

# **ISABELLA COUNTY, MICHIGAN**

## **Comprehensive Annual Financial Report Year Ended September 30, 2010**

**Issued by:  
Administrator's Office**

**Susan R. Szabo, CPA  
Assistant to the County Administrator/Finance Director**

**Timothy J. Dolehanty, ICMA-CM, AICP  
County Controller / Administrator**

Isabella County, Michigan

Comprehensive Annual Financial Report  
Year Ended September 30, 2010

TABLE OF CONTENTS

	<u>PAGE</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	i-vi
List of County Officials	vii
Organizational Chart	viii
Certificate of Achievement	ix
<b>FINANCIAL SECTION</b>	
<b>INDEPENDENT AUDITOR'S REPORT</b>	
	x-xi
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
	xii-xxiii
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Funds	9
Reconciliation of the Enterprise Funds Statement of Net Assets to the Statement of Net Assets	10
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	11
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Assets of Enterprise Funds to the Statement of Activities	12
Statement of Cash Flows - Proprietary Funds	13-14
Statement of Assets and Liabilities - Fiduciary Funds	15
Combining Statement of Net Assets - Component Units	16-17
Statement of Activities - Component Units	18
Notes to Financial Statements	
Note A: Summary of Significant Accounting Policies	19-28
Note B: Cash, Cash Equivalents, and Investments	28-30
Note C: Interfund Transfers	30
Note D: Interfund Receivables and Payables	31
Note E: Leases	31-32
Note F: Capital Assets	32-35
Note G: Long-term Debt	36-42
Note H: Postclosure Landfill Costs	42-43
Note I: Employee Retirement System	43-44
Note J: Post Retirement Benefits (Road Commission)	45-46
Note K: Risk Management	46-48
Note L: Fund Balance Reserves and Designations	48-49
Note M: Property Taxes and Taxes Receivable	49
Note N: Federal Financial Assistance	49
Note O: Restricted Net Assets	50
Note P: GASB Pronouncements	50
Note Q: Contingent Liabilities	51

Isabella County, Michigan  
 Comprehensive Annual Financial Report  
 Year Ended September 30, 2010

TABLE OF CONTENTS - CONTINUED

	<u>PAGE</u>
<b>FINANCIAL SECTION - CONCLUDED</b>	
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule - Revenues and Other Financing Sources	52-54
Budgetary Comparison Schedule - Expenditures and Other Financing Uses by Activity	55-56
TRIBAL CONTRIBUTION FUND	
Budgetary Comparison Schedule	57
Note to Required Supplementary Information	58
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	59-63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	64-68
Schedule of Revenues, Expenditures, and Changes in Fund Balances by Fund - Budget and Actual - Nonmajor Special Revenue Funds	69-78
Statement of Net Assets - Nonmajor Enterprise Funds	79
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Nonmajor Enterprise Funds	80
Statement of Cash Flows - Nonmajor Enterprise Funds	81
Combining Statement of Fiduciary Assets and Liabilities - Agency Funds	82-83
Statement of Changes in Assets and Liabilities - Agency Funds	84-85
COMPONENT UNIT FUNDS	
DRAINAGE DISTRICTS	
Combining Balance Sheet	86-87
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	88
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	89-90
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	91
Statement of Fund Net Assets - Drain Tile Fund	92
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Drain Tile Fund	93
Statement of Cash Flows - Drain Tile Fund	94

Isabella County, Michigan

Comprehensive Annual Financial Report  
Year Ended September 30, 2010

TABLE OF CONTENTS - CONCLUDED

	<u>PAGE</u>
OTHER SUPPLEMENTARY INFORMATION - CONCLUDED	
COMPONENT UNIT FUNDS - CONCLUDED	
BOARD OF PUBLIC WORKS	
Combining Balance Sheet	95-96
Reconciliation of the Combining Balance Sheet to the Statement of Net Assets	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	98-99
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	100
Statement of Fund Net Assets - Lake Isabella Water Supply System Fund	101
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Lake Isabella Water Supply System Fund	102
Statement of Cash Flows - Lake Isabella Water Supply System Fund	103
<b>STATISTICAL SECTION (UNAUDITED)</b>	
MULTI-YEAR AND OTHER FINANCIAL AND DEMOGRAPHIC INFORMATION	
Net Assets by Component	104
Changes in Net Assets	105-106
Governmental Activities Tax Revenue by Source	107
Fund Balances - Governmental Funds	108
Changes in Fund Balances - Governmental Funds	109
Assessed Value and Estimated True Cash Value of Taxable Property	110
Property Tax Rates - Direct and Overlapping Governments	111
Principal Property Taxpayers	112
Property Tax Levies and Collections	113
Ratios of Outstanding Debt by Type	114
Ratios of General Bonded Debt Outstanding	115
Legal Debt Margin Information	116
Demographic and Economic Statistics	117
Principal Employers	118
Full Time Equivalent County Employees by Function	119
Operating Indicators by Function	120
Capital Asset Statistics by Function	121

## **INTRODUCTORY SECTION**



## Office of the County Administrator

200 North Main Street, Mount Pleasant, MI 48858

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Telephone 989-772-0911, Ext. 202

Fax 989-773-7431

March 28, 2011

Honorable David Ling, Chairperson  
Members of the Isabella County Board of Commissioners  
County of Isabella  
200 North Main Street  
Mount Pleasant, Michigan 48858

Members of the Board:

The Comprehensive Annual Financial Report of the County of Isabella, Mount Pleasant, Michigan, for the year ended September 30, 2010, is submitted herewith. The financial statements included in this report have been audited by Abraham & Gaffney, P.C. The Comprehensive Annual Financial Report is prepared for the purpose of disclosing the County's financial condition to its residents, 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 as stated in the Governmental Accounting Standards Board's (GASB) statements and interpretations.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the County. We believe the data as presented is accurate in all material respects; that it is presented in such a manner so as to fairly set forth financial position and results of operations of the County as measured by the financial activity of its funds; and that all disclosures necessary to enable the statement reader to gain the maximum understanding of the County's affairs have been included.

It is believed that the Comprehensive Annual Financial Report substantially conforms to the high standards of financial reporting promulgated by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. This report will be submitted to the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting Program.

## **ORGANIZATION OF REPORT:**

The Comprehensive Annual Financial Report of Isabella County is divided into three sections: introductory, financial, and statistical. The **Introductory Section** includes the Table of Contents, this Transmittal Letter, a list of principal officials and the Certificate of Achievement for Excellence in Financial Reporting. The **Financial Section** includes Management's Discussion and Analysis, the basic financial statements and the combining nonmajor fund statements, as well as the auditor's report of the financial statements. The **Statistical Data Section** includes, at a minimum, the required GFOA financial and demographic information, generally presented on a multi year basis.

The county is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of States and Local Governments, and Non-Profit Organizations. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants, is included in a separately issued report.

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 complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

## **THE REPORTING ENTITY AND ITS SERVICES:**

This report includes all funds of the County and its component units as defined in Government Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" (as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units"). In accordance with the criteria of these statements the Isabella County Building Authority, Isabella County Family Independence Agency, Isabella County Medical Care Facility, Isabella County Commission on Aging, and Isabella County Parks Board, are blended into the County's Comprehensive Annual Financial Report. The Family Independence Agency and Medical Care Facility are under the oversight of the Isabella County Family Independence Agency Board. These organizations, with the exception of the Building Authority, are not legally separate. In addition the County maintains a significant degree of financial accountability over the operations of these units. The Isabella County Building Authority is a legally separate organization. However, its operations are blended into the County fund structure because its sole purpose is to finance and construct the County's public buildings.

In accordance with the above criteria the Central Michigan District Health Department, the Isabella County Road Commission, the Isabella County Transportation Commission, the Isabella County Board of Public Works, and the Isabella County Drainage Districts have been discretely presented as component units in the financial statements.

## **PROFILE OF THE GOVERNMENT:**

The management of Isabella County is overseen by a district-elected Board of Commissioners. This board consists of seven members. Commissioners are elected for two year terms and have the responsibility of making appropriations to all County functions and establishing policy for all county operations except the Trial Court. The Board of Commissioners appoints an Administrator/Controller who has the overall responsibility to oversee the administrative duties of the County with the exception of Elected Officials' offices. Management of the Trial Court is overseen by the Chief Trial Court Judge who is also responsible for administrative oversight of the Court.

The County provides many services to the County residents including Sheriff Department Road Patrol services in the unincorporated jurisdictions of the County, the constitutional offices of the County Clerk, Treasurer, Register of Deeds, Sheriff, and Prosecutor and the statutory office of the Drain Commissioner. In addition, the County supports many other programs such as services to older citizens and cultural and recreational services such as the MSU Extension, and parks and recreation, which includes the Pere Marquette Rail-Trail of Mid-Michigan.

## **FACTORS AFFECTING FINANCIAL CONDITION:**

### **Local Economy:**

Isabella County, located near the geographical center of Michigan's Lower Peninsula, has a strong economy and enjoys a rich human and technical resource base. The presence of Soaring Eagle Casino and Resort, the County's single largest employer, and Central Michigan University help to assure economic viability by providing a secure foundation for the area's economy.

The Isabella County Convention and Visitor's Bureau (CVB) is continuing its efforts to promote tourism in the County. Two of the State's major thoroughfares, US-127 and M-20, meet in Mt. Pleasant accounting for millions of vehicle passengers annually.

### **Recreation:**

The County provides many recreational opportunities highlighted by seven premier golf courses; Central Michigan University events and facilities; an array of public parks/lakes; and Mt. Pleasant Meadows, a para-mutual quarter-horse racetrack.

The Saginaw Chippewa Indian Tribe-Sponsored Casino continues to be a major attraction for out-of-County visitors. The Soaring Eagle Resort features a 1,500-car parking ramp, cabaret-style bingo hall which seats approximately 2,500 and a 103,000 square foot gaming hall containing 3,500 slot machines as well as Black Jack, Poker and Roulette tables. The 500 room hotel features luxury suites, a conference center and restaurants. Over the years many top entertainers have performed at this venue.

### **Commercial:**

The retail trade business continues to be a major contributor to the growth of the County. Positioned strategically near the north and south US-127 interchanges into Mt. Pleasant, Home Depot, Target, Wal-Mart, Sam's Club, Kohl's, Menards, and Meijer department stores contribute significantly to the volume of retail trade conducted within the confines of the County, employ County residents, and draw people into our community.

**Major Initiatives:**

Construction of a new Commission on Aging facility was completed in mid 2008. The facility compliments services provided to older citizens in Isabella County and provides many activities to engage the community.

**Financial Management:**

Management of the County is responsible for establishing and maintaining internal control designed to ensure that the assets of the County are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the valuation of costs and benefits requires estimates and judgments by management.

**Budgeting Control:**

Isabella County maintains budgetary control with the objective to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the County Board of Commissioners. Activities of the General, Special Revenue, Debt Service, and the Capital Projects funds are included in the annual appropriation budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by activity within these Funds.

Generally, the budget and approved appropriations lapse at the end of the fiscal year, unless specifically re-appropriated by Board action. Encumbrance accounting is not employed by the County, because it is at present considered not necessary to assure affective budgetary control or to facilitate effective cash planning and control.

**Single Audit:**

As a recipient of federal and state awards, the County is responsible for ensuring that adequate internal control is in place to achieve compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the independent auditors of the County.

As part of the County's single audit, described earlier, tests are made to determine the adequacy of internal control, including that portion related to federal award programs, as well as to determine that the County has complied with applicable laws and regulations. The results of the County's Single Audit for the year ended September 30, 2010 disclosed no significant violations of applicable laws and regulations.

**Cash and Investments:**

During the year, idle cash was temporarily invested in obligations of the U.S. Government and in Certificates of Deposit ranging from 30 to 180 days to maturity, in daily interest savings accounts and in interest-bearing checking accounts. Most savings accounts exist where monies cannot be commingled and/or where the dollars are not large enough to warrant investment elsewhere.

**Risk Management:**

The County is self-funded for health insurance, including prescriptions, dental and vision services. The program is accounted for in the self-insurance fund (an internal service fund), and is set up as a “pool” of participating groups. There are two groups in the pool which include Isabella County government and the Medical Care Facility. An independent administrator, Blue Cross and Blue Shield of Michigan, is hired to process daily claims. Individual claims up to \$75,000 are paid from the fund, and Blue Cross is responsible for paying the claims above this amount. Administrative charges and stop loss fees are also paid from the fund.

Revenue for this fund’s operations originates from the participating groups that pay a fee for each of their participating employees. The fee is the premium rate established by Blue Cross. These rates vary depending on the coverage each employee elects. The County sets caps on the amount of premiums it will pay for non-union employees and negotiates caps with its labor unions. Any premiums above the caps are paid by the employees through payroll deductions.

**Employee Pension Plan:**

Isabella County participates in the Michigan Municipal Employees Retirement System (MERS); an agent multiple employer state-wide, public employee defined benefit pension plan. Under this plan, the County is required to contribute at an actuarially determined rate. Effective in 2002, all new employees are in a defined contribution plan through ICMA. Under this plan, the County contributes 7% and the employee contributes 2% of their gross salary.

**OTHER INFORMATION:****Independent Audit:**

The Michigan Uniform Accounting and Budgeting Act requires an annual audit by independent certified public accountants. The accounting firm of Abraham & Gaffney, P.C. was selected by the Isabella County Board of Commissioners to perform the County’s annual audit. In addition to meeting requirements set forth in state statutes, the audit also was designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The auditor’s report on the financial statements and combining and individual fund statements and schedules is included in the financial section of this report. The auditor’s reports related specifically to the single audit are included in a separately issued report.

**Awards:**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Isabella County, Michigan for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2009.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another Certificate.

**Acknowledgements:**

We would like to thank members of the Isabella County Board of Commissioners for your interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,



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Timothy J. Dolehanty, ICMA (CM), AICP  
Administrator/Controller



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Susan R. Szabo, CPA  
Assistant to the County Administrator/  
Finance Director

**ISABELLA COUNTY, MICHIGAN  
OFFICIALS  
YEAR ENDED SEPTEMBER 30, 2010**

**BOARD OF COMMISSIONERS**

DAVID LING	CHAIRPERSON
FRANCES LICHTMAN	VICE-CHAIRPERSON
GEORGE GREEN	COMMISSIONER
JOHN HAUPT	COMMISSIONER
WILLIAM DAILEY	COMMISSIONER
ROGER TRUDELL	COMMISSIONER
JAMES MORENO	COMMISSIONER

**TRIAL COURT JUDGES**

PAUL CHAMBERLAIN, CHIEF JUDGE

WILLIAM T. ERVIN

WILLIAM R. RUSH

MARK DUTHIE

**OTHER ELECTED OFFICIALS**

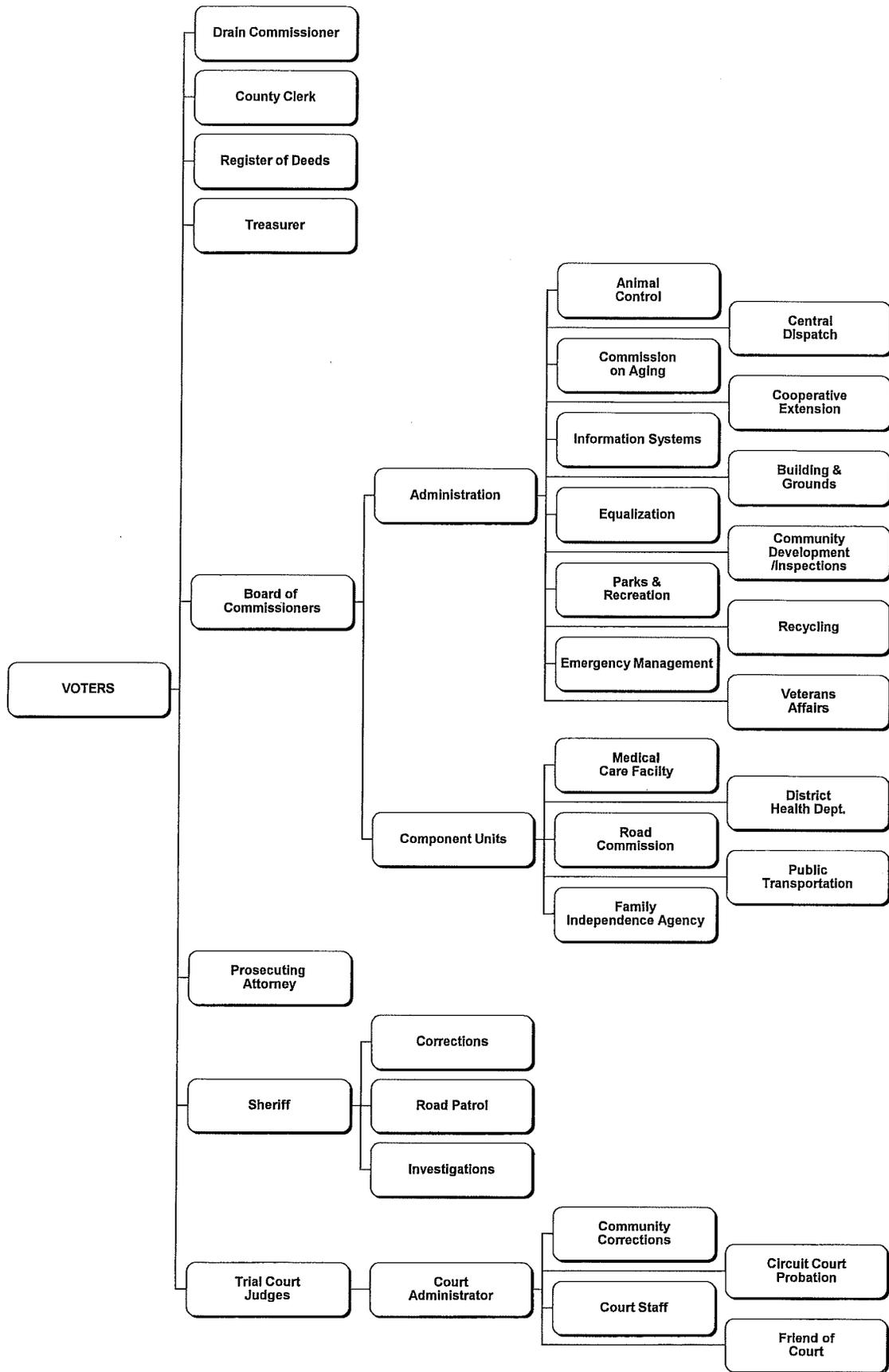
JOYCE SWAN	COUNTY CLERK
RICK JAKUBIEC	DRAIN COMMISSIONER
SHARON BROWN	REGISTER OF DEEDS
STEVEN PICKENS	COUNTY TREASURER
LARRY BURDICK	PROSECUTING ATTORNEY
LEO MIODUSZEWSKI	COUNTY SHERIFF

**COUNTY CONTROLLER/ADMINISTRATOR**

TIMOTHY J. DOLEHANTY, ICMA-CM, AICP

**ASSISTANT TO THE COUNTY ADMINISTRATOR / FINANCE DIRECTOR**

SUSAN R. SZABO, CPA



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Isabella County  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2009

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



President

Executive Director

## **FINANCIAL SECTION**

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA  
Alan D. Panter, CPA  
William I. Tucker IV, CPA



**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

3511 Coolidge Road  
Suite 100  
East Lansing, MI 48823  
(517) 351-6836  
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
of Isabella County  
Mt. Pleasant, 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 Isabella County, Michigan, as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Isabella County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Isabella County Road Commission, which represents 66% and 34%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 64% and 81%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors.

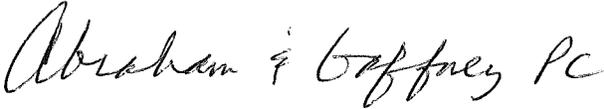
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, as of September 30, 2010, 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 March 28, 2011, on our consideration of Isabella County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 28, 2011

## Management's Discussion and Analysis

As management of *Isabella County, Michigan*, we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of Isabella County for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

### Financial Highlights

- The assets of the County exceeded its liabilities at the close of the most recent fiscal year by \$47,333,550. Of this amount, \$28,508,545 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,085,175. This increase resulted from net income of approximately \$966,242 from the County Medical Care Facility, net income of \$850,117 from the Delinquent Tax Fund and the PA123 Restricted Tax fund in the Business-type Activities and an increase in the property tax revenue during 2010.
- As of the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,896,005 a decrease of \$135,580 in comparison with the prior year. Approximately 69 percent of this amount, or \$8,169,422 is available for spending at the government's discretion (*unreserved fund balance*).
- General-purpose governments, regardless of size, should maintain an unreserved fund balance in their general fund of no less than five to 15 percent of regular general fund operating expenses, or of no less than one to two months of regular general fund operating expenditures (GFOA 2002). However, a 2007 shift in annual property tax collection dates from December to July created a significant cash flow challenge for Isabella County. This change resulted in a six-month delay in property tax payments made to the County. Therefore, the County would need to maintain an unreserved fund balance of no less than 55 to 65 percent of regular general fund operating expenses in order to assure adequate reserves and cash on hand. At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$3,853,172 or 22 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$1,065,000 during the current fiscal year. This decrease was due to the normal pay-off of principal on general obligation bonds.

### Overview of the Financial Statements

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

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety (including the jail), public works, health and welfare, community and economic development, and culture and recreation. The business-type activities of the County include the delinquent tax collections, recycling facility, building inspections, concessions, and a Medical Care Facility.

The government-wide financial statements include not only Isabella County itself (known as the primary government), but also a legally separate Road Commission, Transportation Commission, Board of Public Works, Drainage Districts, and the District Health Department, for which Isabella County is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The Isabella County Building Authority, although legally separate, functions for all practical purposes as a department of the County, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-2 of this report.

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

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

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

The County maintains 23 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Tribal Contribution, and Building Authority Bond Funds, each of which are considered to be major funds. Data from the other governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 3-8 of this report.

***Proprietary funds.*** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for its medical care facility, jail commissary operations, material recovery facility, building inspections department, and delinquent tax operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the County's various functions. Isabella County uses an internal service fund to account for its self-insurance activities. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the medical care facility and delinquent tax revolving activity, both of which are considered to be major funds. Individual fund data for nonmajor enterprise funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 9-14 of this report.

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

The basic fiduciary fund financial statements can be found on page 15 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to 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 19-51 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 52-103 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of Isabella County, assets exceeded liabilities by \$47,333,550 at the close of the most recent fiscal year.

One of the largest portions of the County’s net assets (38 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are 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.

#### Isabella County Net Assets

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Current and other assets	\$ 22,649,221	\$ 22,196,675	\$ 16,149,988	\$ 16,776,226	\$ 38,799,209	\$ 38,972,901
Capital assets, net	18,897,498	18,213,817	12,094,867	11,969,176	30,992,365	30,182,993
<b>Total assets</b>	<b>41,546,719</b>	<b>40,410,492</b>	<b>28,244,855</b>	<b>28,745,402</b>	<b>69,791,574</b>	<b>69,155,894</b>
Long-term liabilities outstanding	7,838,533	6,939,190	6,286,515	5,690,613	14,125,048	12,629,803
Other liabilities	7,861,462	7,529,392	2,556,689	1,663,149	10,418,151	9,192,541
<b>Total liabilities</b>	<b>15,699,995</b>	<b>14,468,582</b>	<b>8,843,204</b>	<b>7,353,762</b>	<b>24,543,199</b>	<b>21,822,344</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	11,631,381	11,656,812	5,900,138	6,120,965	17,531,519	17,777,777
Restricted	649,345	449,996	1,087,003	597,232	1,736,348	1,047,228
Unrestricted	13,565,998	13,835,102	12,414,510	14,673,443	25,980,508	28,508,545
<b>Total net assets</b>	<b>\$ 25,846,724</b>	<b>\$ 25,941,910</b>	<b>\$ 19,401,651</b>	<b>\$ 21,391,640</b>	<b>\$ 45,248,375</b>	<b>\$ 47,333,550</b>

An additional portion of the County's net assets (2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (60 percent or \$28,508,545) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The government's net assets increased by \$2,085,175 during the current fiscal year. This increase was a combination of the net income of the Business-type Activities and the Governmental Activities.

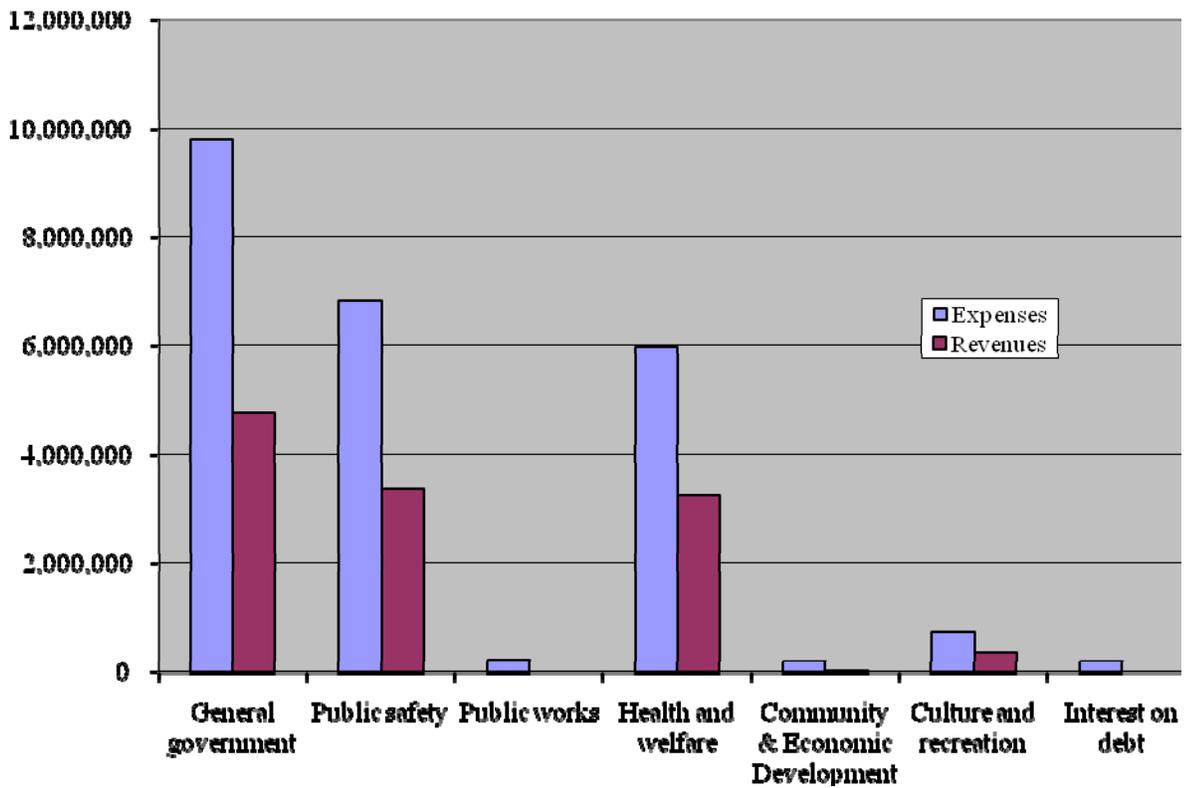
**Isabella County Change in Net Assets**

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 6,399,939	\$ 6,486,315	\$ 10,526,686	\$ 11,280,471	\$ 16,926,625	\$ 17,766,786
Operating grants and contributions	5,459,794	5,246,429	670,013	1,341,355	6,129,807	6,587,784
Capital grants and contributions	111,188	30,430	-	-	111,188	30,430
<b>General revenues:</b>						
Property taxes	11,002,634	11,681,218	1,385,061	1,287,847	12,387,695	12,969,065
Grants and contributions not restricted to specific programs	507,392	507,766	-	-	507,392	507,766
Unrestricted investment earnings	172,972	64,998	182,859	143,908	355,831	208,906
Miscellaneous revenue	125,420	93,987	103,670	95,313	229,090	189,300
Capital contributions	-	-	-	70,011	-	70,011
<b>Total revenues</b>	<b>23,779,339</b>	<b>24,111,143</b>	<b>12,868,289</b>	<b>14,218,905</b>	<b>36,647,628</b>	<b>38,330,048</b>
<b>Expenses</b>						
General government	9,500,081	9,799,291	-	-	9,500,081	9,799,291
Public safety	6,738,044	6,841,410	-	-	6,738,044	6,841,410
Public works	250,084	225,971	-	-	250,084	225,971
Health and welfare	6,407,529	5,979,709	-	-	6,407,529	5,979,709
Community & Economic Develop	209,415	205,914	-	-	209,415	205,914
Culture and recreation	866,072	746,056	-	-	866,072	746,056
Interest on debt	394,791	217,606	-	-	394,791	217,606
Delinquent property tax	-	-	189,073	160,524	189,073	160,524
Recycling facility	-	-	897,922	1,001,916	897,922	1,001,916
Building Inspections	-	-	253,795	212,858	253,795	212,858
Concessions	-	-	200,022	239,422	200,022	239,422
Medical care facility	-	-	10,554,367	10,614,196	10,554,367	10,614,196
<b>Total expenses</b>	<b>24,366,016</b>	<b>24,015,957</b>	<b>12,095,179</b>	<b>12,228,916</b>	<b>36,461,195</b>	<b>36,244,873</b>
Revenues over (under) expenses before transfers	(586,677)	95,186	773,110	1,989,989	186,433	2,085,175
Transfers - internal activities	90,000	-	(90,000)	-	-	-
Increase (decrease) in net assets	(496,677)	95,186	683,110	1,989,989	186,433	2,085,175
Net assets, beginning of year	26,343,401	25,846,724	18,718,541	19,401,651	45,061,942	45,248,375
<b>Total net assets</b>	<b>\$ 25,846,724</b>	<b>\$ 25,941,910</b>	<b>\$ 19,401,651</b>	<b>\$ 21,391,640</b>	<b>\$ 45,248,375</b>	<b>\$ 47,333,550</b>

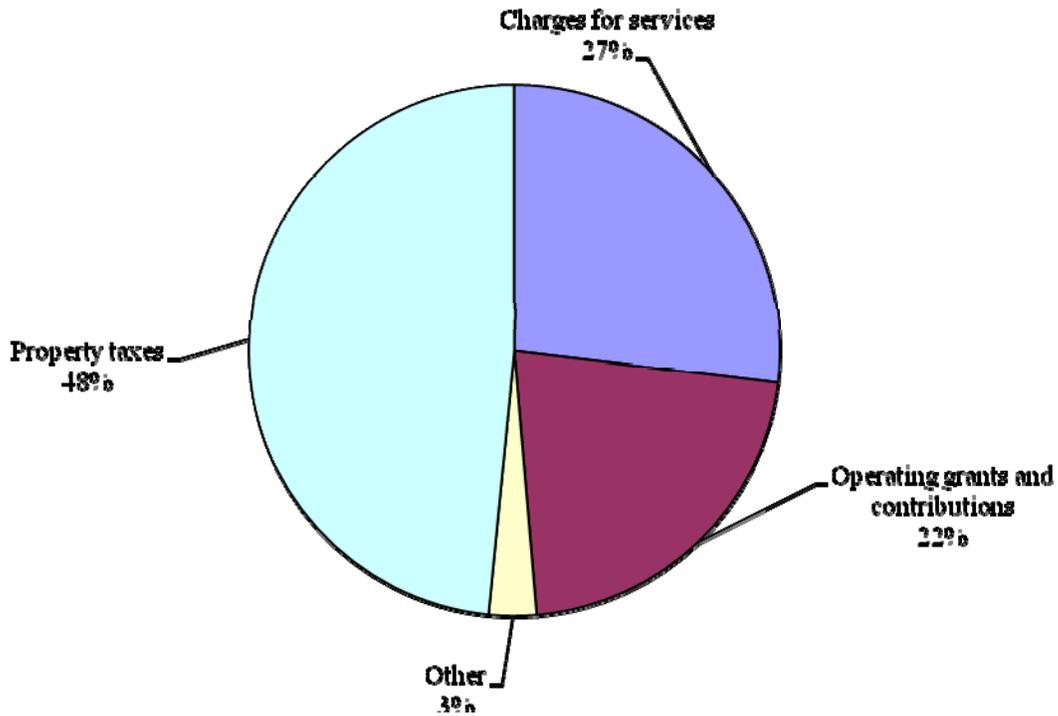
**Governmental activities.** Governmental activities increased the County’s net assets by \$95,186. Key elements of this increase are as follows:

- The operating millage for the County was increased from 6.47 to 6.61 in 2010. This resulted in an increase in property tax revenue of over \$675,000.
- The interest expense on long-term debt in 2010 was down \$177,185 due to the refinancing of several bond issues at more favorable rates in prior years.
- The Parks & Recreation Department increased fees and cut expenses in 2010 which resulted in a net increase of \$97,765 compared to 2009.

