

**COUNTY OF OTSEGO, MICHIGAN**

---

BASIC FINANCIAL STATEMENTS

December 31, 2006

**COUNTY OF OTSEGO, MICHIGAN**

**BOARD OF COMMISSIONERS**

Paul M. Beachnau  
Chairman

Kenneth Glasser  
Vice Chairman

Erma Backenstose  
Clark Bates  
Allan Bentz  
Michael Hyde

Doug Johnson  
Paul Liss  
Lee Olsen

**OTHER OFFICIALS**

John Burt  
Appointed County Administrator

Susan DeFeyer  
Clerk/Register of Deeds

Diann Axford  
Treasurer

James D. McBride  
Sheriff

Kyle Legel  
Prosecuting Attorney

**TABLE OF CONTENTS**

	<b><u>Page</u></b>
<b>INDEPENDENT AUDITOR’S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS.....</b>	<b>3</b>
<b>BASIC FINANCIAL STATEMENTS:</b>	
Government-Wide Financial Statements:	
Statement of Net Assets.....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds .....	15
Reconciliation of Governmental Funds:	
Statement of Revenues, Expenditures, and Changes in in Fund Balances to the Statement of Activities .....	16
Proprietary Funds:	
Statement of Net Assets.....	17
Statement of Revenues, Expenses, and Changes in Net Assets .....	18
Statement of Cash Flows .....	19
Fiduciary Funds:	
Statement of Fiduciary Net Assets .....	20
Statement of Changes in Fiduciary Net Assets .....	21
<b>COMPONENT UNITS:</b>	
Financial Statements:	
Statement of Net Assets.....	22
Statement of Activities .....	23
<b>NOTES TO FINANCIAL STATEMENTS.....</b>	<b>24</b>

**REQUIRED SUPPLEMENTARY INFORMATION:**

Major Funds:

Budgetary Comparison Schedule – General Fund ..... 59  
Budgetary Comparison Schedule – M-TEC Fund ..... 61  
Budgetary Comparison Schedule – Housing Commission Fund ..... 62  
Budgetary Comparison Schedule – Revenue Sharing Reserve Fund ..... 63  
Budgetary Comparison Schedule – Public Improvement Fund..... 64

**OTHER SUPPLEMENTARY INFORMATION:**

Combining Balance Sheet – Nonmajor Governmental Funds..... 65  
Combining Statement of Revenues, Expenditures, and Changes in  
Fund Balances – Nonmajor Governmental Funds ..... 69  
Combining Statement of Net Assets – Internal Service Funds..... 73  
Combining Statement of Revenues, Expenses, and Changes in  
Net Assets – Internal Service Funds..... 74  
Combining Statement of Cash Flows –Internal Service Funds ..... 75  
Combining Statement of Net Assets – Nonmajor Enterprise Funds ..... 76  
Combining Statement of Revenues, Expenses, and Changes in  
Net Assets – Nonmajor Enterprise Funds ..... 77  
Combining Statement of Cash Flows – Nonmajor Enterprise Funds..... 78



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

**KINROSS OFFICE**

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

---

DEANNA J. MAYER, CPA

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

**MEMBER MACPA**

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

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
County of Otsego, Michigan  
225 West Main Street  
Gaylord, Michigan 49735

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Otsego, Michigan as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Otsego'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 Commission on Aging, which represents 1% and 8% of the assets and revenues of the Governmental Activities. We did not audit the financial statements of the Otsego County Road Commission, which represent 82% and 61% of the assets and revenues of the Discretely Presented Component Units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, is so far as it relates to the amounts recorded for the Commission on Aging and Road Commission, is based solely on the report 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 report of the 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 the County of Otsego, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2007 on our consideration of the County of Otsego's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing 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 comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Anderson Tackman & Co PLC*

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

May 4, 2007

## **Management's Discussion and Analysis**

---

As management of the County of Otsego, we offer readers of the county's financial statements this narrative overview and analysis of the financial activities of the county for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Financial Highlights of the County as a Whole

- The assets of the County of Otsego exceeded its liabilities at the close of the most recent fiscal year by \$28,304,566 (*net assets*). Of this amount, \$7,257,187 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities net assets were \$20,673,235.
- Business-type activity net assets were \$7,631,331.
- Component Unit net assets were \$19,505,835.

There were increases of \$3,094,992 and \$636,758 in net assets in the Governmental Activities and Business-Type Activities respectively. A deficit of \$68,437 in net assets was realized in the Component Units.

In a condensed format, the table below shows the net assets of Otsego County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 13,781,805	\$ 13,639,733	\$ 6,616,599	\$ 5,959,156	\$ 20,398,404	\$ 19,598,889
Noncurrent Assets	<u>13,179,650</u>	<u>12,894,939</u>	<u>1,231,496</u>	<u>1,172,927</u>	<u>14,411,146</u>	<u>14,067,866</u>
Total Assets	<u>\$ 26,961,455</u>	<u>\$ 26,534,672</u>	<u>\$ 7,848,095</u>	<u>\$ 7,132,083</u>	<u>\$ 34,809,550</u>	<u>\$ 33,666,755</u>
Current Liabilities	\$ 3,099,238	\$ 5,547,607	\$ 191,564	\$ 137,510	\$ 3,290,802	\$ 5,685,117
Noncurrent Liabilities	<u>3,188,982</u>	<u>3,408,822</u>	<u>25,200</u>	<u>-</u>	<u>3,214,182</u>	<u>3,408,822</u>
Total Liabilities	<u>6,288,220</u>	<u>8,956,429</u>	<u>216,764</u>	<u>137,510</u>	<u>6,504,984</u>	<u>9,093,939</u>
Net Assets						
Invested in Capital Assets - Net of Related Debt	9,781,382	8,638,249	1,142,287	1,172,927	10,923,669	9,811,176
Restricted	10,123,710	6,648,072	-	-	10,123,710	6,648,072
Unrestricted	<u>768,143</u>	<u>2,291,922</u>	<u>6,489,044</u>	<u>5,821,646</u>	<u>7,257,187</u>	<u>8,113,568</u>
Total Net Assets	<u>\$ 20,673,235</u>	<u>\$ 17,578,243</u>	<u>\$ 7,631,331</u>	<u>\$ 6,994,573</u>	<u>\$ 28,304,566</u>	<u>\$ 24,572,816</u>

Net Assets of the governmental activities increased by \$3.1 million. Net Assets of the business-type activities increased by \$636 thousand. An overview of the circumstances leading to the increases in net assets is provided in a subsequent section of this letter.

