392,042)</u>	<u>(23,931)</u>	<u>(526)</u>
Other financing sources (uses)			
Transfer in	410,000	26,000	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>410,000</u>	<u>26,000</u>	<u>-</u>
Net change in fund balance	17,958	2,069	(526)
Fund balance, beginning of year	<u>141,527</u>	<u>5</u>	<u>1,054</u>
Fund balance, end of year	<u>\$ 159,485</u>	<u>\$ 2,074</u>	<u>\$ 528</u>

Voted Senior Citizens	Employee Vacation and Sick Time	Totals
\$ 263,424	\$ -	\$ 2,486,958
-	-	766,157
-	-	1,049,767
-	-	417,121
-	-	1,319,261
-	-	8,580
2,948	-	118,301
-	-	17,398
-	-	107,143
<u>266,372</u>	<u>-</u>	<u>6,290,686</u>
-	-	1,081,589
-	81,836	1,334,161
-	-	2,532,137
279,623	-	1,482,178
-	-	10,819
-	-	474,213
-	-	26,987
-	-	3,803
<u>279,623</u>	<u>81,836</u>	<u>6,945,887</u>
<u>(13,251)</u>	<u>(81,836)</u>	<u>(655,201)</u>
-	-	1,126,224
-	-	(1,117,757)
-	-	8,467
<u>(13,251)</u>	<u>(81,836)</u>	<u>(646,734)</u>
<u>21,130</u>	<u>384,867</u>	<u>3,825,435</u>
<u>\$ 7,879</u>	<u>\$ 303,031</u>	<u>\$ 3,178,701</u>

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Road Patrol			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ 1,187,293	\$ 1,187,293
Intergovernmental				
Federal	-	-	7,780	7,780
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	4,750	-	(4,750)
Fines and forfeits	-	-	-	-
Interest and rent	-	-	12,584	12,584
Reimbursements and refunds	-	-	4,366	4,366
Other	-	-	3,819	3,819
Total revenues	-	4,750	1,215,842	1,211,092
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	1,066,403	1,066,403
Health and welfare	-	-	-	-
Culture and recreation	3,000	10,820	-	(10,820)
Capital outlay	-	-	108,611	108,611
Debt service - principa	-	-	26,987	26,987
Debt service - interes	-	-	3,803	3,803
Total expenditures	3,000	10,820	1,205,804	1,194,984
Revenues over (under) expenditures	(3,000)	(6,070)	10,038	16,108
Other financing sources (uses)				
Transfer in	3,000	6,050	-	(6,050)
Transfer out	-	-	-	-
Total other financing sources (uses)	3,000	6,050	-	(6,050)
Net change in fund balance	-	(20)	10,038	10,058
Fund balance, beginning of year	141,433	141,433	141,433	-
Fund balance, end of year	\$ 141,433	\$ 141,413	\$ 151,471	\$ 10,058

Parks and Recreation				County Disaster			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,750	4,751	1	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,750	4,751	1	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,000	10,820	10,819	(1)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,000	10,820	10,819	(1)	-	-	-	-
(3,000)	(6,070)	(6,068)	2	-	-	-	-
3,000	6,050	6,050	-	-	-	-	-
-	-	-	-	-	-	-	-
3,000	6,050	6,050	-	-	-	-	-
-	(20)	(18)	2	-	-	-	-
22	22	22	-	2,692	2,692	2,692	-
\$ 22	\$ 2	\$ 4	\$ 2	\$ 2,692	\$ 2,692	\$ 2,692	\$ -

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Local Government Police Contract			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	74,498	74,498	66,583	(7,915)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>74,498</u>	<u>74,498</u>	<u>66,583</u>	<u>(7,915)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	74,498	74,498	66,583	(7,915)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>74,498</u>	<u>74,498</u>	<u>66,583</u>	<u>(7,915)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Friend of the Court Act 294				Family Counseling			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
508,197	529,243	496,569	(32,674)	-	-	-	-
243,822	254,663	203,308	(51,355)	-	-	-	-
-	-	-	-	-	-	-	-
80,000	80,000	76,406	(3,594)	6,500	5,580	5,580	-
-	-	-	-	-	-	-	-
-	-	71	71	-	-	-	-
-	-	-	-	2,000	6,245	6,245	-
8,700	8,700	11,670	2,970	-	-	-	-
<u>840,719</u>	<u>872,606</u>	<u>788,024</u>	<u>(84,582)</u>	<u>8,500</u>	<u>11,825</u>	<u>11,825</u>	<u>-</u>
1,150,033	1,150,938	1,061,869	(89,069)	11,527	14,345	14,345	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,500	5,500	6,220	720	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,155,533</u>	<u>1,156,438</u>	<u>1,068,089</u>	<u>(88,349)</u>	<u>11,527</u>	<u>14,345</u>	<u>14,345</u>	<u>-</u>
<u>(314,814)</u>	<u>(283,832)</u>	<u>(280,065)</u>	<u>3,767</u>	<u>(3,027)</u>	<u>(2,520)</u>	<u>(2,520)</u>	<u>-</u>
282,970	282,970	282,970	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>282,970</u>	<u>282,970</u>	<u>282,970</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(31,844)	(862)	2,905	3,767	(3,027)	(2,520)	(2,520)	-
<u>72,978</u>	<u>72,978</u>	<u>72,978</u>	<u>-</u>	<u>42,850</u>	<u>42,850</u>	<u>42,850</u>	<u>-</u>
<u>\$ 41,134</u>	<u>\$ 72,116</u>	<u>\$ 75,883</u>	<u>\$ 3,767</u>	<u>\$ 39,823</u>	<u>\$ 40,330</u>	<u>\$ 40,330</u>	<u>\$ -</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Dispatch/911			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	7,000	7,000	125,312	118,312
Local	-	-	-	-
Charges for services	976,800	1,110,000	1,074,476	(35,524)
Fines and forfeits	-	-	-	-
Interest and rent	2,500	2,500	1,038	(1,462)
Reimbursements and refunds	-	-	-	-
Other	18,300	18,300	22,939	4,639
Total revenues	1,004,600	1,137,800	1,223,765	85,965
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	1,035,510	1,036,011	1,004,452	(31,559)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	17,000	80,000	60,494	(19,506)
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	1,052,510	1,116,011	1,064,946	(51,065)
Revenues over (under) expenditures	(47,910)	21,789	158,819	137,030
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	(43,165)	(43,165)	-
Total other financing sources (uses)	-	(43,165)	(43,165)	-
Net change in fund balance	(47,910)	(21,376)	115,654	137,030
Fund balance, beginning of year	-	-	-	-
Fund balance (deficit), end of year	<u>\$ (47,910)</u>	<u>\$ (21,376)</u>	<u>\$ 115,654</u>	<u>\$ 137,030</u>

Vassar Township Police Contract				Recycling			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ 197,000	\$ 197,000	\$ 196,573	\$ (427)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
76,101	76,101	69,677	(6,424)	-	-	-	-
-	-	-	-	48,300	48,300	79,472	31,172
-	-	-	-	-	-	-	-
-	-	-	-	3,000	3,000	11,929	8,929
-	-	-	-	-	-	-	-
-	-	-	-	900	900	908	8
<u>76,101</u>	<u>76,101</u>	<u>69,677</u>	<u>(6,424)</u>	<u>249,200</u>	<u>249,200</u>	<u>288,882</u>	<u>39,682</u>
-	-	-	-	-	-	-	-
-	-	-	-	209,259	217,399	217,144	(255)
76,101	76,101	69,677	(6,424)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	21,910	16,410	511	(15,899)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>76,101</u>	<u>76,101</u>	<u>69,677</u>	<u>(6,424)</u>	<u>231,169</u>	<u>233,809</u>	<u>217,655</u>	<u>(16,154)</u>
-	-	-	-	18,031	15,391	71,227	55,836
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	18,031	15,391	71,227	55,836
-	-	-	-	230,958	230,958	230,958	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 248,989</u>	<u>\$ 246,349</u>	<u>\$ 302,185</u>	<u>\$ 55,836</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Millington Township Police Contract			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	148,574	148,574	138,412	(10,162)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>148,574</u>	<u>148,574</u>	<u>138,412</u>	<u>(10,162)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	148,574	148,574	138,412	(10,162)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>148,574</u>	<u>148,574</u>	<u>138,412</u>	<u>(10,162)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Building Strong Families				Victim Services			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
25,000	24,000	25,915	1,915	-	-	-	-
-	-	-	-	55,341	55,341	53,468	(1,873)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>25,000</u>	<u>24,000</u>	<u>25,915</u>	<u>1,915</u>	<u>55,341</u>	<u>55,341</u>	<u>53,468</u>	<u>(1,873)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	55,341	55,341	53,601	(1,740)
29,819	28,819	27,371	(1,448)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>29,819</u>	<u>28,819</u>	<u>27,371</u>	<u>(1,448)</u>	<u>55,341</u>	<u>55,341</u>	<u>53,601</u>	<u>(1,740)</u>
<u>(4,819)</u>	<u>(4,819)</u>	<u>(1,456)</u>	<u>3,363</u>	<u>-</u>	<u>-</u>	<u>(133)</u>	<u>(133)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(4,819)</u>	<u>(4,819)</u>	<u>(1,456)</u>	<u>3,363</u>	<u>-</u>	<u>-</u>	<u>(133)</u>	<u>(133)</u>
<u>4,820</u>	<u>4,820</u>	<u>4,820</u>	<u>-</u>	<u>1,516</u>	<u>1,516</u>	<u>1,516</u>	<u>-</u>
<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 3,364</u>	<u>\$ 3,363</u>	<u>\$ 1,516</u>	<u>\$ 1,516</u>	<u>\$ 1,383</u>	<u>\$ (133)</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Voted Mosquito			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ 840,000	\$ 840,000	\$ 839,668	\$ (332)
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	8,000	8,000	17,614	9,614
Reimbursements and refunds	-	-	275	275
Other	-	-	-	-
Total revenues	<u>848,000</u>	<u>848,000</u>	<u>857,557</u>	<u>9,557</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	718,476	718,476	718,714	238
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	107,550	107,550	61,844	(45,706)
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>826,026</u>	<u>826,026</u>	<u>780,558</u>	<u>(45,468)</u>
Revenues over (under) expenditures	<u>21,974</u>	<u>21,974</u>	<u>76,999</u>	<u>55,025</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	21,974	21,974	76,999	55,025
Fund balance, beginning of year	<u>278,897</u>	<u>278,897</u>	<u>278,897</u>	<u>-</u>
Fund balance, end of year	<u>\$ 300,871</u>	<u>\$ 300,871</u>	<u>\$ 355,896</u>	<u>\$ 55,025</u>

