

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Lapeer County, Michigan	County Lapeer
Audit Date 12/31/04	Opinion Date 5/20/05	Date Accountant Report Submitted to State: 6/30/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- Yes No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- Yes No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- Yes No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- Yes No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- Yes No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- Yes No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- Yes No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- Yes No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- Yes No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			
Street Address 1979 Holland Avenue	City Port Huron	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>		Date 6/30/05	

COMPREHENSIVE ANNUAL FINANCIAL REPORT
LAPEER COUNTY, MICHIGAN
FOR THE YEAR ENDED DECEMBER 31, 2004

BOARD OF COMMISSIONERS

David Taylor, Chairperson
Cheryl Clark, Vice Chairperson
Dyle Henning
Lenny Schneider
Joyce Bonesteel
C. Ian Kempf
Ron Dahlke

ISSUED BY:
COUNTY ADMINISTRATION OFFICE

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

LAPEER COUNTY, MICHIGAN

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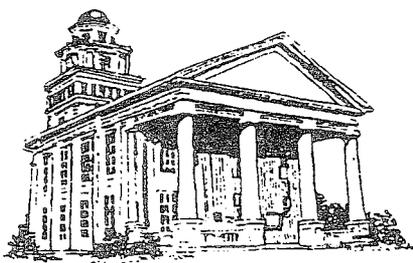
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INTRODUCTORY SECTION



MICHIGAN'S OLDEST COURTHOUSE

*Lapeer County
Administration Office*

255 Clay Street
Lapeer, Michigan 48446

phone 810 area code
667-0366
667-0369 FAX
www.county.lapeer.org

May 20, 2005

To the Board of Commissioners and Citizens of Lapeer County:

The Comprehensive Annual Financial Report (CAFR) of the County of Lapeer, Lapeer, Michigan, for the year ended December 31, 2004, is submitted herewith. The administration of Lapeer County is responsible for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and the County as a whole. The report is prepared for the purpose of disclosing the County's financial condition to our community, elected officials, and other interested parties.

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

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

Lapeer County's financial statements have been audited by Stewart, Beauvais & Whipple PC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Lapeer County, for the fiscal year ended December 31, 2004, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was reasonable basis for rendering an unqualified opinion that Lapeer County's financial statements for the year ended December 31, 2004, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

requirements involving the administration of federal awards. These reports are available in Lapeer County's separately issued Single Audit Report.

PROFILE OF LAPEER COUNTY

Lapeer County, incorporated in 1835, covers an area of approximately 666 square miles and consists of 18 townships, 7 villages and 2 cities. Located 56 miles north of the City of Detroit and within 48 miles of the Canadian border between the cities of Port Huron and Flint on Interstate 69, the County has exceptional access to transportation systems. Four major state highways, M-21, M-24, M-90, and M-53, in addition to other local roads provide surface connection to I-69, which links to I-75, 20 miles to the west. Bishop International Airport located adjacent to I-75 in Flint, offers a hub to major air carriers. The local DuPont Airport serves a growing private aviation community. Rail passenger service is provided by AMTRAK and freight service by CNX via a major east-west rail line that links Canada and Chicago. The Greater Lapeer Transportation Authority provides bus transportation intra-county.

With over 150 lakes, two County, two State, and a number of local parks, abundant fishing, camping, and water sports opportunities are available for the enthusiast. Lake Huron, within an hour drive, provides additional fishing and boating as well as access to the other Great Lakes. Numerous golf courses add to the extensive recreation opportunities. The County is also home to three sites on the national historical register, including one of the oldest Courthouses in the nation. Built in 1846, this significant historical site is an outstanding example of Greek revival architecture and is a community focal point.

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

Creating a link between government and businesses interested in locating or expanding in the County, the Lapeer Development Corporation continues to lead and coordinate economic development. During 2004, 187 jobs were created and \$51 million of new investment value occurred as a result of the efforts of the Corporation. Since its inception in 1981, the LDC has brought a private sector investment of \$437,277,127 into the County. An expanded partnership evolved in 2003 with the LDC established as the County Brownfield Authority by the Board of Commissioners. With the Brownfield designation another tool was added to the local economic development process.

Lapeer Regional Hospital, an acute care facility serves the County and is affiliated with McLaren Health Care Corporation. The Hospital, located in the City of Lapeer, has undergone major renovations and now has 203 beds with a staff of 106 doctors and 267 nurses and is only one of three in the state that have a DC/40 Scanner on site. McLaren has developed a network of care sites throughout the County that provide a range of outpatient services. Nine nursing facilities with 969 beds serve the County and the Medical Care Facility provides another 162 beds with a staff of 3 doctors and 140 nurses.

Higher education opportunities are available through Mott Community College, the University of Michigan-Flint, and Davenport University. Each of these institutions maintains a campus located in the City of Lapeer. On the east side of the County, St. Clair Community College operates a satellite campus in Imlay City. The Intermediate School District serves five school systems and a number of private schools provide diverse educational experiences within the County. The Lapeer District Library with eight branches, an automated circulation system and an on line catalog offers ready access to residents within the District. The Library also operates the Lapeer Information Depot, a web site that offers links to many sites in the County and a community calendar that notes a wide range of local activities and events. The Almont area is served by a District Library as is the Imlay City area. Both Dryden and North Branch Townships maintain a local library.

Abutting the Detroit Metropolitan area, the County continues to experience significant population growth.

The U.S. Census Bureau estimated the County population at 92,510 in 2004, a 5.2% increase from the 2000 census of 87,904. The total number of households in the County reached 32,732 in 2000, a 32.7% increase from 24,659 in 1990. The expansion of banking services throughout the county is reflective of the growth environment. The Lapeer County Bank and Trust Co. remains locally owned and managed, and with branches of J.P. Morgan Chase, Citizens First Savings, Comerica, CSB, National, and the Tri-County Bank, county residents banking needs are adequately served.

The proximity of Lapeer County to the Detroit Metropolitan Area and substantial job markets in Oakland, Macomb, and Genesee County, remains a principle factor in the local population growth. Additional job opportunities in the County have also contributed to the population increase.

In this growth environment the tax base has expanded, with the taxable value of property reaching \$2,632,809,751 as compared to \$2,483,938,539 in 2003, an increase of 5.65%. During the same period, S.E.V. increased from \$3,510,193,880 to \$3,701,389,668, up 5.45%. These increases result primarily from new residential construction throughout the County. A factor in the growth is a low tax levy of 3.8539, reduced from 3.8941 in 2003 for general County operations. In this context, only five Michigan Counties have a lower operational tax rate than Lapeer County. The average residential selling price in 2004 was \$151,777 based on data from the Association of Realtors.

ORGANIZATION STRUCTURE

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

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

Court. The office of the Friend of the Court is a statutorily created agency employed by the circuit court. The office is headed by a Friend of the Court appointed by the chief judge.

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

The Prosecuting Attorney prosecutes violations of state criminal law within the County and represents the County as Corporate Counsel. The County Drain Commissioner administers the location, construction,

and the maintenance of drains in the County. The Sheriff's duties involve the charge and custody of the County Jail, the serving of process, and law enforcement in unincorporated areas. The County Surveyor is responsible for a multi-year County remonumentation Project and is responsible for the Public Land Survey Records in the County.

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

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

FINANCIAL PRACTICES

Factors Affecting Financial Condition

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

In 2004, PA 356 was signed into law by the Governor which temporally eliminated revenue sharing and created a reserve fund paid for by the advancement of the property tax levy from December to July each year. The county revenue generated each year from the accelerated levy beginning in July of 2005 will be used as a draw in lieu of the annual revenue sharing payment indexed to the 2004 state payment with cpi adjustments. The reserve fund is expected to last until 2007 at which time state revenue sharing will resume pursuant to PA 356. A question as to whether the fiscal condition and political climate in the state will allow for the resumption of revenue sharing payments consistent with the Act remains.

The reduced level of investment income presents another concern. The County Treasurer maintains an active investment program within the statutory guidelines. In spite of the focus on efficient and effective investment, present economic conditions have severely reduced the return. In 2002, the County earned \$636,187 on investments. By 2004 the earned interest declined to \$557,811.

Steady growth in development throughout the County provides an incremental annual increase in property tax revenue. While not offsetting other lost or reduced revenue, the expansion of taxable value, even with the required rollback in the tax rate, provides some restrained capacity to meet the growing demands on the general fund budget.

Long term Financial Planning/Budgeting

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

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

Capital Improvement/Acquisitions

A key element in overall fiscal planning has been the strong support of the Board of Commissioners in maintaining facilities and equipment. Through the adoption of a capital planning and budgeting process, the County has taken affirmative steps to maintain buildings, parking lots, and the fleet. Capital budgeting has in addition provided the means to address technology needs and to replace aging equipment on a schedule. The Delinquent Tax Revolving Fund is becoming the principle source of funding for the capital budget, relieving the General Fund of a major cost. Through this systematic approach, the cost of major capital expenditures may be planned within available revenue sources.

Bond Rating

The County of Lapeer is cognizant of the value of Bond ratings for the present and future development of infrastructure throughout the County. A constant focus of fiscal planning is the attainment of Bond ratings that support low interest rates when the need to acquire capital occurs. It is not only the County that benefits from a favorable rate, but local units that borrow with the pledge of limited faith and credit of the County. In fiscal 2002, S&P raised the rate on the Building Authority Limited Tax General Obligation Bonds and the Potters Lake & Elba Sewer Drain District Sewer Drain General Obligation Bonds from A to A+. Moody's assigned an A2 rating to the Almont Sewage Disposal Bonds in the same year. The continued growth of the County underscores the potential for greater borrowing in the foreseeable future. Without a focused financial planning perspective relating to ratings of future debt issues, the cost to the citizens of the County to improve or construct public facilities may be significantly higher.

Budgeting Controls

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

Cash Management: The County remains conservative in cash management and fully complies with State regulations regarding investments. The County Treasurer invests first for the safety of principle, then for liquidity for cash flow, finally to maximize interest earned. Because only a small portion of the County's portfolio can be covered by FDIC insurance, it is essential to continually evaluate the quality of the instruments purchased and the financial stability of the banks and other financial institutions with which investments are placed. Types of investments vary throughout the year depending on the County's cash flow requirements and the condition of the financial market. Typical investments include demand deposits, a cash management investment trust fund, certificates of deposit, U.S. Government securities, bankers' acceptance of United States banks, and high quality commercial paper. The average yield on pooled cash investments during 2004 was .93%.

Risk Management: The County is completely self-insured for unemployment compensation. In addition the County has assumed some risk for workers' compensation, health, dental, and vision insurance, and liability insurance. As part of the overall risk management plan, resources are being accumulated in

internal service funds to meet liabilities. Reserves are also maintained in a loss retention fund with the Michigan Municipal Risk Management Authority to meet potential losses. MMRMA provides \$10 million in liability coverage on an occurrence basis with an \$185,000 self-insured retention per liability claim; \$30,000 retention for each vehicle claim, and 10% of the first \$100,000 of property loss after a \$1,000 deductible.

Major Initiatives

The major renovation and security work continued in the County Complex Building. Work was completed on the first floor for the County Clerks office and the office for the Grounds and Maintenance Department. The office and the court room of the Magistrate were finished and additional security cameras were installed in strategic locations within and on the exterior perimeter of the facility. The mail room received a total renovation to enhance security. Another principle focus of this work was energy efficiency. The installation of a capacitor in the electrical room, state of the art lighting, and a more effective chiller, resulted in operational cost containment of approximately 20%.

The implementation of the Information Systems Plan to upgrade technology throughout all Departments is progressing according to the timetable. County facilities are now connected with fiber optic wire and both the intra and inter net links are operational. Equipment upgrading consistent with the Plan continues to enhance performance from the network and work productivity.

In anticipation of jail expansion needs, discussion to acquire an eight acre parcel adjacent to the present facility began. The proximity of this land to the existing site and the uncertainty of future price and/or availability prompted the discussion to purchase. Although no immediate plan for any construction has been considered, the expectation of additional space for work release and other community corrections requirements is realistic in consideration of the growth in the community and the trend of cases progressing through the criminal justice system.

The Historic Courthouse restoration continued into the year. Constructed in 1846, this building has been the focus of a community supported effort to preserve one of the oldest Courthouses in the Nation. As a National Historical Site, this building is a focal point of the community. In addition to a County allocation, the volunteer Restoration Committee remains committed to the task of raising funds to underwrite the expense to preserve this historic treasure. During the year, the exterior painting was completed by Coulter Brothers, a local painting contractor. The Firm made a commitment to contribute the painting work over a three year period with paint donated by the local Sherman-Williams outlet. The Historical Society, a principle partner in the restoration undertaking, continues to regularly scheduled dates allowing visitors to tour the building.

AWARDS AND ACKNOWLEDGEMENTS: The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Lapeer County for its CAFR for the fiscal year ending December 31, 2003. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. The County has been a recipient of the Award each year since 1997.

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

The Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to Certificate of Achievement Program requirements, and are submitting it to the GFOA to determine eligibility for recognition for FY 2004.

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

Respectfully submitted,

Handwritten signature of John Biscoe in cursive script.

John Biscoe
Administrator/Controller

Handwritten signature of Craig D. Horton in cursive script.

Craig D. Horton
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lapeer County,
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2003

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.



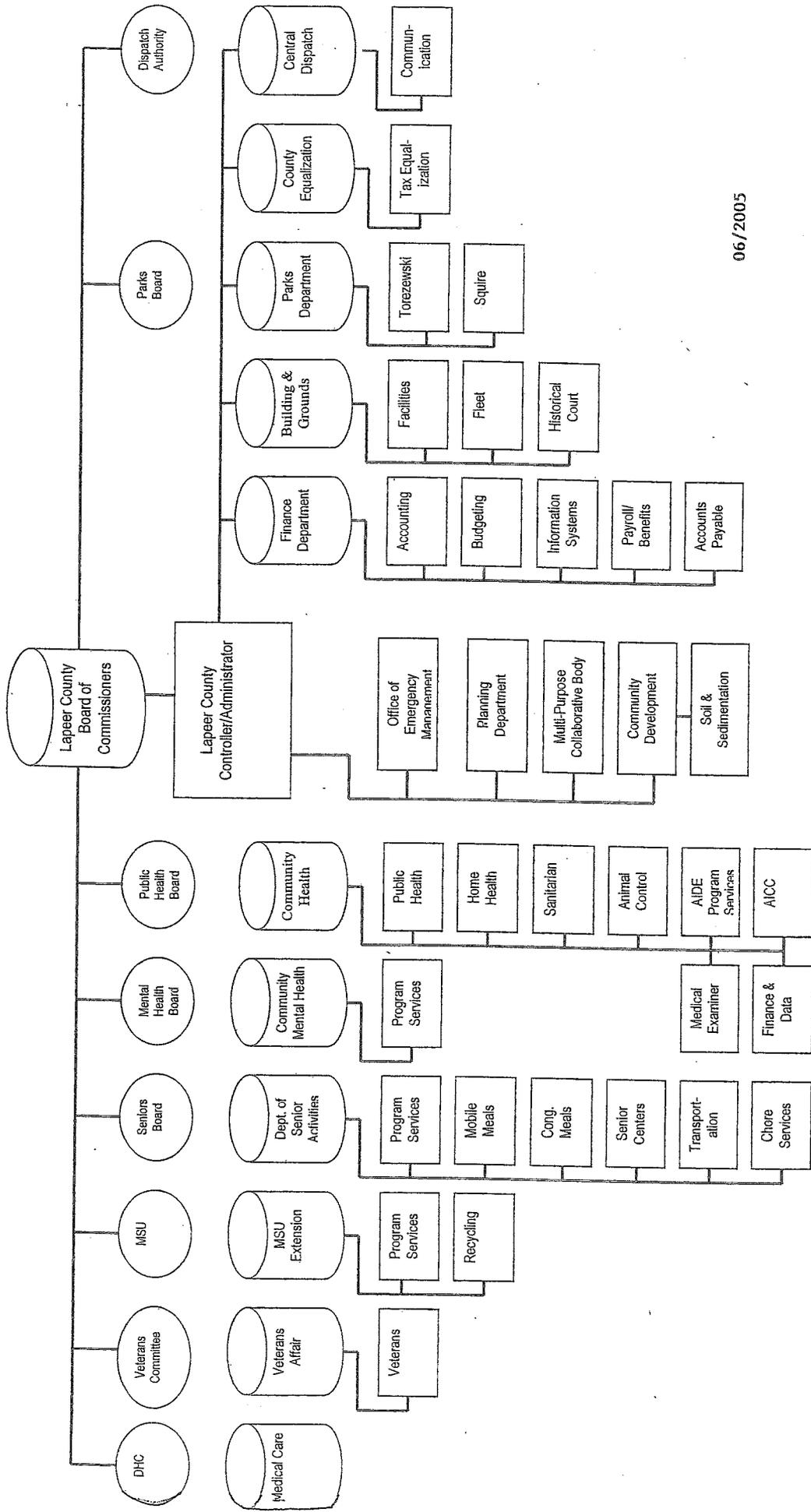
Nancy L. Zjelle

President

Jeffrey R. Emer

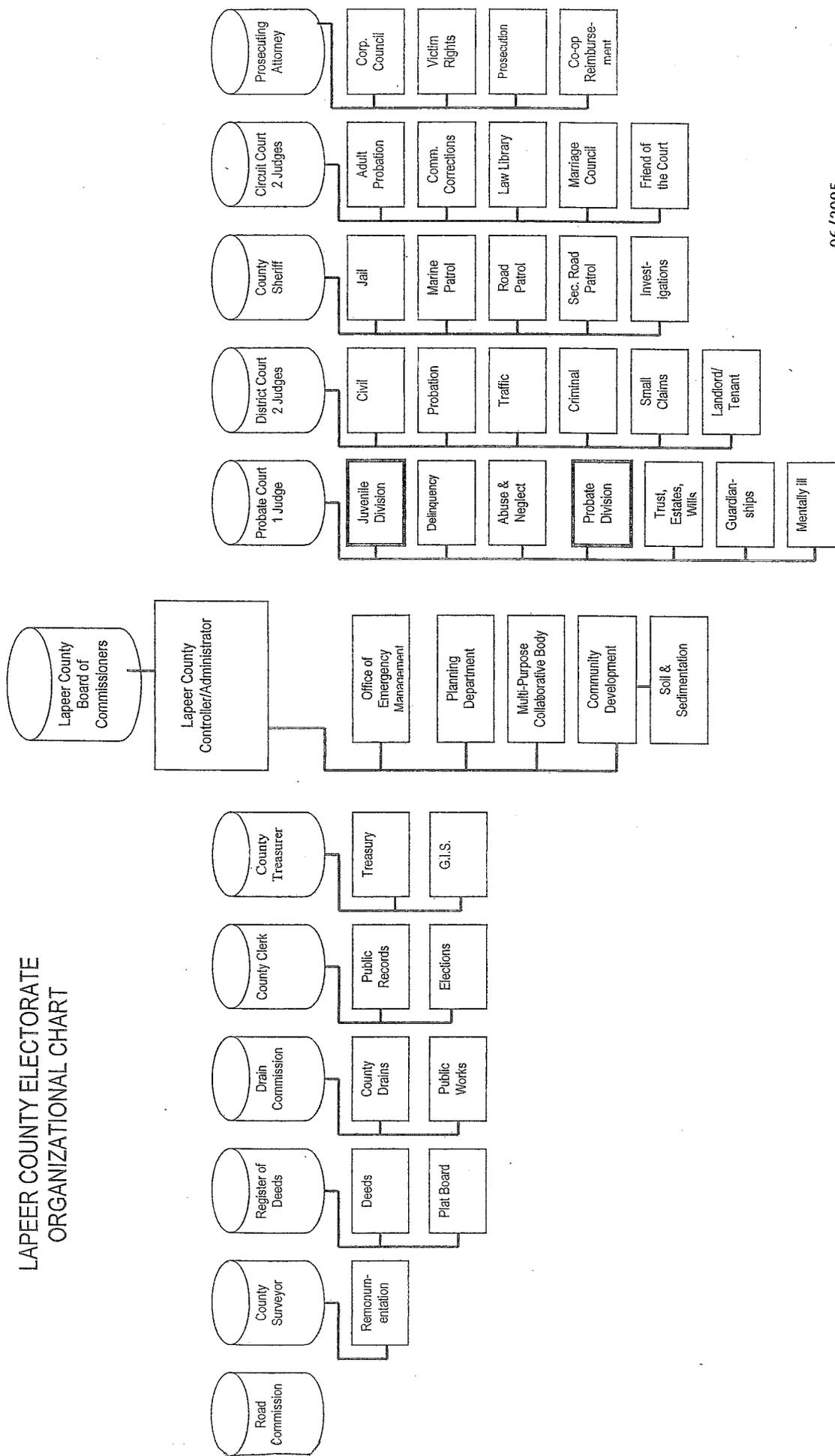
Executive Director

LAPEER COUNTY APPOINTED ORGANIZATION CHART



06/2005

LAPEER COUNTY ELECTORATE ORGANIZATIONAL CHART



06/2005

LAPEER COUNTY, MICHIGAN

BOARD OF COMMISSIONERS

Chairperson
David Taylor

Vice Chairperson
Cheryl Clark

Members

Dyle Henning
Lenny Schneider

Joyce Bonesteel

C. Ian Kempf
Ron Dahlke

COURT JUDGES

John T. Connolly
District Court

Michael Higgins
Family Court

Laura Cheger Barnard
District Court

Nick O. Holowka
Family Court

Justus Scott
Family Court

COUNTY ELECTED OFFICIALS

Sally Eilersen
Treasurer

Ron Kalanquin
Sheriff

John Cosens
Drain Commissioner

Marlene M. Bruns
Clerk

Byron Kenschuh
Prosecuting Attorney

Ray Davis
Surveyor

Melissa DeVaugh
Register of Deeds

County Appointed
John Biscoe
Controller/Administrator

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2005, on our consideration of Lapeer County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11, and schedules of budgetary comparisons on pages 70 through 75 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Stewart, Beausant Whipple
Certified Public Accountants

May 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the County of Lapeer, we offer reader of our financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended December 31, 2004. We would 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 preceding this narrative, and the accompanying basic financial statements and footnotes.

Financial Highlights

- The assets of the County exceeded its liabilities at December 31, 2004 by \$54,459,915. Of this amount \$20,677,265 may be used to meet the County's ongoing obligations to citizens and creditors.
- The total net assets increased by \$1,167,747.
- State Revenue Sharing was eliminated and property tax collection began a three year shift to a summer date to fund the Revenue Sharing Reserve Fund (RSRF) pursuant to PA 357 of 2004.
- At December 31, 2004 the County's governmental funds reported combined ending fund balances of \$12,084,059, an increase of \$2,474,377, primarily due to the restricted balance of the RSRF. Without the RSRF balance, the combined ending fund balance decreased \$57,277.
- The County's Primary Government total bonded debt decreased by \$830,000 during 2004. The key factor being the County continues to meet its obligations as scheduled. It continues to operate without new debt having to be issued.
- In 2003 the Board of Commissioners adopted balanced budgets for the 2005 General Fund and all Special Revenue Funds.
- The County, in total, improved its financial position during the fiscal year ended December 31, 2004.

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 is reporting these financial statements utilizing a new reporting structure that all state and local governments must implement. These requirements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. Lapeer County implemented the new structure as scheduled in 2003.

The County's basic financial statements are made up of 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 events giving rise to the changes occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

The government-wide financial statements can be found on pages 12-14 of this report.

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

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

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

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

The County maintains 45 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balance for the General Fund, Health Department Fund, Community Mental Health Fund, the E-911 Fund, and the Revenue Sharing Reserve Fund, all of which are considered major funds. Data from the other 40 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Revenue Sharing Reserve Fund was established pursuant to PA 357 of 2004. In 2004, the State eliminated revenue sharing to counties. To replace the lost revenue, counties were required to create a Revenue Sharing Reserve Fund (RSRF) and impose a summer property tax levy. Beginning in 2005, one-third (1/3) of the ad valorem property tax levy will be collected as a summer tax. In 2006, two-thirds (2/3) of the levy will shift to summer collection, and by 2007, the entire collection will occur in the summer. The intent of the act in creating the RSRF was

to provide alternative funding to replace the lost revenue sharing. The shift in tax collection will build a balance in the fund, wherein pursuant to State guidelines, the County may withdraw 1.465 million per year until the balance is exhausted by 2009. PA 357 affirms that State Revenue Sharing will be restored when the RSRF is depleted.

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

The basic governmental fund financial statements can be found on pages 15-22 of this report.

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 23-27 of the report.

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

The basic fiduciary fund financial statements can be found on pages 28-29 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 32-69 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information on budgetary comparisons for the 5 major governmental funds. This required supplementary information can be found on pages 70-75 of this report.

The combining statements referred to earlier in connection with the non-major governmental, internal service and fiduciary funds are presented immediately following the required supplementary information. Combining, individual fund statements and schedules can be found on pages 76-114 of this report.

Government-wide Financial Analysis

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

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$54,459,915.

\$20,677,265 or approximately 38% of the County's net assets, are unrestricted and available for future obligations. \$26,721,203 or approximately 49% of net assets, represents our investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The analysis below focuses on the net assets of the County's government and business-type activities.

Net Assets of Governmental and Business-type Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Governmental</u>	
	2003	2004	2003	2004	2003	2004
Current and other assets	\$ 26,697,596	\$ 25,582,663	\$ 16,148,584	\$ 15,933,905	\$ 42,846,180	\$41,516,568
Capital Assets	<u>21,670,887</u>	<u>21,166,259</u>	<u>10,740,119</u>	<u>10,130,228</u>	<u>32,411,006</u>	<u>31,296,487</u>
Total Assets	<u>48,368,483</u>	<u>46,748,922</u>	<u>26,888,703</u>	<u>26,064,133</u>	<u>75,257,186</u>	<u>72,813,055</u>
Long-term debt outstanding	1,823,000	1,762,834	4,198,144	3,315,044	6,021,144	5,077,878
Other Liabilities	<u>13,833,398</u>	<u>11,338,979</u>	<u>2,110,476</u>	<u>1,936,283</u>	<u>15,943,874</u>	<u>13,275,262</u>
Total Liabilities	<u>15,656,398</u>	<u>13,101,813</u>	<u>6,308,620</u>	<u>5,251,327</u>	<u>21,965,018</u>	<u>18,353,140</u>
Net Assets:						
Invested in Capital						
Assets, net of debt	19,997,437	19,575,975	6,893,437	7,145,228	26,890,874	26,721,203
Restricted	-	6,562,611	399,139	498,836	399,139	7,061,447
Unrestricted	<u>12,714,648</u>	<u>7,508,523</u>	<u>13,287,507</u>	<u>13,168,742</u>	<u>26,002,155</u>	<u>20,677,265</u>
Total Net Assets	<u>\$ 32,712,085</u>	<u>\$ 33,647,109</u>	<u>\$ 20,580,083</u>	<u>\$ 20,812,806</u>	<u>\$ 53,292,168</u>	<u>\$ 54,459,915</u>

The County's combined net assets increased from \$53,292,168 to \$54,459,915 for a net change of Governmental and Business-type activities of \$1,167,747.