The following table shows the activities of the County.

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Program Revenues</b>						
Charges for Services	\$ 3,577,045	\$ 3,910,061	\$ 1,019,440	\$ 1,027,150	\$ 4,596,485	\$ 4,937,211
Operating Grants and Contributions	4,767,707	4,604,489	1,435,636	1,295,819	6,203,343	5,900,308
Capital Grants and Contributions	1,274,579	-	150,000	236,668	1,424,579	236,668
<b>General Revenues</b>						
Property Taxes	8,948,321	8,137,548	274,279	265,840	9,222,600	8,403,388
Unrestricted Investment Earnings	362,198	189,893	264,872	120,009	627,070	309,902
Other Revenue	840,722	1,093,598	114,637	118,604	955,359	1,212,202
Transfers	903,786	917,733	(76,023)	(91,000)	827,763	826,733
<b>Total Revenues</b>	<u>20,674,358</u>	<u>18,853,322</u>	<u>3,182,841</u>	<u>2,973,090</u>	<u>23,857,199</u>	<u>21,826,412</u>
<b>Expenses by Program</b>						
Legislative	194,014	199,595	-	-	194,014	199,595
Judicial	4,148,536	4,328,280	-	-	4,148,536	4,328,280
General Government	2,526,211	2,190,861	-	-	2,526,211	2,190,861
Public Safety	3,379,454	3,196,867	-	-	3,379,454	3,196,867
Public Works	1,381,129	1,240,950	-	-	1,381,129	1,240,950
Health and Welfare	2,661,458	2,519,024	-	-	2,661,458	2,519,024
Community & Economic Development	1,163,344	867,173	-	-	1,163,344	867,173
Recreation and Culture	1,436,733	1,232,993	-	-	1,436,733	1,232,993
Other	478,317	964,044	-	80,592	478,317	1,044,636
Interest Unallocated	210,170	249,945	-	-	210,170	249,945
Delinquent Tax Collection	-	-	159,295	85,210	159,295	85,210
Public Transit	-	-	2,249,413	2,247,278	2,249,413	2,247,278
Other Expenses	-	-	137,375	-	137,375	-
<b>Total Expenses</b>	<u>17,579,366</u>	<u>16,989,732</u>	<u>2,546,083</u>	<u>2,413,080</u>	<u>20,125,449</u>	<u>19,402,812</u>
Changes in Net Assets	3,094,992	1,863,590	636,758	560,010	3,731,750	2,423,600
Net Assets Beginning	<u>17,578,243</u>	<u>15,714,653</u>	<u>6,994,573</u>	<u>6,434,563</u>	<u>24,572,816</u>	<u>22,149,216</u>
Net Assets Ending	<u>\$ 20,673,235</u>	<u>\$ 17,578,243</u>	<u>\$ 7,631,331</u>	<u>\$ 6,994,573</u>	<u>\$ 28,304,566</u>	<u>\$ 24,572,816</u>

Overview of the Financial Statements

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

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

The *Statement of Net Assets* presents information on all of Otsego 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 Otsego County is improving or deteriorating.

The *Statement of Activities* presents information showing how the Otsego County'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 taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Otsego 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). **Governmental activities** include legislative, judicial, general government, public safety, public works, health and welfare, community and economic development, recreation and culture, and other functions. **Business-type activities** include delinquent tax collections, public transit, global positioning system, metropolitan area network, plat books, and the operation of an inmate commissary.

The county's governmental activities also include the blending of legally separate entities (component units) for which the county is financially accountable. The **component units** include the Otsego County Road Commission, Otsego County Sportsplex, Otsego County Ambulance Corporation, Otsego County Commission on Aging, and the University Center at Gaylord. Of the entities, the Commission on Aging, while 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. Financial information for the balance of the component units are reported separately from the financial information presented for the primary government itself. Separately issued reports can be obtained from each component unit's office as stated in Note 1.

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

**Governmental Funds** – Most of the county's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the county's general governmental operations and the basic services it provides.

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 *government funds* and *governmental activities*.

The County of Otsego maintains several 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 each major fund of the county. The major funds of the county include the general; M-TEC, housing commission, public improvements, and revenue sharing reserve funds. Data for the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

**Proprietary Funds** – The County maintains both types of proprietary funds: enterprise and internal service. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The county uses enterprise funds to account for its delinquent tax, tax foreclosure public transit, global positioning system, imaging, plat book, and jail commissary operations. *Internal service funds* are used to accumulate and allocate costs internally among the county's various functions. Otsego County has the following internal service funds: building and grounds, administrative services and health care. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only with more detail. The proprietary fund financial statements provide separate information for each enterprise fund.

**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.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Otsego County's budgeting for the major funds, which includes the original budget and final amended budget.

The combining statements referred to earlier in connection with non-major governmental funds and combining component unit funds are presented immediately following the required supplementary information.

### Government-Wide Financial Analysis

The government-wide financial analysis focuses on the net assets and changes in net assets of the governmental and business-type activities. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The county's net assets at December 31, 2006 totaled \$28,304,566, an increase of \$3,731,750 from the prior year.

The largest portion of the County's net assets, \$10,923,669 (39 percent), reflects its investment in capital assets (i.e., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the county's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the county's net assets, \$10,123,710 (36 percent), represents resources that are subject to external restrictions on how they may be used.

The remaining balance of \$7,257,187 (25 percent) represents *unrestricted net assets* that may be used to meet the county'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 (invested in capital assets-net of related debt, restricted, and unrestricted) of net assets, both for the government as a whole, as well as for its total governmental and business-type activities.

The county's overall net assets increased by \$3,731,750 during the current fiscal year. This increase is attributable to various reasons, as described in the following paragraphs:

**Governmental Activities** – Governmental activities increased the county's net assets by \$3,094,992. The increase is primarily due to growth in property taxes (approximate increase of \$810,000 from the prior year), and a gain of approximately \$1,200,000 in federal grant dollars to construct a new airport terminal. Additionally, the Board of Commissioners has worked to manage its costs by increasing the efficiency of county operations, which is evident in the minimal increase of expenditures from the prior year (3 percent).