Equipment and Capital Improvement				Entrepreneurship Programs			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
2,500	6,500	6,500	-	-	30,000	30,000	-
-	-	-	-	-	60,045	47,375	(12,670)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	902	902
-	-	3,891	3,891	-	-	-	-
-	-	-	-	-	-	6,243	6,243
<u>2,500</u>	<u>6,500</u>	<u>10,391</u>	<u>3,891</u>	<u>-</u>	<u>90,045</u>	<u>84,520</u>	<u>(5,525)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	59,000	56,577	(2,423)
-	-	-	-	-	-	-	-
280,247	289,338	235,094	(54,244)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>280,247</u>	<u>289,338</u>	<u>235,094</u>	<u>(54,244)</u>	<u>-</u>	<u>59,000</u>	<u>56,577</u>	<u>(2,423)</u>
<u>(277,747)</u>	<u>(282,838)</u>	<u>(224,703)</u>	<u>58,135</u>	<u>-</u>	<u>31,045</u>	<u>27,943</u>	<u>(3,102)</u>
157,142	158,737	158,737	-	-	48,115	48,115	-
-	-	-	-	-	-	-	-
<u>157,142</u>	<u>158,737</u>	<u>158,737</u>	<u>-</u>	<u>-</u>	<u>48,115</u>	<u>48,115</u>	<u>-</u>
(120,605)	(124,101)	(65,966)	58,135	-	79,160	76,058	(3,102)
<u>240,834</u>	<u>240,834</u>	<u>240,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 120,229</u>	<u>\$ 116,733</u>	<u>\$ 174,868</u>	<u>\$ 58,135</u>	<u>\$ -</u>	<u>\$ 79,160</u>	<u>\$ 76,058</u>	<u>\$ (3,102)</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	CDBG Housing Grant			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	125,000	177,048	177,048	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>125,000</u>	<u>177,048</u>	<u>177,048</u>	<u>-</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	125,000	177,048	177,048	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>125,000</u>	<u>177,048</u>	<u>177,048</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Principal Residence Exemption				State Survey Grant			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	106,609	106,609	106,609	-
-	75,000	95,074	20,074	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	150	455	305	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	75,150	95,529	20,379	106,609	106,609	106,609	-
-	-	-	-	-	-	-	-
-	10,000	-	(10,000)	110,609	110,616	110,616	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,000	-	(10,000)	110,609	110,616	110,616	-
-	65,150	95,529	30,379	(4,000)	(4,007)	(4,007)	-
-	-	-	-	4,000	4,007	4,007	-
-	-	-	-	-	-	-	-
-	-	-	-	4,000	4,007	4,007	-
-	65,150	95,529	30,379	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ 65,150	\$ 95,529	\$ 30,379	\$ -	\$ -	\$ -	\$ -

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Victim of Crime Act Grant				Original Budget
	Original Budget	Amended Budget	Actual	Over (Under) Budget	
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental					
Federal	61,670	61,670	58,845	(2,825)	-
State	-	-	-	-	-
Local	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Interest and rent	-	-	-	-	-
Reimbursements and refunds	-	-	-	-	-
Other	-	-	-	-	80,000
Total revenues	<u>61,670</u>	<u>61,670</u>	<u>58,845</u>	<u>(2,825)</u>	<u>80,000</u>
Expenditures					
Current					
Judicial	-	-	-	-	-
General government	-	-	-	-	51,248
Public safety	61,670	61,670	59,842	(1,828)	-
Health and welfare	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Capital outlay	-	-	-	-	22,000
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Total expenditures	<u>61,670</u>	<u>61,670</u>	<u>59,842</u>	<u>(1,828)</u>	<u>73,248</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>(997)</u>	<u>(997)</u>	<u>6,752</u>
Other financing sources (uses)					
Transfer in	-	-	-	-	-
Transfer out	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>(997)</u>	<u>(997)</u>	<u>6,752</u>
Fund balance, beginning of year	<u>3,010</u>	<u>3,010</u>	<u>3,010</u>	<u>-</u>	<u>74,192</u>
Fund balance, end of year	<u>\$ 3,010</u>	<u>\$ 3,010</u>	<u>\$ 2,013</u>	<u>\$ (997)</u>	<u>\$ 80,944</u>

Register of Deed Automation			Community Corrections Services			
Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	31,720	31,720	34,373	2,653
-	-	-	2,000	2,000	2,516	516
-	-	-	-	-	-	-
-	3,639	3,639	-	-	-	-
-	-	-	-	-	-	-
80,000	61,469	(18,531)	-	-	-	-
80,000	65,108	(14,892)	33,720	33,720	36,889	3,169
-	-	-	-	-	-	-
51,248	28,803	(22,445)	-	-	-	-
-	-	-	52,510	50,385	50,382	(3)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
22,000	1,439	(20,561)	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
73,248	30,242	(43,006)	52,510	50,385	50,382	(3)
6,752	34,866	28,114	(18,790)	(16,665)	(13,493)	3,172
-	-	-	18,790	20,290	10,345	(9,945)
-	-	-	-	-	-	-
-	-	-	18,790	20,290	10,345	(9,945)
6,752	34,866	28,114	-	3,625	(3,148)	(6,773)
74,192	74,192	-	3,158	3,158	3,158	-
\$ 80,944	\$ 109,058	\$ 28,114	\$ 3,158	\$ 6,783	\$ 10	\$ (6,773)

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Local Correction Officer Training			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	18,000	18,000	18,438	438
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	18,000	18,000	18,438	438
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	6,000	15,003	15,003	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	6,000	15,003	15,003	-
Revenues over (under) expenditures	12,000	2,997	3,435	438
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	12,000	2,997	3,435	438
Fund balance, beginning of year	35,922	35,922	35,922	-
Fund balance, end of year	<u>\$ 47,922</u>	<u>\$ 38,919</u>	<u>\$ 39,357</u>	<u>\$ 438</u>

Forfeiture Sheriff/Prosecutor				Law Library			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,000	1,000	2,080	1,080	6,500	6,500	6,500	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,000	1,000	2,080	1,080	6,500	6,500	6,500	-
-	-	-	-	6,500	6,500	5,375	(1,125)
-	-	-	-	-	-	-	-
16,255	16,255	-	(16,255)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,255	16,255	-	(16,255)	6,500	6,500	5,375	(1,125)
(15,255)	(15,255)	2,080	17,335	-	-	1,125	1,125
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(15,255)	(15,255)	2,080	17,335	-	-	1,125	1,125
15,343	15,343	15,343	-	11,614	11,614	11,614	-
\$ 88	\$ 88	\$ 17,423	\$ 17,335	\$ 11,614	\$ 11,614	\$ 12,739	\$ 1,125

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Michigan Justice Training			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	7,000	7,000	7,349	349
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>7,000</u>	<u>7,000</u>	<u>7,349</u>	<u>349</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	7,000	9,000	7,782	(1,218)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>7,000</u>	<u>9,000</u>	<u>7,782</u>	<u>(1,218)</u>
Revenues over (under) expenditures	<u>-</u>	<u>(2,000)</u>	<u>(433)</u>	<u>1,567</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(2,000)	(433)	1,567
Fund balance, beginning of year	<u>13,499</u>	<u>13,499</u>	<u>13,499</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,499</u>	<u>\$ 11,499</u>	<u>\$ 13,066</u>	<u>\$ 1,567</u>

Revenue Sharing Reserve				Child Care DHS			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	149,510	149,510
-	-	-	-	-	-	-	-
-	-	-	-	-	-	32,103	32,103
-	-	67,121	67,121	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	67,121	67,121	-	-	181,613	181,613
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	366,000	366,000	330,855	(35,145)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	366,000	366,000	330,855	(35,145)
-	-	67,121	67,121	(366,000)	(366,000)	(149,242)	216,758
-	-	-	-	366,000	366,000	167,000	(199,000)
-	(1,074,592)	(1,074,592)	-	-	-	-	-
-	(1,074,592)	(1,074,592)	-	366,000	366,000	167,000	(199,000)
-	(1,074,592)	(1,007,471)	67,121	-	-	17,758	17,758
2,021,513	2,021,513	2,021,513	-	18,568	18,568	18,568	-
<u>\$ 2,021,513</u>	<u>\$ 946,921</u>	<u>\$ 1,014,042</u>	<u>\$ 67,121</u>	<u>\$ 18,568</u>	<u>\$ 18,568</u>	<u>\$ 36,326</u>	<u>\$ 17,758</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Department of Human Services			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	275,000	275,000	156,259	(118,741)
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>275,000</u>	<u>275,000</u>	<u>156,259</u>	<u>(118,741)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	190,000	190,000	165,939	(24,061)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>190,000</u>	<u>190,000</u>	<u>165,939</u>	<u>(24,061)</u>
Revenues over (under) expenditures	<u>85,000</u>	<u>85,000</u>	<u>(9,680)</u>	<u>(94,680)</u>
Other financing sources (uses)				
Transfer in	13,000	13,000	13,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>13,000</u>	<u>13,000</u>	<u>13,000</u>	<u>-</u>
Net change in fund balance	98,000	98,000	3,320	(94,680)
Fund balance, beginning of year	<u>63,033</u>	<u>63,033</u>	<u>63,033</u>	<u>-</u>
Fund balance, end of year	<u>\$ 161,033</u>	<u>\$ 161,033</u>	<u>\$ 66,353</u>	<u>\$ (94,680)</u>

Probate Child Care				Soldiers Relief			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
240,000	240,000	151,477	(88,523)	-	-	-	-
-	-	-	-	-	-	-	-
45,000	45,000	25,519	(19,481)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,621	2,621	-	-	-	-
-	-	-	-	-	-	95	95
<u>285,000</u>	<u>285,000</u>	<u>179,617</u>	<u>(105,383)</u>	<u>-</u>	<u>-</u>	<u>95</u>	<u>95</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
695,000	695,000	571,659	(123,341)	18,000	26,000	24,026	(1,974)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>695,000</u>	<u>695,000</u>	<u>571,659</u>	<u>(123,341)</u>	<u>18,000</u>	<u>26,000</u>	<u>24,026</u>	<u>(1,974)</u>
<u>(410,000)</u>	<u>(410,000)</u>	<u>(392,042)</u>	<u>17,958</u>	<u>(18,000)</u>	<u>(26,000)</u>	<u>(23,931)</u>	<u>2,069</u>
410,000	410,000	410,000	-	18,000	26,000	26,000	-
-	-	-	-	-	-	-	-
<u>410,000</u>	<u>410,000</u>	<u>410,000</u>	<u>-</u>	<u>18,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
-	-	17,958	17,958	-	-	2,069	2,069
<u>141,527</u>	<u>141,527</u>	<u>141,527</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
<u>\$ 141,527</u>	<u>\$ 141,527</u>	<u>\$ 159,485</u>	<u>\$ 17,958</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 2,074</u>	<u>\$ 2,069</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Veterans Trust			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	17,000	25,602	25,602	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>17,000</u>	<u>25,602</u>	<u>25,602</u>	<u>-</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	17,041	26,129	26,128	(1)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	<u>17,041</u>	<u>26,129</u>	<u>26,128</u>	<u>(1)</u>
Revenues over (under) expenditures	<u>(41)</u>	<u>(527)</u>	<u>(526)</u>	<u>1</u>
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(41)	(527)	(526)	1
Fund balance, beginning of year	<u>1,054</u>	<u>1,054</u>	<u>1,054</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,013</u>	<u>\$ 527</u>	<u>\$ 528</u>	<u>\$ 1</u>

Voted Senior Citizens				Employee Vacation and Sick Time			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ 264,000	\$ 264,000	\$ 263,424	\$ (576)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,000	2,372	2,948	576	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>266,000</u>	<u>266,372</u>	<u>266,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	81,836	81,836
-	-	-	-	-	-	-	-
271,239	279,623	279,623	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>271,239</u>	<u>279,623</u>	<u>279,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>81,836</u>	<u>81,836</u>
(5,239)	(13,251)	(13,251)	-	-	-	(81,836)	(81,836)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(5,239)	(13,251)	(13,251)	-	-	-	(81,836)	(81,836)
21,130	21,130	21,130	-	384,867	384,867	384,867	-
<u>\$ 15,891</u>	<u>\$ 7,879</u>	<u>\$ 7,879</u>	<u>\$ -</u>	<u>\$ 384,867</u>	<u>\$ 384,867</u>	<u>\$ 303,031</u>	<u>\$ (81,836)</u>