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

Changes in Net Assets for Governmental and Business-type Activities

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Governmental</u>	
	2003	2004	2003	2004	2003	2004
Revenue:						
Program Revenue:						
Charges for services	\$ 21,770,843	\$ 19,959,766	\$ 16,085,939	\$ 14,683,831	\$ 37,856,782	\$ 34,643,597
Operating grants and Contributions	7,168,123	7,660,864	-	-	7,168,123	7,660,864
Capital grants and Contributions	143,718	181,941	-	-	143,718	181,941
General Revenue:						
Property taxes	9,121,348	13,825,956	1,877,376	1,925,363	10,998,724	15,751,319
Grants and contributions not restricted to specific programs	2,164,556	1,287,208	230,864	317,946	2,395,420	1,605,154
Other	<u>646,866</u>	<u>537,174</u>	<u>55,847</u>	<u>20,637</u>	<u>702,713</u>	<u>557,811</u>
Total Revenue	<u>41,015,454</u>	<u>43,452,909</u>	<u>18,250,026</u>	<u>16,947,777</u>	<u>59,265,480</u>	<u>60,400,686</u>
Expenses:						
Legislative	249,625	252,618	-	-	249,625	252,618
Judicial	4,300,006	4,418,052	-	-	4,300,006	4,418,052
General Government	5,684,277	6,320,824	-	-	5,684,277	6,320,824
Public Safety	8,000,530	8,052,226	-	-	8,000,530	8,052,226
Public Works	233,266	378,218	-	-	233,266	378,218
Health and Welfare	22,243,064	21,641,181	-	-	22,243,064	21,641,181
Recreation and Culture	1,656,481	821,982	-	-	1,656,481	821,982
Other Activities	666,630	1,403,536	-	-	666,630	1,403,536
Interest on Long-Term Debt	105,844	33,098	-	-	105,844	33,098
Medical Care Facility	-	-	15,208,745	16,057,336	15,208,745	16,057,336
Delinquent Tax	-	-	<u>165,983</u>	<u>57,718</u>	<u>165,983</u>	<u>57,718</u>
Total expenses	<u>43,139,723</u>	<u>43,321,735</u>	<u>15,374,728</u>	<u>16,115,054</u>	<u>58,514,451</u>	<u>59,436,789</u>
Increase in net assets before transfers	(2,124,269)	131,174	2,875,298	832,723	751,029	963,897
Transfers	<u>393,860</u>	<u>803,850</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(206,140)</u>	<u>203,850</u>
Increase in net assets	(1,730,409)	935,024	2,275,298	232,723	544,889	1,167,747
Net assets at beginning of year, as restated	<u>34,442,494</u>	<u>32,712,085</u>	<u>18,304,785</u>	<u>20,580,083</u>	<u>52,747,279</u>	<u>53,292,168</u>
Net assets at end of year	<u>\$ 32,712,085</u>	<u>\$ 33,647,109</u>	<u>\$ 20,580,083</u>	<u>\$ 20,812,806</u>	<u>\$ 53,292,168</u>	<u>\$ 54,459,915</u>

Governmental Activities

The largest revenue for governmental activities is the general operating property tax. The County's property tax rate decreased from 3.8941 in 2003 to 3.8539 in 2004 as a result of the Headlee Amendment and the application of the base tax rate reduction fraction.

The taxable value of property increased from \$2,483,938,539 in 2003 to \$2,632,809,751 in 2004. Consequently, the revenue received by the County increased by \$476,632. An additional \$470,131 that would have been received by the County in property tax revenue was "captured" by Tax Increment Finance Authorities (TIFA) and Downtown Development Authorities (DDA) established in local governments and consequently not available to be applied to government activities.

State Revenue Sharing, the second largest single source of revenue, was reduced substantially as the result of broad base economic factor that have affected the State. The County received \$749,931 less in Revenue Sharing than in 2003. This was the fourth consecutive year that Revenue Sharing was reduced from a peak of \$2,157,761 in 2001.

Revenue by Source – Governmental Activities

	2003	2004
Taxes	\$ 10,272,241	\$ 13,827,448
Licenses and permits	665,679	673,888
Intergovernmental	19,161,681	18,564,780
Charges for services	7,133,436	6,750,267
Fines and forfeits	662,086	441,379
Rents and royalties	284,049	455,079
Interest	405,047	537,174
Other	<u>2,550,890</u>	<u>2,452,965</u>
	<u>\$ 41,135,109</u>	<u>\$ 43,702,980</u>

Business-type activities: Business-type activities increased the County's net assets by \$232,723.

Revenue by source – Business-Type Activities

	2003	2004
Charges for services	\$14,954,224	\$ 13,578,887
Interest on taxes	594,164	504,423
Fees and penalties on delinquent taxes	394,732	464,618
Other operating revenues	142,819	135,848
Donations	25,576	57,554
Property taxes	1,877,376	1,925,363
Interest on investments	82,373	20,637
Intergovernmental transfer payment and Management fee	205,288	260,392
Loss/Gain on sale of assets	<u>(26,526)</u>	<u>55</u>
	<u>\$ 18,250,026</u>	<u>\$ 16,947,777</u>

Financial Analysis of the County's Major Funds

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

Governmental funds: The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of 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.

At December 31, 2004 the County's governmental funds reported combined ending fund balances of \$12,084,059, an increase of \$2,474,377 in comparison to the prior year. Most of this fund balance is unreserved \$11,507,459 which is available for spending at the County's discretion.

The General Fund is the chief operating fund of the County. At December 31, 2004 the general fund reported fund balance of \$2,141,844 with \$1,943,248 of that amount unreserved/undesignated. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund and the total fund to total fund expenditures. Unreserved fund balance represents 10% of the total general fund expenditures and transfers.

The 2004 amended budget of the general fund had revenues of \$17,228,941 and expenditures and transfers out of \$18,814,835. Included in the transfers out were \$179,050 to the Capital Construction & Improvement Fund for building improvements and technology. The budget variance at the end of the year was a positive \$2,141,844, or approximately 11% of expenditures and transfers out.

The four other governmental major funds, the Health Department reported a fund balance at December 31, 2004 of \$750,439, Community Mental Health a fund balance of \$699,161, with \$373,445 reserved, E-911 a fund balance of \$1,507,565, and Revenue Sharing Reserve a fund balance of \$2,531,654.

Proprietary funds: The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The County had two major proprietary funds at December 31, 2004.

The Delinquent Tax Fund reported a net increase in net assets of \$316,085 from \$9,922,911 to \$10,238,996. The Medical Care Facility Fund reported a net decrease of \$83,362 from \$10,657,172 to \$10,573,810.

Capital Assets and Debt Administration

Capital Assets: The County's investment in capital assets for its governmental and business-type activities as of December 31, 2004 amounted to \$31,296,487 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvement, machinery and equipment, and vehicles.

Major capital asset events during the year included the following:

- Completion of the remodeling of the Magistrate's office and courtroom.
- Continued implementation of building security modifications.
- Alterations of the electrical/energy system for cost containment.

Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Governmental</u>	
	2003	2004	2003	2004	2003	2004
Land	\$ 574,200	\$ 574,200	\$ -	\$ -	\$ 574,200	\$ 574,200
Land improvement	762,444	677,092	2,728	2,390	765,172	679,482
Construction-in-progress	693,904	1,537,660	-	-	693,904	1,537,660
Buildings & improvements	16,645,157	15,989,384	9,314,760	8,873,166	25,959,917	24,862,550
Machinery & Equipment	2,565,845	1,987,583	1,422,631	1,254,672	3,988,476	3,242,255
Vehicles	<u>429,257</u>	<u>400,340</u>	<u>-</u>	<u>-</u>	<u>429,257</u>	<u>400,340</u>
Totals	<u>\$ 21,670,807</u>	<u>\$ 21,166,259</u>	<u>\$ 10,740,119</u>	<u>\$ 10,130,228</u>	<u>\$ 32,410,926</u>	<u>\$ 31,296,487</u>

Long term debt: At December 31, 2004, the County had a total debt outstanding of \$5,958,594.

Outstanding Debt

	<u>Governmental Activities</u>		<u>Business- Type Activities</u>		<u>Total</u>	
	2003	2004	2003	2004	2003	2004
General Obligation Bonds	\$ 1,575,000	\$ 1,535,000	\$ 4,630,000	\$ 3,840,000	\$ 6,205,000	\$ 5,375,000
Installment Loan Agreements	-	-	6,682	-	6,682	-
Accrued Vacation & Sick	-	-	200,230	195,630	200,230	195,630
Accrued Claims Liability	<u>248,000</u>	<u>253,550</u>	<u>151,232</u>	<u>134,414</u>	<u>399,232</u>	<u>387,964</u>
Total	<u>\$ 1,823,000</u>	<u>\$ 1,788,550</u>	<u>\$ 4,988,144</u>	<u>\$ 4,170,044</u>	<u>\$ 6,811,144</u>	<u>\$ 5,958,594</u>

Economic Factors and Next Year's Budgets and Rates

Many factors were considered in preparation of the County's budget for the 2005 budget. Principle factors are as follows.

- The decrease of state funding of programs and increased cost associated with certain state programs.
- The elimination of state revenue sharing and the creation of the Revenue Sharing Reserve Fund.
- The continued low rate of investment return.
- Population increases that create additional demand for services.
- Continued double digit increases in employee health insurance expense and other legacy liabilities.

The 2005 budget is balanced and any amendments will be approved by the Board of Commissioners.

Request for Information

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

BASIC FINANCIAL STATEMENTS

LAPEER COUNTY, MICHIGAN

STATEMENT OF NET ASSETS

DECEMBER 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business Type Activities	Total	
ASSETS:				
Cash and cash equivalents	\$ 5,106,610	\$ 7,314,279	\$ 12,420,889	\$ 6,235,987
Investments	9,107,959	1,697,815	10,805,774	-
Receivables (net of allowance)	10,574,174	5,146,502	15,720,676	12,612,537
Prepaid items	456,228	146,427	602,655	101,725
Internal balances	24,577	(21,373)	3,204	-
Due from component units	216,000	-	216,000	-
Inventory	7,115	122,020	129,135	684,267
Advance to component units	90,000	-	90,000	-
Other Assets	-	36,972	36,972	-
Restricted Assets -				
Temporary restricted -				
Cash and cash equivalents	-	481,916	481,916	-
Receivable - property taxes	-	1,009,347	1,009,347	-
Capital assets (net of accumulated depreciation)				
Assets not being depreciated	2,111,860	-	2,111,860	35,245,166
Assets being depreciated	19,054,399	10,130,228	29,184,627	46,834,769
Total Assets	<u>46,748,922</u>	<u>26,064,133</u>	<u>72,813,055</u>	<u>101,714,451</u>
LIABILITIES:				
Payables and accrued liabilities	3,189,872	943,856	4,133,728	1,688,542
Accrued interest	10,075	-	10,075	127,367
Due to fiduciary fund	759,541	-	759,541	-
Due to primary government	-	-	-	216,000
Advances and deposits	58,427	-	58,427	513,167
Advances from primary government	-	-	-	90,000
Deferred revenue	7,321,064	-	7,321,064	-
Liabilities Payable from restricted assets	-	992,427	992,427	-
Non-current liabilities				
Due within one year	203,300	20,000	223,300	1,355,321
Due in more than one year	1,559,534	3,295,044	4,854,578	9,662,495
Total Liabilities	<u>13,101,813</u>	<u>5,251,327</u>	<u>18,353,140</u>	<u>13,652,892</u>
NET ASSETS:				
Invested in capital assets, net of related liabilities	19,575,975	7,145,228	26,721,203	78,615,890
Net assets				
Restricted				
Debt Service	-	496,354	496,354	-
Primary and local roads	-	-	-	2,068,277
Plant replacement and expansion	-	2,482	2,482	-
Other purposes	6,562,611	-	6,562,611	-
Unrestricted	<u>7,508,523</u>	<u>13,168,742</u>	<u>20,677,265</u>	<u>7,377,392</u>
Total Net Assets	<u>\$ 33,647,109</u>	<u>\$ 20,812,806</u>	<u>\$ 54,459,915</u>	<u>\$ 88,061,559</u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental activities:				
Legislative	\$ 252,618	\$ -	\$ -	\$ -
Judicial	4,418,052	1,472,387	1,244,096	-
General Government	6,320,824	3,604,610	202,047	-
Public Safety	8,052,226	1,990,574	592,705	181,941
Public Works	378,218	90	7,825	-
Health and Welfare	21,641,181	12,184,060	5,411,627	-
Recreation and Culture	821,982	165,998	8,802	-
Other Activities	1,403,536	334,424	193,762	-
Interest on Long Term Debt	33,098	207,623	-	-
Total governmental activities	43,321,735	19,959,766	7,660,864	181,941
Business type activities				
Medical Care Facility	16,057,336	13,714,790	-	-
Delinquent Tax	57,718	969,041	-	-
Total business type activities	16,115,054	14,683,831	-	-
Total Primary Government	59,436,789	34,643,597	7,660,864	181,941
Component Units				
Road Commission	9,271,159	1,615,966	11,601,412	-
Department of Public Works	435,408	-	-	482,236
Drainage Districts	832,406	-	400,971	-
Total Component Units	10,538,973	1,615,966	12,002,383	482,236
General revenues:				
Property taxes				
Grants and contribution not restricted to specific programs				
Unrestricted investment income				
Gain on sale of capital assets				
Transfers - internal activities				
Total general revenues and transfers				
Change in net assets				
Net assets at beginning of year				
Net assets at end of year				

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

Net (Expense) Revenue and Change in Net Assets

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
\$(252,618)	\$ -	\$(252,618)	\$ -
(1,701,569)	-	(1,701,569)	-
(2,514,167)	-	(2,514,167)	-
(5,287,006)	-	(5,287,006)	-
(370,303)	-	(370,303)	-
(4,045,494)	-	(4,045,494)	-
(647,182)	-	(647,182)	-
(875,350)	-	(875,350)	-
174,525	-	174,525	-
<u>(15,519,164)</u>	<u>-</u>	<u>(15,519,164)</u>	<u>-</u>
-	(2,342,546)	(2,342,546)	-
-	911,323	911,323	-
<u>-</u>	<u>(1,431,223)</u>	<u>(1,431,223)</u>	<u>-</u>
<u>(15,519,164)</u>	<u>(1,431,223)</u>	<u>(16,950,387)</u>	<u>-</u>
-	-	-	3,946,219
-	-	-	46,828
<u>-</u>	<u>-</u>	<u>-</u>	<u>(431,435)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>3,561,612</u>
13,825,956	1,925,363	15,751,319	-
1,287,208	317,946	1,605,154	-
537,174	20,637	557,811	81,471
-	-	-	266,869
803,850	(600,000)	203,850	-
<u>16,454,188</u>	<u>1,663,946</u>	<u>18,118,134</u>	<u>348,340</u>
935,024	232,723	1,167,747	3,909,952
<u>32,712,085</u>	<u>20,580,083</u>	<u>53,292,168</u>	<u>84,151,607</u>
<u>\$ 33,647,109</u>	<u>\$ 20,812,806</u>	<u>\$ 54,459,915</u>	<u>\$ 88,061,559</u>

LAPEER COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

ASSETS	General	Health Department	Mental Health	E-911
Assets:				
Cash and cash equivalents	\$ 16,234	\$ 2,374	\$ 2,793,793	\$ 1,385,100
Investments	7,823,385	-	-	-
Receivables -				
Current and delinquent property taxes	5,412,797	-	-	9,815
Interest and accounts	43,487	-	21,096	82,092
Due from other governmental units -				
Federal/State	213,925	87,399	42,630	37,824
Local	-	27,253	-	-
Due from other funds	742,924	25,271	-	-
Due from component units	-	-	-	-
Interfund receivables	-	745,729	-	-
Inventory	-	-	-	-
Advances to other funds	108,000	-	10,000	-
Advances to component units	90,000	-	-	-
Prepayments and deposits	596	4,559	49,202	58,319
	<u>\$ 14,451,348</u>	<u>\$ 892,585</u>	<u>\$ 2,916,721</u>	<u>\$ 1,573,150</u>
Total Assets	<u>\$ 14,451,348</u>	<u>\$ 892,585</u>	<u>\$ 2,916,721</u>	<u>\$ 1,573,150</u>

<u>Revenue Sharing Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 877,697	\$ 5,075,198
-	1,284,574	9,107,959
3,194,808	572,551	9,189,971
-	13,842	160,517
-	880,624	1,262,402
-	33,965	61,218
-	36,373	804,568
-	216,000	216,000
-	2,042,662	2,788,391
-	7,115	7,115
-	-	118,000
-	-	90,000
-	-	112,676
<u>\$ 3,194,808</u>	<u>\$ 5,965,403</u>	<u>\$ 28,994,015</u>

LAPEER COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Health Department	Mental Health	E-911
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 223,616	\$ 35,790	\$ 926,550	\$ 12,427
Accrued liabilities	269,009	94,022	227,006	38,107
Advances and deposits	55,729	2,698	-	-
Due to other governmental units -				
Federal/State	16,771	-	-	-
Local	-	-	831,860	-
Due to other funds	20,255	1,900	19,356	744
Due to fiduciary fund	575,560	7,736	163,672	4,492
Interfund payables	4,624,602	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	6,523,962	-	49,116	9,815
	<u>12,309,504</u>	<u>142,146</u>	<u>2,217,560</u>	<u>65,585</u>
Total Liabilities				
Fund Balances:				
Reserved -	198,596	4,559	373,445	-
Unreserved -				
Undesignated -				
General Fund	1,943,248	-	-	-
Special Revenue Funds	-	745,880	325,716	1,507,565
Debt Service Funds	-	-	-	-
Capital Project Funds	-	-	-	-
Total Equity	<u>2,141,844</u>	<u>750,439</u>	<u>699,161</u>	<u>1,507,565</u>
Total Liabilities and Fund Equity	<u>\$ 14,451,348</u>	<u>\$ 892,585</u>	<u>\$ 2,916,721</u>	<u>\$ 1,573,150</u>

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

<u>Revenue Sharing Reserve</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 166,910	\$ 1,365,293
-	126,126	754,270
-	-	58,427
-	124,593	141,364
-	29,397	861,257
663,154	101,407	806,816
-	8,081	759,541
-	279,054	4,903,656
-	10,000	10,000
-	666,439	7,249,332
663,154	1,512,007	16,909,956
-	-	576,600
-	-	1,943,248
2,531,654	3,038,567	8,149,382
-	138,128	138,128
-	1,276,701	1,276,701
2,531,654	4,453,396	12,084,059
\$ 3,194,808	\$ 5,965,403	\$ 28,994,015

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

Fund Balances - total governmental funds	\$	12,084,059
Amounts reported for governmental activities in the statement of net assets are different because:		
<p style="margin-left: 40px;">Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.</p>		
Capital assets		29,694,973
Accumulated depreciation	(	11,780,907)
<p style="margin-left: 40px;">Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>		
Delinquent Personal Property taxes		44,161
<p style="margin-left: 40px;">Discounts and premiums on bonds are reported as other financing uses or sources in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)</p>		
Bond premiums	(	113,593)
<p style="margin-left: 40px;">Deferred charges for bond issuance costs are currently expensed in the governmental funds, whereas they are capitalized and amortized for net assets</p>		
		49,284
<p style="margin-left: 40px;">Losses on refunding are not reported in the governmental funds, whereas they are capitalized and amortized for net assets (and netted against bonds payable)</p>		
		139,309
<p style="margin-left: 40px;">Internal Service Funds used by management to charge cost of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.</p>		
		5,259,448
<p style="margin-left: 40px;">Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	(	1,535,000)
Accrued Workers' Compensation claims payable	(	184,550)
Accrued interest on bonds/notes payable	(	10,075)
Net Assets of governmental activities	\$	<u><u>33,647,109</u></u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Health Department	Mental Health
Revenues:			
Taxes	\$ 9,253,271	\$ -	\$ -
Licenses and permits	22,817	394,790	-
Intergovernmental	2,169,168	1,620,500	11,485,013
Charges for services	3,018,360	1,528,844	497,376
Fines and forfeits	367,628	-	-
Rents and royalties	167,314	-	-
Interest	490,240	-	6,585
Other	2,062,205	64,831	20,189
Total Revenues	17,551,003	3,608,965	12,009,163
Expenditures:			
Current -			
Legislative	252,618	-	-
Judicial	3,212,947	-	-
General Government	4,900,931	-	-
Public Safety	4,818,071	-	-
Public Works	351,792	-	-
Health and Welfare	181,367	4,211,318	12,253,334
Recreation and Cultural	243,037	-	-
Other Activities	1,147,127	-	-
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Total Expenditures	15,107,890	4,211,318	12,253,334
Excess of revenues over (under) expenditures	2,443,113	(602,353)	(244,171)
Other Financing Sources (Uses):			
Proceeds of refunding bonds	-	-	-
Premium on refunding bonds	-	-	-
Payment to refunding escrow agent	-	-	-
Transfers in	663,154	732,818	288,412
Transfers out	(2,897,715)	(30,000)	(60,000)
Total Other Sources (Uses)	(2,234,561)	702,818	228,412
Net change in Fund Balances	208,552	100,465	(15,759)
Fund Balances at beginning of year	1,933,292	649,974	714,920
Fund Balances at end of year	\$ 2,141,844	\$ 750,439	\$ 699,161

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

E-911	Revenue Sharing Reserve	Other Governmental Fund	Total Governmental Funds
\$ 1,076,032	\$ 3,194,808	\$ 303,337	\$ 13,827,448
-	-	256,281	673,888
-	-	3,290,099	18,564,780
109	-	1,705,578	6,750,267
-	-	73,751	441,379
-	-	287,765	455,079
37,179	-	3,170	537,174
-	-	305,740	2,452,965
<u>1,113,320</u>	<u>3,194,808</u>	<u>6,225,721</u>	<u>43,702,980</u>
-	-	-	252,618
-	-	1,165,090	4,378,037
-	-	299,900	5,200,831
-	-	2,496,727	7,314,798
-	-	16,279	368,071
1,694,756	-	2,809,111	21,149,886
-	-	483,459	726,496
-	-	256,409	1,403,536
-	-	929,230	929,230
-	-	115,000	115,000
-	-	43,000	43,000
-	-	49,284	49,284
<u>1,694,756</u>	<u>-</u>	<u>8,663,489</u>	<u>41,930,787</u>
(581,436)	3,194,808	(2,437,768)	1,772,193
-	-	1,535,000	1,535,000
-	-	113,593	113,593
-	-	(1,599,309)	(1,599,309)
-	-	2,937,580	4,621,964
-	(663,154)	(318,195)	(3,969,064)
-	<u>(663,154)</u>	<u>2,668,669</u>	<u>702,184</u>
(581,436)	2,531,654	230,901	2,474,377
<u>2,089,001</u>	<u>-</u>	<u>4,222,495</u>	<u>9,609,682</u>
<u>\$ 1,507,565</u>	<u>\$ 2,531,654</u>	<u>\$ 4,453,396</u>	<u>\$ 12,084,059</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2004**

Net change in fund balances - total governmental funds	\$	2,474,377
<p>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.</p>		
Capital outlay		974,092
Depreciation expense	(	1,257,693)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
	(	250,071)
<p>The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Principal payments on long term liabilities		115,000
Payment to refunding bond escrow agent		1,599,309
Bond issuance costs		49,284
Refunding bond proceeds	(	1,535,000)
Premium on bonds	(	113,593)
<p>Internal service funds used by management to charge costs of health, unemployment and workers' compensation expenses and claims and capital acquisition and replacement. The net revenues (expenses) attributable to those funds is reported with governmental activities.</p>		
	(	1,125,033)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
Increase in accrued worker's compensation claims payable	(	5,550)
Decrease in accrued interest payable		9,902
		<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities	\$	<u><u>935,024</u></u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	<u>Business Type Activities-Enterprise Funds</u>			<u>Governmental Activities</u>
	<u>Medical Care Facility</u>	<u>Delinquent Tax</u>	<u>Total</u>	<u>Internal Service Fund</u>
ASSETS:				
Current Assets:				
Cash and cash equivalents	\$ 792,680	\$ 6,521,599	\$ 7,314,279	\$ 31,412
Investments	-	1,697,815	1,697,815	-
Accounts receivable				
Delinquent taxes	668,514	1,878,560	2,547,074	-
Accounts (net of allowance for doubtful accounts)	2,291,689	-	2,291,689	66
Accrued interest	2,617	303,290	305,907	-
Due from other governmental units	-	1,832	1,832	-
Inventories	122,020	-	122,020	-
Interfund receivables	-	-	-	2,115,265
Prepaid items	146,427	-	146,427	294,268
Due from other funds	-	-	-	26,825
Restricted Assets -				
Cash and cash equivalents	481,916	-	481,916	-
Receivable - property taxes (debt millage)	1,009,347	-	1,009,347	-
Total Current Assets	<u>5,515,210</u>	<u>10,403,096</u>	<u>15,918,306</u>	<u>2,467,836</u>
Capital Assets:				
Property, plant and equipment net of accumulated depreciation	<u>10,126,005</u>	<u>4,223</u>	<u>10,130,228</u>	<u>3,252,193</u>
Other Assets:				
Capital lease discount, net of amortization	<u>36,972</u>	<u>-</u>	<u>36,972</u>	<u>-</u>
Total Assets	<u>15,678,187</u>	<u>10,407,319</u>	<u>26,085,506</u>	<u>5,720,029</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	284,918	-	284,918	67,688
Accrued liabilities	316,545	8,048	324,593	-
Advances and deposits	-	-	-	108,000
Due to other governmental units -				
Federal/State	174,070	-	174,070	-
Local	-	160,275	160,275	-
Current portion of workers' compensation claims	20,000	-	20,000	12,300
Deferred revenue	-	-	-	215,893
Due to other funds	21,373	-	21,373	-
Liabilities payable from restricted assets -				
Patient trust liability	50,949	-	50,949	-
Patient deposits	86,478	-	86,478	-
Current portion of capital lease payable	855,000	-	855,000	-
Total Current Liabilities	<u>1,809,333</u>	<u>168,323</u>	<u>1,977,656</u>	<u>403,881</u>

Continued

	Business Type Activities-Enterprise Funds			Governmental
	Medical Care Facility	Delinquent Tax	Total	Activities Internal Service Fund
Long-Term Liabilities (less current portions):				
Accrued vacation and sick	195,630	-	195,630	-
Accrued workers' compensation claims	114,414	-	114,414	56,700
Capital lease payable (net of current portion)	2,985,000	-	2,985,000	-
Total Long-Term Liabilities	<u>3,295,044</u>	<u>-</u>	<u>3,295,044</u>	<u>56,700</u>
Total Liabilities	<u>5,104,377</u>	<u>168,323</u>	<u>5,272,700</u>	<u>460,581</u>
NET ASSETS:				
Invested in capital assets, net	7,141,005	4,223	7,145,228	3,252,193
Restricted for:				
Debt service	496,354	-	496,354	-
Plant replacement and expansion	2,482	-	2,482	-
Unrestricted	<u>2,933,969</u>	<u>10,234,773</u>	<u>13,168,742</u>	<u>2,007,255</u>
Total Net Assets	<u>\$ 10,573,810</u>	<u>\$ 10,238,996</u>	<u>\$ 20,812,806</u>	<u>\$ 5,259,448</u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business Type Activities-Enterprise Funds			Governmental
				Activities
	Medical Care Facility	Delinquent Tax	Total	Internal Service Funds
Operating Revenues:				
Charges for services	\$ 13,578,887	\$ -	\$ 13,578,887	\$ 2,556,433
Interest on taxes	-	504,423	504,423	-
Fees and penalties on delinquent taxes	-	464,618	464,618	-
Other	135,848	-	135,848	-
Total Operating Revenues	<u>13,714,735</u>	<u>969,041</u>	<u>14,683,776</u>	<u>2,556,433</u>
Operating Expenses:				
Personal services	-	-	-	359,530
Insurance and claims	-	-	-	2,951,175
Administrative and general	2,556,879	26,206	2,583,085	-
Maintenance	982,827	-	982,827	-
Nursing	6,637,316	-	6,637,316	-
Daycare	287,446	-	287,446	-
Professional service	4,194,590	-	4,194,590	-
Other services	-	30,105	30,105	-
Depreciation and amortization	659,233	1,407	660,640	521,711
Total Operating Expenses	<u>15,318,291</u>	<u>57,718</u>	<u>15,376,009</u>	<u>3,832,416</u>
Operating Income (Loss)	<u>(1,603,556)</u>	<u>911,323</u>	<u>(692,233)</u>	<u>(1,275,983)</u>
Non-Operating Revenues:				
Donations	57,554	-	57,554	-
Property taxes	1,925,363	-	1,925,363	-
Interest	15,875	4,762	20,637	-
Intergovernmental transfer payment and management fee	260,392	-	260,392	-
Maintenance of effort	(548,195)	-	(548,195)	-
Interest on capital lease and note	(190,850)	-	(190,850)	-
Gain (Loss) on sale of assets	55	-	55	-
Total Non-Operating Revenues (Expenses)	<u>1,520,194</u>	<u>4,762</u>	<u>1,524,956</u>	<u>-</u>
Net Income (Loss) Before Transfers	<u>(83,362)</u>	<u>916,085</u>	<u>832,723</u>	<u>(1,275,983)</u>
Transfers in	-	-	-	650,599
Transfers out	<u>-</u>	<u>(600,000)</u>	<u>(600,000)</u>	<u>(499,649)</u>
Change in Net Assets	<u>(83,362)</u>	<u>316,085</u>	<u>232,723</u>	<u>(1,125,033)</u>
Net Assets at beginning of year	<u>10,657,172</u>	<u>9,922,911</u>	<u>20,580,083</u>	<u>6,384,481</u>
Net Assets end of year	<u>\$ 10,573,810</u>	<u>\$ 10,238,996</u>	<u>\$ 20,812,806</u>	<u>\$ 5,259,448</u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Business Type Activities-Enterprise Funds			Governmental
	Medical	Delinquent	Total	Internal
	Care Facility	Tax		Service Funds
Cash Flows From Operating Activities:				
Cash receipts from customers	\$ 14,186,829	\$ -	\$ 14,186,829	\$ 2,556,433
Cash receipts for taxes	-	912,730	912,730	-
Cash payments to suppliers and employees	(14,881,910)	(68,919)	(14,950,829)	(3,457,965)
Other receipts (payments)	135,848	-	135,848	(3,054)
Net Cash Provided (Used) by Operating Activities	<u>(559,233)</u>	<u>843,811</u>	<u>284,578</u>	<u>(904,586)</u>
Cash Flows From Noncapital Financing Activities:				
Increase in cash subsidy	-	-	-	(188,234)
Decrease in cash subsidy	-	-	-	1,036,031
Intergovernmental transfer payment	260,392	-	260,392	-
Property taxes	768,109	-	768,109	-
Maintenance of effort payment	(548,195)	-	(548,195)	-
Patient trust deposits	(12,186)	-	(12,186)	-
Transfers from/to other funds	-	(600,000)	(600,000)	150,950
Net Cash Provided (Used) By Noncapital Financing - Activities	<u>468,120</u>	<u>(600,000)</u>	<u>(131,880)</u>	<u>998,747</u>
Cash Flows From Capital and Related Financing Activities:				
Property taxes and contributions	1,123,202	-	1,123,202	-
Installment purchase agreement payments	(6,682)	-	(6,682)	-
Capital lease payment	(790,000)	-	(790,000)	-
Acquisition of capital assets	(43,881)	-	(43,881)	(300,684)
Gain (Loss) on equipment disposal	55	-	55	-
Interest on capitalized lease	(190,850)	-	(190,850)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>91,844</u>	<u>-</u>	<u>91,844</u>	<u>(300,684)</u>
Cash Flows From Investing Activities:				
Purchase of investments	-	(1,697,815)	(1,697,815)	-
Interest earned	13,258	4,762	18,020	-
Net Cash Provided by Investing Activities	<u>13,258</u>	<u>(1,693,053)</u>	<u>(1,679,795)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	13,989	(1,449,242)	(1,435,253)	(206,523)
Cash and Cash Equivalents at Beginning of Year	<u>1,260,607</u>	<u>7,970,841</u>	<u>9,231,448</u>	<u>231,935</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,274,596</u>	<u>\$ 6,521,599</u>	<u>\$ 7,796,195</u>	<u>\$ 25,412</u>