**Business-Type Activities** – Business-type activities increased the county's net assets by \$636,758. The increase is primarily due to significantly less transfers out of the Delinquent Tax Revolving Fund to fund governmental activities.

**Financial Analysis of the County's Funds**

As noted earlier, Otsego 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.

On December 31, 2006, the county's governmental funds reported combined ending fund balance of \$8,954,256, an increase of \$1,778,714 when compared with the prior year. This is primarily attributable to increases in property tax revenues, along with effectively managing expenditure levels. Of the fund balance amount, \$376,002 constitutes *unreserved fund balance*, which is available for meeting the county's current obligations.

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 \$376,002, with a total fund balance of \$455,625. The fund balance of the county's General Fund increased by \$209,979 during the current fiscal year. This is primarily attributable to increases in property tax revenues, offset by decreased funding from State and Federal sources, coupled with a 5 percent reduction in overall general fund expenditures.

The county's M-TEC fund had a total fund balance of \$43, which increased by \$11,731 from the prior year.

The county's Housing Commission had an ending fund balance of \$134,711, all of which was reserved for housing projects.

The county's Revenue Sharing Reserve Fund had an ending fund balance of \$3,396,144. This was a new fund beginning in 2004 and was created as a result of Public Act 357 of 2004. PA 357 of 2004 involves a gradual shift of county operating property tax millage from a winter tax levy to a summer tax levy and additionally, required the establishment of this restricted fund.

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

Unrestricted net assets of the enterprise funds at year-end amounted to \$6,489,044. The enterprise funds had an increase in net assets for the year of \$636,758, due primarily to enhanced investment earnings in the delinquent tax revolving fund.

Unrestricted net assets of the internal service funds at year-end amounted to \$538,271. The internal service funds had an increase in net assets for the year of \$68,808.

**Budgetary Highlights**

**General Fund** – Differences between the original and final amended budgets for revenue of the general fund (revenue and other financing sources) resulted in a 4 percent increase (\$481,292).

Differences between the original and final amended budgets for expenditures (expenditures and other financing uses) resulted in a 4 percent increase, (\$481,292).

Due to legal issues surrounding the 46<sup>th</sup> Circuit Trial Court, prior management chose not to include certain portions of the court system in the original General Appropriations Act and made monthly budget amendments to account for court system activity. This accounts for most of the large variance between original and final budgets.

Overall during the year, General Fund revenues (revenue and other financing sources) were in line with the budgetary estimates but came in lower than anticipated by \$243,691 or 3 percent. Expenditures (expenditures and other financing uses) were below the budgetary estimates. Overall expenditures were under budget by \$453,670 or 5 percent. The greatest variance for both revenues and expenditures was due to the 46<sup>th</sup> Circuit Trial Court budgeting method, described in the previous paragraph.

**M-TEC Fund** – The M-TEC fund had a favorable variance between the final amended budget and actual expenditures by \$778 or .1 percent.

**Housing Commission Fund** – The Housing Commission Fund had a favorable variance between the final amended budget and the actual expenditures by \$115,164 or 23 percent.

**Revenue Sharing Reserve Fund** – The Revenue Sharing Reserve Fund had no variances between the final amended budget and actual expenditures.

**Public Improvement Fund** – the Public Improvement Fund had a favorable variance between final amended budget and actual of \$10.

Budget-to-actual comparisons for the county's non-major special revenue funds were favorable.

Capital Asset and Debt Administration

**Capital Assets.** The county's investment in capital assets as of December 31, 2006, amounted to \$14,269,582, (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, machinery and equipment, and vehicular equipment. The total increase in the county's investment in capital assets for the current fiscal year was approximately 1.8 percent. Major capital asset events during the current fiscal year included the following:

- \$51,000 for law enforcement vehicles
- \$1,234,000 for the construction of an airport terminal
- \$105,000 for renovation of the transition house
- \$47,000 for computer and classroom equipment for the University Center
- \$1,258,000 in depreciation expense on county assets

Additional information on capital assets can be found in Note 5 of this report.

**Long-Term Debt** – Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the county had total bonded debt outstanding of \$3,285,000. The County's total debt decreased by \$750,000 (19 percent) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation (State Equalized Value). The current debt limitation for the county is \$112,299,891, which 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 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the county's 2007 budget:

- Property tax revenues are projected to increase 4 percent in 2007.
- The worsening state economy will result in decreasing state funding. The real effects of the decreases, particularly in State Revenue Sharing are yet to be known.
- The cost of employee benefits continue to rise and will be monitored throughout the year.

Highlights of the 2007 budget are as follows:

- The county implemented staffing and benefit cuts to manage rising costs.
- The county has adopted a goal of increasing its budget stabilization fund over the course of the next several years, in order to manage its costs and cash flows.

*Contacting the County's Management*

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact Mr. John Burt, Otsego County Administrator at 225 West Main Street Gaylord, MI 49735.

