

TUSCOLA COUNTY MICHIGAN



Comprehensive Annual Financial Report

Year Ended December 31, 2008

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



**For the Year Ended
December 31, 2008**

Issued by:

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

TUSCOLA COUNTY, MICHIGAN

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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

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June 26, 2009

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, 2008.

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, 2008 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, 2008 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 56,000.

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 page 23 and 24 as part of the basic financial statements for the governmental funds. For governmental funds other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 94.

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.

Economic Indicators of Concern

All major economic indicators reveal that the county and state economies are amongst the worst in the nation. Michigan has the highest unemployment rate in the nation at 11.6% in January 2009, up 1.4 percentage points from the December 2008 rate. The economies of Tuscola County and the State of Michigan have, and continue to be devastated by unprecedented declines in the American automobile industry that have had both spiraling and rippling effects with far reaching consequences not only on the manufacturing base, but also on the retail and service sectors of the economy.

For decades, the automobile industry was the engine powering the Michigan economy. Over the past eight years, hundreds of thousands of quality jobs have been permanently eliminated from this essential industrial base. Michigan's eight year structural state budget crisis is currently estimated at a \$1.5 billion deficit for the 2009/2010 fiscal year. The state budget is directly linked and nearly a mirror image to the domestic auto industry's struggles. The number of auto workers has been reduced by over 2/3 in the last 10 years. Both General Motors and Chrysler have filed Chapter 11 Bankruptcy. Predictions by University of Michigan economists and other entities making economic forecasts are that further job losses will occur in the manufacturing sector of the state over the next two years.

County unemployment, mortgage foreclosures, declining residential property values, shrinking household income, an aging population, reduced community and economic development activity, and educational attainment consistently lagging behind statewide and national averages all are major areas of concern with no foreseeable improvement in sight. According to the U.S. Census, the 2007 population estimate for Tuscola County was 56,187 which is a decline of 2,079 or 3.6% from the year 2000 population of 58,266. For the first time in approximately 25 years, the County Equalization Director projects a decline in property tax values for the 2010 county budget year. Property tax value declines are clearly a result of the significantly weakened economy. The residential class of land is experiencing the largest declines.

The County Board recently formed a Financial Planning Task Force to begin developing recommendations to balance the 2010, 2011 and future year budgets. Tuscola County, along with counties throughout the state, is experiencing great financial pressures because of the tremendous economic downturn which is negatively impacting the revenue base and the ability of the County to maintain service levels.

Positive Steps Taken to Rebuild the Economy

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

Enterprise Facilitation

For the past two years, citizens and local officials have been working to energize and rebuild the economy through entrepreneurship with the implementation of an Enterprise Facilitation Program. The highly respected Sirolli Institute Program of Enterprise Facilitation has been implemented in Tuscola County. This “bottom up” people-centered approach to economic development involves an Enterprise Facilitator working with a community-based board to provide free one-on-one confidential business management and networking advice to aspiring entrepreneurs and existing businesses to achieve success.

An Enterprise Facilitator has been hired and is being introduced throughout the community to provide a strong networking system. Approximately 30 clients have already utilized program services. Major areas where assistance has been provided by the Enterprise Facilitator and Management Board include: marketing of product-service and financial management. Individuals and businesses are aware and appreciate the Enterprise Facilitation Program principles and methodology. The community’s understanding of its value has increased in a short period of time. <http://www.tuscolaenterprise.com/records.html>

Economic Gardening

The United States Department of Agriculture provided grant funding in 2008 to implement what is called an “Economic Gardening Program.” The Small Business Association of Michigan and Michigan State University assisted the Tuscola County Economic Development Corporation with the implementation of this program. This program assists the growth of promising, emerging small businesses by providing access to a coordinated and comprehensive market information research “infrastructure.” This infrastructure integrates databases provided through local libraries and the State of Michigan’s Electronic Library (MeL). These integrated databases are complemented by value-adding technical assistance. This information provides businesses with market research and competitive intelligence which in many cases enables them to substantially improve their growth prospects. The success of the 2008 program was influential in the awarding of a second United States Department of Agriculture grant of \$40,000 to continue the program in 2009.

Wind Energy Potentials

There are new state mandates requiring a percentage of wind and other renewable energy sources to be in use by 2012. Tuscola County has been identified as having significant wind energy potential. Considerable amounts of private land in Tuscola County have been leased by energy companies. The County Planning Commission is currently working with the Michigan Aeronautics Commission in the preparation of an Airport Zoning Ordinance to allow wind generators in areas that are not a hazard to air space. Wind generators increase land values and provide revenue to local governments. The Regional Planning Commission has applied for grant funds to further study and gather information regarding wind energy.

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

Revolving Loan Fund

The Tuscola County Economic Development Corporation (EDC) has administered a Revolving Loan Fund designated for Tuscola County projects. This has been an excellent tool for local economic development. The fund serves the gap financing needs of small businesses and entrepreneurs and has helped businesses and individuals in all economic segments of the economy and in all geographic areas of the County. The need for gap financing occurs when a financial institution is willing to provide a percentage of the loan, yet they are unable to lend the full amount requested in order to launch or expand the business due to what is perceived as a higher risk loan than the financial institution is willing to bear. The revolving loan fund supplements conventional financing and under no circumstances replaces traditional financing through a financial institution.

The demand for financing of small businesses and local entrepreneurs far exceeds the present capital distribution capabilities of the Tuscola County EDC's Revolving Loan Fund. The Tuscola County EDC has a need for capital for the Revolving Loan Fund. A grant application has been submitted to the Federal Government for \$100,000 to increase the capital available to the Revolving Loan Fund.

Economic Development Plan - "Tying it Together in Tuscola"

In addition to Enterprise Facilitation, the County Economic Development Corporation (EDC) established a priority for 2009 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, Inc. (TATC), a registered 501(c) (6) nonprofit organization, is a central tourism resource and destination marketing organization dedicated to increasing visibility of the tourism industry within Michigan's thumb area in an effort to attract tourism-related dollars and economic growth to the region.

TATC's objective is to promote the thumb area as a travel destination rich in natural scenic beauty, strong cultural heritage, year-round recreation, and community-related entertainment and events. Promotional efforts of Thumb Area Tourism include local, regional, and statewide marketing endeavors, community involvement and sponsorships, and much more. TATC is confident these promotional efforts will lead to a rise in economic growth for the area with the influx of new visitors, residents and business owners. A web site has been created and identifies business and tourism attractions – www.thumbtourism.org.

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, improvement to fisheries, 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

A Coastal Zone Management Grant was received 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.

Airport Infrastructure Investments

The Tuscola Area Airport Authority has made over 4 million dollars in improvements over the past 15 years, making it one of the fastest growing general aviation airports of its kind in the State of Michigan. The Airport Authority was established by a number of local municipalities in Tuscola County. Improvements have included: road access realignment, runway extension, runway rehabilitation, parallel taxiway construction, taxiway extension, administration building construction, security fencing, replacement of fuel tanks, parking lot construction and tree cutting. The Tuscola Area Airport is used as an economic development tool throughout Tuscola County.

A crosswind runway would be a helpful addition to increase airport usability, safety, effectiveness and efficiency. The crosswind runway would aid the airport and future economic development by increasing air traffic and improving safety. A 5000 foot runway is essential for jets to land at the airport more safely.

Business Incubator

Tuscola County does not have a publicly owned or operated business incubator. This has caused new businesses to locate outside of Tuscola County or not get started at all. This project would allow for the purchase of land or a building, which would be turned into a state of the art business incubator. Support for the project would be provided by the Tuscola County Economic Development Corporation and a host of other business counseling agencies. The counseling would be provided to the local businesses at no, or low cost. This physical incubator would be complemented with the development of a web-based business incubator.

Firms that locate in the business incubator would also be assisted by the Business Resource Center, which is web-based and is rotated quarterly to libraries throughout Tuscola County. This center is served by library staff and includes business start-up manuals, small business sourcebooks, financial ratio research and benchmarks and financial forecasting software.

Industrial Park Upgrades

As of February 2009, the Village of Mayville became the fifth community in Tuscola County to establish an industrial park. Local funding was used to purchase a parcel of vacant land and to make initial infrastructure improvements at the park. One company has just purchased land in the Mayville Industrial Park and will construct a new building in approximately 2 months. The Village of Caro has purchased additional property adjacent to the Caro Renaissance Zone and the Caro Industrial Park. The Village is taking steps to market this property in further developing the Caro Industrial Park. The land is properly zoned. The Village of Reese is developing plans for a Green Technology and Light Industrial Park for the Village. Many infrastructure improvements will be needed in Reese. Industrial parks are located in Millington, Vassar and Cass City as well.

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 have occurred in: 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.

IV - State Financial Trends – Impact County

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. 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.

Tremendous financial challenges have confronted Tuscola County over the past several years and the problem is anticipated to continue in 2009 and 2010. 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 and declines in key County revenue sources have negatively impacted the ability to maintain County services. 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.

V – 2008 County Activity Summary

Intergovernmental Service Agreements – Success Stories

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 an excellent 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.

Recent financial analysis shows that the joint arrangement with Sanilac County to provide animal control services in Tuscola County continues to be highly successful. When Tuscola County operated the program as a single county, expenses exceeded revenues requiring a general fund subsidy of \$80,000 to \$100,000 per year. Now the revenues generated by the program cover the expenses resulting in the program.

Jail Overcrowding Problems Continue

The number of Tuscola County prisoners housed in other county jails increased dramatically in 2008 because of overcrowding in the Tuscola County Jail. Costs to house prisoners in other counties are skyrocketing to approximately \$221,000 for 2008. This is more than twice as much as was spent in 2007 and prior to 2006 expenditures to house prisoners in other counties never exceeded \$20,000. The \$221,000 spent in 2008 is the most 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. The Board approved obtaining assistance from Harrison-Landmark Architects to develop alternative plans to solve the jail overcrowding problem. Implementation of these alternative plans is cost prohibitive at the current time. Alternative sentencing approaches or early releases appear to be the only realistic methods of relieving the budgetary pressures caused by these cost increases.

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 current state prisoners into the county jail. In 2008, 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 to revamp sentencing guidelines would change many felonies to misdemeanors and reduce 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.

Special Purpose Millage Renewals

Even in these turbulent financial times, the public supported the renewal of four special purpose millages in 2008. This vote of confidence shows that the public understands the value and importance of these services. These special millages included: Roads, Bridges, Medical Care Facility and Recycling. In 2010, Senior Citizen and Road Patrol millages will require a public vote for renewal.

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, additional probation officers will be added to the State Probation Department in Tuscola County. Under State law, the County is responsible for housing state probation officers. However, the State's decision to add probation officers has made the current facility too small. Alternative solutions to this problem are being evaluated.

Changes for 911/Dispatch Funding

Effective July 1, 2008 the State approved a change to the telephone surcharge. Prior to this date, there was a telephone surcharge applied to wireline devices (\$4.00 per -month in Tuscola) and another for cellular phones (\$.29- month throughout Michigan) The new surcharge is applied equally to all devices, wireline, cellular or VoIP phones. In Tuscola, the rate is set at \$1.80 per month.

The County is working on solving a pager coverage issue. Pagers are used to notify firefighters and EMS personnel of an emergency. Two transmitter sites are being installed: one in Unionville and one in Cass City. A third site will be installed in the Reese area as soon as a suitable location can be found. The Unionville site will be completed by April 1, 2009 and the Cass City site will be installed immediately after this. The County Board signed a contract for these two projects at a cost of \$40,000.

The State funded a grant to install an emergency notification system. This is a computerized on-line system that is used to notify hundreds of citizens per minute via telephone. This system will be used to notify citizens of the Caro Fire district of situations of concern including: natural disasters, weather warnings, police matters impacting the public, etc.

Warrant Entry Change

The Board of Commissioners approved funding to enable an important change in the warrant entry/administrative process from Dispatch to District Court. This change allows for timely warrant entry by the Court and will reduce the chances of warrant entry arrest errors while freeing-up valuable police time for protection and enforcement matters, rather than warrant administrative activities. This change also enables dispatchers to give full attention to dispatch activities instead of warrant entry.

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 also allows users to subscribe online to annual unlimited searches or buy search credits to all of the tax data.

Court Filings/Traffic Infractions

The number of court case filings has been declining. According to the State Court Administrator's Office, in peak year 2000 there were 19,004 new case filings in District Court compared to 10,120 in 2007 for a reduction of 47%. Probate Court case filings have declined from 588 in peak year 2001 to 322 in 2007 for a reduction of 45%. Circuit Court case filings have declined from 1,899 in the year 2001 to 1,595 in the year 2007 for a reduction of 16%.

According to Sheriff Annual Reports, traffic violations and other summons issued by the County Sheriff Department have declined dramatically in Tuscola County. In the year 2000, there were 7,364 violations compared to only 2,870 in 2007 for a reduction of approximately 60%. This decline has resulted in a significant drop in District Court revenue for County operations.

DDA/TIFA Funding

The County plays an important financial role in helping to strengthen downtown areas by allowing the capture of property tax growth in these areas. Total County property taxes provided for Downtown Development Authorities (DDA) in 2008 were \$106,507 calculated for each DDA as follows: Caro \$53,195, Cass City \$17,680, Millington \$14,472, Vassar \$10,712 and Mayville \$10,448.

Human Services Building Lease Approved

The County Board recently approved a lease with the State to use the Human Services Building. Revenue generated from this lease is critical to the County. The Board of Commissioners and staff successfully negotiated this favorable 20 year lease which is financially beneficial for the County.

Housing Rehabilitation Community Development Block Grant

Tuscola County was the recipient of another Community Development Block Grant from the State of Michigan Housing Development Authority. This is the twelfth consecutive year the County has received this grant which provides for housing rehabilitation for qualified citizens from throughout the County. The Human Development Commission administers the grant for the County.

VI - 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 management of 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.

VII - 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.

VIII - 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 95.3% on an average of all units (as of December 2007). During years 2002, 2003, 2004, 2005, 2006 and 2007 the county was funded 94%, 94.1%, 94.1%, 93.9%, 94.7% and 95.3% 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 increase has been 3.5% 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.

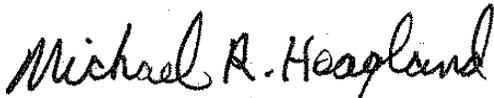
IX - Awards and Acknowledgements

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, 2007. This was the eighth 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.

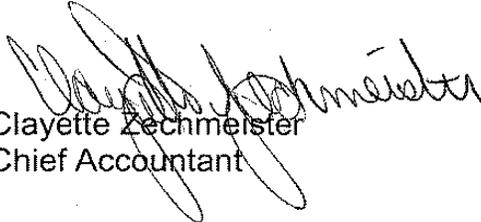
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

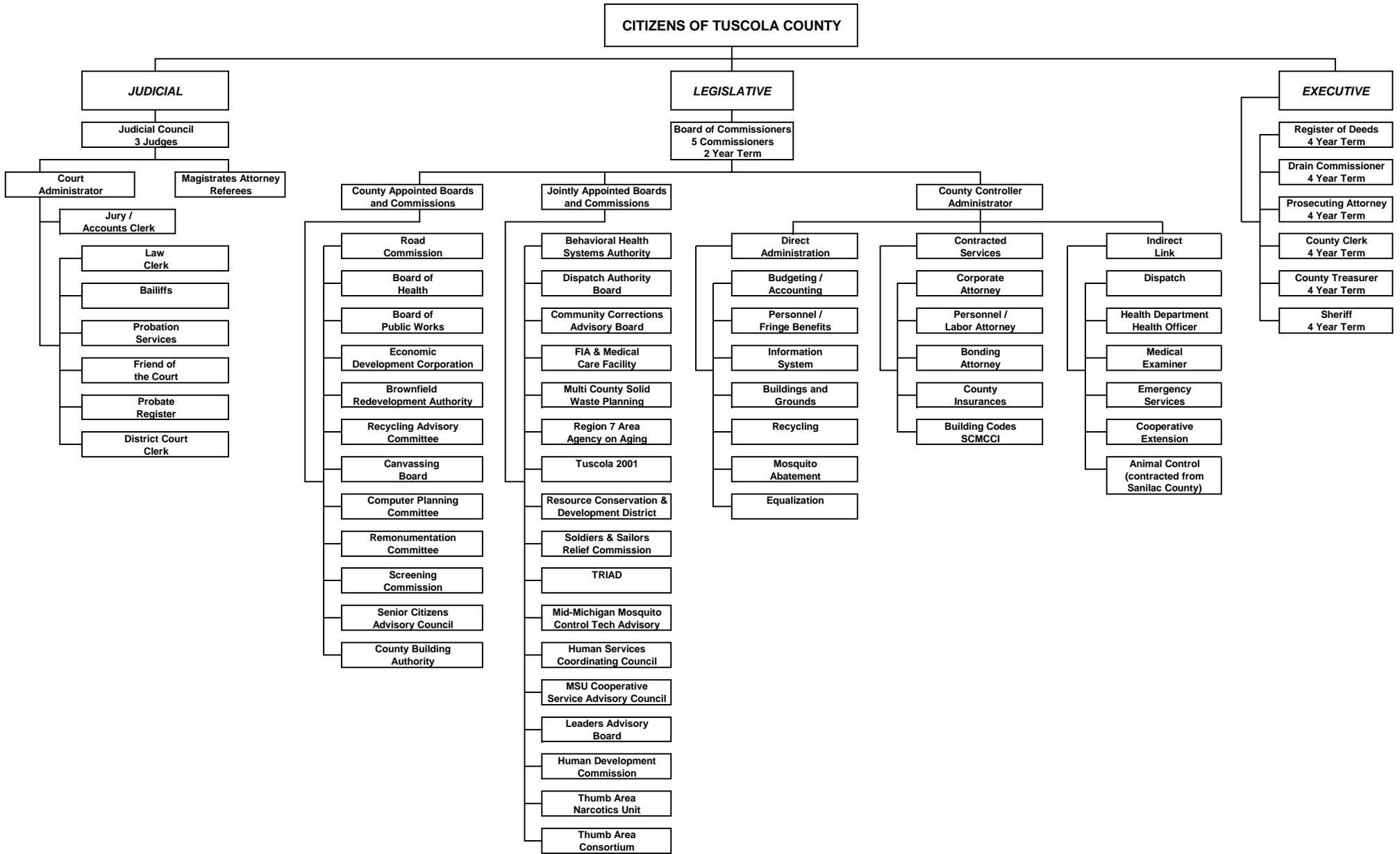
Circuit Court Judge
District Court Judge
Probate Court Judge
Prosecutor
Sheriff
County Clerk
Register of Deeds
Drain Commissioner
Treasurer

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



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, 2007

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



President

Executive Director

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

INDEPENDENT AUDITORS' REPORT

June 26, 2009

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, 2008, 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% respectfully, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General Fund, Road Patrol 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 26, 2009, 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 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 inquires 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, 2008. 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 \$37,849,020 (net assets). Of this amount, \$25,247,078 (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 decreased by (\$256,110) from 2007.
- The capital asset portion of the total net assets had a decrease of (\$938,041). In 2007, these assets were \$27,029,830 compared to \$26,091,789 in 2008. The business-type activities decrease is (\$748,850) and the governmental activities decrease is (\$189,191.).
- The restricted portion of total assets decreased by (\$7,687) in comparison to the restricted assets in 2007.
- The unrestricted portion of total assets increased by \$955,840. This is mostly due to the increase of business-type activities of \$1,945,140. The difference is a decrease in the governmental activities of (\$989,300).

Fund Balance Information.

- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$7,532,968. Approximately 63 percent of this total amount, \$4,742,696 is available for spending at the government's discretion (unreserved fund balance).
- The general fund's unreserved-undesignated fund balance was \$1,483,353 or approximately 16 percent of the total general fund expenditures at the end of the current fiscal year. The total fund balance for the general fund was \$2,216,960.

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, Brownfield Redevelopment, 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, Road Patrol and the Health Department Fund each of which are considered to be major funds. Data from the other 52 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 23-26 of this report. For other governmental funds with appropriated budgets, the comparisons start on page 94.

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 and Medical Care Facility activities, 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, Delinquent Tax Revolving Funds, Caro Sewer System, and the Denmark Sewer System which are considered to be major funds of the County, and other enterprise funds that are considered nonmajor enterprise funds. The detail for the nonmajor enterprise funds can be found on pages 111-112. 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 113-115.

The basic proprietary fund financial statements can be found on pages 27-30 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 31 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 32-70 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 combined and individual fund financial statements and schedules which can be found on pages 71-119 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 \$37,849,020 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 2007 and 2008 balances.

	Governmental Activities		Business-Type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Current and other assets	14,102,028	13,248,701	22,909,454	25,629,561	37,011,482	38,878,262
Capital assets, net	6,023,375	5,834,184	21,006,455	20,257,605	27,029,830	26,091,789
Total assets	20,125,403	19,082,885	43,915,909	45,887,166	64,041,312	64,970,051
Long-term liabilities outstanding	1,810,580	1,656,877	18,437,096	20,581,627	20,247,676	22,238,504
Other liabilities	3,667,514	3,842,972	1,981,419	1,039,555	5,648,933	4,882,527
Total liabilities	5,478,094	5,499,849	20,418,515	21,621,182	25,896,609	27,121,031
Net Assets						
Invested in capital assets, net of related debt	4,989,367	4,922,081	5,206,583	4,030,033	10,195,950	8,952,114
Restricted	2,415,673	2,407,986	1,241,842	1,241,842	3,657,515	3,649,828
Unrestricted	7,242,269	6,252,969	17,048,969	18,994,109	24,291,238	25,247,078
Total net assets	\$14,647,309	\$13,583,036	\$23,497,394	\$24,265,984	\$38,144,703	\$37,849,020

One of the largest portions of the County's net assets of \$25,247,078 reflects its unrestricted net assets. This is a increase from 2007 of \$956,109. The overall increase is the result of an increase in the business-type activities of \$1,945,140 with a reduction of (\$989,031) in the governmental activities.

The restricted portion of the County's net assets, \$3,649,828 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 the government as a whole, as well as for its business-type activities. The governmental activities however, have been reporting declines for two years. For 2007, the reduction was (\$55,292) and for 2008, the reduction is (\$1,064,273).