**Expenses and Program Revenues - Governmental Activities**



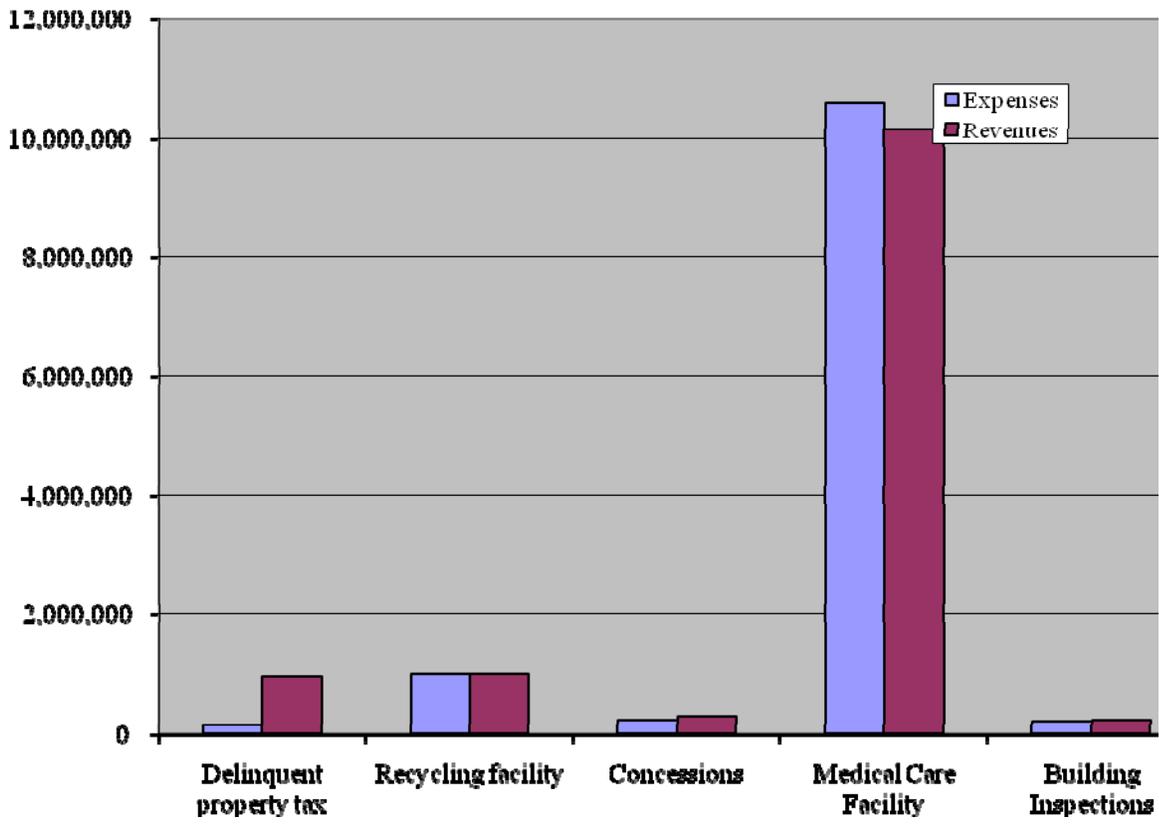
## Revenues by Source - Governmental Activities



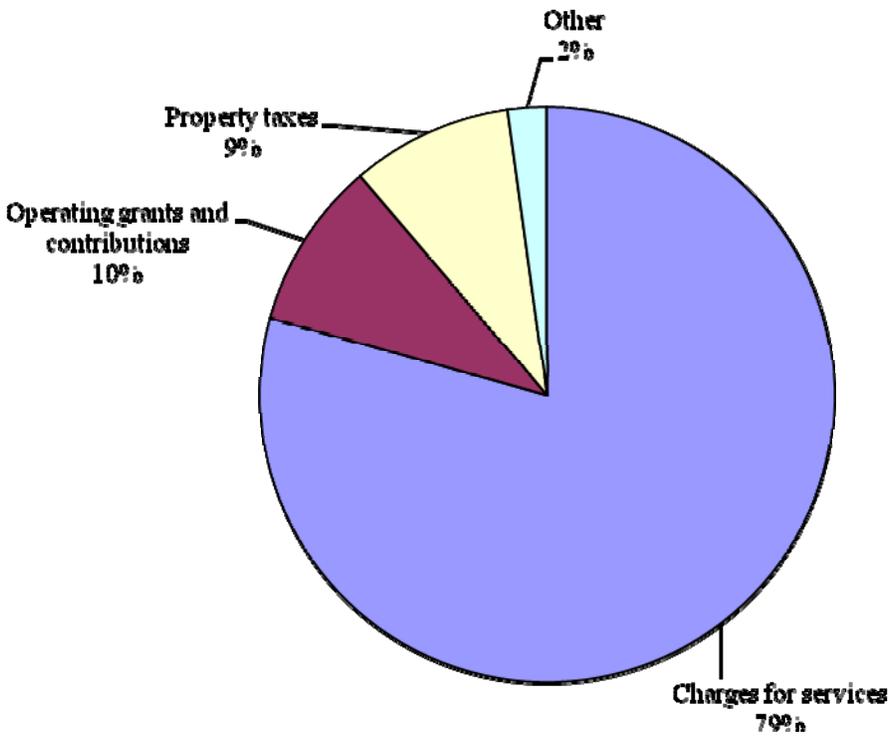
**Business-type activities.** Business-type activities increased the County's net assets by \$1,989,978, accounting for nearly all of the growth in the government's net assets for the current year. Key elements of these increases are as follows:

- The Medical Care Facility in the 2010 fiscal year reflects another full year of revenue with its expanded capacity. Net assets for the Medical Care Facility increased by \$966,242 in 2010, which represents 50% of the overall business-type activity increase for the year.
- The PA123 Restricted Tax fund had an increase in net assets of \$417,668 in 2010. This is the result of more tax foreclosures and subsequent tax sales.
- The Delinquent Tax Revolving fund had an increase in net assets of \$432,449 in 2010. This is the result of a downturn in the economy causing more taxes to be delinquent, and more interest and penalties being collected on delinquent amounts.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**  
**Financial Analysis of the Government's Funds**



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

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$11,896,005, a decrease of \$135,580 in comparison with the prior year. Approximately 95 percent of this total amount (\$11,284,114) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed 1) for inventory (\$30,398), 2) for prepaid items (\$131,497), or 3) for special projects (\$449,996).

The general fund is the chief operating fund of the County. At the end of the current fiscal year, unreserved fund balance of the general fund was \$6,786,588 while total fund balance was \$6,824,735. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 38.8 percent of total general fund expenditures and transfers out.

The fund balance of the County's general fund increased by \$545,095 during the current fiscal year. Total expenses were kept to a modest 4% increase in the general fund when compared to the prior year. Revenues increased 4% mostly to the additional millage collected from property taxes. In addition, transfers out were \$633,048 less in 2010 than 2009 due in part to a one-time transfer of the proceeds of the sale of a building in 2009, a decrease of \$140,752 in appropriations for Parks & Recreation, and a decrease of \$207,000 in appropriations for Capital Improvements.

The largest decrease in fund balance in the Governmental Funds was in the Revenue Sharing Reserve fund for \$1,228,823 in 2010. This decrease is due to the nature of the reserve fund and what it was intended for when created. This fund was created by accelerating the property tax collection from winter to summer over three years and depositing the extra tax collected into a reserve fund. This fund then replaced State Revenue Sharing payments normally made to the County each year. The County is allowed to make distributions from the fund in an amount not to exceed its October 1, 2003 through September 30, 2004 revenue sharing payments adjusted for inflation each year until the fund is exhausted.

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

### **General Fund Budgetary Highlights**

The difference between the original and final amended budget for expenditures resulted in an increase of \$252,176 in appropriations. The largest increases were for 1) an increase in the Corrections budget of \$129,600 to cover wages and jail overcrowding charges; 2) an increase of \$99,350 in the Trial Court budget mostly to cover new equipment purchases; and 3) an increase of \$51,821 in the Remonumentation budget.

During the year, general fund revenues were greater than budgetary estimates by approximately \$223,000 and general fund expenditures were less than budgetary estimates by \$384,561. This resulted in an overall budget discrepancy of only \$607,600 on a general fund budget of almost \$18,000,000.

### Capital Asset and Debt Administration

**Capital Assets.** The County's investment in capital assets for its governmental and business type activities as of September 30, 2010, amounted to \$30,182,993 (net of accumulated depreciation). This investment in capital assets includes land, building and improvements, machinery and equipment, and vehicles. The total decrease in the County's investment in capital assets for the current fiscal year was 3 percent.

Major capital asset events during the current fiscal year included the following:

- Construction in progress decreased by \$1,335,960 in Business-type activities. This decrease is mostly from the completion of a large project in 2010 at the Medical Care Facility to add a new kitchen.
- Other large purchases during 2010 included: equipment and software upgrades for Central Dispatch for \$131,260; new computer equipment and software for the Trial Court for \$156,812; and building upgrades and a truck for the Recycling Facility for \$30,849 and \$38,400 respectively.
- The County also completed the installation of a new security system in both the county / court buildings and in the Isabella County Jail in 2010 for a cost of \$486,594.

### Isabella County's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Land	\$ 2,192,082	\$ 2,142,082	\$ 121,953	\$ 121,953	\$ 2,314,035	\$ 2,264,035
Construction in progress	-	189,579	-	1,335,960	-	1,525,539
Buildings and improvements	14,103,720	14,598,060	10,508,738	9,724,542	24,612,458	24,322,602
Equipment	1,483,693	1,503,749	1,264,237	848,016	2,747,930	2,351,765
Vehicles	211,488	295,767	74,248	64,396	285,736	360,163
Other	<u>222,834</u>	<u>168,261</u>	<u>-</u>	<u>-</u>	<u>222,834</u>	<u>168,261</u>
Total net assets	<u>\$ 18,213,817</u>	<u>\$ 18,897,498</u>	<u>\$ 11,969,176</u>	<u>\$ 12,094,867</u>	<u>\$ 30,182,993</u>	<u>\$ 30,992,365</u>

Additional information on the County's capital assets can be found in note F on pages 32-35 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had total debt outstanding of \$14,496,795. Of this amount, \$12,500,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents leases, postclosure landfill costs, long-term insurance claims, and compensated absences.

### Isabella County's Outstanding Debt

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
General obligation bonds	\$ 6,610,000	\$ 7,325,000	\$ 5,890,000	\$ 6,240,000	\$ 12,500,000	\$ 13,565,000
Postclosure landfill costs	820,614	879,130	-	-	820,614	879,130
Accrued compensated absences	826,300	851,256	444,665	469,920	1,270,965	1,321,176
Deferred charges	<u>( 52,995 )</u>	<u>( 58,883 )</u>	<u>( 41,789 )</u>	<u>( 45,271 )</u>	<u>( 94,784 )</u>	<u>( 104,154 )</u>
Total net debt	<u>\$ 8,203,919</u>	<u>\$ 8,996,503</u>	<u>\$ 6,292,876</u>	<u>\$ 6,664,649</u>	<u>\$ 14,496,795</u>	<u>\$ 15,661,152</u>

### General Obligation Bonds - \$12,500,000

The County's total governmental activity debt decreased by \$792,584 (9 percent) during the current fiscal year.

The County's total business-type activity debt decreased by \$371,773 (6 percent) during the current fiscal year.

The County's bond rating ranges from A to AAA. The AAA rating is given for bond issues that are backed with millage levies.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the County is significantly in excess of the County's outstanding general obligation debt.

Additional information on the County's long-term debt can be found in note G on pages 36-42 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

In order to maintain financial stability over the long term, the budgeting practice in Isabella County is to not only adopt a balanced budget as required by law, but to manage its budget in a manner such that actual expenses do not exceed actual revenues on an annual basis. This policy, along with a conscious awareness of the fund balance, has historically given Isabella County the reserves necessary to address this difficult economic time without resorting to a crisis-management approach. It has permitted the County Board to utilize its annual budget process as the primary vehicle to make decisions on the type and level of county services to be provided. When unexpected revenue losses or expenditure increases occur during the year, they will be addressed through short term expenditure reduction measures such as reductions in controllable expenses, hiring delays, and deferrals of certain capital expenditures.

- As the economy has slowed, there have been financial impacts to the county. Although property tax revenues remain stable, programs that rely on state and federal grants have suffered financial losses as grant funding remains unchanged or is reduced.
- The September 2010 unemployment rate for Isabella County was 8.1%, which is a decrease from a rate of 8.5% a year earlier. This was less than the State's September 2010 average unemployment rate of 11.4% and also slightly less than the national average rate of 9.2%.<sup>1</sup>
- Two Michigan constitutional laws limit property tax growth to the rate of inflation or a maximum allowable increase in assessment of 5.0 percent, whichever is less. Property tax revenue anticipated for the ensuing fiscal year will reflect the restrictions of these laws as well as an estimated reduction in tax revenue from captured values (Local Development Finance Authorities, Downtown Development Authorities, and Tax Increment Finance Authorities), brownfield zones, and board of reviews.
- Public Act 357 of 2004 (MCL 211.44a) created a funding mechanism to serve as a substitute to state revenue sharing payments. Isabella County completed a gradual shift its county operating property tax millage from a winter tax levy to a summer tax levy in 2009.

The County continues to disburse funds from a special revenue fund in amounts that do not exceed its October 1, 2003 through September 30, 2004 revenue sharing payments, adjusted for inflation.

During the current fiscal year, unreserved – undesignated fund balance in the general fund increased to \$3,853,172.

## **Requests for Information**

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Isabella County Administration Office, 200 N. Main St., Mt. Pleasant, Michigan 48858.

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<sup>1</sup> Michigan Department of Labor and Economic Growth

## **BASIC FINANCIAL STATEMENTS**

Isabella County, Michigan

STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 11,384,241	\$ 5,253,674	\$ 16,637,915	\$ 6,357,760
Investments	2,561,863	575,207	3,137,070	1,927,385
Receivables	3,039,189	4,665,872	7,705,061	4,409,359
Inventories	30,398	7,625	38,023	897,404
Due from other governmental units	1,086,322	31,329	1,117,651	2,705,094
Prepays	269,063	45,856	314,919	900,173
Other current assets	-	97,528	97,528	-
Current portion of land contract receivable	-	-	-0-	6,485
Current portion of lease receivable	390,000	-	390,000	545,000
Restricted cash and cash equivalents	-	5,370,884	5,370,884	-
Internal balances	(270,130)	270,130	-0-	-
<b>Total current assets</b>	<b>18,490,946</b>	<b>16,318,105</b>	<b>34,809,051</b>	<b>17,748,660</b>
Noncurrent assets				
Investments	-	458,121	458,121	-
Lease receivable	3,650,000	-	3,650,000	6,655,000
Unamortized bond issuance costs	55,729	-	55,729	60,639
Capital assets not being depreciated	2,192,082	121,953	2,314,035	24,414,625
Capital assets being depreciated, net	16,021,735	11,847,223	27,868,958	67,202,707
<b>Total noncurrent assets</b>	<b>21,919,546</b>	<b>12,427,297</b>	<b>34,346,843</b>	<b>98,332,971</b>
<b>TOTAL ASSETS</b>	<b>40,410,492</b>	<b>28,745,402</b>	<b>69,155,894</b>	<b>116,081,631</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	696,092	505,756	1,201,848	1,148,366
Accrued wages	115,312	101,059	216,371	310,323
Other accrued liabilities	156,225	107,722	263,947	569,059
Due to other governmental units	736,303	49,368	785,671	476,992
Unearned revenue	4,560,731	296,981	4,857,712	670,648
Current portion of compensated absences	330,520	232,263	562,783	437,905
Current portion of long-term debt	934,209	370,000	1,304,209	1,508,680
<b>Total current liabilities</b>	<b>7,529,392</b>	<b>1,663,149</b>	<b>9,192,541</b>	<b>5,121,973</b>
Noncurrent liabilities				
Noncurrent portion of compensated absences	495,780	212,402	708,182	579,102
Noncurrent portion of long-term debt	6,443,410	5,478,211	11,921,621	9,635,721
<b>Total noncurrent liabilities</b>	<b>6,939,190</b>	<b>5,690,613</b>	<b>12,629,803</b>	<b>10,214,823</b>
<b>TOTAL LIABILITIES</b>	<b>14,468,582</b>	<b>7,353,762</b>	<b>21,822,344</b>	<b>15,336,796</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	11,656,812	6,120,965	17,777,777	87,530,524
Restricted	449,996	597,232	1,047,228	3,817,621
Unrestricted	13,835,102	14,673,443	28,508,545	9,396,690
<b>TOTAL NET ASSETS</b>	<b>\$ 25,941,910</b>	<b>\$ 21,391,640</b>	<b>\$ 47,333,550</b>	<b>\$ 100,744,835</b>

See accompanying notes to financial statements.

Isabella County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 9,799,291	\$ 2,908,399	\$ 1,856,749	\$ 8,804	\$ (5,025,339)	\$ -	\$ (5,025,339)	\$ -
Public safety	6,841,410	2,725,489	636,885	2,153	(3,476,883)	-	(3,476,883)	-
Public works	225,971	-	-	-	(225,971)	-	(225,971)	-
Health and welfare	5,979,709	504,500	2,752,795	-	(2,722,414)	-	(2,722,414)	-
Community and economic development	205,914	4,933	-	-	(200,981)	-	(200,981)	-
Recreation and cultural	746,056	342,994	-	19,473	(383,589)	-	(383,589)	-
Interest on long-term debt	217,606	-	-	-	(217,606)	-	(217,606)	-
Total governmental activities	24,015,957	6,486,315	5,246,429	30,430	(12,252,783)	-0-	(12,252,783)	-0-
Business-type activities								
Medical Care Facility	10,614,196	9,067,589	1,023,155	70,011	-	(453,441)	(453,441)	-
Delinquent tax	160,524	967,436	-	-	-	806,912	806,912	-
Building inspections	212,858	249,272	-	-	-	36,414	36,414	-
Recycling	1,001,916	687,810	318,200	-	-	4,094	4,094	-
Concessions	239,422	308,364	-	-	-	68,942	68,942	-
Total business-type activities	12,228,916	11,280,471	1,341,355	70,011	-0-	462,921	462,921	-0-
Total primary government	<u>\$ 36,244,873</u>	<u>\$ 17,766,786</u>	<u>\$ 6,587,784</u>	<u>\$ 100,441</u>	(12,252,783)	462,921	(11,789,862)	-0-
Component units								
Road Commission	\$ 7,498,110	\$ 34,249	\$ 4,649,374	\$ 4,820,825	-	-	-	2,006,338
Transportation Commission	5,147,047	599,965	2,621,405	17,750	-	-	-	(1,907,927)
Health Department	9,327,599	2,742,125	7,310,757	-	-	-	-	725,283
Drainage Districts	1,320,066	-	64,336	1,094,566	-	-	-	(161,164)
Board of Public Works	1,169,461	35,816	-	2,188,227	-	-	-	1,054,582
Total component units	<u>\$ 24,462,283</u>	<u>\$ 3,412,155</u>	<u>\$ 14,645,872</u>	<u>\$ 8,121,368</u>	-0-	-0-	-0-	1,717,112
General revenues								
Property taxes					11,681,218	1,287,847	12,969,065	1,577,913
Unrestricted grants and contributions					507,766	-	507,766	-
Investment earnings					64,998	143,908	208,906	32,971
Gain on disposal of capital assets					-	-	-0-	14,807
Other					93,987	95,313	189,300	257,305
Total general revenues					12,347,969	1,527,068	13,875,037	1,882,996
Change in net assets					95,186	1,989,989	2,085,175	3,600,108
Net assets, beginning of the year					25,846,724	19,401,651	45,248,375	97,144,727
Net assets, end of the year					<u>\$ 25,941,910</u>	<u>\$ 21,391,640</u>	<u>\$ 47,333,550</u>	<u>\$ 100,744,835</u>

See accompanying notes to financial statements.

Isabella County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2010

	General	Tribal Contribution	Building Authority Bonds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,039,706	\$ 47,211	\$ 1,216,276
Investments	550,335	822,270	-
Accounts receivable	15,410	661,959	-
Taxes receivable	1,173,485	-	-
Lease receivable	-	-	4,040,000
Due from other governmental units			
Federal/State	402,244	-	-
Local	182,727	25,990	-
Inventories	13,535	-	-
Prepays	24,612	-	52,025
Due from other funds	253,033	37,076	-
	<u>9,655,087</u>	<u>1,594,506</u>	<u>5,308,301</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 463,658	\$ 8,473	\$ -
Accrued wages	71,836	2,024	-
Accrued liabilities	30,977	-	-
Due to other governmental units			
Federal/State	-	-	-
Local	7,426	716,077	-
Due to other funds	1,333,374	376,069	35,000
Deferred revenue	923,081	491,662	4,040,000
	<u>2,830,352</u>	<u>1,594,305</u>	<u>4,075,000</u>
<b>TOTAL LIABILITIES</b>			
<b>FUND BALANCES</b>			
Reserved for:			
Donations for special projects	-	-	-
Inventories	13,535	-	-
Prepays	24,612	-	52,025
Capital projects	-	-	-
Equipment replacement	-	-	-
Unreserved			
Designated	2,933,416	-	-
Undesignated, reported in:			
General fund	3,853,172	-	-
Special revenue funds	-	201	-
Debt service	-	-	1,181,276
	<u>6,824,735</u>	<u>201</u>	<u>1,233,301</u>
<b>TOTAL FUND BALANCES</b>			
<b>TOTAL LIABILITIES AND FUND BALANCES</b>			
	<u>\$ 9,655,087</u>	<u>\$ 1,594,506</u>	<u>\$ 5,308,301</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 2,683,731	\$ 10,986,924
682,007	2,054,612
1,183,078	1,860,447
-	1,173,485
-	4,040,000
469,716	871,960
5,645	214,362
16,863	30,398
54,860	131,497
855,281	1,145,390
<u>\$ 5,951,181</u>	<u>\$ 22,509,075</u>
\$ 175,211	\$ 647,342
41,452	115,312
9,982	40,959
12,800	12,800
-	723,503
259,381	2,003,824
1,614,587	7,069,330
<u>2,113,413</u>	<u>10,613,070</u>
44,943	44,943
16,863	30,398
54,860	131,497
125,465	125,465
279,588	279,588
-	2,933,416
-	3,853,172
3,316,049	3,316,250
-	1,181,276
<u>3,837,768</u>	<u>11,896,005</u>
<u>\$ 5,951,181</u>	<u>\$ 22,509,075</u>

Isabella County, Michigan

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

September 30, 2010

**Total fund balance - governmental funds** \$ 11,896,005

Amounts reported for the 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 as assets in the governmental funds.

The cost of capital assets is	\$ 33,744,053	
Accumulated depreciation is	<u>(15,530,236)</u>	
Capital assets, net		18,213,817

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Property taxes	918,599	
Lease receivable	4,040,000	
Less: lease receivable from other County funds	<u>(2,450,000)</u>	
		2,508,599

Governmental funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.