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Total			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ 1,301,000	\$ 1,301,000	\$ 2,486,958	\$ 1,185,958
Intergovernmental				
Federal	719,867	791,961	766,157	(25,804)
State	985,992	1,039,435	1,049,767	10,332
Local	299,173	434,218	417,121	(17,097)
Charges for services	1,176,600	1,318,380	1,319,261	881
Fines and forfeits	7,500	7,500	8,580	1,080
Interest and rent	15,500	16,022	118,301	102,279
Reimbursements and refunds	2,000	6,245	17,398	11,153
Other	107,900	107,900	107,143	(757)
Total revenues	4,615,532	5,022,661	6,290,686	1,268,025
Expenditures				
Current				
Judicial	1,168,060	1,171,783	1,081,589	(90,194)
General government	1,214,592	1,284,787	1,334,161	49,374
Public safety	1,533,459	1,542,838	2,532,137	989,299
Health and welfare	1,587,099	1,670,571	1,482,178	(188,393)
Culture and recreation	6,000	21,640	10,819	(10,821)
Capital outlay	454,207	520,798	474,213	(46,585)
Debt service - principal	-	-	26,987	26,987
Debt service - interest	-	-	3,803	3,803
Total expenditures	5,963,417	6,212,417	6,945,887	733,470
Revenues over (under) expenditures	(1,347,885)	(1,189,756)	(655,201)	534,555
Other financing sources (uses)				
Transfer in	1,275,902	1,341,219	1,126,224	(214,995)
Transfer out	-	(1,117,757)	(1,117,757)	-
Total other financing sources (uses)	1,275,902	223,462	8,467	(214,995)
Net change in fund balance	(71,983)	(966,294)	(646,734)	319,560
Fund balance, beginning of year	3,825,435	3,825,435	3,825,435	-
Fund balance, end of year	<u>\$ 3,753,452</u>	<u>\$ 2,859,141</u>	<u>\$ 3,178,701</u>	<u>\$ 319,560</u>

**TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2007**

	D.H.S. Building Capital Expenditures	State Police Post Building Authority	Capital Improvements	State Police Capital Expenditures	Total
Assets					
Cash and cash equivalents	\$ 24,666	\$ 18,805	\$ 116,119	\$ 131,322	\$ 290,912
Investments	47,885	3,676	1,731,576	-	1,783,137
Accounts receivable	76	-	-	-	76
Due from other funds	-	-	318,668	7,915	326,583
Total assets	\$ 72,627	\$ 22,481	\$ 2,166,363	\$ 139,237	\$ 2,400,708
Fund balance					
Reserved for capital projects	\$ 72,627	\$ 22,481	\$ 2,166,363	\$ 139,237	\$ 2,400,708

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2007

	D.H.S. Building Capital Expenditures	State Police Post Building Authority	Capital Improvements	State Police Capital Expenditures	Total
Revenues					
Interest and rent	\$ 2,549	\$ 892	\$ 85,681	\$ 5,184	\$ 94,306
Expenditures					
Capital outlay	-	-	66,408	-	66,408
Revenues over (under) expenditure:	2,549	892	19,273	5,184	27,898
Other financing sources (uses)					
Transfer in	-	-	318,668	7,915	326,583
Net change in fund balance	2,549	892	337,941	13,099	354,481
Fund balance, beginning of year	70,078	21,589	1,828,422	126,138	2,046,227
Fund balance, end of year	\$ 72,627	\$ 22,481	\$ 2,166,363	\$ 139,237	\$ 2,400,708

**TUSCOLA COUNTY
BALANCE SHEET
PERMANENT FUND
DECEMBER 31, 2007**

	<u>Cemetery Trust</u>
Assets	
Investments at fair value	\$ 7,041
Fund balance	
Reserved for cemetery maintenance	6,800
Unreserved	241
Total fund balance	\$ 7,041

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
PERMANENT FUND
YEAR ENDED DECEMBER 31, 2007

	<u>Cemetery Trust</u>
Revenues	
Interest and rents	\$ 361
Expenditures	
Current:	
Culture and recreation	354
Net change in fund balance	7
Fund balance, beginning of year	7,034
Fund balance, end of year	\$ 7,041

NonMajor Enterprise Funds

NONMAJOR ENTERPRISE FUNDS

Caro Sewage Disposal (Refunded) (376) This fund accounts for the accumulation of funds for the payment of interest and principal on the Caro Sewage Disposal (Refunded) Bonds.

Mayville Storm Sewer (379) This fund accounts for the accumulation of funds for the payment of interest and principal on the Mayville Storm Sewer Bonds.

Richville Water System (380) This fund accounts for the accumulation of funds for the payment of interest and principal on the Richville Water System Bonds.

Millington Sewer Construction (484) This fund accounts for the accumulation of funds for the payment of interest and principal on the Millington Sewer Construction Bonds.

Tax Foreclosure (532) This fund account for various fees and related costs related to the new delinquent tax reversion process.

TUSCOLA COUNTY
COMBINING STATEMENT OF NET ASSETS -
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2007

	<u>Caro Sewage Disposal (Refunded)</u>	<u>Mayville Storm Sewer</u>	<u>Richville Water System</u>
Assets			
Current assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Due from other governments	<u>143,605</u>	<u>38,850</u>	<u>70,838</u>
Total current assets	<u>143,605</u>	<u>38,850</u>	<u>70,838</u>
Noncurrent assets			
Due from other governments	<u>640,000</u>	<u>1,172,000</u>	<u>615,000</u>
Total assets	<u>783,605</u>	<u>1,210,850</u>	<u>685,838</u>
Liabilities			
Current liabilities			
Accounts payable	-	-	-
Accrued liabilities	8,605	19,850	5,838
Bonds payable, current	<u>135,000</u>	<u>19,000</u>	<u>65,000</u>
Total current liabilities	143,605	38,850	70,838
Bonds payable, net of current portion	<u>640,000</u>	<u>1,172,000</u>	<u>615,000</u>
Total liabilities	<u>783,605</u>	<u>1,210,850</u>	<u>685,838</u>
Net assets			
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>Millington Sewer System</u>	<u>Tax Foreclosure</u>	<u>Total</u>
\$ -	\$ 215,783	\$ 215,783
5,956	-	259,249
<u>5,956</u>	<u>215,783</u>	<u>475,032</u>
80,000	-	2,507,000
<u>85,956</u>	<u>215,783</u>	<u>2,982,032</u>
-	9,075	9,075
956	-	35,249
5,000	-	224,000
<u>5,956</u>	<u>9,075</u>	<u>268,324</u>
<u>80,000</u>	<u>-</u>	<u>2,507,000</u>
<u>85,956</u>	<u>9,075</u>	<u>2,775,324</u>
<u>\$ -</u>	<u>\$ 206,708</u>	<u>\$ 206,708</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Caro Sewage Disposal (Refunded)	Mayville Storm Sewer	Richville Water System
Operating revenues			
Charges for services	\$ -	\$ -	\$ -
Other	-	-	-
Total operating revenues	-	-	-
Operating expenses			
Administration	-	-	-
Operating income	-	-	-
Nonoperating revenues (expenses)			
Contributions from local units	36,420	80,300	44,153
Contributions to local units	-	-	-
Interest and rent	-	-	-
Interest expense and fiscal charges	(36,420)	(80,300)	(44,153)
Total nonoperating revenues (expenses)	-	-	-
Income (loss) before transfers	-	-	-
Transfers			
Transfers out	-	-	-
Change in net assets	-	-	-
Net assets, beginning of year	-	-	-
Net assets, end of year	\$ -	\$ -	\$ -

<u>Millington Sewer System</u>	<u>Tax Foreclosure</u>	<u>Total</u>
\$ -	\$ 121,257	\$ 121,257
<u>-</u>	<u>79,622</u>	<u>79,622</u>
-	200,879	200,879
<u>-</u>	<u>112,853</u>	<u>112,853</u>
<u>-</u>	<u>88,026</u>	<u>88,026</u>
1,846	-	162,719
(303,684)	-	(303,684)
1,205	6,844	8,049
<u>(5,231)</u>	<u>-</u>	<u>(166,104)</u>
<u>(305,864)</u>	<u>6,844</u>	<u>(299,020)</u>
(305,864)	94,870	(210,994)
<u>-</u>	<u>(7,500)</u>	<u>(7,500)</u>
(305,864)	87,370	(218,494)
<u>305,864</u>	<u>119,338</u>	<u>425,202</u>
<u>\$ -</u>	<u>\$ 206,708</u>	<u>\$ 206,708</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Caro Sewage Disposal (Refunded)	Mayville Storm Sewer	Richville Water System
Cash flows from operating activities:			
Cash received from customers	\$ -	\$ -	\$ -
Cash received for interfund services provided	-	-	-
Cash payments to suppliers	-	-	-
Other operating revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Net cash provided by operating activities	-	-	-
	<hr/>	<hr/>	<hr/>
Cash flows from noncapital financing activities:			
Transfers out	-	-	-
	<hr/>	<hr/>	<hr/>
Cash flows from capital and related financing activities:			
Principal paid on long-term debt	(115,000)	(18,000)	(60,000)
Interest paid on long-term debt	(27,815)	(60,450)	(38,315)
Contributions from local units	142,815	78,450	98,315
Construction of capital assets	-	-	-
	<hr/>	<hr/>	<hr/>
Net cash used in capital and related financing activities	-	-	-
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities:			
Interest and rent	-	-	-
	<hr/>	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<hr/>	<hr/>	<hr/>
Reconciliation of operating income to net cash			
Provided by (used in) operating activities:			
Operating income (loss)	\$ -	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Changes in assets and liabilities:			
Due from other governments	(8,605)	(19,850)	(5,838)
Due from other funds	-	-	-
Accounts payable	-	-	-
Accrued liabilities	8,605	19,850	5,838
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	<hr/>	<hr/>	<hr/>

Noncash transaction: During the year ended December 31, 2007, the County transferred ownership of the Millington Sewer System to Millington Township.

Millington Sewer System	Tax Foreclosure	Total
\$ -	\$ 121,257	\$ 121,257
-	239	239
-	(103,778)	(103,778)
-	79,622	79,622
-	97,340	97,340
-	(7,500)	(7,500)
(5,000)	-	(198,000)
(4,275)	-	(130,855)
5,890	-	325,470
(223,338)	-	(223,338)
(226,723)	-	(226,723)
1,205	6,844	8,049
(225,518)	96,684	(128,834)
225,518	119,099	344,617
<u>\$ -</u>	<u>\$ 215,783</u>	<u>\$ 215,783</u>
\$ -	\$ 88,026	\$ 88,026
(956)	-	(35,249)
-	239	239
-	9,075	9,075
956	-	35,249
<u>\$ -</u>	<u>\$ 97,340</u>	<u>\$ 97,340</u>

Internal Service Funds

INTERNAL SERVICE FUNDS

Workers' Compensation Insurance (677) The various funds of the County make a transfer to this fund that sets aside monies to apply against premiums and claims for employees who qualify for this benefit. The County General Fund also makes an appropriation to this fund.

County Retirement (286) This fund sets aside monies to pay the portion of the County's obligations for employee's retirement. Various funds transfer the appropriate level of obligation to this fund.

Health Insurance (678) This fund sets aside monies to pay the insurance premiums. Various funds transfer the appropriate level of obligation to this fund when payments are made.