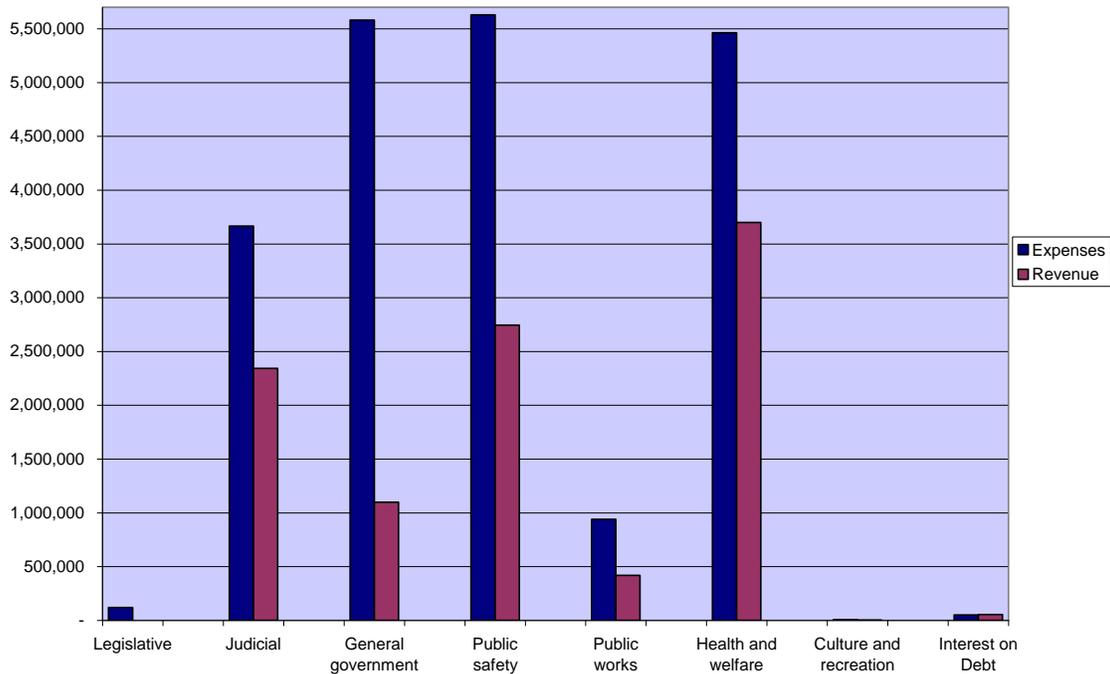
Tuscola County Changes in Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenue:						
Charges for services	5,372,595	5,379,562	13,060,767	14,131,189	18,433,362	19,510,751
Operating grants and contributions	4,734,888	4,854,054	-	-	4,734,888	4,854,054
Capital grants and contributions	142,617	127,155	7,120,155	3,495,097	7,262,772	3,622,252
General Revenue:						
Property Taxes	8,152,320	8,329,785	1,677,012	1,773,731	9,829,332	10,103,516
Grants and contributions not restricted to specific programs	114,210	589,645	-	-	114,210	589,645
Unrestricted investment earnings	530,747	312,610	439,658	229,178	970,405	541,788
Miscellaneous general revenues	-	-	307,797	302,614	307,797	302,614
Total revenues	<u>19,047,377</u>	<u>19,592,811</u>	<u>22,605,389</u>	<u>19,931,809</u>	<u>41,652,766</u>	<u>39,524,620</u>
Expenses:						
Legislative	121,633	119,951	-	-	121,633	119,951
Judicial	3,376,451	3,665,853	-	-	3,376,451	3,665,853
General Government	5,194,811	5,580,391	-	-	5,194,811	5,580,391
Public Safety	5,182,899	5,628,777	-	-	5,182,899	5,628,777
Public Works	913,182	939,794	-	-	913,182	939,794
Health and Welfare	5,159,902	5,463,407	-	-	5,159,902	5,463,407
Culture and Recreation	11,173	6,043	-	-	11,173	6,043
Interes on debt	75,153	50,441	-	-	75,153	50,441
Medical Care Facility			13,417,162	14,476,962	13,417,162	14,476,962
Delinquent property tax			4,412	2,478	4,412	2,478
Caro Sewer System			13,143	81,246	13,143	81,246
Caro Sewage (Refunding)			36,420	22,715	36,420	22,715
Mayville Storm Sewer			80,300	59,233	80,300	59,233
Richville Water System			44,153	34,833	44,153	34,833
Millington Sewer System			308,915	3,994	308,915	3,994
Denmark Sewer System			44,784	3,576,078	44,784	3,576,078
Tax Foreclosure			112,853	114,590	112,853	114,590
Other	-	-	-	-	-	-
Total expenses	<u>20,035,204</u>	<u>21,454,657</u>	<u>14,062,142</u>	<u>18,372,129</u>	<u>34,097,346</u>	<u>39,826,786</u>
Change in net assets						
before transfers	(987,827)	(1,861,846)	8,543,247	1,559,680	7,555,420	(302,166)
Transfers - internal activities	<u>802,573</u>	<u>797,573</u>	<u>(759,916)</u>	<u>(751,517)</u>	<u>42,657</u>	<u>46,056</u>
Change in net assets	(185,254)	(1,064,273)	7,783,331	808,163	7,598,077	(256,110)
Net assets-beginning of year, as restated						
	<u>14,832,563</u>	<u>14,647,309</u>	<u>15,714,063</u>	<u>23,457,821</u>	<u>30,546,626</u>	<u>38,105,130</u>
Net assets-end of year	<u>\$14,647,309</u>	<u>\$13,583,036</u>	<u>\$23,497,394</u>	<u>\$24,265,984</u>	<u>\$38,144,703</u>	<u>\$37,849,020</u>

Governmental Activities. Governmental activities decreased the County’s net assets by (\$1,064,273) for fiscal year 2008. This decrease is (\$1,008,981) more than the decrease in 2007.

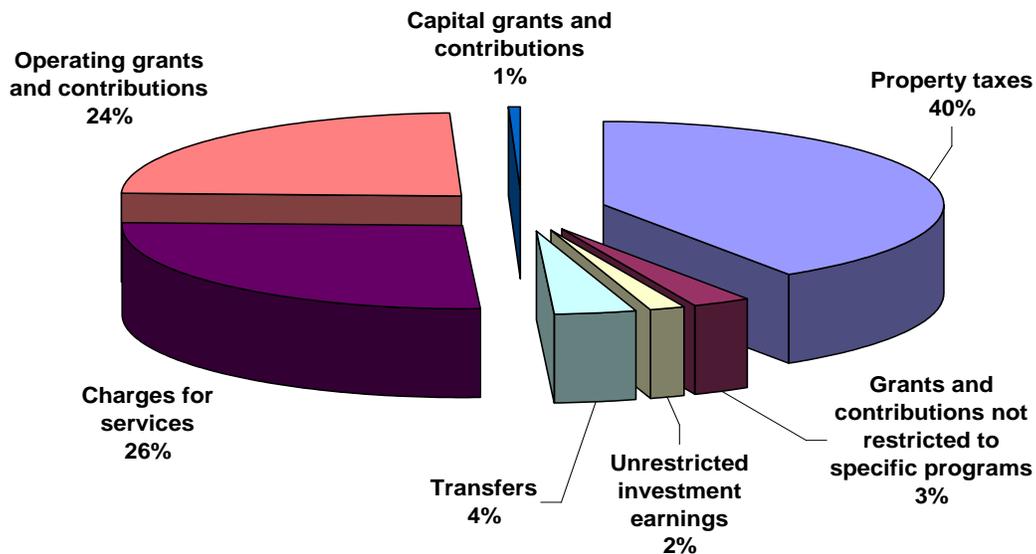
- Some of the factors that may explain this occurrence are that expenditures are continuing to increase. All governmental activities, with the exception of legislative, culture and recreation, and interest of debt, had a total increase of \$1,419,453 in expenditures prior to transfers from a year ago.
- Property taxes including general operating and all special purpose millages have a modest increase of \$274,182 for 2008. For fiscal year 2007, they are reported as \$9,829,332 and for 2008, they are reported as \$10,103,514. The winter to summer tax shift that occurred in 2006 appears to have stabilized the current property tax for 2008 as we expected.

Expenses and Program Revenues - Governmental Activities



- The statement of activities for program revenues on the primary government shows program revenue at \$10,360,771 which is short of covering governmental expenses by \$11,093,886. 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

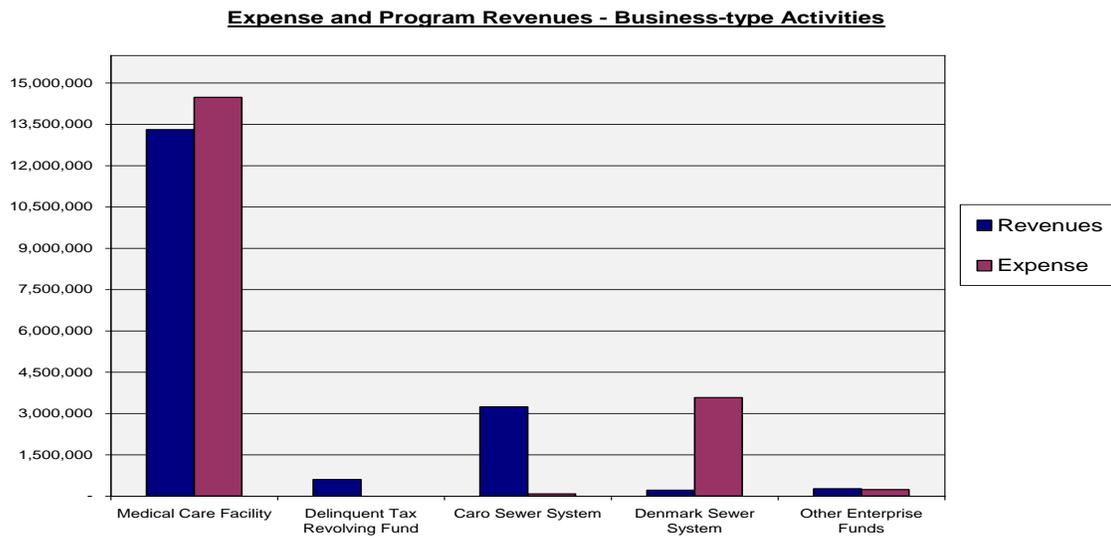


Business-Type Activities. Business-type activities increased the County's net assets by \$808,163. This is a modest increase from 2007. During 2007, the County also received grants for the sewer projects noted below, in the amount of approximately \$3,500,000. Because of the nature of the projects/grants, these were not received in 2008, which caused a substantially lower increase in the net assets compared to the prior year.

Key elements of the changes are as follows:

- Denmark Sewer Project was completed in 2008. The ending of this project removed \$3,360,253 from the ending net assets for this year because the ownership of the assets were transferred to the local unit.
- Caro Sewer Project continued in 2008 and has increased the net assets by \$3,158,505.
- Medical Care Facility has an increase in net assets of \$934,074 from 2007. This shows a smaller growth than the year ending 2007 of \$1,033,938.

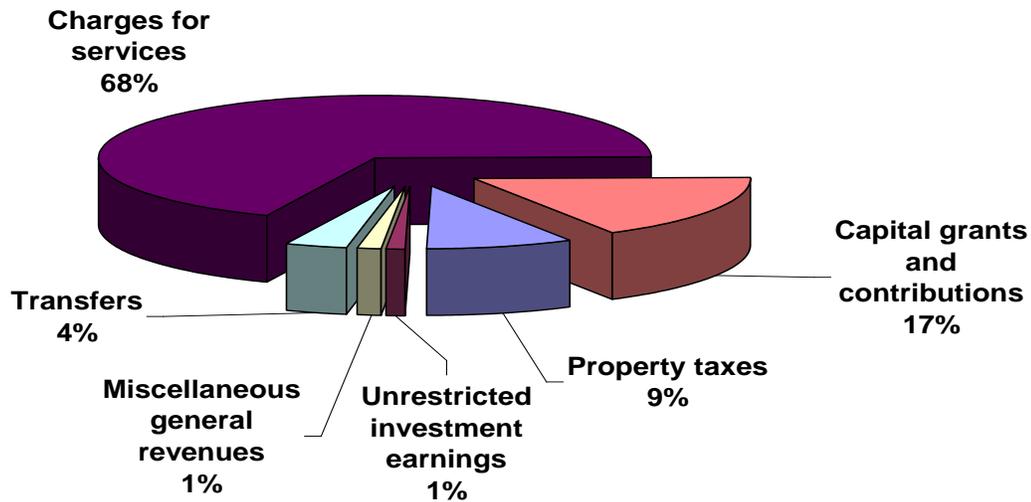
- Delinquent Tax Revolving Fund assets prior to transfers are showing a reduced income of \$733,331 compared to \$806,677 in 2007. What we continue to monitor is the decline in interest earnings. In 2007, the earnings were \$272,341 and for 2008 they are trending down at \$132,637. This is a substantial decrease of \$139,704. However, the interest on taxes for operating revenues is up \$49,470 from 2007. This is interest we are charging on delinquent property taxes with penalties.



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 110-112.

Revenues by Source - Business-type Activities



The majority of revenues for all business-type activities comes from charges for services. This accounts for 68 percent of the total revenue or \$14,131,189.

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 \$7,532,968. Of this total amount, 63 percent or \$4,742,696 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 \$1,165,681 and *unreserved- undesignated fund balance* of \$3,577,015. 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 years 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) \$310,000 to cover advances to component units 2) \$6,800 to cover for cemetery maintenance 3) \$2,287,311 for capital projects 4) \$53,170 to cover prepaid items 5) \$132,991 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 \$1,483,353 while total fund balance was \$2,216,960. 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 approximately 18 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$229,649 during the current fiscal year. This is due to state revenue sharing being reintroduced in October of 2008.

The Health Department fund had an increase of \$2,097 in fund balance for the current year, for an ending fund balance of \$637,245.

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

Unrestricted net assets at the end of the year amounted to \$18,994,109. The Medical Care Facility Fund was \$6,028,363, the Delinquent Tax Revolving Fund ended at \$5,684,235 and the Caro Sewer System Fund finished at \$6,999,879. The combined unrestricted net assets of the nonmajor enterprise funds were \$281,632.

The Medical Care Facility Fund had an increase of net assets for the year of \$934,074 while the Delinquent Tax had an increase of \$913. Caro Sewer System fund has progressed in 2008, and ended the year with increased net assets of \$3,158,505 while the Denmark Sewer System was completed, and a 0 net asset is recorded. The combined nonmajor total net assets increased by \$74,924.

General Fund Budgetary Highlights

The differences between the original and final amended budgets for expenditures and transfers out resulted in an increase of \$225,778. Variances between budget and actual show an increase in fund balance of \$229,649. The largest variance between budget and actual was the state revenue line item, which is due to the state revenue sharing being reintroduced in October of 2008 at a rate much greater than was originally budgeted.

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, 2008, amounted to \$26,091,789 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, construction in progress, vehicles and equipment. This is a decrease of \$938,041 from 2007.

County of Tuscola
Capital assets (net of depreciation)

Fiscal Year Ending December 31	Governmental Activities	Business-Type Activities	Total
	2008	2008	2008
Land	560,646	-	560,646
Construction in Progress	-	6,999,879	6,999,879
Buildings	2,694,703	7,688,762	10,383,465
Improvements	1,213,097	707,847	1,920,944
Vehicles	1,806,617	-	1,806,617
Equipment	35,203	4,861,117	4,896,320
Health Dept Accum. Depreciation	(476,082)	-	(476,082)
Total	<u>\$5,834,184</u>	<u>\$20,257,605</u>	<u>\$26,091,789</u>

Additional information on the County's capital assets can be found in note III C on pages 45-49 of this report.

Long-Term Debt. At the end of the current fiscal year, the County had total bonded debt outstanding of \$35,558,416. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government, and \$12,650,163 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 continued to remain at the A- status for 2008.

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 \$144,814,817 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 51-55 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 2009 fiscal year:

- The average unemployment rate for the County of Tuscola as of December 31, 2008 was 13.9 percent, which is an increase from an average rate of 8.7 percent a year ago. This is higher than the State's average unemployment rate of 10.2 percent and the national average rate of 5.8 percent.
- The State has restored the revenue sharing payments for 2009. This could have had a major impact on Tuscola County if this was not restored. We continue to be optimistic that this will continue to flow into the County.
- The 2009 General Fund budget has an increase over the 2008 amended budget by \$221,222. The 2009 budget is balanced primarily through transfers, one-time sources of funds, and the use of fund balance.
- Declining major sources of revenue. The earnings on investments, District Court fees, Register of Deeds fees and additional Jail revenues continue to decline, and are not expected to increase in 2009.
- The reduction in some federal and state grants continues to put pressure on local funds to keep vital programs for Health and Public Safety.
- Child care cost is a very unpredictable cost center for the county. Appropriation increases are necessary for 2009 and 2010.

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 financial activities. 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, 2008**

	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Road Commission	Brownfield Redevelopment	Drain Commission	Total
Assets							
Cash and cash equivalents	\$ 1,591,268	\$ 2,528,361	\$ 4,119,629	\$ 2,218	\$ 25,414	\$ 840,718	\$ 868,350
Investments	6,155,069	1,560,244	7,715,313	-	-	6,034,041	6,034,041
Receivables	5,527,168	16,578,887	22,106,055	2,241,679	22,996	10,774,103	13,038,778
Advance to component units	310,000	-	310,000	-	-	-	-
Internal balances	(437,743)	437,743	-	-	-	-	-
Prepaid items and other assets	53,170	211,390	264,560	108,078	-	-	108,078
Inventory	49,769	-	49,769	286,239	-	-	286,239
Restricted cash	-	1,574,374	1,574,374	1,243,398	-	-	1,243,398
Restricted investments	-	2,738,562	2,738,562	-	-	-	-
Restricted receivables	-	-	-	1,631,658	-	-	1,631,658
Capital assets, net:							
Assets not being depreciated	560,646	6,999,879	7,560,525	30,417,665	-	310,226	30,727,891
Assets being depreciated	5,273,538	13,257,726	18,531,264	43,126,176	-	16,882,514	60,008,690
Total assets	19,082,885	45,887,166	64,970,051	79,057,111	48,410	34,841,602	113,947,123
Liabilities							
Accounts payable	458,944	400,056	859,000	1,148,924	48,410	404,840	1,602,174
Accrued liabilities	637,169	391,564	1,028,733	94,924	-	-	94,924
Advance from primary government	-	-	-	-	-	310,000	310,000
Unearned revenue	2,746,859	247,935	2,994,794	204,172	-	-	204,172
Noncurrent liabilities:							
Due within one year	426,999	1,374,500	1,801,499	-	-	1,494,857	1,494,857
Due in more than one year	1,229,878	19,207,127	20,437,005	669,749	-	11,155,306	11,825,055
Total liabilities	5,499,849	21,621,182	27,121,031	2,117,769	48,410	13,365,003	15,531,182
Net Assets							
Invested in capital assets, net of related debt	4,922,081	4,030,033	8,952,114	73,543,841	-	4,542,577	78,086,418
Restricted for:							
Debt service	-	1,235,423	1,235,423	-	-	2,740,912	2,740,912
Capital projects	2,287,311	-	2,287,311	-	-	3,427,385	3,427,385
Donor contributions	113,775	6,419	120,194	-	-	-	-
Cemetery maintenance							
Nonexpendable	6,800	-	6,800	-	-	-	-
Expendable	100	-	100	-	-	-	-
Unrestricted	6,252,969	18,994,109	25,247,078	3,395,501	-	10,765,725	14,161,226
Total net assets	\$ 13,583,036	\$ 24,265,984	\$ 37,849,020	\$ 76,939,342	\$ -	\$ 21,476,599	\$ 98,415,941

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

**TUSCOLA COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

Functions / Programs	Expenses	Indirect Expenses Allocation	Program Revenues		Net (Expense) Revenue	
			Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Primary government						
Governmental activities:						
Legislative	\$ 119,951	\$ -	\$ -	\$ -	\$ -	\$ (119,951)
Judicial	3,664,222	1,631	1,275,539	1,067,410	-	(1,322,904)
General government	5,586,255	(5,864)	844,975	252,725	-	(4,482,691)
Public safety	5,628,777	-	1,830,531	914,234	-	(2,884,012)
Public works	939,794	-	418,363	-	-	(521,431)
Health and welfare	5,460,470	2,937	1,007,945	2,619,685	72,146	(1,763,631)
Culture and recreation	6,043	-	2,209	-	-	(3,834)
Interest on debt	50,441	-	-	-	55,009	4,568
Total governmental activities	<u>21,455,953</u>	<u>(1,296)</u>	<u>5,379,562</u>	<u>4,854,054</u>	<u>127,155</u>	<u>(11,093,886)</u>
Business-type activities:						
Medical care facility	14,475,666	1,296	13,302,206	-	-	(1,174,756)
Delinquent property tax	2,478	-	603,172	-	-	600,694
Caro sewer system	81,246	-	81,248	-	3,158,503	3,158,505
Caro sewage disposal (refunded)	22,715	-	-	-	22,715	-
Mayville storm sewer	59,233	-	-	-	59,233	-
Richville water system	34,833	-	-	-	34,833	-
Millington sewer system	3,994	-	-	-	3,994	-
Denmark sewer system	3,576,078	-	-	-	215,819	(3,360,259)
Tax foreclosure	114,590	-	144,563	-	-	29,973
Total business-type activities	<u>18,370,833</u>	<u>1,296</u>	<u>14,131,189</u>	<u>-</u>	<u>3,495,097</u>	<u>(745,843)</u>
Total primary government	<u>\$ 39,826,786</u>	<u>\$ -</u>	<u>\$ 19,510,751</u>	<u>\$ 4,854,054</u>	<u>\$ 3,622,252</u>	<u>\$ (11,839,729)</u>
Component units						
Road commission	\$ 9,707,930	\$ -	\$ -	\$ 10,431,023	\$ -	\$ 723,093
Brownfield redevelopment	62,384	-	-	62,384	-	-
Drain commission	1,484,549	-	-	-	1,250,775	(233,774)
Total component units	<u>\$ 11,254,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,493,407</u>	<u>\$ 1,250,775</u>	<u>\$ 489,319</u>

continued...

TUSCOLA COUNTY
STATEMENT OF ACTIVITIES (CONCLUDED)
YEAR ENDED DECEMBER 31, 2008

Functions/Programs	Primary Government			Component Units			
	Governmental Activities	Business-type Activities	Total	Road Commission	Brownfield Redevelopment	Drain Commission	Total
Changes in net assets							
Net (expense) revenue	\$ (11,093,886)	\$ (745,843)	\$ (11,839,729)	\$ 723,093	\$ -	\$ (233,774)	\$ 489,319
General revenues:							
Property taxes	8,329,785	1,773,731	10,103,516	1,626,962	-	-	1,626,962
Grants and contributions not restricted to specific programs	589,645	-	589,645	-	-	-	-
Unrestricted investment earnings	312,610	229,178	541,788	45,352	-	191,211	236,563
Other revenue	-	302,614	302,614	231,500	-	-	231,500
Transfers - internal activities	797,573	(751,517)	46,056	-	-	-	-
Total general revenues and transfers	10,029,613	1,554,006	11,583,619	1,903,814	-	191,211	2,095,025
Change in net assets	(1,064,273)	808,163	(256,110)	2,626,907	-	(42,563)	2,584,344
Net assets, beginning of year, as restated	14,647,309	23,457,821	38,105,130	74,312,435	-	21,519,162	95,831,597
Net assets, end of year	\$ 13,583,036	\$ 24,265,984	\$ 37,849,020	\$ 76,939,342	\$ -	\$ 21,476,599	\$ 98,415,941

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

**TUSCOLA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road Patrol	Health Department (F.Y.E. 9-30-08)	Other Governmental Funds	Total
Assets					
Cash and cash equivalents	\$ -	\$ 133,693	\$ 516,717	\$ 940,858	\$ 1,591,268
Investments	3,767,295	93,116	-	2,294,658	6,155,069
Receivables:					
Taxes receivable	342,043	1,288,461	-	1,408,629	3,039,133
Taxes receivable - delinquent	16,801	16,106	-	13,684	46,591
Accounts receivable	589,061	1,841	78,749	370,333	1,039,984
Interest receivable	11,927	333	-	1,396	13,656
Due from other funds	756,717	2,277	-	1,024,053	1,783,047
Due from state	126,462	-	48,527	253,142	428,131
Due from other governmental units	9,034	-	55,634	-	64,668
Prepaid expenditures	-	-	53,170	-	53,170
Inventory	-	-	49,769	-	49,769
Advances to component unit	310,000	-	-	-	310,000
Total assets	\$ 5,929,340	\$ 1,535,827	\$ 802,566	\$ 6,306,753	\$ 14,574,486
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 195,551	\$ 3,250	\$ 68,152	\$ 99,718	\$ 366,671
Accrued liabilities	183,464	43,105	47,400	107,616	381,585
Due to other governments	-	-	-	23,873	23,873
Due to other funds	3,268,324	28,580	-	109,795	3,406,699
Deposits payable	-	-	-	21,000	21,000
Deferred revenue	65,041	1,304,567	49,769	1,422,313	2,841,690
Total liabilities	3,712,380	1,379,502	165,321	1,784,315	7,041,518
Fund balance					
Reserved for:					
Advances to component units	310,000	-	-	-	310,000
Cemetery maintenance	-	-	-	6,800	6,800
Restricted contributions	-	-	113,775	19,216	132,991
Capital projects	-	-	-	2,287,311	2,287,311
Prepaid items	-	-	53,170	-	53,170
Unreserved:					
Designated for compensated absences	-	-	130,018	-	130,018
Designated for retirement contribution	-	-	124,998	-	124,998
Designated for wage schedule implementation	-	-	32,004	-	32,004
Designated for data mgt/capital improvements	-	-	47,000	-	47,000
Designated for subsequent year's expenditures,					
General Fund	423,607	-	-	-	423,607
Special revenue funds	-	96,099	-	311,955	408,054
Undesignated	1,483,353	60,226	136,280	-	1,679,859
Undesignated, reported in nonmajor:					
Special revenue funds	-	-	-	1,897,056	1,897,056
Permanent funds	-	-	-	100	100
Total fund balance	2,216,960	156,325	637,245	4,522,438	7,532,968
Total liabilities and fund balance	\$ 5,929,340	\$ 1,535,827	\$ 802,566	\$ 6,306,753	\$ 14,574,486

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, 2008

Fund balances - total governmental funds \$ 7,532,968

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

Capital assets used in governmental activities are not financial resources, and therefore not reported in the funds.

Add: capital assets	12,469,120
Subtract: accumulated depreciation	(6,634,936)

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.

Add: deferred delinquent property taxes	94,831
Add: long-term receivables - due from other governments	895,005

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.

Add: net assets of governmental activities accounted for in internal service funds	897,930
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Certain liabilities, such as bonds payable, are not due and payable in the current period, and therefore are not reported in the funds.