THIS PAGE LEFT BLANK INTENTIONALLY

## **Basic Financial Statements**

---

# County of Otsego, Michigan

## Statement of Net Assets December 31, 2006

	Primary Government		Totals	Component Units
	Governmental Activities	Business-type Activities		
<b>ASSETS:</b>				
Current Assets:				
Cash & Equivalents	\$ 4,724,512	\$ 1,955,898	\$ 6,680,410	\$ 667,175
Investments	3,340,890	2,359,145	5,700,035	1,324,273
Receivables:				
Taxes	3,662,401	1,778,163	5,440,564	1,397,720
Accounts	68,085	32,482	100,567	1,047,897
Interest	-	204,410	204,410	-
Loans	1,555,456	-	1,555,456	-
Due from Component Units	12,349	-	12,349	-
Due from Governmental Units	364,849	286,501	651,350	-
Inventories	41,441	-	41,441	623,472
Prepaid Expenses	11,822	-	11,822	-
<b>Total Current Assets</b>	<b>13,781,805</b>	<b>6,616,599</b>	<b>20,398,404</b>	<b>5,060,537</b>
Noncurrent Assets:				
Advance to Component Unit	86,564	55,000	141,564	-
Internal Balance	26,704	(26,704)	-	-
Capital Assets Not Depreciated	1,639,897	99,998	1,739,895	159,408
Capital Assets (Net of Accumulated Depreciation) -	11,426,485	1,103,202	12,529,687	16,829,556
<b>Total Noncurrent Assets</b>	<b>13,179,650</b>	<b>1,231,496</b>	<b>14,411,146</b>	<b>16,988,964</b>
<b>TOTAL ASSETS</b>	<b>\$ 26,961,455</b>	<b>\$ 7,848,095</b>	<b>\$ 34,809,550</b>	<b>\$ 22,049,501</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 342,708	\$ 48,197	\$ 390,905	\$ 149,774
Accrued Liabilities	106,780	49,299	156,079	114,748
Other Liabilities	210,061	34,477	244,538	44,569
Due to Primary Government	-	-	-	12,349
Advances from Other Governmental Units	50,000	-	50,000	334,804
Due to Governmental Units	235,927	50,582	286,509	-
Deferred Revenue	1,901,614	-	1,901,614	1,408,387
Interest Payable	37,148	-	37,148	-
Bonds Payable	215,000	-	215,000	-
Capital Leases Payable	-	-	-	62,003
Installment Purchase Agreement	-	9,009	9,009	105,063
<b>Total Current Liabilities</b>	<b>3,099,238</b>	<b>191,564</b>	<b>3,290,802</b>	<b>2,231,697</b>
Noncurrent Liabilities:				
Vested Employee Benefits	118,982	-	118,982	72,774
Advances from Primary Government	-	-	-	141,564
Bonds Payable	3,070,000	-	3,070,000	-
Capital Leases Payable	-	-	-	25,738
Installment Purchase Agreement	-	25,200	25,200	71,893
<b>Total Noncurrent Liabilities</b>	<b>3,188,982</b>	<b>25,200</b>	<b>3,214,182</b>	<b>311,969</b>
<b>TOTAL LIABILITIES</b>	<b>6,288,220</b>	<b>216,764</b>	<b>6,504,984</b>	<b>2,543,666</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	9,781,382	1,142,287	10,923,669	16,724,267
Restricted for Debt Service	112,191	-	112,191	-
Restricted for Capital Projects	904,008	-	904,008	-
Restricted for Ambulance and Emergency Services	-	-	-	131,551
Restricted for County Roads	-	-	-	1,487,811
Restricted for Sportsplex	-	-	-	658,578
Restricted for University Center	-	-	-	503,628
Restricted for Public Improvement	1,440,485	-	1,440,485	-
Restricted for Housing Commission	1,690,167	-	1,690,167	-
Restricted for Revenue Sharing	3,396,144	-	3,396,144	-
Restricted for Other Purposes	2,580,715	-	2,580,715	-
Unrestricted	768,143	6,489,044	7,257,187	-
<b>TOTAL NET ASSETS</b>	<b>\$ 20,673,235</b>	<b>\$ 7,631,331</b>	<b>\$ 28,304,566</b>	<b>\$ 19,505,835</b>

See accompanying notes to financial statements

# County of Otsego, Michigan

## Statement of Activities For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 194,014	\$ -	\$ -	\$ -	\$ (194,014)	\$ -	\$ (194,014)	\$ -
Judicial	4,148,536	706,904	2,985,149	-	(456,483)	-	(456,483)	-
General Government	2,526,211	488,745	320,545	-	(1,716,921)	-	(1,716,921)	-
Public Safety	3,379,454	1,152,742	180,125	35,836	(2,010,751)	-	(2,010,751)	-
Public Works	1,381,129	858,461	-	1,238,743	716,075	-	716,075	-
Health & Welfare	2,661,458	173,402	739,581	-	(1,748,475)	-	(1,748,475)	-
Community and Economic Development	1,163,344	-	100,196	-	(1,063,148)	-	(1,063,148)	-
Recreation and Culture	1,436,733	196,791	222,959	-	(1,016,983)	-	(1,016,983)	-
Other	478,317	-	219,152	-	(259,165)	-	(259,165)	-
Interest - Unallocated	210,170	-	-	-	(210,170)	-	(210,170)	-
Total Governmental Activities	<u>17,579,366</u>	<u>3,577,045</u>	<u>4,767,707</u>	<u>1,274,579</u>	<u>(7,960,035)</u>	<u>-</u>	<u>(7,960,035)</u>	<u>-</u>
<b>Business-type Activities:</b>								
Tax Collection	159,295	549,874	-	-	-	390,579	390,579	-
Public Transit	2,249,413	325,491	1,435,636	150,000	-	(338,286)	(338,286)	-
Non-Major Enterprise Funds	<u>137,375</u>	<u>144,075</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,700</u>	<u>6,700</u>	<u>-</u>
Total Business-type Activities	<u>2,546,083</u>	<u>1,019,440</u>	<u>1,435,636</u>	<u>150,000</u>	<u>-</u>	<u>58,993</u>	<u>58,993</u>	<u>-</u>
Total Primary Government	<u>\$ 20,125,449</u>	<u>\$ 4,596,485</u>	<u>\$ 6,203,343</u>	<u>\$ 1,424,579</u>	<u>(7,960,035)</u>	<u>58,993</u>	<u>(7,901,042)</u>	<u>-</u>
<b>Component Units:</b>								
Road Commission	6,309,330	1,274,765	5,175,626	-	-	-	-	141,061
Ambulance	1,480,027	1,078,909	-	-	-	-	-	(401,118)
University Center	616,955	-	208,894	-	-	-	-	(408,061)
Sportsplex	<u>1,561,916</u>	<u>514,123</u>	<u>2,840</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,044,953)</u>
Total Component Units	<u>9,968,228</u>	<u>2,867,797</u>	<u>5,387,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,713,071)</u>
Total	<u>\$ 30,093,677</u>	<u>\$ 7,464,282</u>	<u>\$ 11,590,703</u>	<u>\$ 1,424,579</u>	<u>-</u>	<u>58,993</u>	<u>(7,901,042)</u>	<u>-</u>
<b>General Revenues and Transfers:</b>								
Taxes					8,948,321	274,279	9,222,600	2,244,351
Investment Earnings (Loss)					362,198	264,872	627,070	171,408
Transfers					903,786	(76,023)	827,763	(827,763)
Other					<u>840,722</u>	<u>114,637</u>	<u>955,359</u>	<u>56,638</u>
Total General Revenues and Transfers					<u>11,055,027</u>	<u>577,765</u>	<u>11,632,792</u>	<u>1,644,634</u>
Changes in Net Assets					<u>3,094,992</u>	<u>636,758</u>	<u>3,731,750</u>	<u>(68,437)</u>
Net Assets - Beginning					<u>17,578,243</u>	<u>6,994,573</u>	<u>24,572,816</u>	<u>19,574,272</u>
Net Assets - Ending					<u>\$ 20,673,235</u>	<u>\$ 7,631,331</u>	<u>\$ 28,304,566</u>	<u>\$ 19,505,835</u>