TUSCOLA COUNTY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2007

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 502,130	\$ 325,394	\$ 357,569	\$ 1,185,093
Liabilities				
Current liabilities				
Accrued liabilities	-	-	189,000	189,000
Net assets				
Unrestricted	<u>\$ 502,130</u>	<u>\$ 325,394</u>	<u>\$ 168,569</u>	<u>\$ 996,093</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Operating revenues				
Charges for services	\$ 35,494	\$ -	\$ 1,551,351	\$ 1,586,845
Operating expenses				
Insurance costs	27,431	-	1,485,484	1,512,915
Settlements and claims	4,917	-	-	4,917
Total operating expenses	32,348	-	1,485,484	1,517,832
Change in net assets	3,146	-	65,867	69,013
Net assets, beginning of year, as restated	498,984	325,394	102,702	927,080
Net assets, end of year	\$ 502,130	\$ 325,394	\$ 168,569	\$ 996,093

TUSCOLA COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2007

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Cash flows from operating activities				
Cash received from interfund services provided	\$ 534,478	\$ 325,394	\$ 1,908,833	\$ 2,768,705
Cash payments to suppliers for goods and services	(32,348)	-	(1,551,264)	(1,583,612)
Net cash provided (used) by operating activities	<u>502,130</u>	<u>325,394</u>	<u>357,569</u>	<u>1,185,093</u>
Net (decrease) in cash and cash equivalents	502,130	325,394	357,569	1,185,093
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ 502,130</u>	<u>\$ 325,394</u>	<u>\$ 357,569</u>	<u>\$ 1,185,093</u>
Reconciliation of operating income (loss) to net cash				
Provided (used) by operating activities:				
Operating income (loss)	\$ 3,146	\$ -	\$ 65,867	\$ 69,013
Adjustments to reconcile operating income (loss)				
to net cash provided (used) by operating activities:				
Changes in assets and liabilities which				
Increase (decrease) cash:				
Due from other funds	498,984	325,394	357,482	1,181,860
Accrued liabilities	-	-	(65,780)	(65,780)
Net cash provided (used) by operating activities	<u>\$ 502,130</u>	<u>\$ 325,394</u>	<u>\$ 357,569</u>	<u>\$ 1,185,093</u>

Fiduciary Funds

FIDUCIARY FUNDS

Trust and Agency (701) This fund sets aside monies to be distributed to other units of government. State monies collected are deposited and withdrawn from this fund.

Library Penal Fines (721) The deposit of penal fines collected by the courts are held in this fund and disbursed on a quarterly basis to Libraries in the County. The Law Library of the County also received an annual amount from these collections.

**TUSCOLA COUNTY
FIDUCIARY FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2007**

	Agency Funds		Total
	Trust and Agency	Library Penal Fines	
Assets			
Cash and cash equivalents	\$ 1,660,459	\$ 28,475	\$ 1,688,934
Liabilities			
Accrued liabilities	\$ 385,018	\$ -	\$ 385,018
Due to other governmental units	356,869	-	356,869
Undistributed receipts	3,540	28,475	32,015
Undistributed taxes	915,032	-	915,032
Total liabilities	\$ 1,660,459	\$ 28,475	\$ 1,688,934

TUSCOLA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2007

Trust and Agency	Balance January 1, 2007	Additions	Deductions	Balance December 31, 2007
Assets				
Cash and cash equivalents	\$ 2,549,440	\$ 21,731,250	\$ 22,620,231	\$ 1,660,459
Liabilities				
Accounts payable	\$ -	\$ 11,446,944	\$ 11,446,944	-
Accrued liabilities	1,072,336	2,689,772	3,377,090	385,018
Due to other governmental units	377,832	9,867,383	9,888,346	356,869
Undistributed receipts	216	3,324	-	3,540
Undistributed taxes	1,099,056	10,253,923	10,437,947	915,032
Total liabilities	\$ 2,549,440	\$ 34,261,346	\$ 35,150,327	\$ 1,660,459
Library Penal Fines				
Assets				
Cash and cash equivalents	\$ 39,004	\$ 398,568	\$ 409,097	\$ 28,475
Liabilities				
Undistributed receipts	\$ 39,004	\$ 399,860	\$ 410,389	\$ 28,475
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 2,588,444	\$ 22,129,818	\$ 23,029,328	\$ 1,688,934
Liabilities				
Accounts payable	\$ -	\$ 11,446,944	\$ 11,446,944	\$ -
Accrued liabilities	1,072,336	2,689,772	3,377,090	385,018
Due to other governmental units	377,832	9,867,383	9,888,346	356,869
Undistributed receipts	39,220	403,184	410,389	32,015
Undistributed tax collections	1,099,056	10,253,923	10,437,947	915,032
Total liabilities	\$ 2,588,444	\$ 34,661,206	\$ 35,560,716	\$ 1,688,934

Component Unit

TUSCOLA COUNTY
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET
DECEMBER 31, 2007

	Governmental Fund Types		
	Debt Service	Capital Project	Revolving Drain
Assets			
Cash and cash equivalents	\$ 13,955	\$ 321,460	\$ 394,579
Investments	2,709,909	3,881,626	-
Special assessments receivable	11,446,759	503,279	-
Interest receivable	2,283	-	-
Due from other component units	-	-	215,423
Capital assets, net	-	-	-
Total assets	\$ 14,172,906	\$ 4,706,365	\$ 610,002
Liabilities			
Accounts payable	-	350,955	2
Due to other component units	-	215,423	-
Deferred revenue	11,446,759	503,279	-
Drain bonds payable	-	-	-
Drain notes payable	-	-	-
Advance from primary government	-	-	610,000
Total liabilities	11,446,759	1,069,657	610,002
Fund equity			
Fund balance			
Reserved for debt service	2,726,147	-	-
Reserved for drain projects	-	3,636,708	-
Total fund equity	2,726,147	3,636,708	-
Total liabilities and fund equity	\$ 14,172,906	\$ 4,706,365	\$ 610,002

Net assets:
Invested in capital assets,
net of related debt
Restricted for:
 Debt service
 Acquisition/construction of
 capital assets
Unrestricted

Total net assets

Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 729,994	\$ -	\$ 729,994
6,591,535	-	6,591,535
11,950,038	-	11,950,038
2,283	-	2,283
215,423	(215,423)	-
-	17,351,289	17,351,289
<u>\$ 19,489,273</u>	<u>17,135,866</u>	<u>36,625,139</u>

350,957	-	350,957
215,423	(215,423)	-
11,950,038	(11,950,038)	-
-	13,663,620	13,663,620
-	481,400	481,400
610,000	-	610,000
<u>13,126,418</u>	<u>1,979,559</u>	<u>15,105,977</u>

2,726,147	(2,726,147)	-
3,636,708	(3,636,708)	-
<u>6,362,855</u>	<u>(6,362,855)</u>	<u>-</u>
<u>\$ 19,489,273</u>		

	3,206,269	3,206,269
	2,726,147	2,726,147
	3,636,708	3,636,708
	11,950,038	11,950,038
<u>\$ 21,519,162</u>	<u>\$ 21,519,162</u>	

TUSCOLA COUNTY
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2007

	Debt Service	Capital Project	Total Governmental Funds	Adjustments	Statement of Activities
Revenues					
Taxes	\$ 2,138,233	\$ 166,180	\$ 2,304,413	\$ 294,971	\$ 2,599,384
Federal	-	375,168	375,168	-	375,168
Local	-	189,542	189,542	-	189,542
Interest and rents	142,139	241,581	383,720	-	383,720
Total revenue	2,280,372	972,471	3,252,843	294,971	3,547,814
Expenditures / expenses					
Capital outlay	-	2,687,531	2,687,531	(2,320,355)	367,176
Depreciation	-	-	-	273,208	273,208
Debt service					
Principal	1,554,540	102,980	1,657,520	(1,657,520)	-
Interest and charges	625,694	12,500	638,194	-	638,194
Total expenditures / expenses	2,180,234	2,803,011	4,983,245	(3,704,667)	1,278,578
Revenues over (under) expenditures	100,138	(1,830,540)	(1,730,402)	3,999,638	2,269,236
Other financing sources (uses)					
Issuance of debt	-	324,500	324,500	(324,500)	-
Transfers in	-	363,834	363,834	(363,834)	-
Transfers out	-	(363,834)	(363,834)	363,834	-
Total other financing sources (uses)	-	324,500	324,500	(324,500)	-
Net change in fund balance	100,138	(1,506,040)	(1,405,902)	1,405,902	-
Change in net assets	-	-	-	2,269,236	2,269,236
Fund balance / net assets, beginning of year, as restated	2,626,009	5,142,748	7,768,757	11,481,169	19,249,926
Fund balance / net assets, end of year	\$ 2,726,147	\$ 3,636,708	\$ 6,362,855	\$ 15,156,307	\$ 21,519,162

III. STATISTICAL SECTION

This section of Tuscola County’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the county’s overall financial health.

<u>Contents</u>	<u>Pages</u>
Financial Trends These schedules contain trend information to help the reader understand how the county’s financial performance and well-being have changed over time.	117-121
Revenue Capacity These schedules contain information to help the reader assess the county’s most significant local revenue source, the property tax.	122-125
Debt Capacity These schedules present information to help the reader assess the affordability of the county’s current levels of outstanding debt and the county’s ability to issue additional debt in the future.	126-129
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the county’s financial activities take place.	130-131
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the county’s financial report relates to the services the county provides and the activities it performs.	132-134

Financial Trends

Tuscola County
 Net Assets by Component,
 Last Five Fiscal Years (1)
(accrual basis of accounting)

Table 1

	<u>Fiscal Year</u>				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 6,772,818	\$ 4,565,125	\$ 4,790,205	\$ 5,041,097	\$ 4,989,367
Restricted	1,811,720	1,851,900	1,829,746	2,059,273	2,415,673
Unrestricted	<u>3,506,770</u>	<u>6,613,224</u>	<u>7,145,675</u>	<u>7,602,231</u>	<u>7,242,269</u>
Total governmental activities net assets	<u>\$ 12,091,308</u>	<u>\$ 13,030,249</u>	<u>\$ 13,765,626</u>	<u>\$ 14,702,601</u>	<u>\$ 14,647,309</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,073,120	\$ 2,215,771	\$ 4,128,673	\$ 4,074,228	\$ 4,030,033
Restricted	-	4,216,791	1,871,357	931,338	1,241,842
Unrestricted	<u>9,499,129</u>	<u>6,486,152</u>	<u>7,531,928</u>	<u>10,770,558</u>	<u>18,225,519</u>
Total business-type activities net assets	<u>\$ 10,572,249</u>	<u>\$ 12,918,714</u>	<u>\$ 13,531,958</u>	<u>\$ 15,776,124</u>	<u>\$ 23,497,394</u>
Primary government					
Invested in capital assets, net of related debt	\$ 7,845,938	\$ 6,780,896	\$ 8,918,878	\$ 9,115,325	\$ 9,019,400
Restricted	1,811,720	6,068,691	3,701,103	2,990,611	3,657,515
Unrestricted	<u>13,005,899</u>	<u>13,099,376</u>	<u>14,677,603</u>	<u>18,372,789</u>	<u>25,467,788</u>
Total primary government net assets	<u>\$ 22,663,557</u>	<u>\$ 25,948,963</u>	<u>\$ 27,297,584</u>	<u>\$ 30,478,725</u>	<u>\$ 38,144,703</u>

(1) Tuscola County implemented GASB Statement No. 34 for year ended December 31, 2003.
 Accordingly, data prior to 2003 is not available.