Subtract: bonds payable	(880,000)
Subtract: notes payable	(32,103)
Subtract: accrued interest payable	(15,005)
Subtract: compensated absences	(744,774)
	(1,671,882)

Net assets of governmental activities	\$ 13,583,036
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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, 2008

	General	Road Patrol	Health Department (F.Y.E. 9-30-08)	Other Governmental Funds	Total
Revenues					
Taxes	\$ 5,869,492	\$ 1,249,500	\$ -	\$ 1,360,474	\$ 8,479,466
Licenses and permits	527,856	-	164,422	-	692,278
Intergovernmental					
Federal	120,248	1,841	1,902,227	974,922	2,999,238
State	1,385,114	11,000	-	1,177,839	2,573,953
Local	-	-	-	405,052	405,052
Charges for services	1,799,115	-	579,064	1,348,402	3,726,581
Fines and forfeits	46,296	-	-	8,219	54,515
Interest and rents	362,525	6,309	-	78,627	447,461
Reimbursements and refunds	537,928	1,994	-	13,723	553,645
Other	-	-	33,638	83,242	116,880
Total revenues	10,648,574	1,270,644	2,679,351	5,450,500	20,049,069
Expenditures					
Current:					
Legislative	118,052	-	-	-	118,052
Judicial	2,513,666	-	-	1,062,729	3,576,395
General government	3,751,836	-	-	1,462,086	5,213,922
Public safety	2,591,055	1,142,184	-	1,505,641	5,238,880
Public works	939,330	-	-	-	939,330
Health and welfare	476,738	-	3,078,190	1,766,529	5,321,457
Culture and recreation	-	-	-	6,043	6,043
Other	241,097	-	-	-	241,097
Capital outlay	-	124,918	-	568,017	692,935
Debt service - principal	-	46,579	-	125,000	171,579
Debt service - interest	-	1,783	-	50,784	52,567
Total expenditures	10,631,774	1,315,464	3,078,190	6,546,829	21,572,257
Revenues over (under) expenditures	16,800	(44,820)	(398,839)	(1,096,329)	(1,523,188)
Other financing sources (uses)					
Issuance of notes payable	-	49,674	-	-	49,674
Transfer in	1,766,559	-	400,936	1,229,272	3,396,767
Transfer out	(1,553,710)	-	-	(1,045,484)	(2,599,194)
Total other financing sources (uses)	212,849	49,674	400,936	183,788	847,247
Net change in fund balances	229,649	4,854	2,097	(912,541)	(675,941)
Fund balance, beginning of year	1,987,311	151,471	635,148	5,434,979	8,208,909
Fund balance, end of year	\$ 2,216,960	\$ 156,325	\$ 637,245	\$ 4,522,438	\$ 7,532,968

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, 2008

Net change in fund balances - total governmental funds \$ (675,941)

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	409,974
Subtract: depreciation expense	(593,171)

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.

Subtract: change in deferred delinquent property taxes	(149,681)
Subtract: change in long-term receivables	(107,126)

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	171,579
Subtract: proceeds from the issuance of capital leases	(49,674)
Add: decrease in accrued interest payable	2,125

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	31,798
Subtract: loss on the disposal of capital assets	(5,993)

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.

Subtract: net loss from governmental activities accounted for in internal service funds	(98,163)
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Change in net assets of governmental activities	\$ (1,064,273)
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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
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 5,796,800	\$ 5,796,800	\$ 5,869,492	\$ 72,692
Licenses and permits	462,374	535,741	527,856	(7,885)
Intergovernmental				
Federal	122,800	122,800	120,248	(2,552)
State	968,581	973,825	1,385,114	411,289
Charges for services	1,889,698	1,948,632	1,799,115	(149,517)
Fines and forfeits	73,150	73,150	46,296	(26,854)
Interest and rents	413,982	416,346	362,525	(53,821)
Other	463,488	523,872	537,928	14,056
Total revenues	<u>10,190,873</u>	<u>10,391,166</u>	<u>10,648,574</u>	<u>257,408</u>
Expenditures				
Legislative				
Board of commissioners	130,542	133,742	118,052	(15,690)
Judicial				
Circuit court	1,268,345	1,268,345	1,180,440	(87,905)
District court	982,283	1,015,329	985,682	(29,647)
Probate court	283,147	293,356	289,261	(4,095)
Jury commission	5,450	5,450	4,335	(1,115)
Adult probation	34,081	55,700	53,948	(1,752)
Total judicial	<u>2,573,306</u>	<u>2,638,180</u>	<u>2,513,666</u>	<u>(124,514)</u>
General government				
Elections	70,850	96,850	94,890	(1,960)
Legal	50,000	50,000	47,998	(2,002)
County clerk	380,971	392,604	379,380	(13,224)
Controller	367,981	367,981	349,995	(17,986)
Equalization	197,734	200,453	194,692	(5,761)
Prosecuting attorney	505,287	505,287	475,369	(29,918)
Cooperative reimbursement - prosecutor	178,397	178,397	152,080	(26,317)
Register of deeds	303,278	303,278	280,231	(23,047)
Treasurer	364,580	364,818	341,473	(23,345)
Cooperative extension	127,696	127,995	127,995	-
Computer operations	367,287	367,287	368,854	1,567
Building and grounds	784,931	795,157	793,799	(1,358)
Drain commission	175,919	176,017	145,080	(30,937)
Livestock claims	825	825	-	(825)
Total general government	<u>3,875,736</u>	<u>3,926,949</u>	<u>3,751,836</u>	<u>(175,113)</u>
Public safety				
Courthouse security	130,279	130,517	130,517	-
Sheriff's department	2,025,558	2,056,985	2,056,985	-
Liquor/traffic enforcement	5,369	5,369	4,779	(590)
Marine safety	21,704	21,704	20,686	(1,018)
Secondary road patrol	118,941	118,941	118,430	(511)
Thumb area narcotics group	28,673	28,673	28,064	(609)
Planning commission	9,351	12,351	11,298	(1,053)
Plat board	656	656	408	(248)
Emergency services	99,601	99,601	96,570	(3,031)
Animal shelter	100,400	127,400	123,318	(4,082)
Total public safety	<u>2,540,532</u>	<u>2,602,197</u>	<u>2,591,055</u>	<u>(11,142)</u>

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (CONCLUDED)
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public works				
Building codes	\$ 320,000	\$ 393,367	\$ 393,367	\$ -
Department of public works	3,000	3,000	2,891	(109)
Drains at large	543,073	543,073	543,072	(1)
Total public works	<u>866,073</u>	<u>939,440</u>	<u>939,330</u>	<u>(110)</u>
Health and welfare				
Substance abuse	58,000	61,536	61,536	-
Medical examiner	39,325	44,098	44,098	-
Veterans' burial	20,000	20,000	15,721	(4,279)
Economic development	50,000	53,000	53,000	-
Mental health appropriations	288,243	288,243	288,243	-
Cigarette tax	24,291	24,291	14,140	(10,151)
Total health and welfare	<u>479,859</u>	<u>491,168</u>	<u>476,738</u>	<u>(14,430)</u>
Other	<u>319,617</u>	<u>271,130</u>	<u>241,097</u>	<u>(30,033)</u>
Total expenditures	<u>10,785,665</u>	<u>11,002,806</u>	<u>10,631,774</u>	<u>(371,032)</u>
Revenues over (under) expenditures	<u>(594,792)</u>	<u>(611,640)</u>	<u>16,800</u>	<u>628,440</u>
Other financing sources (uses)				
Transfer in	2,139,127	2,164,612	1,766,559	(398,053)
Transfer out	(1,544,335)	(1,552,972)	(1,553,710)	(738)
Total other financing sources (uses)	<u>594,792</u>	<u>611,640</u>	<u>212,849</u>	<u>(398,791)</u>
Net change in fund balance	-	-	229,649	229,649
Fund balance, beginning of year	<u>1,987,311</u>	<u>1,987,311</u>	<u>1,987,311</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,987,311</u>	<u>\$ 1,987,311</u>	<u>\$ 2,216,960</u>	<u>\$ 229,649</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
ROAD PATROL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 1,252,000	\$ 1,252,000	\$ 1,249,500	\$ (2,500)
Intergovernmental				
Federal	-	-	1,841	1,841
State	33,012	33,012	11,000	(22,012)
Interest and rent	5,500	5,500	6,309	809
Reimbursements and refunds	3,000	3,000	1,994	(1,006)
Total revenues	<u>1,293,512</u>	<u>1,293,512</u>	<u>1,270,644</u>	<u>(22,868)</u>
Expenditures				
Current				
Public safety	1,158,764	1,164,879	1,142,184	(22,695)
Capital outlay	149,347	149,347	124,918	(24,429)
Debt service - principal	29,008	29,008	46,579	17,571
Debt service - interest	1,783	1,783	1,783	-
Total expenditures	<u>1,338,902</u>	<u>1,345,017</u>	<u>1,315,464</u>	<u>(29,553)</u>
Revenues (under) expenditures	(45,390)	(51,505)	(44,820)	6,685
Other financing sources				
Issuance of notes payable	-	-	49,674	49,674
Net change in fund balance	(45,390)	(51,505)	4,854	56,359
Fund balance, beginning of year	<u>151,471</u>	<u>151,471</u>	<u>151,471</u>	<u>-</u>
Fund balance, end of year	<u>\$ 106,081</u>	<u>\$ 99,966</u>	<u>\$ 156,325</u>	<u>\$ 56,359</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, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Licenses and permits	\$ 181,683	\$ 166,978	\$ 164,422	\$ (2,556)
Intergovernmental				
Federal/state	1,678,011	1,905,851	1,902,227	(3,624)
Charges for services	529,178	572,517	579,064	6,547
Other	37,430	29,822	33,638	3,816
Total revenues	2,426,302	2,675,168	2,679,351	4,183
Expenditures				
Current				
Health and welfare	2,840,138	3,085,971	3,078,190	(7,781)
Revenues (under) expenditures	(413,836)	(410,803)	(398,839)	11,964
Other financing sources				
Transfer in	413,836	400,936	400,936	-
Net change in fund balance	-	(9,867)	2,097	11,964
Fund balance, beginning of year	635,148	635,148	635,148	-
Fund balance, end of year	<u>\$ 635,148</u>	<u>\$ 625,281</u>	<u>\$ 637,245</u>	<u>\$ 11,964</u>

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

TUSCOLA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008

	Enterprise Funds						Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds	Total	Internal Service Funds
Assets							
Current assets:							
Cash and cash equivalents	\$ 2,464,270	\$ 64,091	\$ -	\$ -	\$ -	\$ 2,528,361	\$ -
Investments	1,560,244	-	-	-	-	1,560,244	-
Receivables:							
Taxes receivable - delinquent	19,528	2,574,494	-	-	-	2,594,022	-
Accounts receivable	2,034,931	-	-	-	-	2,034,931	-
Allowance for uncollectible accounts	(123,176)	-	-	-	-	(123,176)	-
Interest receivable	-	1,127	-	-	-	1,127	-
Due from other funds	-	884,857	-	-	285,304	1,170,161	1,185,909
Due from other governmental units	-	204,850	474,994	46,776	252,984	979,604	-
Other assets	26,590	-	-	-	-	26,590	-
Restricted cash	1,574,374	-	-	-	-	1,574,374	-
Restricted investments	-	2,738,562	-	-	-	2,738,562	-
Total current assets	7,556,761	6,467,981	474,994	46,776	538,288	15,084,800	1,185,909
Noncurrent assets:							
Due from other governmental units	-	-	6,669,879	2,135,500	2,287,000	11,092,379	-
Net pension asset	184,800	-	-	-	-	184,800	-
Capital assets, net	13,257,726	-	6,999,879	-	-	20,257,605	-
Total noncurrent assets	13,442,526	-	13,669,758	2,135,500	2,287,000	31,534,784	-
Total assets	20,999,287	6,467,981	14,144,752	2,182,276	2,825,288	46,619,584	1,185,909
Liabilities							
Current liabilities:							
Accounts payable	227,918	48,191	117,138	-	3,672	396,919	-
Accrued and other liabilities	277,452	-	27,856	22,276	32,984	360,568	287,979
Due to other funds	-	732,418	-	-	-	732,418	-
Due to other governments	-	3,137	-	-	-	3,137	-
Patient trust fund	18,396	-	-	-	-	18,396	-
Deposits payable	12,600	-	-	-	-	12,600	-
Unearned revenue	247,935	-	-	-	-	247,935	-
Bonds payable, current	800,000	-	330,000	24,500	220,000	1,374,500	-
Total current liabilities	1,584,301	783,746	474,994	46,776	256,656	3,146,473	287,979
Noncurrent liabilities:							
Bonds payable, net of current portion	8,200,000	-	6,669,879	2,135,500	2,287,000	19,292,379	-
Deferred costs	(85,252)	-	-	-	-	(85,252)	-
Total long-term liabilities	8,114,748	-	6,669,879	2,135,500	2,287,000	19,207,127	-
Total liabilities	9,699,049	783,746	7,144,873	2,182,276	2,543,656	22,353,600	287,979
Net assets							
Invested in capital assets, net of related debt	4,030,033	-	-	-	-	4,030,033	-
Restricted for:							
Donor contributions	6,419	-	-	-	-	6,419	-
Debt service	1,235,423	-	-	-	-	1,235,423	-
Unrestricted	6,028,363	5,684,235	6,999,879	-	281,632	18,994,109	897,930
Total net assets	\$ 11,300,238	\$ 5,684,235	\$ 6,999,879	\$ -	\$ 281,632	\$ 24,265,984	\$ 897,930

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, 2008

	Enterprise Funds					Total	Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds		Internal Service Funds
Operating revenue							
Charges for services	\$ 13,302,206	\$ 187,125	\$ -	\$ -	\$ 144,563	\$ 13,633,894	\$ 1,743,628
Interest on taxes	-	414,923	-	-	-	414,923	-
Other operating revenue	244,164	1,124	-	-	58,450	303,738	-
Total operating revenue	13,546,370	603,172	-	-	203,013	14,352,555	1,743,628
Operating expenses							
Operation and maintenance	13,108,837	2,478	-	-	-	13,111,315	1,828,026
Benefits and claims	-	-	-	-	-	-	13,765
Administration	-	-	-	-	114,590	114,590	-
Depreciation	999,113	-	-	-	-	999,113	-
Total operating expenses	14,107,950	2,478	-	-	114,590	14,225,018	1,841,791
Operating income (loss)	(561,580)	600,694	-	-	88,423	127,537	(98,163)
Nonoperating revenue (expenses)							
Property taxes	1,773,731	-	-	-	-	1,773,731	-
Contributions from local units	-	-	81,248	89,819	120,775	291,842	-
Contributions to local units	-	-	-	(3,486,259)	-	(3,486,259)	-
Federal grants	-	-	-	126,000	-	126,000	-
Interest and rent	90,935	132,637	-	6	5,600	229,178	-
Amortization of discount and issuance costs	(11,384)	-	-	-	-	(11,384)	-
Interest expense and fiscal charges	(357,628)	-	(81,246)	(89,819)	(120,775)	(649,468)	-
Total nonoperating revenue (expenses)	1,495,654	132,637	2	(3,360,253)	5,600	(1,726,360)	-
Income (loss) before capital contributions and transfers	934,074	733,331	2	(3,360,253)	94,023	(1,598,823)	(98,163)
Capital contributions			3,158,503			3,158,503	
Transfers							
Transfers out	-	(732,418)	-	-	(19,099)	(751,517)	-
Change in net assets	934,074	913	3,158,505	(3,360,253)	74,924	808,163	(98,163)
Net assets, beginning of year, as restated	10,366,164	5,683,322	3,841,374	3,360,253	206,708	23,457,821	996,093
Net assets, end of year	\$ 11,300,238	\$ 5,684,235	\$ 6,999,879	\$ -	\$ 281,632	\$ 24,265,984	\$ 897,930

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

**TUSCOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Enterprise Funds						Governmental
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds	Total	Internal
							Service Funds
Cash flows from operating activities							
Cash received from customers	\$ 13,175,438	\$ 792,914	\$ -	\$ -	\$ 144,563	\$ 14,112,915	\$ 1,743,628
Cash payments for interfund services provided	-	-	-	-	(285,304)	(285,304)	(1,185,909)
Cash payments to suppliers for goods and services	(7,074,189)	(59,908)	-	-	(119,993)	(7,254,090)	(1,742,812)
Cash payments to employees for services	(5,962,934)	-	-	-	-	(5,962,934)	-
Other operating revenue	-	1,124	-	-	58,450	59,574	-
Net cash provided (used) by operating activities	138,315	734,130	-	-	(202,284)	670,161	(1,185,093)
Cash flows from noncapital financing activities							
Transfers out	-	(732,418)	-	-	(19,099)	(751,517)	-
Net cash provided (used) by noncapital financing activities	-	(732,418)	-	-	(19,099)	(751,517)	-
Cash flows from capital and related financing activities							
Property taxes	1,773,731	-	-	-	-	1,773,731	-
Contributions from local units	-	-	81,246	238,761	347,040	667,047	-
Issuance of long-term debt	-	-	3,158,505	-	-	3,158,505	-
Principal paid on long-term debt	(775,000)	-	-	(23,500)	(224,000)	(1,022,500)	-
Interest paid on long-term debt	(359,636)	-	(81,246)	(89,819)	(123,040)	(653,741)	-
Purchases and construction of capital assets	(451,806)	-	(3,158,507)	(126,209)	-	(3,736,522)	-
Net cash provided (used) by capital and related financing activities	187,289	-	(2)	(767)	-	186,520	-
Cash flows from investing activities							
Sale of investments	63,550	-	-	-	-	63,550	-
Interest and rent	90,935	132,637	-	6	5,600	229,178	-
Purchase of investments	-	(70,258)	-	-	-	(70,258)	-
Net cash provided (used) by investing activities	154,485	62,379	-	6	5,600	222,470	-
Net increase (decrease) in cash and cash equivalents	480,089	64,091	(2)	(761)	(215,783)	327,634	(1,185,093)
Cash and cash equivalents, beginning of year	3,558,555	-	2	761	215,783	3,775,101	1,185,093
Cash and cash equivalents, end of year	\$ 4,038,644	\$ 64,091	\$ -	\$ -	\$ -	\$ 4,102,735	\$ -
Statement of net assets classification of cash and cash equivalents							
Cash and cash equivalents	\$ 2,464,270	\$ 64,091	\$ -	\$ -	\$ -	\$ 2,528,361	\$ -
Restricted cash	1,574,374	-	-	-	-	1,574,374	-
	\$ 4,038,644	\$ 64,091	\$ -	\$ -	\$ -	\$ 4,102,735	\$ -

**TUSCOLA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONCLUDED)
YEAR ENDED DECEMBER 31, 2008**

	Enterprise Funds					Total	Governmental Activities
	Medical Care Facility	Delinquent Tax Revolving Fund	Caro Sewer System	Denmark Sewer System	Other Enterprise Funds		Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$ (561,580)	\$ 600,694	\$ -	\$ -	\$ 88,423	\$ 127,537	\$ (98,163)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	999,113	-	-	-	-	999,113	-
Bad debt expense	4,414	-	-	-	-	4,414	-
Changes in assets and liabilities which increase (decrease) cash:							
Receivables	(394,824)	(451,440)	-	-	-	(846,264)	-
Due from other governments	-	70,497	914,313	113,242	2,265	1,100,317	-
Due from other funds	-	571,809	-	-	(285,304)	286,505	(1,185,909)
Accounts payable	17,924	2,596	(930,818)	(113,000)	(5,403)	(1,028,701)	-
Accrued and other liabilities	49,376	-	16,505	(242)	(2,265)	63,374	98,979
Due to other governments	-	3,137	-	-	-	3,137	-
Due to other funds	-	(63,163)	-	-	-	(63,163)	-
Unearned revenue	23,892	-	-	-	-	23,892	-
Net cash provided (used) by operating activities	<u>\$ 138,315</u>	<u>\$ 734,130</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (202,284)</u>	<u>\$ 670,161</u>	<u>\$ (1,185,093)</u>

Noncash transaction: During the year ended December 31, 2008, the County transferred ownership of the Denmark Sewer System to Denmark Township.

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

TUSCOLA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	<u>\$ 1,522,324</u>
Liabilities	
Accrued liabilities	\$ 467,624
Due to other governmental units	223,041
Undistributed receipts	29,861
Undistributed taxes	<u>801,798</u>
Total liabilities	<u>\$ 1,522,324</u>

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

NOTES TO FINANCIAL STATEMENTS

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Brownfield Redevelopment Authority - Grant revenues received are restricted to pay site clean up expenditures and future development depending on the development plan adopted for each project. The members of the governing Board of the Authority are appointed by the County Board of Commissioners and they review and approve development plans for businesses relocating within designated areas of the County where property was once contaminated. The nature and significance of the relationship between the County and the Authority is such that exclusion would cause the reporting entity financial statements to be misleading or incomplete. A complete financial statement may be obtained from the Tuscola County Drain Commissioner, 207 E. Grant St., 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 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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 *road patrol* fund accounts for revenues received from a County millage and the County's General Fund. This is the only countywide 24-hour police service.

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

The government reports the following major proprietary funds:

The *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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.

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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.
- 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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

- 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.

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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 Commission component unit, infrastructure includes only those infrastructure assets acquired subsequent to January 1, 2003.

The Road Commission has retroactively capitalized 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

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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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.
- 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.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

- 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			
General government			
Computer operations	\$ 367,287	\$ 368,854	\$ 1,567
Transfers out	1,552,972	1,553,710	738
SPECIAL REVENUE FUND			
Road Patrol			
Debt service - principal	\$ 29,008	\$ 46,579	\$ 17,571

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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	\$ 4,119,629
Investments	7,715,313
Restricted cash	1,574,374
Restricted investments	2,738,562
Component Units:	
Cash and cash equivalents	868,350
Investments	6,034,041
Restricted cash	1,243,398
Fiduciary Fund Financial Statement Captions:	
Cash and cash equivalents	<u>1,522,324</u>
Total	<u>\$ 25,815,991</u>
Notes to financial statements	
Deposits	\$ 14,855,152
Investments	10,953,472
Cash on hand	<u>7,367</u>
Total	<u>\$ 25,815,991</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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	\$ 9,017,480	Fitch AAA, V1+
Fidelity Instl Cash Portfolios Treas II CL III	30 day avg	425,069	S&P AAA
Commercial Paper	2	944,915	S&P A1+, Moody P1
Comerica Money Market	N/A	566,008	S&P P1, Moody A1
		<u>\$ 10,953,472</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 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 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, 2008

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 \$14,462,233 of the County's bank balance of \$15,857,550 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 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 money market funds. 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	\$ 3,085,724	\$ 2,594,022	\$ -
Accounts	1,053,640	2,036,058	2,270,689
Special assessments			
Due within one year	-	-	2,400,000
Due after one year	-	-	8,368,089
Intergovernmental			
Due within one year	617,804	979,604	-
Due after one year	770,000	11,092,379	-
Less: allowance for uncollectible accounts	-	(123,176)	-
Total	<u>\$ 5,527,168</u>	<u>\$ 16,578,887</u>	<u>\$ 13,038,778</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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)	\$ 65,041	\$ -
Property taxes receivable (Road Patrol Fund)	16,106	1,288,461
Property taxes receivable (Nonmajor Governmental fund types)	13,684	1,408,629
Grant drawdowns prior to meeting all eligibility Requirements (Health Department)	<u>-</u>	<u>49,769</u>
Total	<u>\$ 94,831</u>	<u>\$ 2,746,859</u>

C. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2008, 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	6,031,859	-	-	6,031,859
Improvements	1,704,086	112,002	-	1,816,088
Equipment	1,460,675	162,029	(74,001)	1,548,703
Vehicles	<u>2,435,522</u>	<u>135,943</u>	<u>(59,641)</u>	<u>2,511,824</u>
Total capital assets being depreciated	<u>11,632,142</u>	<u>409,974</u>	<u>(133,642)</u>	<u>11,908,474</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Beginning Balance	Additions	Disposals	Ending Balance
Less accumulated depreciation				
Buildings	\$(3,172,233)	\$(164,923)	\$ -	\$(3,337,156)
Improvements	(516,004)	(86,987)	-	(602,991)
Equipment	(1,387,609)	(192,267)	66,376	(1,513,500)
Vehicles	(664,004)	(96,628)	55,425	(705,207)
Health Department	(429,563)	(52,366)	5,847	(476,082)
Total accumulated depreciation	(6,169,413)	(593,171)	127,648	(6,634,936)
Total capital assets being depreciated, net	5,462,729	(183,197)	(5,994)	5,273,538
Governmental activities capital assets, net	\$ 6,023,375	\$(183,197)	\$ (5,994)	\$ 5,834,184

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

Business-type activities

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets not being depreciated:				
Construction in progress	\$ 7,201,422	\$ 3,284,716	\$(3,486,259)	\$ 6,999,879
Capital assets being depreciated:				
Land improvements	717,813	181,180	-	898,993
Buildings	9,818,466	20,703	-	9,839,169
Equipment	6,709,032	249,923	-	6,958,955
Total capital assets being depreciated	17,245,311	451,806	-	17,697,117

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Beginning Balance	Additions	Disposals	Ending Balance
Less accumulated depreciation:				
Land improvements	\$ (138,444)	\$ (52,702)	\$ -	\$ (191,146)
Buildings	(1,645,394)	(505,013)	-	(2,150,407)
Equipment	(1,656,440)	(441,398)	-	(2,097,838)
Total accumulated depreciation	(3,440,278)	(999,113)	-	(4,439,391)
Total capital assets being depreciated, net	13,805,033	(547,307)	-	13,257,726
 Business-type activities				
capital assets, net	<u>\$ 21,006,455</u>	<u>\$ 2,737,409</u>	<u>\$(3,486,259)</u>	<u>\$ 20,257,605</u>

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

Governmental activities:

Judicial	\$ 4,500
General government	137,255
Public safety	313,605
Public works	1,143
Health and welfare	136,668

Total depreciation expense – governmental activities **\$ 593,171**

Business-type activities:

Total depreciation expense – Medical Care Facility	<u>\$ 999,113</u>
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TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Discretely presented component units

Activity for the Drain Commission for the year ended December 31, 2008, 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	\$ -	\$ 310,226	\$ -	\$ 310,226
Capital assets being depreciated:				
Infrastructure	18,549,584	-	-	18,549,584
Less accumulated depreciation				
Infrastructure	<u>(1,198,295)</u>	<u>(468,775)</u>	<u>-</u>	<u>(1,667,070)</u>
Total capital assets being depreciated	<u>17,351,289</u>	<u>(468,775)</u>	<u>-</u>	<u>16,882,514</u>
Drain commission capital assets, net	<u>\$ 17,351,289</u>	<u>\$ (158,549)</u>	<u>\$ -</u>	<u>\$ 17,192,740</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Activity for the Road Commission for the year ended December 31, 2008, 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>28,166,996</u>	<u>1,956,451</u>	<u>-</u>	<u>30,123,447</u>
Total capital assets not being depreciated	<u>28,461,214</u>	<u>1,956,451</u>	<u>-</u>	<u>30,417,665</u>
Capital assets being depreciated:				
Infrastructure	77,336,877	4,746,947	(9,772,449)	72,311,375
Buildings	2,003,650	4,829	-	2,008,479
Equipment	4,619,652	259,292	(4,443)	4,874,501
Depletable assets	<u>282,717</u>	<u>-</u>	<u>-</u>	<u>282,717</u>
Total capital assets being depreciated	<u>84,242,896</u>	<u>5,011,068</u>	<u>(9,776,892)</u>	<u>79,477,072</u>
Less accumulated depreciation				
Infrastructure	(37,200,730)	(3,483,445)	9,772,449	(30,911,726)
Buildings	(1,011,900)	(52,423)	-	(1,064,323)
Equipment	(4,020,821)	(314,186)	4,443	(4,330,564)
Depletable assets	<u>(43,853)</u>	<u>(430)</u>	<u>-</u>	<u>(44,283)</u>
Total accumulated depreciation	<u>(42,277,304)</u>	<u>(3,850,484)</u>	<u>9,776,892</u>	<u>(36,350,896)</u>
Total capital assets being depreciated, net	<u>41,965,592</u>	<u>1,160,584</u>	<u>-</u>	<u>43,126,176</u>
Road commission capital assets, net	<u>\$ 70,426,806</u>	<u>\$ 3,117,035</u>	<u>\$ -</u>	<u>\$ 73,543,841</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

D. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Due To	Due From				Total
	General Fund	Road Patrol Fund	Nonmajor Governmental Funds	Delinquent Tax Revolving Fund	
General Fund	\$ -	\$ 24,299	\$ -	\$ 732,418	\$ 756,717
Road Patrol	2,277	-	-	-	2,277
Nonmajor Governmental Funds	909,977	4,281	109,795	-	1,024,053
Delinquent Tax Revolving Fund	884,857	-	-	-	884,857
Nonmajor Enterprise Funds	285,304	-	-	-	285,304
Internal Service Funds	1,185,909	-	-	-	1,185,909
Total	\$ 3,268,324	\$ 28,580	\$ 109,795	\$ 732,418	\$ 4,139,117

The General Fund owes \$3,261,537 to the various other fund types as a result of negative cash balances in the County's pooled cash account.