See accompanying notes to financial statements.

# County of Otsego, Michigan

## Balance Sheet Governmental Funds December 31, 2006

	General	M-TEC	Housing Commission	Revenue Sharing Reserve	Public Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>							
Cash & Equivalents - Unrestricted	\$ 267,226 ✓	\$ 43	\$ 205,986	\$ 943,985	\$ 834,702	\$ 2,411,150	\$ 4,663,092
Investments	-	-	-	990,000	300,000	1,535,201	2,825,201
Receivables:							
Taxes	409,344 ✓	748,601	-	1,462,159	-	1,042,297	3,662,401
Accounts	1,930 ✓	-	-	-	-	48,066	49,996
Loans	-	-	1,555,456	-	-	-	1,555,456
Due from Other Funds	169,498 ✓	-	-	-	216,030	6,993	392,521
Due from Component Units	12,349 ✓	-	-	-	-	-	12,349
Due from Governmental Units	193,706 ✓	-	-	-	-	168,086	361,792
Inventories	5,908 ✓	-	-	-	-	35,208	41,116
Prepaid Expenditures	6,424 ✓	-	-	-	-	5,398	11,822
Long-Term Advances to:							
Other Funds - Primary Government	-	-	-	-	26,704	-	26,704
Other Funds - Component Units	23,515 ✓	-	-	-	63,049	-	86,564
<b>TOTAL ASSETS</b>	<b>\$ 1,089,900</b>	<b>\$ 748,644</b>	<b>\$ 1,761,442</b>	<b>\$ 3,396,144</b>	<b>\$ 1,440,485</b>	<b>\$ 5,252,399</b>	<b>\$ 13,689,014</b>
<b>LIABILITIES:</b>							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 392,521	\$ 392,521
Accounts Payable	130,061 ✓	-	71,066	-	-	94,226	295,353
Due to Governmental Units	145,849 ✓	-	-	-	-	90,078	235,927
Accrued Liabilities	46,902 ✓	-	209	-	-	56,030	103,141
Other Liabilities	210,061 ✓	-	-	-	-	-	210,061
Advances from State	-	-	-	-	-	50,000	50,000
Deferred Revenue	101,402 ✓	748,601	1,555,456	-	-	1,042,296	3,447,755
<b>TOTAL LIABILITIES</b>	<b>634,275</b>	<b>748,601</b>	<b>1,626,731</b>	<b>-</b>	<b>-</b>	<b>1,725,151</b>	<b>4,734,758</b>
<b>FUND BALANCES:</b>							
Reserved for Long-Term Advances	23,515 ✓	-	-	-	-	-	23,515
Reserved for Motorcycle Safety Grant	7,555 ✓	-	-	-	-	-	7,555
Reserved for Family Counseling	42,645 ✓	-	-	-	-	-	42,645
Reserved for Inventory	5,908 ✓	-	-	-	-	35,208	41,116
Reserved for Schneider Trust	-	-	-	-	-	50,860	50,860
Reserved for Debt Service	-	-	-	-	-	112,191	112,191
Reserved for Capital Projects/Improvements	-	43	-	-	1,440,485	903,965	2,344,493
Reserved for Housing Projects	-	-	134,711	-	-	-	134,711
Reserved for Revenue Sharing Reserve	-	-	-	3,396,144	-	-	3,396,144
Reserved for Special Revenue Programs	-	-	-	-	-	2,415,024	2,415,024
Unreserved:							
Undesignated	376,002 ✓	-	-	-	-	-	376,002
Designated	-	-	-	-	-	10,000	10,000
<b>TOTAL FUND BALANCES</b>	<b>455,625</b>	<b>43</b>	<b>134,711</b>	<b>3,396,144</b>	<b>1,440,485</b>	<b>3,527,248</b>	<b>8,954,256</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,089,900</b>	<b>\$ 748,644</b>	<b>\$ 1,761,442</b>	<b>\$ 3,396,144</b>	<b>\$ 1,440,485</b>	<b>\$ 5,252,399</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>							
Capital assets used by governmental activities							13,066,382
Long term notes & leases payable for governmental activities							(3,285,000)
Compensated absences liability							(118,982)
Deferred revenue recognized as current revenue							1,555,456
Internal Service Funds							538,271
Accrued Interest Expense							(37,148)
<b>Net assets of governmental activities</b>							<b>\$ 20,673,235</b>