Tuscola County
 Changes in Net Assets,
 Last Five Fiscal Years (1)
(accrual basis of accounting)

Table 2

	Fiscal Year				
	<u>2003</u>	<u>2004 (2)</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
Legislative	\$ 104,985	\$ 107,275	\$ 117,986	\$ 119,534	\$ 121,633
Judicial	3,293,066	3,373,694	3,236,683	3,403,161	3,376,451
General government	4,621,668	4,905,058	5,300,418	5,026,156	5,194,811
Public safety	4,713,775	4,927,107	5,016,821	5,040,173	5,182,899
Public works	1,185,845	1,141,879	1,064,344	912,869	913,182
Health and welfare	4,478,759	4,425,578	4,658,677	4,811,305	5,159,902
Culture and recreation	1,841	1,938	2,480	3,344	11,173
Interest on debt	<u>552,866</u>	<u>245,467</u>	<u>87,755</u>	<u>69,229</u>	<u>75,153</u>
Total governmental activities expenses	<u>18,952,805</u>	<u>19,127,996</u>	<u>19,485,164</u>	<u>19,385,771</u>	<u>20,035,204</u>
Business-type activities:					
Medical care facility	685,209	8,404,754	10,086,430	12,315,825	13,417,162
Delinquent property tax	195	42	28	366	4,412
Water/sewage systems	-	-	139,455	146,134	527,715
Tax foreclosure	-	-	<u>37,239</u>	<u>115,871</u>	<u>112,853</u>
Total business-type activities expenses	<u>685,404</u>	<u>8,404,796</u>	<u>10,263,152</u>	<u>12,578,196</u>	<u>14,062,142</u>
Total primary government expenses	<u>\$ 19,638,209</u>	<u>\$ 27,532,792</u>	<u>\$ 29,748,316</u>	<u>\$ 31,963,967</u>	<u>\$ 34,097,346</u>
Program Revenues					
Governmental activities:					
Charges for services					
Judicial	\$ 1,526,620	\$ 1,405,760	\$ 1,371,148	\$ 1,456,367	\$ 1,359,716
General government	1,049,878	990,730	964,670	899,733	859,655
Public safety	1,724,028	1,696,680	1,627,690	1,658,525	1,855,330
Public works	667,445	601,692	544,889	467,382	396,643
Health and welfare	713,741	812,629	821,370	795,485	896,500
Culture and recreation	-	180	189	199	4,751
Operating grants and contributions					
Judicial	968,744	1,085,773	1,126,102	1,062,160	1,059,074
General government	258,637	210,767	530,629	202,550	345,126
Public Safety	886,098	875,956	1,050,512	938,694	750,387
Health and welfare	2,261,330	2,257,454	2,277,666	2,297,058	2,580,301
Capital grants and contributions	<u>570,969</u>	<u>374,660</u>	<u>182,980</u>	<u>185,615</u>	<u>142,617</u>
Total governmental activities program revenues	<u>10,627,490</u>	<u>10,312,281</u>	<u>10,497,845</u>	<u>9,963,768</u>	<u>10,250,100</u>
Business-type activities:					
Charges for services					
Medical Care Facility	215,621	7,561,350	8,464,985	11,938,841	12,386,663
Delinquent Tax	547,209	545,697	541,475	542,980	538,748
Water/Sewer Systems	-	-	300,000	288,001	14,099
Tax Foreclosure	-	-	61,896	116,396	121,257
Operating grants and contributions	-	212,476	-	-	-
Capital grants and contributions	-	-	<u>139,455</u>	<u>146,134</u>	<u>7,120,155</u>
Total business-type activities program revenues	<u>762,830</u>	<u>8,319,523</u>	<u>9,507,811</u>	<u>13,032,352</u>	<u>20,180,922</u>
Total primary government program revenues	<u>\$ 11,390,320</u>	<u>\$ 18,631,804</u>	<u>\$ 20,005,656</u>	<u>\$ 22,996,120</u>	<u>\$ 30,431,022</u>
Net (Expenses)/Revenue					
Governmental activities	\$ (8,325,315)	\$ (8,815,715)	\$ (8,987,319)	\$ (9,422,003)	\$ (9,785,104)
Business-type activities	<u>77,426</u>	<u>(85,273)</u>	<u>(755,341)</u>	<u>454,156</u>	<u>6,118,780</u>
Total primary government net expense	<u>\$ (8,247,889)</u>	<u>\$ (8,900,988)</u>	<u>\$ (9,742,660)</u>	<u>\$ (8,967,847)</u>	<u>\$ (3,666,324)</u>

(1) Tuscola County implemented GASB Statement No. 34 for year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

(2) Business-type activities has a substantial increase due to the Medical Care Facility expansion.

Tuscola County
 Changes in Net Assets,
 Last Five Fiscal Years (1)
(accrual basis of accounting)

Table 2

	Fiscal Year				
	<u>2003</u>	<u>2004 (2)</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 6,541,061	\$ 8,352,320	\$ 8,604,431	\$ 9,127,818	\$ 8,152,320
Grants and contributions not restricted to specific programs	1,115,501	516,767	98,107	106,465	114,210
Unrestricted investment earnings	121,986	193,516	204,241	350,147	530,747
Other	13,589	3,556	-	10,302	-
Transfers	632,355	690,733	775,307	764,246	802,573
Total governmental activities	<u>8,424,492</u>	<u>9,756,892</u>	<u>9,682,086</u>	<u>10,358,978</u>	<u>9,599,850</u>
Business-type activities:					
Property taxes	1,358,078	1,431,875	1,507,485	1,575,186	1,677,012
Unrestricted investment earnings	246,222	187,313	609,127	417,938	439,658
Other	-	234,704	-	330,159	307,797
Transfers	(599,161)	(640,760)	(726,120)	(715,932)	(759,916)
Total business-type activities	<u>1,005,139</u>	<u>1,213,132</u>	<u>1,390,492</u>	<u>1,607,351</u>	<u>1,664,551</u>
Total primary government	<u>\$ 9,429,631</u>	<u>\$ 10,970,024</u>	<u>\$ 11,072,578</u>	<u>\$ 11,966,329</u>	<u>\$ 11,264,401</u>
Change in Net Assets					
Governmental activities	\$ 99,177	\$ 941,177	\$ 694,767	\$ 936,975	\$ (185,254)
Business-type activities	<u>1,082,565</u>	<u>1,127,859</u>	<u>635,151</u>	<u>2,061,507</u>	<u>7,783,331</u>
Total primary government	<u>\$ 1,181,742</u>	<u>\$ 2,069,036</u>	<u>\$ 1,329,918</u>	<u>\$ 2,998,482</u>	<u>\$ 7,598,077</u>

(1) Tuscola County implemented GASB Statement No. 34 for year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

(2) Business-type activities has a substantial increase due to the Medical Care Facility expansion.

Source: Tuscola County Financial Reports

Tuscola County
Fund Balances, Governmental Funds,
Last Five Fiscal Years (1)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund					
Reserved	\$ 610,000	\$ 610,000	\$ 610,000	\$ 610,000	\$ 610,000
Unreserved	<u>1,068,500</u>	<u>1,068,500</u>	<u>1,163,631</u>	<u>1,377,578</u>	<u>1,377,311</u>
Total general fund	<u>\$ 1,678,500</u>	<u>\$ 1,678,500</u>	<u>\$ 1,773,631</u>	<u>\$ 1,987,578</u>	<u>\$ 1,987,311</u>
Health Department					
Reserved	\$ 35,571	\$ 17,513	\$ 47,611	\$ 50,618	\$ 47,760
Unreserved	<u>540,214</u>	<u>619,262</u>	<u>642,274</u>	<u>593,147</u>	<u>587,388</u>
Total Health Department	<u>\$ 575,785</u>	<u>\$ 636,775</u>	<u>\$ 689,885</u>	<u>\$ 643,765</u>	<u>\$ 635,148</u>
All Other Governmental Funds					
Reserved	\$ 1,810,659	\$ 1,868,630	\$ 1,837,225	\$ 2,069,039	\$ 2,423,520
Unreserved reported in:					
Special revenue funds	2,015,778	2,835,420	3,377,837	3,809,423	3,162,689
Permanent funds	<u>41</u>	<u>53</u>	<u>173</u>	<u>234</u>	<u>241</u>
Total all other governmental funds	<u>\$ 3,826,478</u>	<u>\$ 4,704,103</u>	<u>\$ 5,215,235</u>	<u>\$ 5,878,696</u>	<u>\$ 5,586,450</u>

(1) Tuscola County implemented GASB Statement No. 34 for year ended December 31, 2003. Accordingly, data prior to 2003 is not available.

Source: Tuscola County Financial Reports

Tuscola County
 Changes in Fund Balances, Governmental Funds,
 Last Ten Fiscal Years (1)
 (modified accrual basis of accounting)

Revenues	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Taxes	\$5,201,209	\$5,407,348	\$5,681,758	\$5,890,251	\$6,231,090	\$ 6,539,180	\$ 8,351,979	\$8,614,597	\$ 9,132,692	\$ 7,951,067
Licenses and permits	579,438	596,285	646,749	670,772	659,999	833,421	917,820	870,300	737,975	681,338
Intergovernmental										
Federal	785,897	1,015,117	772,593	1,059,843	1,326,899	1,990,728	1,829,327	2,262,902	1,836,165	2,795,143
State	4,068,374	3,833,565	4,241,154	4,518,877	4,310,986	3,707,904	3,226,208	2,766,050	2,680,428	2,168,467
Local	525,926	582,135	615,024	613,336	564,984	596,847	633,757	492,373	478,792	417,121
Charges for services	7,985,643	8,738,860	9,926,327	10,113,586	10,358,359	3,859,045	3,501,901	3,424,880	3,552,911	3,800,881
Fines and forfeits	135,923	157,770	194,660	115,190	121,327	107,272	110,944	86,547	78,720	82,030
Interest and rents	379,371	364,174	502,405	437,181	347,549	216,819	288,349	299,140	445,076	626,293
Reimbursements and refunds	384,219	477,484	725,482	696,647	430,955	478,522	539,582	545,246	512,336	531,317
Other	316,472	220,471	373,092	354,195	337,953	88,008	164,232	142,755	192,977	129,437
Total revenues	20,362,472	21,393,209	23,679,244	24,469,878	24,690,101	18,417,746	19,564,099	19,504,790	19,648,072	19,183,094
Expenditures										
Legislative	144,675	145,713	118,747	125,353	121,977	104,773	107,275	117,986	119,534	122,906
Judicial	2,393,216	2,486,538	2,636,042	2,874,276	3,106,158	3,267,907	3,361,660	3,215,610	3,381,877	3,503,913
General government	2,896,603	3,120,608	3,549,453	3,750,600	4,079,340	4,257,958	4,354,624	4,676,476	4,466,593	4,803,426
Public safety	3,254,787	3,337,502	3,653,770	3,736,635	4,111,730	4,390,969	4,516,359	4,665,773	4,741,128	4,991,425
Public works	978,672	1,036,929	2,130,551	972,601	1,022,741	1,183,940	1,140,165	1,062,425	911,102	910,866
Health and welfare	9,563,045	9,357,896	10,040,349	10,736,943	11,314,506	4,324,363	4,338,991	4,530,105	4,675,219	5,013,725
Culture and recreation	9,623	10,664	10,104	15,080	9,862	1,841	1,938	2,480	3,344	11,173
Other	217,391	275,163	331,505	266,751	376,192	210,735	288,904	220,764	245,792	203,733
Capital outlay	1,723,028	1,332,980	1,746,790	1,226,096	728,508	421,663	529,500	608,893	643,010	540,621
Debt service										
Interest						286,300	245,467	87,755	69,229	58,022
Principal	1,134,626	962,573	1,016,085	1,082,779	1,008,964	520,000	626,759	433,105	403,173	126,987
Total expenditures	22,315,666	22,066,566	25,233,396	24,787,114	25,879,978	18,970,449	19,511,642	19,621,372	19,660,001	20,286,797
Excess of revenues over (under) expenditures	(1,953,194)	(673,357)	(1,554,152)	(317,236)	(1,189,877)	(552,703)	52,457	(116,582)	(11,929)	(1,103,703)
Other Financing Sources (Uses)										
Note proceeds	-	-	-	-	-	-	180,507	14,487	69,874	-
Proceeds of refunding bonds	-	-	-	-	1,240,000	-	-	-	-	-
Payment to refunded bond agent	-	-	-	-	(1,182,592)	-	-	-	-	-
Bond issuance costs	-	-	-	-	(57,408)	-	-	-	-	-
Contract proceeds	73,911	11,912	-	-	-	-	-	-	-	-
Bond proceeds	200,000	1,615,000	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	9,097	-
Transfer in	3,397,604	3,625,650	3,914,943	4,630,545	4,308,841	2,763,533	3,144,749	3,754,063	3,741,877	3,717,950
Transfer out	(2,567,965)	(2,648,428)	(2,941,636)	(4,030,250)	(2,312,567)	(2,020,204)	(2,456,227)	(2,998,756)	(2,977,631)	(2,915,377)
Total other financing sources (uses)	1,103,550	2,604,134	973,307	600,295	1,996,274	743,329	869,029	769,794	843,217	802,573
Net change in fund balances	\$ (849,644)	\$ 1,930,777	\$ (580,845)	\$ 283,059	\$ 806,397	\$ 190,626	\$ 921,486	\$ 653,212	\$ 831,288	\$ (301,130)
Debt service as a percentage of noncapital expenditures	5.51%	4.64%	4.33%	4.60%	4.01%	4.35%	4.59%	2.74%	2.48%	0.94%