The balance of \$732,418 due to the General Fund from the Delinquent Tax Revolving Fund resulted from net income of the Delinquent Tax Revolving Fund due, but not yet transferred to the General Fund.

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	\$ 310,000	\$ -
Drain Commission	-	310,000
Total	<u>\$ 310,000</u>	<u>\$ 310,000</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Transfers from	Transfers to			Total
	General Fund	Health Department	Nonmajor Governmental Funds	
General	\$ -	\$ 354,880	\$ 1,198,830	\$1,553,710
Nonmajor governmental funds	1,015,042	-	30,442	1,045,484
Delinquent Tax Revolving Fund	732,418	-	-	732,418
Nonmajor Enterprise Funds	19,099	-	-	19,099
	1,766,559	354,880	1,229,272	3,350,711
Reconciling item	-	46,056	-	46,056
Total	\$1,766,559	\$ 400,936	\$ 1,229,272	\$3,396,767

The reconciling item is because of the effect of presenting the Tuscola Health Department as of September 30, 2008.

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, 2008, was as follows:

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental activities:					
Notes Payable	\$ 29,008	\$ 49,674	\$ (46,579)	\$ 32,103	\$ 15,565
Building Authority:					
General obligation bonds:					
Tuscola County Series 1999	1,005,000	-	(125,000)	880,000	110,000
Compensated absences	<u>776,572</u>	<u>584,943</u>	<u>(616,741)</u>	<u>744,774</u>	<u>301,434</u>
Governmental activities long-term liabilities	<u>\$ 1,810,580</u>	<u>\$ 634,617</u>	<u>\$ (788,320)</u>	<u>\$ 1,656,877</u>	<u>\$ 426,999</u>
Business-type activities					
General obligation bonds	\$ 9,775,000	\$ -	\$ (775,000)	\$ 9,000,000	\$ 800,000
Less deferred amounts	(93,778)	-	8,526	(85,252)	-
General obligation bonds:					
Mayville Storm Sewer	1,191,000	-	(19,000)	1,172,000	20,000
Millington Sanitary Sewer	85,000	-	(5,000)	80,000	5,000
Richville Water System	680,000	-	(65,000)	615,000	65,000
Caro Area Sewage System	775,000	-	(135,000)	640,000	130,000
Caro Sewer System	3,841,374	3,158,505	-	6,999,879	330,000
USDA loans:					
Denmark Sewer System	<u>2,183,500</u>	<u>-</u>	<u>(23,500)</u>	<u>2,160,000</u>	<u>24,500</u>
Business-type activity long-term liabilities	<u>\$ 18,437,096</u>	<u>\$ 3,158,505</u>	<u>\$ (1,013,974)</u>	<u>\$ 20,581,627</u>	<u>\$ 1,374,500</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Component Units:					
Road Commission:					
Compensated absences	\$ 14,255	\$ 36,096	\$ -	\$ 50,351	\$ -
Net OPEB obligation	<u>-</u>	<u>619,398</u>	<u>-</u>	<u>619,398</u>	<u>-</u>
Total Road Commission	<u>\$ 14,255</u>	<u>\$ 655,494</u>	<u>\$ -</u>	<u>\$ 669,749</u>	<u>\$ -</u>
Drain Commission:					
General obligation bonds:					
Moore Drain	\$ 3,245,000	\$ -	\$ (150,000)	\$ 3,095,000	\$ 150,000
Bach and Branches Drain	1,955,000	-	(125,000)	1,830,000	125,000
Alder Creek Drain	800,000	-	(100,000)	700,000	100,000
Constant DuRussel	495,000	-	(165,000)	330,000	165,000
Shebon I/C Drain	28,620	-	(9,540)	19,080	9,540
State and Colling Drain	625,000	-	(200,000)	425,000	200,000
Northwest Drain	4,200,000	-	(350,000)	3,850,000	350,000
Sebewaing River Intercounty Drain	1,925,000	-	(275,000)	1,650,000	275,000
Reese Drain	390,000	-	(25,000)	365,000	25,000
Notes Payable	<u>481,400</u>	<u>-</u>	<u>(95,317)</u>	<u>386,083</u>	<u>95,317</u>
Total Drain Commission	<u>\$ 14,145,020</u>	<u>\$ -</u>	<u>\$(1,494,857)</u>	<u>\$ 12,650,163</u>	<u>\$ 1,494,857</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 \$22,934,374 for business-type activities. During the year, the County issued \$3,158,505 in general obligation bonds 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%	\$ 912,103
Business-type activities	7.2 – 8.7%	20,666,879

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>
2009	\$ 125,565	\$ 44,215	\$ 1,374,500	\$ 647,278
2010	131,538	37,505	1,436,500	606,111
2011	120,000	30,479	1,538,500	559,153
2012	130,000	24,088	1,540,500	508,459
2013	135,000	17,297	1,617,500	454,287
2014-2018	270,000	13,581	6,924,500	1,435,859
2019-2023	-	-	2,383,500	781,647
2024-2028	-	-	1,919,379	523,707
2029-2033	-	-	592,000	369,146
2034-2038	-	-	580,000	225,050
2039-2043	-	-	446,500	121,356
2044-2046	-	-	313,500	26,174
Total	<u>\$ 912,103</u>	<u>\$ 167,165</u>	<u>\$ 20,666,879</u>	<u>\$ 6,258,227</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Component Units

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 \$12,702,033. 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. 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%	\$ 12,650,163

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
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	1,109,115	285,849
2014-2018	4,108,100	865,705
2019-2023	1,675,000	243,338
2024-2026	<u>525,000</u>	<u>34,541</u>
Total	<u>\$ 12,650,163</u>	<u>\$3,046,348</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, 2008

The following are the various net asset designations as of December 31, 2008:

Delinquent Tax Revolving Fund	
Designated for compensated absences	\$ 301,434
Designated for debt service on state police building	1,044,125
Designated for property tax settlements	<u>3,000,000</u>
Total	<u>\$ 4,345,559</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, 2008

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 1.0%-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, 2008, the annual pension cost of \$416,397 for the County, \$129,004 for the Health Department, and \$106,632 for the Road Commission for MERS was equal to the required and actual contributions. The Medical Care Facility had a pension cost of \$623, which was in excess of the required and actual contribution of \$0. The required contribution was determined as part of the December 31, 2006, 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, 2007, the date of the latest actuarial valuation, was 25 years.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

General County Plan

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$364,181	100%	\$0
12/31/07	406,387	100	0
12/31/08	416,397	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)
12/31/05	\$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
12/31/07	21,546,461	22,620,177	1,073,716	95	6,210,832	17.3

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	(14,834)
Plus: Adjustment to annual required contribution	<u>15,457</u>
Annual pension cost	623
Contributions made	<u>-</u>
Decrease in net pension asset	623
Net pension (asset), beginning of year	<u>(185,423)</u>
Net pension (asset), end of year	<u>\$ (184,800)</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Asset</u>
12/31/06	\$ 0	100%	\$ 186,049
12/31/07	625	0	185,423
12/31/08	623	0	184,800

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>
12/31/05	\$9,179,884	\$7,958,259	\$(1,221,625)	115%	\$4,412,174	(24)%
12/31/06	9,725,999	8,299,125	(1,426,874)	117	5,971,270	(23)
12/31/07	10,389,257	9,074,952	(1,314,305)	114	6,716,626	(20)

Health Department Plan

Three-Year Trend Information

Fiscal Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
9/30/06	\$113,390	100%	\$0
9/30/07	127,946	100	0
9/30/08	129,004	100	0

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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)
12/31/05	\$5,033,724	\$5,493,348	\$ 459,624	92%	\$1,185,815	39%
12/31/06	5,488,915	6,009,115	520,200	91	1,376,380	38
12/31/07	5,963,981	6,452,569	488,588	92	1,322,778	37

Road Commission Plan

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/06	\$97,226	100%	\$0
12/31/07	93,840	100	0
12/31/08	106,632	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)
12/31/05	\$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
12/31/07	2,489,359	3,625,637	1,136,278	68.7	781,776	145.3

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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 \$.65 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, 2008, the Road Commission’s annual pension cost of \$63,003 for the Massachusetts Mutual Plan was greater than the Road Commission’s required contribution of \$53,234. The required contribution was determined as part of the April 1, 2007, 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, 2008, is \$412,304.

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>
12/31/06	\$ 43,253	33%	\$ 28,690
12/31/07	50,962	27	37,190
12/31/08	53,234	118	-

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

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, 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
April 1, 2008	76,483	488,787	412,304	15.6	2,461,335	16.7

B. OTHER POST EMPLOYMENT BENEFITS

Plan Description

In addition to the pension benefits described in Note IV. A, the Road Commission provides post employment health care benefits to all employees who retire from the Road Commission with 85 points (years of service plus employee age). Those employees who were hired prior to September 16, 2003 and have accumulated the 85 points receive the health insurance for life. Those hired after September 16, 2003 with the same 85 points will receive health insurance for only 3 years after retirement. Currently 55 active members and 24 retirees are covered.

Funding Policy

The Road Commission has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). Expenditures for post employment health care benefits are recognized as the insurance premiums become due, which amounted to approximately \$453,930 for the year ending December 31, 2008.

Funding Progress

For the year beginning January 1, 2009, the Road Commission has estimated the cost of providing retiree health care benefits through an alternate calculation method as of December 31, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Annual required contribution	\$ 1,073,328
Amounts contributed:	
Payments of current premiums	<u>453,930</u>
Increase in net OPEB obligation	619,398
OPEB obligation, beginning of year	<u>-</u>
OPEB obligation, end of year	<u>\$ 619,398</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the year ended December 31, 2008 is as follows:

Annual OPEB costs	\$ 1,073,328
Percentage contributed	42%
Net OPEB obligation	\$ 619,398

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of December 31, 2008	\$ -
Actuarial value of assets	NONE
Actuarial value of liability	13,182,730
Unfunded AAL	13,182,730
Funded ratio	0%
Annual covered payroll	2,461,335
Ratio of UAAL to covered payroll	535%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculations.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

In the December 31, 2008 actuarial valuation, the alternate calculation method was used. The actuarial assumptions included a 7% postretirement interest rate, 3% salary scale, 4.8% discount rate, and health care premiums increasing by 5.5% to 7.2% per year. UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2008 was 30 years.

C. 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, 2008, 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 exceeded commercial insurance coverage in any of the past three fiscal years.

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Workers' Compensation Benefits

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 no outstanding claims at the end of 2008.

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

	<u>2007</u>	<u>2008</u>
Unpaid Claims, beginning of year	\$ -	\$ -
Incurred Claims (including IBNR)	(4,917)	(13,765)
Claims Paid	<u>4,917</u>	<u>13,765</u>
Unpaid Claims	<u>\$ -</u>	<u>\$ -</u>

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Employee Health Benefits

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, 2008

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 2008. 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>2007</u>	<u>2008</u>
Unpaid Claims, beginning of year	\$ 254,780	\$ 189,000
Incurred Claims (including IBNR)	1,485,471	1,689,183
Claims Paid	<u>(1,551,251)</u>	<u>(1,590,204)</u>
Unpaid Claims	<u>\$ 189,000</u>	<u>\$ 287,979</u>

D. PROPERTY TAXES

The County property tax is levied each July 1st and December 1st through 2008 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 2008 ad valorem tax is levied and collectible by December 1, 2008, 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, 2008

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 was 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. This fund was completely used in 2008. 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, 2007, levy totaled \$1,395,486,648. The taxable value of real and personal property for the July 1, 2008, levy totaled \$1,439,138,522. The tax levy for fiscal year 2008 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	.2500 mills

The Road Commission, a discretely presented component unit, tax levy for the fiscal year 2008 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, 2008

E. RESTATEMENTS

During the year ended December 31, 2008, a prior period adjustment in the amount of \$39,573 was necessary to correct the overstatement of revenues during the year ended December 31, 2007, in the Delinquent Tax Revolving Fund. The effect on the net asset balance was as follows:

Net assets, beginning of year, as previously stated	\$5,722,895
Prior period adjustment	<u>(39,573)</u>
Net assets, beginning of year, as restated	<u>\$5,683,322</u>

F. 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.

G. OPERATING LEASES

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 cover operational expenditures of the building. The total rental expense under this operating lease for the year ended September 30, 2008, was \$85,676. Lease payments are determined annually by Tuscola County.

The Health Department has an operating lease agreement for a postage meter. Quarterly payments are \$474. The total expensed for the year ended September 30, 2008, was \$1,896. The future payments due under the lease are as follows:

TUSCOLA COUNTY

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008

Fiscal Year	
<u>Ended</u>	<u>Principal</u>
2009	\$ 1,896
2010	<u>1,422</u>
Total	<u>\$ 3,318</u>

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

Fiscal Year	
<u>Ended</u>	<u>Principal</u>
2009	\$ 93,550
2010	25,260
2011	25,260
2012	25,260
2013	<u>16,375</u>
Total	<u>\$ 185,705</u>

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SUPPLEMENTARY INFORMATION

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
Property taxes	\$ 5,788,000	\$ 5,788,000	\$ 5,862,204	\$ 74,204
Payment in lieu of taxes	4,000	4,000	2,624	(1,376)
Trailer park taxes	4,800	4,800	4,664	(136)
Total taxes	<u>5,796,800</u>	<u>5,796,800</u>	<u>5,869,492</u>	<u>72,692</u>
Licenses and permits				
Marriage licenses	1,700	1,700	1,859	159
Building code licenses	320,000	393,367	393,367	-
Dog licenses	112,000	112,000	103,747	(8,253)
Unified court licenses	18,642	18,642	17,128	(1,514)
Other	10,032	10,032	11,755	1,723
Total licenses and permits	<u>462,374</u>	<u>535,741</u>	<u>527,856</u>	<u>(7,885)</u>
Intergovernmental				
Federal				
Co-op reimbursement - prosecutor	76,000	76,000	74,304	(1,696)
Marine safety	22,800	22,800	20,687	(2,113)
Civil defense	24,000	24,000	25,257	1,257
State				
Co-op reimbursement - prosecutor	-	-	398	398
SCAAP	750	750	904	154
Judges	240,000	240,000	239,703	(297)
Juvenile officer	28,673	28,673	27,317	(1,356)
State payment courts	289,000	289,000	288,708	(292)
Secondary road patrol	118,941	118,941	124,300	5,359
SSI incentive	2,700	2,700	6,400	3,700
Liquor licenses	9,000	9,000	9,073	73
Hotel liquor tax	116,000	123,036	123,071	35
DHS building payment	30,000	30,000	72,146	42,146
Bench warrant enforcement	8,280	6,488	6,488	-
State revenue sharing	90,237	90,237	466,574	376,337
Cigarette tax	35,000	35,000	20,032	(14,968)
Total intergovernmental - federal/state	<u>1,091,381</u>	<u>1,096,625</u>	<u>1,505,362</u>	<u>408,737</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Charges for services				
District court costs	\$ 350,650	\$ 350,650	\$ 284,795	\$ (65,855)
District court - probation	220,000	237,092	197,247	(39,845)
County clerk costs	154,880	154,880	128,559	(26,321)
Friend of the court costs	38,000	38,000	46,607	8,607
Bond costs	3,500	3,500	3,759	259
District court				
Screening assessment	28,500	28,500	18,917	(9,583)
Probate court	38,870	38,870	35,185	(3,685)
Civil	145,000	145,000	164,198	19,198
Warrant fees	11,500	11,500	13,173	1,673
Friend of the court	7,000	7,000	6,688	(312)
Court	1,400	1,400	706	(694)
Searches and motion fees	100	100	36	(64)
Other	1,200	1,200	1,376	176
Circuit court				
Court	3,700	3,700	5,551	1,851
Searches and motion fees	12,500	12,500	11,800	(700)
Jury, entry and forensic fees	18,800	18,800	18,999	199
Other	1,000	1,000	106	(894)
Family division				
Admin fees	32,130	32,130	31,485	(645)
Filing fees	1,200	1,200	837	(363)
Collection fees	8,000	8,000	5,867	(2,133)
County clerk				
Dba/co-partnership	6,700	6,700	5,760	(940)
Certified	34,500	34,500	34,030	(470)
Copies	6,550	6,550	8,215	1,665
Other	26,540	26,540	17,038	(9,502)
Equalization	100	100	11	(89)
Register of deeds				
Transfer	108,000	108,000	97,375	(10,625)
Recordings	175,000	175,000	146,367	(28,633)
Copies	52,000	52,000	58,981	6,981
Other	800	800	460	(340)
County treasurer	94,600	94,600	100,096	5,496
Animal shelter	1,000	1,000	2,146	1,146
Sheriff	10,720	10,720	16,021	5,301
Jail	249,358	267,500	267,512	12
Other	8,400	32,100	32,779	679
Sheriff				
Canteen	4,500	4,500	3,136	(1,364)
Auction	5,500	5,500	5,132	(368)
Animal shelter	1,500	1,500	770	(730)
Other	18,500	18,500	18,965	465
Film	7,500	7,500	8,430	930
Total charges for services	<u>1,889,698</u>	<u>1,948,632</u>	<u>1,799,115</u>	<u>(149,517)</u>

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Fines and forfeits				
District court				
Bond forfeitures	\$ 13,000	\$ 13,000	\$ 6,265	\$ (6,735)
Ordinance fines and warrant fees	47,150	47,150	34,566	(12,584)
County treasurer	13,000	13,000	5,408	(7,592)
Sheriff	-	-	57	57
	<u>73,150</u>	<u>73,150</u>	<u>46,296</u>	<u>(26,854)</u>
Total fines and forfeits				
Interest and rents				
Interest	267,000	267,000	227,674	(39,326)
Rentals	146,982	149,346	134,851	(14,495)
	<u>413,982</u>	<u>416,346</u>	<u>362,525</u>	<u>(53,821)</u>
Total interest and rent				
Other revenue				
Reimbursements and refunds	463,488	523,872	537,928	14,056
	<u>463,488</u>	<u>523,872</u>	<u>537,928</u>	<u>14,056</u>
Total revenues	<u>10,190,873</u>	<u>10,391,166</u>	<u>10,648,574</u>	<u>257,408</u>
Transfers in				
Veterans trust	-	1,000	1,000	-
Revolving tax	830,000	830,000	732,418	(97,582)
County retirement	292,206	300,569	-	(300,569)
Tax foreclosure	10,000	19,000	19,099	99
Revenue sharing reserve	1,006,921	1,014,043	1,014,042	(1)
	<u>2,139,127</u>	<u>2,164,612</u>	<u>1,766,559</u>	<u>(398,053)</u>
Total transfers in				
Total revenues and other financing sources	<u>\$ 12,330,000</u>	<u>\$ 12,555,778</u>	<u>\$ 12,415,133</u>	<u>\$ (140,645)</u>

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Legislative				
Board of commissioners				
Salaries and fringes	\$ 98,542	\$ 98,542	\$ 89,551	\$ (8,991)
Supplies, printing and postage	3,500	3,500	2,955	(545)
Memberships and subscription	11,000	14,200	13,378	(822)
Travel	10,500	10,500	5,864	(4,636)
Advertising	700	700	648	(52)
Telephone	1,800	1,800	1,583	(217)
Employee training	4,500	4,500	4,073	(427)
Total legislative	130,542	133,742	118,052	(15,690)
Judicial				
Circuit court				
Salaries and fringes	764,044	764,044	709,623	(54,421)
Supplies, printing and postage	10,050	13,633	13,857	224
Contracted services	91,420	87,837	65,894	(21,943)
Court appointed counsel	275,000	275,000	280,771	5,771
Court appointed appeal of right	34,500	34,500	27,978	(6,522)
Witness fees and travel	7,000	7,000	6,496	(504)
Steno transcript	15,130	14,130	8,153	(5,977)
Steno appeal transcript	9,000	9,000	8,228	(772)
Jury fees, meals and travel	40,000	40,000	36,974	(3,026)
Memberships and subscriptions	3,000	3,000	1,844	(1,156)
Visiting judge	6,500	6,500	10,563	4,063
Travel	2,500	3,500	3,667	167
Telephone	2,200	2,200	2,161	(39)
Advertising	350	350	-	(350)
Repairs and maintenance	2,000	2,000	1,239	(761)
Employee training	4,651	4,651	2,492	(2,159)
Books	1,000	1,000	500	(500)
Total circuit court	1,268,345	1,268,345	1,180,440	(87,905)
District court				
Salaries and fringes	831,907	863,427	842,535	(20,892)
Supplies, printing and postage	30,562	34,189	33,125	(1,064)
Court appointed counsel	63,000	63,000	62,617	(383)