Unamortized bond issuance costs		55,729
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Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net assets of governmental activities accounted for in Internal Service Funds		1,586,945
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(7,377,619)	
Accrued interest payable	(115,266)	
Compensated absences	<u>(826,300)</u>	
		<u>(8,319,185)</u>

**Net assets of governmental activities** \$ 25,941,910

Isabella County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2010

	General	Tribal Contribution	Building Authority Bonds
<b>REVENUES</b>			
Taxes	\$ 10,529,160	\$ -	\$ 587,797
Licenses and permits	86,903	-	-
Intergovernmental	1,673,037	449,047	-
Charges for services	3,775,841	-	-
Fines and forfeits	229,237	-	-
Interest and rents	395,459	-	263,814
Contributions	-	-	-
Other	98,545	-	-
<b>TOTAL REVENUES</b>	<b>16,788,182</b>	<b>449,047</b>	<b>851,611</b>
<b>EXPENDITURES</b>			
Current			
General government	8,038,956	307,034	-
Public safety	5,126,269	140,799	-
Public works	219,239	-	-
Health and welfare	987,036	-	-
Community and economic development	201,940	-	-
Recreation and cultural	3,270	1,214	-
Other	595,696	-	-
Debt service	-	-	990,661
Capital outlay	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>15,172,406</b>	<b>449,047</b>	<b>990,661</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,615,776</b>	<b>-0-</b>	<b>(139,050)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,233,097	-	304,987
Transfers out	(2,303,778)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,070,681)</b>	<b>-0-</b>	<b>304,987</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>545,095</b>	<b>-0-</b>	<b>165,937</b>
Fund balances, beginning of year	6,279,640	201	1,067,364
Fund balances, end of year	<u>\$ 6,824,735</u>	<u>\$ 201</u>	<u>\$ 1,233,301</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total
\$ 618,633	\$ 11,735,590
342,994	429,897
3,104,623	5,226,707
1,491,133	5,266,974
7,307	236,544
4,866	664,139
426,155	426,155
72,154	170,699
<hr/>	<hr/>
6,067,865	24,156,705
960,637	9,306,627
1,120,188	6,387,256
-	219,239
4,817,959	5,804,995
-	201,940
700,750	705,234
-	595,696
-	990,661
80,637	80,637
<hr/>	<hr/>
7,680,171	24,292,285
(1,612,306)	(135,580)
2,040,791	3,578,875
(1,275,097)	(3,578,875)
<hr/>	<hr/>
765,694	-0-
(846,612)	(135,580)
4,684,380	12,031,585
<hr/>	<hr/>
\$ 3,837,768	\$ 11,896,005
<hr/>	<hr/>

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

**Net change in fund balances - total governmental funds** \$ (135,580)

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 420,359	
Depreciation expense	<u>(1,104,040)</u>	
Excess of depreciation expense over capital outlay		(683,681)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (54,371)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net operating income from governmental activities accounted for in internal service fund	161,997	
Add: Interest revenue	<u>8,810</u>	
		170,807

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Repayment of long-term debt	715,000	
Net effect of bond refunding and related items	(12,081)	
Decrease in long-term liability for environmental remediation	<u>58,516</u>	
		761,435

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

Decrease in accrued interest payable	11,620	
Decrease in compensated absences	<u>24,956</u>	
		<u>36,576</u>

**Change in net assets of governmental activities** \$ 95,186

Isabella County, Michigan

Proprietary Funds

STATEMENT OF NET ASSETS

September 30, 2010

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds		Internal Service Fund
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 820,380	\$ 2,140,983	\$ 2,159,872	\$ 5,121,235	\$ 529,756
Investments	-	-	406,123	406,123	676,335
Receivables					
Accounts	1,667,661	-	98,446	1,766,107	7,009
Delinquent taxes	6,958	2,891,055	-	2,898,013	-
Due from other governmental units	31,329	-	-	31,329	-
Due from other funds	-	-	82,007	82,007	784,405
Inventories	-	-	7,625	7,625	-
Prepays	-	-	-	-0-	183,422
Other current assets	97,528	-	-	97,528	-
Restricted cash and cash equivalents	5,370,884	-	-	5,370,884	-
<b>Total current assets</b>	<b>7,994,740</b>	<b>5,032,038</b>	<b>2,754,073</b>	<b>15,780,851</b>	<b>2,180,927</b>
Noncurrent assets					
Investments	-	458,121	-	458,121	-
Capital assets not being depreciated	-	-	121,953	121,953	-
Capital assets being depreciated, net	10,365,709	-	1,481,514	11,847,223	-
<b>Total noncurrent assets</b>	<b>10,365,709</b>	<b>458,121</b>	<b>1,603,467</b>	<b>12,427,297</b>	<b>-0-</b>
<b>TOTAL ASSETS</b>	<b>18,360,449</b>	<b>5,490,159</b>	<b>4,357,540</b>	<b>28,208,148</b>	<b>2,180,927</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	413,287	-	76,219	489,506	65,000
Accrued wages	60,568	1,056	39,435	101,059	-
Other accrued liabilities	2,921	-	-	2,921	-
Due to other governmental units	-	-	49,368	49,368	-
Due to other funds	-	2,225	5,753	7,978	-
Interest payable	104,801	-	-	104,801	-
Current portion of compensated absences	220,586	401	11,276	232,263	-
Current portion of capital lease payable	370,000	-	-	370,000	-
Unearned revenue	185,518	-	111,463	296,981	-
<b>Total current liabilities</b>	<b>1,357,681</b>	<b>3,682</b>	<b>293,514</b>	<b>1,654,877</b>	<b>65,000</b>
Noncurrent liabilities					
Noncurrent portion of compensated absences	194,887	602	16,913	212,402	-
Noncurrent portion of capital lease payable	5,478,211	-	-	5,478,211	-
<b>Total noncurrent liabilities</b>	<b>5,673,098</b>	<b>602</b>	<b>16,913</b>	<b>5,690,613</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>7,030,779</b>	<b>4,284</b>	<b>310,427</b>	<b>7,345,490</b>	<b>65,000</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	4,517,498	-	1,603,467	6,120,965	-
Restricted for:					
Equipment replacement	-	-	306,767	306,767	-
Nonexpendable	55,226	-	-	55,226	-
Expendable	235,239	-	-	235,239	-
Unrestricted	6,521,707	5,485,875	2,136,879	14,144,461	2,115,927
<b>TOTAL NET ASSETS</b>	<b>\$ 11,329,670</b>	<b>\$ 5,485,875</b>	<b>\$ 4,047,113</b>	<b>\$ 20,862,658</b>	<b>\$ 2,115,927</b>

See accompanying notes to financial statements.

Isabella County, Michigan

RECONCILIATION OF THE ENTERPRISE FUNDS STATEMENT  
OF NET ASSETS TO THE STATEMENT OF NET ASSETS

September 30, 2010

**Total net assets - enterprise funds** \$ 20,862,658

Amounts reported for business-type activities in the statement of net assets are different because:

Internal service funds are used by management to charge the costs of certain activities, such as insurance and other centralized costs, to individual funds. The assets and liabilities of certain internal services are included in business-type activities.

Add: portion of net assets of business-type activities accounted for in the internal service fund

528,982

**Net assets of business-type activities**

\$ 21,391,640

Isabella County, Michigan

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2010

	Business-type Activities			Total	Governmenta
	Medical Care Facility	Delinquent Tax Revolvinç	Nonmajor Enterprise Funds		Internal Service Fund
<b>OPERATING REVENUES</b>					
Charges for services	\$ 10,090,744	\$ 163,564	\$ 1,023,095	\$ 11,277,403	\$ 2,773,896
Sales	-	-	666,671	666,671	-
Reimbursements	-	-	-	-0-	26,620
Interest and penalties on delinquent tax	-	359,552	-	359,552	-
<b>TOTAL OPERATING REVENUES</b>	<b>10,090,744</b>	<b>523,116</b>	<b>1,689,766</b>	<b>12,303,626</b>	<b>2,800,516</b>
<b>OPERATING EXPENSES</b>					
Personnel services	5,714,034	106,418	736,151	6,556,603	-
Supplies	-	-	52,071	52,071	-
Contractual services	-	-	63,688	63,688	-
Other services and charges	4,228,837	-	401,532	4,630,369	-
Cost of goods sold	-	-	163,189	163,189	-
Health insurance benefits, premiums, and fee	-	-	-	-0-	2,581,583
Depreciator	408,664	-	148,607	557,271	-
<b>TOTAL OPERATING EXPENSES</b>	<b>10,351,535</b>	<b>106,418</b>	<b>1,565,238</b>	<b>12,023,191</b>	<b>2,581,583</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(260,791)</b>	<b>416,698</b>	<b>124,528</b>	<b>280,435</b>	<b>218,933</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Intergovernmenta					
State	-	-	5,417	5,417	-
Local	-	-	312,783	312,783	-
Property taxes	1,287,847	-	-	1,287,847	-
Interest revenue	38,836	15,751	89,321	143,908	8,810
Rental income	93,000	-	-	93,000	-
Interest expense	(262,661)	-	-	(262,661)	-
Other	-	-	2,313	2,313	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>1,157,022</b>	<b>15,751</b>	<b>409,834</b>	<b>1,582,607</b>	<b>8,810</b>
<b>NET INCOME BEFORE CAPITAL CONTRIBUTIONS</b>	<b>896,231</b>	<b>432,449</b>	<b>534,362</b>	<b>1,863,042</b>	<b>227,743</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>70,011</b>	<b>-</b>	<b>-</b>	<b>70,011</b>	<b>-</b>
<b>CHANGE IN NET ASSETS</b>	<b>966,242</b>	<b>432,449</b>	<b>534,362</b>	<b>1,933,053</b>	<b>227,743</b>
Net assets, beginning of yea	10,363,428	5,053,426	3,512,751	18,929,605	1,888,184
Net assets, end of yea	\$ 11,329,670	\$ 5,485,875	\$ 4,047,113	\$ 20,862,658	\$ 2,115,927

Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

**Change in net assets - total enterprise funds** \$ 1,933,053

Amounts reported for business-type activities in the statement of activities are different because:

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

Add: increase in net assets from business-type activities accounted for in the internal service fund

56,936

**Change in net assets of business-type activities**

\$ 1,989,989

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2010

	Business-type Activities			Governmental Activities	
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds	Total	Internal Service Fund
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 9,460,128	\$ 163,564	\$ 1,716,707	\$ 11,340,399	\$ 2,793,528
Cash paid to suppliers	(11,130,668)	-	(627,263)	(11,757,931)	(3,390,932)
Cash paid for employee services and benefits	-	(108,900)	(735,461)	(844,361)	-
Interest on delinquent taxes	-	331,103	-	331,103	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>(1,670,540)</b>	<b>385,767</b>	<b>353,983</b>	<b>(930,790)</b>	<b>(597,404)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Quality assurance program	(549)	-	-	(549)	-
Rental receipts	93,000	-	-	93,000	-
State/Federal grants	-	-	318,200	318,200	-
<b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>92,451</b>	<b>-0-</b>	<b>318,200</b>	<b>410,651</b>	<b>-0-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Property tax collections	1,298,088	-	-	1,298,088	-
Principal payments on capital debt	(350,000)	-	-	(350,000)	-
Interest payments on capital debt	(264,646)	-	-	(264,646)	-
Acquisition and construction of capital assets	(318,821)	-	(112,759)	(431,580)	-
Capital contributions	70,011	-	-	70,011	-
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>434,632</b>	<b>-0-</b>	<b>(112,759)</b>	<b>321,873</b>	<b>-0-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of investments	-	(458,121)	-	(458,121)	(676,335)
Maturity of investments	-	557,596	248,893	806,489	669,365
Interest revenue	33,587	15,751	89,321	138,659	8,810
Other revenue	-	-	2,313	2,313	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>33,587</b>	<b>115,226</b>	<b>340,527</b>	<b>489,340</b>	<b>1,840</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(1,109,870)</b>	<b>500,993</b>	<b>899,951</b>	<b>291,074</b>	<b>(595,564)</b>
Cash and cash equivalents, beginning of year	7,301,134	1,639,990	1,259,921	10,201,045	1,125,320
Cash and cash equivalents, end of year	<u>\$ 6,191,264</u>	<u>\$ 2,140,983</u>	<u>\$ 2,159,872</u>	<u>\$ 10,492,119</u>	<u>\$ 529,756</u>

Isabella County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONCLUDED

Year Ended September 30, 2010

	Business-type Activities			Total	Governmental
	Medical Care Facility	Delinquent Tax Revolving	Nonmajor Enterprise Funds		Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ (260,791)	\$ 416,698	\$ 124,528	\$ 280,435	\$ 218,933
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	408,664	-	148,607	557,271	-
(Increase) decrease in receivables	(567,859)	(18,405)	9,285	(576,979)	19,632
Decrease in due from other governmental units	-	-	17,656	17,656	-
(Increase) in prepaids	-	-	-	-0-	(53,507)
(Increase) in other current assets	(46,851)	-	-	(46,851)	-
Decrease in inventory	-	-	1,070	1,070	-
(Increase) in due from other funds	-	-	(19,660)	(19,660)	(782,462)
Increase (decrease) in accounts payable	(1,129,886)	-	39,411	(1,090,475)	-
Increase in due to other governmental units	-	-	23,882	23,882	-
Increase (decrease) in accrued liabilities	(11,061)	(2,482)	690	(12,853)	-
Increase (decrease) in due to other funds	-	(10,044)	3,156	(6,888)	-
Increase (decrease) in deferred revenue	(62,756)	-	5,358	(57,398)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ (1,670,540)</b>	<b>\$ 385,767</b>	<b>\$ 353,983</b>	<b>\$ (930,790)</b>	<b>\$ (597,404)</b>

Isabella County, Michigan

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

September 30, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 3,218,887
Prepays	<u>68,651</u>
TOTAL ASSETS	<u>\$ 3,287,538</u>
LIABILITIES	
Due to other governmental units	
Federal/State	\$ 143,502
Local	2,608,384
Due to individuals and agencies	<u>535,652</u>
TOTAL LIABILITIES	<u>\$ 3,287,538</u>

See accompanying notes to financial statements.

Isabella County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2010

	Road Commission	Isabella County Transportation Commission	Central Michigan District Health Department
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,023,332	\$ 1,371,921	\$ 574,397
Investments	-	-	-
Receivables	1,204,253	54,705	782,892
Due from other governmental units	853,380	411,518	1,204,196
Inventories	265,276	101,199	501,233
Prepays	149,803	119,449	197,986
Land contract receivable	2,622	3,863	-
Current portion of lease receivable	-	-	-
Total current assets	3,498,666	2,062,655	3,260,704
Noncurrent assets			
Lease receivable	-	-	-
Unamortized bond issuance costs	-	-	-
Capital assets, not being depreciated	23,451,636	54,004	-
Capital assets, net of accumulated depreciation	49,189,530	3,849,877	554,222
Total noncurrent assets	72,641,166	3,903,881	554,222
TOTAL ASSETS	76,139,832	5,966,536	3,814,926
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	337,036	23,368	329,240
Accrued wages	-	72,562	237,761
Due to other governmental units	111,562	110,999	252,118
Accrued interest payable	-	-	9,399
Other accrued liabilities	26,697	405,370	60,640
Unearned revenue	4,690	55,433	610,525
Current portion of compensated absences	-	83,846	354,059
Current portion of long-term debt	133,604	-	228,097
Total current liabilities	613,589	751,578	2,081,839
Noncurrent liabilities			
Noncurrent portion of compensated absences	238,927	-	340,175
Noncurrent portion of long-term debt	185,169	-	587,643
Total noncurrent liabilities	424,096	-0-	927,818
TOTAL LIABILITIES	1,037,685	751,578	3,009,657
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	72,322,393	3,903,881	(261,518)
Restricted	2,779,754	-	-
Unrestricted	-	1,311,077	1,066,787
TOTAL NET ASSETS	\$ 75,102,147	\$ 5,214,958	\$ 805,269

See accompanying notes to financial statements.

Drainage Districts	Board of Public Works	Total
\$ 1,851,657	\$ 1,536,453	\$ 6,357,760
1,927,385	-	1,927,385
2,356,499	11,010	4,409,359
236,000	-	2,705,094
29,696	-	897,404
-	432,935	900,173
-	-	6,485
-	545,000	545,000
<hr/> 6,401,237	<hr/> 2,525,398	<hr/> 17,748,660
-	6,655,000	6,655,000
-	60,639	60,639
892,985	16,000	24,414,625
<hr/> 13,569,342	<hr/> 39,736	<hr/> 67,202,707
<hr/> 14,462,327	<hr/> 6,771,375	<hr/> 98,332,971
20,863,564	9,296,773	116,081,631
98,235	360,487	1,148,366
-	-	310,323
1,833	480	476,992
44,909	22,044	76,352
-	-	492,707
-	-	670,648
-	-	437,905
<hr/> 609,891	<hr/> 537,088	<hr/> 1,508,680
754,868	920,099	5,121,973
-	-	579,102
<hr/> 2,342,404	<hr/> 6,520,505	<hr/> 9,635,721
<hr/> 2,342,404	<hr/> 6,520,505	<hr/> 10,214,823
<hr/> 3,097,272	<hr/> 7,440,604	<hr/> 15,336,796
11,510,032	55,736	87,530,524
1,037,867	-	3,817,621
<hr/> 5,218,393	<hr/> 1,800,433	<hr/> 9,396,690
<hr/> <u>\$ 17,766,292</u>	<hr/> <u>\$ 1,856,169</u>	<hr/> <u>\$ 100,744,835</u>

Isabella County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets					
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Transportation Commission	Health Department	Drainage Districts	Board of Public Works	Total
Governmental activities										
Road Commission	\$ 7,498,110	\$ 34,249	\$ 4,649,374	\$ 4,820,825	\$ 2,006,338	\$ -	\$ -	\$ -	\$ -	\$ 2,006,338
Transportation Commission	5,147,047	599,965	2,621,405	17,750	-	(1,907,927)	-	-	-	(1,907,927)
Health Department	9,327,599	2,742,125	7,310,757	-	-	-	725,283	-	-	725,283
Drainage Districts	1,320,066	-	64,336	1,094,566	-	-	-	(161,164)	-	(161,164)
Board of Public Works	1,169,461	35,816	-	2,188,227	-	-	-	-	1,054,582	1,054,582
<b>TOTALS</b>	<b>\$ 24,462,283</b>	<b>\$ 3,412,155</b>	<b>\$ 14,645,872</b>	<b>\$ 8,121,368</b>	2,006,338	(1,907,927)	725,283	(161,164)	1,054,582	1,717,112
General revenues										
Property taxes					-	1,577,913	-	-	-	1,577,913
Investment earnings					-	13,820	433	17,726	992	32,971
Gain on disposal of capital assets					14,807	-	-	-	-	14,807
Other					-	-	46	257,259	-	257,305
Total general revenues					14,807	1,591,733	479	274,985	992	1,882,996
CHANGE IN NET ASSETS					2,021,145	(316,194)	725,762	113,821	1,055,574	3,600,108
Net assets, beginning of year					73,081,002	5,531,152	79,507	17,652,471	800,595	97,144,727
Net assets, end of year					<u>\$ 75,102,147</u>	<u>\$ 5,214,958</u>	<u>\$ 805,269</u>	<u>\$ 17,766,292</u>	<u>\$ 1,856,169</u>	<u>\$ 100,744,835</u>

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Isabella County was organized in 1856 and covers an area of 572 square miles divided into 16 townships, 1 village, and 2 cities. The County seat is located in the City of Mt. Pleasant. The County operates under an elected county Board of Commissioners and provides services to its more than 63,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

The financial statements of the County have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to County governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Isabella County (primary government) 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 and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the financial statements to emphasize that they are legally separate from the primary government.

2. Blended Component Unit

Building Authority

The Isabella County Building Authority is governed by a five (5) member Board appointed by the County Board of Commissioners. Although it is legally separate from the County, the Building Authority is reported as part of the primary government because its sole purpose is to finance and construct the County's public buildings.

3. Discretely Presented Component Units

These component units are reported in a separate column to emphasize that, while legally separate, Isabella County remains financially accountable for these entities or the nature and significance of the relationship between these entities and the County is such that exclusion of these entities would render the financial statements misleading or incomplete.

Isabella County Transportation Commission

The Isabella County Transportation Commission provides mass transit services to the citizens of Isabella County. The Commission was created by an inter-local agreement between the County and the City of Mt. Pleasant. The Transportation Commission is administered by a Board with a voting majority appointed by the County Board of Commissioners. The Transportation Commission Board may not issue debt and the tax levy is subject to County Board of Commissioners' approval. The Transportation Commission taxes are levied under the taxing authority of the County, as approved by the County electors, and included as part of the County's total tax levy as well as reported in the Public Transportation Commission Fund. The Isabella County Treasurer, by statute, is responsible for the treasury function for the Commission. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - Concluded

Isabella County Road Commission

The Isabella County Road Commission is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The Commission is governed by a five (5) member Board of County Road Commissioners elected by Isabella County voters. Isabella County is secondarily obligated to provide repayment of a material loan through the State of Michigan. All long-term debt issuances excluding capital lease purchase agreements require County authorization. A copy of the Commission's audited financial statements can be obtained at their administrative offices.

Isabella County Drainage Districts

The Drain Commissioner has the sole responsibility to administer the drainage districts established by the Drain Code of 1956. The Isabella County Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the County. The statutory Inter-County Drainage Boards consist of the State Director of Agriculture and the Drain Commissioners of each County involved in the projects. Each of the Drainage Districts is a separate legal entity. 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 Districts upon authorization of the County Board of Commissioners. The Drainage Districts are financially accountable to the County because the County has pledged its full faith and credit for the payment of the outstanding bond issues authorized by the Drain Commissioner and because annual operating budgets must be approved by the County Board of Commissioners. The combining financial statements for the Drainage Districts are presented as part of Other Supplementary Information and are not audited separately.

Isabella County Board of Public Works

Pursuant to the provisions of Act 185, Public Acts of 1957, as amended, the Isabella County Board of Public Works has the responsibility of administering the various Public Works construction projects and the associated debt service funds. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System. The Board of Public Works is administered by a seven (7) member Board comprised of the Drain commissioner and six (6) members with a voting majority appointed by the County Board of Commissioners. All general obligation bond issuances require County authorization and are backed by the full faith and credit of the County. The combining financial statements for the Board of Public Works are presented as part of Other Supplementary Information and are not audited separately.

Central Michigan District Health Department

The Central Michigan District Health Department is a multi-county agency established to provide public health services. The Health Department serves the Counties of Arenac, Clare, Gladwin, Isabella, Osceola and Roscommon. Isabella County and the other participating counties provide annual appropriations to subsidize the operations of the Health Department. The District Health Department is primarily responsible for the debt service relating to the Building Authority bond issue sold to finance the construction of the District Health Department Building. Financial accountability to the County is demonstrated by these annual operating appropriations and the rental of space to house their operations. In addition, the treasury function for the agency rests with the Isabella County Treasurer. A copy of the Health Department's audited financial statements can be obtained at their administrative offices.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Jointly Governed Organizations

Central Michigan Mental Health Facilities Board

The Central Michigan Mental Health Facilities Board provides mental health facilities to Isabella, Clare, Mecosta and Osceola Counties. The Central Michigan Mental Health Facilities Board is organized as a nonprofit under 501(c)(3). Each of the four counties through their respective Boards of Commissioners appoints two (2) members to the Facilities Board. The Facilities Board, Isabella County and the Isabella County Building Authority entered into a three-party agreement whereby, the County through the Building Authority sold general obligation bonds to construct a mental health building within Mt. Pleasant. The Building Authority leases the building to the County.

The County in turn subleases the building to the Facilities Board, with the annual rent equal to the debt service requirements of the bond issue. The Facilities Board entered into a separate, but related, rental agreement with the Central Michigan Mental Health Services Board to provide office space. This operating lease provides substantially all the funding necessary to meet the Facilities Board's lease obligation with the County. The title of the building is to revert to the Facilities Board upon redemption of the bond issue.

Similar arrangements have been made to construct mental health facilities in Mecosta and Osceola Counties between the Facilities Board, the counties and their Building Authorities.

The Facilities Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason, it is not considered a component unit of the County.

Central Michigan Community Mental Health Services Board

The Central Michigan Community Mental Health Services Board reorganized as a Community Mental Health Authority under Public Act 258 of 1974, as amended. The Board has representatives and provides services to Clare, Isabella, Osceola, and Mecosta Counties. All participating counties provide annual appropriations; however, none of the participating counties are financially responsible for the Board.

The Services Board is legally separate from the County and has not met the financial accountability criteria of GASB Statement No. 14. For this reason, it is not considered a component unit of the County.

5. Related Organization

Economic Development Corporation

The Isabella County Economic Development Corporation (EDC) was established to provide community and economic development services. The County's officials are responsible for appointing the members of the Board of the Economic Development Corporation. The County's responsibility for this organization does not extend beyond making the board appointments. In 2010, the County did not provide any operating assistance to this organization.

6. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All nonfiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity (except for interfund services provided) has been eliminated in the preparation of 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.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Presentation - Concluded

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONCLUDED

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

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

The County reports the following major governmental funds:

- a. The 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.
- b. The Tribal Contribution Fund accounts for the funding provided from the Saginaw Chippewa Tribe and the related uses of those funds.

The County reports the following major debt service funds:

- c. The Building Authority Bonds Fund accounts for the debt service on the bonds issued by the building authority.
  - The District Health Department Building Authority \$2,135,000 bond issue dated May 1, 1996.
  - The State Police Building Authority \$1,200,000 bond issue dated May 18, 1998.
  - The Courthouse Building Authority \$4,050,000 bond issue dated July 12, 1999.
  - The Commission on Aging Building Authority \$3,500,000 bond issue dated November 1, 2007.
  - The Building Authority Refunding \$4,620,000 bond issue dated August 19, 2009.

The County reports the following major enterprise funds:

- a. The Delinquent Tax Revolving Fund accounts for the activities of the government's purchase and collection of delinquent property taxes.
- b. The Medical Care Facility Fund accounts for the activities of the government's in-patient medical care.

7. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Measurement Focus - Concluded

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for fiduciary funds since assets equal liabilities.

8. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All government-wide statements, proprietary funds and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

9. Budgets and Budgetary Accounting

Budgets are adopted by the County Board of Commissioners for the General and Special Revenue Funds, except for those that are adopted and administered by separate Boards. All governmental funds have legally adopted budgets. The budget document presents information by fund, function, department and line items. The County Board of Commissioners monitors and amends the budgets as necessary. Budgetary control is exercised at the department level. Management is authorized to amend the budget within departments at a line item level without board approval. The County employs the following procedures in establishing budgets:

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Budgets and Budgetary Accounting - Concluded

- a. The County departments submit their budgetary estimates to the Administrator who will review the estimates and assemble and submit a recommended budget to each department, which is then submitted to the appropriate standing committees. The operating budgets include proposed expenditures and resources to finance them.
- b. The appropriate standing committees will then convey the proposed budgets to the Board of Commissioners in a public hearing.
- c. The County does not employ encumbrance accounting as an extension of formula budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end, unless specifically re-appropriated by Board action.
- d. Applicable budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations that were adopted.

10. Cash and Cash Equivalents

The County pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the County's investments. Cash equivalents consist of temporary investments in various instruments with a maturity from date of purchase of 90 days or less.

11. Investments

Investments consist of certificates of deposit with original maturities of greater than 90 days. Investments are recorded at fair value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

12. Restricted Assets

Certain resources have been classified as restricted on the balance sheet because their use is limited. The Medical Care Facility has recorded restricted assets for various trust activities.

13. Receivables

Receivables consist of amounts due from governmental units for various financial assistance programs, accounts receivable related to charges for services, special assessments, and notes and leases receivable made in connection with various programs.

14. Capitalized Lease Receivable

PRIMARY GOVERNMENT

The Isabella County Building Authority (included as part of the primary government) has entered into numerous contracts with the County and other agencies for the purposes of constructing buildings and the financing of the same by the Building Authority through the issuance of Building Authority bonds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

14. Capitalized Lease Receivable - Concluded

PRIMARY GOVERNMENT - CONCLUDED

The agreements specify that the Building Authority enter into lease agreements for the buildings with the County. The County in turn leases the building to the ultimate user, if not a part of the County, and that lease is at a rate sufficient to retire the bonds and pay all other necessary and proper expenses of the Project. The future minimum lease payments to be received under each lease agreement are equal to the outstanding principle and interest on the bond issue.

The agreement specifies that when all the bonds have been retired, the Authority shall convey to the County all of its rights, title and interest in the project. In accordance with Financial Accounting Standards Board (FASB) Statement No. 13, the lease is accounted for as a sale of the building by the Building Authority as it constitutes a capital lease. For those leases with outside agencies, the aggregate future lease payments necessary for retirement of outstanding bond principal have been recorded as a Capitalized Lease Receivable. Deferred Revenue is shown on the balance sheet in the same amount as the Capitalized Lease Receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rentals in the lease.

COMPONENT UNITS

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the Village of Shepherd, the County authorized the construction of a Sanitary Sewer/Storm Water Separation project and the financing of the same by the Board of Public Works through the issuance of a \$3,750,000 bond issue. Of the original issue, \$3,000,000 of the debt was defeased with the issuance of 1999 refunding Bonds. The April 1, 1999 bond issue of \$2,460,000 resulted in an economic gain, along with local contributions that reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and the City of Clare, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$700,000 bond issue.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Wastewater Treatment Plant construction project and the financing of the same by the Board of Public Works through the issuance of a \$7,605,000 bond issue. Of the original issue, \$6,050,000 of the debt was defeased with the issuance of 2009 refunding bonds. Local contributions reduced the amount of the debt obligation.

In accordance with the terms of an agreement between the Isabella County Board of Public Works and Union Township, the County authorized the construction of a Water and Sewer System improvement project and the financing of the same by the Board of Public Works through the issuance of a \$2,105,000 bond issue.

These agreements provide for the Board of Public Works to enter into lease agreements with the local units with rentals equal to the annual debt service requirements over the life of the bond issue. The local unit is responsible for the operation, maintenance, and management of the system over the life of the lease. Upon final payment of the bond issue, ownership of the assets will revert to the local unit. Consequently, the leases are accounted for as capital leases in accordance with Financial Accounting Standards Board (FASB) Statement No. 13.

On this basis, the aggregate future lease payments necessary for the retirement of outstanding bond principal have been recorded as a capitalized lease receivable. Deferred revenue is shown on the balance sheet of the Shepherd Storm Sewer, Clare Water and Sewer, and Union Township Wastewater Treatment Debt Service Funds in the Board of Public Works Component Unit in the same amount as the capitalized lease receivable as revenue that is not recognized until lease payments are received. There is no provision for any contingent rental contained in the lease. The future minimum lease payments to be received are equal to the outstanding principal and interest of each bond issue.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

15. Inventories

Inventories for the General Fund County Jail and Commission on Aging Fund consist of food and food supplies, and are reported at cost and accounted for using the consumption method. Reserved fund balances have been recorded to indicate that inventories are not currently available, spendable components of fund balance.

16. Prepays

Prepays consist of amounts paid in the current year that pertain to the following fiscal year and are accounted for using the consumption method. Reserved fund balances have been recorded in the applicable funds to indicate that prepaids are not currently available, spendable components of fund balance.

17. Compensated Absences

County employees are granted vacation and sick leave in varying amounts according to their personnel contracts. In the event of termination, individual employees have vested rights to receive payment for unused vacation and sick leave.

Accumulated vacation and sick pay amounts that are vested have been recorded in the government-wide financial statements.

18. Deferred/Unearned Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures and are therefore deferred and also amounts received for various grant programs that has not yet been earned. Unearned revenue recorded in governmental activities and proprietary funds are so labeled to indicate that the availability criteria used in modified accrual basis statements does not apply.

19. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

20. Capital Assets

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION)

Capital assets include land, buildings and improvements, equipment, vehicles, drain infrastructure, and other and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more (\$25,000 for drain infrastructure) and an estimated useful life of more than one year.

Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

20. Capital Assets - Concluded

PRIMARY GOVERNMENT AND COMPONENT UNITS (EXCEPT ROAD COMMISSION) - CONCLUDED

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	20 - 50 years
Equipment	4 - 20 years
Drain infrastructure	5 - 100 years
Vehicles	5 - 20 years
Other	5 - 15 years

ROAD COMMISSION - COMPONENT UNIT

Capital assets, which include property, equipment, and infrastructure assets (i.e., roads, bridges, and similar items), are reported in the government-wide financial statements (statement of net assets and statement of changes in net assets). Capital assets are defined by the Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date donated.