	<u>Business Type Activities-Enterprise Funds</u>			<u>Governmental</u>
	<u>Medical</u>	<u>Delinquent</u>	<u>Total</u>	<u>Internal</u>
	<u>Care</u>	<u>Tax</u>		<u>Service</u>
	<u>Facility</u>			<u>Funds</u>
Reconciliation of Net Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Operating income (loss) for the year	\$(1,603,556)	\$ 911,323	\$(692,233)	\$(1,275,983)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation	659,233	1,407	660,640	521,711
Change in assets and liabilities-				
(Increase) decrease in -				
Receivable	607,942	(56,311)	551,631	-
Due from other funds	-	-	-	(3,054)
Due from other governmental units	-	-	-	-
Prepays and deposits	3,631	-	3,631	(204,268)
Inventory	9,334	-	9,334	-
Increase (decrease) in-				
Accounts payable	34,900	-	34,900	57,009
Accrued liabilities	(325,910)	(3,609)	(329,519)	-
Deferred revenue	-	-	-	(1)
Due to individuals	-	-	-	-
Due to other governmental units	55,193	(8,999)	46,194	-
Due to other funds	-	-	-	-
Advances and deposits	-	-	-	-
Net Cash Provided (Used) By Operating Activities	<u>\$(559,233)</u>	<u>\$ 843,811</u>	<u>\$ 284,578</u>	<u>\$(904,586)</u>

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	Pension and Other Employee Benefit Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS:		
Cash and cash equivalents	\$ 2,090,458	\$ 2,660,125
Receivables	-	50,252
Due from other funds	<u>759,541</u>	<u>-</u>
Total Assets	<u>2,849,999</u>	<u>\$ 2,710,377</u>
LIABILITIES:		
Accounts payable	139,343	\$ -
Due to individuals and agencies	-	842,748
Due to other governmental units	<u>-</u>	<u>1,867,629</u>
Total Liabilities	<u>139,343</u>	<u>\$ 2,710,377</u>
NET ASSETS:		
Held in trust for pension and health care benefits	<u>\$ 2,710,656</u>	

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

LAPEER COUNTY, MICHIGAN

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Additions:	
Contributions - employer	\$ 3,032,956
Deductions:	
Transfer to administrative agent	<u>2,506,632</u>
Net additions to net assets held in trust	526,324
Net assets held in trust at beginning of year	<u>2,184,332</u>
Net assets held in trust at end of year	<u><u>\$ 2,710,656</u></u>

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

COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2004**

	Road Commission	Board of Public Works	Drainage Districts	Totals
ASSETS				
Cash and cash equivalents	\$ 2,044,120	\$ 599,363	\$ 3,592,504	\$ 6,235,987
Receivables	4,955,705	5,897,507	1,759,325	12,612,537
Inventories	684,267	-	-	684,267
Prepayments and deposits	101,725	-	-	101,725
Capital Assets (net of accumulated depreciation)				
Assets not being depreciated	32,599,755	-	2,645,411	35,245,166
Assets being depreciated	33,316,208	-	13,518,561	46,834,769
Total Assets	73,701,780	6,496,870	21,515,801	101,714,451
LIABILITIES				
Payables and current liabilities	972,383	691,857	24,302	1,688,542
Accrued interest	56,773	54,224	16,370	127,367
Due to primary government	-	-	216,000	216,000
Advances and deposits	332,606	-	180,561	513,167
Advance from primary government	-	-	90,000	90,000
Non-current liabilities				
Due within one year	564,300	654,000	137,021	1,355,321
Due in more than one year	2,489,009	5,043,507	2,129,979	9,662,495
Total Liabilities	4,415,071	6,443,588	2,794,233	13,652,892
NET ASSETS				
Invested in Capital Assets, net of related liabilities	62,975,963	-	15,639,927	78,615,890
Restricted for:				
Primary and local roads	2,068,277	-	-	2,068,277
Unrestricted	4,242,469	53,282	3,081,641	7,377,392
Total net assets	\$ 69,286,709	\$ 53,282	\$ 18,721,568	\$ 88,061,559

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

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Road Commission	Board of Public Works	Drainage Districts	Total
Expenses:				
Public works	\$ -	\$ 435,408	\$ 832,406	\$ 1,267,814
Highways and streets	9,271,159	-	-	9,271,159
Total expenses	9,271,159	435,408	832,406	10,538,973
Program revenues:				
Charges for services	1,615,966	-	-	1,615,966
Operating grants and contributions	11,601,412	-	400,971	12,002,383
Capital grants and contributions	-	482,236	-	482,236
Total program revenues	13,217,378	482,236	400,971	14,100,585
Net program (expense) revenue	3,946,219	46,828	(431,435)	3,561,612
General revenues:				
Unrestricted investment income	38,814	6,454	36,203	81,471
Gain on sale of capital assets	266,869	-	-	266,869
Total general revenues and transfers	305,683	6,454	36,203	348,340
Change in net assets	4,251,902	53,282	(395,232)	3,909,952
Net assets, beginning of year	65,034,807	-	19,116,800	84,151,607
Net assets, end of year	\$ 69,286,709	\$ 53,282	\$ 18,721,568	\$ 88,061,559

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

NOTES TO FINANCIAL STATEMENTS

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

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

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

BLENDED COMPONENTS UNITS -

LAPEER COUNTY BUILDING AUTHORITY is governed by a three (3) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Lapeer County Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings.

DISCRETELY PRESENTED COMPONENT UNITS -

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

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

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

LAPEER COUNTY DRAINAGE DISTRICTS established pursuant to Act 40, P.A. 1956, as amended, the Michigan Drain Code are under the administration of the Lapeer County Drain Commissioner. The statutory Intercounty Drainage Board consists of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the drainage districts are separate legal entities. The Drainage Board or Drain Commissioner, on behalf of the drainage district, may issue debt and levy special assessments authorized by the Drain Code without the prior approval of the County Board of Commissioners. The full faith and credit of the County may be given for the debt of the drainage district upon authorization of the County Board of Commissioners.

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

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

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

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

B. Government-wide and fund financial statements -

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

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*.

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due (2002 levy in 2003). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. So agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers all revenues available if they are normally collected within 60 days after the year end except for reimbursement grants which are recognized if collected within 90 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The County reports the following major governmental funds:

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

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

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

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

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

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

The County reports the following major proprietary funds:

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

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

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

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

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise and Internal Services Funds are charges to customers for sale and services. Operating expenses for Enterprise and Internal Service Funds include costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Assets or Equity -

Deposits and Investments -

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

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

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

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

Receivables and Payables -

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

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

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

Inventories and Prepaid Items -

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

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

Property Tax Calendar -

The County's 2003 property taxes (2004 revenues) were levied on December 1, 2003 based on the taxable value of property located in the County as of the proceeding December 31 by the various municipalities within the County. On September 30, 2004, the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to the following July starting in December 2004. All special purpose taxes will still be levied in December. As a result, the County levied 2/3 of its general millage in December 2004 based on the taxable value of property as of December 31, 2003 and will levy the remaining 1/3 of the millage on July 1, 2005 based on the assessed value as of December 31, 2004. Each year for the next two years, an additional 1/3 of the millage will be shifted to July until the entire general millage is levied in July, which will be in 2007.

The property taxes levied in December 2003 are recognized as revenue in 2004. The property taxes levied December 1, 2004 are budgeted as revenues in the subsequent year, except as explained below, therefore have been accrued as current taxes receivable, with the appropriate deferral.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Public Act 357 provided a funding mechanism to serve as substitute to State Revenue Sharing Payments. This funding mechanism involves levying 1/3 of the general millage in December for the next three years, which is to be recorded in a Revenue Sharing Reserve Fund. This Revenue Sharing Reserve Fund will then pay the general fund the amount equal to the 2003 State Revenue Sharing payments. The amount levied in December 2004 has been recorded as receivable and revenue in the current year.

Capital Assets -

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

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

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

Compensated Absences -

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Long-Term Obligations -

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

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

Fund Equity -

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

Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Federal Programs -

Federal Programs are accounted for in specific Special Revenue Funds or as part of the various fund types to which the programs pertain. The County has not integrated its Single Audit Reports and Schedule of Expenditures of Federal Awards as part of the Annual Financial Report. The Single Audit will be issued prior to August 31, 2005, under separate cover as supplementary information to the Annual Financial Statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

Budgetary Information -

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

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

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

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

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

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

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

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

During the year ended December 31, 2004, the County (primary government) incurred expenditures in the General Fund and Special Revenue Funds, which were in excess of the amounts appropriated at the activity level for the General Fund and fund level for the Special Revenue Funds as follows:

Excess of Expenditures Over Appropriations -

<u>Fund Type/Function/Activity</u>	<u>Amended Budget</u>	<u>Expended</u>	<u>Variance</u>
PRIMARY GOVERNMENT -			
General Fund -			
Other -			
Bonds and insurance	\$ 481,195	\$ 585,828	\$ 104,633
Special Revenue Funds -			
Parks Department	452,082	465,460	13,378
Rental Property	75,656	190,969	115,313
Thumb Narcotics Unit	-	138,649	138,649
Law Enforcement Programs	55,632	64,007	8,375
Law Library	11,000	11,704	704
Family Independence Agency	59,550	244,412	184,862
Veterans Trust	4,364	8,200	3,836
Community Development	356,993	457,190	100,197

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

The budget reported for the Family Independence Agency Fund reflects only the anticipated local portion of the Agency budget provided by an annual County appropriation. The balance of the budget is financed through the State of Michigan. The Michigan Family Independence Agency only requires a budget for the locally funded portion of the County Family Independence Agency. There were two special revenue funds which did not have budgets for 2004.

Component Units -

The Road Commission is the only component unit required to have a budget under State statutes. The Road Commission follows similar procedures as the County. The budget was adopted at the activity level. During the year ended December 31, 2004, the Road Commission incurred expenditures, which were in excess of the amount appropriated at the activity level as follows:

	<u>Amended Budget</u>	<u>Expended</u>	<u>Variance</u>
Current -			
Administrative	\$ 600,000	\$ 705,035	\$ 105,035

NOTE 3 - DEPOSITS AND INVESTMENTS:

Authorized Deposits and Investments -

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Act 20 PA 1994 as amended by Act 1997 PA 1999 authorizes the County to invest surplus funds in bonds, securities and other direct obligations of the United States government or an agency or instrumentality of the United States; certificates of deposit, savings accounts, deposit accounts or depository receipts of a financial institution only if the bank, savings and loan association, or credit union is eligible to be a depository of funds belonging to the State; bankers' acceptance of United States banks; commercial paper rated at the time of purchase within the highest classification established by not less than two standard rating services, which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation, investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, investment pools organized under the surplus funds investment pool act, 1982 PA 3657, 129.111 to 129.118.

Carrying Amount -

At year end, the carrying amount of the County Reporting Entity's deposits and investments is \$34,338,543 as follows:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Fiduciary Unit</u>	<u>Reporting Entity</u>
Cash on Hand -				
Petty cash and cash on hand	\$ 7,915	\$ 350	\$ 300	\$ 8,565
Deposits with Financial Institutions -				
Checking/Money Market	3,637,039	5,212,679	4,696,184	13,545,902
Savings/Certificates of Deposit	<u>1,849,166</u>	<u>-</u>	<u>54,099</u>	<u>1,903,265</u>
Total Deposits	<u>5,486,205</u>	<u>5,212,679</u>	<u>4,750,283</u>	<u>15,449,167</u>
Investments -				
Investment Trust Funds	5,970,504	1,148,268	-	7,118,772
Investments Held by Broker	<u>11,762,039</u>	<u>-</u>	<u>-</u>	<u>11,762,039</u>
Total Investments	<u>17,732,543</u>	<u>1,148,268</u>	<u>-</u>	<u>18,880,811</u>
Grand Total	<u>\$ 23,226,663</u>	<u>\$ 6,361,297</u>	<u>\$ 4,750,583</u>	<u>\$ 34,338,543</u>

Reconciliation To Combined Balance Sheet

Reported as Cash and Cash Equivalents -	
Petty Cash and Cash On Hand	\$ 8,565
Cash in Checking/Money Market	13,545,902
Cash in Savings	1,603,265
Investments Held by Broker-Money Market	1,256,265
Investment Trust Funds	<u>7,118,772</u>
Total Cash and Cash Equivalents Reported on Combined Balance Sheet	<u>23,532,769</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Reported as Investments -	
Certificates of Deposits	\$ 300,000
Investments Held by Broker-Dealer	<u>10,505,774</u>
Total Investments Reported on Combined Balance Sheet	<u>10,805,774</u>
 Grand Total - Combined Balance Sheet	 <u>\$ 34,338,543</u>

Deposits with Financial Institutions -

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

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

An element of the County cash structure is the common account which is utilized by most of the funds and component units within the reporting entity. The common account consists of checking accounts and an investment trust fund. The investment trust portion of \$2,116,542 in the common account is reported in the investment category of this note. The carrying amounts of the common checking account at December 31, 2004, are summarized as follows:

Primary Government/Fiduciary Unit	\$ 2,960,232
Component Units -	
Board of Public Works	(900)
Drainage Districts	<u>70,273</u>
	<u>\$ 3,029,605</u>

The bank balance at December 31, 2004, is \$2,841,727. Segregation of the bank balance between the primary government and component units was not practical. The bank balance of the common checking account was included as part of the primary government's demand deposits for the determination of FDIC insurance coverage.

The following summary of the deposits for the primary government and each component unit at December 31, 2004, are exclusive of petty cash, cash on hand and the common account:

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>FDIC Coverage</u>	<u>Uninsured/ Uncollateralized</u>
Primary Government/Fiduciary	<u>\$10,236,488</u>	<u>\$ 10,224,100</u>	<u>\$ 602,698</u>	<u>\$ 9,621,402</u>
Component Units -				
Road Commission	1,464,979	1,188,534	100,000	1,088,534
Department of Public Works	600,263	522,996	100,000	422,996
Drainage Districts	<u>3,078,064</u>	<u>3,031,798</u>	<u>120,000</u>	<u>2,911,798</u>
Total Component Units	<u>5,143,306</u>	<u>4,743,328</u>	<u>320,000</u>	<u>4,423,328</u>
 Total Reporting Entity	 <u>\$15,379,794</u>	 <u>\$14,967,428</u>	 <u>\$ 922,698</u>	 <u>\$ 14,044,730</u>

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

Due to significantly higher cash flow at certain periods during the year, the amount the County held as deposits increased significantly. As a result, the amount of uninsured and uncollateralized deposits were substantially higher at these peak periods than at year end.

Investments -

County investments can be classified into three categories to give an indication of the level of risk assumed by the County. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by a counterparty's trust department or agent but not in the County's name.

An exception to this classification requirement is investments in an investment pool that are not evidenced by securities that exist in physical or book entry form and direct investments in mortgages and loans. The Primary Government/Fiduciary Funds and the Component Units held investments in various investment pools that are of this type and complied with legal authority and amounted to \$17,732,543 and \$1,148,268, respectively.

Primary Government:

Investments in Mortgages and Other Loans –	
GNMA	\$ 117,033
FHA	1,200,515
Federal National Mtg. Assn.	1,284,573
Federal Home Loan Bank	1,953,273
FNMA GTD Pass Thru	43,251
Federal Farm Cr. Bks. Cons.	<u>97,375</u>
	4,696,020
Financial Institution Pooled Funds	<u>13,036,523</u>
	<u>17,732,543</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Component Units:

Road Commission - Investment Trust	\$ 578,791
Drainage Districts - Investment Trust	<u>569,477</u>
	<u>1,148,268</u>
Total Reporting Entity	<u>\$18,880,811</u>

NOTE 4 - RECEIVABLES:

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

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Property Taxes	\$ 9,189,971	\$ 3,556,421
Interest and accounts	160,583	2,597,596
Intergovernmental -		
Federal/State	1,262,402	-
Local	<u>61,218</u>	<u>1,832</u>
	10,674,174	6,155,849
Less - allowance for uncollectible	<u>(100,000)</u>	<u>-</u>
	<u>\$ 10,574,174</u>	<u>\$ 6,155,849</u>

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

	<u>Unavailable</u>	<u>Unearned</u>
General Fund - Property taxes	<u>\$ 134,346</u>	<u>\$ 6,389,616</u>
Mental Health - Grants/fees received prior to meeting all eligibility requirements	<u>-</u>	<u>49,116</u>
E-911 - Property taxes	<u>9,815</u>	<u>-</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - RECEIVABLES - (cont'd):

	Unavailable	Unearned
Non-Major Governmental Funds -		
Property taxes	\$ -	\$ 643,525
Prepaid rent	-	22,914
	-	666,439
Internal Service Funds -		
Prepaid services	-	215,893
	-	215,893
	\$ 144,161	\$ 7,321,064

NOTE 5 - CAPITAL ASSETS:

Primary Government

Capital asset activity of the primary government for the year ended December 31, 2004 was as follows:

	January 1, 2004			December 31, 2004
	Balance	Additions	Deletions	Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 574,200	\$ -	\$ -	\$ 574,200
Construction in progress	693,904	843,756	-	1,537,660
Total capital assets, not being depreciated	1,268,104	843,756	-	2,111,860
Capital assets, being depreciated:				
Buildings	22,598,197	11,397	-	22,609,594
Improvement other than buildings	1,678,182	-	-	1,678,182
Machinery and equipment	7,456,639	209,056	-	7,665,695
Vehicles	1,415,281	210,647	-	1,625,928
Total capital assets being depreciated	33,148,299	431,100	-	33,579,399
Less accumulated depreciation for:				
Buildings	5,953,040	667,170	-	6,620,210
Improvements other than buildings	915,738	85,352	-	1,001,090
Machinery and equipment	4,890,794	787,318	-	5,678,112
Vehicles	986,024	239,564	-	1,225,588
Total accumulated depreciation	12,745,596	1,779,404	-	14,525,000
Total capital assets being depreciated, net	20,402,703	(1,348,304)	-	19,054,399
Governmental activities capital assets, net	\$ 21,670,807	\$ (504,548)	\$ -	\$ 21,166,259

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

	January 1, 2004			December 31, 2004	
	Balance	Additions	Deletions	Balance	
Business Type Activities:					
Capital assets, being depreciated:					
Buildings	\$12,758,962	\$ 6,461	\$ -	\$ 12,765,423	
Improvement other than buildings	6,750	-	-	6,750	
Machinery and equipment	<u>2,920,219</u>	<u>37,420</u>	-	<u>2,957,639</u>	
Total capital assets being depreciated	<u>15,685,931</u>	<u>43,881</u>	-	<u>15,729,812</u>	
Less accumulated depreciation for:					
Buildings	3,444,202	448,055	-	3,892,257	
Improvements other than buildings	4,022	338	-	4,360	
Machinery and equipment	<u>1,497,588</u>	<u>205,379</u>	-	<u>1,702,967</u>	
Total accumulated depreciation	<u>4,945,812</u>	<u>653,772</u>	-	<u>5,599,584</u>	
Total capital assets being depreciated, net	<u>10,740,119</u>	<u>(609,891)</u>	-	<u>10,130,228</u>	
Business activities capital assets, net	<u>\$ 10,740,119</u>	<u>\$ (609,891)</u>	<u>\$ -</u>	<u>\$ 10,130,228</u>	

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

Governmental activities:	
General government	\$ 273,287
Public Safety	685,599
Public Works	10,147
Health and Welfare	199,936
Recreation and Cultural	<u>88,724</u>
Total depreciation expense-governmental activities	<u>\$1,257,693</u>
 Business-type activities:	
Medical Care Facility	\$ 652,365
Delinquent Tax Revolving	<u>1,407</u>
Total depreciation expense-business-type activities	<u>\$ 653,772</u>

In addition there was depreciation of \$521,711 in the Internal Service Funds (Equipment Acquisition and Replacement and CMH Equipment Acquisition and Replacement).

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Discretely Presented Component Units

Drainage Districts. Activity for the Drainage Districts for the year ended December 31, 2004, was as follows:

	Balance January 1, 2004	Additions	Deletions	Reclassification	Balance December 31, 2004
Capital assets, not being depreciated:					
Land Improvements	\$ -	\$ 29,681	\$ -	\$ 2,465,547	\$ 2,495,228
Construction in progress	<u>296,813</u>	<u>150,183</u>	<u>296,813</u>	<u>-</u>	<u>150,183</u>
Total capital assets, not being depreciated	<u>296,813</u>	<u>179,864</u>	<u>296,813</u>	<u>2,465,547</u>	<u>2,645,411</u>
Capital assets, being depreciated:					
Equipment	360,677	-	-	-	360,677
Infrastructure	<u>24,572,933</u>	<u>267,132</u>	<u>-</u>	<u>(2,465,547)</u>	<u>22,374,518</u>
	<u>24,933,610</u>	<u>267,132</u>	<u>-</u>	<u>(2,465,547)</u>	<u>22,735,195</u>
Less accumulated depreciation for:					
Equipment	359,860	817	-	-	360,677
Infrastructure	<u>8,406,816</u>	<u>449,141</u>	<u>-</u>	<u>-</u>	<u>8,855,957</u>
	<u>8,766,676</u>	<u>449,958</u>	<u>-</u>	<u>-</u>	<u>9,216,634</u>
Total capital assets being depreciated, net	<u>16,166,934</u>	<u>(182,826)</u>	<u>-</u>	<u>-</u>	<u>13,518,561</u>
Drain Commissioner capital assets, net	<u>\$16,463,747</u>	<u>\$(2,962)</u>	<u>\$ 296,813</u>	<u>\$ -</u>	<u>\$16,163,972</u>

Depreciation expense for 2004 was \$449,958. In 2004, the Drainage Districts decided to record the residual value of drains as land improvements. As a result, a reclassification was made from infrastructure to land improvements.

Road Commission. Activity for the Road Commission for the year ended December 31, 2004 was as follows:

	Balance January 1, 2004	Additions	Deletions	Adjustments and Removals	Balance December 31, 2004
Capital Assets, not being depreciated:					
Land	\$ 159,507	\$ -	\$ -	\$ -	\$ 159,507
Land improvements	30,618,218	1,641,985	-	-	32,260,203
Right of Ways	<u>180,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,046</u>
Total Capital Assets, not being depreciated	<u>30,957,771</u>	<u>1,641,985</u>	<u>-</u>	<u>-</u>	<u>32,599,756</u>
Capital Assets, being depreciated:					
Buildings and improvements	1,830,010	-	-	(12,176)	1,817,834
Road Equipment	5,882,164	1,062,684	864,777	1,303	6,081,374
Shop Equipment	154,591	-	-	-	154,591
Office Equipment	507,095	-	-	-	507,095
Engineering equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	37,266,242	2,462,977	-	(1,299,280)	38,429,939
Bridges	9,161,614	2,027,410	-	(53,588)	11,135,436
Traffic signals	83,723	-	-	-	83,723
Depletable assets -					
Gravel pits	<u>205,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,130</u>
	<u>55,161,269</u>	<u>5,553,071</u>	<u>864,777</u>	<u>(1,363,741)</u>	<u>58,485,822</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Deletions</u>	Adjustments and <u>Removals</u>	Balance December 31, <u>2004</u>
Less - accumulated depreciation for:					
Buildings and improvements	\$ 1,127,342	\$ 54,594	\$ -	\$ -	\$ 1,181,936
Road Equipment	4,577,203	548,970	767,496	-	4,358,677
Shop Equipment	154,539	52	-	-	154,591
Office Equipment	485,898	13,809	-	-	499,707
Engineering Equipment	70,700	-	-	-	70,700
Infrastructure -					
Roads	14,645,487	2,350,236	-	(1,299,280)	15,696,443
Bridges	2,858,170	236,831	-	(53,588)	3,041,413
Traffic signals	27,094	4,770	-	-	31,864
Depletable Assets	<u>134,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>134,283</u>
	<u>24,080,716</u>	<u>3,209,262</u>	<u>767,496</u>	<u>(1,352,868)</u>	<u>25,169,614</u>
 Total Capital Assets, being depreciated, net	 <u>31,080,553</u>	 <u>2,343,809</u>	 <u>97,281</u>	 <u>(10,873)</u>	 <u>33,316,208</u>
 Governmental activity capital assets, net	 <u>\$ 62,038,324</u>	 <u>\$ 3,985,794</u>	 <u>\$ 97,281</u>	 <u>\$(10,873)</u>	 <u>\$65,915,964</u>

The State of Michigan does not allow depreciation to be recorded in the governmental fund statements on salt sheds and salt lagoon construction costs reimbursed by the State. However, the depreciation of \$5,553 on the salt sheds and lagoon is recorded in the government-wide statement of activities. Total depreciation for the year ended December 31, 2004 was \$3,209,262. Roads are removed from the capital assets at the time the group of individually recorded roads have been fully depreciated.