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
District court - continued				
Steno transcript	\$ 4,300	\$ 2,842	\$ 1,068	\$ (1,774)
Jury fees, meals and travel	27,500	24,296	22,978	(1,318)
Witness fees and travel	3,000	2,000	1,692	(308)
Memberships and subscriptions	3,014	3,014	2,683	(331)
Visiting judge	8,000	12,058	12,058	-
Travel	2,500	2,500	1,323	(1,177)
Repairs and maintenance	1,700	1,700	1,490	(210)
Employee training	3,500	3,003	839	(2,164)
Books	3,300	3,300	3,274	(26)
Total district court	<u>982,283</u>	<u>1,015,329</u>	<u>985,682</u>	<u>(29,647)</u>
Probate court				
Salaries and fringes	228,647	237,156	230,874	(6,282)
Supplies, printing and postage	4,050	5,550	8,575	3,025
Contracted services	-	700	704	4
Court appointed counsel	37,000	37,000	38,601	1,601
Guardianship service	2,500	2,500	2,094	(406)
Steno transcript	500	500	-	(500)
Jury fees, meals and travel	1,000	1,000	544	(456)
Witness fees and travel	500	500	-	(500)
Memberships and subscriptions	2,000	2,000	1,905	(95)
Visiting judge	500	-	-	-
Travel	2,500	2,500	1,863	(637)
Advertising	250	250	-	(250)
Repairs and maintenance	2,000	2,000	2,490	490
Employee training	1,000	1,000	1,150	150
Books	700	700	461	(239)
Total probate court	<u>283,147</u>	<u>293,356</u>	<u>289,261</u>	<u>(4,095)</u>
Jury commission				
Salaries and fringes	1,950	1,950	1,141	(809)
Supplies, printing and postage	3,200	3,200	2,977	(223)
Travel	300	300	217	(83)
Total jury commission	<u>5,450</u>	<u>5,450</u>	<u>4,335</u>	<u>(1,115)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Adult probation				
Supplies, printing and postage	\$ 5,000	\$ 5,000	\$ 3,395	\$ (1,605)
Utilities	5,500	8,700	8,661	(39)
Lease payments	23,581	42,000	41,892	(108)
Total adult probation	34,081	55,700	53,948	(1,752)
Total judicial	2,573,306	2,638,180	2,513,666	(124,514)
General government				
Elections				
Salaries and fringes	700	700	852	152
Supplies, printing and postage	70,000	96,000	93,882	(2,118)
Travel	150	150	156	6
Total elections	70,850	96,850	94,890	(1,960)
Legal	50,000	50,000	47,998	(2,002)
County clerk				
Salaries and fringes	362,371	374,004	358,506	(15,498)
Supplies, printing and postage	14,000	14,000	18,605	4,605
Contracted services	2,000	2,000	272	(1,728)
Memberships and subscription	550	550	562	12
Employee training	1,800	1,800	1,139	(661)
Travel	250	250	296	46
Total county clerk	380,971	392,604	379,380	(13,224)
Controller				
Salaries and fringes	358,481	358,481	341,564	(16,917)
Supplies, printing and postage	4,300	4,300	3,030	(1,270)
Memberships and subscription	800	800	800	-
Health services	2,000	2,000	1,713	(287)
Travel	400	400	284	(116)
Employee training	2,000	2,000	2,604	604
Total controller	367,981	367,981	349,995	(17,986)

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Equalization				
Salaries and fringes	\$ 193,348	\$ 196,067	\$ 190,979	\$ (5,088)
Supplies, printing and postage	1,478	1,478	1,038	(440)
Memberships and subscription	750	750	825	75
Travel	1,758	1,758	1,650	(108)
Employee training	400	400	200	(200)
Total equalization	<u>197,734</u>	<u>200,453</u>	<u>194,692</u>	<u>(5,761)</u>
Prosecuting attorney				
Salaries and fringes	478,237	478,237	454,629	(23,608)
Supplies, printing and postage	10,000	10,000	8,482	(1,518)
Contracted services	1,000	1,000	134	(866)
Steno transcript	1,000	1,000	554	(446)
Steno appeal transcript	500	500	-	(500)
Memberships and subscription	3,500	3,500	2,958	(542)
Travel	2,500	2,500	48	(2,452)
Employee training	3,500	3,500	3,367	(133)
Equipment rental	50	50	-	(50)
Books	5,000	5,000	5,197	197
Total prosecuting attorney	<u>505,287</u>	<u>505,287</u>	<u>475,369</u>	<u>(29,918)</u>
Cooperative reimbursement - prosecutor				
Salaries and fringes	171,147	171,147	148,150	(22,997)
Supplies, printing and postage	2,400	2,400	1,979	(421)
Contracted services	1,000	1,000	892	(108)
Memberships and subscription	100	100	-	(100)
Telephone	1,400	1,400	1,059	(341)
Transcripts	1,600	1,600	-	(1,600)
Employee training	750	750	-	(750)
Total cooperative reimbursement - prosecutor	<u>178,397</u>	<u>178,397</u>	<u>152,080</u>	<u>(26,317)</u>
Register of deeds				
Salaries and fringes	247,378	247,378	230,994	(16,384)
Supplies, printing and postage	4,500	4,500	1,991	(2,509)
Contracted services	48,500	48,500	44,520	(3,980)
Memberships and subscription	700	700	602	(98)
Travel	1,200	1,200	1,167	(33)
Employee training	1,000	1,000	957	(43)
Total register of deeds	<u>303,278</u>	<u>303,278</u>	<u>280,231</u>	<u>(23,047)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Treasurer				
Salaries and fringes	\$ 305,530	\$ 305,768	\$ 289,702	\$ (16,066)
Supplies, printing and postage	56,500	56,500	49,619	(6,881)
Memberships and subscription	350	350	250	(100)
Travel	700	700	673	(27)
Employee training	1,500	1,500	1,229	(271)
Total treasurer	<u>364,580</u>	<u>364,818</u>	<u>341,473</u>	<u>(23,345)</u>
Cooperative extension				
Supplies, printing and postage	7,400	7,400	7,260	(140)
Contractual services	109,596	109,596	109,675	79
Memberships and subscription	800	800	635	(165)
Travel	6,500	6,799	7,422	623
Repairs and maintenance	1,300	1,300	830	(470)
Employee training	2,000	2,000	2,173	173
Books	100	100	-	(100)
Total cooperative extension	<u>127,696</u>	<u>127,995</u>	<u>127,995</u>	<u>-</u>
Computer operations				
Salaries and fringes	139,687	139,687	137,568	(2,119)
Supplies, printing and postage	2,300	2,300	1,989	(311)
Memberships and subscription	300	300	-	(300)
Employee training	500	500	1,491	991
Computer service contract	196,000	196,000	199,291	3,291
Computer repairs and maintenance	8,500	8,500	8,529	29
Computer contractual	20,000	20,000	19,986	(14)
Total computer operations	<u>367,287</u>	<u>367,287</u>	<u>368,854</u>	<u>1,567</u>
Building and grounds				
Salaries and fringes	313,381	328,247	316,129	(12,118)
Supplies, printing and postage	14,200	14,200	13,165	(1,035)
Uniforms and accessories	3,100	3,100	3,071	(29)
Gas, oil and grease	8,000	8,000	13,472	5,472
Janitorial supplies	19,000	19,000	20,594	1,594
Telephone	65,500	65,500	65,038	(462)
Utilities	234,500	229,860	234,436	4,576
Repairs and maintenance	120,500	120,500	119,045	(1,455)
Grounds care and maintenance	6,750	6,750	8,849	2,099
Total building and grounds	<u>784,931</u>	<u>795,157</u>	<u>793,799</u>	<u>(1,358)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Drain commission				
Salaries and fringes	\$ 164,069	\$ 164,167	\$ 137,729	\$ (26,438)
Supplies, printing and postage	6,700	6,700	3,080	(3,620)
Memberships and subscription	750	750	565	(185)
Travel	2,900	2,900	2,151	(749)
Employee training	1,500	1,500	1,555	55
Total drain commission	<u>175,919</u>	<u>176,017</u>	<u>145,080</u>	<u>(30,937)</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>3,875,736</u>	<u>3,926,949</u>	<u>3,751,836</u>	<u>(175,113)</u>
Public safety				
Courthouse security				
Salaries and fringes	128,429	128,667	128,498	(169)
Supplies, printing and postage	850	850	850	-
Laundry - employees	400	400	527	127
Employee training	600	600	642	42
Total courthouse security	<u>130,279</u>	<u>130,517</u>	<u>130,517</u>	<u>-</u>
Sheriff's department				
Salaries and fringes	1,468,778	1,465,520	1,372,205	(93,315)
Supplies, printing and postage	10,100	10,100	8,459	(1,641)
Food	1,100	1,100	147	(953)
Vehicle operating supplies	1,000	1,000	670	(330)
Kitchen supplies	1,000	1,000	776	(224)
Other supplies	500	500	366	(134)
Clothing and bedding	8,500	8,500	7,115	(1,385)
Uniforms and accessories	6,000	6,000	7,266	1,266
Gas, oil and grease	10,435	10,246	13,845	3,599
Drugs and prescriptions	20,000	20,000	33,648	13,648
Janitorial supplies	7,500	7,500	7,939	439
Contractual services	140,200	173,488	225,584	52,096
Memberships and subscription	1,500	1,500	1,441	(59)
Laundry - employees	6,300	6,300	6,453	153

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Sheriff's department - continued				
Laundry - inmates	\$ 3,800	\$ 667	\$ 668	\$ 1
Jail	228,400	232,222	240,127	7,905
Health services	55,900	55,900	70,475	14,575
Telephone	22,300	21,800	18,945	(2,855)
Travel	1,200	1,200	627	(573)
Advertising (help bids)	1,000	1,000	360	(640)
Insurance and bonds	5,000	5,000	5,080	80
Repairs and maintenance	13,000	13,000	20,909	7,909
Equipment rental	-	3,000	3,220	220
Bench warrant enforcement	7,845	6,242	6,148	(94)
Investigations	1,200	1,200	692	(508)
Employee training	3,000	3,000	3,820	820
Total sheriff's department	<u>2,025,558</u>	<u>2,056,985</u>	<u>2,056,985</u>	<u>-</u>
Liquor/traffic enforcement	<u>5,369</u>	<u>5,369</u>	<u>4,779</u>	<u>(590)</u>
Marine safety				
Salaries and fringes	11,829	11,829	12,458	629
Supplies, printing and postage	100	100	79	(21)
Uniforms and accessories	150	150	271	121
Gas, oil and grease	2,200	2,200	1,710	(490)
Equipment maintenance and supplies	550	550	130	(420)
Insurance	2,100	2,100	1,880	(220)
Repairs and maintenance	575	575	892	317
Rentals	3,050	3,050	3,100	50
Employee training	450	450	166	(284)
Equipment	700	700	-	(700)
Total marine safety	<u>21,704</u>	<u>21,704</u>	<u>20,686</u>	<u>(1,018)</u>
Secondary road patrol				
Salaries and fringes	109,851	109,851	108,158	(1,693)
Uniforms and accessories	450	450	517	67
Gas, oil and grease	6,900	6,900	9,284	2,384
Laundry	475	475	456	(19)
Equipment	-	-	(1,052)	(1,052)
Liability and blanket bond	1,265	1,265	1,067	(198)
Total secondary road patrol	<u>118,941</u>	<u>118,941</u>	<u>118,430</u>	<u>(511)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Thumb area narcotics group				
Salaries and fringes	\$ 28,673	\$ 28,673	\$ 28,064	\$ (609)
Planning commission				
Salaries and fringes	2,651	2,651	2,301	(350)
Supplies, printing and postage	2,200	2,170	1,570	(600)
Memberships and subscription	3,500	6,530	6,530	-
Travel	1,000	1,000	897	(103)
Total planning commission	<u>9,351</u>	<u>12,351</u>	<u>11,298</u>	<u>(1,053)</u>
Plat board				
Salaries and fringes	656	656	408	(248)
Emergency services				
Salaries and fringes	87,956	87,956	87,632	(324)
Supplies, printing and postage	2,750	2,750	1,975	(775)
Uniforms and accessories	400	400	428	28
Gas, oil and grease	1,500	1,500	1,475	(25)
Memberships and subscription	350	350	186	(164)
Telephone	1,270	1,270	915	(355)
Travel	400	400	296	(104)
Vehicle insurance	1,200	1,200	847	(353)
Repairs and maintenance	2,500	2,500	1,900	(600)
Employee training	1,275	1,275	916	(359)
Total emergency services	<u>99,601</u>	<u>99,601</u>	<u>96,570</u>	<u>(3,031)</u>
Animal shelter				
Contractual services	91,000	114,000	111,287	(2,713)
Supplies, printing and postage	1,000	1,000	1,379	379
Gas, oil and grease	7,000	11,000	10,089	(911)
Telephone	700	700	563	(137)
Dog license and collection fees	700	700	-	(700)
Total animal shelter	<u>100,400</u>	<u>127,400</u>	<u>123,318</u>	<u>(4,082)</u>
Total public safety	<u>2,540,532</u>	<u>2,602,197</u>	<u>2,591,055</u>	<u>(11,142)</u>

(Continued)

**TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Public works				
Building codes				
Contractual services	\$ 320,000	\$ 393,367	\$ 393,367	\$ -
Department of public works	3,000	3,000	2,891	(109)
Drains at large	543,073	543,073	543,072	(1)
Total public works	866,073	939,440	939,330	(110)
Health and welfare				
Substance abuse	58,000	61,536	61,536	-
Medical examiner				
Supplies, printing and postage	2,500	1,550	1,421	(129)
Body transport	2,500	3,273	3,329	56
Autopsies	19,000	23,000	23,072	72
Telephone	1,400	1,400	1,575	175
Employee training	-	950	950	-
Contractual services	13,925	13,925	13,751	(174)
Total medical examiner	39,325	44,098	44,098	-
Veterans' burial	20,000	20,000	15,721	(4,279)
Economic development	50,000	53,000	53,000	-
Mental health appropriations	288,243	288,243	288,243	-
Cigarette tax	24,291	24,291	14,140	(10,151)
Total health and welfare	479,859	491,168	476,738	(14,430)
Other				
Insurance and bonds	191,000	191,000	167,154	(23,846)
Tax refunds and rebates	7,000	5,500	28	(5,472)
Appropriations	71,167	3,500	2,785	(715)
Audit	31,950	31,950	31,950	-
Accounting services	18,500	39,180	39,180	-
Total other	319,617	271,130	241,097	(30,033)
Total expenditures	10,785,665	11,002,806	10,631,774	(371,032)

(Continued)

TUSCOLA COUNTY
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Transfers out				
Friend of the court	\$ 328,955	\$ 328,955	\$ 328,955	\$ -
Health department	283,082	283,082	283,082	-
Veterans counsel	72,798	72,798	72,798	-
Equipment/capital improvement	203,500	203,500	203,500	-
State survey grant	4,000	4,007	4,007	-
Child care - department of human services	167,000	167,000	167,000	-
Parks and recreation	7,000	7,000	7,000	-
Community corrections	3,000	7,630	8,368	738
Department of human services	13,000	13,000	13,000	-
Probate child care	440,000	440,000	440,000	-
Soldiers' relief	22,000	26,000	26,000	-
Total transfers out	<u>1,544,335</u>	<u>1,552,972</u>	<u>1,553,710</u>	<u>738</u>
Total expenditures and other financing uses	<u>\$ 12,330,000</u>	<u>\$ 12,555,778</u>	<u>\$ 12,185,484</u>	<u>\$ (370,294)</u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS:

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.

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.

SPECIAL REVENUE FUNDS: (continued)

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 is an appropriation from the General Fund. 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.

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.

SPECIAL REVENUE FUNDS: (continued)

Homeland Security (261) Tuscola County is part of the 3rd District Regional Homeland Security. Bay County is the fiduciary for the funds. A core mission of the Department of Homeland Security (DHS) is to enhance the ability of State, local, and tribal governments to prepare, prevent, respond to, and recover from terrorist attacks and other disasters. The Homeland Security Grant Program (HSGP) is a primary funding mechanism for building and sustaining national preparedness capabilities.

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 Corrections 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

DHS Building Capital Expenditures (469)
State Police Capital Expenditures (470)
State Police Post Building Authority (482)
Capital Improvements Fund_ (483)

PERMANENT FUNDS:

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, 2008**

	Special Revenue Funds	Debt Service Fund - State Police Post Building	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 766,011	\$ 8,961	\$ 165,886	\$ -	\$ 940,858
Investments	169,776	-	2,117,982	6,900	2,294,658
Taxes receivable	1,408,629	-	-	-	1,408,629
Taxes receivable - delinquent	13,684	-	-	-	13,684
Accounts receivable	370,333	-	-	-	370,333
Interest receivable	608	-	788	-	1,396
Due from other funds	1,015,092	-	8,961	-	1,024,053
Due from state	253,142	-	-	-	253,142
Total assets	\$ 3,997,275	\$ 8,961	\$ 2,293,617	\$ 6,900	\$ 6,306,753
Liabilities and fund balance					
Liabilities					
Accounts payable	\$ 99,718	\$ -	\$ -	\$ -	\$ 99,718
Accrued liabilities	107,616	-	-	-	107,616
Due to other governments	23,873	-	-	-	23,873
Due to other funds	94,528	8,961	6,306	-	109,795
Deposits payable	21,000	-	-	-	21,000
Deferred revenue	1,422,313	-	-	-	1,422,313
Total liabilities	1,769,048	8,961	6,306	-	1,784,315
Fund balance					
Reserved for cemetery maintenance	-	-	-	6,800	6,800
Reserved for capital projects	-	-	2,287,311	-	2,287,311
Reserved for restricted contributions	19,216	-	-	-	19,216
Unreserved					
Designated for subsequent year's expenditures	311,955	-	-	-	311,955
Undesignated	1,897,056	-	-	100	1,897,156
Total fund balance	2,228,227	-	2,287,311	6,900	4,522,438
Total liabilities and fund balance	\$ 3,997,275	\$ 8,961	\$ 2,293,617	\$ 6,900	\$ 6,306,753

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	Special Revenue Funds	Debt Service Fund - State Police Post Building	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues					
Taxes	\$ 1,360,474	\$ -	\$ -	\$ -	\$ 1,360,474
Intergovernmental					
Federal	974,922	-	-	-	974,922
State	1,015,704	162,135	-	-	1,177,839
Local	405,052	-	-	-	405,052
Charges for services	1,348,402	-	-	-	1,348,402
Fines and forfeits	8,219	-	-	-	8,219
Interest and rent	27,032	129	51,284	182	78,627
Reimbursements and refunds	13,723	-	-	-	13,723
Other	83,242	-	-	-	83,242
Total revenues	5,236,770	162,264	51,284	182	5,450,500
Expenditures					
Current					
Judicial	1,062,729	-	-	-	1,062,729
General government	1,462,086	-	-	-	1,462,086
Public safety	1,505,641	-	-	-	1,505,641
Health and welfare	1,766,529	-	-	-	1,766,529
Culture and recreation	5,720	-	-	323	6,043
Capital outlay	416,856	-	151,161	-	568,017
Debt service - principal	-	125,000	-	-	125,000
Debt service - interest	-	50,784	-	-	50,784
Total expenditures	6,219,561	175,784	151,161	323	6,546,829
Revenues over (under) expenditures	(982,791)	(13,520)	(99,877)	(141)	(1,096,329)
Other financing sources (uses)					
Transfer in	1,197,830	22,481	8,961	-	1,229,272
Transfer out	(1,014,042)	(8,961)	(22,481)	-	(1,045,484)
Total other financing sources (uses)	183,788	13,520	(13,520)	-	183,788
Net change in fund balance	(799,003)	-	(113,397)	(141)	(912,541)
Fund balance, beginning of year	3,027,230	-	2,400,708	7,041	5,434,979
Fund balance, end of year	\$ 2,228,227	\$ -	\$ 2,287,311	\$ 6,900	\$ 4,522,438

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

	Parks and Recreation	County Disaster	Local Government Police Contract	Friend of the the Court Act 294
Assets				
Cash and cash equivalents	\$ 3,717	\$ 2,692	\$ -	\$ 29,367
Investments	-	-	-	-
Taxes receivable	-	-	-	-
Taxes receivable - delinquent	-	-	-	-
Accounts receivable	120	-	13,998	-
Interest receivable	-	-	-	-
Due from other funds	-	-	-	2,337
Due from state	-	-	-	144,437
Total assets	\$ 3,837	\$ 2,692	\$ 13,998	\$ 176,141
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ 344	\$ -	\$ 1,988	\$ 3,031
Accrued liabilities	-	-	4,151	22,537
Due to other governments	-	-	-	-
Due to other funds	-	-	7,859	-
Deposits payable	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	344	-	13,998	25,568
Fund balance				
Reserved for restricted contributions	-	-	-	-
Unreserved				
Designated for subsequent year's expenditures	1,300	-	-	38,463
Undesignated	2,193	2,692	-	112,110
Total fund balance	3,493	2,692	-	150,573
Total liabilities and fund balance	\$ 3,837	\$ 2,692	\$ 13,998	\$ 176,141

Family Counseling	Dispatch/ 911	Vassar Township Police Contract	Recycling	Millington Township Police Contract	Building Strong Families	Victim Services
\$ 40,816	\$ 59,860	\$ 252	\$ 75	\$ -	\$ 8,335	\$ -
-	24,483	-	17,259	-	-	-
-	-	-	213,424	-	-	-
-	71	-	1,213	-	-	-
-	320,543	2,105	-	17,113	-	-
-	88	-	62	-	-	-
-	1,666	-	339,422	-	-	-
-	-	-	-	-	5,525	12,316
<u>\$ 40,816</u>	<u>\$ 406,711</u>	<u>\$ 2,357</u>	<u>\$ 571,455</u>	<u>\$ 17,113</u>	<u>\$ 13,860</u>	<u>\$ 12,316</u>

\$ 192	\$ 2,499	\$ 164	\$ 4,302	\$ 272	\$ 3,777	\$ 9
-	39,899	2,193	8,308	5,882	1,108	-
-	-	-	-	-	-	-
-	-	-	-	10,959	-	10,934
-	-	-	-	-	-	-
-	71	-	214,637	-	-	-
<u>192</u>	<u>42,469</u>	<u>2,357</u>	<u>227,247</u>	<u>17,113</u>	<u>4,885</u>	<u>10,943</u>
-	-	-	-	-	-	-
-	-	-	190,164	-	-	-
<u>40,624</u>	<u>364,242</u>	<u>-</u>	<u>154,044</u>	<u>-</u>	<u>8,975</u>	<u>1,373</u>
<u>40,624</u>	<u>364,242</u>	<u>-</u>	<u>344,208</u>	<u>-</u>	<u>8,975</u>	<u>1,373</u>
<u>\$ 40,816</u>	<u>\$ 406,711</u>	<u>\$ 2,357</u>	<u>\$ 571,455</u>	<u>\$ 17,113</u>	<u>\$ 13,860</u>	<u>\$ 12,316</u>

(Continued)

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

	Voted Mosquito	Equipment and Capital Improvement	Entrepreneurship Programs
Assets			
Cash and cash equivalents	\$ -	\$ 168,687	\$ 67,014
Investments	91,109	-	-
Taxes receivable	908,960	-	-
Taxes receivable - delinquent	9,222	-	-
Accounts receivable	-	-	-
Interest receivable	326	-	-
Due from other funds	390,994	-	-
Due from state	-	-	-
	<hr/>		
Total assets	\$ 1,400,611	\$ 168,687	\$ 67,014
<hr/>			
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 2,064	\$ 3,669	\$ 2,750
Accrued liabilities	1,913	-	-
Due to other governments	-	-	-
Due to other funds	6,185	-	-
Deposits payable	-	-	-
Deferred revenue	918,182	-	-
	<hr/>		
Total liabilities	928,344	3,669	2,750
<hr/>			
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	-	-	39,000
Undesignated	472,267	165,018	25,264
	<hr/>		
Total fund balance	472,267	165,018	64,264
<hr/>			
Total liabilities and fund balance	\$ 1,400,611	\$ 168,687	\$ 67,014
<hr/>			

CDBG Housing Grant	Principal Residence Exemption	State Survey Grant	Victim of Crime Act Grant	Register of Deeds Automation	Homeland Security
\$ -	\$ 13,272	\$ -	\$ -	\$ 65,141	\$ -
-	-	-	-	3,612	-
-	-	-	-	-	-
-	-	-	-	-	-
11,417	-	-	-	3,930	-
-	-	-	-	13	-
-	-	-	-	63,746	-
-	-	-	9,365	-	-
<u>\$ 11,417</u>	<u>\$ 13,272</u>	<u>\$ -</u>	<u>\$ 9,365</u>	<u>\$ 136,442</u>	<u>\$ -</u>
\$ 11,417	\$ -	\$ -	\$ 106	\$ 1,010	\$ -
-	-	-	-	1,001	-
-	-	-	-	-	-
-	-	-	7,913	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,417</u>	<u>-</u>	<u>-</u>	<u>8,019</u>	<u>2,011</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	13,272	-	1,346	134,431	-
<u>-</u>	<u>13,272</u>	<u>-</u>	<u>1,346</u>	<u>134,431</u>	<u>-</u>
<u>\$ 11,417</u>	<u>\$ 13,272</u>	<u>\$ -</u>	<u>\$ 9,365</u>	<u>\$ 136,442</u>	<u>\$ -</u>

(Continued)

**TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008**

	Community Corrections Services	Local Correction Officer Training	Forfeiture Sheriff / Prosecutor
Assets			
Cash and cash equivalents	\$ -	\$ 52,324	\$ 19,062
Investments	-	-	-
Taxes receivable	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Due from other funds	738	-	-
Due from state	5,652	-	-
Total assets	\$ 6,390	\$ 52,324	\$ 19,062
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ -	\$ -	\$ -
Accrued liabilities	2,051	-	-
Due to other governments	-	-	-
Due to other funds	4,339	-	-
Deposits payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	6,390	-	-
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	-	-	-
Undesignated	-	52,324	19,062
Total fund balance	-	52,324	19,062
Total liabilities and fund balance	\$ 6,390	\$ 52,324	\$ 19,062