Depreciation is recorded over the estimated useful lives (ranging from four to fifty years) of the assets, using the sum-of-years digits method for road equipment and straight-line method for all other capital assets and infrastructure as follows:

Buildings and improvements	30 - 50 years
Road Equipment	5 - 8 years
Shop Equipment	10 years
Engineering Equipment	4 - 10 years
Office Equipment	4 - 10 years
Infrastructure - Roads	8 - 30 years
Infrastructure - Bridges	12 - 50 years

21. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

22. Internal Service Fund

The County uses an internal service fund to account for revenues collected from user departments for the payment of costs incurred to administer a self-funded health insurance program including actual claims paid for active and eligible retired employees and their families.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONCLUDED**

23. Fiduciary Funds

The County uses Agency Funds to account for various amounts held on behalf of other governments and individuals. Specific activities include Trial Court deposits, Inmate Trust, Employee Benefits, Payroll, Library Penal Fines, and Medical Care Facility patient deposits.

24. Federal Programs

Federal programs are accounted for in the funds to which the programs pertain. The Single Audit reports and financial data have been presented separately from the Comprehensive Annual Financial Report.

25. Comparative Data

Comparative data has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The County utilizes various pooled cash accounts and investments for approximately 67 funds. The County's pooled cash and investments consist of a common checking account.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds, Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption in the applicable balance sheet/statement of net assets.

The other funds of the County utilize separate savings and interest bearing checking accounts. In addition, certificates of deposit and mutual funds are separately held by several of the County's funds.

In accordance with Michigan Compiled Laws, the County is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Deposits

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured up to \$250,000 for interest-bearing savings deposits in an insured bank and up to \$250,000 for interest-bearing demand deposits at participating FDIC-insured institutions. FDIC insurance coverage through its Transaction Account Guarantee (TAG) Program provides unlimited insurance on non-interest bearing transaction accounts and low-interest bearing (i.e., 0.25 percent after July 1, 2010) NOW accounts. This program is scheduled to end December 31, 2010, unless extended by the FDIC.

Furthermore, if specific deposits are regulated by statute or bond indenture, these deposits are to be separately insured up to \$250,000. For the purpose of these rules, the term "savings deposits" includes NOW accounts, money market deposit accounts, and other interest-bearing checking accounts. Beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing transaction accounts will have unlimited coverage at all FDIC-insured institutions.

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

<b>Carrying Amount</b>	
PRIMARY GOVERNMENT	
Cash and cash equivalents	\$ 16,637,915
Investments	3,595,191
Restricted cash and investments	<u>5,370,884</u>
Total primary government	25,603,990
FIDUCIARY FUNDS	
Cash and cash equivalents	3,218,887
COMPONENT UNITS	
Cash and cash equivalents	6,357,760
Investments	<u>1,927,385</u>
Total component units	<u>8,285,145</u>
TOTAL REPORTING ENTITY	<u>\$ 37,108,022</u>
<b>Deposits and Investments</b>	
Bank deposits (checking accounts, savings accounts, money market accounts, and certificates of deposit)	\$ 37,099,631
Cash on hand	<u>8,391</u>
	<u>\$ 37,108,022</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2010, the primary government, component units, and fiduciary fund accounts were insured by the FDIC, FSLIC or NCUA for \$10,005,934 and the amount of \$27,249,644 was uninsured and uncollateralized.

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONCLUDED**

Credit risk

In accordance with Michigan Compiled Laws and the County's investment policy, certain types of investments must be rated prime or better by a nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2010, rating information on the County's investments is presented above as applicable.

Interest rate risk

The County will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operating funds primarily in shorter-term securities, liquid asset funds, money market, mutual funds, or similar investment pools and limiting the average maturity in accordance with the County's cash requirements.

Concentration of credit risk

The County will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the County's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities listed in the investment policy and by pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with the investment policy.

**NOTE C: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds, business type funds, and component units have been eliminated.

Transfers to General Fund from:	
Nonmajor governmental funds	<u>\$ 1,233,097</u>
Transfers to Building Authority Bonds Fund from:	
General Fund	<u>\$ 304,987</u>
Transfers to Nonmajor Governmental Funds from:	
General Fund	\$ 1,998,791
Nonmajor governmental funds	<u>42,000</u>
	<u>\$ 2,040,791</u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

Isabella County transferred funds from the General Fund to various nonmajor governmental funds in order to fund various activities that are accounted for in other funds. Funds are transferred from the Revenue Sharing Reserve fund to the General Fund as necessary to fund current operations.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

Due to General Fund from:	
Tribal Contribution Fund	\$ 36,287
Nonmajor governmental funds	210,993
Nonmajor enterprise funds	<u>5,753</u>
	<u>\$ 253,033</u>
Due to Nonmajor governmental funds from:	
General Fund	\$ 518,281
Nonmajor governmental funds	42,000
Building Authority Bond Fund	35,000
Tribal Contribution Fund	<u>260,000</u>
	<u>\$ 855,281</u>
Due to Tribal contribution fund from:	
General Fund	\$ 30,688
Nonmajor governmental funds	<u>6,388</u>
	<u>\$ 37,076</u>
Due to Nonmajor enterprise funds from:	
Tribal Contribution Fund	\$ 79,782
Delinquent Tax Revolving Fund	<u>2,225</u>
	<u>\$ 82,007</u>
Due to Internal Service Fund from:	
General Fund	<u>\$ 784,405</u>
Due to component unit funds from:	
Component Unit Funds	<u>\$ 305,264</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

**NOTE E: LEASES**

The Central Michigan District Health Department leases an office facility under a long-term noncancelable operating lease agreement. Rent expense for the year ended September 30, 2010 amounted to \$81,238. The following is a schedule of future minimum rental payments required under this lease, as of September 30, 2010:

<u>Year Ending</u> <u>September 30,</u>	<u>Amount</u>
2011	\$ 81,238
2012	81,238
2013	81,238
2014	81,238
2015	<u>81,238</u>
Total minimum lease-rental payments required	<u>\$ 406,190</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE E: LEASES - CONCLUDED**

The Department also leases office space in four other counties on a month-to-month basis. The Department is generally responsible for utilities, maintenance and repairs, and certain insurance coverage related to leased properties.

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2010, was as follows:

**Primary Government**

	<u>Balance</u> <u>Oct. 1, 2009</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>Sept. 30, 2010</u>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 2,142,082	\$ 50,000	\$ -	\$ 2,192,082
Construction in progress	<u>189,579</u>	<u>-</u>	<u>( 189,579 )</u>	<u>-0-</u>
Subtotal	2,331,661	50,000	( 189,579 )	2,192,082
Capital assets, being depreciated:				
Buildings and improvements	24,326,975	14,085	-	24,341,060
Equipment	5,382,217	451,820	-	5,834,037
Vehicles	845,970	-	-	845,970
Other	<u>436,871</u>	<u>94,033</u>	<u>-</u>	<u>530,904</u>
Total capital assets being depreciated	30,992,033	559,938	-0-	31,551,971
Less accumulated depreciation for:				
Buildings and improvements	( 9,728,915 )	( 508,426 )	-	( 10,237,341 )
Equipment	( 3,878,468 )	( 471,876 )	-	( 4,350,344 )
Vehicles	( 550,203 )	( 84,279 )	-	( 634,482 )
Other	<u>( 268,610 )</u>	<u>( 39,459 )</u>	<u>-</u>	<u>( 308,069 )</u>
Total accumulated depreciation	<u>(14,426,196 )</u>	<u>(1,104,040 )</u>	<u>-0-</u>	<u>(15,530,236 )</u>
Total capital assets being depreciated, net	<u>16,565,837</u>	<u>( 544,102 )</u>	<u>-0-</u>	<u>16,021,735</u>
Governmental activities capital assets, net	<u>\$ 18,897,498</u>	<u>\$( 494,102 )</u>	<u>\$( 189,579 )</u>	<u>\$ 18,213,817</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities	
General government	\$ 490,001
Public safety	479,159
Public works	3,654
Health and welfare	91,638
Recreational and cultural	39,439
Community and economic development	<u>149</u>
Total governmental activities	<u>\$ 1,104,040</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Primary Government - Concluded**

	<u>Balance Oct. 1, 2009</u>	<u>Additions/ Reclassifications</u>	<u>Deletions/ Reclassifications</u>	<u>Balance Sept. 30, 2010</u>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 121,953	\$ -	\$ -	\$ 121,953
Construction in progress	<u>1,335,960</u>	<u>-</u>	<u>( 1,335,960 )</u>	<u>-0-</u>
Subtotal	1,457,913	-0-	( 1,335,960 )	121,953
Capital assets, being depreciated:				
Buildings and improvements	13,020,566	1,098,579	-	14,119,145
Equipment	3,321,078	630,561	-	3,951,639
Vehicles	<u>342,511</u>	<u>38,400</u>	<u>-</u>	<u>380,911</u>
Total capital assets being depreciated	16,684,155	1,767,540	-0-	18,451,695
Less accumulated depreciation for:				
Buildings and improvements	( 3,296,024 )	( 314,382 )	-	( 3,610,406 )
Equipment	( 2,473,062 )	( 214,342 )	-	( 2,687,404 )
Vehicles	<u>( 278,115 )</u>	<u>( 28,547 )</u>	<u>-</u>	<u>( 306,662 )</u>
Total accumulated depreciation	<u>( 6,047,201 )</u>	<u>( 557,271 )</u>	<u>-0-</u>	<u>( 6,604,472 )</u>
Total capital assets being depreciated, net	<u>10,636,954</u>	<u>1,210,269</u>	<u>-0-</u>	<u>11,847,223</u>
Business-type Activities capital assets, net	<u>\$12,094,867</u>	<u>\$ 1,210,269</u>	<u>\$ -0-</u>	<u>\$11,969,176</u>

**Discretely Presented Component Units**

**Component Unit - Drainage Districts**

Capital assets not being depreciated:				
Construction in progress	\$ 728,223	\$ 326,972	\$( 162,210 )	\$ 892,985
Capital assets, being depreciated:				
Infrastructure - drains	17,265,290	190,620	-	17,455,910
Less accumulated depreciation for:				
Infrastructure - drains	<u>( 3,524,781 )</u>	<u>( 361,787 )</u>	<u>-</u>	<u>( 3,886,568 )</u>
Total capital assets being depreciated, net	<u>13,740,509</u>	<u>( 171,167 )</u>	<u>-0-</u>	<u>13,569,342</u>
Drainage districts capital assets, net	<u>\$14,468,732</u>	<u>\$ 155,805</u>	<u>\$( 162,210 )</u>	<u>\$14,462,327</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE F: CAPITAL ASSETS - CONTINUED**

**Discretely Presented Component Units - Continued**

	Balance Oct. 1, 2009	Additions	Deletions	Balance Sept. 30, 2010
<b>Component Unit - Board of Public Works</b>				
Capital assets not being depreciated:				
Land	\$ 16,000	\$ -0-	\$ -0-	\$ 16,000
Capital assets being depreciated:				
Buildings	12,856	-	-	12,856
Equipment	12,197	14,324	-	26,521
Infrastructure - water supply	<u>216,425</u>	<u>-</u>	<u>-</u>	<u>216,425</u>
Subtotal	241,478	14,324	-0-	255,802
Less accumulated depreciation for:				
Buildings	( 12,856 )	-	-	( 12,856 )
Equipment	( 12,197 )	( 1,432 )	-	( 13,629 )
Infrastructure - water supply	<u>( 182,729 )</u>	<u>( 6,852 )</u>	<u>-</u>	<u>( 189,581 )</u>
Subtotal	<u>( 207,782 )</u>	<u>( 8,284 )</u>	<u>-0-</u>	<u>( 216,066 )</u>
Total capital assets being depreciated, net	<u>33,696</u>	<u>6,040</u>	<u>-0-</u>	<u>39,736</u>
Board of Public Works capital assets, net	<u>\$ 49,696</u>	<u>\$ 6,040</u>	<u>\$ -0-</u>	<u>\$ 55,736</u>
<b>Component Unit - Road Commission</b>				
Capital assets not being depreciated:				
Land	\$ 225,882	\$ -	\$ -	\$ 225,882
Land improvements	183,544	46,624	-	230,168
Land - infrastructure	<u>22,469,885</u>	<u>525,701</u>	<u>-</u>	<u>22,995,586</u>
Subtotal	22,879,311	572,325	-0-	23,451,636
Capital assets being depreciated:				
Land improvements	2,948	-	-	2,948
Buildings	938,771	4,764	-	943,535
Equipment	6,542,208	513,321	( 265,875 )	6,789,654
Infrastructure - Bridges	17,635,193	833,265	( 37,425 )	18,431,033
Infrastructure - Roads	<u>57,734,070</u>	<u>3,461,859</u>	<u>( 124,004 )</u>	<u>61,071,925</u>
Total	82,853,190	4,813,209	( 427,304 )	87,239,095
Less accumulated depreciation for:				
Land improvements	( 135 )	( 147 )	-	( 282 )
Buildings	( 473,700 )	( 23,700 )	-	( 497,400 )
Equipment	( 5,169,455 )	( 443,234 )	247,718	( 5,364,971 )
Infrastructure - Bridges	( 5,314,246 )	( 351,541 )	122,077	( 5,543,710 )
Infrastructure - Roads	<u>(23,616,738 )</u>	<u>(3,058,330 )</u>	<u>31,866</u>	<u>(26,643,202 )</u>
Total	<u>(34,574,274 )</u>	<u>(3,876,952 )</u>	<u>401,661</u>	<u>(38,049,565 )</u>
Net capital assets being depreciated	<u>48,278,916</u>	<u>936,257</u>	<u>( 25,643 )</u>	<u>49,189,530</u>
Total Net Capital Assets	<u>\$ 71,158,227</u>	<u>\$ 1,508,582</u>	<u>\$( 25,643 )</u>	<u>\$ 72,641,166</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE F: CAPITAL ASSETS - CONCLUDED**

**Discretely Presented Component Units - Concluded**

	Balance Oct. 1, 2009	Additions	Deletions	Balance Sept. 30, 2010
<b>Component Unit - Central Michigan</b>				
<b>District Health Department</b>				
Capital assets being depreciated:				
Buildings under capital leases	\$ 2,621,266	\$ -	\$ -	\$ 2,621,266
Furniture and equipment	187,383	-	-	187,383
Buses and vehicles	<u>5,710</u>	<u>-</u>	<u>-</u>	<u>5,710</u>
Subtotal	2,814,359	-0-	-0-	2,814,359
Less accumulated depreciation for:				
Buildings under capital leases	( 1,919,398 )	( 147,646 )	-	( 2,067,044 )
Furniture and equipment	( 187,383 )	-	-	( 187,383 )
Buses and vehicles	<u>( 5,710 )</u>	<u>-</u>	<u>-</u>	<u>( 5,710 )</u>
Subtotal	<u>( 2,112,491 )</u>	<u>( 147,646 )</u>	<u>-0-</u>	<u>( 2,260,137 )</u>
Total capital assets being depreciated, net	<u>\$ 701,868</u>	<u>\$ ( 147,646 )</u>	<u>\$ -0-</u>	<u>\$ 554,222</u>
<b>Component Unit -</b>				
<b>Transportation Commission</b>				
Capital assets, not being depreciated:				
Land	\$ 54,004	\$ -	\$ -	\$ 54,004
Capital assets, being depreciated:				
Buildings	2,829,201	14,512	-	2,843,713
Equipment	1,352,670	8,341	( 542,549 )	818,462
Buses	<u>4,512,185</u>	<u>410,456</u>	<u>( 63,099 )</u>	<u>4,859,542</u>
Subtotal	8,694,056	433,309	( 605,648 )	8,521,717
Less accumulated depreciation for:				
Buildings	( 1,194,855 )	( 143,072 )	-	( 1,337,927 )
Equipment	( 935,241 )	( 102,477 )	542,549	( 495,169 )
Buses	<u>( 2,486,084 )</u>	<u>( 415,759 )</u>	<u>63,099</u>	<u>( 2,838,744 )</u>
Subtotal	<u>( 4,616,180 )</u>	<u>( 661,308 )</u>	<u>605,648</u>	<u>( 4,671,840 )</u>
Total capital assets being depreciated, net	<u>4,077,876</u>	<u>( 227,999 )</u>	<u>-0-</u>	<u>3,849,877</u>
Transportation Commission capital assets, net	<u>\$ 4,131,880</u>	<u>\$ ( 227,999 )</u>	<u>\$ -0-</u>	<u>\$ 3,903,881</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portions) of the County for the year ended September 30, 2010:

PRIMARY GOVERNMENT

	Balance Oct. 1, 2009	Additions	Deletions	Balance Sept. 30, 2010	Amounts Due Within One Year
Governmental activities					
2007 Building Authority Bonds	\$ 2,900,000	\$ -	\$( 300,000 )	\$ 2,600,000	\$ 400,000
2008 Building Authority Refunding Bonds	4,425,000	-	( 415,000 )	4,010,000	410,000
Postclosure landfill costs	879,130	-	( 58,516 )	820,614	130,097
Compensated absences	851,256	893,573	( 918,529 )	826,300	330,520
	9,055,386	893,573	( 1,692,045 )	8,256,914	1,270,617
Less: deferred amounts on refunding	( 58,883 )	-	5,888	( 52,995 )	( 5,888 )
Total governmental activities	8,996,503	893,573	( 1,686,157 )	8,203,919	1,264,729
Business-type activities					
Building Authority Bond	6,240,000	-	( 350,000 )	5,890,000	370,000
Less deferred issuance discount	( 45,271 )	-	3,482	( 41,789 )	-
Compensated absences	469,920	342,300	( 367,555 )	444,665	232,263
Total business-type activities	6,664,649	342,300	( 714,073 )	6,292,876	602,263
TOTAL PRIMARY GOVERNMENT	<u>\$15,661,152</u>	<u>\$ 1,235,873</u>	<u>\$(2,400,230)</u>	<u>\$14,496,795</u>	<u>\$ 1,866,992</u>

COMPONENT UNITS

Road Commission					
Notes payable	\$ 353,372	\$ -	\$( 34,599 )	\$ 318,773	\$ 133,604
Accumulated sick and vacation	233,427	5,500	-	238,927	-
	586,799	5,500	( 34,599 )	557,700	133,604
Board of Public Works					
1998 City of Clare water and sewer system improvement bonds	240,000	-	( 55,000 )	185,000	60,000
1999 Shepherd sanitary sewer/storm water separation	970,000	-	( 190,000 )	780,000	190,000
2001 Union Township wastewater project refunding bonds	415,000	-	( 415,000 )	-0-	-
2009 Wastewater refunding bonds	4,130,000	-	-	4,130,000	295,000
2010 Union Township water supply Bonds	-	2,105,000	-	2,105,000	-
	5,755,000	2,105,000	( 660,000 )	7,200,000	545,000
Less: deferred amounts on refunding	( 150,319 )	-	7,912	( 142,407 )	( 7,912 )
Total Board of Public Works	5,604,681	2,105,000	( 652,088 )	7,057,593	537,088

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNITS - CONCLUDED

	Balance Oct. 1, 2009	Additions	Deletions	Balance Sept. 30, 2010	Amounts Due Within One Year
Drainage Districts					
Drain notes					
Potter and Brodie #522	\$ 171,426	\$ -	\$( 42,858 )	\$ 128,568	\$ 42,858
Wagner #627	60,000	-	( 30,000 )	30,000	30,000
Recker #530	210,000	-	( 70,000 )	140,000	70,000
Saunders #550	535,000	-	( 53,500 )	481,500	53,500
Childs Creek Dubois	376,000	-	( 47,000 )	329,000	47,000
Lamphere #852	104,167	-	( 20,833 )	83,334	20,833
Huber #377	99,000	-	( 11,000 )	88,000	11,000
Subtotal	1,555,593	-0-	( 275,191 )	1,280,402	275,191
Drain bonds					
Little salt intercounty drain bonds	222,300	-	( 29,250 )	193,050	29,250
Paisley drain bonds	392,000	-	( 56,000 )	336,000	56,000
2001 Hance main branches	410,000	-	( 90,000 )	320,000	85,000
2002 Salt River drain	360,000	-	( 115,000 )	245,000	120,000
Beltinck drain	622,293	-	( 44,450 )	577,843	44,450
Subtotal	2,006,593	-0-	( 334,700 )	1,671,893	334,700
Total Drainage Districts	3,562,186	-0-	( 609,891 )	2,952,295	609,891
Central Michigan District					
Health Department					
Capital leases payable	990,004	-	( 203,752 )	786,252	212,500
Installment purchase agreement	43,994	-	( 14,506 )	29,488	15,597
Compensated absences	629,742	583,375	( 518,883 )	694,234	354,059
Total Central Michigan District Health Department	1,663,740	583,375	( 737,141 )	1,509,974	582,156
Transportation Commission					
Infrastructure Loan	182,083	-	( 182,083 )	-0-	-
TOTAL COMPONENT UNITS	11,599,489	2,693,875	( 2,215,802 )	12,077,562	1,857,739
TOTAL REPORTING ENTITY	\$27,260,641	\$ 3,929,748	\$( 4,616,032 )	\$26,574,357	\$ 3,724,731

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONTINUED**

PRIMARY GOVERNMENT

General Long-Term Debt Bonds

Bonds payable at September 30, 2010, is as follows:

\$3,500,000 2007 Building Authority Bonds dated November 1, 2007 due in annual principal installments ranging from \$400,000 to \$500,000 through April 1, 2015, with interest of 4.00 percent, payable semi-annually.	\$ 2,600,000
\$4,620,000 2008 Building Authority Refunding Bonds dated August 19, 2008 due in annual principal installments ranging \$250,000 to \$500,000 through November 1, 2019, with interest ranging from 3.25 to 4.25 percent, payable semi-annually.	<u>4,010,000</u>
	<u>\$ 6,610,000</u>

Postclosure Landfill Costs

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989. See Note H for full details. The landfill postclosure liability is:	<u>\$ 820,614</u>
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Advance Refunding - Prior

On August 19, 2008, the County defeased the 1996 Building Authority Bonds and a portion of the 1998 and 1999 Building Authority Bonds, which were due and payable through May 1, 2016, January 1, 2019, and November 1, 2019, respectively. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2008 Building Authority Refunding Bonds in the amount of \$4,620,000 to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2010, bonds due and payable through May 1, 2016 for the 1996 Building Authority Bonds, January 1, 2019 for the 1998 Building Authority Bonds, and November 1, 2019 for the 1999 Building Authority Bonds in the amount of \$4,010,000 are considered defeased.

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$826,300 for governmental activities and \$444,665 for business-type activities for vacation and sick at September 30, 2010. Of these amounts, \$330,520 and \$232,263 have been recorded as current liabilities, and \$495,780 and \$212,402 have been recorded as noncurrent liabilities respectively. Compensated absences are normally liquidated by the fund in which the individual employees are budgeted.

Medical Care Facility - General Obligation Bonds - Business-type Activities

\$8,000,000 Building Authority - Medical Care Facility Bonds, dated December 15, 2002, due in annual principal installments ranging from \$370,000 to \$635,000 through May 1, 2022, with interest ranging from 3.00 to 4.60 percent semi-annually.	<u>\$ 5,890,000</u>
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Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - ROAD COMMISSION

Notes Payable

Note payable dated in 2007, due in principal installments of \$1,974 through 2011, with interest of 5.33 percent, payable monthly.	\$ 115,585
Note payable dated in 2009, due in installments of \$2,273 through 2014, with interest of 4.75 percent, payable monthly.	<u>203,188</u>
	<u>\$ 318,773</u>

COMPONENT UNIT - BOARD OF PUBLIC WORKS

Water Supply and Sewage Disposal System Bonds

\$700,000 City of Clare Water and Sewer System Improvement Bonds dated April 1, 1998, due in annual principal installments ranging from \$60,000 to \$65,000 through October 1, 2012, with interest ranging from 5.00 to 5.10 percent, payable semi-annually.	\$ 185,000
\$2,460,000 Shepherd Sanitary Sewer/Storm Water Separation Bonds dated April 1, 1999, due in annual principal installments ranging from \$190,000 to \$210,000 through March 1, 2014, with interest ranging from 4.40 to 4.60 percent, payable semi-annually.	780,000
\$4,130,000 Wastewater Treatment Refunding Bonds dated August 27, 2009, due in annual principal installments ranging from \$295,000 to \$405,000 through October 1, 2021 with interest ranging from 1.25 to 4.00 percent, payable semi-annually.	4,130,000
\$2,105,000 Union Township Water Supply Bonds dated July 21, 2010 due in annual principal installments ranging from \$65,000 to \$155,000 through October 1, 2030 with interest ranging from 2.50 to 4.40 percent, payable semi-annually.	<u>2,105,000</u>
	<u>\$ 7,200,000</u>

Advance Refunding - Prior

On August 27, 2009, the County defeased a portion of the 2001 Union Wastewater Treatment Refunding Bonds, which were due and payable through October 1, 2021. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. Government Securities sufficient to meet the applicable principal and interest payments. The County issued 2009 Wastewater Treatment Refunding Bonds in the amount of \$4,130,000, and Union Township contributed \$2,145,608 of cash to fund escrow amounts and pay the cost of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the County's financial statements. At September 30, 2010, bonds due and payable through October 1, 2021 for the 2001 Union Wastewater Treatment Refunding Bonds, in the amount of \$5,620,000 are considered defeased.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - DRAINAGE DISTRICTS

Drain Notes

\$300,000 Potter and Brodie Tile Drain Note dated June 15, 2006, due in annual principal installments of \$42,858 through May 1, 2013, with interest of 4.90 percent, payable annually.	\$ 128,568
\$300,000 Wagner Drain Note dated August 15, 2001, due in annual principal installments of \$30,000 through May 1, 2011, with interest of 4.95 percent, payable annually.	30,000
\$730,000 Recker Drain Note dated July 15, 2002, due in annual installments of \$70,000 through July 15, 2012, with interest of 3.783 percent, payable annually.	140,000
\$642,000 Saunders Drain Note dated June 22, 2007, due in annual installments of \$53,500 through June 1, 2019, with interest of 4.525 percent, payable annually.	481,500
\$470,000 Childs Creek Dubois Drain Note dated August 15, 2007, due in annual installments of \$47,000 through June 1, 2017, with interest of 4.37 percent, payable annually.	329,000
\$125,000 Lamphere Drain Note dated November 1, 2007, due in annual installments of \$20,833 through June 1, 2014, with interest of 4.27 percent, payable annually.	83,334
\$110,000 Huber Drain Note dated January 22, 2008, due in annual installments of \$11,000 through May 1, 2018, with interest of 4.35 percent, payable annually.	<u>88,000</u>
	<u>\$ 1,280,402</u>

Drain Bonds

\$310,050 Little Salt Intercounty Drain Bonds dated July 21, 2006, due in annual principal installments ranging from \$29,250 to \$34,125 through June 1, 2016, with interest of 6.40 percent, payable semi-annually.	\$ 193,050
\$560,000 Paisley Drain Bonds dated August 7, 2006, due in annual principal installments of \$56,000 through July 1, 2016, with interest of 4.70 percent, payable annually.	336,000
\$1,260,000 Hance Main Branches Drain Bonds dated July 24, 2001 due in annual principal installments ranging from \$70,000 to \$85,000 through May 1, 2014, with interest ranging from 4.30 to 4.70 percent, payable semi-annually.	320,000
\$1,075,000 Salt River Drain Bond dated June 27, 2002 due in annual principal installments ranging from \$120,000 to \$125,000 through April 1, 2012, with interest ranging from 4.00 to 4.10 percent, payable semi-annually.	245,000
\$666,743 Beltinck Debt Revolving Drain Bond dated November 21, 2007, due annual principal installments of \$44,450 through June 1, 2023, with interest of 4.11 percent, payable annually.	<u>577,843</u>
	<u>\$ 1,671,893</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONTINUED**

COMPONENT UNIT - CENTRAL MICHIGAN DISTRICT HEALTH DEPARTMENT

Capital Leases

The Central Michigan District Health Department leases buildings under capital leases. The economic substance of the leases is that the Department is financing the acquisition of the assets through the leases. These capital leases have been recorded at the present value of the future minimum lease payments as of the date of their inception. These leases qualify as capital leases for accounting purposes because substantially all of the benefits and risks inherent in the ownership of the property rests with the Department. The following are additional details regarding the lease.