NOTE 6 - PAYABLES:

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable/accrued liabilities	\$ 1,432,981	\$ 284,918
Wages and fringe benefits	754,270	324,593
Intergovernmental -		
Federal/State	141,364	174,070
Local	<u>861,257</u>	<u>160,275</u>
	<u>\$ 3,189,872</u>	<u>\$ 943,856</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS:

The composition of interfund balances as of December 31, 2004 is as follows:

Due To/From Other Funds -

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 742,924	\$ 595,815
Health Department	25,271	9,636
Mental Health	-	183,028
E-911	-	5,236
Revenue Sharing Reserve	-	663,154
Medical Care Facility	-	21,373
Parks Department	15,000	953
Friend of the Court	-	3,381
Personal Care Aid	-	263
Animal Control	-	836
Budget Stabilization	-	79,705
Emergency Management	-	214
Community Grants	-	710
Police Service Contracts	-	3,789
Law Enforcement Programs	-	35
Law Enforcement	-	619
Community Development	-	330
DOSA	-	1,244
Lapeer Area Youth Coordinator	-	23
Child Care	-	168
Multi Purpose Collaborative Body	-	1,383
MCF Capital Project Fund	21,373	-
Capital Construction & Improvement	-	15,835
Equipment Acquisition & Replacement	15,835	-
Unemployment Insurance	522	-
Workers' Compensation	10,468	-
Pension Fund	53,311	-
Public Employee Health Care	<u>706,230</u>	<u>-</u>
Total Per Financial Statements	1,590,934	1,587,730
Adjustments for September 30, year end funds	<u>(3,204)</u>	<u>-</u>
 Total	 <u>\$ 1,587,730</u>	 <u>\$1,587,730</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

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

Due To/From Primary Government & Component Units -

	<u>Receivable</u>	<u>Payable</u>
Primary Government - Budget Stabilization	\$ 216,000	\$ -
Component Unit - Drainage Districts	-	<u>216,000</u>
	<u>\$ 216,000</u>	<u>\$ 216,000</u>

Advances From/To Other Funds -

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 108,000	\$ -
Mental Health	10,000	-
Multi Purpose Collaborative Body	-	10,000
Centralized Purchasing	-	4,000
Equipment Acquisition & Replacement	-	<u>104,000</u>
	<u>\$ 118,000</u>	<u>\$ 118,000</u>

Advances From/To Primary Government & Component Units -

	<u>Receivable</u>	<u>Payable</u>
Primary Government - General Fund	\$ 90,000	\$ -
Component Unit - Drainage Districts	-	<u>90,000</u>
	<u>\$ 90,000</u>	<u>\$ 90,000</u>

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

Interfund receivable/payable -

	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ -	\$ 4,624,602
Health Department	745,729	-
Parks Department	-	1,414
Polly Ann Trail	-	6,694
Friend of the Court	-	133,212
Marriage Counseling	8,108	-
Budget Stabilization	534,000	-
Law Enforcement	48,435	-
Juvenile Grant	-	2,911
Law Enforcement Other	77,004	-
Law Library	2,911	-
Senior Millage	110,030	-
DOSA	-	15,000
Multi Purpose Collaborative Body	-	33,435
Community Development	-	86,388
Jail Capital Project Fund	948,772	-
Capital Construction and Improvement	313,402	-
Health Insurance	538,585	-
Unemployment Insurance	188,234	-
Workers' Compensation	855,159	-
Equipment Acquisition and Replacement	<u>533,287</u>	<u>-</u>
	<u>\$ 4,903,656</u>	<u>\$ 4,903,656</u>

Transfers From/To Other Funds -

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Revenue Sharing Reserve	\$ 663,154
Health Department	General Fund	732,818
Mental Health	General Fund	288,412
Parks Department	General Fund	308,000
Friend of the Court	General Fund	279,475

LAPEER COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

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

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Personal Care Aid Program	Senior Millage	\$ 55,000
Animal Control	General Fund	47,439
Budget Stabilization	General Fund	200,000
Rental Property	General Fund	114,154
Emergency Management	General Fund	31,560
	Health Department	20,000
Police Service Contracts	General Fund	249,446
Law Enforcement Programs	General Fund	4,994
Law Enforcement	General Fund	10,506
Juvenile Grant	General Fund	5,668
Law Library	General Fund	4,500
DOSA	Senior Millage	253,195
Lapeer Area Youth Coordinator	General Fund	3,888
Family Independence Agency	General Fund	44,254
Child Care	General Fund	460,951
Multi Purpose Collaborative Body	General Fund	30,500
	Health Department	10,000 (2)
	Friend of the Court	10,000 (2)
Environmental/Recycling	General Fund	5,000
Capital Construction & Improvement	General Fund	179,050
	Delinquent Tax Revolving	600,000
Old Courthouse	General Fund	10,000
CMH Equipment Acquisition and Replacement	Equipment Acquisition and Replacement	499,649 (1)
Equipment Acquisition & Replacement	General Fund	90,950
	Mental Health	60,000
		5,272,563
Adjustments for September 30, year end funds		(203,850)
		\$ 5,068,713

(1) Nonrecurring transfers - transfers of fund equity

(2) Forgiveness of advance

The balance of the transfers are annual appropriations.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 8 - CAPITAL LEASES:

Discretely Presented Component Units -

The Road Commission has entered into a lease purchase agreement to finance the acquisition of an excavator with the original cost of \$115,200. The lease agreement qualifies as a capital lease for accounting purposes (agreement provides for either title transfer or bargain purchase option at end of the lease terms) and, therefore, have been recorded at the present value of future minimum lease payments as of the date of their inception. The net book value of the excavator at December 31, 2004 is \$54,916.

The following is a schedule of future minimum lease payments, together with the present value of the minimum lease payments as of December 31, 2004:

Total minimum lease payments in 2005	39,725
Less amount representing interest	<u>(1,325)</u>
Present value of minimum lease payments	<u>\$ 38,400</u>

NOTE 9 - LONG-TERM LIABILITIES:

PRIMARY GOVERNMENT -

The following is a summary of changes in the long-term liabilities (including current portions) of the Primary Government for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
<u>Governmental Activities:</u>					
Governmental Fund -					
General Obligation Bonds	\$ 1,575,000	\$ 1,535,000	\$ 1,575,000	\$ 1,535,000	\$ 110,000
Accrued Claims Liability	179,000	123,480	117,930	184,550	81,000
Less deferred amounts for:					
Issuance premium	-	113,593	-	113,593	-
Refunding loss	-	<u>(139,309)</u>	-	<u>(139,309)</u>	-
Total Governmental Funds	<u>1,754,000</u>	<u>1,632,764</u>	<u>1,692,930</u>	<u>1,693,834</u>	<u>191,000</u>
Internal Service Fund -					
Workers' Compensation Fund -					
Accrued claims liabilities	<u>69,000</u>	<u>26,900</u>	<u>26,900</u>	<u>69,000</u>	<u>12,300</u>
Total Internal Service Fund	<u>69,000</u>	<u>26,900</u>	<u>26,900</u>	<u>69,000</u>	<u>12,300</u>
Total Governmental Activities	<u>1,823,000</u>	<u>1,659,664</u>	<u>1,719,830</u>	<u>1,762,834</u>	<u>203,300</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

	Balance January 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2004</u>	Due Within <u>One Year</u>
<u>Enterprise Funds:</u>					
Medical Care Facility -					
Capital lease/GO bonds	4,630,000	-	790,000	3,840,000	855,000
Installment loan agreement	6,682	-	6,682	-	-
Accrued claims liabilities	151,232	1,004,689	1,021,507	134,414	20,000
Accrued vacation and sick	<u>200,230</u>	<u>699,459</u>	<u>704,059</u>	<u>195,630</u>	-
Total Enterprise Funds	<u>4,988,144</u>	<u>1,704,148</u>	<u>2,522,248</u>	<u>4,170,044</u>	<u>875,000</u>
 Total Primary Government	 <u>\$ 6,811,144</u>	 <u>\$3,363,812</u>	 <u>\$4,242,078</u>	 <u>\$ 5,932,878</u>	 <u>\$ 1,078,300</u>

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

Building Obligation Bonds -

Building authority bonds in the amount of \$2,300,000, dated March 23, 1989 were issued in connection with the construction of the CMH Building completed in 1990.

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

On February 18, 2004, building authority refunding bonds in the amount of \$1,535,000 were issued to defease the 1994 issue. \$ 1,535,000

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

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

The proceeds of the 2004 refunding bonds like the 1994 refunding bonds that were placed in special escrow accounts are invested in securities of the U.S. Government and its agencies. The maturities of these investments coincide with the principal and interest payments on the extinguished debts and are sufficient to pay all principal and interest when due. Accordingly, the trust account assets and liabilities for the defeased bonds outstanding are not included in the Financial Statements. At December 31, 2004, the defeased bonds outstanding amounts to \$1,475,000 for the 1994 issue and \$1,460,000 for the 2004 issue.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

On September 6, 1990, the County defeased the General Obligation Hospital Bonds, dated December 1, 1976, by establishing an irrevocable trust with cash and U.S. Treasury strips sufficient to meet the remaining principal and interest obligations. Accordingly, the trust account assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2004, the bonds outstanding of \$1,875,000 due in annual installments ranging from \$850,000 to \$950,000 with maturities from June 1, 2005 through June 1, 2006 are considered defeased.

Accrued Claims Liability -

The County has estimated accrued liability claims, including an estimate for claims incurred but not reported (IBNR), administered through the Michigan Municipal Risk Management Authority. The dollar amount of these estimated claims is \$184,550 at December 31, 2004.

The County has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2004. The dollar amount of these claims is reported as a long-term liability on the balance sheet of the Workers' Compensation Fund is \$69,000 at December 31, 2004.

The Medical Care Facility has estimated accrued outstanding workers' compensation insurance claims including an estimate for the claims incurred but not reported (IBNR) at December 31, 2004. The dollar amount of these claims reported as a long-term liability on the balance sheet of the Medical Care Facility (Enterprise) Fund is \$134,414 at December 31, 2004.

Capital Lease/G.O. Bonds -

The County is obligated under a contract to lease with the Lapeer County Building Authority, the expansion and improvements to the Medical Care Facility. The obligation of the County under the Contract of Lease to make rental payments constitutes a general obligation of the County secured by its full faith and credit and under the provisions of the Act the County is required to provide annually sufficient moneys from its general funds for payment thereof, including any collections of ad valorem taxes which the County is authorized to levy on all taxable property within its boundaries. The lease payments are to be sufficient to cover the debt service requirements on the \$7,250,000 Building Authority Bonds – Series 2001. \$ 3,840,000

Accrued Vacation and Sick -

In accordance with the contracts negotiated with the various employee groups of the Medical Care Facility of the County, individual employees have vested rights upon termination of employment to receive payments for unused vacation and sick leave under formulas and conditions specified in their contracts. The dollar amount of these vested rights, which has been accrued on the balance sheet of the Medical Care Facility Fund, amounts to approximately \$195,630 for vacation and sick leave at December 31, 2004. Sick days not used at the end of the calendar year are reimbursed to the employee at the rate of 50 percent.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

Annual Debt Requirements - The annual requirements to pay the debt outstanding at December 31, 2004, for the following bonds and notes (excluding accrued vacation and sick accrued insurance claims) of the Primary Government is as follows:

Year Ending December 31,	General Obligation Bonds		Capital Lease/G.O. Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 110,000	\$ 59,350	\$ 855,000	\$ 153,562
2006	155,000	56,700	920,000	113,625
2007	150,000	53,650	995,000	70,538
2008	140,000	50,575	1,070,000	24,075
2009	160,000	45,000		
2010-2014	<u>820,000</u>	<u>106,500</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,535,000</u>	<u>\$ 371,775</u>	<u>\$ 3,840,000</u>	<u>\$ 361,800</u>

COMPONENT UNITS -

The following is a summary of changes in long-term liabilities (including current portions) of the Component Units for the year ended December 31, 2004:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004	Due Within One Year
Road Commission -					
MTF Notes	\$ 3,430,000	\$ -	\$ 490,000	\$ 2,940,000	\$ 490,000
Capital lease agreement	76,800	-	38,400	38,400	38,400
Accrued vacation	<u>79,800</u>	<u>156,841</u>	<u>161,810</u>	<u>74,909</u>	<u>35,900</u>
Total Road Commission	<u>3,586,678</u>	<u>156,841</u>	<u>690,210</u>	<u>3,053,309</u>	<u>564,300</u>
Board of Public Works -					
General Obligation Bonds	\$ 5,110,000	\$ -	\$ 404,000	\$ 4,706,000	\$ 409,000
Michigan State Revolving Loan	836,507	-	45,000	791,507	45,000
Notes payable agreement	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total BPW	<u>6,146,507</u>	<u>-</u>	<u>449,000</u>	<u>5,697,507</u>	<u>654,000</u>
Drainage Districts -					
Drain Notes	586,592	-	94,592	492,000	12,021
Drain bonds	<u>1,900,000</u>	<u>-</u>	<u>125,000</u>	<u>1,775,000</u>	<u>125,000</u>
	<u>2,486,592</u>	<u>-</u>	<u>219,592</u>	<u>2,267,000</u>	<u>137,021</u>
Total Component Units	<u>\$ 12,219,777</u>	<u>\$ 156,841</u>	<u>\$ 1,358,802</u>	<u>\$ 11,017,816</u>	<u>\$ 1,355,321</u>

Road Commission

MTF Note - Series 1997

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 1997, dated October 1, 1997, in the original amount of \$700,000. The payments are due in annual installments on August 1 of \$70,000 through 2007, with interest ranging from 4.7% to 4.9% due on February 1 and August 1 of each year. At December 31, 2004, the outstanding principal balance is \$210,000.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

MTF Note - Series 2000

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2000, dated May 11, 2000, in the original amount of \$2,200,000. Principal payments are due in annual installments on August 1 of \$220,000 through 2010, with interest ranging from 4.7% to 5.0% due on February 1 and August 1 of each year. At December 31, 2004, the outstanding principal balance is \$1,320,000.

MTF Note - Series 2000 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2000B, dated November 21, 2000 in the original amount of \$700,000. Principal payments are due in annual installments on August 1 of \$70,000 through 2010, with interest ranging from 4.8% to 5.5% due on February 1 and August 1 of each year. At December 31, 2004, the outstanding balance is \$420,000.

MTF Note - Series 2002

The Road Commission is obligated for Michigan Transportation Fund Notes, Series 2002, dated April 1, 2002, in the original amount of \$500,000. Principal payments are due in annual installments on August 1 of \$50,000 through 2011, with interest ranging from 4.15% to 4.60% due on February 1 and August 1 of each year. At December 31, 2004, the outstanding principal balance is \$350,000.

MTF Note - Series 2002 B

The Road Commission is also obligated for Michigan Transportation Fund Notes, Series 2002B, dated May 15, 2002 in the original amount of \$800,000. Principal payments are due in annual installments on August 1 of \$80,000 through 2012, with interest ranging from 3.25% to 4.10% due on February 1 and August 1 of each year. At December 31, 2004, the outstanding balance is \$640,000.

Capital Lease -

The Road Commission is obligated for a capital lease agreement to finance the acquisition of an excavator. The minimum annual payments for the capital lease is summarized in Note 8.

Accrued Vacation -

In accordance with contracts negotiated with the various employee groups of the Road Commission, individual employees have a vested right upon termination of employment to receive payment for unused vacation under formulas and conditions specified in the contracts. The dollar amount of these vested rights, which has been accrued on the financial statements in the government-wide statements, amounts to approximately \$74,909 at December 31, 2004.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

The annual requirements to amortize long-term liabilities outstanding at December 31, 2004, except compensated absences, are as follows:

	<u>MTF Note-Series 1997</u>		<u>MTF Notes-Series 2000</u>		<u>MTF Notes – Series 2002</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 70,000	\$ 10,115	\$ 290,000	\$ 92,105	\$ 130,000	\$ 39,260
2006	70,000	6,790	290,000	77,100	130,000	34,210
2007	70,000	3,430	290,000	62,190	130,000	29,160
2008	-	-	290,000	47,025	130,000	24,110
2009	-	-	290,000	31,605	130,000	19,235
2010-2012	-	-	290,000	15,930	340,000	26,185
	<u>\$ 210,000</u>	<u>\$ 20,335</u>	<u>\$ 1,740,000</u>	<u>\$ 325,955</u>	<u>\$ 990,000</u>	<u>\$ 172,160</u>

Board of Public Works

General Obligation Bonds

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

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

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	3.75 - 7.50	\$ 2,676,000
Governmental activities - refunding	4.25 - 5.95	<u>2,030,000</u>
		<u>\$ 4,706,000</u>

On April 11, 1996, the County, through its Board of Public Works, defeased a portion of the Village of Dryden Wastewater Treatment System Bonds dated March 1, 1990 and the Township of Elba Wastewater Treatment System Bonds dated August 1, 1990, by establishing an irrevocable trust with the U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of \$1,550,000 and \$1,480,000 respectively. Accordingly, the trust account's assets and liabilities for the defeased bond issues are not included in the County's financial statements. At December 31, 2004, the bonds outstanding of \$1,175,000 and \$820,000 respectively are considered defeased.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

On February 25, 1993, the County through its Board of Public Works defeased the Wastewater Treatment System (Village of Almont) Bonds, dated March 1, 1987, by establishing an irrevocable trust with U.S. Treasury Bills and Notes sufficient to meet the annual installment principal obligations of \$1,725,000. Accordingly, the trust account's assets and liabilities for the defeased bond issue are not included in the County's financial statements. At December 31, 2004, the bonds outstanding of \$525,000 are considered defeased.

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

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>G.O. Bonds Refunded</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 109,000	\$ 129,530	\$ 330,000	\$ 105,088
2006	110,000	125,085	340,000	87,665
2007	120,000	120,565	350,000	69,515
2008	121,000	115,356	190,000	54,980
2009	126,000	109,906	205,000	44,510
2010-2014	700,000	456,400	615,000	94,526
2015-2019	895,000	263,560	-	-
2020-2022	<u>495,000</u>	<u>49,490</u>	<u>-</u>	<u>-</u>
	<u>\$2,676,000</u>	<u>\$1,369,892</u>	<u>\$2,030,000</u>	<u>\$ 456,284</u>

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

Notes Payable Agreement

On August 1, 2004 the County rolled over a note for \$200,000 with an interest rate of 2.47% for the Otter Lake Sewer Construction Fund. Principal of \$200,000 and interest of \$4,940 are due on August 1, 2005. Interest of \$4,940 was due and paid on August 1, 2004.

<u>Purpose</u>	<u>Interest Rate</u>	
Governmental activities	2.47	\$ 200,000

State of Michigan Revolving Loan

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

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

Purpose	Interest Rate	
Governmental activities	2.0 - 2.5%	\$ 791,507

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

Year Ending December 31,	Principal	Interest
2005	\$ 45,000	\$ 19,225
2006	45,000	18,100
2007	45,000	16,975
2008	45,000	15,850
2009	45,000	14,725
2010-2014	260,000	54,938
2015-2019	306,507	19,607
	\$ 791,507	\$ 159,420

	Interest Rate	
Governmental Activities (G.O. Bonds) -		
Water System Improvements Bonds (Village of North Branch)	5-7.5	\$ 520,000
Sewage Disposal Systems Improvement Bonds - Series 2001 (Village of Almont)	3.95-5.11	51,000
Sewage Disposal Systems Improvement Bonds - Series 2002 (Village of Almont)	3.75-4.90	2,105,000
		2,676,000
Governmental Activities (G.O. Refunding) -		
Wastewater Treatment System Refunding Bonds - Series 1994 (Village of Almont)	4.5-5.6	500,000
Wastewater Treatment System Refunding Bonds (Village of Dryden)	4.25-5.95	1,070,000
Wastewater Treatment System Refunding Bonds (Township of Elba)	4.25-5.55	460,000
		2,030,000
		\$ 4,706,000
Governmental Activities (Revolving Loans) -		
Water System (Village of Dryden)	2.50	\$ 791,507

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 9 - LONG-TERM LIABILITIES - (cont'd):

Drainage Districts -

Lapeer County through the Drain Commissioner, administers the construction of drains which are deemed to benefit properties against which special assessments are levied. To finance the construction, notes and bonds are issued in accordance with the provisions of Act No. 40 of the Michigan Public Acts of 1956, as amended by Act No. 71, Pubic Acts of 1976. Repayment of the notes and bonds are made from the special assessment revenues collected and are serviced from debt service funds. The full faith and credit of the Drainage Districts have been pledged for the making of said payments. Also, pursuant to a resolution adopted by its Board of Commissioners, the County of Lapeer has pledged its full faith and credit as additional security for the payment of the principal of and interest on the bonds. During the year the Drainage Districts issued \$561,000 of drain notes. The balance at December 31, 2004 was as follows:

	<u>Interest Rate</u>	
Governmental Activities -		
Drain Notes -		
Mill Creek	1.96	\$ 216,000
Lake Lapeer Lake Level	3.48	<u>276,000</u>
		<u>492,000</u>
Drain Bonds -		
Potter Lake/Elba Sewer	4.25-6.75	\$1,315,000
Winn Lake District	5-5.60	<u>460,000</u>
		<u>1,775,000</u>
		<u>\$2,267,000</u>

Annual debt service requirements to maturities are as follows:

<u>Year Ended December 31,</u>	<u>Drain Notes</u>		<u>Drain Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 69,000	\$ 14,298	\$ 125,000	\$ 84,073
2006	285,000	11,909	125,000	78,422
2007	69,000	4,802	125,000	72,423
2008	69,000	2,404	125,000	66,622
2009	-	-	125,000	61,023
2010-2014	-	-	625,000	213,331
2015-2019	-	-	465,000	60,532
2020-2021	-	-	<u>60,000</u>	<u>3,353</u>
	<u>\$ 492,000</u>	<u>\$ 33,413</u>	<u>\$1,775,000</u>	<u>\$ 639,779</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 10 - RETIREMENT PLAN:

Plan Description -

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

Funding Policy -

The plan adopted by the Board of County Commissioners requires no member contribution. The County is required to contribute at an actuarially determined rate; the weighted average rate for 2004 was 10.78% for sheriff's department employees, 6.34% for union employees and 12.12% for non-union employees at the Medical Care Facility, 9.58% for Department of Senior Activities and Health Department employees, 11.21% for general non-union employees, 10.42% for general union employees, and 12.28% for elected commissioners. The contribution requirements of plan members and the County are established and may be amended by the County, depending on the MERS contribution program adopted by the County.

Annual Pension Costs -

For the year ended December 31, 2004, the County's annual pension cost of \$1,662,850 for MERS was equal to the County's required and actual contributions. The required contribution was determined as part of the December 31, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0% to 4.16% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 2.5% per year (annually), after retirement for persons under Benefit E-1 or E-2. The actuarial value of MERS assets was determined on a basis of evaluation method that assumes the funds earn the expected rate of return (8%) and includes as an adjustment to reflect market value. The County's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2002, the date of the latest actuarial valuation, was 30 years.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 10 – RETIREMENT PLAN - (cont'd):

Three-Year Trend Information

Fiscal Year Ending December 31,	Annual Pension Costs (APC)	Percentage of APCNet Contribution	Pension Obligation
2001	\$ 1,066,958	100%	-
2002	1,269,575	100	-
2003	1,379,989	100	-

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) Liability (UAAL) (b-a)	Funded Ratio (AAL) (a/b)	Covered Payroll (c)	UAAI as a % of Covered Payroll [(b-a)/c]
2001	\$ 35,020,726	\$ 43,599,768	\$ 8,579,042	80%	\$ 20,436,078	42%
2002	37,275,307	47,793,702	10,518,395	78	21,709,006	48
2003	40,320,750	49,842,139	9,521,389	81	22,301,228	43

Road Commission -

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

For the year ended December 31, 2004, employer contributions totaling \$272,960 were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2002.

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

NOTE 11 - POSTEMPLOYMENT BENEFITS:

Primary Government -

The Primary Government along with the Board of Public Works and Drainage Districts provides post-employment benefit for health care to select groups of employees based on employment contracts on a pay-as-you-go basis. At December 31, 2004, thirty-six sheriff deputies qualified under labor contract to receive \$150 per month and one sheriff deputy qualified to receive \$100 per month towards health insurance after retirement. In 2004, sheriff deputies received benefits of \$3,900.

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 11 - POSTEMPLOYMENT BENEFITS – (cont'd):

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

Once an employee has worked for the County three years in a full-time capacity, the County will transfer twenty dollars (\$20) per month to the third party administrator to be deposited in the respective employees account. Upon separation from County employment, the former employee will be entitled to draw from his account for the payment of postemployment health benefits.

Road Commission -

In addition to the pension benefits described in Note 10, the Lapeer County Road Commission provides postemployment health care and life insurance to eligible employees who retire from the Road Commission on or after attaining retirement age with at least ten years of service. Expenditures for postemployment health care and life insurance benefits are recognized on a pay-as-you-go basis. For the year ended December 31, 2004, health care costs amounted to approximately \$272,960 for 41 eligible participants, \$9,153 for optical/dental reimbursement for approximately 41 eligible participants, \$23,164 for prescription reimbursement for approximately 41 eligible participants and \$4,885 for life insurance costs for approximately 35 eligible participants.

NOTE 12 - CONTINGENT LIABILITIES:

Primary Government -

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

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

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

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 12 - CONTINGENT LIABILITIES – (cont'd):

Road Commission -

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

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

NOTE 13 - RISK MANAGEMENT:

Primary Government -

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

The County is completely self-insured for unemployment compensation, and is self-insured for workers' compensation claims up to an aggregate annual amount of \$300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of \$3,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage.

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

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 - RISK MANAGEMENT - (cont'd):

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

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

The County has also elected to be a member of the Stop Loss Program, which limits the County's self-insurance retention. For 2004, that Stop Loss Program limited the retention for Lapeer County to \$331,000 in aggregate claims paid during the year.

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

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

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

A summary of the claims liability, as reported on the General Fund (Governmental Fund), the Medical Care Facility (Enterprise Fund) and the Workers' Compensation Fund (Internal Service Fund) balance sheet is as follows:

	General Fund		Medical Care Facility		Workers' Compensation	
	2004	2003	2004	2003	2004	2003
Reported claims	\$ 160,550	\$ 156,325	\$ 114,414	\$ 131,232	\$ 59,000	\$ 59,000
Provision for IBNR claims	24,000	22,675	20,000	20,000	10,000	10,000
Total Claims Liabilities	\$ 184,550	\$ 179,000	\$ 134,414	\$ 151,232	\$ 69,000	\$ 69,000

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 13 - RISK MANAGEMENT - (cont'd):

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

	<u>General Fund</u>		<u>Medical Care Facility</u>		<u>Workers' Compensation</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 179,000	179,000	\$ 151,232	\$ 189,176	\$ 69,000	\$ 69,000
Incurred claims (including IBNR's)	123,480	95,982	1,004,689	734,504	26,900	116,000
Claims Paid	(117,930)	(95,982)	(1,021,507)	(772,448)	(26,900)	(116,000)
Unpaid claims, end of year	184,550	179,000	134,414	151,232	69,000	69,000
Less current portion	(81,000)	(98,450)	(20,000)	(83,178)	(12,300)	(37,950)
Long-Term Liabilities	<u>\$ 103,550</u>	<u>\$ 80,550</u>	<u>\$ 114,414</u>	<u>\$ 68,054</u>	<u>\$ 56,700</u>	<u>\$ 31,050</u>

Component Units -

Road Commission -

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

The Road Commission provides for its employees dental/optical reimbursement programs for regular full-time employees, spouses and dependent children under nineteen (19) years of age. Based on their bargaining unit employees may be reimbursed for dental and/or optical up to \$575 or \$650 for bills or apply their reimbursement amount to the cost of the insurance premium.