Law Library	Michigan Justice Training	Revenue Sharing Reserve	Child Care DHS	Department of Human Services
\$ 14,103	\$ 12,331	\$ -	\$ 57,231	\$ 65,500
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	23,200	-
-	-	-	-	19,113
<u>\$ 14,103</u>	<u>\$ 12,331</u>	<u>\$ -</u>	<u>\$ 80,431</u>	<u>\$ 84,613</u>
\$ 470	\$ 500	\$ -	\$ -	\$ 847
-	-	-	-	-
-	-	-	-	-
-	-	-	3,926	-
-	-	-	-	21,000
-	-	-	-	-
<u>470</u>	<u>500</u>	<u>-</u>	<u>3,926</u>	<u>21,847</u>
-	-	-	-	19,216
-	2,500	-	-	-
13,633	9,331	-	76,505	43,550
<u>13,633</u>	<u>11,831</u>	<u>-</u>	<u>76,505</u>	<u>62,766</u>
<u>\$ 14,103</u>	<u>\$ 12,331</u>	<u>\$ -</u>	<u>\$ 80,431</u>	<u>\$ 84,613</u>

(Continued)

TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2008

	Probate Child Care	Soldiers Relief	Veterans Trust
Assets			
Cash and cash equivalents	\$ 79,827	\$ 4,049	\$ 2,356
Investments	-	-	-
Taxes receivable	-	-	-
Taxes receivable - delinquent	-	-	-
Accounts receivable	-	-	1,107
Interest receivable	-	-	-
Due from other funds	3,926	-	-
Due from state	56,734	-	-
Total assets	\$ 140,487	\$ 4,049	\$ 3,463
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 48,332	\$ -	\$ -
Accrued liabilities	-	-	-
Due to other governments	23,873	-	-
Due to other funds	23,200	-	-
Deposits payable	-	-	-
Deferred revenue	-	-	-
Total liabilities	95,405	-	-
Fund balance			
Reserved for restricted contributions	-	-	-
Unreserved			
Designated for subsequent year's expenditures	40,000	-	528
Undesignated	5,082	4,049	2,935
Total fund balance	45,082	4,049	3,463
Total liabilities and fund balance	\$ 140,487	\$ 4,049	\$ 3,463

Voted Senior Citizens	Employee Vacation and Sick Time	Totals
\$ -	\$ -	\$ 766,011
33,313	-	169,776
286,245	-	1,408,629
3,178	-	13,684
-	-	370,333
119	-	608
1,767	187,296	1,015,092
-	-	253,142
<u>\$ 324,622</u>	<u>\$ 187,296</u>	<u>\$ 3,997,275</u>

\$ 11,975	\$ -	\$ 99,718
-	18,573	107,616
-	-	23,873
19,213	-	94,528
-	-	21,000
289,423	-	1,422,313
<u>320,611</u>	<u>18,573</u>	<u>1,769,048</u>
-	-	19,216
-	-	311,955
4,011	168,723	1,897,056
<u>4,011</u>	<u>168,723</u>	<u>2,228,227</u>
<u>\$ 324,622</u>	<u>\$ 187,296</u>	<u>\$ 3,997,275</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Parks and Recreation	County Disaster	Local Government Police Contract	Friend of the the Court Act 294
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	699,210
State	-	-	-	2,883
Local	-	-	94,673	-
Charges for services	2,209	-	-	77,836
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	267
Reimbursements and refunds	-	-	-	-
Other	-	-	-	10,588
Total revenues	2,209	-	94,673	790,784
Expenditures				
Current				
Judicial	-	-	-	1,044,809
General government	-	-	-	-
Public safety	-	-	94,673	-
Health and welfare	-	-	-	-
Culture and recreation	5,720	-	-	-
Capital outlay	-	-	-	240
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Total expenditures	5,720	-	94,673	1,045,049
Revenues over (under) expenditures	(3,511)	-	-	(254,265)
Other financing sources (uses)				
Transfer in	7,000	-	-	328,955
Transfer out	-	-	-	-
Total other financing sources (uses)	7,000	-	-	328,955
Net change in fund balance	3,489	-	-	74,690
Fund balance, beginning of year	4	2,692	-	75,883
Fund balance, end of year	\$ 3,493	\$ 2,692	\$ -	\$ 150,573

Family Counseling	Dispatch/ 911	Vassar Township Police Contract	Recycling	Millington Township Police Contract	Building Strong Families	Victim Services
\$ -	\$ -	\$ -	\$ 205,025	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	209,423	-	-	-	64,221	53,364
-	-	72,841	-	145,146	-	-
5,385	1,050,883	-	93,457	-	-	-
-	-	-	-	-	-	-
-	1,438	-	7,422	-	-	-
7,223	-	-	-	-	-	-
-	12,703	-	1,845	-	-	-
12,608	1,274,447	72,841	307,749	145,146	64,221	53,364
12,314	-	-	-	-	-	-
-	-	-	265,476	-	-	-
-	1,017,892	72,841	-	145,146	-	53,374
-	-	-	-	-	58,610	-
-	-	-	-	-	-	-
-	7,967	-	250	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,314	1,025,859	72,841	265,726	145,146	58,610	53,374
294	248,588	-	42,023	-	5,611	(10)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
294	248,588	-	42,023	-	5,611	(10)
40,330	115,654	-	302,185	-	3,364	1,383
\$ 40,624	\$ 364,242	\$ -	\$ 344,208	\$ -	\$ 8,975	\$ 1,373

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Voted Mosquito	Equipment and Capital Security	Entrepreneurship Programs
Revenues			
Taxes	\$ 880,539	\$ -	\$ -
Intergovernmental			
Federal	-	-	-
State	-	-	41,000
Local	-	-	24,935
Charges for services	-	-	-
Fines and forfeits	-	-	-
Interest and rent	10,875	-	1,557
Reimbursements and refunds	175	-	-
Other	-	-	-
Total revenues	<u>891,589</u>	<u>-</u>	<u>67,492</u>
Expenditures			
Current			
Judicial	-	-	-
General government	678,204	-	-
Public safety	-	-	-
Health and welfare	-	-	79,286
Culture and recreation	-	-	-
Capital outlay	97,014	213,350	-
Debt service - principal	-	-	-
Debt service - interest	-	-	-
Total expenditures	<u>775,218</u>	<u>213,350</u>	<u>79,286</u>
Revenues over (under) expenditures	<u>116,371</u>	<u>(213,350)</u>	<u>(11,794)</u>
Other financing sources (uses)			
Transfer in	-	203,500	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>203,500</u>	<u>-</u>
Net change in fund balance	116,371	(9,850)	(11,794)
Fund balance, beginning of year	<u>355,896</u>	<u>174,868</u>	<u>76,058</u>
Fund balance, end of year	<u>\$ 472,267</u>	<u>\$ 165,018</u>	<u>\$ 64,264</u>

CDBG Housing Grant	Principal Residence Exemption	State Survey Grant	Victim of Crime Act Grant	Register of Deeds Automation	Homeland Security
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
121,534	-	-	57,866	-	96,312
-	-	73,336	-	-	-
-	67,457	-	-	-	-
-	-	-	-	-	-
-	2,200	-	-	2,548	-
-	-	-	-	-	-
-	-	-	-	57,855	-
121,534	69,657	73,336	57,866	60,403	96,312
-	-	-	-	-	-
121,534	151,914	77,343	-	33,307	-
-	-	-	58,533	-	-
-	-	-	-	-	-
-	-	-	-	1,723	96,312
-	-	-	-	-	-
-	-	-	-	-	-
121,534	151,914	77,343	58,533	35,030	96,312
-	(82,257)	(4,007)	(667)	25,373	-
-	-	4,007	-	-	-
-	-	-	-	-	-
-	-	4,007	-	-	-
-	(82,257)	-	(667)	25,373	-
-	95,529	-	2,013	109,058	-
\$ -	\$ 13,272	\$ -	\$ 1,346	\$ 134,431	\$ -

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Community Corrections Services	Local Correction Officer Training	Forfeiture Sheriff / Prosecutor
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal	-	-	-
State	30,675	-	-
Local	-	-	-
Charges for services	9,828	18,783	-
Fines and forfeits	-	-	1,719
Interest and rent	-	-	-
Reimbursements and refunds	-	-	-
Other	-	-	-
Total revenues	40,503	18,783	1,719
Expenditures			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	48,881	5,816	80
Health and welfare	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	48,881	5,816	80
Revenues over (under) expenditures	(8,378)	12,967	1,639
Other financing sources (uses)			
Transfer in	8,368	-	-
Transfer out	-	-	-
Total other financing sources (uses)	8,368	-	-
Net change in fund balance	(10)	12,967	1,639
Fund balance, beginning of year	10	39,357	17,423
Fund balance, end of year	\$ -	\$ 52,324	\$ 19,062

Law Library	Michigan Justice Training	Revenue Sharing Reserve	Child Care DHS	Department of Human Services
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	7,170	-	131,512	199,955
-	-	-	-	-
-	-	-	59,836	-
6,500	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
6,500	7,170	-	191,348	199,955
5,606	-	-	-	-
-	-	-	-	-
-	8,405	-	-	-
-	-	-	318,169	216,542
-	-	-	-	-
-	-	-	-	-
5,606	8,405	-	318,169	216,542
894	(1,235)	-	(126,821)	(16,587)
-	-	-	167,000	13,000
-	-	(1,014,042)	-	-
-	-	(1,014,042)	167,000	13,000
894	(1,235)	(1,014,042)	40,179	(3,587)
12,739	13,066	1,014,042	36,326	66,353
\$ 13,633	\$ 11,831	\$ -	\$ 76,505	\$ 62,766

(Continued)

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Probate Child Care	Soldiers Relief	Veterans Trust
Revenues			
Taxes	\$ -	\$ -	\$ -
Intergovernmental			
Federal	-	-	-
State	188,519	-	13,646
Local	-	-	-
Charges for services	30,185	-	-
Fines and forfeits	-	-	-
Interest and rent	-	-	-
Reimbursements and refunds	6,325	-	-
Other	-	251	-
Total revenues	<u>225,029</u>	<u>251</u>	<u>13,646</u>
Expenditures			
Current			
Judicial	-	-	-
General government	-	-	-
Public safety	-	-	-
Health and welfare	779,432	24,276	10,711
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>779,432</u>	<u>24,276</u>	<u>10,711</u>
Revenues over (under) expenditures	<u>(554,403)</u>	<u>(24,025)</u>	<u>2,935</u>
Other financing sources (uses)			
Transfer in	440,000	26,000	-
Transfer out	-	-	-
Total other financing sources (uses)	<u>440,000</u>	<u>26,000</u>	<u>-</u>
Net change in fund balance	(114,403)	1,975	2,935
Fund balance, beginning of year	<u>159,485</u>	<u>2,074</u>	<u>528</u>
Fund balance, end of year	<u>\$ 45,082</u>	<u>\$ 4,049</u>	<u>\$ 3,463</u>

Voted Senior Citizens	Employee Vacation and Sick Time	Totals
\$ 274,910	\$ -	\$ 1,360,474
-	-	974,922
-	-	1,015,704
-	-	405,052
-	-	1,348,402
-	-	8,219
725	-	27,032
-	-	13,723
-	-	83,242
<u>275,635</u>	<u>-</u>	<u>5,236,770</u>
-	-	1,062,729
-	134,308	1,462,086
-	-	1,505,641
279,503	-	1,766,529
-	-	5,720
-	-	416,856
<u>279,503</u>	<u>134,308</u>	<u>6,219,561</u>
<u>(3,868)</u>	<u>(134,308)</u>	<u>(982,791)</u>
-	-	1,197,830
-	-	(1,014,042)
-	-	183,788
<u>(3,868)</u>	<u>(134,308)</u>	<u>(799,003)</u>
<u>7,879</u>	<u>303,031</u>	<u>3,027,230</u>
<u>\$ 4,011</u>	<u>\$ 168,723</u>	<u>\$ 2,228,227</u>

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Parks and Recreation			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	2,700	2,095	2,209	114
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>2,700</u>	<u>2,095</u>	<u>2,209</u>	<u>114</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	9,700	9,095	5,720	(3,375)
Capital outlay	-	-	-	-
Total expenditures	<u>9,700</u>	<u>9,095</u>	<u>5,720</u>	<u>(3,375)</u>
Revenues over (under) expenditures	<u>(7,000)</u>	<u>(7,000)</u>	<u>(3,511)</u>	<u>3,489</u>
Other financing sources (uses)				
Transfer in	7,000	7,000	7,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Net change in fund balance	-	-	3,489	3,489
Fund balance, beginning of year	<u>4</u>	<u>4</u>	<u>4</u>	<u>-</u>
Fund balance, end of year	<u>\$ 4</u>	<u>\$ 4</u>	<u>\$ 3,493</u>	<u>\$ 3,489</u>

County Disaster				Local Government Police Contract			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	75,583	99,522	94,673	(4,849)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	75,583	99,522	94,673	(4,849)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	75,583	99,522	94,673	(4,849)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,692	2,692	2,692	-	-	-	-	-
\$ 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, 2008

	Friend of the Court Act 294			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	730,742	730,742	699,210	(31,532)
State	5,000	5,000	2,883	(2,117)
Local	-	-	-	-
Charges for services	80,000	80,000	77,836	(2,164)
Fines and forfeits	-	-	-	-
Interest and rent	-	-	267	267
Reimbursements and refunds	-	-	-	-
Other	8,000	8,000	10,588	2,588
Total revenues	<u>823,742</u>	<u>823,742</u>	<u>790,784</u>	<u>(32,958)</u>
Expenditures				
Current				
Judicial	1,176,680	1,176,680	1,044,809	(131,871)
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	5,500	5,500	240	(5,260)
Total expenditures	<u>1,182,180</u>	<u>1,182,180</u>	<u>1,045,049</u>	<u>(137,131)</u>
Revenues over (under) expenditures	<u>(358,438)</u>	<u>(358,438)</u>	<u>(254,265)</u>	<u>104,173</u>
Other financing sources (uses)				
Transfer in	328,955	328,955	328,955	-
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>328,955</u>	<u>328,955</u>	<u>328,955</u>	<u>-</u>
Net change in fund balance	(29,483)	(29,483)	74,690	104,173
Fund balance, beginning of year	75,883	75,883	75,883	-
Fund balance, end of year	<u>\$ 46,400</u>	<u>\$ 46,400</u>	<u>\$ 150,573</u>	<u>\$ 104,173</u>

Family Counseling				Dispatch/911			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	160,084	160,084	209,423	49,339
-	-	-	-	-	-	-	-
6,500	6,500	5,385	(1,115)	1,114,375	1,114,375	1,050,883	(63,492)
-	-	-	-	-	-	-	-
-	-	-	-	1,500	1,500	1,438	(62)
2,000	2,000	7,223	5,223	-	-	-	-
-	-	-	-	10,400	10,400	12,703	2,303
<u>8,500</u>	<u>8,500</u>	<u>12,608</u>	<u>4,108</u>	<u>1,286,359</u>	<u>1,286,359</u>	<u>1,274,447</u>	<u>(11,912)</u>
7,231	7,231	12,314	5,083	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,074,521	1,074,521	1,017,892	(56,629)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	170,000	170,000	7,967	(162,033)
<u>7,231</u>	<u>7,231</u>	<u>12,314</u>	<u>5,083</u>	<u>1,244,521</u>	<u>1,244,521</u>	<u>1,025,859</u>	<u>(218,662)</u>
<u>1,269</u>	<u>1,269</u>	<u>294</u>	<u>(975)</u>	<u>41,838</u>	<u>41,838</u>	<u>248,588</u>	<u>206,750</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,269	1,269	294	(975)	41,838	41,838	248,588	206,750
40,330	40,330	40,330	-	115,654	115,654	115,654	-
<u>\$ 41,599</u>	<u>\$ 41,599</u>	<u>\$ 40,624</u>	<u>\$ (975)</u>	<u>\$ 157,492</u>	<u>\$ 157,492</u>	<u>\$ 364,242</u>	<u>\$ 206,750</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, 2008

	Vassar Township Police Contract			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	73,266	73,266	72,841	(425)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>73,266</u>	<u>73,266</u>	<u>72,841</u>	<u>(425)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	73,266	73,266	72,841	(425)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>73,266</u>	<u>73,266</u>	<u>72,841</u>	<u>(425)</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 (deficit), end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Recycling				Millington Township Police Contract			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ 207,000	\$ 207,000	\$ 205,025	\$ (1,975)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	138,701	138,701	145,146	6,445
50,830	50,830	93,457	42,627	-	-	-	-
-	-	-	-	-	-	-	-
5,000	5,000	7,422	2,422	-	-	-	-
-	-	-	-	-	-	-	-
900	900	1,845	945	-	-	-	-
<u>263,730</u>	<u>263,730</u>	<u>307,749</u>	<u>44,019</u>	<u>138,701</u>	<u>138,701</u>	<u>145,146</u>	<u>6,445</u>
-	-	-	-	-	-	-	-
245,216	283,751	265,476	(18,275)	-	-	-	-
-	-	-	-	138,701	138,701	145,146	6,445
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,823	4,323	250	(4,073)	-	-	-	-
<u>257,039</u>	<u>288,074</u>	<u>265,726</u>	<u>(22,348)</u>	<u>138,701</u>	<u>138,701</u>	<u>145,146</u>	<u>6,445</u>
<u>6,691</u>	<u>(24,344)</u>	<u>42,023</u>	<u>66,367</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,691	(24,344)	42,023	66,367	-	-	-	-
<u>302,185</u>	<u>302,185</u>	<u>302,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 308,876</u>	<u>\$ 277,841</u>	<u>\$ 344,208</u>	<u>\$ 66,367</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2008

	Building Strong Families			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	25,000	62,900	64,221	1,321
Local	-	8,000	-	(8,000)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>25,000</u>	<u>70,900</u>	<u>64,221</u>	<u>(6,679)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	25,785	64,900	58,610	(6,290)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>25,785</u>	<u>64,900</u>	<u>58,610</u>	<u>(6,290)</u>
Revenues over (under) expenditures	<u>(785)</u>	<u>6,000</u>	<u>5,611</u>	<u>(389)</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	(785)	6,000	5,611	(389)
Fund balance, beginning of year	<u>3,364</u>	<u>3,364</u>	<u>3,364</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,579</u>	<u>\$ 9,364</u>	<u>\$ 8,975</u>	<u>\$ (389)</u>

Victim Services				Voted Mosquito			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ 884,000	\$ 884,000	\$ 880,539	\$ (3,461)
-	-	-	-	-	-	-	-
52,600	52,600	53,364	764	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,000	8,000	10,875	2,875
-	-	-	-	200	200	175	(25)
-	-	-	-	-	-	-	-
<u>52,600</u>	<u>52,600</u>	<u>53,364</u>	<u>764</u>	<u>892,200</u>	<u>892,200</u>	<u>891,589</u>	<u>(611)</u>
-	-	-	-	-	-	-	-
-	-	-	-	767,525	760,152	678,204	(81,948)
53,988	53,983	53,374	(609)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	100,650	100,650	97,014	(3,636)
<u>53,988</u>	<u>53,983</u>	<u>53,374</u>	<u>(609)</u>	<u>868,175</u>	<u>860,802</u>	<u>775,218</u>	<u>(85,584)</u>
<u>(1,388)</u>	<u>(1,383)</u>	<u>(10)</u>	<u>1,373</u>	<u>24,025</u>	<u>31,398</u>	<u>116,371</u>	<u>84,973</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>(1,388)</u>	<u>(1,383)</u>	<u>(10)</u>	<u>1,373</u>	<u>24,025</u>	<u>31,398</u>	<u>116,371</u>	<u>84,973</u>
<u>1,383</u>	<u>1,383</u>	<u>1,383</u>	<u>-</u>	<u>355,896</u>	<u>355,896</u>	<u>355,896</u>	<u>-</u>
<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ 1,373</u>	<u>\$ 1,373</u>	<u>\$ 379,921</u>	<u>\$ 387,294</u>	<u>\$ 472,267</u>	<u>\$ 84,973</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, 2008

	Equipment and Capital Improvement			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	1,350	-	(1,350)
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	-	1,350	-	(1,350)
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	243,268	275,181	213,350	(61,831)
Total expenditures	243,268	275,181	213,350	(61,831)
Revenues over (under) expenditures	(243,268)	(273,831)	(213,350)	60,481
Other financing sources (uses)				
Transfer in	203,500	203,500	203,500	-
Transfer out	-	-	-	-
Total other financing sources (uses)	203,500	203,500	203,500	-
Net change in fund balance	(39,768)	(70,331)	(9,850)	60,481
Fund balance, beginning of year	174,868	174,868	174,868	-
Fund balance, end of year	<u>\$ 135,100</u>	<u>\$ 104,537</u>	<u>\$ 165,018</u>	<u>\$ 60,481</u>

Entrepreneurship Programs				CDBG Housing Grant			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	125,000	125,000	121,534	(3,466)
-	-	41,000	41,000	-	-	-	-
58,895	58,895	24,935	(33,960)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,557	1,557	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>58,895</u>	<u>58,895</u>	<u>67,492</u>	<u>8,597</u>	<u>125,000</u>	<u>125,000</u>	<u>121,534</u>	<u>(3,466)</u>
-	-	-	-	-	-	-	-
-	-	-	-	125,000	125,000	121,534	(3,466)
-	-	-	-	-	-	-	-
107,000	107,000	79,286	(27,714)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>107,000</u>	<u>107,000</u>	<u>79,286</u>	<u>(27,714)</u>	<u>125,000</u>	<u>125,000</u>	<u>121,534</u>	<u>(3,466)</u>
<u>(48,105)</u>	<u>(48,105)</u>	<u>(11,794)</u>	<u>36,311</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(48,105)	(48,105)	(11,794)	36,311	-	-	-	-
76,058	76,058	76,058	-	-	-	-	-
<u>\$ 27,953</u>	<u>\$ 27,953</u>	<u>\$ 64,264</u>	<u>\$ 36,311</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2008

	Principal Residence Exemption			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	75,000	75,000	67,457	(7,543)
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	150	150	2,200	2,050
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>75,150</u>	<u>75,150</u>	<u>69,657</u>	<u>(5,493)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	10,000	151,914	151,914	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>10,000</u>	<u>151,914</u>	<u>151,914</u>	<u>-</u>
Revenues over (under) expenditures	<u>65,150</u>	<u>(76,764)</u>	<u>(82,257)</u>	<u>(5,493)</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	65,150	(76,764)	(82,257)	(5,493)
Fund balance, beginning of year	<u>95,529</u>	<u>95,529</u>	<u>95,529</u>	<u>-</u>
Fund balance, end of year	<u>\$ 160,679</u>	<u>\$ 18,765</u>	<u>\$ 13,272</u>	<u>\$ (5,493)</u>

State Survey Grant				Victim of Crime Act Grant			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	60,784	60,784	57,866	(2,918)
73,336	73,336	73,336	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>73,336</u>	<u>73,336</u>	<u>73,336</u>	<u>-</u>	<u>60,784</u>	<u>60,784</u>	<u>57,866</u>	<u>(2,918)</u>
-	-	-	-	-	-	-	-
77,336	77,343	77,343	-	-	-	-	-
-	-	-	-	59,705	59,705	58,533	(1,172)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>77,336</u>	<u>77,343</u>	<u>77,343</u>	<u>-</u>	<u>59,705</u>	<u>59,705</u>	<u>58,533</u>	<u>(1,172)</u>
<u>(4,000)</u>	<u>(4,007)</u>	<u>(4,007)</u>	<u>-</u>	<u>1,079</u>	<u>1,079</u>	<u>(667)</u>	<u>(1,746)</u>
4,000	4,007	4,007	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>4,000</u>	<u>4,007</u>	<u>4,007</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	1,079	1,079	(667)	(1,746)
-	-	-	-	2,013	2,013	2,013	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,092</u>	<u>\$ 3,092</u>	<u>\$ 1,346</u>	<u>\$ (1,746)</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, 2008

	Register of Deeds Automation			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	1,400	1,400	2,548	1,148
Reimbursements and refunds	-	-	-	-
Other	60,000	60,000	57,855	(2,145)
Total revenues	<u>61,400</u>	<u>61,400</u>	<u>60,403</u>	<u>(997)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	53,448	58,032	33,307	(24,725)
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	2,500	2,500	1,723	(777)
Total expenditures	<u>55,948</u>	<u>60,532</u>	<u>35,030</u>	<u>(25,502)</u>
Revenues over (under) expenditures	<u>5,452</u>	<u>868</u>	<u>25,373</u>	<u>24,505</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	5,452	868	25,373	24,505
Fund balance, beginning of year	<u>109,058</u>	<u>109,058</u>	<u>109,058</u>	<u>-</u>
Fund balance, end of year	<u>\$ 114,510</u>	<u>\$ 109,926</u>	<u>\$ 134,431</u>	<u>\$ 24,505</u>