# County of Otsego, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2006

	General	M-TEC	Housing Commission	Revenue Sharing Reserve	Public Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>							
Taxes and Penalties	\$ 4,630,702	\$ 712,491	\$ -	\$ 1,462,159	\$ -	\$ 2,142,969	\$ 8,948,321
Licenses & Permits	38,742	-	-	-	-	-	38,742
Federal Sources	668,867	-	61,670	-	-	1,187,440	1,917,977
State Sources	962,776	-	-	-	-	882,465	1,845,241
Local Sources	1,708,366	-	38,526	-	-	91,901	1,838,793
Charges for Services	1,105,875	-	-	-	-	2,388,521	3,494,396
Fines & Forfeits	23,325	-	-	-	-	197,798	221,123
Interest & Rentals	76,476	-	12,478	60,589	52,913	390,178	592,634
Other Revenue	206,138	-	115,763	-	75,932	319,937	717,770
<b>TOTAL REVENUES</b>	<b>9,421,267</b>	<b>712,491</b>	<b>228,437</b>	<b>1,522,748</b>	<b>128,845</b>	<b>7,601,209</b>	<b>19,614,997</b>
<b>EXPENDITURES:</b>							
Legislative	194,014	-	-	-	-	-	194,014
Judicial	3,980,434	-	-	-	-	158,855	4,139,289
General Government	2,047,131	-	-	-	-	169,287	2,216,418
Public Safety	1,919,131	-	-	-	-	1,395,990	3,315,121
Public Works	3,250	-	-	-	-	1,036,856	1,040,106
Health & Welfare	463,396	-	-	-	-	2,195,564	2,658,960
Community/Economic Development	53,203	724,222	385,919	-	-	-	1,163,344
Recreation and Culture	-	-	-	-	-	1,217,857	1,217,857
Other Expenditures	404,705	-	-	-	-	-	404,705
Capital Outlay	-	-	-	-	105,700	1,311,655	1,417,355
Debt Service	-	-	-	-	-	972,900	972,900
<b>TOTAL EXPENDITURES</b>	<b>9,065,264</b>	<b>724,222</b>	<b>385,919</b>	<b>-</b>	<b>105,700</b>	<b>8,458,964</b>	<b>18,740,069</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>356,003</b>	<b>(11,731)</b>	<b>(157,482)</b>	<b>1,522,748</b>	<b>23,145</b>	<b>(857,755)</b>	<b>874,928</b>
<b>OTHER FINANCING SOURCES (USES):</b>							
Operating Transfers In	963,732	-	-	-	-	1,858,269	2,822,001
Operating Transfers Out	(1,109,756)	-	(250)	(408,204)	-	(400,005)	(1,918,215)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>209,979</b>	<b>(11,731)</b>	<b>(157,732)</b>	<b>1,114,544</b>	<b>23,145</b>	<b>600,509</b>	<b>1,778,714</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>245,646</b>	<b>11,774</b>	<b>292,443</b>	<b>2,281,600</b>	<b>1,078,344</b>	<b>3,265,735</b>	<b>7,175,542</b>
Prior Period Adjustment	-	-	-	-	338,996	(338,996)	-
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 455,625</b>	<b>\$ 43</b>	<b>\$ 134,711</b>	<b>\$ 3,396,144</b>	<b>\$ 1,440,485</b>	<b>\$ 3,527,248</b>	<b>\$ 8,954,256</b>

Reconciliation of the Statement of Revenues, Expenditures,  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
For the Year Ended December 31, 2006

Net Changes in fund balances - total governmental funds \$ 1,778,714

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

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$1,413,825) exceeded depreciation (\$1,020,692).

393,133

Revenues earned but not available for current resources are not reported in the funds.

Housing Commission - Loans increased during 2006

86,767

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bonds Payable

750,000

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

Compensated absences

4,840

Accrued interest expense

12,730

Internal service fund activity

68,808

Changes in net assets of governmental activities

\$ 3,094,992

Statement of Net Assets  
 Proprietary Funds  
 December 31, 2006

	Business-Type Activities - Enterprise Funds				Governmental
	Major				Activities
	Delinquent Tax Fund	9/30/2006 Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>ASSETS:</b>					
<b>Current Assets</b>					
Cash and Equivalents	\$ 1,759,224	\$ 52,247	\$ 144,427	\$ 1,955,898	\$ 61,420
Investments	2,359,145	-	-	2,359,145	515,689
Taxes Receivable	1,778,163	-	-	1,778,163	-
Interest Receivable	204,410	-	-	204,410	-
Accounts Receivable	-	32,482	-	32,482	18,089
Due from Governmental Units	81,665	204,836	-	286,501	3,057
Advances to Component Units	55,000	-	-	55,000	-
Inventory	-	-	-	-	325
<b>Total Current Assets</b>	<b>6,237,607</b>	<b>289,565</b>	<b>144,427</b>	<b>6,671,599</b>	<b>598,580</b>
<b>Noncurrent Assets</b>					
Capital Assets, Not Depreciation	-	99,998	-	99,998	-
Capital Assets, Net of Accumulated Depreciation	-	894,128	209,074	1,103,202	-
<b>TOTAL ASSETS</b>	<b>\$ 6,237,607</b>	<b>\$ 1,283,691</b>	<b>\$ 353,501</b>	<b>\$ 7,874,799</b>	<b>\$ 598,580</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities</b>					
Accounts Payable	\$ 10,202	\$ 25,496	\$ 12,499	\$ 48,197	\$ 47,355
Accrued Liabilities	681	48,618	-	49,299	3,639
Due to State	-	50,582	-	50,582	-
Installment Purchase Agreement	-	9,009	-	9,009	-
Other Liabilities	11,017	23,460	-	34,477	-
Deferred Revenue	-	-	-	-	9,315
<b>Total Current Liabilities</b>	<b>21,900</b>	<b>157,165</b>	<b>12,499</b>	<b>191,564</b>	<b>60,309</b>
<b>Noncurrent Liabilities</b>					
Installment Purchase Agreement	-	25,200	-	25,200	-
Long-term Advance from Other Funds	-	26,704	-	26,704	-
<b>TOTAL LIABILITIES</b>	<b>21,900</b>	<b>209,069</b>	<b>12,499</b>	<b>243,468</b>	<b>60,309</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets - Net of Related Debt	-	933,213	209,074	1,142,287	-
Unrestricted	6,215,707	141,409	131,928	6,489,044	538,271
<b>TOTAL NET ASSETS</b>	<b>\$ 6,215,707</b>	<b>\$ 1,074,622</b>	<b>\$ 341,002</b>	<b>\$ 7,631,331</b>	<b>\$ 538,271</b>