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

NOTE 14 - DEFERRED COMPENSATION:

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

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

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

LAPEER COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 15 - FUND EQUITY:

RESERVED FUND BALANCE -

Fund Balance has been reserved in various governmental funds to indicate the portion of Fund Balance not available but reserved for a specific purpose. The following is a summary of Reserved Fund Balance for all County funds at December 31, 2004:

Fund Type/Fund	Description	Amount
Primary Government -		
General Fund	Advance to Other Funds/Component Units	\$ 198,000
	Prepaid Expenditures	<u>596</u>
		<u>198,596</u>
Special Revenue Funds -		
Health Department	Prepaid Expenditures	<u>4,559</u>
Mental Health	Prepaid Expenditures	49,202
	Advance to Other Funds	10,000
	Risk Corridor Financing	<u>314,243</u>
		<u>373,445</u>
Total Governmental Funds		<u>576,600</u>
Fiduciary Fund -		
Pension	Pension Benefit	1,209,276
Public Employee -		
Health Care	Health Benefit	<u>952,380</u>
		<u>2,161,656</u>
Total Primary Government Reserved Fund Balance		<u>\$ 2,738,256</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 9,238,070	\$ 9,238,070	\$ 9,253,271	\$ 15,201
Licenses and permits	15,635	15,635	22,817	7,182
Intergovernmental -				
Federal/State	2,748,047	2,225,399	2,169,168	(56,231)
Charges for services	2,961,542	3,024,085	3,018,360	(5,725)
Fines and forfeits	339,500	340,500	367,628	27,128
Interest and rent	367,313	367,313	657,554	290,241
Other	2,017,939	2,017,939	2,062,205	44,266
Total Revenues	<u>17,688,046</u>	<u>17,228,941</u>	<u>17,551,003</u>	<u>322,062</u>
Expenditures:				
Legislative:				
Board of Commissioners	<u>269,660</u>	<u>269,630</u>	<u>252,618</u>	<u>17,012</u>
Judicial:				
Circuit Court	503,233	538,378	537,547	831
District Court	1,395,704	1,395,704	1,366,601	29,103
Jury Board	4,428	4,428	3,574	854
Indigent Counsel	303,500	303,500	210,418	93,082
Probate Court	1,075,957	1,098,862	1,084,749	14,113
Adult Probation	12,934	12,934	10,058	2,876
	<u>3,295,756</u>	<u>3,353,806</u>	<u>3,212,947</u>	<u>140,859</u>
General Government:				
Administrative	223,344	223,344	217,677	5,667
Elections	106,979	108,139	107,216	923
Professional services	170,500	195,700	194,758	942
County Clerk	435,883	439,883	434,216	5,667
Tax Equalization	219,375	179,547	176,548	2,999
Prosecuting Attorney	1,073,054	1,100,797	1,098,915	1,882
Register of Deeds	341,847	341,847	329,460	12,387
County Surveyor	60,121	63,621	63,621	-
Geo. Info. Sys.	59,871	18,229	18,223	6
County Treasurer	362,284	450,096	423,171	26,925
Computer Operations	239,910	239,910	145,376	94,534
Accounting	308,291	308,291	251,172	57,119
Building Operations	394,425	403,077	397,074	6,003
Building and Grounds	713,966	705,314	672,718	32,596
Drain Commissioner	375,018	375,018	370,786	4,232
Boundary Commission	593	593	-	593
	<u>5,085,461</u>	<u>5,153,406</u>	<u>4,900,931</u>	<u>252,475</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Public Safety:				
Sheriff	2,537,142	2,537,142	2,498,554	38,588
Marine Safety	6,473	6,473	5,160	1,313
Criminal Justice Training	9,524	11,060	11,059	1
Emergency Services	2,000	2,000	-	2,000
Jail/Feeding Prisoners	2,243,968	2,243,968	2,240,152	3,816
Livestock Claims	1,000	1,030	1,030	-
Planning Commission	69,744	69,744	61,902	7,842
Plat Board	784	784	214	570
	<u>4,870,635</u>	<u>4,872,201</u>	<u>4,818,071</u>	<u>54,130</u>
Public Works:				
Road Commission	230,298	230,298	230,256	42
Drains - County at Large	121,536	121,536	121,536	-
	<u>351,834</u>	<u>351,834</u>	<u>351,792</u>	<u>42</u>
Health and Welfare:				
Medical Examiner	37,977	42,528	42,447	81
Veterans' Affairs	111,260	112,225	112,207	18
Veterans' Relief	1,000	1,000	473	527
Veterans' Burial	24,000	24,000	19,240	4,760
Economic Development Commission	7,000	7,000	7,000	-
	<u>181,237</u>	<u>186,753</u>	<u>181,367</u>	<u>5,386</u>
Recreation and Cultural:				
Conservation Activities	13,500	13,500	10,710	2,790
Cooperative Extension	236,644	236,644	232,327	4,317
	<u>250,144</u>	<u>250,144</u>	<u>243,037</u>	<u>7,107</u>
Other:				
Bonds and insurance	450,000	481,195	1,134,828	(653,633)
Memberships and dues	16,305	16,305	12,299	4,006
Contingencies	1,000,000	730,535	-	730,535
	<u>1,466,305</u>	<u>1,228,035</u>	<u>1,147,127</u>	<u>80,908</u>
Total Expenditures	<u>15,771,032</u>	<u>15,665,809</u>	<u>15,107,890</u>	<u>557,919</u>
Excess of revenues over expenditures	1,917,014	1,563,132	2,443,113	879,981
Other Financing Sources (Uses):				
Transfers In	-	-	663,154	663,154
Transfers Out	(3,217,014)	(3,288,132)	(2,897,715)	390,417
Total Transfers	<u>(3,217,014)</u>	<u>(3,288,132)</u>	<u>(2,234,561)</u>	<u>1,053,571</u>
Net Change in Fund Balance	(1,300,000)	(1,725,000)	208,552	1,933,552
Fund Balance at beginning of year	<u>1,300,000</u>	<u>1,725,000</u>	<u>1,933,292</u>	<u>208,292</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,141,844</u>	<u>\$ 2,141,844</u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - HEALTH DEPARTMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenues:				
Licenses and permits	\$ 392,980	\$ 392,330	\$ 394,790	\$ 2,460
Intergovernmental - Federal/State	1,179,190	1,481,993	1,620,500	138,507
Charges for services	1,754,456	1,754,456	1,528,844	(225,612)
Other	75,676	75,608	64,831	(10,777)
Total Revenues	<u>3,402,302</u>	<u>3,704,387</u>	<u>3,608,965</u>	<u>(95,422)</u>
Expenditures:				
Health and Welfare	<u>4,194,162</u>	<u>4,515,841</u>	<u>4,211,318</u>	<u>304,523</u>
Excess of revenues under expenditures	(791,860)	(811,454)	(602,353)	209,101
Other Financing Sources (Uses):				
Transfers in	729,032	729,032	732,818	3,786
Transfers out	-	-	(30,000)	(30,000)
Total Other Sources (Uses)	<u>729,032</u>	<u>729,032</u>	<u>702,818</u>	<u>(26,214)</u>
Net change in Fund Balance	(62,828)	(82,422)	100,465	182,887
Fund Balance at beginning of year	<u>62,828</u>	<u>82,422</u>	<u>649,974</u>	<u>567,552</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 750,439</u>	<u>\$ 750,439</u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - MENTAL HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Intergovernmental -				
Federal/State	\$ 12,055,812	\$ 12,321,621	\$ 11,485,013	\$(836,608)
Charges for services	395,572	406,927	497,376	90,449
Interest	8,000	7,000	6,585	(415)
Other	11,000	11,000	20,189	9,189
Total Revenues	<u>12,470,384</u>	<u>12,746,548</u>	<u>12,009,163</u>	<u>(737,385)</u>
Expenditures:				
Health and Welfare	<u>12,858,796</u>	<u>13,132,218</u>	<u>12,253,334</u>	<u>878,884</u>
Excess of revenues under expenditures	<u>(388,412)</u>	<u>(385,670)</u>	<u>(244,171)</u>	<u>141,499</u>
Other Financing Sources (Uses):				
Transfers in	288,412	288,412	288,412	-
Transfers out	-	-	(60,000)	(60,000)
Total Other Sources (Uses)	<u>288,412</u>	<u>288,412</u>	<u>228,412</u>	<u>(60,000)</u>
Net change in Fund Balance	(100,000)	(97,258)	(15,759)	81,499
Fund Balance at beginning of year	<u>100,000</u>	<u>97,258</u>	<u>714,920</u>	<u>617,662</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 699,161</u>	<u>\$ 699,161</u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - E-911 SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with Amended Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,384,848	\$ 1,393,508	\$ 1,076,032	\$(317,476)
Charges for services	-	-	109	109
Interest	35,200	35,200	37,179	1,979
Total Revenues	<u>1,420,048</u>	<u>1,428,708</u>	<u>1,113,320</u>	<u>(315,388)</u>
Expenditures:				
Public Safety	<u>1,597,221</u>	<u>1,855,881</u>	<u>1,694,756</u>	<u>161,125</u>
Excess of revenues under expenditures	(177,173)	(427,173)	(581,436)	(154,263)
Fund Balance at beginning of year	<u>177,173</u>	<u>427,173</u>	<u>2,089,001</u>	<u>1,661,828</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,507,565</u></u>	<u><u>\$ 1,507,565</u></u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - REVENUE SHARING RESERVE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget Positive (Negative)</u>
Revenues:				
Taxes	\$ -	\$ -	\$ 3,194,808	\$ 3,194,808
Other Financing Uses:				
Transfers Out	<u>-</u>	<u>-</u>	<u>(663,154)</u>	<u>(663,154)</u>
Net change in Fund Balance	-	-	2,531,654	2,531,654
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,531,654</u></u>	<u><u>\$ 2,531,654</u></u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

1. The General and Major Special Revenue Funds' budgets reported in the required supplementary information were prepared on a basis consistent with accounting principles generally accepted in the United States of America and on the same modified accrual basis used to reflect actual results.
2. On September 30, 2004 the Governor of the State of Michigan signed into law Public Act 357 of 2004, which gradually shifts County General property taxes from December to July. The Act required the establishment of a Revenue Sharing Reserve Fund. However, because guidelines of how the Act would be implemented were not released until late in December 2004, no budget was adopted.

OTHER SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

County Library - was used to account for the operation of a county-wide public library system which is now a district library.

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

MCF - is used to account for the construction of an expansion project at the Lapeer County Medical Care Facility.

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

Special Revenue Funds

	Special Revenue Funds				
	<u>Parks Department</u>	<u>Polly Ann Trail</u>	<u>Friend of the Court</u>	<u>Family Marriage Counseling</u>	<u>Personal Care Aide Program</u>
ASSETS					
Cash and cash equivalents	\$ 225	\$ -	\$ -	\$ 6,322	\$ 29
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	300	-	-	-
Due from other governmental units -					
Federal/State	-	6,648	295,753	-	7,035
Local	-	-	-	-	-
Due from other funds	15,000	-	-	-	-
Due from component units	-	-	-	-	-
Interfund receivables	-	-	-	8,108	-
Inventory	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 15,225</u>	<u>\$ 6,948</u>	<u>\$ 295,753</u>	<u>\$ 14,430</u>	<u>\$ 7,064</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 2,069	\$ -	\$ 7,425	\$ -	\$ 14
Accrued liabilities	8,219	-	28,180	-	6,787
Due to other governmental units -					
Federal/State	-	-	55,554	-	-
Local	-	-	-	-	-
Due to other funds	953	-	3,381	-	263
Interfund payables	1,414	6,694	133,212	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>12,655</u>	<u>6,694</u>	<u>227,752</u>	<u>-</u>	<u>7,064</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	2,570	254	68,001	14,430	-
Total Fund Balance	<u>2,570</u>	<u>254</u>	<u>68,001</u>	<u>14,430</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 15,225</u>	<u>\$ 6,948</u>	<u>\$ 295,753</u>	<u>\$ 14,430</u>	<u>\$ 7,064</u>

Special Revenue Funds

Animal Control	Emergency Disaster	Register of Deeds Automation	Budget Stabilization	Rental Property	Emergency Management	Community Grant
\$ 9,016	\$ 34,296	\$ 148,196	\$ 7,603	\$ 17,097	\$ 3,327	\$ 31,028
-	-	-	1,284,574	-	-	-
-	-	-	-	-	-	-
-	-	-	13,542	-	-	-
2,724	-	-	-	-	23,803	30,553
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	216,000	-	-	-
-	-	-	534,000	-	-	-
-	-	-	-	-	-	-
<u>\$ 11,740</u>	<u>\$ 34,296</u>	<u>\$ 148,196</u>	<u>\$ 2,055,719</u>	<u>\$ 17,097</u>	<u>\$ 27,130</u>	<u>\$ 61,581</u>
\$ 3,639	\$ -	\$ 15,287	\$ -	\$ 4,986	\$ 3,463	\$ 19,155
7,018	-	-	-	-	1,697	7,041
-	-	-	-	-	-	-
-	-	-	-	-	-	-
836	-	-	79,705	-	214	710
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>11,493</u>	<u>-</u>	<u>15,287</u>	<u>79,705</u>	<u>4,986</u>	<u>5,374</u>	<u>26,906</u>
-	-	-	-	-	-	-
247	34,296	132,909	1,976,014	12,111	21,756	34,675
<u>247</u>	<u>34,296</u>	<u>132,909</u>	<u>1,976,014</u>	<u>12,111</u>	<u>21,756</u>	<u>34,675</u>
<u>\$ 11,740</u>	<u>\$ 34,296</u>	<u>\$ 148,196</u>	<u>\$ 2,055,719</u>	<u>\$ 17,097</u>	<u>\$ 27,130</u>	<u>\$ 61,581</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Special Revenue Funds				
	Thumb Narcotics Unit	Police Service Contracts	Law Enforcement Program	Policing Contracts	Law Enforcement
ASSETS					
Cash and cash equivalents	\$ 145,191	\$ 40,728	\$ 36,595	\$ 9,518	\$ 6,249
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	26,718	-	10,090	-	40,538
Local	-	33,965	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Interfund receivables	-	-	-	-	48,435
Inventory	-	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 171,909</u>	<u>\$ 74,693</u>	<u>\$ 46,685</u>	<u>\$ 9,518</u>	<u>\$ 95,222</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ 2,554	\$ 6,573	\$ -	\$ -
Accrued liabilities	-	33,264	678	-	5,171
Due to other governmental units -					
Federal/State	-	-	48	-	5,447
Local	-	1,339	-	-	-
Due to other funds	-	3,789	35	-	619
Interfund payables	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>40,946</u>	<u>7,334</u>	<u>-</u>	<u>11,237</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	171,909	33,747	39,351	9,518	83,985
Total Fund Balance	<u>171,909</u>	<u>33,747</u>	<u>39,351</u>	<u>9,518</u>	<u>83,985</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	<u>\$ 171,909</u>	<u>\$ 74,693</u>	<u>\$ 46,685</u>	<u>\$ 9,518</u>	<u>\$ 95,222</u>

Special Revenue Funds

Law Enforcement Other	Juvenile Grant	Law Library	County Library	Senior Millage	D.O.S.A.	Lapeer Area Youth Coordinator
\$ -	\$ -	\$ 853	\$ 28,058	\$ -	\$ -	\$ 707
-	-	-	-	-	-	-
-	-	-	-	572,551	-	-
-	-	-	-	-	-	-
-	38,331	-	-	-	40,564	1,646
-	-	-	-	-	-	-
-	-	-	-	-	-	-
77,004	-	2,911	-	110,030	-	-
-	-	-	-	-	7,115	-
<u>\$ 77,004</u>	<u>\$ 38,331</u>	<u>\$ 3,764</u>	<u>\$ 28,058</u>	<u>\$ 682,581</u>	<u>\$ 47,679</u>	<u>\$ 2,353</u>
\$ 4,676	\$ -	\$ -	\$ -	\$ 735	\$ 12,033	\$ -
-	-	-	-	-	10,997	1,203
-	-	-	-	-	-	-
-	-	-	28,058	-	-	-
-	-	-	-	-	1,244	23
-	2,911	-	-	-	15,000	-
-	-	-	-	-	-	-
-	-	-	-	643,525	-	-
<u>4,676</u>	<u>2,911</u>	<u>-</u>	<u>28,058</u>	<u>644,260</u>	<u>39,274</u>	<u>1,226</u>
-	-	-	-	-	7,115	-
72,328	35,420	3,764	-	38,321	1,290	1,127
<u>72,328</u>	<u>35,420</u>	<u>3,764</u>	<u>-</u>	<u>38,321</u>	<u>8,405</u>	<u>1,127</u>
<u>\$ 77,004</u>	<u>\$ 38,331</u>	<u>\$ 3,764</u>	<u>\$ 28,058</u>	<u>\$ 682,581</u>	<u>\$ 47,679</u>	<u>\$ 2,353</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Special Revenue Funds				
	4-H Programs	Family Independence Agency	Child Care	Veterans' Trust	K.I.N.D.
ASSETS					
Cash and cash equivalents	\$ 1,789	\$ 55,531	\$ 42,654	\$ 1,647	\$ 77
Investments	-	-	-	-	-
Receivables -					
Current and delinquent property taxes	-	-	-	-	-
Accounts and interest	-	-	-	-	-
Due from other governmental units -					
Federal/State	-	19,076	96,595	-	-
Local	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from component units	-	-	-	-	-
Interfund receivables	-	-	-	-	-
Inventory	-	-	-	-	-
	<u>1,789</u>	<u>74,607</u>	<u>139,249</u>	<u>1,647</u>	<u>77</u>
Total Assets	<u>\$ 1,789</u>	<u>\$ 74,607</u>	<u>\$ 139,249</u>	<u>\$ 1,647</u>	<u>\$ 77</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 2,500	\$ 1,380	\$ -
Accrued liabilities	-	-	1,360	-	-
Due to other governmental units -					
Federal/State	-	36,000	27,544	-	-
Local	-	-	-	-	-
Due to other funds	-	-	168	-	-
Interfund payables	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>36,000</u>	<u>31,572</u>	<u>1,380</u>	<u>-</u>
Fund Balance:					
Reserved for:					
Inventory	-	-	-	-	-
Unreserved	1,789	38,607	107,677	267	77
Total Fund Balance	<u>1,789</u>	<u>38,607</u>	<u>107,677</u>	<u>267</u>	<u>77</u>
Total Liabilities and Fund Balance	<u>\$ 1,789</u>	<u>\$ 74,607</u>	<u>\$ 139,249</u>	<u>\$ 1,647</u>	<u>\$ 77</u>

Special Revenue Funds			Debt Service Fund	Capital Project Funds		
Multi Purpose Collaborative Body	Environmental/ Recycling	Community Development	Lapeer Mental Health	Jail	Capital Construction & Improvement	Medical Care Facility
\$ 50	\$ 3,866	\$ -	\$ 177,707	\$ -	\$ -	\$ (21,373)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
62,264	3,289	174,997	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	21,373
-	-	-	-	-	-	-
-	-	-	-	948,772	313,402	-
-	-	-	-	-	-	-
<u>\$ 62,314</u>	<u>\$ 7,155</u>	<u>\$ 174,997</u>	<u>\$ 177,707</u>	<u>\$ 948,772</u>	<u>\$ 313,402</u>	<u>\$ -</u>
\$ 684	\$ 2,423	\$ 300	\$ 16,665	\$ -	\$ 60,349	\$ -
11,363	-	3,148	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,383	-	330	-	-	15,835	-
33,435	-	86,388	-	-	-	-
10,000	-	-	-	-	-	-
-	-	-	22,914	-	-	-
<u>56,865</u>	<u>2,423</u>	<u>90,166</u>	<u>39,579</u>	<u>-</u>	<u>76,184</u>	<u>-</u>
-	-	-	-	-	-	-
5,449	4,732	84,831	138,128	948,772	237,218	-
<u>5,449</u>	<u>4,732</u>	<u>84,831</u>	<u>138,128</u>	<u>948,772</u>	<u>237,218</u>	<u>-</u>
<u>\$ 62,314</u>	<u>\$ 7,155</u>	<u>\$ 174,997</u>	<u>\$ 177,707</u>	<u>\$ 948,772</u>	<u>\$ 313,402</u>	<u>\$ -</u>

Continued

LAPEER COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	Capital Project Funds	
	Old Courthouse	Total
ASSETS		
Cash and cash equivalents	\$ 90,711	\$ 877,697
Investments	-	1,284,574
Receivables -		
Current and delinquent property taxes	-	572,551
Accounts and interest	-	13,842
Due from other governmental units -		
Federal/State	-	880,624
Local	-	33,965
Due from other funds	-	36,373
Due from component units	-	216,000
Interfund receivables	-	2,042,662
Inventory	-	7,115
	<u>\$ 90,711</u>	<u>\$ 5,965,403</u>
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$ -	\$ 166,910
Accrued liabilities	-	126,126
Due to other governmental units -		
Federal/State	-	124,593
Local	-	29,397
Due to other funds	-	109,488
Interfund payables	-	279,054
Advances from other funds	-	10,000
Deferred revenue	-	666,439
Total Liabilities	<u>-</u>	<u>1,512,007</u>
Fund Balance:		
Reserved for:		
Inventory	-	7,115
Unreserved	90,711	4,446,281
Total Fund Balance	<u>90,711</u>	<u>4,453,396</u>
Total Liabilities and Fund Balance	<u>\$ 90,711</u>	<u>\$ 5,965,403</u>

Concluded

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds				
	Parks Department	Polly Ann Trail	Friend of the Court	Family Marriage Counseling	Personal Care Aide Program
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	8,620	-
Intergovernmental -					
Federal/State	-	7,796	829,061	-	98,834
Local	-	-	-	-	-
Charges for services	155,016	-	88,467	-	-
Fines and forfeits	-	-	-	-	-
Rents and royalties	3,265	-	-	-	-
Interest	-	-	-	-	-
Other	898	300	5,180	-	7,603
Total Revenues	<u>159,179</u>	<u>8,096</u>	<u>922,708</u>	<u>8,620</u>	<u>106,437</u>
Expenditures:					
Current -					
Judicial	-	-	1,145,984	7,402	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	168,960
Recreation and Cultural	465,460	7,842	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>465,460</u>	<u>7,842</u>	<u>1,145,984</u>	<u>7,402</u>	<u>168,960</u>
Excess of revenues over (under) expenditures	<u>(306,281)</u>	<u>254</u>	<u>(223,276)</u>	<u>1,218</u>	<u>(62,523)</u>
Other Financing Sources (Uses):					
Proceeds of refunding bonds	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Transfers In	308,000	-	279,475	-	55,000
Transfers Out	-	-	(10,000)	-	-
Total Other Sources (Uses)	<u>308,000</u>	<u>-</u>	<u>269,475</u>	<u>-</u>	<u>55,000</u>
Net change in Fund Balances	1,719	254	46,199	1,218	(7,523)
Fund Balances at beginning of year	<u>851</u>	<u>-</u>	<u>21,802</u>	<u>13,212</u>	<u>7,523</u>
Fund Balances at end of year	<u>\$ 2,570</u>	<u>\$ 254</u>	<u>\$ 68,001</u>	<u>\$ 14,430</u>	<u>\$ -</u>

Special Revenue Funds

Animal Control	Emergency Disaster	Register of Deeds Automation	Budget Stabilization	Rental Property	Emergency Management	Community Grants
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
169,441	-	-	-	-	-	-
1,296	-	-	-	-	181,941	299,202
-	-	-	-	-	-	-
54,840	-	146,935	-	-	1,050	61,545
14,989	-	-	-	-	-	-
-	-	-	-	76,877	-	-
-	-	1,863	-	-	-	-
21,279	-	-	-	-	-	-
<u>261,845</u>	<u>-</u>	<u>148,798</u>	<u>-</u>	<u>76,877</u>	<u>182,991</u>	<u>360,747</u>
-	-	-	-	-	-	-
-	-	84,945	23,986	190,969	-	-
309,037	-	-	-	-	255,159	402,942
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>309,037</u>	<u>-</u>	<u>84,945</u>	<u>23,986</u>	<u>190,969</u>	<u>255,159</u>	<u>402,942</u>
(47,192)	-	63,853	(23,986)	(114,092)	(72,168)	(42,195)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
47,439	-	-	200,000	114,154	51,560	-
-	-	-	-	-	-	-
<u>47,439</u>	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>114,154</u>	<u>51,560</u>	<u>-</u>
247	-	63,853	176,014	62	(20,608)	(42,195)
-	34,296	69,056	1,800,000	12,049	42,364	76,870
<u>\$ 247</u>	<u>\$ 34,296</u>	<u>\$ 132,909</u>	<u>\$ 1,976,014</u>	<u>\$ 12,111</u>	<u>\$ 21,756</u>	<u>\$ 34,675</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds				
	Thumb Narcotics Unit	Police Service Contracts	Law Enforcement Programs	Policing Contracts	Law Enforcement
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	121,148	-	9,732	-	143,768
Local	-	-	-	-	1,260
Charges for services	-	837,532	21,736	-	12,071
Fines and forfeits	7,998	-	-	-	-
Rents and royalties	-	-	-	-	-
Interest	-	-	-	-	-
Other	23,646	-	13,154	-	7,144
Total Revenues	<u>152,792</u>	<u>837,532</u>	<u>44,622</u>	<u>-</u>	<u>164,243</u>
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	138,649	1,060,512	64,007	-	162,583
Public Works	-	-	-	-	-
Health and Welfare	-	-	-	-	-
Recreation and Cultural	-	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>138,649</u>	<u>1,060,512</u>	<u>64,007</u>	<u>-</u>	<u>162,583</u>
Excess of revenues over (under) expenditures	<u>14,143</u>	<u>(222,980)</u>	<u>(19,385)</u>	<u>-</u>	<u>1,660</u>
Other Financing Sources (Uses):					
Proceeds of refunding bonds	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Transfers In	-	249,446	4,994	-	10,506
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>249,446</u>	<u>4,994</u>	<u>-</u>	<u>10,506</u>
Net change in Fund Balances	14,143	26,466	(14,391)	-	12,166
Fund Balances at beginning of year	<u>157,766</u>	<u>7,281</u>	<u>53,742</u>	<u>9,518</u>	<u>71,819</u>
Fund Balances at end of year	<u>\$ 171,909</u>	<u>\$ 33,747</u>	<u>\$ 39,351</u>	<u>\$ 9,518</u>	<u>\$ 83,985</u>

Special Revenue Funds

Law Enforcement Other	Juvenile Grant	Law Library	County Library	Senior Millage	D.O.S.A.	Lapeer Area Youth Coordinator
\$ -	\$ -	\$ -	\$ -	\$ 303,337	\$ -	\$ -
-	-	-	-	-	-	-
-	159,608	-	-	-	276,038	34,154
-	-	-	-	-	-	-
-	3,981	-	-	-	60	-
28,293	-	6,500	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	25,836	-	-	-	44,349	-
<u>28,293</u>	<u>189,425</u>	<u>6,500</u>	<u>-</u>	<u>303,337</u>	<u>320,447</u>	<u>34,154</u>
-	-	11,704	-	-	-	-
-	-	-	-	-	-	-
37,559	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	572,535	-
-	-	-	-	-	-	-
-	206,744	-	-	12,750	-	36,915
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>37,559</u>	<u>206,744</u>	<u>11,704</u>	<u>-</u>	<u>12,750</u>	<u>572,535</u>	<u>36,915</u>
<u>(9,266)</u>	<u>(17,319)</u>	<u>(5,204)</u>	<u>-</u>	<u>290,587</u>	<u>(252,088)</u>	<u>(2,761)</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	5,668	4,500	-	-	253,195	3,888
-	-	-	-	(308,195)	-	-
<u>-</u>	<u>5,668</u>	<u>4,500</u>	<u>-</u>	<u>(308,195)</u>	<u>253,195</u>	<u>3,888</u>
<u>(9,266)</u>	<u>(11,651)</u>	<u>(704)</u>	<u>-</u>	<u>(17,608)</u>	<u>1,107</u>	<u>1,127</u>
<u>81,594</u>	<u>47,071</u>	<u>4,468</u>	<u>-</u>	<u>55,929</u>	<u>7,298</u>	<u>-</u>
<u>\$ 72,328</u>	<u>\$ 35,420</u>	<u>\$ 3,764</u>	<u>\$ -</u>	<u>\$ 38,321</u>	<u>\$ 8,405</u>	<u>\$ 1,127</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue Funds				
	4-H Programs	Family Independence Agency	Child Care	Veterans' Trust	K.I.N.D.
Revenues:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental -					
Federal/State	1,006	185,096	342,896	7,478	-
Local	-	-	-	-	-
Charges for services	-	-	206,104	-	-
Fines and forfeits	-	-	15,971	-	-
Rents and royalties	-	-	-	-	-
Interest	-	-	-	-	-
Other	6,519	26,428	-	-	-
Total Revenues	<u>7,525</u>	<u>211,524</u>	<u>564,971</u>	<u>7,478</u>	<u>-</u>
Expenditures:					
Current -					
Judicial	-	-	-	-	-
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	-	-	-	-	-
Health and Welfare	-	244,412	1,067,814	8,200	-
Recreation and Cultural	10,157	-	-	-	-
Other	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Debt Service					
Principal	-	-	-	-	-
Interest and charges	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	<u>10,157</u>	<u>244,412</u>	<u>1,067,814</u>	<u>8,200</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>(2,632)</u>	<u>(32,888)</u>	<u>(502,843)</u>	<u>(722)</u>	<u>-</u>
Other Financing Sources (Uses):					
Proceeds of refunding bonds	-	-	-	-	-
Premium on refunding bonds	-	-	-	-	-
Payment to refunding escrow agent	-	-	-	-	-
Transfers In	-	44,254	460,951	-	-
Transfers Out	-	-	-	-	-
Total Other Sources (Uses)	<u>-</u>	<u>44,254</u>	<u>460,951</u>	<u>-</u>	<u>-</u>
Net change in Fund Balances	<u>(2,632)</u>	<u>11,366</u>	<u>(41,892)</u>	<u>(722)</u>	<u>-</u>
Fund Balances at beginning of year	<u>4,421</u>	<u>27,241</u>	<u>149,569</u>	<u>989</u>	<u>77</u>
Fund Balances at end of year	<u>\$ 1,789</u>	<u>\$ 38,607</u>	<u>\$ 107,677</u>	<u>\$ 267</u>	<u>\$ 77</u>