\$995,000 Roscommon County building capital lease payable dated December 1, 1996, due in monthly installments of \$6,269 including interest payment through September 1, 2011 with interest of 6.00 percent.	\$ 115,000
\$2,135,000 Isabella County building capital lease payable dated May 1, 1996, due in annual installments ranging from \$97,500 to \$127,500 through May 1, 2016 with interest ranging from 5.300 to 5.625 percent, payable semi-annually.	<u>671,252</u>
	<u>\$ 786,252</u>

Installment Purchase Agreement

\$60,000 Installment Purchase Agreement dated August 21, 2008, due in monthly installments of \$1,436 through July 25, 2012, with interest of 7.27 percent, payable annually for financial accounting software.	<u>\$ 29,488</u>
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The annual requirements to pay the debt principal and interest outstanding for the above Bonds and Notes are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 810,000	\$ 249,175	\$ 370,000	\$ 251,522
2012	815,000	219,250	385,000	237,185
2013	850,000	188,113	405,000	222,266
2014	910,000	155,900	430,000	206,471
2015	925,000	120,656	450,000	189,271
2016-2020	2,300,000	186,000	2,610,000	642,593
2021-2022	-	-	<u>1,240,000</u>	<u>86,340</u>
	<u>\$ 6,610,000</u>	<u>\$ 1,119,094</u>	<u>\$ 5,890,000</u>	<u>\$ 1,835,648</u>

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE G: LONG-TERM DEBT - CONCLUDED**

Year Ending September 30,	Component Units					
	Road Commission		Board of Public Works Water and Sewer Bonds		Drainage Districts Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 133,604	\$ 13,664	\$ 545,000	\$ 206,101	\$ 275,191	\$ 56,773
2012	18,893	8,388	625,000	212,285	245,191	44,720
2013	19,811	7,470	640,000	193,636	175,185	34,032
2014	146,465	3,917	605,000	174,788	132,335	26,056
2015	-	-	400,000	160,823	111,500	20,206
2016-2020	-	-	2,205,000	620,634	341,000	33,297
2021-2025	-	-	1,345,000	259,276	-	-
2026-2030	-	-	680,000	107,843	-	-
2031	-	-	155,000	3,410	-	-
	<u>\$ 318,773</u>	<u>\$ 33,439</u>	<u>\$ 7,200,000</u>	<u>\$ 1,938,794</u>	<u>\$ 1,280,402</u>	<u>\$ 215,084</u>

Year Ending September 30,	Component Units			
	Drainage District Drain Bonds		Central Michigan District Health Department	
	Principal	Interest	Principal	Interest
2011	\$ 334,700	\$ 71,150	\$ 228,097	\$ 50,540
2012	339,699	57,053	115,143	37,121
2013	212,625	42,201	108,752	26,998
2014	204,574	32,560	116,248	20,885
2015	134,575	21,706	120,000	18,094
2016-2020	312,373	59,068	127,500	11,132
2021-2022	<u>133,347</u>	<u>10,961</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,671,893</u>	<u>\$ 294,699</u>	<u>\$ 815,740</u>	<u>\$ 164,770</u>

**NOTE H: POSTCLOSURE LANDFILL COSTS**

The County owns a solid waste landfill located in Deerfield Township, Isabella County, Michigan. The County stopped accepting waste at this site on June 15, 1987, and completed the capping off of the site on July 21, 1989.

Since that time, postclosure monitoring of the site by the County and the Michigan Department of Natural Resources has identified ground water contamination in excess of state and federal laws and regulations. A Consent Judgment, initiated by the State Attorney General and Michigan Department of Natural Resources and its director established the requirements the County had to meet to bring the County back into compliance.

As part of this consent judgment, the County had to implement their remedial action plan previously submitted and approved by the Michigan Department of Natural Resources. The remedial action plan called for the construction of purge wells and piping as well as, construction of an air stripping facility which was completed during 1996. Air stripping involves the mass transfer of the contaminants from solution to a gas, thereby removing the contaminants from the groundwater. This is accomplished by pumping water through a packed column which has a counter current flow of air.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE H: POSTCLOSURE LANDFILL COSTS - CONCLUDED**

The County is required to perform certain maintenance and monitoring functions as stipulated in the consent judgment for a minimum of thirty years from October 23, 1992, the date of DNR approval of the County remedial action plan. It is anticipated that the purge wells and air stripping facility will have to be operated over this thirty year period.

For the year ended September 30, 2010, the County incurred postclosure care expenditures of \$58,516.

The landfill postclosure care liability as reported in Long-Term Debt of the governmental activities at September 30, 2010, is \$820,614.

All amounts recognized are based on the estimated cost to perform postclosure care at September 30, 2010. Actual costs may be higher due to inflation, changes in technology or applicable laws and regulations. The amount recognized is based on estimates developed by solid waste management engineering consultants used by the County to develop the County remedial action plan. These estimates are considered sufficient and reasonable by Management. The postclosure care costs are to be budgeted within the General Fund on an annual basis.

**NOTE I: EMPLOYEE RETIREMENT SYSTEM**

PRIMARY GOVERNMENT

Defined Benefit Pension Plan

Plan Description

The County participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the County. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The County is required to contribute at an actuarially determined rate. County employees are not required to make contributions to the plan. The contribution requirements of plan members and the County are established and may be amended by the Board of Commissioners, depending on the MERS contribution program adopted by the County.

Annual Pension Cost

For year ended September 30, 2010 the County's annual pension cost of \$1,008,379 for the plan was equal to the County's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age normal cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty years on an open basis.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE I: EMPLOYEE RETIREMENT SYSTEM - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED

Three (3) year trend information

	Year Ended December 31,		
	<u>2007</u>	<u>2008</u>	<u>2009</u>
Actuarial value of assets	\$28,828,055	\$30,471,268	\$32,927,288
Actuarial accrued liability (AAL) (entry age)	38,182,245	41,519,393	42,926,606
Unfunded AAL	9,354,190	11,048,125	9,999,318
Funded ratio	76%	73%	77%
Covered payroll	9,364,157	8,501,258	8,517,248
UAAL as a percentage of covered payroll	100%	130%	117%

	Year Ended September 30,		
	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension cost	\$ 989,288	\$ 1,019,758	\$ 1,008,379
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

Defined Contribution Pension Plan

The Isabella County Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the County and administered by an outside third-party administrator. All County employees hired after July 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other County employees that are not vested in the County's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan. Employees vest in the County's contributions completely after five years.

As September 30, 2010, there were 53 plan members. Plan members are required to contribute 2% of their annual salary to the Plan. The County is required to contribute 7% of the employees' annual salary. Authority for establishing and amending the Plan's provisions rests with the County Board of Commissioners.

Employer contributions to the Plan for the year ended September 30, 2010 amounted to \$166,762 and employee contributions were \$50,809.

A stand-alone pension plan report has not been issued for the defined contribution plan.

COMPONENT UNITS

The Isabella County Road Commission, Isabella County Transportation Commission, and Central Michigan District Health Department have separate retirement plans. Separate accounts are maintained by MERS for each of the component units identified above. Details applicable to the Road Commission, Transportation Commission, and District Health Department pension plans are available in their separately issued financial statements. The actuarially determined contribution requirements have been met.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE J: POST-RETIREMENT BENEFITS (ROAD COMMISSION)**

In addition to the pension benefits, the Isabella County Road Commission provides post-retirement health care insurance benefits to all retired employees by a group insurance plan. The benefits are provided in accordance with articles of the union agreement, which includes the provision that upon retirement, the commission contributes \$150 to \$350 per month for health coverage per retiree based on years of service scale. The Commission's obligation ceases upon the employee attaining the minimum age for Medicare coverage.

For eligible retirees who were hired after February 1, 2005, the Isabella County Road Commission agrees to pay a fixed percent of the premium for BC/BS and prescription drug coverage benefits based on years of service, but only until attainment of Medicare eligibility, at which time, 100% of premium shall be paid for by the retiree and or spouse if they elect to remain in the group.

*Plan Description.* The Commission administers a single-employer healthcare plan ("the Retiree Health Plan"). The plan provides healthcare insurance for eligible retirees through the Commission's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the Commission and employees. The Retiree Health Plan does not issue a publicly available financial report.

*Funding Policy.* Contribution requirements also are negotiated between the Commission and employees. The Commission contributes 100% of the cost of current-year premiums for eligible retired plan members. For fiscal year 2010, the Commission contributed \$29,841 to the plan. Total member contributions were \$22,500.

*Annual OPEB Cost and Net OPEB Obligation.* The Commission's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the Commission's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 23,774
Interest on net OPEB obligation (7%)	2,679
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost (expense)	26,453
Contributions made	<u>( 29,841 )</u>
(Decrease) in net OPEB obligation	( 3,388 )
Net OPEB obligation - beginning of year	<u>3,388</u>
Net OPEB obligation - end of year	<u>\$ -0-</u>

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the last three (3) fiscal years is as follows:

<u>Fiscal Year End</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2008	\$ 23,774	100%	\$ -
2009	23,774	86%	3,388
2010	26,453	100%	-

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE J: POST-RETIREMENT BENEFITS (ROAD COMMISSION) - CONCLUDED**

*Funded Status and Funding Progress.* As of September 30, 2008 (most recent and only valuation available), the funded status and funding progress of the plan is:

Actuarial Valuation Date	Value of Assets (a)	Liability (AAL) Entry Age (b)	Unfunde d AAL (b-a)	Funde d Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll [(b-a)/c]
2008	\$5,415	\$274,852	\$269,437	2.0%	\$1,482,911	18%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following simplifying assumptions were made:

*Assumptions About Employees and Members:* Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 45 to 75 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables published by the National Center for Health Statistics. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

*Assumptions About Healthcare Costs:* The 2007 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums used the rates published by the National Institute on Health expenditure projections.

*Other Assumptions and Methods:* The inflation rate was assumed to be 2.0 percent. Based on expected returns of the investments, the investment rate of return was assumed to be 4.0 percent. The value of the Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

**NOTE K: RISK MANAGEMENT**

PRIMARY GOVERNMENT

The County previously participated in a public entity risk pool administered by the Michigan Municipal Risk Management Authority. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property. Effective January 1, 2007 the County ceased participation with the Authority in favor of purchasing commercial insurance against these losses.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE K: RISK MANAGEMENT - CONTINUED**

PRIMARY GOVERNMENT - CONCLUDED

The County is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The County carries commercial insurance for the risks of loss, including worker's compensation, property and casualty loss, and general liability. Settlements have not exceeded insurance coverage in any of the past three years.

Employee Health Benefits

The County has established an employee health benefits Self-Insurance Plan which is accounted for in an Internal Service Fund. Employee groups of the primary government, including the Medical Care Facility as a separate unit, participate in the Self-Insurance Plan. The Plan is administered under contractual agreement with Blue Cross and Blue Shield of Michigan (BCBSM) as third-party administrator.

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

Certain benefits (e.g., dental and prescription drug) are not covered by the co-insurance policy, but are covered by supplemental policies funded by the Plan. Prior to 1997, the Fund was insured against losses greater than \$100,000 per occurrence. There is no coverage for aggregate losses under the current agreement. In the current year, the stop-loss coverage is \$40,000 per occurrence. The co-insurance arrangements will be renegotiated annually with Blue Cross and Blue Shield of Michigan.

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

Interfund premiums are treated as interfund services provided and used; meaning that interfund premiums are recognized as expenditures or expenses in the contributing funds and interfund revenue is recognized in the Self-Insurance Fund as earned.

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

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

	<u>2009</u>	<u>2010</u>
Unpaid Claims, beginning of year	\$ 65,000	\$ 65,000
Incurred Claims, (including IBNR)	2,513,357	2,581,583
Claims Paid	<u>( 2,513,357 )</u>	<u>( 2,581,583 )</u>
Unpaid Claims	<u>\$ 65,000</u>	<u>\$ 65,000</u>

COMPONENT UNITS

Transportation Commission

The Commission carries commercial insurance for the risk of loss due to workers' compensation claims.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE K: RISK MANAGEMENT - CONCLUDED**

COMPONENT UNITS - CONCLUDED

Transportation Commission - Concluded

The Commission is a member of the Michigan Transit Liability Trust Fund ("Pool") established pursuant to an Intergovernmental Agreement entered into by the member Transit Agencies and Authorities. This Pool was established for the purpose of making a self-insurance pooling program available for Michigan Transit Agencies and Authorities, which includes, but is not limited to, bodily injury liability, property damage liability, and personal injury liability related to vehicle operation of the Commission.

The Commission pays an annual premium to the Pool for this coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums. Annually, the Commission receives notification from the Pool of retrospective claims adjustments based on the actual claims experience of the Commission and other members of the Pool. These retrospective claims adjustments, determined by the Pool, are accrued annually by the Commission upon notification.

The Commission also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

Road Commission

The Road Commission joined together with other Road Commissions and created a public entity risk pool currently operating as a common risk management and insurance program. The Road Commission pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000 for each insured event. The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Road Commission is unable to provide an estimate of the amounts of additional assessments.

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance or net assets which the County has set aside for specific purposes. These reserves and designations are recorded at the fund level to indicate management plans for these funds.

The following are the various fund balance reserves as of September 30, 2010:

PRIMARY GOVERNMENT	
General Fund	
Reserved for inventories	\$ 13,535
Reserved for prepaids	<u>24,612</u>
	38,147
Building Authority Bonds Fund	
Reserved for prepaids	52,025

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE L: FUND BALANCE RESERVES AND DESIGNATIONS - CONCLUDED**

PRIMARY GOVERNMENT - CONCLUDED	
Nonmajor governmental funds	
Reserved for donations for special projects	\$ 44,943
Reserved for inventories	16,863
Reserved for prepaids	54,860
Reserved for capital projects	125,465
Reserved for equipment replacement	<u>279,588</u>
	<u>521,719</u>
	<u>\$ 611,891</u>

The following are the various fund balance designations as of September 30, 2010:

PRIMARY GOVERNMENT	
General Fund	
Designated for:	
Working capital	\$ 2,000,000
Vested benefits	594,414
Capital projects and maintenance	30,026
Animal control	1,786
Insurance liability claims	86,840
Agriculture Preservation Board	59,042
Courts	<u>161,308</u>
	<u>\$ 2,933,416</u>

**NOTE M: PROPERTY TAXES AND TAXES RECEIVABLE**

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31. Unpaid property taxes are considered to be delinquent as of March 1 of the year after the tax was levied.

The County's ad valorem taxes were levied and collectible on December 1, 2009, and July 1, 2010. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. The 2010 taxable value of Isabella County amounted to \$1,617,447,158 on which ad valorem taxes levied for the County general operating purposes was 6.6100 mills. For the year ended September 30, 2010, the County levied 0.7500 mills for Senior Services, 0.7000 mills for the Medical Care Facilities. The Isabella County Transportation Commission levied 0.8620 mills for transportation services.

**NOTE N: FEDERAL FINANCIAL ASSISTANCE**

COMPONENT UNIT - ROAD COMMISSION

It is required by the Michigan Department of Transportation that Road Commissioners report total federal financial assistance for Highway Research, Planning and construction pertaining to their County. During the year ended September 30, 2010 the federal aid received and expended by the Road Commission was \$1,653,051 for contracted projects.

Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE O: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2010:

<b>PRIMARY GOVERNMENT</b>	
Governmental Activities	
Donations for special projects	\$ 44,943
Capital projects	125,465
Equipment replacement	<u>279,588</u>
	<u>\$ 449,996</u>
Business-type Activities	
Equipment replacement	\$ 306,767
Expendable	
Drayton and Minnie Miley Trust	44,036
Patient Equipment Trust	191,203
Nonexpendable	
Drayton and Minnie Miley Trust	<u>55,226</u>
	<u>\$ 597,232</u>

The Drayton and Minnie Miley Trust was established by Inez Vetter in August 1973, with a deposit to the Trust of assets in the approximate amount of \$61,362. As of September 31, 2010, the Trust assets consist of the corpus (nonexpendable) plus unexpended accumulated income (expendable).

The Isabella County Medical Care Facility Building, Equipment and Patient Care Trust was established by the Isabella County Social Services Board in 1974 to receive donations made by various individuals and organizations to the Isabella County Medical Care Facility. All donations are deposited to the Trust and the assets are used for equipment purchases. The entire amount is recorded as expendable restricted net assets.

<b>COMPONENT UNITS</b>	
Road Commission	
County roads	<u>\$ 2,779,754</u>
Drainage Districts	
Debt service	<u>\$ 1,037,867</u>

**NOTE P: GASB PRONOUNCEMENTS**

In March 2009, the GASB also issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned and unassigned.

The County is currently evaluating the impact this standard will have on the financial statements when adopted. The County will implement Statement No. 54 beginning with the fiscal year ending September 30, 2011.

NOTES TO FINANCIAL STATEMENTS

September 30, 2010

**NOTE Q: CONTINGENT LIABILITIES**

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County and its attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

**REQUIRED SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULES

Fund Descriptions

**GENERAL FUND**

The General Fund is used to account for all financial transactions not properly accounted for in another fund. The transactions relating to the general governmental activities of the County, which are financed by property tax levies, by distribution of State and Federal revenues, and by revenue from various activities and services, are recorded in this fund. The majority of current operating expenditures of the County, other than proprietary fund activities, are financed through revenue received by the General Fund.

**TRIBAL CONTRIBUTION FUND**

The Tribal Contribution Fund is used to account for funding provided by the Saginaw Chippewa Tribe, and the related uses of those funds.

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES

Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes				
Current and delinquent property taxes	\$ 10,161,000	\$ 10,161,000	\$ 10,403,667	\$ 242,667
Payments in lieu of taxes	90,000	90,000	111,453	21,453
Mobile home park taxes	5,600	5,600	4,796	(804)
Administrative fees	7,500	7,500	9,244	1,744
<b>Total taxes</b>	<b>10,264,100</b>	<b>10,264,100</b>	<b>10,529,160</b>	<b>265,060</b>
Licenses and permits				
Dog licenses	51,000	51,000	52,844	1,844
Marriage license fees	12,600	12,600	19,306	6,706
Soil and erosion permits	5,000	5,000	9,958	4,958
Zoning permits	3,500	3,500	4,750	1,250
Other permits	25	25	45	20
<b>Total licenses and permits</b>	<b>72,125</b>	<b>72,125</b>	<b>86,903</b>	<b>14,778</b>
Intergovernmental - Federal/State				
Homeland security	23,300	23,300	34,826	11,526
B.A.Y.A.N.E.T.	34,390	34,390	80,631	46,241
Byrne justice assistance grant	-	-	115,611	115,611
NCVRW grant	-	-	2,304	2,304
Michigan justice training	6,000	6,000	4,975	(1,025)
Remonumentation	27,355	59,176	40,083	(19,093)
Youth grant	15,000	40,000	48,449	8,449
SCAO grant	50,000	50,000	22,000	(28,000)
Secondary road patrol	88,366	88,366	88,366	-0-
Sheriff grant	-	12,775	12,726	(49)
Prosecutor - CRP	35,000	35,000	31,303	(3,697)
Prosecutor - FIA reimbursement	7,500	7,500	25,148	17,648
Prosecutor - Diversion	20,000	20,000	6,555	(13,445)
Caseflow assistance grant	35,000	35,000	23,969	(11,031)
Victims' Rights	71,800	71,800	71,800	-0-
Probate court judge salary	213,000	213,000	191,861	(21,139)
Judges salary standardization	94,000	94,000	94,195	195
Court equity	300,000	300,000	305,292	5,292
Traffic enforcement	20,000	24,200	11,118	(13,082)
Convention facility tax	337,000	387,000	392,703	5,703
Juvenile officer grant	27,500	27,500	27,317	(183)
Cigarette tax	20,300	20,300	10,459	(9,841)
Liquor licenses	8,500	8,500	8,860	360
Marine safety grant	8,000	8,000	8,831	831
Other	24,000	24,000	13,155	(10,845)
<b>Total intergovernmental - Federal/State</b>	<b>1,466,011</b>	<b>1,589,807</b>	<b>1,672,537</b>	<b>82,730</b>

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES - CONTINUED				
Intergovernmental - local				
Other	\$ 300	\$ 300	\$ 500	\$ 200
Charges for services				
Circuit Court costs	315,000	315,000	333,782	18,782
District Court costs	1,529,000	1,529,000	1,322,888	(206,112)
Probate Court costs	33,000	33,000	37,810	4,810
Juvenile Court costs	31,500	31,500	23,187	(8,313)
Prosecuting attorney	6,000	6,000	6,603	603
Treasurer	5,000	5,000	3,654	(1,346)
Clerk	122,200	122,200	122,733	533
Register of deeds	215,000	215,000	189,154	(25,846)
Drain commissioner	-	40,000	45,109	5,109
Sheriff department	72,650	72,650	74,122	1,472
Jail	1,130,500	1,342,500	1,482,805	140,305
Equalization	6,700	6,700	7,199	499
Animal control	30,000	30,000	30,868	868
Real estate transfer tax	140,000	140,000	95,744	(44,256)
Miscellaneous services	150	150	183	33
Total charges for services	3,636,700	3,888,700	3,775,841	(112,859)
Fines and forfeits				
District Court	35,000	35,000	28,360	(6,640)
Ordinance fines	172,650	172,650	199,187	26,537
Probate Court	1,500	1,500	1,690	190
Total fines and forfeits	209,150	209,150	229,237	20,087
Interest and rents				
Investment earnings	150,100	150,100	49,319	(100,781)
Rental fees	336,384	336,384	346,140	9,756
Total interest and rents	486,484	486,484	395,459	(91,025)
Other				
Reimbursements	7,100	7,100	59,858	52,758
Donations - general	26,200	46,200	30,398	(15,802)
Miscellaneous revenue	1,000	1,000	8,289	7,289
Total other	34,300	54,300	98,545	44,245
TOTAL REVENUES	16,169,170	16,564,966	16,788,182	223,216

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES AND  
OTHER FINANCING SOURCES - CONCLUDED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES				
Transfers in	<u>\$ 1,304,835</u>	<u>\$ 1,233,097</u>	<u>\$ 1,233,097</u>	<u>-0-</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>\$ 17,474,005</u>	<u>\$ 17,798,063</u>	<u>\$ 18,021,279</u>	<u>\$ 223,216</u>

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>EXPENDITURES</b>				
General government				
Board of Commissioners	\$ 148,166	\$ 148,166	\$ 143,764	\$ 4,402
Administration	540,744	530,744	519,148	11,596
Elections	78,219	38,219	57,474	(19,255)
Clerk	417,586	392,736	379,837	12,899
Equalization	316,059	286,459	253,834	32,625
Prosecuting attorney	854,115	878,315	862,159	16,156
Register of Deeds	321,182	322,182	314,234	7,948
Human resources	59,350	100,350	105,835	(5,485)
Public defender	507,500	530,000	515,552	14,448
Remonumentation	26,855	78,676	54,945	23,731
Treasurer	181,791	180,691	170,324	10,367
MSU cooperative extension service	179,915	192,065	193,006	(941)
Data processing	152,341	152,341	144,558	7,783
Building authority	263,225	263,225	262,113	1,112
Courthouse and grounds	721,753	730,453	597,078	133,375
Drain commissioner	236,191	279,816	271,727	8,089
Trial Court	2,885,125	2,984,475	2,975,151	9,324
Adult Drug Court	99,149	96,149	90,208	5,941
Juvenile Drug Court	98,166	89,266	89,250	16
Family Court	48,538	50,738	36,981	13,757
Jury board	2,000	2,000	1,778	222
Total general government	8,137,970	8,327,066	8,038,956	288,110
Public safety				
Sheriff	2,188,916	1,983,591	1,945,017	38,574
Road patrol	153,988	169,278	161,511	7,767
Marine safety	7,963	18,163	16,245	1,918
Corrections	2,304,543	2,434,143	2,374,802	59,341
Traffic enforcement	19,906	24,106	24,079	27
Emergency management	105,160	104,510	100,670	3,840
B.A.Y.A.N.E.T.	75,745	86,585	85,665	920
Michigan Justice Training Act	6,000	6,000	6,000	-0-
Youth grant	15,226	40,226	36,950	3,276
Livestock claims	500	500	-	500
Animal control	342,023	375,223	375,330	(107)
Total public safety	5,219,970	5,242,325	5,126,269	116,056
Public works				
Board of public works	1,660	1,660	930	730
Drain at large	165,000	160,000	159,793	207
Well monitoring - landfill	79,270	74,270	58,516	15,754
Total public works	245,930	235,930	219,239	16,691

Isabella County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY - CONCLUDED

Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>EXPENDITURES - CONCLUDED</b>				
Health and welfare				
Substance abuse counseling	\$ 150,000	\$ 200,000	\$ 196,352	\$ 3,648
Medical examiner	83,500	83,500	88,222	(4,722)
Public health	375,921	375,921	370,527	5,394
Mental health services	216,300	216,300	216,300	-0-
Child protection council	5,000	5,000	5,000	-0-
Veteran's affairs	111,052	111,052	108,277	2,775
Services to the aging	2,500	2,500	-	2,500
Disabilities advisory commission	3,250	3,250	2,358	892
Total health and welfare	947,523	997,523	987,036	10,487
Community economic and development				
Plat Board	250	250	-	250
Community development	223,010	218,510	201,940	16,570
Total community economic and development	223,260	218,760	201,940	16,820
Recreation and cultural				
Fair board	1,250	1,250	1,250	-0-
Library	1,000	1,000	775	225
Parks board	2,700	2,700	1,245	1,455
Total recreation and cultural	4,950	4,950	3,270	1,680
Other				
Contingency	50,000	50,000	28,345	21,655
Insurance and bonds	250,000	250,000	300,262	(50,262)
Other	210,200	232,600	267,089	(34,489)
Total other	510,200	532,600	595,696	(63,096)
TOTAL EXPENDITURES	15,289,803	15,559,154	15,172,406	386,748
<b>OTHER FINANCING USES</b>				
Transfers out	2,318,766	2,301,591	2,303,778	(2,187)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 17,608,569	\$ 17,860,745	\$ 17,476,184	\$ 384,561

Isabella County, Michigan

Tribal Contribution Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended September 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental - local	\$ 274,431	\$ 465,883	\$ 449,047	\$ (16,836)
TOTAL REVENUES	274,431	465,883	449,047	(16,836)
EXPENDITURES				
Current				
General government	274,431	322,996	307,034	15,962
Public safety	-	141,587	140,799	788
Recreation and cultural	-	1,300	1,214	86
TOTAL EXPENDITURES	274,431	465,883	449,047	16,836
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	201	201	201	-0-
Fund balance, end of year	\$ 201	\$ 201	\$ 201	\$ -0-

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2010

**NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

PRIMARY GOVERNMENT

In the budgetary comparison schedules and other supplementary information section, the County's budgeted expenditures in the General Fund and Special Revenue Funds have been shown at the functional classification (department) level. The approved budgets of the County have been adopted at the department level for the General Fund and the fund level for Special Revenue Funds. The General and Special Revenue Funds' budgets shown as required and other supplementary information were prepared on the same modified accrual basis used to reflect actual results.

During the year ended September 30, 2010, the County incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Elections	\$ 38,219	\$ 57,474	\$ 19,255
Human resources	100,350	105,835	5,485
MSU cooperative extension service	192,065	193,006	941
Public safety			
Animal control	375,223	375,330	107
Health and welfare			
Medical examiner	83,500	88,222	4,722
Other			
Insurance and bonds	250,000	300,262	50,262
Other	232,600	267,089	34,489
Transfers out	2,301,591	2,303,778	2,187

## **OTHER SUPPLEMENTARY INFORMATION**

Isabella County, Michigan

NONMAJOR GOVERNMENTAL FUNDS

Fund Descriptions

**SPECIAL REVENUE FUNDS**

Special Revenue Funds are used to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulations.

Special Revenue Funds are part of the governmental fund category and, accordingly, are accounted for using the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available as a net current asset, and expenditures are generally recognized when the related fund liability is incurred.

The Department of Human Services Special Revenue Fund operates as a “quasi-independent” unit.

Certain Special Revenue Funds are required to account for specified activities of the Courts (the Friend of the Court Fund, Community Alternatives Fund, and Public Act 511 Fund) or certain County departments (Veterans’ Activities) or in accordance with public law (County Law Library).

Other Special Revenue Funds are used to account for activities financed with specific revenue sources (the Geographical Information System Fund, Sesquicentennial Fund, Parks and Recreation Fund, Register of Deeds Automation Fund, Drug Law Enforcement Fund, LINK Michigan Grant Fund, Local Corrections Officer Training, Library Board Fund, CDBG Housing Assistance Grant Fund, Revenue Sharing Reserve Fund, Commission on Aging Activities Fund, Child Care Fund, and the E-911 Fund).

**CAPITAL PROJECTS FUNDS**

Capital Projects Funds are used to account for the purchase or construction of major capital facilities which are not financed by proprietary funds. The funds are used when legally mandated or when projects are financed wholly or in part by bond issues, intergovernmental revenue, or private donations. This is also particularly useful for projects financed from the current revenue of more than one fund or covering more than one year.

The County has two Capital Projects Funds.

The Capital Improvement Fund is used to account for the financing of various capital projects. Many projects are financed with transfers from other funds.

The COA Building Construction Fund is used to account for the construction of the Commission on Aging facility.