Statement of Revenues, Expenses, and  
Changes in Net Assets - Proprietary Funds  
For the Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds				Governmental
	Major			Total Enterprise Funds	Internal Service Funds
	Delinquent Tax Fund	9/30/2006 Public Transit	Non-Major Enterprise Funds		
<b>OPERATING REVENUES:</b>					
Local Sources	\$ -	\$ -	\$ 9,000	\$ 9,000	\$ -
Charges for Services	190,059	325,491	144,075	659,625	939,950
Interest on Delinquent Taxes	359,815	-	-	359,815	-
Other Revenues	3,950	-	-	3,950	1,470,747
<b>TOTAL REVENUES</b>	<b>553,824</b>	<b>325,491</b>	<b>153,075</b>	<b>1,032,390</b>	<b>2,410,697</b>
<b>OPERATING EXPENSES:</b>					
Salaries, Wages, and Fringe Benefits	51,787	1,486,620	-	1,538,407	503,866
Contractual Services	-	-	60,747	60,747	22,421
Materials and Supplies	50,694	-	64,330	115,024	9,901
Equipment Repair and Maintenance	53,612	-	-	53,612	69,693
Utilities	-	-	-	-	261,654
Depreciation	-	172,123	12,298	184,421	-
Other Expenses	3,202	590,670	-	593,872	1,499,255
<b>TOTAL EXPENSES</b>	<b>159,295</b>	<b>2,249,413</b>	<b>137,375</b>	<b>2,546,083</b>	<b>2,366,790</b>
<b>OPERATING INCOME (LOSS)</b>	<b>394,529</b>	<b>(1,923,922)</b>	<b>15,700</b>	<b>(1,513,693)</b>	<b>43,907</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>					
State Operating Grants	-	593,749	-	593,749	-
Federal Operating Grants	-	276,122	-	276,122	-
Interest Earned on Investments	206,693	1,706	449	208,848	24,901
Contributions from Other Units	-	565,765	-	565,765	-
Property Taxes Levied	-	274,279	-	274,279	-
Unrealized Gain on Investments	56,024	-	-	56,024	-
Other	-	101,687	-	101,687	-
<b>TOTAL NONOPERATING REVENUES(EXPENSES)</b>	<b>262,717</b>	<b>1,813,308</b>	<b>449</b>	<b>2,076,474</b>	<b>24,901</b>
<b>INCOME(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>657,246</b>	<b>(110,614)</b>	<b>16,149</b>	<b>562,781</b>	<b>68,808</b>
<b>CAPITAL CONTRIBUTIONS:</b>					
Contributions From State Sources	-	20,000	-	20,000	-
Contributions From Federal Sources	-	130,000	-	130,000	-
<b>INTERFUND TRANSFERS:</b>					
Operating Transfers In	75,000	-	9,000	84,000	-
Operating Transfers Out	(160,023)	-	-	(160,023)	-
<b>CHANGES IN NET ASSETS</b>	<b>572,223</b>	<b>39,386</b>	<b>25,149</b>	<b>636,758</b>	<b>68,808</b>
<b>NET ASSETS, JANUARY 1</b>	<b>5,643,484</b>	<b>1,035,236</b>	<b>315,853</b>	<b>6,994,573</b>	<b>469,463</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ 6,215,707</b>	<b>\$ 1,074,622</b>	<b>\$ 341,002</b>	<b>\$ 7,631,331</b>	<b>\$ 538,271</b>

# County of Otsego, Michigan

## Statement of Cash Flows Proprietary Funds For the Year Ended December 31, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities	
	Major	Non-Major		Internal Service Funds	
	Delinquent Tax Fund	9/30/2006 Public Transit	Non-Major Enterprise Funds		Total Enterprise Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	\$ 642,561	\$ 235,915	\$ 163,255	\$ 1,041,731	\$ 2,397,153
Interest on Delinquent Taxes	305,707	-	-	305,707	-
Delinquent Taxes Purchased	(3,462,360)	-	-	(3,462,360)	-
Delinquent Taxes Collected	3,270,182	-	-	3,270,182	-
Payments to Suppliers	(111,721)	(547,782)	(116,600)	(776,103)	(1,868,646)
Payments to Employees for Services and Benefits	(51,808)	(1,497,174)	-	(1,548,982)	(504,547)
Internal Activity - Receipts (Payments) to Other Funds	(55,000)	-	-	(55,000)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>537,561</b>	<b>(1,809,041)</b>	<b>46,655</b>	<b>(1,224,825)</b>	<b>23,960</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
State Grants	-	593,749	-	593,749	-
Federal Grants	-	256,260	-	256,260	-
State and Federal Grants - Prior Year Adjustments	-	19,862	-	19,862	-
Property Tax	-	274,279	-	274,279	-
Contributions from Other Units	-	565,765	-	565,765	-
Other	-	101,687	-	101,687	-
Operating Transfers In	75,000	-	9,000	84,000	-
Operating Transfers Out	(160,023)	-	-	(160,023)	-
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>(85,023)</b>	<b>1,811,602</b>	<b>9,000</b>	<b>1,735,579</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>					
Proceeds from Notes Payable	-	37,990	-	37,990	-
Repayment of Note Principal	-	(3,781)	-	(3,781)	-
Federal and State Capital Assistance	-	150,000	-	150,000	-
Long-term Advance from County	-	(150,000)	-	(150,000)	-
Capital Assets Purchased with Transit Corporation Money	-	(37,990)	-	(37,990)	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(3,781)</b>	<b>-</b>	<b>(3,781)</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Net Sale or (Purchase) of Investments	148,649	-	-	148,649	(515,689)
Unrealized Gain on Investments	56,024	-	-	56,024	-
Interest Income	206,693	1,706	449	208,848	24,901
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>411,366</b>	<b>1,706</b>	<b>449</b>	<b>413,521</b>	<b>(490,788)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>863,904</b>	<b>486</b>	<b>56,104</b>	<b>920,494</b>	<b>(466,828)</b>
Balances - Beginning of the Year	895,320	51,761	88,323	1,035,404	528,248
<b>Balances - End of the Year</b>	<b>\$ 1,759,224</b>	<b>\$ 52,247</b>	<b>\$ 144,427</b>	<b>\$ 1,955,898</b>	<b>\$ 61,420</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 394,529	\$ (1,923,922)	\$ 15,700	\$ (1,513,693)	\$ 43,907
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	-	172,123	12,298	184,421	-
Change in Assets and Liabilities:					
Taxes Receivable	(501,282)	-	-	(501,282)	-
Accrued Interest Receivable	(54,108)	-	-	(54,108)	-
Accounts Receivable	-	(89,576)	10,180	(79,396)	584
Due from Other Governmental Units	549,188	-	-	549,188	(14,128)
Other Assets	200,000	-	-	200,000	-
Due from Other Funds	(55,000)	-	-	(55,000)	-
Accounts Payable	6,344	(14,750)	8,477	71	(5,622)
Accrued Liabilities	21	-	-	21	(781)
Other Liabilities	(2,131)	47,084	-	44,953	-
Deferred Revenue	-	-	-	-	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 537,561</b>	<b>\$ (1,809,041)</b>	<b>\$ 46,655</b>	<b>\$ (1,224,825)</b>	<b>\$ 23,960</b>