Special Revenue Funds			Debt Service Fund	Capital Project Funds		
Multi Purpose Collaborative Body	Environmental/ Recycling	Community Development	Lapeer Mental Health	Jail	Capital Construction & Improvement	Medical Care Facility
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	78,220	-	-	-	-
210,179	7,825	371,781	-	-	-	-
-	-	-	-	-	-	-
29,078	90	87,073	-	-	-	-
-	-	-	-	-	-	-
-	-	-	207,623	-	-	-
-	-	-	1,307	-	-	-
71,451	-	-	-	-	-	-
<u>310,708</u>	<u>7,915</u>	<u>537,074</u>	<u>208,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	66,279	-	-	-	-
-	16,279	-	-	-	-	-
356,279	-	390,911	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	884,102	-
-	-	-	115,000	-	-	-
-	-	-	43,000	-	-	-
-	-	-	49,284	-	-	-
<u>356,279</u>	<u>16,279</u>	<u>457,190</u>	<u>207,284</u>	<u>-</u>	<u>884,102</u>	<u>-</u>
(45,571)	(8,364)	79,884	1,646	-	(884,102)	-
-	-	-	1,535,000	-	-	-
-	-	-	113,593	-	-	-
-	-	-	(1,599,309)	-	-	-
50,500	5,000	-	-	-	779,050	-
-	-	-	-	-	-	-
<u>50,500</u>	<u>5,000</u>	<u>-</u>	<u>49,284</u>	<u>-</u>	<u>779,050</u>	<u>-</u>
4,929	(3,364)	79,884	50,930	-	(105,052)	-
<u>520</u>	<u>8,096</u>	<u>4,947</u>	<u>87,198</u>	<u>948,772</u>	<u>342,270</u>	<u>-</u>
<u>\$ 5,449</u>	<u>\$ 4,732</u>	<u>\$ 84,831</u>	<u>\$ 138,128</u>	<u>\$ 948,772</u>	<u>\$ 237,218</u>	<u>\$ -</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Capital Project Funds	
	Old Courthouse	Total
Revenues:		
Taxes	\$ -	\$ 303,337
Licenses and permits	-	256,281
Intergovernmental -		
Federal/State	-	3,288,839
Local	-	1,260
Charges for services	-	1,705,578
Fines and forfeits	-	73,751
Rents and royalties	-	287,765
Interest	-	3,170
Other	51,953	305,740
Total Revenues	51,953	6,225,721
Expenditures:		
Current -		
Judicial	-	1,165,090
General Government	-	299,900
Public Safety	-	2,496,727
Public Works	-	16,279
Health and Welfare	-	2,809,111
Recreation and Cultural	-	483,459
Other	-	256,409
Capital Outlay	45,128	929,230
Debt Service		
Principal	-	115,000
Interest and charges	-	43,000
Bond issuance costs	-	49,284
Total Expenditures	45,128	8,663,489
Excess of revenues over (under) expenditures	6,825	(2,437,768)
Other Financing Sources (Uses):		
Proceeds of refunding bonds	-	1,535,000
Premium on refunding bonds	-	113,593
Payment to refunding escrow agent	-	(1,599,309)
Transfers In	10,000	2,937,580
Transfers Out	-	(318,195)
Total Other Sources (Uses)	10,000	2,668,669
Net change in Fund Balances	16,825	230,901
Fund Balances at beginning of year	73,886	4,222,495
Fund Balances at end of year	\$ 90,711	\$ 4,453,396

Concluded

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
PARKS DEPARTMENT			
Revenues:			
Charges for services	\$ 155,131	\$ 155,016	\$(115)
Rents and royalties	3,300	3,265	(35)
Other	651	898	247
Total Revenues	159,082	159,179	97
Expenditures:			
Recreation and cultural	452,082	465,460	(13,378)
Excess of revenues under expenditures	(293,000)	(306,281)	(13,281)
Other Financing Sources:			
Transfers in	293,000	308,000	15,000
Net change in fund balance	-	1,719	1,719
Fund Balance at beginning of year	-	851	851
Fund Balance at end of year	\$ -	\$ 2,570	\$ 2,570

POLLY ANN TRAIL

Revenues:			
Intergovernmental -			
Federal/State	\$ 10,000	\$ 7,796	\$(2,204)
Other	-	300	300
Total Revenues	10,000	8,096	(1,904)
Expenditures:			
Recreation and cultural	10,000	7,842	2,158
Excess of revenues over expenditures	-	254	254
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ 254	\$ 254

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
FRIEND OF THE COURT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 745,062	\$ 829,061	\$ 83,999
Charges for services	63,400	88,467	25,067
Other	123,594	5,180	(118,414)
Total Revenues	932,056	922,708	(9,348)
Expenditures:			
Judicial	1,216,218	1,145,984	70,234
Excess of revenues under expenditures	(284,162)	(223,276)	60,886
Other Financing Sources (Uses):			
Transfers in	269,475	279,475	10,000
Transfers out	-	(10,000)	(10,000)
Total Other Sources (Uses)	269,475	269,475	-
Net change in Fund Balance	(14,687)	46,199	60,886
Fund Balance at beginning of year	14,687	21,802	7,115
Fund Balance at end of year	\$ -	\$ 68,001	\$ 68,001

FAMILY MARRIAGE COUNSELING

Revenues:			
Licenses and permits	\$ 9,500	\$ 8,620	\$(880)
Expenditures:			
Judicial	9,500	7,402	2,098
Excess of revenues over expenditures	-	1,218	1,218
Fund Balance at beginning of year	-	13,212	13,212
Fund Balance at end of year	\$ -	\$ 14,430	\$ 14,430

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
PERSONAL CARE AIDE PROGRAM			
Revenues:			
Intergovernmental -			
Federal/State	\$ 99,354	\$ 98,834	\$(520)
Other	11,500	7,603	(3,897)
Total Revenues	110,854	106,437	(4,417)
Expenditures:			
Health and welfare	172,615	168,960	3,655
Excess of revenues under expenditures	(61,761)	(62,523)	(762)
Other Financing Sources:			
Transfers in	55,000	55,000	-
Net change in Fund Balance	(6,761)	(7,523)	(762)
Fund Balance at beginning of year	6,761	7,523	762
Fund Balance at end of year	\$ -	\$ -	\$ -

ANIMAL CONTROL

Revenues:			
Licenses and permits	\$ 188,768	\$ 169,441	\$(19,327)
Intergovernmental -			
Federal/State	1,100	1,296	196
Charges for services	55,100	54,840	(260)
Fines and forfeits	22,000	14,989	(7,011)
Other	3,000	21,279	18,279
Total Revenues	269,968	261,845	(8,123)
Expenditures:			
Public safety	317,407	309,037	8,370
Excess of revenues under expenditures	(47,439)	(47,192)	247
Other Financing Sources:			
Transfers in	47,439	47,439	-
Net change in Fund Balance	-	247	247
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ 247	\$ 247

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
EMERGENCY DISASTER			
Fund Balance at beginning of year	\$ 34,296	\$ 34,296	\$ -
Fund Balance at end of year	<u>\$ 34,296</u>	<u>\$ 34,296</u>	<u>\$ -</u>

REGISTER OF DEEDS AUTOMATION

Revenues:			
Charges for services	\$ 202,725	\$ 146,935	\$(55,790)
Interest	275	1,863	1,588
Total Revenues	<u>203,000</u>	<u>148,798</u>	<u>(54,202)</u>
Expenditures:			
General Government	<u>203,000</u>	<u>84,945</u>	<u>118,055</u>
Excess of revenues over expenditures	-	63,853	63,853
Fund Balance at beginning of year	<u>-</u>	<u>69,056</u>	<u>69,056</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 132,909</u>	<u>\$ 132,909</u>

BUDGET STABILIZATION

Expenditures:			
General Government	\$ 200,000	\$ 23,986	\$ 176,014
Other Financing Sources:			
Transfer In	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net change in Fund Balance	-	176,014	176,014
Fund Balance at beginning of year	<u>-</u>	<u>1,800,000</u>	<u>1,800,000</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 1,976,014</u>	<u>\$ 1,976,014</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
RENTAL PROPERTY			
Revenues:			
Rents and royalties	\$ 75,656	\$ 76,877	\$ 1,221
Expenditures:			
General Government	<u>75,656</u>	<u>190,969</u>	<u>(115,313)</u>
Excess of revenues under expenditures	-	(114,092)	(114,092)
Other Financing Sources:			
Transfers In	<u>-</u>	<u>114,154</u>	<u>114,154</u>
Net change in Fund Balance	-	62	62
Fund Balance at beginning of year	<u>-</u>	<u>12,049</u>	<u>12,049</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 12,111</u></u>	<u><u>\$ 12,111</u></u>

EMERGENCY MANAGEMENT

Revenues:			
Intergovernmental - Federal/State	\$ 252,260	\$ 181,941	\$(70,319)
Charges for services	-	1,050	1,050
	<u>252,260</u>	<u>182,991</u>	<u>(69,269)</u>
Expenditures:			
Public safety	<u>283,821</u>	<u>255,159</u>	<u>28,662</u>
Excess of revenues under expenditures	(31,561)	(72,168)	(40,607)
Other Financing Sources:			
Transfers in	<u>31,561</u>	<u>51,560</u>	<u>19,999</u>
Net change in Fund Balance	-	(20,608)	(20,608)
Fund Balance at beginning of year	<u>-</u>	<u>42,364</u>	<u>42,364</u>
Fund Balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ 21,756</u></u>	<u><u>\$ 21,756</u></u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COMMUNITY GRANTS			
Revenues:			
Intergovernmental -			
Federal/State	\$ 482,807	\$ 299,202	\$(183,605)
Charges for services	<u>91,563</u>	<u>61,545</u>	<u>(30,018)</u>
Total Revenues	574,370	360,747	(213,623)
Expenditures:			
Public safety	<u>642,158</u>	<u>402,942</u>	<u>239,216</u>
Excess of revenues under expenditures	(67,788)	(42,195)	25,593
Fund Balance at beginning of year	<u>67,788</u>	<u>76,870</u>	<u>9,082</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 34,675</u>	<u>\$ 34,675</u>

THUMB NARCOTICS UNIT

Revenues:			
Intergovernmental -			
Federal/State	\$ -	\$ 121,148	\$ 121,148
Fines and forfeitures	-	7,998	7,998
Other	-	23,646	23,646
Total Revenues	<u>-</u>	<u>152,792</u>	<u>152,792</u>
Expenditures:			
Public safety	<u>-</u>	<u>138,649</u>	<u>(138,649)</u>
Excess of revenues over expenditures	-	14,143	14,143
Fund Balance at beginning of year	<u>-</u>	<u>157,766</u>	<u>157,766</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 171,909</u>	<u>\$ 171,909</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
POLICE SERVICE CONTRACTS			
Revenues:			
Charges for services	\$ 861,222	\$ 837,532	\$(23,690)
Expenditures:			
Public safety	<u>1,127,977</u>	<u>1,060,512</u>	<u>67,465</u>
Excess of revenues under expenditures	(266,755)	(222,980)	43,775
Other Financing Sources:			
Transfers in	<u>266,755</u>	<u>249,446</u>	<u>(17,309)</u>
Net change in Fund Balance	-	26,466	26,466
Fund Balance at beginning of year	<u>-</u>	<u>7,281</u>	<u>7,281</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 33,747</u>	<u>\$ 33,747</u>

LAW ENFORCEMENT PROGRAMS

Revenues:			
Intergovernmental -			
Federal/State	\$ 15,475	\$ 9,732	\$(5,743)
Charges for services	10,000	21,736	11,736
Other	<u>25,000</u>	<u>13,154</u>	<u>(11,846)</u>
Total Revenues	50,475	44,622	(5,853)
Expenditures:			
Public safety	<u>55,632</u>	<u>64,007</u>	<u>(8,375)</u>
Excess of revenues under expenditures	(5,157)	(19,385)	(14,228)
Other Financing Sources:			
Transfers in	<u>5,157</u>	<u>4,994</u>	<u>(163)</u>
Net change in Fund Balance	-	(14,391)	(14,391)
Fund Balance at beginning of year	<u>-</u>	<u>53,742</u>	<u>53,742</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 39,351</u>	<u>\$ 39,351</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
POLICING CONTRACTS			
Fund Balance at beginning of year	\$ -	\$ 9,518	\$ 9,518
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 9,518</u>	<u>\$ 9,518</u>

LAW ENFORCEMENT

Revenues:

Intergovernmental -			
Federal/State	\$ 144,708	\$ 143,768	\$(940)
Local	3,000	1,260	(1,740)
Charges for services	-	12,071	12,071
Other	13,668	7,144	(6,524)
Total Revenues	<u>161,376</u>	<u>164,243</u>	<u>2,867</u>

Expenditures:

Public safety	<u>172,616</u>	<u>162,583</u>	<u>10,033</u>
Excess of revenues over (under) expenditures	(11,240)	1,660	12,900

Other Financing Sources:

Transfers in	<u>11,240</u>	<u>10,506</u>	<u>(734)</u>
Net change in Fund Balance	-	12,166	12,166
Fund Balance at beginning of year	<u>-</u>	<u>71,819</u>	<u>71,819</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 83,985</u>	<u>\$ 83,985</u>

LAW ENFORCEMENT - OTHER

Revenues:

Fines and forfeits	\$ 39,708	\$ 28,293	\$(11,415)
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Expenditures:

Public safety	<u>39,708</u>	<u>37,559</u>	<u>2,149</u>
Excess of revenues under expenditures	-	(9,266)	(9,266)
Fund Balance at beginning of year	<u>-</u>	<u>81,594</u>	<u>81,594</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 72,328</u>	<u>\$ 72,328</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
JUVENILE GRANT			
Revenues:			
Intergovernmental -			
Federal/State	\$ 239,033	\$ 159,608	\$(79,425)
Charges for Services	-	3,981	3,981
Other	32,774	25,836	(6,938)
Total Revenues	271,807	189,425	(82,382)
Expenditures:			
Other	313,233	206,744	106,489
Excess of revenues under expenditures	(41,426)	(17,319)	24,107
Other Financing Sources:			
Transfers in	41,426	5,668	(35,758)
Net change in Fund Balance	-	(11,651)	(11,651)
Fund Balance at beginning of year	-	47,071	47,071
Fund Balance at end of year	\$ -	\$ 35,420	\$ 35,420

LAW LIBRARY

Revenues:			
Fines and forfeits	\$ 6,500	\$ 6,500	\$ -
Expenditures:			
Judicial	11,000	11,704	(704)
Excess of revenues under expenditures	(4,500)	(5,204)	(704)
Other Financing Sources:			
Transfers in	4,500	4,500	-
Net change in Fund Balance	-	(704)	(704)
Fund Balance at beginning of year	-	4,468	4,468
Fund Balance at end of year	\$ -	\$ 3,764	\$ 3,764

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
COUNTY LIBRARY			
Fund Balance at beginning of year	\$ -	\$ -	\$ -
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
SENIOR MILLAGE			
Revenues:			
Taxes	\$ 301,462	\$ 303,337	\$ 1,875
Expenditures:			
Other	<u>13,448</u>	<u>12,750</u>	<u>698</u>
Excess of revenues over expenditures	288,014	290,587	2,573
Other Financing Uses:			
Transfers out	<u>(288,014)</u>	<u>(308,195)</u>	<u>(20,181)</u>
Net change in Fund Balance	-	(17,608)	(17,608)
Fund Balance at beginning of year	<u>-</u>	<u>55,929</u>	<u>55,929</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 38,321</u>	<u>\$ 38,321</u>
D.O.S.A.			
Revenues:			
Taxes	\$ 274	\$ -	\$(274)
Intergovernmental - Federal/State	260,618	276,038	15,420
Charges for services	4,289	60	(4,229)
Other	<u>75,699</u>	<u>44,349</u>	<u>(31,350)</u>
Total Revenues	340,880	320,447	(20,433)
Expenditures:			
Health and welfare	<u>573,894</u>	<u>572,535</u>	<u>1,359</u>
Excess of revenues under expenditures	(233,014)	(252,088)	(19,074)
Other Financing Sources:			
Transfers in	<u>233,014</u>	<u>253,195</u>	<u>20,181</u>
Net change in Fund Balance	-	1,107	1,107
Fund Balance at beginning of year	<u>-</u>	<u>7,298</u>	<u>7,298</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 8,405</u>	<u>\$ 8,405</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
LAPEER AREA YOUTH COORDINATOR			
Revenues:			
Intergovernmental - Federal/State	\$ 33,965	\$ 34,154	\$ 189
Expenditures:			
Other	<u>37,853</u>	<u>36,915</u>	<u>938</u>
Excess of revenues under expenditures	(3,888)	(2,761)	1,127
Other Financing Sources:			
Transfers in	<u>3,888</u>	<u>3,888</u>	<u>-</u>
Net change in Fund Balance	-	1,127	1,127
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 1,127</u>	<u>\$ 1,127</u>

4-H PROGRAMS

Revenues:			
Intergovernmental - Federal/State	\$ 5,061	\$ 1,006	\$(4,055)
Other	9,964	6,519	(3,445)
Total Revenues	<u>15,025</u>	<u>7,525</u>	<u>(7,500)</u>
Expenditures:			
Recreation and cultural	<u>15,025</u>	<u>10,157</u>	<u>4,868</u>
Excess of revenues under expenditures	-	(2,632)	(2,632)
Fund Balance at beginning of year	<u>-</u>	<u>4,421</u>	<u>4,421</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 1,789</u>	<u>\$ 1,789</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
FAMILY INDEPENDENCE AGENCY			
Revenues:			
Intergovernmental -			
Federal/State	\$ -	\$ 185,096	\$ 185,096
Other	-	26,428	26,428
Total Revenues	-	211,524	211,524
Expenditures:			
Health and welfare	59,550	244,412	(184,862)
Excess of revenues under expenditures	(59,550)	(32,888)	26,662
Other Financing Sources:			
Transfers in	59,550	44,254	(15,296)
Net change in Fund Balance	-	11,366	11,366
Fund Balance at beginning of year	-	27,241	27,241
Fund Balance at end of year	\$ -	\$ 38,607	\$ 38,607

CHILD CARE

Revenues:			
Intergovernmental -			
Federal/State	\$ 605,892	\$ 342,896	\$(262,996)
Charges for services	211,000	206,104	(4,896)
Fines and forfeits	1,500	15,971	14,471
Total Revenues	818,392	564,971	(253,421)
Expenditures:			
Health and welfare	1,556,535	1,067,814	488,721
Excess of revenues under expenditures	(738,143)	(502,843)	235,300
Other Financing Sources:			
Transfers in	738,143	460,951	(277,192)
Net change in Fund Balance	-	(41,892)	(41,892)
Fund Balance at beginning of year	-	149,569	149,569
Fund Balance at end of year	\$ -	\$ 107,677	\$ 107,677

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
VETERANS' TRUST			
Revenues:			
Intergovernmental - Federal/State	\$ 4,364	\$ 7,478	\$ 3,114
Expenditures:			
Health and welfare	<u>4,364</u>	<u>8,200</u>	<u>(3,836)</u>
Excess of revenues under expenditures	-	(722)	(722)
Fund Balance at beginning of year	<u>-</u>	<u>989</u>	<u>989</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 267</u>	<u>\$ 267</u>
K.I.N.D.			
Fund Balance at beginning of year	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ 77</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 77</u>	<u>\$ 77</u>
MULTI PURPOSE COLLABORATIVE BODY			
Revenues:			
Intergovernmental - Federal/State	\$ 213,615	\$ 210,179	\$(3,436)
Charges for services	57,756	29,078	(28,678)
Other	<u>66,930</u>	<u>71,451</u>	<u>4,521</u>
Total Revenues	338,301	310,708	(27,593)
Expenditures:			
Health and welfare	<u>384,059</u>	<u>356,279</u>	<u>27,780</u>
Excess of revenues under expenditures	(45,758)	(45,571)	187
Other Financing Sources:			
Transfers in	<u>20,500</u>	<u>50,500</u>	<u>30,000</u>
Net change in Fund Balance	(25,258)	4,929	30,187
Fund Balance at beginning of year	<u>25,258</u>	<u>520</u>	<u>(24,738)</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ 5,449</u>	<u>\$ 5,449</u>

Continued

LAPEER COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Amended Budget	Actual	Variance Positive (Negative)
ENVIRONMENTAL/RECYCLING			
Revenues:			
Intergovernmental -			
Federal/State	\$ 22,500	\$ 7,825	\$(14,675)
Charges for services	-	90	90
Total Revenues	22,500	7,915	(14,585)
Expenditures:			
Public works	27,500	16,279	11,221
Excess of revenues under expenditures	(5,000)	(8,364)	(3,364)
Other Financing Sources:			
Transfers in	5,000	5,000	-
Net change in Fund Balance	-	(3,364)	(3,364)
Fund Balance at beginning of year	-	8,096	8,096
Fund Balance at end of year	\$ -	\$ 4,732	\$ 4,732

COMMUNITY DEVELOPMENT

Revenues:			
Licenses and permits	\$ 73,000	\$ 78,220	\$ 5,220
Intergovernmental -			
Federal/State	225,000	371,781	146,781
Charges for services	43,460	87,073	43,613
Total Revenues	341,460	537,074	195,614
Expenditures:			
Public Safety	67,821	66,279	1,542
Health and welfare	289,172	390,911	(101,739)
Total Expenditures	356,993	457,190	(100,197)
Excess of revenues over (under) expenditures	(15,533)	79,884	95,417
Other Financing Uses:			
Transfers out	(13,085)	-	13,085
Net change in Fund Balance	(28,618)	79,884	108,502
Fund Balance at beginning of year	28,618	4,947	(23,671)
Fund Balance at end of year	\$ -	\$ 84,831	\$ 84,831

Concluded

INTERNAL SERVICE FUNDS

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2004**

ASSETS	Health Insurance	Unemployment Insurance	Workers' Compensation	Centralized Purchasing
Current Assets:				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 10,009
Cash on deposit with agent	-	-	6,000	-
Receivables -				
Accrued interest and other	-	6	60	-
Due from other funds	-	522	10,468	-
Interfund receivables	538,585	188,234	855,159	-
Prepaid expenses	294,268	-	-	-
Total Current Assets	832,853	188,762	871,687	10,009
Noncurrent Assets:				
Property, Plant, and Equipment net of accumulated depreciation	-	-	-	-
Total Assets	\$ 832,853	\$ 188,762	\$ 871,687	\$ 10,009
LIABILITIES AND NET ASSETS				
Current Liabilities:				
Accounts payable	\$ -	\$ -	\$ 24,468	\$ -
Current portion of claims liabilities	-	-	12,300	-
Deferred revenue	-	-	-	-
Total Current Liabilities	-	-	36,768	-
Long-Term Liabilities:				
Accrued claims liabilities	-	-	56,700	-
Advances from other funds	-	-	-	4,000
Total Long-Term Liabilities	-	-	56,700	4,000
Total Liabilities	-	-	93,468	4,000
Net Assets				
Invested in Capital Assets, net of related liabilities	-	-	-	-
Unrestricted	832,853	188,762	778,219	6,009
Total Net Assets	832,853	188,762	778,219	6,009
Total Liabilities and Net Assets	\$ 832,853	\$ 188,762	\$ 871,687	\$ 10,009

CMH		
<u>Equipment Acquisition & Replacement</u>	<u>Equipment Acquisition & Replacement</u>	<u>Total</u>
\$ 15,383	\$ 20	\$ 25,412
-	-	6,000
-	-	66
-	15,835	26,825
-	533,287	2,115,265
-	-	294,268
<u>15,383</u>	<u>549,142</u>	<u>2,467,836</u>
<u>443,156</u>	<u>2,809,037</u>	<u>3,252,193</u>
<u>\$ 458,539</u>	<u>\$ 3,358,179</u>	<u>\$ 5,720,029</u>

\$ 2,400	\$ 40,820	\$ 67,688
-	-	12,300
-	215,893	215,893
<u>2,400</u>	<u>256,713</u>	<u>295,881</u>
-	-	56,700
-	104,000	108,000
-	104,000	164,700
<u>2,400</u>	<u>360,713</u>	<u>460,581</u>
<u>443,156</u>	<u>2,809,037</u>	<u>3,252,193</u>
<u>12,983</u>	<u>188,429</u>	<u>2,007,255</u>
<u>456,139</u>	<u>2,997,466</u>	<u>5,259,448</u>
<u>\$ 458,539</u>	<u>\$ 3,358,179</u>	<u>\$ 5,720,029</u>

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Health Insurance</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Centralized Purchasing</u>
Operating Revenues:				
Charges for services	\$ 2,337,898	\$ 4,806	\$(134,232)	\$ -
Operating Expenses:				
Administrative and operating	-	-	-	-
Insurance and claims	2,822,509	38,334	90,332	-
Depreciation	-	-	-	-
Total Operating Expenses	<u>2,822,509</u>	<u>38,334</u>	<u>90,332</u>	<u>-</u>
Operating Gain (Loss)	<u>(484,611)</u>	<u>(33,528)</u>	<u>(224,564)</u>	<u>-</u>
Transfers:				
Transfers In	-	-	-	-
Transfers Out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	(484,611)	(33,528)	(224,564)	-
Net Assets at beginning of year	<u>1,317,464</u>	<u>222,290</u>	<u>1,002,783</u>	<u>6,009</u>
Net Assets at end of year	<u>\$ 832,853</u>	<u>\$ 188,762</u>	<u>\$ 778,219</u>	<u>\$ 6,009</u>

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	<u>Total</u>
\$ -	\$ 347,961	\$ 2,556,433
-	359,530	359,530
-	-	2,951,175
43,510	478,201	521,711
<u>43,510</u>	<u>837,731</u>	<u>3,832,416</u>
<u>(43,510)</u>	<u>(489,770)</u>	<u>(1,275,983)</u>
499,649	150,950	650,599
-	(499,649)	(499,649)
<u>499,649</u>	<u>(348,699)</u>	<u>150,950</u>
456,139	(838,469)	(1,125,033)
<u>-</u>	<u>3,835,935</u>	<u>6,384,481</u>
<u>\$ 456,139</u>	<u>\$ 2,997,466</u>	<u>\$ 5,259,448</u>

LAPEER COUNTY, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004

	<u>Health Insurance</u>	<u>Unemployment Insurance</u>	<u>Workers' Compensation</u>	<u>Centralized Purchasing</u>
Cash Flows From Operating Activities:				
Receipts for services	\$ 2,337,898	\$ 4,806	\$(134,232)	\$ -
Payments to suppliers	(3,026,777)	(38,334)	(65,864)	-
Other cash receipts (payments)	-	(144)	(2,910)	-
Net Cash Used By Operating Activities	<u>(688,879)</u>	<u>(33,672)</u>	<u>(203,006)</u>	<u>-</u>
Cash Flows From Noncapital Financing Activities:				
Negative cash subsidy	-	(188,234)	-	-
Decrease in cash subsidy	688,879	-	203,006	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Cash Provided (Used) By Non-capital Financing Activities	<u>688,879</u>	<u>(188,234)</u>	<u>203,006</u>	<u>-</u>
Cash Flows From Capital and Related Financing Activities:				
Acquisition and disposal of fixed assets	-	-	-	-
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	(221,906)	-	-
Cash and Cash Equivalents at beginning of year	-	221,906	-	10,009
Cash and Cash Equivalents at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,009</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities:				
Operating Loss	\$(484,611)	\$(33,528)	\$(224,564)	\$ -
Adjustments to reconcile operating loss to net cash used by operating activities:				
Depreciation	-	-	-	-
Change in assets and liabilities				
Due from other funds	-	(144)	(2,910)	-
Prepaid expenses	(204,268)	-	-	-
Accounts payable	-	-	24,468	-
Deferred Revenue	-	-	-	-
Net Cash Used by Operating Activities	<u>\$(688,879)</u>	<u>\$(33,672)</u>	<u>\$(203,006)</u>	<u>\$ -</u>

CMH Equipment Acquisition & Replacement	Equipment Acquisition & Replacement	Total
\$ -	\$ 347,961	\$ 2,556,433
2,400	(329,390)	(3,457,965)
-	-	(3,054)
<u>2,400</u>	<u>18,571</u>	<u>(904,586)</u>
-	-	(188,234)
-	144,146	1,036,031
499,649	150,950	650,599
-	(499,649)	(499,649)
<u>499,649</u>	<u>(204,553)</u>	<u>998,747</u>
(486,666)	185,982	(300,684)
<u>(486,666)</u>	<u>185,982</u>	<u>(300,684)</u>
15,383	-	(206,523)
-	20	231,935
<u>\$ 15,383</u>	<u>\$ 20</u>	<u>\$ 25,412</u>
\$(43,510)	\$(489,770)	\$(1,275,983)
43,510	478,201	521,711
-	-	(3,054)
-	-	(204,268)
2,400	30,141	57,009
-	(1)	(1)
<u>\$ 2,400</u>	<u>\$ 18,571</u>	<u>\$(904,586)</u>

FIDUCIARY FUNDS

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
DECEMBER 31, 2004**

	Pension	Public Employee Health Care	Total
Assets:			
Cash and cash equivalents	\$ 1,295,308	\$ 795,150	\$ 2,090,458
Due from other funds	53,311	706,230	759,541
Total Assets	1,348,619	1,501,380	2,849,999
 Liabilities:			
Accounts payable	139,343	-	139,343
Net Assets held in trust for pension and health care benefits	\$ 1,209,276	\$ 1,501,380	\$ 2,710,656