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

September 30, 2010

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,326	\$ 1,744	\$ 221,283	\$ 426,111
Investments	-	-	-	-
Accounts receivable	-	-	-	-
Due from other funds	-	-	21,982	-
Due from other governmental units				
Federal/State	-	-	-	70,839
Local	-	-	-	-
Inventories	-	-	-	-
Prepays	-	-	-	75
<b>TOTAL ASSETS</b>	<b>\$ 26,326</b>	<b>\$ 1,744</b>	<b>\$ 243,265</b>	<b>\$ 497,025</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 12,003	\$ 457
Accrued wages	253	-	5,017	6,373
Accrued liabilities	-	-	9,982	-
Due to other governmental units - State	-	-	-	-
Due to other funds	-	-	42	32
Deferred revenue	-	-	995	-
<b>TOTAL LIABILITIES</b>	<b>253</b>	<b>-0-</b>	<b>28,039</b>	<b>6,862</b>
<b>FUND BALANCES</b>				
Reserved for:				
Donations for special projects	-	-	44,943	-
Inventories	-	-	-	-
Prepays	-	-	-	75
Capital projects	-	-	-	-
Equipment replacement	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special revenue funds	26,073	1,744	170,283	490,088
<b>TOTAL FUND BALANCES</b>	<b>26,073</b>	<b>1,744</b>	<b>215,226</b>	<b>490,163</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 26,326</b>	<b>\$ 1,744</b>	<b>\$ 243,265</b>	<b>\$ 497,025</b>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	LINK Michigan Grant	Local Corrections Officers Training
\$ 114,507	\$ 60,507	\$ 59,184	\$ 16,261	\$ 5,700	\$ 18,128
-	-	-	-	-	-
-	-	-	6,084	-	-
-	-	-	42,000	-	-
-	-	-	31,763	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	150
<u>\$ 114,507</u>	<u>\$ 60,507</u>	<u>\$ 59,184</u>	<u>\$ 96,108</u>	<u>\$ 5,700</u>	<u>\$ 18,278</u>
\$ -	\$ -	\$ 64	\$ 4,455	\$ -	\$ -
-	-	718	740	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,274	-	42,000	90,895	-	-
-	-	-	-	-	-
4,274	-0-	42,782	96,090	-0-	-0-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	150
-	-	-	-	-	-
-	-	-	-	-	-
<u>110,233</u>	<u>60,507</u>	<u>16,402</u>	<u>18</u>	<u>5,700</u>	<u>18,128</u>
<u>110,233</u>	<u>60,507</u>	<u>16,402</u>	<u>18</u>	<u>5,700</u>	<u>18,278</u>
<u>\$ 114,507</u>	<u>\$ 60,507</u>	<u>\$ 59,184</u>	<u>\$ 96,108</u>	<u>\$ 5,700</u>	<u>\$ 18,278</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2010

	Special			
	County Law Library	Library Board	CDBG Housing Assistance Grant	Revenue Sharing Reserve
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1	\$ 339	\$ 35,894	\$ 509
Investments	-	-	-	-
Accounts receivable	-	-	880,302	-
Due from other funds	3,000	-	-	493,299
Due from other governmental units				-
Federal/State	-	-	-	-
Local	-	-	-	-
Inventories	-	-	-	-
Prepays	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,001</b>	<b>\$ 339</b>	<b>\$ 916,196</b>	<b>\$ 493,808</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 1,652	\$ -	\$ 695	\$ -
Accrued wages	-	-	-	-
Accrued liabilities	-	-	-	-
Due to other governmental units - State	-	-	-	-
Due to other funds	-	-	11,000	-
Deferred revenue	-	-	880,302	-
<b>TOTAL LIABILITIES</b>	<b>1,652</b>	<b>-0-</b>	<b>891,997</b>	<b>-0-</b>
<b>FUND BALANCES</b>				
Reserved for:				
Donations for special projects	-	-	-	-
Inventories	-	-	-	-
Prepays	-	-	-	-
Capital projects	-	-	-	-
Equipment replacement	-	-	-	-
Unreserved				
Undesignated, reported in:				
Special revenue funds	1,349	339	24,199	493,808
<b>TOTAL FUND BALANCES</b>	<b>1,349</b>	<b>339</b>	<b>24,199</b>	<b>493,808</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,001</b>	<b>\$ 339</b>	<b>\$ 916,196</b>	<b>\$ 493,808</b>

Revenue					Capital Projects
Commission on Aging Activities	Department of Human Services	Child Care	Veterans Activities	E-911	Capital Improvement
\$ 413,461	\$ 79,318	\$ -	\$ 5,452	\$ 1,102,154	\$ 10,981
-	-	682,007	-	-	-
84,564	-	-	-	212,128	-
260,000	-	-	-	-	-
102,711	-	206,656	-	57,747	-
-	-	5,645	-	-	-
16,863	-	-	-	-	-
-	-	53,315	-	1,320	-
<u>\$ 877,599</u>	<u>\$ 79,318</u>	<u>\$ 947,623</u>	<u>\$ 5,452</u>	<u>\$ 1,373,349</u>	<u>\$ 10,981</u>
\$ 30,376	\$ -	\$ 101,029	\$ -	\$ 24,480	\$ -
18,054	-	824	-	9,473	-
-	-	-	-	-	-
-	10,000	2,800	-	-	-
-	-	104,266	-	485	6,387
733,290	-	-	-	-	-
781,720	10,000	208,919	-0-	34,438	6,387
-	-	-	-	-	-
16,863	-	-	-	-	-
-	-	53,315	-	1,320	-
-	-	-	-	-	4,594
-	-	-	-	279,588	-
79,016	69,318	685,389	5,452	1,058,003	-
95,879	69,318	738,704	5,452	1,338,911	4,594
<u>\$ 877,599</u>	<u>\$ 79,318</u>	<u>\$ 947,623</u>	<u>\$ 5,452</u>	<u>\$ 1,373,349</u>	<u>\$ 10,981</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONCLUDED

September 30, 2010

	<u>Capital Projects</u>	
	<u>Commission on Aging Building Construction</u>	<u>Total</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 85,871	\$ 2,683,731
Investments	-	682,007
Accounts receivable	-	1,183,078
Due from other funds	35,000	855,281
Due from other governmental units		
Federal/State	-	469,716
Local	-	5,645
Inventories	-	16,863
Prepays	-	54,860
	<u>                    </u>	<u>                    </u>
TOTAL ASSETS	<u>\$ 120,871</u>	<u>\$ 5,951,181</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 175,211
Accrued wages	-	41,452
Accrued liabilities	-	9,982
Due to other governmental units - State	-	12,800
Due to other funds	-	259,381
Deferred revenue	-	1,614,587
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES	-0-	2,113,413
<b>FUND BALANCES</b>		
Reserved for:		
Donations for special projects	-	44,943
Inventories	-	16,863
Prepays	-	54,860
Capital projects	120,871	125,465
Equipment replacement	-	279,588
Unreserved		
Undesignated, reported in:		
Special revenue funds	-	3,316,049
	<u>                    </u>	<u>                    </u>
TOTAL FUND BALANCES	<u>120,871</u>	<u>3,837,768</u>
	<u>                    </u>	<u>                    </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 120,871</u>	<u>\$ 5,951,181</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended September 30, 2010

	Special			
	Geographical Information System	Sesquicentennial Fund	Parks and Recreation	Friend of the Court
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	342,994	-
Intergovernmental				
Federal	-	-	-	453,784
State	-	-	-	-
Local	-	-	-	-
Charges for services	6,046	-	-	53,534
Fines and forfeits	-	-	-	-
Interest and rents	-	-	366	-
Contributions	-	-	-	-
Other	-	9,085	9,025	-
<b>TOTAL REVENUES</b>	<b>6,046</b>	<b>9,085</b>	<b>352,385</b>	<b>507,318</b>
<b>EXPENDITURES</b>				
Current				
General government	29,529	16,362	-	565,780
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and cultural	-	-	551,846	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>29,529</b>	<b>16,362</b>	<b>551,846</b>	<b>565,780</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(23,483)</b>	<b>(7,277)</b>	<b>(199,461)</b>	<b>(58,462)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	28,435	-	200,000	262,063
Transfers out	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>28,435</b>	<b>-0-</b>	<b>200,000</b>	<b>262,063</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,952</b>	<b>(7,277)</b>	<b>539</b>	<b>203,601</b>
Fund balances, beginning of year	21,121	9,021	214,687	286,562
Fund balances, end of year	<u>\$ 26,073</u>	<u>\$ 1,744</u>	<u>\$ 215,226</u>	<u>\$ 490,163</u>

Revenue

Register of Deeds Automation	Drug Law Enforcement Activities	Community Alternatives	Public Act 511	LINK Michigan Grant	Local Corrections Officers Training
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	107,642	-	-
50,515	-	92,370	3,050	-	22,548
-	807	-	-	-	-
174	79	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
50,689	886	92,370	110,692	-0-	22,548
119,456	-	62,176	153,222	-	-
-	4,064	-	-	-	41,960
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
119,456	4,064	62,176	153,222	-0-	41,960
(68,767)	(3,178)	30,194	(42,530)	-0-	(19,412)
-	-	-	42,000	-	-
(4,274)	-	(42,000)	-	-	-
(4,274)	-0-	(42,000)	42,000	-0-	-0-
(73,041)	(3,178)	(11,806)	(530)	-0-	(19,412)
183,274	63,685	28,208	548	5,700	37,690
<u>\$ 110,233</u>	<u>\$ 60,507</u>	<u>\$ 16,402</u>	<u>\$ 18</u>	<u>\$ 5,700</u>	<u>\$ 18,278</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONTINUED

Year Ended September 30, 2010

	Special			
	County Law Library	Library Board	CDBG Housing Assistance Grant	Revenue Sharing Reserve
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental				
Federal	-	-	56,216	-
State	-	-	-	-
Local	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeits	6,500	-	-	-
Interest and rents	-	-	-	-
Contributions	-	-	-	-
Other	-	-	20,228	-
<b>TOTAL REVENUES</b>	<b>6,500</b>	<b>-0-</b>	<b>76,444</b>	<b>-0-</b>
<b>EXPENDITURES</b>				
Current				
General government	14,112	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	75,134	-
Recreation and cultural	-	148,904	-	-
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>14,112</b>	<b>148,904</b>	<b>75,134</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,612)</b>	<b>(148,904)</b>	<b>1,310</b>	<b>-0-</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	7,700	148,904	-	-
Transfers out	-	-	-	(1,228,823)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>7,700</b>	<b>148,904</b>	<b>-0-</b>	<b>(1,228,823)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>88</b>	<b>-0-</b>	<b>1,310</b>	<b>(1,228,823)</b>
Fund balances, beginning of year	1,261	339	22,889	1,722,631
Fund balances, end of year	<u>\$ 1,349</u>	<u>\$ 339</u>	<u>\$ 24,199</u>	<u>\$ 493,808</u>

Revenue					Capital Projects
Commission on Aging Activities	Department of Human Services	Child Care	Veterans Activities	E-911	Capital Improvement
\$ 618,633	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
429,497	-	-	-	-	-
413,232	101,542	1,001,063	2,550	198,049	-
301,000	-	21,789	-	-	18,259
31,485	-	273,448	-	958,137	-
-	-	-	-	-	-
511	-	-	-	1,681	124
426,155	-	-	-	-	-
27,898	-	-	-	172	5,746
2,248,411	101,542	1,296,300	2,550	1,158,039	24,129
-	-	-	-	-	-
-	-	-	-	1,074,164	-
2,270,431	111,655	2,355,043	5,696	-	-
-	-	-	-	-	-
-	-	-	-	-	58,938
2,270,431	111,655	2,355,043	5,696	1,074,164	58,938
(22,020)	(10,113)	(1,058,743)	(3,146)	83,875	(34,809)
-	1,000	1,347,489	3,200	-	-
-	-	-	-	-	-
-0-	1,000	1,347,489	3,200	-0-	-0-
(22,020)	(9,113)	288,746	54	83,875	(34,809)
117,899	78,431	449,958	5,398	1,255,036	39,403
<u>\$ 95,879</u>	<u>\$ 69,318</u>	<u>\$ 738,704</u>	<u>\$ 5,452</u>	<u>\$ 1,338,911</u>	<u>\$ 4,594</u>

Isabella County, Michigan

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - CONCLUDED

Year Ended September 30, 2010

	<u>Capital Projects</u>	
	Commission on Aging Building Construction	<u>Total</u>
REVENUES		
Taxes	\$ -	\$ 618,633
Licenses and permits	-	342,994
Intergovernmental		
Federal	-	939,497
State	-	1,824,078
Local	-	341,048
Charges for services	-	1,491,133
Fines and forfeits	-	7,307
Interest and rents	1,931	4,866
Contributions	-	426,155
Other	-	72,154
	<hr/>	<hr/>
TOTAL REVENUES	1,931	6,067,865
EXPENDITURES		
Current		
General government	-	960,637
Public safety	-	1,120,188
Health and welfare	-	4,817,959
Recreation and cultural	-	700,750
Capital outlay	21,699	80,637
	<hr/>	<hr/>
TOTAL EXPENDITURES	21,699	7,680,171
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,768)	(1,612,306)
OTHER FINANCING SOURCES (USES)		
Transfers in	-	2,040,791
Transfers out	-	(1,275,097)
	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	-0-	765,694
NET CHANGE IN FUND BALANCES	(19,768)	(846,612)
Fund balances, beginning of year	<hr/>	<hr/>
	140,639	4,684,380
Fund balances, end of year	<u>\$ 120,871</u>	<u>\$ 3,837,768</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Geographical Information System</u>				
REVENUES				
Charges for services	\$ 5,000	\$ 5,000	\$ 6,046	\$ 1,046
EXPENDITURES				
Current				
General government	<u>33,435</u>	<u>33,435</u>	<u>29,529</u>	<u>3,906</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(28,435)	(28,435)	(23,483)	4,952
OTHER FINANCING SOURCES				
Transfers in	<u>28,435</u>	<u>28,435</u>	<u>28,435</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	4,952	4,952
Fund balance, beginning of year	<u>21,121</u>	<u>21,121</u>	<u>21,121</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 21,121</u>	<u>\$ 21,121</u>	<u>\$ 26,073</u>	<u>\$ 4,952</u>

Sesquicentennial Fund

REVENUES				
Other	\$ -	\$ 9,185	\$ 9,085	\$ (100)
EXPENDITURES				
Current				
General government	<u>-</u>	<u>16,420</u>	<u>16,362</u>	<u>58</u>
NET CHANGE IN FUND BALANCE	-0-	(7,235)	(7,277)	(42)
Fund balance, beginning of year	<u>9,021</u>	<u>9,021</u>	<u>9,021</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 9,021</u>	<u>\$ 1,786</u>	<u>\$ 1,744</u>	<u>\$ (42)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Parks and Recreation</u>				
<b>REVENUES</b>				
Licenses and permits	\$ 307,745	\$ 307,745	\$ 342,994	\$ 35,249
Interest	3,000	3,000	366	(2,634)
Other	3,000	3,000	9,025	6,025
<b>TOTAL REVENUES</b>	<b>313,745</b>	<b>313,745</b>	<b>352,385</b>	<b>38,640</b>
<b>EXPENDITURES</b>				
Current				
Recreation and cultural				
Administration	181,583	181,583	173,560	8,023
Coldwater Lake County Park	81,892	81,892	81,548	344
Deerfield County Park	47,329	47,329	49,712	(2,383)
Herrick County Park	81,006	81,006	63,264	17,742
Meridian Park	6,721	6,721	5,430	1,291
Pere Marquette Rail Trail	5,437	5,437	5,234	203
Maintenance shop	167,794	167,794	173,098	(5,304)
<b>TOTAL EXPENDITURES</b>	<b>571,762</b>	<b>571,762</b>	<b>551,846</b>	<b>19,916</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(258,017)</b>	<b>(258,017)</b>	<b>(199,461)</b>	<b>58,556</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	200,000	200,000	200,000	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(58,017)</b>	<b>(58,017)</b>	<b>539</b>	<b>58,556</b>
Fund balance, beginning of year	214,687	214,687	214,687	-0-
Fund balance, end of year	<u>\$ 156,670</u>	<u>\$ 156,670</u>	<u>\$ 215,226</u>	<u>\$ 58,556</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Friend of the Court</u>				
REVENUES				
Intergovernmental				
Federal	\$ 280,000	\$ 457,200	\$ 453,784	\$ (3,416)
Charges for services	13,750	50,750	53,534	2,784
<b>TOTAL REVENUES</b>	<b>293,750</b>	<b>507,950</b>	<b>507,318</b>	<b>(632)</b>
EXPENDITURES				
Current				
General government	555,813	577,663	565,780	11,883
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(262,063)</b>	<b>(69,713)</b>	<b>(58,462)</b>	<b>11,251</b>
OTHER FINANCING SOURCES				
Transfers in	262,063	262,063	262,063	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>192,350</b>	<b>203,601</b>	<b>11,251</b>
Fund balance, beginning of year	286,562	286,562	286,562	-0-
Fund balance, end of year	<u>\$ 286,562</u>	<u>\$ 478,912</u>	<u>\$ 490,163</u>	<u>\$ 11,251</u>

Register of Deeds Automation

REVENUES				
Charges for services	\$ 55,000	\$ 55,000	\$ 50,515	\$ (4,485)
Interest	1,000	1,000	174	(826)
<b>TOTAL REVENUES</b>	<b>56,000</b>	<b>56,000</b>	<b>50,689</b>	<b>(5,311)</b>
EXPENDITURES				
Current				
General government	183,000	132,000	119,456	12,544
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(127,000)</b>	<b>(76,000)</b>	<b>(68,767)</b>	<b>7,233</b>
OTHER FINANCING (USES)				
Transfers out	(4,274)	(4,274)	(4,274)	-0-
<b>NET CHANGE IN FUND BALANCE</b>	<b>(131,274)</b>	<b>(80,274)</b>	<b>(73,041)</b>	<b>7,233</b>
Fund balance, beginning of year	183,274	183,274	183,274	-0-
Fund balance, end of year	<u>\$ 52,000</u>	<u>\$ 103,000</u>	<u>\$ 110,233</u>	<u>\$ 7,233</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Drug Law Enforcement Activities</u>				
REVENUES				
Fines and forfeits	\$ 1,000	\$ 1,400	\$ 807	\$ (593)
Interest	-	70	79	9
TOTAL REVENUES	1,000	1,470	886	(584)
EXPENDITURES				
Current				
Public safety	1,000	5,065	4,064	1,001
NET CHANGE IN FUND BALANCE	-0-	(3,595)	(3,178)	417
Fund balance, beginning of year	63,685	63,685	63,685	-0-
Fund balance, end of year	<u>\$ 63,685</u>	<u>\$ 60,090</u>	<u>\$ 60,507</u>	<u>\$ 417</u>

Community Alternatives

REVENUES				
Charges for services	\$ 87,850	\$ 87,850	\$ 92,370	\$ 4,520
EXPENDITURES				
Current				
General government	63,497	63,497	62,176	1,321
EXCESS OF REVENUES OVER EXPENDITURES	24,353	24,353	30,194	5,841
OTHER FINANCING (USES)				
Transfers out	(44,056)	(44,056)	(42,000)	2,056
NET CHANGE IN FUND BALANCE	(19,703)	(19,703)	(11,806)	7,897
Fund balance, beginning of year	28,208	28,208	28,208	-0-
Fund balance, end of year	<u>\$ 8,505</u>	<u>\$ 8,505</u>	<u>\$ 16,402</u>	<u>\$ 7,897</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Public Act 511</u>				
REVENUES				
Intergovernmental				
State	\$ 175,000	\$ 175,000	\$ 107,642	\$ (67,358)
Charges for services	22,100	22,100	3,050	(19,050)
<b>TOTAL REVENUES</b>	<b>197,100</b>	<b>197,100</b>	<b>110,692</b>	<b>(86,408)</b>
EXPENDITURES				
Current				
General government	241,156	241,156	153,222	87,934
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(44,056)</b>	<b>(44,056)</b>	<b>(42,530)</b>	<b>1,526</b>
OTHER FINANCING SOURCES				
Transfers In	44,056	44,056	42,000	2,056
<b>NET CHANGE IN FUND BALANCE</b>	<b>-0-</b>	<b>-0-</b>	<b>(530)</b>	<b>(530)</b>
Fund balance, beginning of year	548	548	548	-0-
Fund balance, end of year	<u>\$ 548</u>	<u>\$ 548</u>	<u>\$ 18</u>	<u>\$ (530)</u>

Local Corrections Officers Training

REVENUES				
Charges for services	\$ 25,000	\$ 25,000	\$ 22,548	\$ (2,452)
EXPENDITURES				
Current				
Public safety	10,300	46,950	41,960	4,990
<b>NET CHANGE IN FUND BALANCE</b>	<b>14,700</b>	<b>(21,950)</b>	<b>(19,412)</b>	<b>2,538</b>
Fund balance, beginning of year	37,690	37,690	37,690	-0-
Fund balance, end of year	<u>\$ 52,390</u>	<u>\$ 15,740</u>	<u>\$ 18,278</u>	<u>\$ 2,538</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>County Law Library</u>				
REVENUES				
Fines and forfeits	\$ 6,500	\$ 6,500	\$ 6,500	\$ -0-
EXPENDITURES				
Current				
General government	<u>11,200</u>	<u>14,200</u>	<u>14,112</u>	<u>88</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(4,700)	(7,700)	(7,612)	88
OTHER FINANCING SOURCES				
Transfers in	<u>4,700</u>	<u>7,700</u>	<u>7,700</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	88	88
Fund balance, beginning of year	<u>1,261</u>	<u>1,261</u>	<u>1,261</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,261</u>	<u>\$ 1,261</u>	<u>\$ 1,349</u>	<u>\$ 88</u>
<u>Library Board</u>				
REVENUES	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES				
Current				
Recreation and cultural	<u>151,079</u>	<u>148,904</u>	<u>148,904</u>	<u>-0-</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	(151,079)	(148,904)	(148,904)	-0-
OTHER FINANCING SOURCES				
Transfers in	<u>151,079</u>	<u>148,904</u>	<u>148,904</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	-0-	-0-
Fund balance, beginning of year	<u>339</u>	<u>339</u>	<u>339</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ 339</u>	<u>\$ -0-</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>CDBG Housing Assistance Grant</u>				
REVENUES				
Intergovernmental				
Federal	\$ 30,500	\$ 65,000	\$ 56,216	\$ (8,784)
Other revenue	16,500	22,000	20,228	(1,772)
	<u>47,000</u>	<u>87,000</u>	<u>76,444</u>	<u>(10,556)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Health and welfare	48,500	88,500	75,134	13,366
	<u>(1,500)</u>	<u>(1,500)</u>	<u>1,310</u>	<u>2,810</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>22,889</u>	<u>22,889</u>	<u>22,889</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 21,389</u>	<u>\$ 21,389</u>	<u>\$ 24,199</u>	<u>\$ 2,810</u>

Revenue Sharing Reserve

REVENUES				
Interest and rents	\$ 500	\$ 500	\$ -	\$ (500)
OTHER FINANCING (USES)				
Transfers out	<u>(1,286,750)</u>	<u>(1,228,823)</u>	<u>(1,228,823)</u>	<u>-0-</u>
	<u>(1,286,250)</u>	<u>(1,228,323)</u>	<u>(1,228,823)</u>	<u>(500)</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>1,722,631</u>	<u>1,722,631</u>	<u>1,722,631</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 436,381</u>	<u>\$ 494,308</u>	<u>\$ 493,808</u>	<u>\$ (500)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Commission on Aging Activities</u>				
REVENUES				
Taxes	\$ 661,382	\$ 661,382	\$ 618,633	\$ (42,749)
Intergovernmental				
Federal	406,096	442,738	429,497	(13,241)
State	347,390	347,390	413,232	65,842
Local	395,779	394,713	301,000	(93,713)
Charges for services	73,700	73,700	31,485	(42,215)
Interest and rents	-	-	511	511
Contributions	432,486	454,819	426,155	(28,664)
Other	9,897	9,897	27,898	18,001
TOTAL REVENUES	2,326,730	2,384,639	2,248,411	(136,228)
EXPENDITURES				
Current				
Health and welfare	2,284,265	2,368,061	2,270,431	97,630
NET CHANGE IN FUND BALANCE	42,465	16,578	(22,020)	(38,598)
Fund balance, beginning of year	117,899	117,899	117,899	-0-
Fund balance, end of year	<u>\$ 160,364</u>	<u>\$ 134,477</u>	<u>\$ 95,879</u>	<u>\$ (38,598)</u>

Department of Human Services

REVENUES				
Intergovernmental				
State	\$ 119,000	\$ 119,000	\$ 101,542	\$ (17,458)
EXPENDITURES				
Current				
Health and welfare	120,000	120,000	111,655	8,345
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,000)	(1,000)	(10,113)	(9,113)
OTHER FINANCING SOURCES				
Transfer in	1,000	1,000	1,000	-0-
NET CHANGE IN FUND BALANCE	-0-	-0-	(9,113)	(9,113)
Fund balance, beginning of year	78,431	78,431	78,431	-0-
Fund balance, end of year	<u>\$ 78,431</u>	<u>\$ 78,431</u>	<u>\$ 69,318</u>	<u>\$ (9,113)</u>

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONTINUED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Child Care</u>				
REVENUES				
Intergovernmental				
State	\$ 897,500	\$ 897,500	\$ 1,001,063	\$ 103,563
Local	65,000	65,000	21,789	(43,211)
Charges for services	254,325	254,325	273,448	19,123
TOTAL REVENUES	1,216,825	1,216,825	1,296,300	79,475
EXPENDITURES				
Current				
Health and welfare	2,564,313	2,564,313	2,355,043	209,270
EXCESS OF REVENUES (UNDER) EXPENDITURES	(1,347,488)	(1,347,488)	(1,058,743)	288,745
OTHER FINANCING SOURCES				
Transfers in	1,347,489	1,347,489	1,347,489	-0-
NET CHANGE IN FUND BALANCE	1	1	288,746	288,745
Fund balance, beginning of year	449,958	449,958	449,958	-0-
Fund balance, end of year	\$ 449,959	\$ 449,959	\$ 738,704	\$ 288,745

Veterans Activities

REVENUES				
Intergovernmental				
State	\$ 6,500	\$ 6,500	\$ 2,550	\$ (3,950)
EXPENDITURES				
Current				
Health and welfare				
Veterans affairs relief	5,500	5,500	2,938	2,562
Veterans trust	6,500	6,500	2,758	3,742
TOTAL EXPENDITURES	12,000	12,000	5,696	6,304
EXCESS OF REVENUES (UNDER) EXPENDITURES	(5,500)	(5,500)	(3,146)	2,354
OTHER FINANCING SOURCES				
Transfers in	3,200	3,200	3,200	-0-
NET CHANGE IN FUND BALANCE	(2,300)	(2,300)	54	2,354
Fund balance, beginning of year	5,398	5,398	5,398	-0-
Fund balance, end of year	\$ 3,098	\$ 3,098	\$ 5,452	\$ 2,354

Isabella County, Michigan

Nonmajor Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES BY FUND - BUDGET AND ACTUAL - CONCLUDED

Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
	<u>E-911</u>			
REVENUES				
Intergovernmental				
State	\$ 150,000	\$ 150,000	\$ 198,049	\$ 48,049
Charges for services	1,079,740	1,079,740	958,137	(121,603)
Interest	1,500	1,500	1,681	181
Other	100	100	172	72
	<u>1,231,340</u>	<u>1,231,340</u>	<u>1,158,039</u>	<u>(73,301)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	<u>1,052,174</u>	<u>1,165,174</u>	<u>1,074,164</u>	<u>91,010</u>
	<u>179,166</u>	<u>66,166</u>	<u>83,875</u>	<u>17,709</u>
NET CHANGE IN FUND BALANCE				
Fund balance, beginning of year	<u>1,255,036</u>	<u>1,255,036</u>	<u>1,255,036</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,434,202</u>	<u>\$ 1,321,202</u>	<u>\$ 1,338,911</u>	<u>\$ 17,709</u>

Isabella County, Michigan

NONMAJOR ENTERPRISE FUNDS

Fund Descriptions

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the County is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The County has four Nonmajor Enterprise Funds:

The Building Inspection Fund, which is used for the activity related to construction inspections; the Recycling Fund, which is used for the Recycling Program and related grants; the Concessions Fund, which is used to account for the purchase of various consumer products for the subsequent resale to inmates lodged in the Isabella County, Michigan Jail; and the PA 123 Restricted Tax Fund, which is used to account for the activity related to the sale of real property to satisfy delinquent taxes receivable under Public Act 123.