(1) Tuscola County implemented GASB Statement No. 34 for year ended 12-31-03. Years prior are reported as Primary Government.

Source: Tuscola County Financial Reports

Revenue Capacity

Tuscola County
 Assessed Value and Estimated Actual Value of Taxable Property,
 Last Ten Fiscal Years
(in thousands of dollars)

Fiscal Year Ended December 31,	Real Property				Personal Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Assessed Value	Assessed Value as a Percentage of Actual Value
	Industrial, Commercial & Developmental	Residential	Timber-Cut & Agricultural						
1998	\$ 73,221,576	\$ 568,574,000	\$ 312,026,096	\$ 74,910,981	\$ 1,028,732,653	\$ 7.4397	\$ 2,057,465,306	50.00	
1999	76,271,126	637,634,663	328,327,443	78,840,341	1,121,073,573	7.3911	2,242,147,146	50.00	
2000	80,500,976	716,745,149	373,481,400	75,475,901	1,246,203,426	7.3911	2,492,406,852	50.00	
2001	88,291,310	800,728,632	430,173,675	77,651,222	1,396,844,839	7.3613	2,793,689,678	50.00	
2002	102,341,340	883,288,207	459,254,775	75,303,706	1,520,188,028	7.5043	3,040,376,056	50.00	
2003	108,327,720	943,905,449	445,918,320	75,640,501	1,573,791,990	8.4947	3,147,583,980	50.00	
2004	112,056,568	1,002,364,500	442,794,942	78,564,681	1,635,780,691	8.4985	3,271,561,382	50.00	
2005	122,255,050	1,071,185,776	452,798,941	82,528,308	1,728,768,075	8.4810	3,457,536,150	50.00	
2006	136,006,806	1,145,276,940	478,606,091	101,406,559	1,861,296,396	8.4597	3,722,592,792	50.00	
2007	143,515,900	1,201,815,100	511,894,760	98,273,322	1,955,499,082	8.4597	3,910,998,164	50.00	

Source: Tuscola County Equalization Department

Note: Property in the county is reassessed annually. The county assesses property at approximately 50 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of taxable value.

TUSCOLA COUNTY
 Direct and Overlapping Property Tax Rates,
 Last Ten Fiscal Years
 (rates per \$1,000 of assessed value)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
County direct rates										
Operating Millage	\$ 3.9999	\$ 3.9739	\$ 3.9739	\$ 3.9580	\$ 3.9544	\$ 3.9417	\$ 3.9342	\$ 3.9251	\$ 3.9141	\$ 3.9141
Special Millage	3.4398	3.4172	3.4172	3.4033	3.5499	3.5530	3.5643	3.5559	3.5456	3.5456
Debt Millage	-	-	-	-	-	1.0000	1.0000	1.0000	1.0000	1.0000
Total direct rate	7.4397	7.3911	7.3911	7.3613	7.5043	8.4947	8.4985	8.4810	8.4597	8.4597
City rate										
Vassar	22.0000	21.3500	20.1500	20.1500	17.5000	17.5000	17.5000	17.5000	17.5000	17.5000
Village rates	11.7389- 18.4625	11.4994- 18.4625	11.3281- 18.4625	11.7940- 18.4625	11.6678- 22.0000	11.6678- 22.0000	11.5359- 21.9340	11.4678- 21.9340	11.3072- 21.8569	11.1658- 21.6884
School district rates (1)	26.5910- 34.9095	26-6051- 34.8826	26.6051- 34.8776	26.7017- 35.2739	26.6853- 35.2727	25.3792- 34.2618	26.1615- 35.2568	25.5067- 35.2506	27.4038- 35.2509	26.7817- 35.0998
Township rates	1.2226- 5.4527	1.1911- 5.4239	1.1639- 5.4239	1.1172- 5.4064	1.0785- 5.4064	1.0785- 5.4719	1.0785- 5.4719	1.0456- 5.4667	1.0160- 5.4381	1.0000- 5.4170
District library rates	.9968- 1.0000	.9909- 0.9954	.5000- 0.9954	.5000- 0.9944	.5000- 1.4909	.5000- 1.4865	.4966- 1.4794	.7966- 1.4794	.7966- 1.4761	.7924- 1.4761

(1) Includes local, SET, and intermediate school district millages.

Source: Tuscola County Equalization Department.

Note: State law requires that localities obtain the approval of the state legislature or a majority of the voters in a public election to raise direct rates.

Tuscola County

Principal Property Tax Payers, Current Year and Seven Years Ago (1)

Table 7

<u>Taxpayer</u>	2007			2000		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Detroit Edison Company	\$ 23,985,045	1	1.70%	\$ 23,164,825	1	2.34%
POET-Biorefining - Caro	14,503,600	2	1.03%	-		-
Dept. of Natural Resources	8,915,050	3	0.63%	17,403,094	2	1.76%
International Transmission	7,631,505	4	0.54%	-		-
Wal-Mart Stores #01-1798	5,621,077	5	0.40%	-		-
Consumers Power Co.	5,480,752	6	0.39%	6,698,924	4	0.68%
Thumb Electric Co-Op	4,232,390	7	0.30%	4,177,996	6	0.42%
Millenium Industries Inc.	2,952,800	8	0.21%	-		-
Michigan Sugar Co.	2,605,401	9	0.18%	4,565,700	5	0.46%
TI Group Automotive Services	2,461,600	10	0.17%	-		-
Walbro Corporation	-		-	7,195,200	3	0.73%
Bicccgeneral Cable Ind	-		-	3,512,100	7	0.36%
Grede-Vassar Inc.	-		-	3,263,400	8	0.33%
Varlen Corp.	-		-	2,683,600	9	0.27%
Kaumagraph Flint Corp.	-		-	2,081,220	10	0.21%
Totals	<u>\$ 78,389,220</u>		<u>5.55%</u>	<u>\$ 74,746,059</u>		<u>7.56%</u>

(1) Information available from year 2000 to present only.

Source: Tuscola County Equalization Department.
Municipal Advisory Council of Michigan overlapping debt schedules.

Tuscola County
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 8

Fiscal Year Ended December 31,	Operating Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
1998	\$ 3,434,126	\$ 3,176,541	92.50%	\$ -	\$ -	\$ -	-
1999	3,613,678	3,344,632	92.55%	-	-	-	-
2000	3,760,718	3,500,476	93.08%	-	-	-	-
2001	3,929,991	3,715,115	94.53%	-	-	-	-
2002	4,153,366	3,927,603	94.56%	-	-	-	-
2003	4,382,550	4,035,099	92.07%	-	-	-	-
2004	4,524,054	4,008,268	88.60%	-	-	-	-
2005	4,733,095	4,723,028	99.79%	-	-	-	-
2006	4,945,076	3,774,616	76.33%	707,740	235,913	4,718,269	95.41%
2007	5,198,749	4,284,974	82.42%	373,356	442,712	5,101,042	98.12%

Source: Tuscola County Treasurer and Tuscola County Equalization Department

Note: Delinquent information not available for years 1997 through 2005. -125-

Debt Capacity

Tuscola County

Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Table 9

Fiscal Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>			
	General Obligation Bonds	Capital Lease Payable	General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
1998	\$ 6,792,000	\$ 79,603	\$ -	\$ 6,871,603	1.52%	118
1999	7,850,000	73,311	-	7,923,311	1.40%	136
2000	7,272,000	64,365	-	7,336,365	1.56%	126
2001	6,593,000	42,841	-	6,635,841	1.65%	114
2002	6,069,000	21,598	-	6,090,598	1.85%	105
2003 (1)	5,548,000	3,164	12,250,000	17,801,164	7.24%	306
2004	5,018,000	87,912	11,580,647	16,686,559	7.86%	286
2005 (2)	1,435,000	59,295	14,306,172	15,800,467	8.34%	271
2006	1,105,000	55,995	13,506,697	14,667,692	9.27%	252
2007	1,005,000	29,008	16,253,596	17,287,604	7.92%	297

(1) 2003 Statement 34 implementation. Medical Care Expansion for Business-type Activities.

(2) For FYE 2005 certain debt and capital projects funds were re-classified as Business-type Activities to comply with MCGAA Statement 10, as amended.

Source: Tuscola County Financial Reports

Note: Details regarding the county's debt can be found in the notes to the financial statements.