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN
PENSION AND OTHER EMPLOYEE BENEFIT TRUST FUNDS
FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Pension	Public Employee Health Care	Total
Additions:			
Contributions - employer	\$ 1,678,103	\$ 1,354,853	\$ 3,032,956
Deductions:			
Transfer to administrative agent	2,278,731	227,901	2,506,632
Net additions (deductions) to net assets held in trust	(600,628)	1,126,952	526,324
Net assets held in trust at beginning of year	1,809,904	374,428	2,184,332
Net assets held in trust at end of year	\$ 1,209,276	\$ 1,501,380	\$ 2,710,656

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2004**

	Agency Funds				Total
	General Agency	Library Penal Fines	District Court	Common Banking	
ASSETS					
Cash and cash equivalents	\$ 2,541,799	\$ 34,282	\$ 15,579	\$ 68,465	\$ 2,660,125
Receivables	5,432	-	6,538	38,282	50,252
Total Assets	\$ 2,547,231	\$ 34,282	\$ 22,117	\$ 106,747	\$ 2,710,377
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$(450)	\$ -	\$ -	\$ -	\$(450)
Due to other governmental units	1,851,771	-	(43,676)	59,534	1,867,629
Due to individuals and agencies	695,910	34,282	65,793	47,213	843,198
Total Liabilities	\$ 2,547,231	\$ 34,282	\$ 22,117	\$ 106,747	\$ 2,710,377

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ALL AGENCY FUNDS				
Assets:				
Cash and cash equivalents	\$ 2,376,357	\$ 90,251,812	\$ 89,968,044	\$ 2,660,125
Receivables	<u>50,252</u>	<u>-</u>	<u>-</u>	<u>50,252</u>
Total Assets	<u><u>\$ 2,426,609</u></u>	<u><u>\$ 90,251,812</u></u>	<u><u>\$ 89,968,044</u></u>	<u><u>\$ 2,710,377</u></u>
Liabilities:				
Accounts payable	\$ -	\$ 29,733,488	\$ 29,733,938	\$ (450)
Due to other governmental units	1,787,836	35,634,114	35,554,321	1,867,629
Due to individuals and agencies	<u>638,773</u>	<u>5,245,511</u>	<u>5,041,086</u>	<u>843,198</u>
Total Liabilities	<u><u>\$ 2,426,609</u></u>	<u><u>\$ 70,613,113</u></u>	<u><u>\$ 70,329,345</u></u>	<u><u>\$ 2,710,377</u></u>
GENERAL AGENCY FUND				
Assets:				
Cash and cash equivalents	\$ 2,151,663	\$ 58,848,133	\$ 58,457,997	\$ 2,541,799
Receivables	<u>5,432</u>	<u>-</u>	<u>-</u>	<u>5,432</u>
Total Assets	<u><u>\$ 2,157,095</u></u>	<u><u>\$ 58,848,133</u></u>	<u><u>\$ 58,457,997</u></u>	<u><u>\$ 2,547,231</u></u>
Liabilities:				
Accounts Payable	\$ -	\$ 29,065,122	\$ 29,065,572	\$ (450)
Due to other governmental units	1,680,804	26,872,889	26,701,922	1,851,771
Due to individuals and agencies	<u>476,291</u>	<u>2,812,588</u>	<u>2,592,969</u>	<u>695,910</u>
Total Liabilities	<u><u>\$ 2,157,095</u></u>	<u><u>\$ 58,750,599</u></u>	<u><u>\$ 58,360,463</u></u>	<u><u>\$ 2,547,231</u></u>
LIBRARY PENAL FINES				
Assets:				
Cash and cash equivalents	<u>\$ 29,756</u>	<u>\$ 421,186</u>	<u>\$ 416,660</u>	<u>\$ 34,282</u>
Liabilities:				
Due to -				
Individuals and agencies	<u>\$ 29,756</u>	<u>\$ 830,422</u>	<u>\$ 825,896</u>	<u>\$ 34,282</u>

Continued

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Balance January 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2004</u>
DISTRICT COURT				
Assets:				
Cash and cash equivalents	\$ 102,899	\$ 2,669,130	\$ 2,756,450	\$ 15,579
Receivables	<u>6,538</u>	<u>-</u>	<u>-</u>	<u>6,538</u>
Total assets	<u>\$ 109,437</u>	<u>\$ 2,669,130</u>	<u>\$ 2,756,450</u>	<u>\$ 22,117</u>
Liabilities:				
Due to other governmental units	\$ 23,924	\$ 3,638,207	\$ 3,705,807	\$(43,676)
Due to individuals and agencies	<u>85,513</u>	<u>370,676</u>	<u>390,396</u>	<u>65,793</u>
	<u>\$ 109,437</u>	<u>\$ 4,008,883</u>	<u>\$ 4,096,203</u>	<u>\$ 22,117</u>
COMMON BANKING				
Assets:				
Cash and cash equivalents	\$ 92,039	\$ 28,313,363	\$ 28,336,937	\$ 68,465
Receivables	<u>38,282</u>	<u>-</u>	<u>-</u>	<u>38,282</u>
Total assets	<u>\$ 130,321</u>	<u>\$ 28,313,363</u>	<u>\$ 28,336,937</u>	<u>\$ 106,747</u>
Liabilities:				
Accounts payable	\$ -	\$ 668,366	\$ 668,366	\$ -
Due to other governmental units	83,108	5,123,018	5,146,592	59,534
Due to individuals and agencies	<u>47,213</u>	<u>1,231,825</u>	<u>1,231,825</u>	<u>47,213</u>
	<u>\$ 130,321</u>	<u>\$ 7,023,209</u>	<u>\$ 7,046,783</u>	<u>\$ 106,747</u>

Concluded

**CAPITAL ASSETS USED IN THE OPERATION OF
GOVERNMENTAL FUNDS**

LAPEER COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Adjusted Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
General County:				
Land	\$ 256,170	\$ -	\$ -	\$ 256,170
Land improvements	1,674,899	-	-	1,674,899
Buildings	20,059,214	11,397	-	20,070,611
Equipment	5,719,413	142,939	-	5,862,352
Vehicles	317,281	-	-	317,281
	<u>28,026,977</u>	<u>154,336</u>	<u>-</u>	<u>28,181,313</u>
Less - accumulated depreciation	<u>(10,523,214)</u>	<u>(1,257,693)</u>	<u>-</u>	<u>(11,780,907)</u>
	17,503,763	(1,103,357)	-	16,400,406
Construction in progress	<u>693,904</u>	<u>819,756</u>	<u>-</u>	<u>1,513,660</u>
Net Total Investment in General Fixed Assets	<u>\$ 18,197,667</u>	<u>\$(283,601)</u>	<u>\$ -</u>	<u>\$ 17,914,066</u>

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

LAPEER COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CAPITAL ASSETS BY FUNCTION AND ACTIVITY
DECEMBER 31, 2004**

	<u>Total</u>	<u>Land and Improvements</u>	<u>Buildings</u>	<u>Equipment</u>	<u>Vehicles</u>
General Government:					
Legislative	\$ 315,088	\$ -	\$ 315,088	\$ -	\$ -
Judicial	3,363,412	-	3,223,904	139,508	-
General Services	4,366,962	379,050	3,867,976	105,133	14,803
	<u>8,045,462</u>	<u>379,050</u>	<u>7,406,968</u>	<u>244,641</u>	<u>14,803</u>
Public Works:					
Sanitary Landfill	30,000	-	30,000	-	-
Drain Commission	209,274	-	-	-	209,274
	<u>239,274</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>209,274</u>
Public Safety:					
Animal Shelter	242,449	25,302	211,900	5,247	-
911 Communications Center	5,995,714	75,926	969,067	4,940,402	10,319
Sheriff	5,952,113	281,733	5,488,611	125,530	56,239
	<u>12,190,276</u>	<u>382,961</u>	<u>6,669,578</u>	<u>5,071,179</u>	<u>66,558</u>
Health and Welfare:					
Health Department	615,434	37,221	238,782	339,431	-
Mental Health	2,977,343	129,692	2,709,807	137,844	-
D.O.S.A.	32,686	-	-	32,686	-
Family Independence Agency	1,871,800	143,480	1,728,320	-	-
	<u>5,497,263</u>	<u>310,393</u>	<u>4,676,909</u>	<u>509,961</u>	<u>-</u>
Recreation and Cultural:					
Parks and Recreation	2,044,734	817,068	1,188,956	29,550	9,160
Cooperative Extension	7,021	-	-	7,021	-
Libraries	157,283	41,597	98,200	-	17,486
	<u>2,209,038</u>	<u>858,665</u>	<u>1,287,156</u>	<u>36,571</u>	<u>26,646</u>
Total Capital Assets	28,181,313	1,931,069	20,070,611	5,862,352	317,281
Less: accumulated depreciation	(11,780,907)	(997,807)	(6,234,507)	(4,237,262)	(311,331)
	<u>16,400,406</u>	<u>933,262</u>	<u>13,836,104</u>	<u>1,625,090</u>	<u>5,950</u>
Construction in progress	<u>1,513,660</u>	<u>-</u>	<u>1,513,660</u>	<u>-</u>	<u>-</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>\$ 17,914,066</u>	<u>\$ 933,262</u>	<u>\$ 15,349,764</u>	<u>\$ 1,625,090</u>	<u>\$ 5,950</u>

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

LAPEER COUNTY, MICHIGAN

**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES IN CAPITAL ASSETS - BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1, 2004	Additions	Disposals	Balance December 31, 2004
General Government:				
Legislative	\$ 315,088	\$ -	\$ -	\$ 315,088
Judicial	3,363,412	-	-	3,363,412
General Services	4,349,246	17,716	-	4,366,962
Total General Government	8,027,746	17,716	-	8,045,462
Construction in Progress	693,904	814,356	-	1,508,260
Total General Government	8,721,650	832,072	-	9,553,722
Public Works:				
Sanitary Landfill	30,000	-	-	30,000
Drain Commission	209,274	-	-	209,274
Total Public Works	239,274	-	-	239,274
Public Safety:				
Animal Shelter	242,449	-	-	242,449
911 Center	5,923,650	72,064	-	5,995,714
Sheriff	5,952,113	-	-	5,952,113
Total Public Safety	12,118,212	72,064	-	12,190,276
Health and Welfare:				
Health Department	562,275	53,159	-	615,434
Mental Health	2,971,346	5,997	-	2,977,343
D.O.S.A.	32,686	-	-	32,686
Family Independence Agency	1,871,800	-	-	1,871,800
Total Health and Welfare	5,438,107	59,156	-	5,497,263
Recreation and Cultural:				
Parks and Recreation	2,039,334	5,400	-	2,044,734
Cooperative Extension	7,021	-	-	7,021
Libraries	157,283	-	-	157,283
Total Recreation and Cultural	2,203,638	5,400	-	2,209,038
Construction in Progress	-	5,400	-	5,400
Total Recreation and Cultural	2,203,638	10,800	-	2,214,438
 Total Capital Assets	 \$ 28,720,881	 \$ 974,092	 \$ -	 \$ 29,694,973

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

COMPONENT UNITS

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
GOVERNMENTAL FUND TYPES
BOARD OF PUBLIC WORKS
DECEMBER 31, 2004**

Major Funds

	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
ASSETS					
Cash and cash equivalents	\$ 157	\$ 113	\$ 4,065	\$ 2,242	\$ 1,460
Contracts receivable	1,070,000	791,507	500,000	460,000	2,105,000
Total Assets	\$ 1,070,157	\$ 791,620	\$ 504,065	\$ 462,242	\$ 2,106,460
 LIABILITIES AND FUND BALANCE					
Liabilities:					
Deferred revenue	\$ 1,070,000	\$ 791,507	\$ 500,000	\$ 460,000	\$ 2,105,000
 Fund Balance:					
Unreserved					
Undesignated	157	113	4,065	2,242	1,460
Total Liabilities and Fund Balance	\$ 1,070,157	\$ 791,620	\$ 504,065	\$ 462,242	\$ 2,106,460

Nonmajor Funds

<u>Capital Projects</u>	<u>Debt Service</u>			<u>Capital Projects</u>		<u>Total</u>	<u>Total</u>
Almont Sewage Disposal 2002	Almont Wastewater Treatment	Otter Lake Wastewater Treatment	North Branch Wastewater Treatment	Otter Lake Sewer Project	Dryden Drinking Water	Nonmajor Funds	
\$ 590,459	\$ 150	\$ -	\$ 210	\$ 507	\$ -	\$ 867	\$ 599,363
<u>-</u>	<u>51,000</u>	<u>200,000</u>	<u>520,000</u>	<u>-</u>	<u>-</u>	<u>771,000</u>	<u>5,697,507</u>
<u>\$ 590,459</u>	<u>\$ 51,150</u>	<u>\$ 200,000</u>	<u>\$ 520,210</u>	<u>\$ 507</u>	<u>\$ -</u>	<u>\$ 771,867</u>	<u>\$ 6,296,870</u>
\$ -	\$ 51,000	\$ 200,000	\$ 520,000	\$ -	\$ -	\$ 771,000	\$ 5,697,507
<u>590,459</u>	<u>150</u>	<u>-</u>	<u>210</u>	<u>507</u>	<u>-</u>	<u>867</u>	<u>599,363</u>
<u>\$ 590,459</u>	<u>\$ 51,150</u>	<u>\$ 200,000</u>	<u>\$ 520,210</u>	<u>\$ 507</u>	<u>\$ -</u>	<u>\$ 771,867</u>	<u>\$ 6,296,870</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
BOARD OF PUBLIC WORKS
DECEMBER 31, 2004**

Fund Balance - Total Governmental Funds	\$	599,363
Amounts available in the Capital Projects Funds that reduce the contract receivable on the government wide statements	(	491,857)
Liabilities that are not payable in the current period and therefore not reported in the fund statements		
Bonds Payable	(	5,697,507)
Accrued interest on bonds payable	(	54,224)
Revenues that are deferred in the fund statements because the amounts are not available		
Lease revenue		<u>5,697,507</u>
Net Assets of governmental activities	\$	<u><u>53,282</u></u>

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - BOARD OF PUBLIC WORKS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Major Funds				
	Debt Service				
	Dryden Wastewater Treatment	Dryden Drinking Water	Almont Wastewater Treatment	Elba Wastewater Treatment	Almont Sewage Disposal 2002
Revenues:					
Intergovernmental -					
Local	\$ 137,090	\$ 65,357	\$ 181,970	\$ 103,130	\$ 174,521
Interest	49	10	40	154	30
Total Revenues	137,139	65,367	182,010	103,284	174,551
Expenditures:					
Capital Outlay	-	-	-	-	-
Debt Service	137,090	65,314	181,970	103,305	174,521
Total Expenditures	137,090	65,314	181,970	103,305	174,521
Excess of revenues over (under) expenditures	49	53	40	(21)	30
Fund Balances at beginning of year	108	60	4,025	2,263	1,430
Fund Balances at end of year	\$ 157	\$ 113	\$ 4,065	\$ 2,242	\$ 1,460

Nonmajor Funds

Capital Projects	Debt Service			Capital Projects		Total	Total
Almont Sewage Disposal 2002	Almont Wastewater Treatment	Otter Lake Wastewater Treatment	North Branch Wastewater Treatment	Otter Lake Sewer Project	Dryden Drinking Water	Nonmajor Funds	Total
\$ -	\$ 12,137	\$ 4,946	\$ 52,085	\$ -	\$ -	\$ 69,168	\$ 731,236
6,106	3	-	-	62	-	65	6,454
<u>6,106</u>	<u>12,140</u>	<u>4,946</u>	<u>52,085</u>	<u>62</u>	<u>-</u>	<u>69,233</u>	<u>737,690</u>
135,679	-	-	-	13,938	10	13,948	149,627
-	12,137	4,946	52,085	-	-	69,168	731,368
<u>135,679</u>	<u>12,137</u>	<u>4,946</u>	<u>52,085</u>	<u>13,938</u>	<u>10</u>	<u>83,116</u>	<u>880,995</u>
(129,573)	3	-	-	(13,876)	(10)	(13,883)	(143,305)
<u>720,032</u>	<u>147</u>	<u>-</u>	<u>210</u>	<u>14,383</u>	<u>10</u>	<u>14,750</u>	<u>742,668</u>
<u>\$ 590,459</u>	<u>\$ 150</u>	<u>\$ -</u>	<u>\$ 210</u>	<u>\$ 507</u>	<u>\$ -</u>	<u>\$ 867</u>	<u>\$ 599,363</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
BOARD OF PUBLIC WORKS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds	\$(143,305)
Amounts reported for governmental activities in the statement activities are different because:	
Repayment of bond principal and transfer of bonding agent reported as expenditures in the governmental funds, but reduce long-term liabilities in the statement of activities	449,000
Interest reported in the governmental funds as it is paid but in the statement of activities as it is incurred	(3,413)
Revenues reported in the governmental funds when received, however, in the statement of activities when earned	<u>(249,000)</u>
Change in net assets of governmental activities	<u><u>\$ 53,282</u></u>

LAPEER COUNTY, MICHIGAN

**COMBINING BALANCE SHEET
GOVERNMENTAL FUND TYPES
DRAINAGE DISTRICTS
DECEMBER 31, 2004**

	Major Funds				
	Debt Service			Capital Project	Drain
	Potter's Lake	Winn Lake	Lake Lapeer Lake Level	Special Assessment Drain	
ASSETS					
Cash and cash equivalents	\$ 442,552	\$ 105,296	\$ 27,599	\$ 2,200,304	\$ 70,273
Receivables -					
Special assessments	878,118	429,580	272,628	178,365	-
Due from other funds	-	-	-	502,909	322,005
Total Assets	<u>\$ 1,320,670</u>	<u>\$ 534,876</u>	<u>\$ 300,227</u>	<u>\$ 2,881,578</u>	<u>\$ 392,278</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accrued liabilities	\$ -	\$ -	\$ -	\$ 24,167	\$ -
Due to other funds	336,355	73,755	14,329	445,140	-
Due to primary government	-	-	-	-	216,000
Advances from primary government	-	-	-	-	-
Advanced special assessments payments	-	-	-	180,561	-
Deferred revenue	759,349	388,256	195,211	100	-
Total Liabilities	<u>1,095,704</u>	<u>462,011</u>	<u>209,540</u>	<u>649,968</u>	<u>216,000</u>
Fund Balances -					
Reserved for debt service	224,966	72,865	90,687	-	176,278
Unreserved - undesignated	-	-	-	2,231,610	-
Total Fund Balance	<u>224,966</u>	<u>72,865</u>	<u>90,687</u>	<u>2,231,610</u>	<u>176,278</u>
Total Liabilities and Fund Balance	<u>\$ 1,320,670</u>	<u>\$ 534,876</u>	<u>\$ 300,227</u>	<u>\$ 2,881,578</u>	<u>\$ 392,278</u>

Nonmajor Funds

Debt Service		Capital Projects			Total	Total
360 Drain	Lake Nepessing Lake Level	Drain Revolving	Lake Lapeer Lake Level	Potter's Lake	Nonmajor Funds	Total
\$ 2,189	\$ 139	\$ 160,721	\$ -	\$ -	\$ 233,322	\$ 3,009,073
-	634	-	-	-	634	1,759,325
-	-	-	-	-	322,005	824,914
<u>\$ 2,189</u>	<u>\$ 773</u>	<u>\$ 160,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,961</u>	<u>\$ 5,593,312</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,167
-	11	78,459	-	-	78,470	948,049
-	-	-	-	-	216,000	216,000
-	-	90,000	-	-	90,000	90,000
-	-	-	-	-	-	180,561
-	634	-	-	-	634	1,343,550
-	645	168,459	-	-	385,104	2,802,327
2,189	128	-	-	-	178,595	567,113
-	-	(7,738)	-	-	(7,738)	2,223,872
<u>2,189</u>	<u>128</u>	<u>(7,738)</u>	<u>-</u>	<u>-</u>	<u>170,857</u>	<u>2,790,985</u>
<u>\$ 2,189</u>	<u>\$ 773</u>	<u>\$ 160,721</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 555,961</u>	<u>\$ 5,593,312</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS
DECEMBER 31, 2004**

Fund Balances - Total Governmental Funds	\$ 2,790,985
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	25,019,929
Accumulated depreciation	(8,855,957)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	1,343,550
An internal service fund used by management to charge costs of maintenance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	
	706,431
Long - term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Bonds/notes payable	(2,267,000)
Accrued interest on bonds/notes payable	(16,370)
Net Assets of governmental activities	<u>\$ 18,721,568</u>

LAPEER COUNTY, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES - DRAINAGE DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Major Funds				
	Debt Service			Capital Project	
	Potter's Lake	Winn Lake	Lake Lapeer Lake Level	Special Assessment Drain	
Revenues:					
Interest	\$ 1,221	\$ 517	\$ 186	\$ 30,886	\$ -
Other -					
Special assessments	245,996	51,646	137,417	354,517	-
Miscellaneous	-	-	1,526	37,137	2,000
Total Revenues	<u>247,217</u>	<u>52,163</u>	<u>139,129</u>	<u>422,540</u>	<u>2,000</u>
Expenditures:					
Capital Outlay-					
Construction	-	-	-	150,183	-
Maintenance	-	-	-	279,344	-
Debt Service -					
Principal retirement	100,000	25,000	69,000	6,925	-
Interest and fiscal charges	65,500	24,748	12,021	938	-
Total Expenditures	<u>165,500</u>	<u>49,748</u>	<u>81,021</u>	<u>437,390</u>	<u>-</u>
Excess of revenues over (under) expenditures	<u>81,717</u>	<u>2,415</u>	<u>58,108</u>	<u>(14,850)</u>	<u>2,000</u>
Other Financing Sources (Uses):					
Transfers In	45,378	-	-	-	-
Transfers Out	-	-	-	(41,589)	(2,000)
Total Other Sources (Uses)	<u>45,378</u>	<u>-</u>	<u>-</u>	<u>(41,589)</u>	<u>(2,000)</u>
Net change in Fund Balances	127,095	2,415	58,108	(56,439)	-
Fund Balances at beginning of year	<u>97,871</u>	<u>70,450</u>	<u>32,579</u>	<u>2,288,049</u>	<u>176,278</u>
Fund Balances at end of year	<u>\$ 224,966</u>	<u>\$ 72,865</u>	<u>\$ 90,687</u>	<u>\$ 2,231,610</u>	<u>\$ 176,278</u>

Nonmajor Funds

Debt Service		Capital Projects			Total	
360 Drain	Lake Nepessing Lake Level	Drain Revolving	Lake Lapeer Lake Level	Potter's Lake	Total Nonmajor Funds	Total
\$ 2,189	\$ 20	\$ 1,097	\$ -	\$ 87	\$ 3,393	\$ 36,203
-	18,060	-	-	-	18,060	807,636
-	-	-	-	-	2,000	40,663
<u>2,189</u>	<u>18,080</u>	<u>1,097</u>	<u>-</u>	<u>87</u>	<u>23,453</u>	<u>884,502</u>
-	-	-	-	-	-	150,183
-	-	57,359	-	-	57,359	336,703
-	18,667	-	-	-	18,667	219,592
-	758	-	-	-	758	103,965
<u>-</u>	<u>19,425</u>	<u>57,359</u>	<u>-</u>	<u>-</u>	<u>76,784</u>	<u>810,443</u>
<u>2,189</u>	<u>(1,345)</u>	<u>(56,262)</u>	<u>-</u>	<u>87</u>	<u>(53,331)</u>	<u>74,059</u>
-	-	48,524	-	-	48,524	93,902
-	-	-	(48,524)	(31,790)	(82,314)	(123,903)
-	-	48,524	(48,524)	(31,790)	(33,790)	(30,001)
2,189	(1,345)	(7,738)	(48,524)	(31,703)	(87,121)	44,058
-	1,473	-	48,524	31,703	257,978	2,746,927
<u>\$ 2,189</u>	<u>\$ 128</u>	<u>\$(7,738)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 170,857</u>	<u>\$ 2,790,985</u>

LAPEER COUNTY, MICHIGAN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGE IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS
DECEMBER 31, 2004**

Net change in fund balances - Total Governmental Funds	\$ 44,058
 Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	150,183
Depreciation expense	(449,141)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	(447,328)
 The issuance of long-term debt (e.g. bonds and notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources to governmental funds. Neither transaction, however, has any effect on net assets.	
Principal payments on long term liabilities	219,592
 An internal service fund is used by management to charge costs of maintenance. The net revenues (expenses) attributable to this fund are reported with governmental activities	
	85,240
 Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Decrease in accrued interest payable	<u>2,164</u>
Change in net assets of governmental activities	<u><u>\$(395,232)</u></u>

LAPEER COUNTY, MICHIGAN

**STATEMENT OF NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
DECEMBER 31, 2004**

Assets:

Current Assets -

Cash and cash equivalents

\$ 583,431

Due from other funds

123,135

Total Assets

706,566

Liabilities:

Accrued liabilities

135

Net Assets:

Invested in capital assets

-

Unrestricted

706,431

Total Net Assets

\$ 706,431

LAPEER COUNTY, MICHIGAN

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND - DRAINAGE DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Revenue:	
Charges for services	\$ 208,269
Operating Expenses:	
Administrative and Operating - Drain Maintenance	173,450
Depreciation	817
Total Operating Expenses	<u>174,267</u>
Operating income	34,002
Nonoperating Revenue:	
Interest	<u>7,649</u>
Income before transfers	41,651
Transfers:	
Transfers in	<u>43,589</u>
Change in net assets	85,240
Net Assets at beginning of year	<u>621,191</u>
Net Assets at end of year	<u>\$ 706,431</u>

STATISTICAL SECTION

LAPEER COUNTY, MICHIGAN

**GOVERNMENT-WIDE EXPENSES BY FUNCTION
LAST THREE FISCAL YEARS (A)
(UNAUDITED)**

Fiscal Year	Legislative	Judicial	General Government	Public Safety	Public Works	Health and Welfare	Recreation and Culture	Other Activities	Interest on Long-Term Debt	Medical Care Facility	Delinquent Tax	Total
2002	-	-	-	-	-	-	-	-	-	-	-	-
2003	249,625	4,300,006	5,684,277	8,000,530	233,266	22,243,064	1,656,481	666,630	105,844	15,208,745	165,983	58,514,451
2004	252,618	4,418,052	6,320,824	8,052,226	378,218	21,641,181	821,982	1,403,536	221,691	16,057,336	57,718	59,625,382

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

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

**GOVERNMENT-WIDE REVENUES BY SOURCE
LAST THREE FISCAL YEARS (A)
(UNAUDITED)**

Fiscal Year	Program Revenues			General Revenues					Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Grants and Contributions Not Restricted to Specific Programs	Investment Incomes	Gain on Sale of Capital Assets	Transfers	
2002	-	-	-	-	-	-	-	-	-
2003	37,856,782	7,168,123	143,718	10,998,724	2,395,420	282,316	420,397	(206,140)	59,059,340
2004	34,757,190	7,660,864	181,941	15,751,319	1,605,154	557,811	-	203,850	60,718,129

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

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

**GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN YEARS
(UNAUDITED)**

Year Ended	Taxes	Licenses & Permits	Inter- Governmental	Charges for Services	Fines and Forfeits	Interest & Rent	Other	Total General Revenues
1995	\$ 5,561,283	\$ 13,645	\$ 2,421,469	\$ 1,600,511	\$ 257,540	\$ 630,240	\$ 389,355	\$ 10,874,043
1996	\$ 5,799,794	\$ 15,210	\$ 2,578,138	\$ 1,860,703	\$ 241,489	\$ 662,307	\$ 394,210	\$ 11,551,851
1997	\$ 6,083,030	\$ 16,399	\$ 2,982,873	\$ 2,012,794	\$ 212,214	\$ 687,866	\$ 600,490	\$ 12,595,666
1998	\$ 6,386,215	\$ 22,297	\$ 3,102,902	\$ 2,368,283	\$ 211,715	\$ 724,490	\$ 476,832	\$ 13,292,734
1999	\$ 6,779,556	\$ 16,800	\$ 3,135,169	\$ 2,763,557	\$ 292,567	\$ 758,180	\$ 539,069	\$ 14,284,898
2000	\$ 7,510,583	\$ 15,980	\$ 3,273,923	\$ 2,744,739	\$ 306,672	\$ 1,246,518	\$ 735,623	\$ 15,834,038
2001	\$ 7,682,964	\$ 27,524	\$ 3,428,275	\$ 2,807,435	\$ 282,897	\$ 1,031,359	\$ 877,357	\$ 16,137,811
2002	\$ 8,269,037	\$ 37,035	\$ 3,353,851	\$ 3,143,010	\$ 321,948	\$ 689,282	\$ 1,870,795	\$ 17,684,958
2003	\$ 8,841,375	\$ 12,300	\$ 2,897,238	\$ 3,422,080	\$ 405,245	\$ 347,269	\$ 1,752,176	\$ 17,677,683
2004	\$ 9,253,271	\$ 22,817	\$ 2,169,168	\$ 3,018,360	\$ 367,628	\$ 657,554	\$ 2,062,205	\$ 17,551,003

Notes: General Revenues reported above include revenue of the General Fund only.
Operating Transfers In have been excluded from all years.