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF NET ASSETS

September 30, 2010

	Business-type Activities				
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	Total
<b>ASSETS</b>					
Current assets					
Cash and cash equivalents	\$ 45,320	\$ 373,983	\$ 481,511	\$ 1,259,058	\$ 2,159,872
Investments	-	-	-	406,123	406,123
Accounts receivable	-	97,882	-	564	98,446
Due from other funds	-	79,782	-	2,225	82,007
Inventory	-	-	7,625	-	7,625
Total current assets	45,320	551,647	489,136	1,667,970	2,754,073
Noncurrent assets					
Capital assets not being depreciated	-	121,953	-	-	121,953
Capital assets being depreciated, net	3,873	1,109,878	367,763	-	1,481,514
Total noncurrent assets	3,873	1,231,831	367,763	-0-	1,603,467
<b>TOTAL ASSETS</b>	<b>49,193</b>	<b>1,783,478</b>	<b>856,899</b>	<b>1,667,970</b>	<b>4,357,540</b>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	2,766	56,121	16,932	400	76,219
Accrued liabilities	5,194	33,606	-	635	39,435
Due to other governmental units	-	49,368	-	-	49,368
Due to other funds	6	5,747	-	-	5,753
Unearned revenue	-	111,463	-	-	111,463
Current portion of compensated absences	6,616	2,682	-	1,978	11,276
Total current liabilities	14,582	258,987	16,932	3,013	293,514
Noncurrent liabilities					
Noncurrent portion of compensated absences	9,923	4,023	-	2,967	16,913
<b>TOTAL LIABILITIES</b>	<b>24,505</b>	<b>263,010</b>	<b>16,932</b>	<b>5,980</b>	<b>310,427</b>
<b>NET ASSETS</b>					
Invested in capital assets	3,873	1,231,831	367,763	-	1,603,467
Restricted for equipment replacement	-	306,767	-	-	306,767
Unrestricted	20,815	(18,130)	472,204	1,661,990	2,136,879
<b>TOTAL NET ASSETS</b>	<b>\$ 24,688</b>	<b>\$ 1,520,468</b>	<b>\$ 839,967</b>	<b>\$ 1,661,990</b>	<b>\$ 4,047,113</b>

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended September 30, 2010

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
<b>OPERATING REVENUES</b>					
Charges for services	\$ 249,272	\$ 21,139	\$ 308,364	\$ 444,320	\$ 1,023,095
Sales	-	666,671	-	-	666,671
<b>TOTAL OPERATING REVENUES</b>	<b>249,272</b>	<b>687,810</b>	<b>308,364</b>	<b>444,320</b>	<b>1,689,766</b>
<b>OPERATING EXPENSES</b>					
Personnel services	186,222	489,625	-	60,304	736,151
Supplies	5,957	17,145	13,613	15,356	52,071
Contractual services	5,585	26,975	-	31,128	63,688
Other services and charges	7,596	385,220	4,462	4,254	401,532
Cost of goods sold	-	-	163,189	-	163,189
Depreciation	7,498	82,951	58,158	-	148,607
<b>TOTAL OPERATING EXPENSES</b>	<b>212,858</b>	<b>1,001,916</b>	<b>239,422</b>	<b>111,042</b>	<b>1,565,238</b>
<b>OPERATING INCOME (LOSS)</b>	<b>36,414</b>	<b>(314,106)</b>	<b>68,942</b>	<b>333,278</b>	<b>124,528</b>
<b>NONOPERATING REVENUES</b>					
Intergovernmental					
State	-	5,417	-	-	5,417
Local	-	312,783	-	-	312,783
Interest earned	-	451	4,480	84,390	89,321
Other	-	2,313	-	-	2,313
<b>TOTAL NONOPERATING REVENUES</b>	<b>-0-</b>	<b>320,964</b>	<b>4,480</b>	<b>84,390</b>	<b>409,834</b>
<b>CHANGE IN NET ASSETS</b>	<b>36,414</b>	<b>6,858</b>	<b>73,422</b>	<b>417,668</b>	<b>534,362</b>
Net assets (deficit), beginning of year	(11,726)	1,513,610	766,545	1,244,322	3,512,751
Net assets, end of year	\$ 24,688	\$ 1,520,468	\$ 839,967	\$ 1,661,990	\$ 4,047,113

Isabella County, Michigan

Nonmajor Enterprise Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2010

	Business-type Activities				Total
	Building Inspection	Recycling	Concessions	PA 123 Restricted Tax	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Cash receipts from customers	\$ 249,272	\$ 714,675	\$ 308,364	\$ 444,396	\$ 1,716,707
Cash paid to suppliers	(17,885)	(392,279)	(176,309)	(40,790)	(627,263)
Cash paid for employee services and benefits	(186,067)	(487,686)	-	(61,708)	(735,461)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>45,320</b>	<b>(165,290)</b>	<b>132,055</b>	<b>341,898</b>	<b>353,983</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
State/federal grants	-	318,200	-	-	318,200
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition and construction of capital assets	-	(69,249)	(43,510)	-	(112,759)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Maturity of investments	-	-	-	248,893	248,893
Interest revenue	-	451	4,480	84,390	89,321
Other income	-	2,313	-	-	2,313
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>-0-</b>	<b>2,764</b>	<b>4,480</b>	<b>333,283</b>	<b>340,527</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>45,320</b>	<b>86,425</b>	<b>93,025</b>	<b>675,181</b>	<b>899,951</b>
Cash and cash equivalents, beginning of year	-	287,558	388,486	583,877	1,259,921
Cash and cash equivalents, end of year	\$ 45,320	\$ 373,983	\$ 481,511	\$ 1,259,058	\$ 2,159,872
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 36,414	\$ (314,106)	\$ 68,942	\$ 333,278	\$ 124,528
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	7,498	82,951	58,158	-	148,607
Decrease in receivables	-	9,209	-	76	9,285
Decrease in due from other governmental units	-	17,656	-	-	17,656
Decrease in inventory	-	-	1,070	-	1,070
(Increase) decrease in due from other funds	-	(29,704)	-	10,044	(19,660)
Increase (decrease) in accounts payable	1,887	33,735	3,885	(96)	39,411
Increase (decrease) in accrued liabilities	155	1,939	-	(1,404)	690
Increase in due to other governmental units	-	23,882	-	-	23,882
Increase (decrease) in due to other funds	(634)	3,790	-	-	3,156
Increase in unearned revenue	-	5,358	-	-	5,358
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 45,320</b>	<b>\$ (165,290)</b>	<b>\$ 132,055</b>	<b>\$ 341,898</b>	<b>\$ 353,983</b>

Isabella County, Michigan

TRUST AND AGENCY FUNDS

Fund Descriptions

Fiduciary, or Trust and Agency Funds, are used to account for assets which the County holds as trustee or agent for individuals, private organizations, and other governmental units.

**Agency Funds**

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations. Agency Funds are merely clearing accounts, and are accounted for using the modified accrual basis of accounting. The County's Fiduciary Funds are all Agency Funds.

The Trust and Agency Fund is used to account for collection and distribution of Court-imposed fines, current property tax collections remitted by the taxing units, and other similar collections.

The Inmate Trust Fund is used to account for cash held on behalf of inmates lodged in the County Jail.

The Employee Flexible Benefit Plan Fund is used to account for salary reductions made by employees for certain benefits as specified by the County's Flexible Benefits Plan and as permitted by IRC Section 125.

The Payroll Fund is used to account for all payroll tax-related transactions. Payroll withholdings are deposited to and disbursed from this fund.

The Library Penal Fines Fund is used to receive money from penal fines imposed for State law violations. Money is transferred annually to the County Law Library Fund and to the City/County Library.

The Medical Care Facility Patient Fund is used to account for cash held for patients that reside in the facility.

Isabella County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2010

	Agency		
	Trust and Agency	Inmate Trust	Employee Flexible Benefits Plan
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,076,648	\$ 49,766	\$ 6,670
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 3,076,648</b>	<b>\$ 49,766</b>	<b>\$ 6,670</b>
<b>LIABILITIES</b>			
Due to other governmental units			
Federal/State	\$ 143,502	\$ -	\$ -
Local	2,522,581	-	-
Due to individuals and agencies	410,565	49,766	6,670
<b>TOTAL LIABILITIES</b>	<b>\$ 3,076,648</b>	<b>\$ 49,766</b>	<b>\$ 6,670</b>

Payroll	Funds		Total
	Library Penal Fines	Medical Care Facility Patient Agency	
\$ -	\$ 85,803	\$ -	\$ 3,218,887
68,651	-	-	68,651
<u>\$ 68,651</u>	<u>\$ 85,803</u>	<u>\$ -0-</u>	<u>\$ 3,287,538</u>
\$ -	\$ -	\$ -	\$ 143,502
-	85,803	-	2,608,384
68,651	-	-	535,652
<u>\$ 68,651</u>	<u>\$ 85,803</u>	<u>\$ -0-</u>	<u>\$ 3,287,538</u>

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended September 30, 2010

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
<u>Trust and Agency</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 474,563	\$ 45,047,877	\$ 42,445,792	\$ 3,076,648
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 120,413	\$ 1,318,578	\$ 1,295,489	\$ 143,502
Local	23,710	27,362,041	24,863,170	2,522,581
Due to individuals and agencies	330,440	1,162,814	1,082,689	410,565
<b>TOTAL LIABILITIES</b>	<b>\$ 474,563</b>	<b>\$ 29,843,433</b>	<b>\$ 27,241,348</b>	<b>\$ 3,076,648</b>
<u>Inmate Trust</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 48,481	\$ 1,338,526	\$ 1,337,241	\$ 49,766
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 48,481	\$ 1,386,748	\$ 1,385,463	\$ 49,766
<u>Employee Flexible Benefits Plan</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ 11,459	\$ 71,490	\$ 76,279	\$ 6,670
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 11,459	\$ 70,725	\$ 75,514	\$ 6,670
<u>Payroll</u>				
<b>ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 6,993,069	\$ 6,993,069	\$ -0-
Prepays	87,338	171,917	190,604	68,651
<b>TOTAL ASSETS</b>	<b>\$ 87,338</b>	<b>\$ 7,164,986</b>	<b>\$ 7,183,673</b>	<b>\$ 68,651</b>
<b>LIABILITIES</b>				
Due to individuals and agencies	\$ 87,338	\$ 2,822,571	\$ 2,841,258	\$ 68,651

Isabella County, Michigan

Agency Funds

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - CONCLUDED

Year Ended September 30, 2010

	Balance October 1, 2009	Additions	Deductions	Balance September 30, 2010
<u>Library Penal Fines</u>				
ASSETS				
Cash and cash equivalents	\$ 97,309	\$ 984,754	\$ 996,260	\$ 85,803
LIABILITIES				
Due to other governmental units				
Local	\$ 97,309	\$ 396,316	\$ 407,822	\$ 85,803
<u>Medical Care Facility Patient</u>				
ASSETS				
Cash and cash equivalents	\$ 3,469	\$ -	\$ 3,469	\$ -0-
LIABILITIES				
Due to individuals and agencies	\$ 3,469	\$ -	\$ 3,469	\$ -0-
<u>Total</u>				
ASSETS				
Cash and cash equivalents	\$ 635,281	\$ 54,435,716	\$ 51,852,110	\$ 3,218,887
Prepays	87,338	171,917	190,604	68,651
TOTAL ASSETS	\$ 722,619	\$ 54,607,633	\$ 52,042,714	\$ 3,287,538
LIABILITIES				
Due to other governmental units				
Federal/State	\$ 120,413	\$ 1,318,578	\$ 1,295,489	\$ 143,502
Local	121,019	27,758,357	25,270,992	2,608,384
Due to individuals and agencies	481,187	5,442,858	5,388,393	535,652
TOTAL LIABILITIES	\$ 722,619	\$ 34,519,793	\$ 31,954,874	\$ 3,287,538

Isabella County, Michigan

DISCRETELY PRESENTED COMPONENT UNITS

Fund Descriptions

The Discretely Presented Component Units of Isabella County are legally separate organizations included in the County's reporting entity because they are financially accountable to the County as defined by GASB Statement No. 14 and GASB Statement No. 39.

Financial statements for the Isabella County Board of Public Works and the Drainage Districts administered by the Isabella County Drain Commissioner have been presented in this section because separate audited financial statements are not available.

Isabella County Board of Public Works is responsible for the administration of the various public works capital projects funds and the associated debt service funds under the provisions of Act 185, Public Act of 1937, as amended. The Board is also responsible for the administration of the operations of the Lake Isabella Water Supply System as reported in an Enterprise Fund.

The Drainage Districts are established pursuant to Act 40, Public Act of 1956, as amended, and are administered by the Isabella County Drain Commissioner. The Drainage Districts include capital projects funds to report the drain construction and maintenance activities, debt service funds to maintain the financial resources for the payment of long-term debt, and an internal service fund utilized to account for the purchase of drain tile which is then sold to the individual drainage districts.

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - DRAINAGE DISTRICTS

September 30, 2010

	Debt			
	County Drain	Little Salt River	Paisley Drain	Hance Phase II
<b>ASSETS</b>				
Cash and cash equivalents	\$ 203,991	\$ 22,823	\$ 116,831	\$ 176,393
Investments	-	-	-	-
Interest receivable	-	-	-	-
Due from other governmental units-local	-	-	-	-
Due from other funds	4,093	-	-	-
Special assessments receivable	392,539	180,760	227,538	318,433
<b>TOTAL ASSETS</b>	<b>\$ 600,623</b>	<b>\$ 203,583</b>	<b>\$ 344,369</b>	<b>\$ 494,826</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Deferred revenue	389,276	180,760	227,538	318,433
Due to other governmental units	-	-	-	-
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>389,276</b>	<b>180,760</b>	<b>227,538</b>	<b>318,433</b>
<b>FUND BALANCES</b>				
Reserved for debt service	211,347	22,823	116,831	176,393
Unreserved - undesignated	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>211,347</b>	<b>22,823</b>	<b>116,831</b>	<b>176,393</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 600,623</b>	<b>\$ 203,583</b>	<b>\$ 344,369</b>	<b>\$ 494,826</b>

Service				Capital Projects		Total
Salt River	Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220	County Drain Revolving	County Drain Construction & Maintenance	
\$ 234,314	\$ 76,863	\$ 50,513	\$ 148,783	\$ 2,939	\$ 806,030	\$ 1,839,480
-	-	-	-	-	1,927,385	1,927,385
-	-	-	-	-	2,891	2,891
-	-	-	-	-	236,000	236,000
-	-	-	-	231,171	70,000	305,264
200,510	423,471	39,641	557,997	-	12,719	2,353,608
<u>\$ 434,824</u>	<u>\$ 500,334</u>	<u>\$ 90,154</u>	<u>\$ 706,780</u>	<u>\$ 234,110</u>	<u>\$ 3,055,025</u>	<u>\$ 6,664,628</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,235	\$ 98,235
200,510	423,471	39,641	557,997	-	622,172	2,959,798
-	-	-	-	1,704	129	1,833
-	-	-	-	70,000	235,264	305,264
200,510	423,471	39,641	557,997	71,704	955,800	3,365,130
234,314	76,863	50,513	148,783	-	-	1,037,867
-	-	-	-	162,406	2,099,225	2,261,631
234,314	76,863	50,513	148,783	162,406	2,099,225	3,299,498
<u>\$ 434,824</u>	<u>\$ 500,334</u>	<u>\$ 90,154</u>	<u>\$ 706,780</u>	<u>\$ 234,110</u>	<u>\$ 3,055,025</u>	<u>\$ 6,664,628</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2010

**Total fund balances - governmental funds** \$ 3,299,498

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

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue 2,959,798

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

The cost of capital assets is \$ 18,348,895  
Accumulated depreciation is (3,886,568)

Capital assets, net 14,462,327

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Net assets of governmental activities accounted for  
in Internal Service Funds 41,873

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable (2,952,295)  
Accrued interest payable (44,909)

(2,997,204)

**Net assets of governmental activities** \$ 17,766,292

Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - DRAINAGE DISTRICTS

Year Ended September 30, 2010

	Debt			
	County Drain	Little Salt River	Paisley Drain	Hance Phase II
<b>REVENUES</b>				
Intergovernmental - federal	\$ -	\$ -	\$ -	\$ -
Intergovernmental - local	-	-	-	-
Interest	350	36	209	281
Other				
Special assessments	181,229	41,868	51,194	79,749
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>181,579</b>	<b>41,904</b>	<b>51,403</b>	<b>80,030</b>
<b>EXPENDITURES</b>				
Debt service				
Principal	174,691	29,250	56,000	90,000
Interest and fiscal charges	28,220	9,070	18,410	18,642
Capital outlay	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>202,911</b>	<b>38,320</b>	<b>74,410</b>	<b>108,642</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(21,332)</b>	<b>3,584</b>	<b>(23,007)</b>	<b>(28,612)</b>
Fund balances, beginning of year	232,679	19,239	139,838	205,005
Fund balances, end of year	<u>\$ 211,347</u>	<u>\$ 22,823</u>	<u>\$ 116,831</u>	<u>\$ 176,393</u>

Salt River	Service			Capital Projects		Total
	Saunders Extension	Childs Creek & Dubois Drain	Beltinck Debt Retirement 220	County Drain Revolving	County Drain Construction & Maintenance	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 650,696	\$ 650,696
-	-	-	-	-	64,336	64,336
348	125	89	228	81	15,979	17,726
118,519	75,083	59,873	76,369	-	109,453	793,337
-	-	-	-	-	257,259	257,259
118,867	75,208	59,962	76,597	81	1,097,723	1,783,354
115,000	53,500	47,000	44,450	-	-	609,891
12,443	24,208	16,431	25,526	-	-	152,950
-	-	-	-	-	1,170,948	1,170,948
127,443	77,708	63,431	69,976	-0-	1,170,948	1,933,789
(8,576)	(2,500)	(3,469)	6,621	81	(73,225)	(150,435)
242,890	79,363	53,982	142,162	162,325	2,172,450	3,449,933
<u>\$ 234,314</u>	<u>\$ 76,863</u>	<u>\$ 50,513</u>	<u>\$ 148,783</u>	<u>\$ 162,406</u>	<u>\$ 2,099,225</u>	<u>\$ 3,299,498</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES - DRAINAGE DISTRICTS

Year Ended September 30, 2010

**Net change in fund balances - total governmental funds** \$ (150,435)

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

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (349,467)

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 355,382
Depreciation expense	<u>(361,787)</u>

Excess of depreciation expense over capital outlay (6,405)

Internal service funds are used by management to charge the costs of certain activities to individual funds.

Increase in net assets of Internal Service Funds 1,814

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Debt principal retirement 609,891

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

Decrease in accrued interest payable 8,423

**Change in net assets of governmental activities** \$ 113,821

Isabella County, Michigan

Component Unit Funds

STATEMENT OF FUND NET ASSETS - DRAINAGE DISTRICTS - DRAIN TILE FUND

September 30, 2010

	<u>Internal Service Fund</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 12,177
Inventories	<u>29,696</u>
NET ASSETS (unrestricted)	<u><u>\$ 41,873</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2010

	<u>Internal Service Fund</u>
OPERATING REVENUES	
Sales	\$ 13,790
OPERATING EXPENSES	
Materials	11,906
Contractual services	<u>70</u>
TOTAL OPERATING EXPENSES	<u>11,976</u>
OPERATING INCOME/CHANGE IN NET ASSETS	1,814
Net assets, beginning of year	<u>40,059</u>
Net assets, end of year	<u><u>\$ 41,873</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - DRAINAGE DISTRICTS - DRAIN TILE FUND

Year Ended September 30, 2010

	<u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 13,790
Cash paid to suppliers	<u>(20,888)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(7,098)
Cash and cash equivalents, beginning of year	<u>19,275</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,177</u></u>
Reconciliation of operating income to net cash (used) by operating activities	
Operating income	\$ 1,814
Adjustments to reconcile operating income to net cash provided by operating activities	
(Increase) in inventories	<u>(8,912)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (7,098)</u></u>

Isabella County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET - BOARD OF PUBLIC WORKS

September 30, 2010

	Debt Service		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ -	\$ 5,452
Lease receivable	780,000	185,000	4,130,000
Interest receivable	-	-	-
Prepays	-	64,673	353,858
<b>TOTAL ASSETS</b>	<b>\$ 780,000</b>	<b>\$ 249,673</b>	<b>\$ 4,489,310</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Deferred revenue	780,000	249,673	4,489,310
<b>TOTAL LIABILITIES</b>	<b>780,000</b>	<b>249,673</b>	<b>4,489,310</b>
<b>FUND BALANCES</b>			
Reserved for:			
Debt service	-	-	-
Capital projects	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 780,000</b>	<b>\$ 249,673</b>	<b>\$ 4,489,310</b>

Debt Service	Capital Projects		Total
	Union Township Water System	Union Township Water System Construction	
\$ -	\$ 1,484,783	\$ 22,344	\$ 1,512,579
2,105,000	-	-	7,200,000
-	496	-	496
14,404	-	-	432,935
<u>\$ 2,119,404</u>	<u>\$ 1,485,279</u>	<u>\$ 22,344</u>	<u>\$ 9,146,010</u>
\$ -	\$ 359,800	\$ -	\$ 359,800
2,105,000	-	-	7,623,983
2,105,000	359,800	-0-	7,983,783
14,404	-	-	14,404
-	1,125,479	22,344	1,147,823
14,404	1,125,479	22,344	1,162,227
<u>\$ 2,119,404</u>	<u>\$ 1,485,279</u>	<u>\$ 22,344</u>	<u>\$ 9,146,010</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE COMBINING BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - BOARD OF PUBLIC WORKS

September 30, 2010

**Fund balance/net assets - total component unit funds** \$ 1,251,184

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

Certain accounts receivable are not susceptible to accrual in the governmental funds due to not having met the criteria to be considered available to finance current operations. 7,623,983

Governmental funds report the effect of bond issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets.

Unamortized bond issuance costs 60,639

Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.  
Long-term liabilities at year-end consist of:

Accrued interest payable \$ (22,044)  
Direct county obligations (7,057,593)

(7,079,637)

**Net assets of component unit activities** \$ 1,856,169

Isabella County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2010

	Debt Service		
	Shepherd Storm Sewer	Clare Water & Sewer	Union Township Wastewater Treatment
REVENUES			
Intergovernmental - local	\$ 229,505	\$ 66,056	\$ 494,758
Interest	-	-	-
TOTAL REVENUES	229,505	66,056	494,758
EXPENDITURES			
Current			
Public works	-	-	-
Debt service			
Principal	190,000	55,000	415,000
Interest and fiscal charges	39,505	11,056	79,758
TOTAL EXPENDITURES	229,505	66,056	494,758
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-0-	-0-	-0-
OTHER FINANCING SOURCES			
Issuance of debt	-	-	-
NET CHANGE IN FUND BALANCES	-0-	-0-	-0-
Fund balances, beginning of year	-	-	-
Fund balances, end of year	\$ -0-	\$ -0-	\$ -0-

Debt Service	Capital Projects		
Union Township Water System	Union Township Water System Construction	Clare Water & Sewer System Construction	Total
\$ 14,504	\$ -	\$ -	\$ 804,823
-	808	33	841
14,504	808	33	805,664
-	899,952	-	899,952
-	-	-	660,000
100	80,377	-	210,796
100	980,329	-0-	1,770,748
14,404	(979,521)	33	(965,084)
-	2,105,000	-	2,105,000
14,404	1,125,479	33	1,139,916
-	-	22,311	22,311
<u>\$ 14,404</u>	<u>\$ 1,125,479</u>	<u>\$ 22,344</u>	<u>\$ 1,162,227</u>

Isabella County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES - BOARD OF PUBLIC WORKS

Year Ended September 30, 2010

**Net change in fund balances/net assets - total component unit funds** \$ 1,131,101

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

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Issuance of debt	\$ (2,105,000)	
Long-term debt retirements	660,000	
Net effect of bond refunding and related items	<u>(11,281)</u>	
		(1,456,281)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,383,404

Some items reported in the Statement of Activities do not require the use of financial resources and are therefore not reported as expenditures in governmental funds. These items consist of:

(Increase) in accrued interest payable	<u>(2,650)</u>	
--	----------------	--

**Change in net assets of component unit activities** \$ 1,055,574

Isabella County, Michigan

Component Unit Funds

STATEMENT OF FUND NET ASSETS - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

September 30, 2010

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 23,874
Accounts receivable	<u>10,514</u>
Total current assets	34,388
Noncurrent assets	
Capital assets not being depreciated	16,000
Capital assets being depreciated, net	<u>39,736</u>
Total noncurrent assets	<u>55,736</u>
TOTAL ASSETS	90,124
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	687
Due to other governmental units	<u>480</u>
TOTAL LIABILITIES	<u>1,167</u>
<b>NET ASSETS</b>	
Invested in capital assets	55,736
Unrestricted	<u>33,221</u>
TOTAL NET ASSETS	<u><u>\$ 88,957</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS - BOARD OF PUBLIC WORKS -  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2010

	<u>Enterprise Fund</u>
OPERATING REVENUES	
Charges for services	\$ 35,816
OPERATING EXPENSES	
Supplies	7,088
Utilities	3,417
Contractual services	11,979
Other	14,014
Depreciation	<u>8,284</u>
TOTAL OPERATING EXPENSES	<u>44,782</u>
OPERATING (LOSS)	(8,966)
NONOPERATING REVENUES	
Interest	<u>151</u>
CHANGE IN NET ASSETS	(8,815)
Net assets, beginning of year	<u>97,772</u>
Net assets, end of year	<u><u>\$ 88,957</u></u>

Isabella County, Michigan

Component Unit Funds

STATEMENT OF CASH FLOWS - BOARD OF PUBLIC WORKS  
LAKE ISABELLA WATER SUPPLY SYSTEM

Year Ended September 30, 2010

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers	\$ 35,692
Cash paid to suppliers	<u>(49,470)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	(13,778)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(14,324)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>151</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(27,951)
Cash and cash equivalents, beginning of year	<u>51,825</u>
Cash and cash equivalents, end of year	<u><u>\$ 23,874</u></u>
Reconciliation of operating (loss) to net cash (used) by operating activities	
Operating (loss)	\$ (8,966)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities	
Depreciation	8,284
(Increase) in accounts receivable	(124)
(Decrease) in due to other governmental units	(12,820)
(Decrease) in accounts payable	<u>(152)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ (13,778)</u></u>

**STATISTICAL SECTION (UNAUDITED)**

# STATISTICAL SECTION

This part of Isabella County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends	
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	104
Revenue Capacity	
<i>These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.</i>	107
Debt Capacity	
<i>These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.</i>	114
Demographic and Economic Information	
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	117
Operating Information	
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	119

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The County implemented Governmental Accounting Standards Board Statement 34 in 2003. Schedules presenting government-wide information include information beginning in that year.

## NET ASSETS BY COMPONENT

## LAST TEN FISCAL YEARS

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Governmental activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 9,354,981	\$ 6,216,255	\$ 12,586,690	\$ 13,583,934	\$ 11,693,861	\$ 11,537,707	\$ 11,631,381	\$ 11,656,812
Restricted	-	-	445,647	332,891	247,808	295,993	283,882	611,045	649,345	449,996
Unrestricted	-	-	9,164,097	8,388,443	4,934,619	7,839,719	12,801,477	14,194,649	13,565,998	13,835,102
Total governmental activities net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 18,964,725</u>	<u>\$ 14,937,589</u>	<u>\$ 17,769,117</u>	<u>\$ 21,719,646</u>	<u>\$ 24,779,220</u>	<u>\$ 26,343,401</u>	<u>\$ 25,846,724</u>	<u>\$ 25,941,910</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 2,446,699	\$ 2,616,645	\$ 3,815,212	\$ 3,780,427	\$ 4,430,933	\$ 4,613,014	\$ 5,900,138	\$ 6,120,965
Restricted	-	-	3,769,983	3,818,295	3,047,637	2,657,252	3,830,776	4,261,178	1,087,003	557,232
Unrestricted	-	-	5,656,994	5,886,611	6,058,074	7,960,768	8,508,879	9,844,349	12,414,510	14,673,443
Total business-type activities net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 11,873,676</u>	<u>\$ 12,321,551</u>	<u>\$ 12,920,923</u>	<u>\$ 14,398,447</u>	<u>\$ 16,770,588</u>	<u>\$ 18,718,541</u>	<u>\$ 19,401,651</u>	<u>\$ 21,351,640</u>
Primary government										
Invested in capital assets, net of related debt	\$ -	\$ -	\$ 11,801,680	\$ 8,832,900	\$ 16,401,902	\$ 17,364,361	\$ 16,124,794	\$ 16,150,721	\$ 17,531,519	\$ 17,777,777
Restricted	-	-	4,215,630	4,151,186	3,295,445	2,953,245	4,114,658	4,872,223	1,736,348	1,047,228
Unrestricted	-	-	14,821,091	14,275,054	10,992,693	15,800,487	21,308,766	24,038,998	25,980,508	28,508,545
Total primary activities net assets	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 30,838,401</u>	<u>\$ 27,259,140</u>	<u>\$ 30,690,040</u>	<u>\$ 36,118,093</u>	<u>\$ 41,548,218</u>	<u>\$ 45,061,942</u>	<u>\$ 45,248,375</u>	<u>\$ 47,333,550</u>