Homeland Security				Community Corrections Services			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	96,312	96,312	-	-	-	-
-	-	-	-	31,720	31,720	30,675	(1,045)
-	-	-	-	10,250	10,750	9,828	(922)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	96,312	96,312	41,970	42,470	40,503	(1,967)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	44,818	49,948	48,881	(1,067)
-	-	-	-	-	-	-	-
-	-	96,312	96,312	-	-	-	-
-	-	96,312	96,312	44,818	49,948	48,881	(1,067)
-	-	-	-	(2,848)	(7,478)	(8,378)	(900)
-	-	-	-	3,000	7,630	8,368	738
-	-	-	-	-	-	-	-
-	-	-	-	3,000	7,630	8,368	738
-	-	-	-	152	152	(10)	(162)
-	-	-	-	10	10	10	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162</u>	<u>\$ 162</u>	<u>\$ -</u>	<u>\$ (162)</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, 2008

	Local Correction Officer Training			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	19,000	19,000	18,783	(217)
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	19,000	19,000	18,783	(217)
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	12,000	12,000	5,816	(6,184)
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	12,000	12,000	5,816	(6,184)
Revenues over (under) expenditures	7,000	7,000	12,967	5,967
Other financing sources (uses)				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balance	7,000	7,000	12,967	5,967
Fund balance, beginning of year	39,357	39,357	39,357	-
Fund balance, end of year	<u>\$ 46,357</u>	<u>\$ 46,357</u>	<u>\$ 52,324</u>	<u>\$ 5,967</u>

Forfeiture Sheriff/Prosecutor				Law Library			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,719	1,719	6,500	6,500	6,500	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,719	1,719	6,500	6,500	6,500	-
-	-	-	-	5,400	5,400	5,606	206
-	-	-	-	-	-	-	-
1,502	1,502	80	(1,422)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,502	1,502	80	(1,422)	5,400	5,400	5,606	206
(1,502)	(1,502)	1,639	3,141	1,100	1,100	894	(206)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(1,502)	(1,502)	1,639	3,141	1,100	1,100	894	(206)
17,423	17,423	17,423	-	12,739	12,739	12,739	-
\$ 15,921	\$ 15,921	\$ 19,062	\$ 3,141	\$ 13,839	\$ 13,839	\$ 13,633	\$ (206)

(Continued)

TUSCOLA COUNTY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Michigan Justice Training			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	7,000	7,000	7,170	170
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>7,170</u>	<u>170</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	7,000	8,405	8,405	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,000</u>	<u>8,405</u>	<u>8,405</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>(1,405)</u>	<u>(1,235)</u>	<u>170</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	-	(1,405)	(1,235)	170
Fund balance, beginning of year	<u>13,066</u>	<u>13,066</u>	<u>13,066</u>	<u>-</u>
Fund balance, end of year	<u>\$ 13,066</u>	<u>\$ 11,661</u>	<u>\$ 11,831</u>	<u>\$ 170</u>

Revenue Sharing Reserve				Child Care DHS			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	179,000	179,000	131,512	(47,488)
-	-	-	-	35,000	35,000	59,836	24,836
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	214,000	214,000	191,348	(22,652)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	393,000	393,000	318,169	(74,831)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	393,000	393,000	318,169	(74,831)
-	-	-	-	(179,000)	(179,000)	(126,821)	52,179
-	-	-	-	-	-	-	-
1,006,921	1,014,042	(1,014,042)	(2,028,084)	167,000	167,000	167,000	-
1,006,921	1,014,042	(1,014,042)	(2,028,084)	-	-	-	-
1,006,921	1,014,042	(1,014,042)	(2,028,084)	167,000	167,000	167,000	-
1,006,921	1,014,042	(1,014,042)	(2,028,084)	(12,000)	(12,000)	40,179	52,179
1,014,042	1,014,042	1,014,042	-	36,326	36,326	36,326	-
<u>\$ 2,020,963</u>	<u>\$ 2,028,084</u>	<u>\$ -</u>	<u>\$ (2,028,084)</u>	<u>\$ 24,326</u>	<u>\$ 24,326</u>	<u>\$ 76,505</u>	<u>\$ 52,179</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, 2008

	Department of Human Services			
	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	160,000	199,956	199,955	(1)
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	160,000	199,956	199,955	(1)
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	178,000	216,543	216,542	(1)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	178,000	216,543	216,542	(1)
Revenues over (under) expenditures	(18,000)	(16,587)	(16,587)	-
Other financing sources (uses)				
Transfer in	18,000	13,000	13,000	-
Transfer out	-	-	-	-
Total other financing sources (uses)	18,000	13,000	13,000	-
Net change in fund balance	-	(3,587)	(3,587)	-
Fund balance, beginning of year	66,353	66,353	66,353	-
Fund balance, end of year	<u>\$ 66,353</u>	<u>\$ 62,766</u>	<u>\$ 62,766</u>	<u>\$ -</u>

Probate Child Care				Soldiers Relief			
Original Budget	Amended Budget	Actual	Over (Under) Budget	Original Budget	Amended Budget	Actual	Over (Under) Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
248,000	248,000	188,519	(59,481)	-	-	-	-
-	-	-	-	-	-	-	-
40,000	40,000	30,185	(9,815)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
6,000	6,000	6,325	325	-	-	-	-
-	-	-	-	-	-	251	251
<u>294,000</u>	<u>294,000</u>	<u>225,029</u>	<u>(68,971)</u>	<u>-</u>	<u>-</u>	<u>251</u>	<u>251</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
812,500	812,500	779,432	(33,068)	22,000	26,000	24,276	(1,724)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>812,500</u>	<u>812,500</u>	<u>779,432</u>	<u>(33,068)</u>	<u>22,000</u>	<u>26,000</u>	<u>24,276</u>	<u>(1,724)</u>
<u>(518,500)</u>	<u>(518,500)</u>	<u>(554,403)</u>	<u>(35,903)</u>	<u>(22,000)</u>	<u>(26,000)</u>	<u>(24,025)</u>	<u>1,975</u>
440,000	440,000	440,000	-	22,000	26,000	26,000	-
-	-	-	-	-	-	-	-
<u>440,000</u>	<u>440,000</u>	<u>440,000</u>	<u>-</u>	<u>22,000</u>	<u>26,000</u>	<u>26,000</u>	<u>-</u>
(78,500)	(78,500)	(114,403)	(35,903)	-	-	1,975	1,975
<u>159,485</u>	<u>159,485</u>	<u>159,485</u>	<u>-</u>	<u>2,074</u>	<u>2,074</u>	<u>2,074</u>	<u>-</u>
<u>\$ 80,985</u>	<u>\$ 80,985</u>	<u>\$ 45,082</u>	<u>\$ (35,903)</u>	<u>\$ 2,074</u>	<u>\$ 2,074</u>	<u>\$ 4,049</u>	<u>\$ 1,975</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, 2008

	Veterans Trust			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental				
Federal	-	-	-	-
State	17,000	17,000	13,646	(3,354)
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	-	-	-	-
Interest and rent	-	-	-	-
Reimbursements and refunds	-	-	-	-
Other	-	-	-	-
Total revenues	<u>17,000</u>	<u>17,000</u>	<u>13,646</u>	<u>(3,354)</u>
Expenditures				
Current				
Judicial	-	-	-	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	17,000	17,000	10,711	(6,289)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>17,000</u>	<u>17,000</u>	<u>10,711</u>	<u>(6,289)</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>2,935</u>	<u>2,935</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	-	-	2,935	2,935
Fund balance, beginning of year	<u>528</u>	<u>528</u>	<u>528</u>	<u>-</u>
Fund balance, end of year	<u>\$ 528</u>	<u>\$ 528</u>	<u>\$ 3,463</u>	<u>\$ 2,935</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
\$ 278,062	\$ 278,062	\$ 274,910	\$ (3,152)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,500	1,500	725	(775)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>279,562</u>	<u>279,562</u>	<u>275,635</u>	<u>(3,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	134,308	134,308
-	-	-	-	-	-	-	-
278,545	279,545	279,503	(42)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>278,545</u>	<u>279,545</u>	<u>279,503</u>	<u>(42)</u>	<u>-</u>	<u>-</u>	<u>134,308</u>	<u>134,308</u>
1,017	17	(3,868)	(3,885)	-	-	(134,308)	(134,308)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,017	17	(3,868)	(3,885)	-	-	(134,308)	(134,308)
7,879	7,879	7,879	-	303,031	303,031	303,031	-
<u>\$ 8,896</u>	<u>\$ 7,896</u>	<u>\$ 4,011</u>	<u>\$ (3,885)</u>	<u>\$ 303,031</u>	<u>\$ 303,031</u>	<u>\$ 168,723</u>	<u>\$ (134,308)</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, 2008

	Total			Over (Under) Budget
	Original Budget	Amended Budget	Actual	
Revenues				
Taxes	\$ 1,369,062	\$ 1,369,062	\$ 1,360,474	\$ (8,588)
Intergovernmental				
Federal	916,526	917,876	974,922	57,046
State	958,740	1,036,596	1,015,704	(20,892)
Local	421,445	453,384	405,052	(48,332)
Charges for services	1,358,655	1,358,550	1,348,402	(10,148)
Fines and forfeits	6,500	6,500	8,219	1,719
Interest and rent	17,550	17,550	27,032	9,482
Reimbursements and refunds	8,200	8,200	13,723	5,523
Other	79,300	79,300	83,242	3,942
Total revenues	<u>5,135,978</u>	<u>5,247,018</u>	<u>5,236,770</u>	<u>(10,248)</u>
Expenditures				
Current				
Judicial	1,189,311	1,189,311	1,062,729	(126,582)
General government	1,278,525	1,456,192	1,462,086	5,894
Public safety	1,541,084	1,571,553	1,505,641	(65,912)
Health and welfare	1,833,830	1,916,488	1,766,529	(149,959)
Culture and recreation	9,700	9,095	5,720	(3,375)
Capital outlay	533,741	558,154	416,856	(141,298)
Total expenditures	<u>6,386,191</u>	<u>6,700,793</u>	<u>6,219,561</u>	<u>(481,232)</u>
Revenues over (under) expenditures	<u>(1,250,213)</u>	<u>(1,453,775)</u>	<u>(982,791)</u>	<u>470,984</u>
Other financing sources (uses)				
Transfer in	1,193,455	1,197,092	1,197,830	738
Transfer out	1,006,921	1,014,042	(1,014,042)	(2,028,084)
Total other financing sources (uses)	<u>2,200,376</u>	<u>2,211,134</u>	<u>183,788</u>	<u>(2,027,346)</u>
Net change in fund balance	950,163	757,359	(799,003)	(1,556,362)
Fund balance, beginning of year	<u>3,027,230</u>	<u>3,027,230</u>	<u>3,027,230</u>	<u>-</u>
Fund balance, end of year	<u>\$ 3,977,393</u>	<u>\$ 3,784,589</u>	<u>\$ 2,228,227</u>	<u>\$ (1,556,362)</u>

**TUSCOLA COUNTY
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECT FUNDS
DECEMBER 31, 2008**

	D.H.S. Building Capital Expenditures	State Police Capital Expenditures	State Police Post Building Authority	Capital Improvements	Total
Assets					
Cash and cash equivalents	\$ 26,563	\$ 139,323	\$ -	\$ -	\$ 165,886
Investments	47,814	-	-	2,070,168	2,117,982
Interest receivable	62	-	-	726	788
Due from other funds	-	8,961	-	-	8,961
Total assets	\$ 74,439	\$ 148,284	\$ -	\$ 2,070,894	\$ 2,293,617
Liabilities and fund balance					
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ 6,306	\$ 6,306
Fund balance					
Reserved for capital projects	74,439	148,284	-	2,064,588	2,287,311
Total liabilities and fund balance	\$ 74,439	\$ 148,284	\$ -	\$ 2,070,894	\$ 2,293,617

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2008

	D.H.S. Building Capital Expenditures	State Police Capital Expenditures	State Police Post Building Authority	Capital Improvements	Total
Revenues					
Interest and rent	\$ 1,812	\$ 2,986	\$ -	\$ 46,486	\$ 51,284
Expenditures					
Capital outlay	-	2,900	-	148,261	151,161
Revenues over (under) expenditures	1,812	86	-	(101,775)	(99,877)
Other financing sources (uses)					
Transfer in	-	8,961	-	-	8,961
Transfer out	-	-	(22,481)	-	(22,481)
Total other financing sources (uses)	-	8,961	(22,481)	-	(13,520)
Net change in fund balance	1,812	9,047	(22,481)	(101,775)	(113,397)
Fund balance, beginning of year	72,627	139,237	22,481	2,166,363	2,400,708
Fund balance, end of year	\$ 74,439	\$ 148,284	\$ -	\$ 2,064,588	\$ 2,287,311

**TUSCOLA COUNTY
BALANCE SHEET
PERMANENT FUND
DECEMBER 31, 2008**

	<u>Cemetery Trust</u>
Assets	
Investments at fair value	\$ 6,900
Fund balance	
Reserved for cemetery maintenance	6,800
Unreserved	100
Total fund balance	\$ 6,900

TUSCOLA COUNTY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
PERMANENT FUND
YEAR ENDED DECEMBER 31, 2008

	<u>Cemetery Trust</u>
Revenues	
Interest and rents	\$ 182
Expenditures	
Current:	
Culture and recreation	323
Net change in fund balance	(141)
Fund balance, beginning of year	7,041
Fund balance, end of year	\$ 6,900

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 System (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 accounts for various fees and costs related to the new delinquent tax reversion process.

TUSCOLA COUNTY
COMBINING STATEMENT OF NET ASSETS -
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2008

	<u>Caro Sewage Disposal (Refunded)</u>	<u>Mayville Storm Sewer</u>	<u>Richville Water System</u>
Assets			
Current assets			
Due from other funds	\$ -	\$ -	\$ -
Due from other governments	<u>137,255</u>	<u>39,533</u>	<u>70,296</u>
Total current assets	<u>137,255</u>	<u>39,533</u>	<u>70,296</u>
Noncurrent assets			
Due from other governments	<u>510,000</u>	<u>1,152,000</u>	<u>550,000</u>
Total assets	<u>647,255</u>	<u>1,191,533</u>	<u>620,296</u>
Liabilities			
Current liabilities			
Accounts payable	-	-	-
Accrued liabilities	7,255	19,533	5,296
Bonds payable, current	<u>130,000</u>	<u>20,000</u>	<u>65,000</u>
Total current liabilities	137,255	39,533	70,296
Bonds payable, net of current portion	<u>510,000</u>	<u>1,152,000</u>	<u>550,000</u>
Total liabilities	<u>647,255</u>	<u>1,191,533</u>	<u>620,296</u>
Net assets			
Unrestricted	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

<u>Millington Sewer System</u>	<u>Tax Foreclosure</u>	<u>Total</u>
\$ -	\$ 285,304	\$ 285,304
<u>5,900</u>	<u>-</u>	<u>252,984</u>
<u>5,900</u>	<u>285,304</u>	<u>538,288</u>
<u>75,000</u>	<u>-</u>	<u>2,287,000</u>
<u>80,900</u>	<u>285,304</u>	<u>2,825,288</u>
-	3,672	3,672
900	-	32,984
<u>5,000</u>	<u>-</u>	<u>220,000</u>
5,900	3,672	256,656
<u>75,000</u>	<u>-</u>	<u>2,287,000</u>
<u>80,900</u>	<u>3,672</u>	<u>2,543,656</u>
<u>\$ -</u>	<u>\$ 281,632</u>	<u>\$ 281,632</u>

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS - NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2008

	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	22,715	59,233	34,833
Interest and rent	-	-	-
Interest expense and fiscal charges	(22,715)	(59,233)	(34,833)
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	\$ -	\$ -	\$ -

Millington Sewer System	Tax Foreclosure	Total
\$ -	\$ 144,563	\$ 144,563
-	58,450	58,450
-	203,013	203,013
-	114,590	114,590
-	88,423	88,423
3,994	-	120,775
-	5,600	5,600
(3,994)	-	(120,775)
-	5,600	5,600
-	94,023	94,023
-	(19,099)	(19,099)
-	74,924	74,924
-	206,708	206,708
\$ -	\$ 281,632	\$ 281,632

TUSCOLA COUNTY
COMBINING STATEMENT OF CASH FLOWS -
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Caro Sewage Disposal (Refunded)	Mayville Storm Sewer	Richville Water System
Cash flows from operating activities			
Cash received from customers	\$ -	\$ -	\$ -
Cash payments for interfund services provided	-	-	-
Cash payments to suppliers	-	-	-
Other operating revenue	-	-	-
Net cash provided by operating activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from noncapital financing activities			
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities			
Principal paid on long-term debt	(135,000)	(19,000)	(65,000)
Interest paid on long-term debt	(24,065)	(59,550)	(35,375)
Contributions from local units	159,065	78,550	100,375
Net cash used in capital and related financing activities	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Interest and rent	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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 funds	-	-	-
Due from other governments	1,350	317	542
Accounts payable	-	-	-
Accrued liabilities	(1,350)	(317)	(542)
Net cash provided by (used in) operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Millington Sewer System	Tax Foreclosure	Total
\$ -	\$ 144,563	\$ 144,563
-	(285,304)	(285,304)
-	(119,993)	(119,993)
-	58,450	58,450
-	(202,284)	(202,284)
-	(19,099)	(19,099)
(5,000)	-	(224,000)
(4,050)	-	(123,040)
9,050	-	347,040
-	-	-
-	5,600	5,600
-	(215,783)	(215,783)
-	215,783	215,783
\$ -	\$ -	\$ -
\$ -	\$ 88,423	\$ 88,423
-	(285,304)	(285,304)
56	-	2,265
-	(5,403)	(5,403)
(56)	-	(2,265)
\$ -	\$ (202,284)	\$ (202,284)

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, 2008

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Assets				
Current assets				
Due from other funds	\$ 502,723	\$ 325,394	\$ 357,792	\$ 1,185,909
 Liabilities				
Current liabilities				
Accrued liabilities	-	-	287,979	287,979
Net assets				
Unrestricted	\$ 502,723	\$ 325,394	\$ 69,813	\$ 897,930

TUSCOLA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Operating revenues				
Charges for services	\$ 36,961	\$ -	\$ 1,706,667	\$ 1,743,628
Operating expenses				
Insurance costs	22,603	-	1,805,423	1,828,026
Settlements and claims	13,765	-	-	13,765
Total operating expenses	36,368	-	1,805,423	1,841,791
Change in net assets	593	-	(98,756)	(98,163)
Net assets, beginning of year	502,130	325,394	168,569	996,093
Net assets, end of year	\$ 502,723	\$ 325,394	\$ 69,813	\$ 897,930

TUSCOLA COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2008

	Workers' Compensation Insurance	County Retirement	Health Insurance	Total
Cash flows from operating activities				
Cash received from interfund services provided	\$ 36,961	\$ -	\$ 1,706,667	\$ 1,743,628
Cash payments for interfund services provided	(502,723)	(325,394)	(357,792)	(1,185,909)
Cash payments to suppliers for goods and services	(36,368)	-	(1,706,444)	(1,742,812)
Net cash provided (used) by operating activities	(502,130)	(325,394)	(357,569)	(1,185,093)
Cash and cash equivalents, beginning of year	502,130	325,394	357,569	1,185,093
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of operating income (loss) to net cash				
Provided (used) by operating activities:				
Operating income (loss)	\$ 593	\$ -	\$ (98,756)	\$ (98,163)
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	(502,723)	(325,394)	(357,792)	(1,185,909)
Accrued liabilities	-	-	98,979	98,979
Net cash provided (used) by operating activities	\$ (502,130)	\$ (325,394)	\$ (357,569)	\$ (1,185,093)

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, 2008**

	Agency Funds		Total
	Trust and Agency	Library Penal Fines	
Assets			
Cash and cash equivalents	\$ 1,492,535	\$ 29,789	\$ 1,522,324
Liabilities			
Accrued liabilities	\$ 467,624	\$ -	\$ 467,624
Due to other governmental units	223,041	-	223,041
Undistributed receipts	72	29,789	29,861
Undistributed taxes	801,798	-	801,798
Total liabilities	\$ 1,492,535	\$ 29,789	\$ 1,522,324

TUSCOLA COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008

Trust and Agency	Balance			Balance
	January 1, 2008	Additions	Deductions	December 31, 2008
Assets				
Cash and cash equivalents	\$ 1,660,459	\$ 24,264,124	\$ 24,432,048	\$ 1,492,535
Liabilities				
Accounts payable	\$ -	\$ 14,955,327	\$ 14,955,327	\$ -
Accrued liabilities	385,018	2,995,101	2,912,495	467,624
Due to other governmental units	356,869	13,685,173	13,819,001	223,041
Undistributed receipts	3,540	3,467	6,935	72
Undistributed taxes	915,032	7,210,739	7,323,973	801,798
Total liabilities	<u>\$ 1,660,459</u>	<u>\$ 38,849,807</u>	<u>\$ 39,017,731</u>	<u>\$ 1,492,535</u>
Library Penal Fines				
Assets				
Cash and cash equivalents	\$ 28,475	\$ 374,230	\$ 372,916	\$ 29,789
Liabilities				
Accounts payable	\$ -	\$ 366,416	\$ 366,416	\$ -
Undistributed receipts	28,475	374,230	372,916	29,789
Total liabilities	<u>\$ 28,475</u>	<u>\$ 740,646</u>	<u>\$ 739,332</u>	<u>\$ 29,789</u>
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 1,688,934	\$ 24,638,354	\$ 24,804,964	\$ 1,522,324
Liabilities				
Accounts payable	\$ -	\$ 15,321,743	\$ 15,321,743	\$ -
Accrued liabilities	385,018	2,995,101	2,912,495	467,624
Due to other governmental units	356,869	13,685,173	13,819,001	223,041
Undistributed receipts	32,015	377,697	379,851	29,861
Undistributed tax collections	915,032	7,210,739	7,323,973	801,798
Total liabilities	<u>\$ 2,588,444</u>	<u>\$ 39,590,453</u>	<u>\$ 39,757,063</u>	<u>\$ 1,522,324</u>

COMPONENT UNIT

TUSCOLA COUNTY
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF NET ASSETS AND BALANCE SHEET
DECEMBER 31, 2008

	Governmental Fund Types		
	Debt Service	Capital Project	Revolving Drain
Assets			
Cash and cash equivalents	\$ 30,977	\$ 718,528	\$ 91,213
Investments	2,705,005	3,329,036	-
Special assessments receivable	10,402,755	365,334	-
Interest receivable	6,014	-	-
Due from other component units	-	68	230,852
Capital assets, net	-	-	-
Total assets	\$ 13,144,751	\$ 4,412,966	\$ 322,065
Liabilities			
Accounts payable	1,016	391,759	12,065
Due to other component units	68	230,852	-
Deferred revenue	10,402,755	362,970	-
Drain bonds payable	-	-	-
Drain notes payable	-	-	-
Advance from primary government	-	-	310,000
Total liabilities	10,403,839	985,581	322,065
Fund equity			
Fund balance			
Reserved for debt service	2,740,912	-	-
Reserved for drain projects	-	3,427,385	-
Total fund equity	2,740,912	3,427,385	-
Total liabilities and fund equity	\$ 13,144,751	\$ 4,412,966	\$ 322,065

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
\$ 840,718	\$ -	\$ 840,718
6,034,041	-	6,034,041
10,768,089	-	10,768,089
6,014	-	6,014
230,920	(230,920)	-
-	17,192,740	17,192,740
<u>\$ 17,879,782</u>	<u>16,961,820</u>	<u>34,841,602</u>

404,840	-	404,840
230,920	(230,920)	-
10,765,725	(10,765,725)	-
-	12,264,080	12,264,080
-	386,083	386,083
310,000	-	310,000
<u>11,711,485</u>	<u>1,653,518</u>	<u>13,365,003</u>

2,740,912	(2,740,912)	-
3,427,385	(3,427,385)	-
<u>6,168,297</u>	<u>(6,168,297)</u>	<u>-</u>
<u>\$ 17,879,782</u>		

	4,542,577	4,542,577
	2,740,912	2,740,912
	3,427,385	3,427,385
	<u>10,765,725</u>	<u>10,765,725</u>
<u>\$ 21,476,599</u>	<u>\$ 21,476,599</u>	

TUSCOLA COUNTY
DRAIN COMMISSION COMPONENT UNIT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2008

	Debt Service	Capital Project	Total Governmental Funds	Adjustments	Statement of Activities
Revenues					
Taxes	\$ 2,057,424	\$ 377,664	\$ 2,435,088	\$ (1,184,313)	\$ 1,250,775
Interest and rents	88,652	102,559	191,211	-	191,211
Total revenues	2,146,076	480,223	2,626,299	(1,184,313)	1,441,986
Expenditures / expenses					
Capital outlay	-	739,049	739,049	(310,226)	428,823
Depreciation	-	-	-	468,775	468,775
Debt service					
Principal	1,399,540	95,317	1,494,857	(1,494,857)	-
Interest and charges	564,192	22,759	586,951	-	586,951
Total expenditures / expenses	1,963,732	857,125	2,820,857	(1,336,308)	1,484,549
Revenues over (under) expenditures	182,344	(376,902)	(194,558)	151,995	(42,563)
Other financing sources (uses)					
Transfers in	-	167,579	167,579	(167,579)	-
Transfers out	(167,579)	-	(167,579)	167,579	-
Total other financing sources (uses)	(167,579)	167,579	-	-	-
Net change in fund balance	14,765	(209,323)	(194,558)	194,558	-
Change in net assets	-	-	-	(42,563)	(42,563)
Fund balance / net assets, beginning of year	2,726,147	3,636,708	6,362,855	15,156,307	21,519,162
Fund balance / net assets, end of year	\$ 2,740,912	\$ 3,427,385	\$ 6,168,297	\$ 15,308,302	\$ 21,476,599