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN YEARS
(UNAUDITED)**

Year Ended	Legislative	Judicial	General Government	Public Safety	Public Works	Health & Welfare/ Recreation	Other	Total General Expenditures
1995	\$ 197,567	\$ 1,989,164	\$ 2,256,197	\$ 2,731,293	\$ 163,483	\$ 310,486	\$ 129,908	\$ 7,778,098
1996	\$ 110,280	\$ 2,091,512	\$ 2,746,884	\$ 3,125,588	\$ 188,841	\$ 332,340	\$ 304,721	\$ 8,900,166
1997	\$ 103,541	\$ 2,153,005	\$ 2,734,357	\$ 3,210,296	\$ 185,958	\$ 321,650	\$ 180,491	\$ 8,889,298
1998	\$ 93,576	\$ 2,261,380	\$ 2,924,932	\$ 3,609,793	\$ 201,747	\$ 318,634	\$ 141,343	\$ 9,551,405
1999	\$ 130,831	\$ 2,343,934	\$ 3,370,913	\$ 3,828,755	\$ 226,131	\$ 346,800	\$ 246,750	\$ 10,494,114
2000	\$ 150,060	\$ 2,381,350	\$ 3,481,487	\$ 4,002,965	\$ 171,456	\$ 344,412	\$ 271,069	\$ 10,802,799
2001	\$ 182,844	\$ 2,649,341	\$ 3,873,954	\$ 4,165,025	\$ 162,651	\$ 369,737	\$ 292,230	\$ 11,695,782
2002	\$ 218,131	\$ 2,945,132	\$ 4,420,123	\$ 4,561,536	\$ 136,344	\$ 387,589	\$ 420,329	\$ 13,089,184
2003	\$ 249,625	\$ 3,134,079	\$ 4,673,508	\$ 4,704,818	\$ 129,736	\$ 431,590	\$ 425,239	\$ 13,748,595
2004	\$ 252,618	\$ 3,212,947	\$ 4,900,931	\$ 4,818,071	\$ 121,536	\$ 424,404	\$ 598,127	\$ 14,328,634

Notes: General Expenditures reported above include expenditures for the General Fund only.
Operating Transfers Out have been excluded from all years.

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

**ASSESSED AND STATE EQUALIZED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS
(UNAUDITED)**

Year Levied	Year of Revenue Recognition	Real Property		Personal Property		Total		Ratio of Total Assessed to State Equalized Value
		Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	Assessed Value	State Equalized Value	
1995	1996	\$ 1,347,622,172	\$ 1,347,622,172	\$ 106,690,073	\$ 106,690,073	\$ 1,454,312,245	\$ 1,454,312,245	1 to 1.0000
1996	1997	\$ 1,478,268,066	\$ 1,478,268,066	\$ 116,653,236	\$ 116,653,236	\$ 1,594,921,302	\$ 1,594,921,302	1 to 1.0000
1997	1998	\$ 1,642,605,533	\$ 1,642,605,533	\$ 129,068,712	\$ 129,068,712	\$ 1,771,674,245	\$ 1,771,674,245	1 to 1.0000
1998	1999	\$ 1,881,398,788	\$ 1,881,398,788	\$ 145,185,261	\$ 145,185,261	\$ 2,026,584,049	\$ 2,026,584,049	1 to 1.0000
1999	2000	\$ 2,151,852,840	\$ 2,151,852,840	\$ 155,642,257	\$ 155,642,257	\$ 2,307,495,097	\$ 2,307,495,097	1 to 1.0000
2000	2001	\$ 2,436,899,586	\$ 2,438,795,915	\$ 157,656,879	\$ 157,656,879	\$ 2,594,556,465	\$ 2,596,452,794	1 to 1.0000
2001	2002	\$ 2,778,505,109	\$ 2,778,505,109	\$ 167,488,640	\$ 167,488,640	\$ 2,945,993,749	\$ 2,945,993,749	1 to 1.0000
2002	2003	\$ 3,070,325,914	\$ 3,070,325,914	\$ 174,233,809	\$ 174,233,809	\$ 3,244,559,723	\$ 3,244,559,723	1 to 1.0000
2003	2004	\$ 3,333,100,217	\$ 3,337,161,870	\$ 173,032,010	\$ 173,032,010	\$ 3,506,132,227	\$ 3,510,193,880	1 to 1.0000
2004	2005	\$ 3,532,286,373	\$ 3,582,286,373	\$ 169,103,295	\$ 169,103,295	\$ 3,701,389,668	\$ 3,751,389,668	1 to 1.0000

Notes:

1. Property Taxes are levied in December of each year. Property Taxes are recognized as revenue in the year following the year of levy except for the Medical Care Facility which recognizes property taxes as revenue in the year of levy.
2. The Michigan Constitution and Statutes for the years 1990 - 1994 provided that property is to be assessed and equalized at fifty percent of its fair market value.
3. In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a nonuniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State equalized valuation ("SEV") and Taxable Value. Property taxes are levied on Taxable Value.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

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

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
County-										
Operating	4.1923	4.1923	4.0710	4.0405	4.0977	4.0977	3.9901	3.9454	3.8941	3.8539
Extra Voted	<u>0.5784</u>	<u>1.3284</u>	<u>1.7401</u>	<u>2.5259</u>	<u>2.5620</u>	<u>2.4942</u>	<u>1.7459</u>	<u>1.7325</u>	<u>1.7098</u>	<u>1.8200</u>
Total County	<u>4.7707</u>	<u>5.5207</u>	<u>5.8111</u>	<u>6.5664</u>	<u>6.6597</u>	<u>6.5919</u>	<u>5.7360</u>	<u>5.6779</u>	<u>5.6039</u>	<u>5.6739</u>
Townships-										
Almont	3.4354	3.0310	3.0052	3.0269	2.9874	2.341	2.8951	3.8704	3.6763	3.8195
Arcadia	1.0651	1.5526	1.5526	1.6000	1.5812	1.5468	1.5140	1.5085	1.4757	1.4509
Attica	2.5521	2.6087	2.6023	2.5837	2.5472	2.6205	4.2470	4.1806	4.0997	4.0413
Burlington	1.7950	1.7950	1.7884	1.7637	1.7541	1.7428	1.7063	1.6769	1.6626	1.6463
Burnside	1.5077	1.5077	1.5077	1.5077	1.6937	1.6772	1.6585	1.6462	1.6172	1.5966
Deerfield	1.6033	1.5650	1.5168	1.4417	1.5356	1.4755	1.4744	1.4107	1.3586	1.3185
Dryden	5.1423	5.1213	5.1716	5.1514	5.6356	4.8820	4.7392	4.6911	4.6537	4.5652
Elba	2.9565	2.9565	3.0798	3.0592	3.0274	3.0329	2.9752	2.9212	2.8717	2.9389
Goodland	2.5009	2.4978	2.4978	2.4773	2.4254	1.5625	1.5215	1.5209	1.5012	1.4915
Hadley	1.7280	2.1741	2.1241	2.0521	2.4285	2.4416	2.3431	2.2440	2.1803	2.1003
Imlay	1.6981	1.6981	1.6901	1.6830	1.6547	1.6401	2.6501	2.5634	2.5017	2.4629
Lapeer	1.7053	1.7053	1.7004	1.6924	1.6811	1.6743	1.6510	1.6570	1.6402	1.6287
Marathon	1.6642	1.6519	1.6412	1.6230	1.5530	1.5408	1.5221	1.7461	1.4424	1.4206
Mayfield	1.7261	1.6955	1.7261	1.7130	1.6703	1.6452	1.6216	1.6066	1.5948	1.5823
Metamora	3.9631	4.7923	4.7329	4.6534	4.6253	5.3822	4.6892	4.5718	4.5667	4.6333
North Branch	3.0929	3.2050	3.2042	3.1719	3.1095	3.1151	3.0854	3.0480	3.0144	2.9595
Oregon	1.6757	1.6757	1.6749	1.6568	1.6140	1.6074	1.5786	1.5554	1.5298	1.5030
Rich	1.7942	1.7942	1.7843	1.7856	1.7491	1.7164	1.6904	4.5568	4.5128	4.4256
Cities-										
Imlay City	17.7500	17.7500	17.7500	17.7500	17.7500	17.7500	16.7500	17.7500	17.7500	17.7500
City of Lapeer	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911	8.7911
Brown City	17.6406	17.0000	17.0000	17.0000	17.0000	18.0289	18.0206	18.0094	17.9962	17.9633

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Villages-										
Almont	17.0000	18.7282	18.0731	17.2511	16.6526	15.9486	15.4714	14.9314	14.6769	14.5044
Clifford	21.9418	21.6148	21.9418	21.7843	21.7608	21.7608	21.6534	21.3587	21.1034	21.1034
Columbiaville	12.9123	15.1300	15.3640	15.0014	14.7463	14.6607	14.5404	14.3150	14.0616	13.7480
Dryden	10.9938	10.9938	10.7750	10.7750	10.7750	10.5765	10.3734	10.1182	10.0433	10.0021
Metamora	10.6493	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711	10.4711
North Branch	15.6923	15.6923	15.6499	15.6280	15.5358	15.2902	15.2871	15.2703	14.9831	14.8991
Otter Lake	9.7587	12.0000	12.0000	12.0000	12.0000	12.0000	14.0000	14.3672	13.8586	13.3638
Local School Districts-										
Almont	14.4500	14.4500	14.4500	14.4500	14.4500	14.4500	14.4500	17.8613	13.4500	14.4500
Brandon	13.8800	14.2400	14.2400	14.2400	14.2400	14.2400	14.2400	15.9718	13.2400	14.2400
Brown City	7.7500	7.5000	6.7800	7.1800	6.0000	6.0000	11.9980	17.7948	10.9980	11.9980
Capac	7.5000	7.5000	10.4000	9.9000	9.9000	9.9000	9.9000	17.9748	8.9000	9.9000
Davison	7.5000	9.9500	9.6989	9.5473	9.5394	9.3774	9.2390	17.8525	8.4428	9.4191
Dryden	8.0000	8.0000	8.0000	6.8500	7.5000	7.7000	7.7000	18.0000	7.2400	8.2400
Goodrich	13.0000	13.0000	13.0000	13.0000	13.0000	13.7500	13.7500	17.9973	12.7500	13.7500
Imlay	12.7000	12.7000	12.7000	12.7000	12.7000	14.4500	12.2000	18.0000	11.0635	11.0000
Kingston	10.3500	10.9900	11.0200	11.0200	11.0200	12.3000	12.3000	0.0000	11.6400	12.6400
Lakeville	6.0000	6.0000	6.0000	6.0000	6.0000	11.9500	11.9500	18.0000	10.9500	10.7500
Lapeer	7.1000	6.7000	6.7500	6.6500	6.6000	6.6000	6.3750	18.0000	7.2500	8.2320
Marlette	7.2603	7.1450	7.0000	6.4700	6.0000	6.6000	6.0000	17.8293	5.0000	6.0000
Mayville	7.4000	6.4000	6.4000	6.3000	6.1200	6.6000	6.0000	17.8578	5.0000	12.0000
North Branch	13.3000	13.3000	13.3000	13.3000	13.3000	13.3000	13.3000	17.7750	12.3000	13.3000
Oxford	13.2000	13.0000	13.0000	13.0000	13.0000	13.3000	13.0000	16.3326	12.0000	13.0000
Intermediate School Districts-										
Genesee	3.6032	3.6032	3.6032	3.6032	3.5894	3.5894	3.5835	3.5673	3.5469	3.5361
Lapeer	3.2268	3.2268	3.2223	3.1978	3.1605	3.1189	3.0773	3.0467	3.0084	2.9794
Oakland	2.1294	2.1294	2.1294	2.1208	2.0998	2.0752	3.4526	3.4224	3.3991	3.3789
Sanilac	2.7521	2.7521	2.7516	2.7359	2.7059	2.7059	2.8724	2.8560	2.8227	2.7419
St. Clair	3.4807	3.4807	3.4807	3.4807	3.4747	3.4747	3.4561	3.4468	3.4468	3.4468
Tuscola	4.3394	4.3394	4.3351	4.3095	4.2826	4.2776	4.2739	4.2727	4.2618	4.2568

Notes:

1. Rates are stated in dollars per one thousand of state-equalized valuation.
2. Rates are levied in December of the year preceding the County's fiscal year end.

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

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

Year Ended	Levy Year	Total Tax Levy	Current Collections To	Amount	Percentage Collected
1996	1995	\$ 37,470,818	03/01/96	\$ 33,230,340	88.68
1997	1996	\$ 41,111,294	03/01/97	\$ 36,859,437	89.66
1998	1997	\$ 44,443,273	03/01/98	\$ 38,356,640	86.30
1999	1998	\$ 49,642,291	03/01/99	\$ 44,206,957	89.05
2000	1999	\$ 53,405,052	03/01/00	\$ 47,304,472	88.58
2001	2000	\$ 57,192,846	03/01/01	\$ 50,967,164	89.11
2002	2001	\$ 60,054,672	03/01/02	\$ 54,165,151	90.19
2003	2002	\$ 62,484,455	03/01/03	\$ 56,708,306	90.76
2004	2003	\$ 66,920,480	03/01/04	\$ 61,037,274	91.21
2005	2004	\$ 73,965,772	03/01/05	\$ 67,342,098	91.04

Notes:

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

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

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

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

Year Ended	Levy Year	Total Tax Levy	Current Collections To	Amount	Percentage Collected
1996	1995	\$ 6,317,381	03/01/96	\$ 5,602,253	88.68
1997	1996	\$ 7,574,610	03/01/97	\$ 6,791,395	89.66
1998	1997	\$ 6,594,471	03/01/98	\$ 5,926,180	89.87
1999	1998	\$ 7,044,363	03/01/99	\$ 6,308,343	89.55
2000	1999	\$ 7,670,678	03/01/00	\$ 6,915,652	90.16
2001	2000	\$ 8,117,860	03/01/01	\$ 7,295,980	89.88
2002	2001	\$ 8,693,592	03/01/02	\$ 7,904,912	90.93
2003	2002	\$ 9,257,414	03/01/03	\$ 8,437,468	91.14
2004	2003	\$ 9,658,415	03/01/04	\$ 8,776,707	90.87
2005	2004	\$ 10,128,070	03/01/05	\$ 9,176,986	90.61

Notes:

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

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

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

**PRINCIPAL TAXPAYERS
DECEMBER 31, 2004
(UNAUDITED)**

DECEMBER 1, 2004 TAX LEVY

Taxpayer	Product or Service	Taxable Valuation	Percent of Total Taxable Value
Detroit Edison	Utility	\$ 46,334,860	1.76 %
Consumers Energy	Utility	11,621,195	0.44
Michigan DNR/DNR	Government	9,117,630	0.35
Pinnacle Foods	Food Processing	8,913,705	0.33
Great Lakes Gas Transmission	Gas Pipeline	7,197,638	0.27
Camtron Coatings/Lapeer Metal Products	Manufacturing	5,540,737	0.21
Toyo Seat USA Corp	Automotive Supplier	5,416,555	0.21
Durakon Industries, Inc.	Truck Bed Liners	4,617,989	0.18
Meijer, Inc.	Retail Sales	4,350,700	0.17
Ligon Brothers Mfg Co.	Manufacturing	3,907,147	0.15
	Total Principal Taxpayers	107,018,156	4.06
	Other Taxpayers	2,525,791,595	0.96
	Total Taxable Valuation	\$ 2,632,809,751	100.00

Notes:

The County recognizes property taxes as revenue in the year following the year of levy except for all funds but the Medical Care Facility which recognizes property taxes as revenue in the year of levy. The above data relates to the December 1, 2004 tax levy, recognized as revenue in 2004.

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

Source: County Equalization Department

LAPEER COUNTY, MICHIGAN

**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS
LAST TEN YEARS
(UNAUDITED)**

<u>Year Ended</u>	<u>Levy Year</u>	<u>Current Assessments Levied</u>	<u>Current Assessments Collected</u>	<u>Total Collections Ratio</u>
Drain Special Assessments				
1995	1994	\$ 553,382	\$ 553,382	100
1996	1995	\$ 553,683	\$ 553,683	100
1997	1996	\$ 821,747	\$ 821,747	100
1998	1997	\$ 436,592	\$ 436,592	100
1999	1998	\$ 661,372	\$ 661,372	100
2000	1999	\$ 889,768	\$ 889,768	100
2001	2000	\$ 534,463	\$ 534,463	100
2002	2001	\$ 413,300	\$ 413,300	100
2003	2002	\$ 543,486	\$ 543,486	100
2004	2003	\$ 487,705	\$ 487,705	100

Notes:

1. Special Assessments are levied each December 1; assessments are recognized as revenue in the year following the levy year.
2. The County operates a Delinquent Tax Revolving Fund whereby (in the normal case) all outstanding assessments receivable are purchased from the taxing units. All units receive full payment for all assessments levied under this arrangement.
3. Drain special assessments are levied annually (with one year payback periods) against the benefited properties.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

**COMPUTATION OF DIRECT, UNDERLYING, AND OVERLAPPING LONG-TERM BONDED DEBT
DECEMBER 31, 2004
(UNAUDITED)**

	Gross Direct Bonded Debt	Self-Supporting or Portion Paid Directly by Benefited Municipalities	Direct Bonded Debt
Direct Debt:			
Water & Sewer Bonds (L.T.G.O.)	\$ 4,706,000	\$ 4,706,000	\$ -
Water & Sewer Bonds (L.T.G.O.) (Defeased)	2,520,000	2,520,000	-
Drain Bonds (L.T.G.O.)	1,315,000	1,076,327	238,673
Building Authority (U.T.G.O.)	5,315,000	-	5,315,000
General Obligation (L.T.G.O.) (Defeased)	1,875,000	1,875,000	-
MTF Notes	2,940,000	2,940,000	-
Spescial Assessment	460,000	-	460,000
	<u>\$ 19,131,000</u>	<u>\$ 13,117,327</u>	<u>\$ 6,013,673</u>
Total Direct Debt	<u>\$ 19,131,000</u>	<u>\$ 13,117,327</u>	<u>\$ 6,013,673</u>
Overlapping Debt of County:			
Villages			5,852,000
Cities			7,970,968
Townships			1,946,557
School Districts			114,541,336
Intermediate School Districts			1,376,353
Community College			1,599,593
			<u>133,286,807</u>
Total Overlapping Debt			<u>133,286,807</u>
Total County Net Direct and Overlapping Debt			<u>\$ 139,300,480</u>
Debt Ratios:			
Per Capita (2000 - 87,904)			
Net Direct Debt			\$ 68.41
Net Direct and Overlapping Debt			\$ 1,584.69
Ratio to 2004 Taxable Value (\$2,632,809,751)			
Net Direct Debt			0.23%
Net Direct and Overlapping Debt			5.29%
Ratio to 2004 State Equalized Valuation (\$3,701,389,668)			
Net Direct Debt			0.16%
Net Direct and Overlapping Debt			3.76%
Ratio to 2004 Estimated True Cash Value (\$7,402,779,336)			
Net Direct Debt			0.08%
Net Direct and Overlapping Debt			1.88%

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

LAPEER COUNTY, MICHIGAN

**COMPUTATIONS OF LEGAL DEBT MARGIN
DECEMBER 31, 2004
(UNAUDITED)**

Total State Equalized Valuation (December 1, 2003)	<u>\$ 3,701,389,668</u>
Debt Limit - Ten Percent of State Equalized Valuation	<u>\$ 370,138,967</u>
Amount of Debt Applicable to Debt Limit - Direct Bonded Debt (County Credit Pledged)	16,191,000
Amount available in Debt Service Funds	<u>(713,638)</u>
Net Direct Bonded Debt	<u>15,477,362</u>
Margin for Additional Debt	<u>\$ 354,661,605</u>

Notes:

Michigan Counties are subject to a Constitutional debt limitation of 10% of State Equalized Valuation. No exclusions of certain categories of debt are made for Michigan Counties.

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

LAPEER COUNTY, MICHIGAN

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN YEARS
(UNAUDITED)**

Year Ended	Principal	Interest	Total Debt Service	Total General Expenditures	Ratio of Debt Service To Total General Expenditures
1995	\$ 335,000	\$ 536,515	\$ 871,515	\$ 7,778,098	11.2
1996	\$ 359,225	\$ 525,432	\$ 884,657	\$ 8,900,166	9.9
1997	\$ 440,000	\$ 476,394	\$ 916,394	\$ 8,889,300	10.3
1998	\$ 540,000	\$ 517,284	\$ 1,057,284	\$ 9,551,405	11.1
1999	\$ 395,000	\$ 339,766	\$ 734,766	\$ 10,494,114	7.0
2000	\$ 1,088,350	\$ 646,805	\$ 1,735,155	\$ 10,802,799	16.1
2001	\$ 1,183,000	\$ 725,691	\$ 1,908,691	\$ 11,695,782	16.3
2002	\$ 1,213,000	\$ 785,520	\$ 1,998,520	\$ 13,072,182	15.3
2003	\$ 1,413,000	\$ 729,134	\$ 2,142,134	\$ 13,748,595	15.6
2004	\$ 1,404,000	\$ 578,180	\$ 1,982,180	\$ 15,107,890	13.1

Notes:

1. General Expenditures reflected above include expenditures for the General Fund only.
2. The bonded debt expenditures reported above include revenue bonds which do not constitute general obligations of Lapeer County.
 - A. Water Supply System and Wastewater Treatment System Bond debt service expenditures are reported in debt service funds of the Board of Public Works. The following bond issues are secured by the full faith and credit of the identified municipality and are supported by user charges assessed by the municipality to finance the operations of the utility, including retirement of debt.

Village of Dryden	\$1,145,000 WWTS Refunding Bonds dated March 1, 1996
Township of Elba	\$ 535,000 WWTS Refunding Bonds dated March 1, 1996
Village of North Branch	\$ 540,000 WWTS Bonds dated May 4, 1995
Village of Almont	\$ 650,000 WWTS Bonds dated February 1, 1994
Village of Almont	\$ 60,000 WWTS Bonds dated August 1, 1999
Village of Otter Lake	\$ 200,000 WWTS Note dated August 1, 2001
Village of Dryden	\$ 836,507 WSS Michigan Loan Fund date September 29, 1998
Village of Almont	\$ 2,180,000 WWTS Bonds dated February 1, 2002
 - B. Drain Bond debt service expenditures are reported in the debt service funds of the Drainage Districts. The following bond issue is secured and supported by special assessments levied against benefited property in the Drainage Districts.

Potters Lake and Elba Sewer Drain Bonds	\$1,415,000 dated October 8, 1997
Winn Lake Drain Bonds	\$485,000 dated July 1, 2001
3. The bonded debt expenditures reported above include Motor Vehicle Highway Fund Bonds that are backed by the full faith and credit of the County.
4. On September 6, 1990, the County defeased the General Obligation Hospital Bonds dated December 1, 1996.
5. On April 11, 1996, the County, through its Board of Public Works, defeased a portion of the Village of Dryden Wastewater Treatment System Bonds dated March 1, 1990 and the Township of Elba Wastewater Treatment System Bonds dated August 1, 1990.
6. On February 25, 1994, the County, through its Board of Public Works defeased the Wastewater Treatment System (Village of Almont) Bonds, dated March 1, 1987.

LAPEER COUNTY, MICHIGAN

**RATIO OF NET BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN YEARS
(UNAUDITED)**

<u>Year Ended</u>	<u>Population</u>	<u>Assessed Valuation</u>	<u>Gross Bonded Debt</u>	<u>Debt Service Monies Available</u>	<u>Net Direct Bonded Debt</u>	<u>Ratio of Net Bonded Debt To Assessed Valuation</u>	<u>Net Direct Bonded Debt Per Capita</u>
1995	83,800	\$ 1,454,312,245	\$ 9,847,947	\$ 389,323	\$ 2,100,000	0.14	25.06
1996	83,800	\$ 1,594,921,302	\$ 8,668,215	\$ 188,429	\$ 2,050,000	0.13	24.46
1997	86,893	\$ 1,771,674,245	\$ 10,702,261	\$ 197,558	\$ 2,000,000	0.11	23.02
1998	88,270	\$ 2,026,584,049	\$ 9,885,006	\$ 110,282	\$ 1,900,000	0.09	21.52
1999	89,359	\$ 2,307,495,097	\$ 16,405,000	\$ 230,082	\$ 9,150,000	0.40	102.40
2000	87,904	\$ 2,596,452,794	\$ 19,435,879	\$ 209,751	\$ 8,495,000	0.33	96.64
2001	87,904	\$ 2,945,993,749	\$ 19,322,000	\$ 271,042	\$ 10,201,000	0.35	116.05
2002	87,904	\$ 3,244,559,723	\$ 25,553,000	\$ 211,172	\$ 9,065,000	0.28	103.12
2003	87,904	\$ 3,510,193,880	\$ 22,320,000	\$ 1,162,077	\$ 8,105,000	0.23	92.20
2004	87,904	\$ 3,701,389,668	\$ 19,131,000	\$ 713,638	\$ 6,013,673	0.16	68.41

Source: County Finance Department

LAPEER COUNTY, MICHIGAN

**DEMOGRAPHIC STATISTICS
PROPERTY VALUES AND BANK DEPOSITS
LAST TEN YEARS
(UNAUDITED)**

Year	State Equalized Value (S.E.V.)	Taxable Value	Estimated Property Value (S.E.V. x 2)
1995	\$ 1,454,312,244	\$ 1,411,197,230	\$ 2,908,624,488
1996	\$ 1,594,921,302	\$ 1,503,850,702	\$ 3,189,842,604
1997	\$ 1,771,674,245	\$ 1,619,066,518	\$ 3,543,348,490
1998	\$ 2,026,584,049	\$ 1,744,859,206	\$ 4,053,168,098
1999	\$ 2,307,495,097	\$ 1,874,360,817	\$ 4,614,990,194
2000	\$ 2,596,452,794	\$ 2,009,003,207	\$ 5,192,905,588
2001	\$ 2,945,993,749	\$ 2,179,025,395	\$ 5,891,987,498
2002	\$ 3,244,559,723	\$ 2,348,559,163	\$ 6,489,119,446
2003	\$ 3,510,193,880	\$ 2,483,938,539	\$ 7,020,387,760
2004	\$ 3,701,389,668	\$ 2,632,809,751	\$ 7,402,779,336

Notes:

1. In 1994 the electors of the State of Michigan approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a nonuniform basis. The legislation implementing this constitutional amendment, added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State Equalized Value ("SEV") and Taxable Value. Property taxes are levied on Taxable Value.
2. Information available as of 6/30/00 from the FDIC and excludes credit unions and savings and loan associations.

Source: County Treasurer's Office

LAPEER COUNTY, MICHIGAN

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

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

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

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

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

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

LAPEER COUNTY, MICHIGAN

**MISCELLANEOUS STATISTICS
DESCRIPTION OF INSURANCE COVERAGE IN FORCE
DECEMBER 31, 2004
(UNAUDITED)**

Lapeer County became a member of the Michigan Municipal Risk Management Authority in 1985. The Authority provides risk management, underwriting, reinsurance and claims services with member contributions allocated to meet these obligations. This program covers the Public Officials Surety Bond and Faithful Performance as well as General Liability, Law Enforcement Officers, Business Auto, Building and Contents, Boiler and Machinery, Errors and Omissions, and Umbrella Coverage. The total amount of liability coverage for the County amounts to \$10,000,000. The County's total contribution for 2004 is approximately \$ 585,828 reported in the General Fund.

Lapeer County is self-insured for Workers' Compensation for claims up to an annual aggregate amount of \$300,000. The County is insured for the amount of claims in excess of such limitation to a maximum of \$3,000,000. The County is then self-insured for annual aggregate claims in excess of insurance coverage. The County's total expenditures for claims and insurance costs reported in the Workers' Compensation Fund for 2004 is \$90,332. The County's ending retained earnings for the Workers' Compensation Fund at December 31, 2004 is \$778,219.

Lapeer is self insured for Unemployment Insurance. The County's total expenditures for claims reported in the Unemployment Insurance Fund for 2004 is \$38,334. The County's ending retained earnings for the the Unemployment Insurance Fund at December 31, 2004 is \$188,762.

LAPEER COUNTY, MICHIGAN

MISCELLANEOUS STATISTICS

OTHER STATISTICS

DECEMBER 31, 2004

(UNAUDITED)

Form of Government

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

Location

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