Note: The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

CHANGES IN NET ASSETS

LAST TEN FISCAL YEARS

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Expenses</b>										
Governmental activities:										
General government	\$ -	\$ -	\$ 8,587,243	\$ 9,245,814	\$ 8,804,801	\$ 8,903,193	\$ 9,037,551	\$ 9,323,399	\$ 9,500,081	\$ 9,799,291
Public safety	-	-	6,115,722	6,866,982	6,921,138	6,993,809	7,244,038	6,705,990	6,738,044	6,841,410
Public works	-	-	369,285	362,475	76,458	117,136	327,166	198,483	250,084	225,971
Community and economic development	-	-	-	-	-	-	230,869	233,436	209,415	205,914
Health and welfare	-	-	5,681,001	6,088,840	5,933,564	5,651,353	6,019,736	6,252,019	6,407,529	5,979,709
Culture and recreation	-	-	1,324,349	1,758,839	1,108,896	1,057,792	704,189	754,376	866,072	746,056
Interest on debt	-	-	361,231	348,408	315,652	297,716	172,524	314,741	224,791	217,606
Total governmental activities expenses	-0-	-0-	22,438,831	24,671,358	23,160,509	23,020,999	23,736,073	23,782,444	24,196,016	24,015,957
Business-type activities:										
Delinquent property tax	-	-	49,388	59,382	65,087	70,472	179,154	188,357	189,073	160,524
Building Inspections	-	-	-	-	336,463	297,811	343,190	280,582	253,795	212,858
Recycling facility	-	-	852,048	1,019,740	1,091,877	897,929	1,115,104	1,174,988	897,922	1,001,916
Concessions	-	-	120,400	123,747	143,269	129,915	109,441	227,204	200,022	239,422
Medical Care Facility	-	-	5,493,390	5,973,028	6,451,341	7,993,776	8,368,433	8,856,618	10,554,367	10,614,196
Total business-type activities expenses	-0-	-0-	6,515,226	7,175,897	8,088,037	9,389,903	10,115,322	10,727,749	12,095,179	12,228,916
Total primary government expenses	\$ -0-	\$ -0-	\$ 28,954,057	\$ 31,847,255	\$ 31,248,546	\$ 32,410,902	\$ 33,851,395	\$ 34,510,193	\$ 36,291,195	\$ 36,244,873
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ -	\$ -	\$ 3,864,299	\$ 4,047,398	\$ 4,110,207	\$ 4,054,488	\$ 3,014,558	\$ 3,149,557	\$ 2,941,321	\$ 2,908,399
Public safety	-	-	2,509,817	2,721,036	2,160,798	2,175,113	2,511,478	2,921,676	2,629,612	2,725,489
Public works	-	-	-	-	-	-	126,847	-	-	-
Community and economic development	-	-	-	-	-	-	36,974	6,409	8,888	4,933
Health and welfare	-	-	158,755	387,382	404,602	388,823	494,261	519,802	536,869	504,500
Culture and recreation	-	-	282,641	294,540	347,764	323,391	268,677	271,132	283,249	342,994
Interest on debt	-	-	41,668	156,526	133,341	(53,584)	-	-	-	-
Operating grants and contributions	-	-	5,588,177	7,024,679	7,314,517	7,274,570	6,103,937	5,397,183	5,459,794	5,246,429
Capital grants and contributions	-	-	304,088	621,800	744,934	439,063	73,939	26,511	111,188	30,430
Total governmental activities program revenues	-0-	-0-	12,749,445	15,253,361	15,216,163	14,601,864	12,630,671	12,292,270	11,970,921	11,763,174
Business-type activities:										
Charges for services										
Delinquent property tax	-	-	490,764	438,656	451,857	556,383	491,552	639,056	718,410	967,436
Building Inspections	-	-	-	-	398,178	331,525	302,560	220,226	198,042	249,272
Recycling facility	-	-	458,793	599,033	707,255	626,238	738,576	711,884	426,162	687,810
Concessions	-	-	155,943	164,687	200,684	222,021	235,051	261,737	319,879	308,364
Medical Care Facility	-	-	5,231,157	5,216,184	5,239,485	7,261,947	8,188,068	8,146,853	8,864,193	9,067,589
Operating grants and contributions	-	-	89,797	337,996	506,250	438,182	293,545	935,623	670,013	1,341,355
Capital grants and contributions	-	-	-	-	-	-	-	-	-	70,011
Total business-type activities program revenues	-0-	-0-	6,426,454	6,756,556	7,503,709	9,436,296	10,249,352	10,915,379	11,196,699	12,691,837
Total primary government program revenues	\$ -0-	\$ -0-	\$ 19,175,899	\$ 22,009,917	\$ 22,719,872	\$ 24,038,160	\$ 22,880,023	\$ 23,207,649	\$ 23,167,620	\$ 24,455,011

## CHANGES IN NET ASSETS

## LAST TEN FISCAL YEARS

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Net (expense)/revenue										
Governmental activities	\$ -	\$ -	\$ (9,689,386)	\$ (9,417,997)	\$ (7,944,346)	\$ (8,419,135)	\$ (11,105,402)	\$ (11,490,174)	\$ (12,225,095)	\$ (12,252,783)
Business-type activities	-	-	(88,772)	(419,341)	(584,328)	46,393	134,030	187,630	(898,480)	462,921
Total primary government net expense	\$ -0-	\$ -0-	\$ (9,778,158)	\$ (9,837,338)	\$ (8,528,674)	\$ (8,372,742)	\$ (10,971,372)	\$ (11,302,544)	\$ (13,123,575)	\$ (11,789,862)
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	\$ -	\$ -	\$ 6,740,008	\$ 7,124,073	\$ 9,883,634	\$ 10,964,855	\$ 13,087,917	\$ 11,379,585	\$ 10,832,634	\$ 11,681,218
Unrestricted grants and contributions	-	-	1,428,534	1,374,620	361,470	410,176	568,277	569,939	507,392	507,766
Unrestricted investment earnings	-	-	132,619	96,763	231,476	384,489	532,088	468,995	172,972	64,998
Gain on disposal of capital assets	-	-	37,265	2,400	-	-	-	348,844	-	-
Other revenue	-	-	17,715	-	-	-	122,176	225,596	125,420	93,987
Transfers - internal activities	-	-	251,686	496,000	299,294	429,404	(145,482)	76,165	90,000	-
Total governmental activities	-0-	-0-	8,607,827	9,093,856	10,775,874	12,188,924	14,164,976	13,069,124	11,728,418	12,347,969
Business-type activities:										
Property taxes	-	-	1,051,974	1,005,052	1,072,663	1,150,880	1,223,378	1,326,806	1,385,061	1,287,847
Unrestricted grants and contributions	-	-	-	112,593	150,725	76,544	-	-	-	-
Unrestricted investment earnings	-	-	181,085	222,910	264,528	652,179	398,090	338,589	182,859	143,908
Gain on disposal of capital assets	-	-	-	-	-	-	7,000	701	-	-
Other revenue	-	-	-	-	7,733	-	462,571	171,982	103,670	95,313
Transfers - internal activities	-	-	(251,686)	(496,000)	(299,294)	(429,404)	145,482	(76,165)	(90,000)	-
Total business-type activities	-0-	-0-	981,373	844,555	1,196,355	1,450,199	2,236,521	1,761,913	1,581,590	1,527,068
Total primary government	\$ -0-	\$ -0-	\$ 9,589,200	\$ 9,938,411	\$ 11,972,229	\$ 13,639,123	\$ 16,401,497	\$ 14,831,037	\$ 13,310,008	\$ 13,875,037
<b>Change in Net Assets</b>										
Governmental activities	\$ -	\$ -	\$ (1,081,559)	\$ (324,141)	\$ 2,831,528	\$ 3,769,789	\$ 3,059,574	\$ 1,578,950	\$ (496,677)	\$ 95,186
Business-type activities	-	-	892,601	425,214	612,027	1,496,592	2,370,551	1,949,543	683,110	1,989,989
Total primary government	\$ -0-	\$ -0-	\$ (188,958)	\$ 101,073	\$ 3,443,555	\$ 5,266,381	\$ 5,430,125	\$ 3,528,493	\$ 186,433	\$ 2,085,175

Note: The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

**GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE**

**LAST TEN FISCAL YEARS**

(Unaudited)

<u>Fiscal Year</u>	<u>Property Tax</u>
2001	\$ -
2002	-
2003	6,740,008
2004	7,124,073
2005	9,883,634
2006	10,964,855
2007	13,087,917
2008	11,379,585
2009	11,002,634
2010	11,681,218

Note: The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General fund										
Reserved	\$ -	\$ -	\$ 188,266	\$ 114,084	\$ 32,167	\$ 23,911	\$ 75,098	\$ 63,282	\$ 64,690	\$ 38,147
Unreserved	-	-	3,848,170	3,741,109	4,341,327	4,704,913	4,867,875	6,326,335	6,214,950	6,786,588
Total general fund	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,036,436</u>	<u>\$ 3,855,193</u>	<u>\$ 4,373,494</u>	<u>\$ 4,728,824</u>	<u>\$ 4,942,973</u>	<u>\$ 6,389,617</u>	<u>\$ 6,279,640</u>	<u>\$ 6,824,735</u>
All other governmental funds										
Reserved	\$ -	\$ -	\$ 84,903	\$ 108,095	\$ 156,349	\$ 246,485	\$ 347,858	\$ 736,162	\$ 743,008	\$ 573,744
Unreserved										
Special revenue funds	-	-	668,633	839,081	2,108,826	3,928,953	5,829,483	5,042,586	3,999,598	3,316,250
Debt Service Funds	-	-	166,194	61,480	47,483	49,534	123,741	379,825	1,009,339	1,181,276
Capital Project Funds	-	-	6,284	49,232	68,095	12,141	-	-	-	-
Total all other governmental funds	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 926,014</u>	<u>\$ 1,057,888</u>	<u>\$ 2,380,753</u>	<u>\$ 4,237,113</u>	<u>\$ 6,301,082</u>	<u>\$ 6,158,573</u>	<u>\$ 5,751,945</u>	<u>\$ 5,071,270</u>

Note: The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
Taxes	\$ -	\$ -	\$ 6,746,395	\$ 7,124,073	\$ 9,883,634	\$ 11,085,829	\$ 14,267,784	\$ 11,145,067	\$ 10,966,957	\$ 11,735,590
Licenses and permits	-	-	608,977	714,949	465,099	455,771	363,080	367,611	357,423	429,897
Intergovernmental revenue	-	-	6,864,943	8,629,153	7,897,888	7,462,530	5,049,049	5,409,168	5,477,999	5,226,707
Charges for services	-	-	3,585,781	3,605,104	3,944,473	3,902,825	5,286,450	5,760,081	5,362,434	5,266,974
Fines and forfeits	-	-	620,382	628,964	595,695	461,592	279,379	185,898	199,954	236,544
Interest and rent	-	-	2,632,643	3,071,834	2,303,142	2,444,298	1,105,727	1,067,122	753,732	664,139
Other revenue	-	-	545,490	583,635	737,417	799,483	512,125	668,416	607,111	596,854
Total revenues	-0-	-0-	21,604,611	24,357,712	25,827,348	26,612,328	26,863,594	24,603,363	23,725,610	24,156,705
<b>Expenditures</b>										
General government	-	-	7,602,851	8,112,451	8,126,775	8,361,658	8,538,845	8,852,832	8,920,239	9,306,627
Public safety	-	-	5,723,636	6,491,517	6,921,785	7,331,698	6,693,599	6,192,682	6,122,729	6,387,256
Public works	-	-	409,065	364,410	243,093	186,192	321,908	192,127	242,899	219,239
Health and welfare	-	-	5,647,883	6,017,229	5,929,630	5,638,716	5,970,279	6,075,394	6,240,506	5,804,995
Culture and recreation	-	-	1,273,343	1,734,012	1,097,398	1,130,719	677,657	714,648	738,896	705,234
Other	-	-	374,657	512,313	529,918	401,492	612,004	723,047	675,429	797,636
Capital outlay	-	-	585,513	623,155	777,966	1,110,823	1,017,937	3,558,426	389,329	80,637
Debt service										
Principal	-	-	466,348	702,948	338,182	370,968	359,685	640,000	750,000	715,000
Interest and fiscal charges	-	-	324,185	347,993	320,729	297,776	248,080	369,093	252,188	275,661
Total expenditures	-0-	-0-	22,407,481	24,906,028	24,285,476	24,830,042	24,439,994	27,318,249	24,332,215	24,292,285
Excess of revenues over (under) expenditures	-0-	-0-	(802,870)	(548,316)	1,541,872	1,782,286	2,423,600	(2,714,886)	(606,605)	(135,580)
<b>Other financing sources (uses)</b>										
Bond proceeds	-	-	187,025	-	-	-	-	8,164,470	-	-
Bond premium	-	-	-	-	-	-	-	71,356	-	-
Sale of capital assets	-	-	37,265	2,400	-	-	-	478,120	-	-
Transfers in	-	-	2,592,035	3,217,795	6,741,406	6,764,426	7,298,040	3,930,376	4,339,800	3,578,875
Bond issuance costs	-	-	-	-	-	-	-	(74,306)	-	-
Underwriter discount	-	-	-	-	-	-	-	(41,580)	-	-
Transfer to escrow agent	-	-	-	-	-	-	-	(4,640,435)	-	-
Transfers (out)	-	-	(2,340,349)	(2,721,795)	(6,442,112)	(6,335,022)	(7,443,522)	(3,854,211)	(4,249,800)	(3,578,875)
Total other financing sources (uses)	-0-	-0-	475,976	498,400	299,294	429,404	(145,482)	4,033,790	90,000	-0-
Net change in fund balances	\$ -0-	\$ -0-	\$ (326,894)	\$ (49,916)	\$ 1,841,166	\$ 2,211,690	\$ 2,278,118	\$ 1,318,904	\$ (516,605)	\$ (135,580)
Debt service as a percentage of noncapital expenditures			3.62%	4.33%	2.80%	2.82%	2.59%	4.25%	4.19%	4.09%

Note: The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

ASSESSED VALUE AND ESTIMATED TRUE CASH VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year Ended September 30,	A.V. Real Property		A.V. Personal Property	Total Assessed Value	Total Direct Tax Rate	Total Taxable Value	Estimated True Cash Value	Taxable Value as a Percentage of True Cash Value
	Ag/Res	Com/Ind/T-C/Dev						
2001	\$ 939,284,708	\$ 268,943,829	\$ 97,381,842	\$ 1,305,610,379	7.1200	\$ 1,002,599,479	\$ 2,611,220,758	38.40%
2002	1,018,986,127	291,499,881	98,597,769	1,409,083,777	8.1200	1,078,607,613	2,818,167,554	38.27%
2003	1,119,278,833	327,362,254	96,990,643	1,543,631,730	8.0200	1,145,972,887	3,087,263,460	37.12%
2004	1,221,983,772	353,026,964	101,428,375	1,676,439,111	8.1448	1,224,690,253	3,352,878,222	36.53%
2005	1,330,374,674	375,539,834	106,113,539	1,812,028,047	8.1700	1,314,413,774	3,624,056,094	36.27%
2006	1,455,811,177	406,602,475	108,564,527	1,970,978,179	9.1500	1,409,975,482	3,941,956,358	35.77%
2007	1,542,103,877	464,507,257	114,135,396	2,120,746,530	9.1476	1,529,082,641	4,241,493,060	36.05%
2008	1,583,119,644	488,103,444	118,716,860	2,189,939,948	9.0129	1,596,594,915	4,379,879,896	36.45%
2009	1,539,266,015	509,139,302	123,792,826	2,172,198,143	9.0129	1,657,956,466	4,344,396,286	38.16%
2010	1,462,927,237	474,667,593	124,625,346	2,062,220,176	8.9220	1,617,447,158	4,124,440,352	39.22%

Source: Isabella County Equalization Department

Note: Property in the county is reassessed annually. The tax rates are applied to taxable value to generate revenue. True cash values are estimated at twice the State Equalized Values. Estimated actual value is calculated by dividing assessed value by those percentages.

Tax rates are per \$1,000 of taxable value.

**PROPERTY TAX RATES  
DIRECT AND OVERLAPPING GOVERNMENTS  
LAST TEN FISCAL YEARS**

(Unaudited)

Fiscal Year (1)	Isabella County			Overlapping Rates							Cities		
	Operating Millage	Special Millage	Total County Millage	SET (2)	Local School Districts	Inter-mediate Schools	Library Districts	Community Colleges		Townships	Mt. Pleasant	Clare	Villages
								Mid-Michigan Comm College	Montcalm Comm College				
2001	6.4700	0.6500	7.1200	6.0000	19.4046 - 26.5200	1.1756 - 4.3418	1.7076	1.3202	2.7989	.9750 - 3.2425	15.4500	20.4322	2.9383 - 12.9647
2002	6.4700	1.6500	8.1200	6.0000	19.1490 - 26.5200	1.1756 - 4.3326	1.7057	1.3036	2.7867	.9586 - 3.1886	15.4500	20.4322	1.9226 - 13.0000
2003	6.4700	1.5500	8.0200	5.0000	18.7509 - 26.5200	1.1756 - 4.3064	1.7057	1.2792	2.7486	.8926 - 3.1557	15.4500	20.1603	1.9103 - 13.0000
2004	6.4448	1.7000	8.1448	6.0000	18.5109 - 26.4426	1.1756 - 4.2985	1.6894	1.2582	2.7486	.9246 - 3.1361	15.4500	20.1555	1.8874 - 13.0000
2005	6.4700	1.7000	8.1700	6.0000	20.0509 - 26.5200	1.1756 - 4.2985	2.6894	1.2404	2.7292	.9775 - 3.1762	15.4500	19.2500	1.8556 - 13.0000
2006	6.4700	2.6800	9.1500	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000
2007	6.4700	2.6776	9.1476	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9502 - 3.1272	15.7500	19.2500	1.8465 - 13.0000
2008	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.5200	1.1756 - 5.0859	2.6790	1.2232	2.7292	.9363 - 3.0946	15.9500	19.2329	1.8463 - 13.0000
2009	6.4700	2.5429	9.0129	6.0000	20.4000 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	1.000 - 2.9941	15.7500	19.2402	1.8463 - 13.0000
2010	6.6100	2.3120	8.9220	6.0000	20.4300 - 26.2640	2.0385 - 5.0859	.9931 - 1.75	1.2232	2.7292	.9980 - 3.0000	15.7500	19.2475	1.8463 - 13.0000

Source: Isabella County Equalization Department

(1) Rates reduced to comply with the Headlee Amendment.

(2) Proposal A voted in on March 15, 1994 implemented a 6 mill state education tax with the exception of 2003 which was reduced to 5 mills.

## ISABELLA COUNTY

Table 8

## Principal Property Taxpayers

September 30, 2010

(Unaudited)

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Consumers Energy	\$ 31,609,740	1	1.95%	\$ 17,310,792	1	1.73%
CME Corporation	13,294,369	2	0.82%	9,337,715	2	0.93%
Saginaw Chippewa Indian Tribe	10,857,327	3	0.67%	-	-	-
GF II / Bluegrass LLC	8,750,000	4	0.54%	-	-	-
Deerfield Village LLC	8,749,400	5	0.54%	-	-	-
Lexington Ridge Apts LLC	7,567,600	6	0.47%	6,148,032	6	0.61%
Michigan Consolidated Gas	7,310,460	7	0.45%	6,093,194	7	0.61%
Morbark, Inc	7,103,294	8	0.44%	5,917,992	8	0.59%
Copper Beech Townhome	7,103,005	9	0.44%	-	-	-
Jamestown Mt Pleasant Apt LLC	6,872,610	10	0.42%	-	-	-
RCS Equities	-	-	-	7,414,585	3	0.74%
Great Lakes Gas	-	-	-	6,782,177	4	0.68%
SUH Central Michigan LLC	-	-	-	6,562,487	5	0.65%
Comfort Inn	-	-	-	4,672,012	9	0.47%
Meijer, Inc.	-	-	-	4,621,799	10	0.46%
Totals	<u>\$ 109,217,805</u>		<u>6.74%</u>	<u>\$ 74,860,785</u>		<u>7.47%</u>

Source: Isabella County Equalization Department

**ISABELLA COUNTY**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Table 9

Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquents Purchased by Treasurer	Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy			Amount	Percentage of Levy
2001	\$ 40,533,248	\$ 37,887,578	93.47%	\$ 2,645,670	\$ 2,644,832	\$ 40,532,410	100.00%
2002	44,477,633	41,857,154	94.11%	2,620,479	2,619,895	44,477,049	100.00%
2003	47,261,055	44,628,805	94.43%	2,632,250	2,608,623	47,237,428	99.95%
2004	49,564,009	46,747,863	94.32%	2,816,146	2,815,022	49,562,885	100.00%
2005	52,447,054	49,611,137	94.59%	2,835,917	2,835,917	52,447,054	100.00%
2006	57,704,880	54,347,848	94.18%	3,357,032	3,342,890	57,690,738	99.98%
2007	61,765,095	58,024,415	93.94%	3,740,680	3,231,893	61,256,308	99.18%
2008	64,211,250	60,055,194	93.53%	4,156,056	1,962,905	62,018,099	96.58%
2009	65,950,129	61,676,929	93.52%	4273200	2,127,378	63,804,307	96.75%
**2010	65,359,749						

Source: Isabella County Treasurer

(1) Includes all delinquent tax years March 31- March 31 and excludes personal tax collections.

\*\*2010 tax settlement not completed.

## RATIOS OF OUTSTANDING DEBT BY TYPE

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	Governmental Activities					Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	General Obligation Bonds	Capital Leases	Postclosure Landfill Costs	Vested Employee Benefits	Business-Type Activities			
2001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -
2002	-	-	-	-	-	-	-	-
2003	6,735,000	167,114	1,180,280	770,449	8,271,933	17,124,776	1.23%	267
2004	6,075,000	124,166	1,178,345	755,859	7,990,162	16,123,532	1.12%	248
2005	5,785,000	80,656	1,011,710	762,645	7,724,085	15,364,096	1.00%	234
2006	5,465,000	29,685	1,077,585	819,275	7,516,848	14,908,393	0.91%	226
2007	5,135,000	-	1,008,197	829,874	7,251,824	14,224,895	0.82%	213
2008	8,010,229	-	948,278	816,778	6,945,974	16,721,259	0.94%	250
2009	7,266,117	-	879,130	851,256	6,664,649	15,661,152	N/A	235
2010	6,557,005	-	820,614	826,300	6,292,876	14,496,795	N/A	217

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

The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

(1) See Statistical Table Number 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

## RATIOS OF GENERAL BONDED DEBT OUTSTANDING

## LAST TEN FISCAL YEARS

(Unaudited)

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2001	\$ -	\$ -	\$ -	0.00%	\$ -
2002	-	-	-	0.00%	-
2003	6,735,000	166,194	6,568,806	0.57%	101
2004	6,075,000	61,480	6,013,520	0.49%	92
2005	5,785,000	47,483	5,737,517	0.44%	87
2006	5,465,000	49,534	5,415,466	0.38%	81
2007	5,135,000	123,741	5,011,259	0.33%	75
2008	8,010,229	443,825	7,566,404	0.47%	113
2009	7,266,117	1,067,364	6,198,753	0.41%	91
2010	6,557,005	1,233,301	5,323,704	0.35%	78

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

The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

(1) See Statistical Table Number 6 for property value data.

(2) See Statistical Table Number 13 for population data.

**LEGAL DEBT MARGIN INFORMATION**

**LAST TEN FISCAL YEARS**

(Unaudited)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Legal debt limit			\$ 114,597,289	\$ 122,469,025	\$ 131,441,377	\$ 140,997,548	\$ 152,908,264	\$ 159,659,792	\$ 152,912,268	\$ 161,744,716
Total net debt applicable to limit			1,482,741	12,608,564	12,013,933	11,649,178	11,901,259	14,270,175	12,555,661	11,318,724
Legal debt margin	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 113,114,548</u>	<u>\$ 109,860,461</u>	<u>\$ 119,427,444</u>	<u>\$ 129,348,370</u>	<u>\$ 141,007,005</u>	<u>\$ 145,389,617</u>	<u>\$ 140,356,607</u>	<u>\$ 150,425,992</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	1.29%	10.30%	9.14%	8.26%	7.78%	8.94%	8.21%	7.00%

**Legal Debt Margin Calculation for Fiscal Year 2010**

Taxable Value	\$ 1,617,447,158
Debt limit (10% of taxable value of property in County)	161,744,716
Debt applicable to limit:	12,500,000
Less:	
Assets in Debt Service funds available for payment of principal	<u>1,181,276</u>
Total amount of debt applicable to debt limit	<u>11,318,724</u>
Legal debt margin	<u>\$ 150,425,992</u>

Note: Under state finance law Isabella County's outstanding general obligation debt shall not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. The County implemented the GASB 34 reporting model in fiscal year 2003. Information in this format for fiscal years before 2003 is not available.

**ISABELLA COUNTY**  
**Demographic and Economic Statistics**  
**Last Ten Fiscal Years**

Table 13

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Personal Income Per Capita</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2001	63,875	\$1,391,684,000	\$21,788	(1)	3.80%
2002	64,227	\$1,391,607,000	\$21,667	(1)	4.30%
2003	65,024	\$1,438,243,000	\$22,119	(1)	5.00%
2004	65,716	\$1,534,906,000	\$23,357	(1)	4.90%
2005	66,107	\$1,639,532,000	\$24,801	22,351	4.60%
2006	66,697	\$1,730,911,000	\$25,988	27,292	5.10%
2007	66,790	\$1,787,953,000	\$26,770	28,827	5.30%
2008	66,778	\$1,844,192,000	\$27,639	28,483	5.99%
2009	68,228	(1)	(1)	29,836	8.50%
2010	70,311	(1)	(1)	(1)	7.20%

Data Sources:

- Population Division, U.S. Census Bureau - Population is an estimate as of July 1, of fiscal year with the exception of 2010 which reflects the actual census
- Bureau of Economic Analysis, U.S. Department of Commerce - <http://www.bea.gov/regional/reis/default.cfm?selTable=CA1-3&section=2>
- Michigan Department of Labor and Economic Growth - Unemployment rate information is a yearly average not seasonally adjusted.

(1) Information not available.

**ISABELLA COUNTY  
Principal Employers  
2010 and 2000**

Table 14

<u>Employer</u>	<u>2010**</u>			<u>2000</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Bandit Industries, Inc						
Central Michigan Community Hospital				730	4	2.16%
Central Michigan University				2,154	2	6.38%
CME Corporation				400	10	1.19%
Delfield Co.				630	6	1.87%
Home Depot, Inc.						
J Ranck Electric, Inc.						
Meijer Inc.				600	7	1.78%
Mid Michigan Industries						
Morbark Inc.				700	5	2.07%
Mt. Pleasant Public Schools				750	3	2.22%
Saginaw Chippewa Indian Tribe				3,400	1	10.08%
Soaring Eagle Hotel & Casino						
Unified Brands						
Wal-Mart						
Mount Pleasant Center	n/a			400	9	1.19%
LaBelle Management	n/a			575	8	1.70%
Totals	<u>-</u>		<u>0.00%</u>	<u>10,339</u>		<u>30.64%</u>

Source:

\*\* The only data available for 2010 did not include the number of employees at each employer, only listed the top employers in Isabella County in alphabetical order.

Michigan Economic Development Corporation

**ISABELLA COUNTY**  
**Full-time Equivalent County Employees by Function**  
**Last Ten Fiscal Years**

Table 15

<u>Full-time Equivalent Employees as of December 31</u>										
<u>Function</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Service Administration	(1)	(1)	(1)	54.5	54.5	54.5	54.5	53.0	53.0	50.4
Legislative	(1)	(1)	(1)	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Judicial	(1)	(1)	(1)	56.0	56.0	56.0	56.0	54.0	54.0	54.0
Law Enforcement and Correction	(1)	(1)	(1)	49.5	49.5	49.5	50.5	50.0	50.0	50.0
Public Safety and Emergency Services	(1)	(1)	(1)	23.6	23.6	24.6	24.6	21.4	21.4	20.7
Health and Welfare	(1)	(1)	(1)	33.0	33.0	33.0	33.0	31.3	31.3	31.3
Culture and Recreation	(1)	(1)	(1)	4.6	4.6	4.6	4.6	4.3	4.3	4.3
Planning and Development	(1)	(1)	(1)	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Other Agencies	(1)	(1)	(1)	3.0	3.0	-	-	-	-	-
<b>Total</b>	(1)	(1)	(1)	<b>234.2</b>	<b>234.2</b>	<b>232.2</b>	<b>233.2</b>	<b>224.0</b>	<b>224.0</b>	<b>220.6</b>

(1) Data not available

Source: Isabella County Administration Office

**ISABELLA COUNTY**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

Table 16

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Judicial										
Trial Court total caseload	20,748	21,770	22,200	22,213	21,293	18,105	17,751	15,184	16,130	16,279
Law enforcement and corrections										
Number of incarcerated offenders	5,000	5,170	5,153	5,320	5,321	5,662	5,550	5,529	5,610	5,502
Public safety and emergency services										
Animal Control										
Complaints	3,338	3,925	2,316	2,293	2,034	2,110	2,471	3,273	1,618	1,383
Animal adoptions	682	732	1,143	1,404	1,406	1,161	1,060	1,799	1,371	1,390
Health and welfare										
Health Department										
Immunizations administered	(1)	(1)	(1)	(1)	(1)	(1)	3,365	3,864	(1)	3,883
House numbering										
House numbers issued	223	215	231	216	203	140	108	50	47	49
Housing										
Mortgages granted	-	-	-	-	-	-	-	-	-	-
Recreation and culture										
Annual vehicle park passes	(1)	(1)	(1)	(1)	1,469	1,427	1,485	1,487	1,727	1,560
Daily vehicle park passes	(1)	(1)	(1)	(1)	9,027	8,752	8,669	8,567	9,045	9,858
Annual boat passes (2)	(1)	(1)	(1)	(1)	748	528	545	504	551	712
Daily boat passes (2)	(1)	(1)	(1)	(1)	-	-	-	-	-	-

Note: Indicators are not available for the general government, legislative functions, planning and development.

(1) Information not available at this time. Table will be populated as information becomes available.

(2) Annual and daily boat pass data are combined after 2004.

Data Sources : Isabella County Trial Court, Isabella County Sheriff Department, Isabella County Animal Control  
Central Michigan District Health Department, Isabella County Community Development, Isabella County Parks & Recreation

**ISABELLA COUNTY**  
**Capital Asset Statistics by Function**  
**Last Ten Fiscal Years**

Table 17

Function	Fiscal Year									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Judicial										
Juvenile Detention Facilities	-	-	-	-	-	2	2	2	2	2
Law enforcement and corrections										
Sheriff										
Vehicles	-	-	-	-	-	25	19	23	23	23
Boats	-	-	-	-	-	1	1	1	1	1
Jail Facilities	-	-	-	-	-	1	1	1	1	1
Public safety and emergency services										
Animal control										
Vehicles	-	-	-	-	-	3	2	2	2	2
Emergency Services										
Vehicles	-	-	-	-	-	2	2	2	2	2
Community & Economic Development										
Vehicles	-	-	-	-	-	2	1	1	1	1
Recreation and culture										
Parks and recreation										
Parks	-	-	-	-	-	5	5	5	5	5
Vehicles	-	-	-	-	-	6	6	7	8	8

Sources: Isabella County Finance Department

Note: No capital asset indicators are available for the general government, legislative, health & welfare, or public works functions.

Not all historical information is available, this table will continue to be populated as more information becomes available.