III. STATISTICAL SECTION

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.	120-124
Revenue Capacity These schedules contain information to help the reader assess the county’s most significant local revenue source, the property tax.	125-128
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.	129-132
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.	133-134
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.	135-137

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

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund						
Reserved	\$ 610,000	\$ 610,000	\$ 610,000	\$ 610,000	\$ 610,000	\$ 310,000
Unreserved	1,068,500	1,068,500	1,163,631	1,377,578	1,377,311	1,906,960
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>	<u>\$ 2,216,960</u>
Health Department						
Reserved	\$ 35,571	\$ 17,513	\$ 47,611	\$ 50,618	\$ 47,760	\$ 166,945
Unreserved	540,214	619,262	642,274	593,147	587,388	470,300
Total Health Department	<u>\$ 575,785</u>	<u>\$ 636,775</u>	<u>\$ 689,885</u>	<u>\$ 643,765</u>	<u>\$ 635,148</u>	<u>\$ 637,245</u>
All Other Governmental Funds						
Reserved	\$ 1,810,659	\$ 1,868,630	\$ 1,837,225	\$ 2,069,039	\$ 2,423,520	\$ 2,313,327
Unreserved reported in:						
Special revenue funds	2,015,778	2,835,420	3,377,837	3,809,423	3,162,689	2,365,336
Permanent funds	41	53	173	234	241	100
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>	<u>\$ 4,678,763</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
Net Assets by Component,
Last Six 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>	<u>2008</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	\$ 4,922,081
Restricted	1,811,720	1,851,900	1,829,746	2,059,273	2,415,673	2,407,986
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>	<u>6,252,969</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>	<u>\$ 13,583,036</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	\$ 4,030,033
Restricted	-	4,216,791	1,871,357	931,338	1,241,842	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>	<u>18,994,109</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>	<u>\$ 24,265,984</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	\$ 8,952,114
Restricted	1,811,720	6,068,691	3,701,103	2,990,611	3,657,515	3,649,828
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>	<u>25,247,078</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>	<u>\$ 37,849,020</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 Six 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>	<u>2008</u>
Expenses						
Governmental activities:						
Legislative	\$ 104,985	\$ 107,275	\$ 117,986	\$ 119,534	\$ 121,633	\$ 119,951
Judicial	3,293,066	3,373,694	3,236,683	3,403,161	3,376,451	3,665,853
General government	4,621,668	4,905,058	5,300,418	5,026,156	5,194,811	5,580,391
Public safety	4,713,775	4,927,107	5,016,821	5,040,173	5,182,899	5,628,777
Public works	1,185,845	1,141,879	1,064,344	912,869	913,182	939,794
Health and welfare	4,478,759	4,425,578	4,658,677	4,811,305	5,159,902	5,463,407
Culture and recreation	1,841	1,938	2,480	3,344	11,173	6,043
Interest on debt	552,866	245,467	87,755	69,229	75,153	50,441
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>	<u>21,454,657</u>
Business-type activities:						
Medical care facility	685,209	8,404,754	10,086,430	12,315,825	13,417,162	14,476,962
Delinquent property tax	195	42	28	366	4,412	2,478
Water/sewage systems	-	-	139,455	146,134	527,715	3,778,099
Tax foreclosure	-	-	37,239	115,871	112,853	114,590
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>	<u>18,372,129</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>	<u>\$ 39,826,786</u>
Program Revenues						
Governmental activities:						
Charges for services						
Judicial	\$ 1,526,620	\$ 1,405,760	\$ 1,371,148	\$ 1,456,367	\$ 1,359,716	\$ 1,275,539
General government	1,049,878	990,730	964,670	899,733	859,655	844,975
Public safety	1,724,028	1,696,680	1,627,690	1,658,525	1,855,330	1,830,531
Public works	667,445	601,692	544,889	467,382	396,643	418,363
Health and welfare	713,741	812,629	821,370	795,485	896,500	1,007,945
Culture and recreation	-	180	189	199	4,751	2,209
Operating grants and contributions						
Judicial	968,744	1,085,773	1,126,102	1,062,160	1,059,074	1,067,410
General government	258,637	210,767	530,629	202,550	345,126	252,725
Public Safety	886,098	875,956	1,050,512	938,694	750,387	914,234
Health and welfare	2,261,330	2,257,454	2,277,666	2,297,058	2,580,301	2,619,685
Capital grants and contributions	570,969	374,660	182,980	185,615	142,617	127,155
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>	<u>10,360,771</u>
Business-type activities:						
Charges for services						
Medical Care Facility	215,621	7,561,350	8,464,985	11,938,841	12,386,663	13,302,206
Delinquent Tax	547,209	545,697	541,475	542,980	538,748	603,172
Water/Sewer Systems	-	-	300,000	288,001	14,099	81,248
Tax Foreclosure	-	-	61,896	116,396	121,257	144,563
Operating grants and contributions	-	212,476	-	-	-	3,495,097
Capital grants and contributions	-	-	139,455	146,134	7,120,155	-
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>	<u>17,626,286</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>	<u>\$ 27,987,057</u>
Net (Expenses)/Revenue						
Governmental activities	\$ (8,325,315)	\$ (8,815,715)	\$ (8,987,319)	\$ (9,422,003)	\$ (9,785,104)	\$ (11,093,886)
Business-type activities	77,426	(85,273)	(755,341)	454,156	6,118,780	(745,843)
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>	<u>\$ (11,839,729)</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 Six Fiscal Years (1)
(accrual basis of accounting)

Table 2

	Fiscal Year					
	2003	2004 (2)	2005	2006	2007	2008
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	\$ 8,329,783
Grants and contributions not restricted to specific programs	1,115,501	516,767	98,107	106,465	114,210	589,645
Unrestricted investment earnings	121,986	193,516	204,241	350,147	530,747	312,610
Other	13,589	3,556	-	10,302	-	-
Transfers	632,355	690,733	775,307	764,246	802,573	797,575
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>	<u>10,029,613</u>
Business-type activities:						
Property taxes	1,358,078	1,431,875	1,507,485	1,575,186	1,677,012	1,773,731
Unrestricted investment earnings	246,222	187,313	609,127	417,938	439,658	229,178
Other	-	234,704	-	330,159	307,797	302,614
Transfers	(599,161)	(640,760)	(726,120)	(715,932)	(759,916)	(751,517)
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>	<u>1,554,006</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>	<u>\$ 11,583,619</u>
Change in Net Assets						
Governmental activities	\$ 99,177	\$ 941,177	\$ 694,767	\$ 936,975	\$ (185,254)	\$ (1,064,273)
Business-type activities	1,082,565	1,127,859	635,151	2,061,507	7,783,331	808,163
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>	<u>\$ (256,110)</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

Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years (1)

(modified accrual basis of accounting)

Revenues	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Taxes	\$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	\$8,479,466
Licenses and permits	596,285	646,749	670,772	659,999	833,421	917,820	870,300	737,975	681,338	692,278
Intergovernmental								-		
Federal	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	2,999,238
State	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	2,573,953
Local	582,135	615,024	613,336	564,984	596,847	633,757	492,373	478,792	417,121	405,052
Charges for services	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	3,726,581
Fines and forfeits	157,770	194,660	115,190	121,327	107,272	110,944	86,547	78,720	82,030	54,515
Interest and rents	364,174	502,405	437,181	347,549	216,819	288,349	299,140	445,076	626,293	447,461
Reimbursements and refunds	477,484	725,482	696,647	430,955	478,522	539,582	545,246	512,336	531,317	553,645
Other	220,471	373,092	354,195	337,953	88,008	164,232	142,755	192,977	129,437	116,880
Total revenues	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	20,049,069
Expenditures										
Legislative	145,713	118,747	125,353	121,977	104,773	107,275	117,986	119,534	122,906	118,052
Judicial	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	3,576,395
General government	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	5,213,922
Public safety	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	5,238,880
Public works	1,036,929	2,130,551	972,601	1,022,741	1,183,940	1,140,165	1,062,425	911,102	910,866	939,330
Health and welfare	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	5,321,457
Culture and recreation	10,664	10,104	15,080	9,862	1,841	1,938	2,480	3,344	11,173	6,043
Other	275,163	331,505	266,751	376,192	210,735	288,904	220,764	245,792	203,733	241,097
Capital outlay	1,332,980	1,746,790	1,226,096	728,508	421,663	529,500	608,893	643,010	540,621	692,935
Debt service								-	-	
Interest					286,300	245,467	87,755	69,229	58,022	52,567
Principal	962,573	1,016,085	1,082,779	1,008,964	520,000	626,759	433,105	403,173	126,987	171,579
Total expenditures	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	21,572,257
Excess of revenues over (under) expenditures	(673,357)	(1,554,152)	(317,236)	(1,189,877)	(552,703)	52,457	(116,582)	(11,929)	(1,103,703)	(1,523,188)
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	11,912	-	-	-	-	-	-	-	-	-
Bond proceeds	1,615,000	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	9,097	-	-
Proceeds from issuance of capital leases	-	-	-	-	-	-	-	-	-	49,674
Transfer in	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	3,396,767
Transfer out	(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)	(2,599,194)
Total other financing sources (uses)	2,604,134	973,307	600,295	1,996,274	743,329	869,029	769,794	843,217	802,573	847,247
Net change in fund balances	\$ 1,930,777	\$ (580,845)	\$ 283,059	\$ 806,397	\$ 190,626	\$ 921,486	\$ 653,212	\$ 831,288	\$ (301,130)	\$ (675,941)
Debt service as a percentage of noncapital expenditures	4.64%	4.33%	4.60%	4.01%	4.35%	4.59%	2.74%	2.48%	0.94%	1.07%

(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

Tuscola County

Table 5

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						
1999	\$ 76,271,126	\$ 637,634,663	\$ 328,327,443	\$ 78,840,341	\$ 1,121,073,573	\$ 7.3911	\$ 2,242,147,146	50%	
2000	80,500,976	716,745,149	373,481,400	75,475,901	1,246,203,426	7.3911	2,492,406,852	50%	
2001	88,291,310	800,728,632	430,173,675	77,651,222	1,396,844,839	7.3613	2,793,689,678	50%	
2002	102,341,340	883,288,207	459,254,775	75,303,706	1,520,188,028	7.5043	3,040,376,056	50%	
2003	108,327,720	943,905,449	445,918,320	75,640,501	1,573,791,990	8.4947	3,147,583,980	50%	
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%	
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%	
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%	
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%	
2008	145,632,150	1,198,943,488	538,793,530	103,462,209	1,986,831,377	8.4846	3,973,662,754	50%	

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>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>2008</u>
County direct rates										
Operating Millage	3.9739	3.9739	3.9580	3.9544	3.9417	3.9342	3.9251	3.9141	3.9141	3.9141
Special Millage	3.4172	3.4172	3.4033	3.5499	3.5530	3.5643	3.5559	3.5456	3.5456	3.5705
Debt Millage	-	-	-	-	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
Total direct rate	7.3911	7.3911	7.3613	7.5043	8.4947	8.4985	8.4810	8.4597	8.4597	8.4846
City rate										
Vassar	21.3500	20.1500	20.1500	17.5000	17.5000	17.5000	17.5000	17.5000	17.5000	17.5000
Village rates	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	12.0440- 21.6036
School district rates (1)	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	31.4726 35.0998
Township rates	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	1.0000- 5.3957
District library rates	.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	.7916- 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 Eight Years Ago (1)

Table 7

<u>Taxpayer</u>	2008			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	\$ 30,391,173	1	2.10%	\$ 23,164,825	1	2.34%
POET-Biorefining - Caro	14,953,600	2	1.03%	-		-
Dept. of Natural Resources	8,915,050	3	0.62%	17,403,094	2	1.76%
International Transmission	7,854,904	4	0.54%	-		-
Consumers Power Co.	6,332,215	5	0.44%	6,698,924	4	0.68%
Wal-Mart Stores #01-1798	5,628,757	6	0.39%	-		-
Thumb Electric Co-Op	5,534,529	7	0.38%	4,177,996	6	0.42%
Millenium Industries Inc.	4,204,000	8	0.29%	-		-
TI Group Automotive Services	3,425,506	9	0.24%	-		-
Michigan Sugar Co.	2,996,394	10	0.21%	4,565,700	5	0.46%
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>\$ 90,236,128</u>		<u>6.24%</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
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	5,198,749	3,774,616	72.61%	707,740	235,913	4,718,269	90.76%
2007	5,462,074	4,284,974	78.45%	373,356	442,712	5,101,042	93.39%
2008	5,627,842	4,970,391	88.32%	352,127	294,169	5,616,687	99.80%

Source: Tuscola County Treasurer and Tuscola County Equalization Department

Note: Delinquent information not available for years 1997 through 2005. -128-

Tuscola County

Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Table 9

Fiscal Year	Governmental Activities		Business-Type Activities			
	General Obligation Bonds	Capital Lease Payable	General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
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	7.86%	297
2008	880,000	32,103	18,421,627	19,333,730	7.17%	332

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

(2) For FYE 2005 certain debt and capital projects funds were reclassified as Business-type Activities to comply with 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

Fiscal Year	<u>General Bonded Debt Outstanding</u>					Total Taxable Value	Percentage of Taxable Value
	Building Authority Bonds	Sewer Obligation Bonds	Capital Lease Payable	Less Paid by Benefited Municipality	Net General Bonded		
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
2008	880,000	4,886,000	32,103	5,766,000	32,103	1,448,148,172	0.0022
	<u>Overlapping Debt</u>						Percentage of Taxable Value
	School Districts	Townships	Intermediate School	Village	City	Net Overlapping	
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
2008	60,621,869	4,925,844	25,646	6,577,385	627,998	72,778,742	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, 2008

2000 Census Totals 2008 Taxable Value	58,266 \$ 1,448,148,172	Gross	Self-Support or Portion Paid by Benefited Municipality	Net
Direct debt of County:				
Building Authority		\$ 880,000	\$ 880,000	\$ -
Sewer/Water		4,886,000	4,886,000	-
Capital Leases		32,103	-	32,103
		\$ 5,798,103	\$ 5,766,000	\$ 32,103
Per-Capita County Net Direct Debt				0.55
Percent County Net Direct Debt to 2008 Taxable				0.0022%
Overlapping Debt of County:				
School Districts				\$ 60,621,869
Townships				4,925,844
Intermediate School District				25,646
Village				6,577,385
City				627,998
Net Overlapping Debt				\$ 72,778,742
Net County and Overlapping Debt				\$ 72,810,845
Per-Capita County Net Direct and Overlapping Debt				\$ 1,249.63
Percent Net Direct and Overlapping Debt to 2008 Taxable Value				5.0279%

(1) Includes Primary Government

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

Tuscola County
Legal Debt Margin Information,
(Last Nine 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>	<u>2008</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	1,986,831,377
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	198,683,137
Total Net debt applicable to limit	<u>7,202,890</u>	<u>6,496,538</u>	<u>5,965,668</u>	<u>5,421,577</u>	<u>4,965,483</u>	<u>4,810,550</u>	<u>4,294,995</u>	<u>3,970,008</u>	<u>5,798,103</u>
Legal debt margin	<u>\$ 117,417,453</u>	<u>\$ 133,187,946</u>	<u>\$ 146,053,135</u>	<u>\$ 152,002,969</u>	<u>\$ 158,665,858</u>	<u>\$ 168,062,574</u>	<u>\$ 181,834,645</u>	<u>\$ 191,579,900</u>	<u>\$ 192,885,034</u>
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%	3.01%

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.

Tuscola County
Demographic and Economic Statistics,
Last Ten Calendar Years

<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 (4)</u>
1998	58,012	1,157,993	19,961	12,388	4.9%
1999	58,290	1,218,993	20,913	12,257	5.0%
2000	58,274	1,251,987	21,484	12,080	4.6%
2001	58,185	1,210,739	20,808	11,972	6.5%
2002	58,062	1,251,937	21,562	11,847	7.9%
2003	58,193	1,289,076	22,152	11,547	9.0%
2004	58,005	1,312,314	22,624	11,534	8.9%
2005	57,549	1,318,247	22,907	11,171	8.1%
2006	57,074	1,359,101	23,813	11,052	8.4%
2007	56,683	1,358,488	23,966	10,810	8.3%
2008	56,187	1,387,016	24,686	10,473	10.5%

(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.

(4) Annual yearly rates shown.

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

Tuscola County
Principal Employers,
Current Year and Ten Years Ago

Table 14

<u>Employer</u>	<u>1998</u>			<u>2008</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	1.9%
Caro Regional Center				412	2	1.7%
Wolverine Human Services				388	3	1.6%
Hills and Dales General Hospital				301	4	1.2%
Wal-Mart				300	5	1.2%
Grede-Vassar				278	6	1.1%
Caro Community Schools				264	7	1.1%
Vassar Schools				258	8	1.0%
Walbro - Engine Management				250	9	1.0%
Tuscola Intermediate School District				250	10	1.0%
Total				3176		12.8%
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	70	10	0.3%			
Total	1194		6.8%			

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

Tuscola County

Table 15

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

Function	<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>2008</u>
Legislative	7	7	7	5	5	5	5	5	5	5
Judicial	44	47	48	47	46	44	45	45	45	48
General Government	50	52	53	54	52	52	52	53	53	53
Public Safety	64	64	61	57	60	58	59	57	57	59
Public Works	8	8	7	-	-	-	-	-	-	-
Health and Welfare (1)	131	152	163	162	162	165	167	171	190	196
Total	304	330	339	325	325	324	328	331	350	361

(1) Includes Health Department and Medical Care Facility.
Due to completion of Medical Care expansion, additional staff was hired in 2007.

TUSCOLA COUNTY
 Operating Indicators by Function/Program,
Last Ten Fiscal Years

Table 16

	<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>2008</u>
<u>Function/Program</u>										
Public safety (1)										
Incarcerated offenders	2,728	2,963	2,512	2,321	2,366	1,962	1,843	2,039	2,160	2,247
First time offenders	914	989	828	766	749	634	608	766	603	608
Repeat offenders	1,814	1,974	1,684	1,555	1,617	1,370	1,380	1,555	1,557	1,639
Traffic violations and other summons issued	6,708	7,364	5,556	6,581	5,460	4,504	2,689	3,318	2,870	2,635
Physical arrests made	1,271	1,419	1,234	1,148	1,223	937	1,005	841	920	1,013
Judicial										
54th Circuit Court new case filings	1,687	1,832	1,899	1,806	1,829	1,629	1,467	1,626	1,595	1,533
71B District Court new case filings	17,590	19,004	15,052	17,703	14,937	12,272	10,446	10,842	10,120	9,335
Probate Court new case filings	524	541	558	458	354	382	382	351	322	388

(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.

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

Table 17

<u>Function/Program</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>2008</u>
Public Safety										
Sheriffs Department										
Stations	1	1	1	1	1	1	1	1	1	1
Vehicles	13	16	20	23	25	24	22	24	21	21
Mileage	475,212	492,588	493,203	469,436	479,646	437,615	388,822	397,278	435,970	398,914
Boats/Watercraft	1	1	2	2	2	2	2	2	2	2
Animal control										
Vehicles	2	2	2	2	-	-	-	-	-	-
General Government										
Building and Grounds										
Vehicles	9	11	15	16	16	13	12	14	12	12
Mosquito control										
Vehicles	14	14	14	14	14	14	15	16	17	19
Recycling										
Vehicles	1	1	1	1	1	1	1	1	1	1
Health and Welfare										
Health Department										
Vehicles	3	4	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, 2008

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 Department of Human Services			
Title IV-D Child Support Enforcement Program			
Prosecuting Attorney Cooperative Reimbursement Program	93.563	CSPA 08-79002	\$ 56,641
Prosecuting Attorney Cooperative Reimbursement Program	93.563	CSPA 09-79002	17,663
Friend of Court Cooperative Reimbursement Program	93.563	CSFOC 08-79001	394,110
Friend of Court Cooperative Reimbursement Program	93.563	CSFOC 09-79001	144,437
Title IV-D Incentive Program	93.560	N/A	<u>160,663</u>
Total U.S. Department of Health and Human Services			<u>773,514</u>
U.S. Department of Homeland Security			
Passed-Through Michigan State Police			
Emergency Management Performance Grant	97.042	N/A	25,257
Passed-Through Bay County			
FY2006 Homeland Security Grant	97.067	N/A	96,312
Passed-Through Michigan Department of Natural Resources:			
Marine Safety Program	97.012	N/A	<u>20,687</u>
Total U.S. Department of Homeland Security			<u>142,256</u>
U.S. Department of Justice			
Passed-Through Office of Community Health:			
Victims of Crime Act	16.575	10178-12U08	43,802
Victims of Crime Act	16.575	10178-12U09	<u>14,064</u>
Total U.S. Department of Justice			<u>57,866</u>
Environmental Protection Agency			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00E46901-0	62,384
Capitalization Grants for Clean Water State Revolving Funds	66.458	524301	<u>502,092</u>
Total Environmental Protection Agency			<u>564,476</u>
U.S. Department of Transportation			
Passed-Through Michigan Department of State Police			
Safe Communities Grant	20.601	PT-09-09-55	<u>1,841</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-2008-0815-HOA	<u>121,534</u>
Total Federal Financial Assistance			<u>\$ 1,661,487</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 \$2,999,238. The Statement includes federal funds received by the Tuscola County Health Department of \$1,902,227. 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 \$502,092 of bond proceeds recorded in the proprietary funds. The accompanying schedule of expenditures of federal awards includes \$62,384 of federal grant activity recorded in the Brownfield Redevelopment 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 26, 2009

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, 2008, and have issued our report thereon dated June 26, 2009. 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 deficiency described in the accompanying schedule of findings and questioned costs as 2007-1 to be a significant deficiency 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. However, the significant deficiency described above is considered to be a material weakness.

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 26, 2009

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, 2008. **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, 2008. 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, 2008.

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, 2008

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>
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.563	Friend of the Court and Prosecuting Attorney Cooperative Reimbursement (Title IV-D)

TUSCOLA COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

**2007-1 Significant Deficiency Considered to be a Material Weakness
(Repeat Comment)**

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.

Status: This finding has not been fully corrected for the year ended December 31, 2008. While the amount of journal entries necessary to be posted for 2008 were significantly less than 2007, there were still some areas that required adjustment/correction.

View of Responsible Officials: Significant changes have been made to the reliance on the external auditors to perform the task of year end journal entries. We will continue to be diligent on the preparation and posting of these year end entries.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

TUSCOLA COUNTY, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL STATEMENT FINDINGS

Prior Year Corrected Findings

2007-1 **(Repeated in 2008)**

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 a 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.

The Controller/Administrator and Chief Accountant met with the County Treasurer to determine how this critical function can be conducted on a timely on-going basis. Optional methods discussed included more training for current staff or contracting with an accounting firm to perform this function. The County Treasurer requested on-going assistance from an accounting firm rather training of current staff. She was of the opinion the complexity of this process and demands on current staff makes a contract with an accounting firm the most appropriate solution. Cost information will be obtained. The reconciliation process needs to start soon because during the discussion with the County Treasurer it was determined that not only are 2007 delinquent taxes not reconciled but there are other years of delinquent tax funds which have not been reconciled.

The Board of Commissioners approved up to \$10,000 to reconcile prior year delinquent tax receivable funds. Further discussion will occur with the Board and County Treasurer regarding the importance and how these funds will be reconciled each year.

Status: This finding has been corrected for the year ended December 31, 2008.

2007-3 Significant Deficiency Considered to be a Material Weakness

Criteria: The County uses its agency funds to account for assets held on behalf of outside parties, including other governments. Accordingly, the County is required to keep accurate subsidiary records of the amounts held in each liability account. These accounts should be analyzed and reconciled on a regular basis (e.g., monthly or quarterly.)

Condition/Finding: During our audit, we requested support for various accounts held as part of the County's agency fund. We observed that specifically two significant accounts did not appear to be properly clearing out on a timely basis. The amounts held to be distributed to the state for the State Education Tax are supposed to be disbursed monthly, but are not. The amounts held to be distributed to the state for the State Transfer Tax has carried forward a balance for several years.

Cause: The County does not have an established policy requiring the periodic reconciliation of its agency fund liabilities.

Effect: As a result of this condition, the County is exposed to an increased risk of error or fraud as disbursements from agency funds are not subject to the normal budgetary oversight found in other funds. Accordingly, it is especially important that these funds be reconciled regularly. While the related cash balances were reconciled, this only confirms the amounts actually on hand, not the balances that should be on hand.

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.

Status: This finding has been corrected for the year ended December 31, 2008.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.