Tuscola County
 Ratios of Net General Bonded Debt Outstanding
 (Last seven years)

<u>General Bonded Debt Outstanding</u>							
Fiscal Year	Building Authority Bonds	Sewer Obligation Bonds	Capital Lease Payable	Less Paid by Benefited Municipality	Net General Bonded	Total Taxable Value	Percentage of Taxable Value
2000	\$ 3,345,000	\$ 3,927,000	\$ 64,365	\$ 7,272,000	\$ 64,365	\$ 988,950,752	0.0065%
2001	2,880,000	3,713,000	42,841	6,593,000	42,841	1,049,359,900	0.0041
2002	2,475,000	3,594,000	21,598	6,069,000	21,598	1,108,271,872	0.0019
2003	2,155,000	3,394,000	3,164	5,549,000	3,164	1,154,259,430	0.0003
2004	1,825,000	3,193,000	87,912	5,018,000	87,912	1,212,154,896	0.0073
2005	1,435,000	3,317,000	59,295	4,752,000	59,295	1,269,585,053	0.0047
2006	1,105,000	3,134,000	55,995	4,239,000	55,995	1,360,892,331	0.0041
2007	1,005,000	2,936,000	29,008	3,941,000	29,008	1,413,750,488	0.0020
<u>Overlapping Debt</u>							
	School Districts	Townships	Intermediate School	Village	City	Net Overlapping	Percentage of Taxable Value
2000	\$ 33,939,692	\$ 4,052,877	\$ 14,623	\$ 5,025,290	-	\$ 43,032,482	2.2981%
2001	36,876,178	3,758,381	34,055	5,704,927	-	46,373,541	2.2628
2002	38,857,111	3,522,036	30,769	5,408,285	-	47,818,201	2.3176
2003	37,928,112	3,246,251	27,300	5,240,084	-	46,441,747	2.4853
2004	47,922,484	3,359,207	25,507	4,973,357	-	56,280,555	2.1537
2005	57,239,380	3,135,910	34,450	5,208,526	-	65,618,266	1.9348
2006	55,081,941	3,438,351	31,996	4,772,431	688,846	64,013,565	2.1259
2007	52,840,002	3,080,762	28,838	7,005,182	658,433	63,613,217	2.2220

Source: Tuscola County Equalization

Note: Table will continue to grow as more data becomes available for a full ten fiscal years.

Tuscola County

Table 11

Computation of Direct and Overlapping Bonded Debt - Unaudited (1) December 31, 2007

2000 Census Totals 2007 Taxable Value	58,266 \$ 1,413,750,488	Gross	Self-Support or Portion Paid by Benefited Municipality	Net
Direct debt of County:				
Building Authority		\$ 1,005,000	\$ 1,005,000	\$ -
Sewer/Water		2,936,000	2,936,000	-
Capital Leases		29,008	-	29,008
		\$ 3,970,008	\$ 3,941,000	\$ 29,008
Per-Capita County Net Direct Debt				0.50
Percent County Net Direct Debt to 2007 Taxable				0.0021%
Overlapping Debt of County:				
School Districts				\$ 52,840,002
Townships				3,080,762
Intermediate School District				28,838
Village				7,005,182
City				658,433
Net Overlapping Debt				\$ 63,613,217
Net County and Overlapping Debt				\$ 63,642,225
Per-Capita County Net Direct and Overlapping Debt				\$ 1,092.27
Percent Net Direct and Overlapping Debt to 2007 Taxable Value				4.5017%

(1) Includes Primary Government

Source: Tuscola County debt schedules and the Municipal Advisory Council of Michigan overlapping debt schedules.

Tuscola County
 Legal Debt Margin Information,
 (Last Eight Fiscal Years)

Table 12

	Fiscal Year							
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Assessed Value of Property	\$ 1,246,203,426	\$ 1,396,844,839	\$ 1,520,188,028	\$ 1,574,245,456	\$ 1,636,313,411	\$ 1,728,731,237	\$ 1,861,296,396	1,955,499,082
Debt limit, 10% of Assessed Value (Statutory Limitation)	124,620,343	139,684,484	152,018,803	157,424,546	163,631,341	172,873,124	186,129,640	195,549,908
Total Net debt applicable to limit	7,202,890	6,496,538	5,965,668	5,421,577	4,965,483	4,810,550	4,294,995	3,970,008
Legal debt margin	\$ 117,417,453	\$ 133,187,946	\$ 146,053,135	\$ 152,002,969	\$ 158,665,858	\$ 168,062,574	\$ 181,834,645	\$ 191,579,900
Total net debt applicable to the limit as a percentage of debt limit	5.78%	4.65%	3.92%	3.44%	3.03%	2.78%	2.31%	2.03%

Source: Tuscola County Debt Schedules.

Note: Debt schedules prepared from 2000 to current. Table will grow as information becomes available for a full ten fiscal years.

Demographic and Economic

Tuscola County
Demographic and Economic Statistics,
Last Ten Calendar Years

Table 13

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate</u>
1998	58,012	1,157,993	19,961	12,388	5.3%
1999	58,290	1,218,993	20,913	12,257	5.5%
2000	58,274	1,251,987	21,484	12,080	3.1%
2001	58,185	1,210,739	20,808	11,972	5.3%
2002	58,062	1,251,937	21,562	11,847	8.8%
2003	58,193	1,289,076	22,152	11,547	9.9%
2004	58,005	1,312,314	22,624	11,534	8.9%
2005	57,549	1,318,247	22,907	11,171	8.0%
2006	57,074	1,359,101	23,813	11,052	8.7%
2007	56,805	1,369,974	24,718	10,810	8.7%

(1) Census Bureau midyear population estimates. Year 2000 actual census data.

(2) Personal income includes net earnings by place of residence, dividends, interest and rent, and personal current transfer receipts. (dollars stated in thousands)

BEA data not available for 2006. Estimates based on population changes, and state change in personal income.

(3) Fall membership count. Public schools only.

Sources: US Census Bureau, BEA, US Bureau of Labor Statistics and the Tuscola Intermediate School District.

Tuscola County
Principal Employers,
Current Year and Nine Years Ago

Table 14

<u>Employer</u>	<u>1998</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tuscola County				475	1	1.8%
Caro Regional Center				412	2	1.6%
Wolverine Human Services				340	3	1.3%
Wal-Mart, Inc.				306	4	1.2%
Caro Schools				264	5	1.0%
Hills and Dales General Hospital				260	6	1.0%
Vassar Schools				258	7	1.0%
Walbro Engine Management				250	8	0.9%
Tuscola Intermediate School Dist.				250	9	0.9%
Millington School District				200	10	0.8%
Total				<u>3015</u>		<u>11.4%</u>
Walbro-TI Group	274	1	1.0%			
Walbro-TI Automotive Division	250	2	0.9%			
Grede-Vassar	240	3	0.9%			
Plastech Manufacturing	230	4	0.9%			
BICC General	200	5	0.8%			
Kaumagraph Corporation	170	6	0.6%			
Loudon Steel	140	7	0.5%			
Means Industries	129	8	0.5%			
Destiny Inc., Ltd.	101	9	0.4%			
Midwest Rotary Manifolds	<u>70</u>	10	<u>0.3%</u>			
Total	<u>1194</u>		<u>6.8%</u>			

Sources: Tuscola County Economic Development Corp., and the U.S. Bureau of Labor Statistics

Operating Information

Tuscola County

Table 15

Full-Time Equivalent County Employees by Function, Last Ten Fiscal Years

Function	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Legislative	7	7	7	7	5	5	5	5	5	5
Judicial	44	44	47	48	47	46	44	45	45	45
General Government	50	50	52	53	54	52	52	52	53	53
Public Safety	63	64	64	61	57	60	58	59	57	57
Public Works	8	8	8	7	-	-	-	-	-	-
Health and Welfare (1)	130	131	152	163	162	162	165	167	171	190 (2)
Total	302	304	330	339	325	325	324	328	331	350

(1) Includes Health Department and Medical Care Facility.

(2) Due to completion of Medical Care expansion, additional staff was hired in 2007.

TUSCOLA COUNTY

Table 16

Operating Indicators by Function/Program, Last Ten Fiscal Years

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<u>Function/Program</u>										
Public safety (1)										
Incarcerated offenders	2,546	2,728	2,963	2,512	2,321	2,366	1,962	1,843	2,039	2,160
First time offenders	937	914	989	828	766	749	634	608	766	603
Repeat offenders	1,609	1,814	1,974	1,684	1,555	1,617	1,370	1,380	1,555	1,557
Traffic violations and other summons issued	5,021	6,708	7,364	5,556	6,581	5,460	4,504	2,689	3,318	2,870
Physical arrests made	1,246	1,271	1,419	1,234	1,148	1,223	937	1,005	841	920
Judicial										
54th Circuit Court new case filings	1,762	1,687	1,832	1,899	1,806	1,829	1,629	1,467	1,626	1,595
71B District Court new case filings	14,945	17,590	19,004	15,052	17,703	14,937	12,272	10,446	10,842	10,120
Probate Court new case filings	547	524	541	558	458	354	382	382	351	322

(1) Traffic violations and physical arrests are for the Sheriff's Department only. Incarcerated offenders are from all police departments.

Sources: Sheriff's Annual Report, State Court Administrative Reports.

Note: Not all historical information is currently available. This table will continue to be populated as more information becomes available.

TUSCOLA COUNTY

Table 17

Capital Asset Statistics by Function/Program, Last Ten Fiscal Years

<u>Function/Program</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety										
Sheriffs Department										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	12	13	16	20	23	25	24	22	24	21
Mileage	474,817	475,212	492,588	493,203	469,436	479,646	437,615	388,822	397,278	435,970
Boats/Watercraft	1	1	1	2	2	2	2	2	2	2
Animal control										
Vehicles	2	2	2	2	2	-	-	-	-	-
General Government										
Building and Grounds										
Vehicles	7	9	11	15	16	16	13	12	14	12
Mosquito control										
Vehicles	14	14	14	14	14	14	14	15	16	17
Recycling										
Vehicles	1	1	1	1	1	1	1	1	1	1
Health and Welfare										
Health Department										
Vehicles	3	3	4	4	4	4	4	4	4	4
Recreation and Culture										
Vanderbilt Park										
Acres	17	17	17	17	17	17	17	17	17	17

Source: Tuscola County Controller's Office Asset Tracking System

Note: Not all historical information is currently available. This table will continue to be populated as more information becomes available.

IV. SINGLE AUDIT

TUSCOLA COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Awards Expended
U.S. Department of Health and Human Services			
Passed-Through Michigan Family Independence Agency:			
Title IV-D Child Support Enforcement Program			
Prosecuting Attorney Cooperative Reimbursement Program	93.563	CSPA 06-79002	\$ 46,331
Friend of Court Cooperative Reimbursement Program	93.563	CSFOC 06-79001	386,139
Title IV-D Incentive Program	93.563	N/A	110,430
Building Strong Families	93.556	SFSC 00-79002	<u>25,915</u>
Total U.S. Department of Health and Human Services			<u>568,815</u>
U.S. Department of Homeland Security			
Passed-Through Michigan Department of State Police:			
Emergency Management Performance Grant	97.042	N/A	22,951
Hazard Mitigation Grant Program	97.039	N/A	375,168
Passed-Through Bay County			
FY2006 Homeland Security Grant	97.067	N/A	25,000
Passed-Through Michigan Department of Natural Resources:			
Boating Safety Financial Assistance	97.012	N/A	<u>15,954</u>
Total U.S. Department of Homeland Security			<u>439,073</u>
U.S. Department of Justice			
Passed-Through Office of Community Health:			
Byrne Formula Grants	16.579	N/A	7,780
Victims of Crime Act	16.575	20587-5 V 2000	<u>58,845</u>
Total U.S. Department of Justice			<u>66,625</u>
U.S. Department of Agriculture			
Water and Waste Disposal Systems For Rural Communities	10.760	N/A	<u>3,072,234</u>
Environmental Protection Agency			
State Revolving Fund	66.458	524301	<u>757,176</u>
U.S. Department of Housing and Urban Development			
Passed-Through Michigan State Housing Development Authority:			
Michigan Community Development Block Grant (CDBG) Housing Program	14.228	MSC-1997-0815-HO	<u>177,048</u>
Total Federal Financial Assistance			<u>\$ 5,080,971</u>

Note 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Tuscola County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements

Note 2 Reconciliation to Financial Statements

The Statement of Revenues, Expenditures, and Changes in Fund Balance reflects total federal awards of \$2,820,143. The Statement includes federal funds received by the Tuscola County Health Department of \$1,943,750. These federal awards were excluded from the accompanying schedule of expenditures of federal awards because they were audited by other auditors and a separate single audit report was issued by those other auditors. The accompanying schedule of expenditures of federal awards includes \$2,963,176 of bond proceeds and \$866,234 of federal grant activity recorded in the proprietary funds. The accompanying schedule of expenditures of federal expenditures of federal awards includes \$375,168 of federal grant activity recorded in the Drain Commission component unit.



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENTAL AUDITING STANDARDS**

June 23, 2008

Board of Commissioners
County of Tuscola
Tuscola, Michigan

We have audited the financial statements of *Tuscola County, Michigan*, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 23, 2008. We did not audit the financial statements of the Tuscola County Health Department, which is a major governmental fund, and therefore a separate opinion unit. We also did not audit the Tuscola County Road Commission, which represents 67% of the assets and 80% of the revenues of the aggregate discretely presented Component Units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Tuscola County Health Department and the Tuscola County Road Commission, is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Medical Care Facility were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

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

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 or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2007-1 through 2007-3 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 entity's internal control.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Tuscola County's* basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

A handwritten signature in cursive script that reads "Lehmann Johnson".



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

June 23, 2008

Board of Commissioners
County of Tuscola
Tuscola, Michigan

Compliance

We have audited the compliance of *Tuscola County*, with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. *Tuscola County's* major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of *Tuscola County's* management. Our responsibility is to express an opinion on *Tuscola County's* compliance based on our audit.

Tuscola County's financial statements include the operations of the Tuscola County Health Department and the Tuscola County Road Commission, which received \$981,853 and \$2,074,286 respectively, in federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2007. Our audit, described below, did not include the operations of the Tuscola County Health Department or the Tuscola County Road Commission because the Tuscola County Health Department and Tuscola County Road Commission engaged other auditors to perform audits in accordance with OMB Circular A-133.

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

In our opinion, *Tuscola County* complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

The management of *Tuscola County* is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered *Tuscola County's* internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of *Tuscola County's* internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

We did not audit the financial statements of the Tuscola County Health Department, which is a major governmental fund, and therefore a separate opinion unit. We also did not audit the Tuscola County Road Commission, which represents 67% of assets and 80% of revenues of the aggregate discretely presented Component Units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included for the Tuscola County Health Department and the Tuscola County Road Commission, is based on the reports of other auditors. The financial statements of the Medical Care Facility were not audited in accordance with Governmental Auditing Standards.

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



TUSCOLA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:
 Material weakness(es) identified? X yes no
 Significant deficiencies identified not
 considered to be material weaknesses? yes X none reported

Noncompliance material to financial
 statements noted? yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? yes X no
 Significant deficiencies identified not
 considered to be material weaknesses? yes X none reported

Type of auditor's report issued on compliance
 for major programs: *Unqualified*

Any audit findings disclosed that are required to
 be reported in accordance with Circular A-133,
 Section 510(a)? yes X no

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities
66.458	State Revolving Fund

TUSCOLA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

2007-1 Significant Deficiency Considered to be a Material Weakness

Criteria: All governments are required to have in place internal controls over recording, processing, and summarizing accounting data (e.g., maintaining internal books and records).

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing and summarizing of certain accounting data as part of its external financial reporting process. Accordingly, the government has placed reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the government's decision that it was more cost effective and it was past practice to have the external auditors recommend the necessary adjusting journal entries to its general ledger. The Chief Accountant has over time gained the expertise to perform the majority of these entries without auditor recommendations. However, there are a few limited areas where certain additional training would enable the Chief Accountant to perform all year end journal entries prior to audit recommendation.

Effect: In the limited cases where the external auditors perform recommendations for year end adjustments, the government is dependent upon the auditors to verify internal controls over the recording, processing and summarizing of accounting data.

View of Responsible Officials:

The County Chief Accountant performs most of the year end journal entries. The number of entries performed by the auditors have decline significantly each year. Additional training for the Chief Accountant to perform all year end entries will be obtained from the auditing firm. The Board of Commissioners have authorized up to \$1,000 for this training. This will enable the government's reliance on the external auditors to perform this task to be discontinued and as a result further strengthen the internal controls of the government.

2007-2

Significant Deficiency Considered to be a Material Weakness

Criteria:

It is expected that the County maintain accurate delinquent taxes receivable subsidiary ledgers which tie to the general ledger (for both the delinquent personal property taxes recorded in governmental funds and the delinquent real property taxes purchased from local units).

Condition/Finding:

The County has not reconciled delinquent taxes receivable for the year ending December 31, 2007.

Cause:

This condition appears to be the result of the County's staffing constraints, which has caused a lack of time / people to complete the reconciliation process.

Effect:

This condition increases the risk that County assets could be misappropriated because records are not being monitored and reconciled by the appropriate management level officials.

Recommendation/Comment:

We recommend that the County implement whatever procedures deemed necessary to ensure the reconciliation of the subsidiary ledgers for delinquent property taxes on a timely basis.

View of Responsible Officials:

The County Board of Commissioners and Controller/Administrator agree it is essential that Delinquent taxes receivables be reconciled by the County Treasurer on an annual basis. Reconciliation is an important accounting control. There have been other years when Delinquent taxes were not reconciled. Because of this situation the County Board of Commissioners adopted policy requiring that delinquent tax funds be reconciled on an annual basis. In addition to establishing policy, the Board of Commissioners has had to provide supplemental funding in at least two previous periods of times for the County Auditors to reconcile Delinquent taxes. Also in the past, the Board of Commissioners authorized additional staff and staff training in the Treasurer's Office so this office could perform this function.

Recommendation/Comment: We recommend that the County consistently reconcile all of its agency fund liability accounts in a timely manner throughout the year. In addition, we recommend that the County review the various state requirements to ensure that amounts are disbursed within the required timeframes.

View of Responsible Officials: Per auditor recommendation, a policy will be established stating that all Trust and Agency Funds will be reconciled on a regular basis by the responsible department. Many of the current Trust and Agency accounts are being analyzed and reconciled on a regular basis. The Controller's Office reviews these accounts monthly and determines if they are reconciled and if they are not reconciled informs the appropriate department. The Controller's Office will continue on a regular basis to assist and stress the importance to respective departments that Trust and Agency accounts such as the State Education Tax and the State Transfer Tax be reconciled. Also, the importance of distributing these funds under the required timeline will be emphasized.

The Controller/Administrator and Chief Accountant met with the Register of Deeds regarding the state Transfer Tax. It has been determined that these funds are now reconciled and distribution of funds to the State of Michigan will be processed. The Register of Deeds has agreed to reconcile and distribute the funds to the State of Michigan in a timely manner.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

PRIOR YEAR FINDINGS

None.



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

An Independent Member of Baker Tilly International

**COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE
UNDER SAS NO. 114**

June 23, 2008

To the Board of Commissioners
Tuscola County

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 *Tuscola County* for the year ended December 31, 2007, and have issued our report thereon dated June 23, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated October 29, 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 accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered *Tuscola County's* internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether *Tuscola County's* financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about *Tuscola County's* compliance with the types of compliance requirements described in the *U.S. Office of*

Management and Budget (“OMB”) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on **Tuscola County’s** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on **Tuscola County’s** compliance with those requirements.

Significant Audit Findings

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 **Tuscola County** 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 estimates affecting the financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management’s estimate of the insurance claims incurred but not reported is based on information provided by the entity’s third party administrators and subsequent claims activity.

We evaluated the key factors assumptions used to develop these estimates in determining that they are 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. The following material misstatements detected as a result of audit procedures were corrected by management: adjustment of special assessments receivable and deferred revenues in the drain commission and the adjustment of taxes receivable and deferred revenues for the December 2007 levy in various governmental funds.

Disagreements 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 June 23, 2008.

Management Consultations with Other Independent Accountants

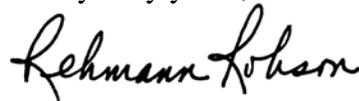
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that 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.

This information is intended solely for the use of the governing body and management of the **Tuscola County** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



Tuscola County

Comments and Recommendations

For the Year Ended December 31, 2007

In planning and performing our audit of the financial statements of Tuscola County as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

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 entity's internal control. The deficiencies we noted that we consider to be material weaknesses are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

Other Matters

- Security over the Counties computer server is occasionally compromised because the computer room is sometimes open and unattended. Security could be improved by creating a room where the file servers are kept under lock at all times and only authorized individuals have access.

Tuscola County

Comments and Recommendations

For the Year Ended December 31, 2007

- Limiting access to key financial data through strong password and access policies is a key IT control. Tuscola County does not have a strong set of password controls that limit access to company financial information. We recommend that management oversee increasing password and other controls to include, but not limited to, the following matters:
 - We understand that requirements to regularly change computer passwords at the network and financial accounting software level are not in effect. In order to reduce the risk of access to computer files by unauthorized personnel, we recommend that the County institute a policy that requires passwords to be changed on a regular basis. For the size and complexity of Tuscola County, once every six months would be adequate. The County may also wish to investigate if building into its software automatic expiration of passwords to ensure that they are changed periodically is possible.
 - When users vacate the work areas for any length of time they should be locking their workstations. Windows provides an effective workstation security system that can be invoked with one set of keystrokes. There is also a setting available where machines can automatically timeout when not used for a period of time. Typically this time period is 15 minutes. Locking a personal workstation is a basic control that limits access to accounting records by unauthorized individuals. We recommend that Tuscola County require all PC users to lock their workstations when they are unattended and also set a timeout if the machine is left unattended.
 - Usernames and passwords are a key control for limiting access to an organizations network and financial reporting system. Passwords should be forced by the system to be at least eight characters with a combination of letters, numbers and special characters. Currently, Tuscola County is not consistent when applying this control. We recommend that the network and accounting systems be set to force complex passwords.
 - There can be instances when a user is assigned expanded security rights. In many instances, these rights are not properly corrected as job duties change. A periodic review of user access can catch and correct these types of security issues. We recommend that Tuscola County institute an annual review by appropriate department heads of the security rights assigned to the users in their department, to ensure that the rights assigned to each user are appropriate for their job duties.

Tuscola County

Comments and Recommendations

For the Year Ended December 31, 2007

- Tuscola County does not have written policy or procedures that addresses voluntary and involuntary employee termination procedures. In order to provide adequate security to computer system operations and valuable assets such as system hardware, software, and data, procedures should be developed to address employee terminations. Typical termination procedures include the following:
 - Immediate deletion of personnel passwords on the system.
 - Immediate change of all locks or passwords giving access to hardware or software.
 - Collection of system and operations documentation.
 - Immediate removal of the employee from the premises.

- Tuscola County does not have an up to date written disaster recovery policy. The time to make contingency plans is before disaster strikes, so that all personnel will be aware of their responsibilities in the event of an emergency situation that precludes the use of the existing IT facilities. We recommend the County develop a disaster recovery plan that includes, but is not limited to, the following matters:
 - Location of, and access to, off-site storage.
 - A listing of all data files that would have to be obtained from the off-site storage location.
 - Identification of a backup location (name and telephone number) with similar or compatible equipment for emergency processing. (Management should make arrangements for such backup with another company, a computer vendor, or a service center. The agreement should be in writing.)
 - Responsibilities of various personnel in an emergency.
 - Priority of critical applications and reporting requirements during the emergency period.

* * * * *