Statement of Fiduciary Net Assets  
 Fiduciary Funds  
 December 31, 2006

	Agency Funds	Other Post Employment Trust Fund
<b>ASSETS:</b>		
Cash and Equivalents	\$ 1,527,837	\$ 82,090
Investments	100,000	350,000
Accounts Receivable	-	660
<b>TOTAL ASSETS</b>	<b><u>\$ 1,627,837</u></b>	<b><u>\$ 432,750</u></b>
<b>LIABILITIES:</b>		
Accounts Payable	\$ 24,946	\$ -
Due to Governmental Units	26,596	-
Undistributed Receipts	210,254	-
Undistributed Tax Collections	1,193,523	-
Bonds, Restitutions and Payable's to Others	96,402	-
Other Liabilities	76,116	-
<b>TOTAL LIABILITIES</b>	<b><u>\$ 1,627,837</u></b>	<b><u>-</u></b>
<b>NET ASSETS:</b>		
Net Assets Held in Trust		<b><u>\$ 432,750</u></b>

Statement of Changes in  
Fiduciary Net Assets  
Fiduciary Fund  
For the Year Ended December 31, 2006

	<u>Private Purpose Employee Retirement</u>
<b>ADDITIONS:</b>	
Contributions:	
Employer	\$ 72,441
Total Contributions	<u>72,441</u>
Investment Income:	
Interest	<u>14,162</u>
Total Investment Income	<u>14,162</u>
Total Additions	<u>86,603</u>
<b>DEDUCTIONS:</b>	
Benefits	<u>6,648</u>
Total Deductions	<u>6,648</u>
Changes in Net Assets	79,955
Net Assets - Beginning of the Year	<u>352,795</u>
Net Assets - End of the Year	<u>\$ 432,750</u>

## **Component Units**

---

# County of Otsego, Michigan

## Statement of Net Assets Component Units December 31, 2006

	Road Commission	Ambulance Corporation	University Center	Sportsplex	Totals
<b>ASSETS:</b>					
<b>Current Assets</b>					
Cash and Equivalents	\$ 5,300	\$ 2,317	\$ 454,193	\$ 205,365	\$ 667,175
Investments	724,273	-	100,000	500,000	1,324,273
Receivables					
Taxes	-	463,243	644,950	289,527	1,397,720
Accounts	722,156	273,000	9,905	42,836	1,047,897
Inventories	559,752	-	-	63,720	623,472
<b>Total Current Assets</b>	<b>2,011,481</b>	<b>738,560</b>	<b>1,209,048</b>	<b>1,101,448</b>	<b>5,060,537</b>
<b>Noncurrent Assets</b>					
Capital Assets (Not Depreciated)	159,408	-	-	-	159,408
Capital Assets (Net of Accumulated Depreciation)	16,090,275	621,520	117,761	-	16,829,556
<b>Total Noncurrent Assets</b>	<b>16,249,683</b>	<b>621,520</b>	<b>117,761</b>	<b>-</b>	<b>16,988,964</b>
<b>TOTAL ASSETS</b>	<b>\$ 18,261,164</b>	<b>\$ 1,360,080</b>	<b>\$ 1,326,809</b>	<b>\$ 1,101,448</b>	<b>\$ 22,049,501</b>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 26,434	\$ 2,202	\$ 26,642	\$ 94,496	\$ 149,774
Accrued Liabilities	89,658	-	23,161	1,929	114,748
Due to Primary Government	-	-	-	12,349	12,349
Advance from State	334,804	-	-	-	334,804
Deferred Revenue	-	463,243	655,617	289,527	1,408,387
Other Liabilities	-	-	-	44,569	44,569
Capital Leases	-	62,003	-	-	62,003
Installment Purchase Agreement	105,063	-	-	-	105,063
<b>Total Current Liabilities</b>	<b>555,959</b>	<b>527,448</b>	<b>705,420</b>	<b>442,870</b>	<b>2,231,697</b>
<b>Noncurrent Liabilities:</b>					
Long-term Advance from Primary Government	-	141,564	-	-	141,564
Capital Leases	-	25,738	-	-	25,738
Installment Purchase Agreement	71,893	-	-	-	71,893
Vested Employee Benefits	72,774	-	-	-	72,774
<b>Total Noncurrent Liabilities</b>	<b>144,667</b>	<b>167,302</b>	<b>-</b>	<b>-</b>	<b>311,969</b>
<b>TOTAL LIABILITIES</b>	<b>700,626</b>	<b>694,750</b>	<b>705,420</b>	<b>442,870</b>	<b>2,543,666</b>
<b>NET ASSETS:</b>					
Invested in Capital Assets, net of related debt	16,072,727	533,779	117,761	-	16,724,267
Restricted for County Road	1,487,811	-	-	-	1,487,811
Restricted for Ambulance and Emergency Services	-	131,551	-	-	131,551
Restricted for Sportsplex	-	-	-	658,578	658,578
Restricted for University Center	-	-	503,628	-	503,628
<b>TOTAL NET ASSETS</b>	<b>\$ 17,560,538</b>	<b>\$ 665,330</b>	<b>\$ 621,389</b>	<b>\$ 658,578</b>	<b>\$ 19,505,835</b>

# County of Otsego, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Ambulance Corporation	University Center	Sportsplex	Total
<b>Road Commission:</b>									
Public Works	\$ 6,309,330	\$ 1,274,765	\$ 5,175,626	\$ -	\$ 141,061	\$ -	\$ -	\$ -	\$ 141,061
<b>Ambulance Corporation:</b>									
Health & Welfare	1,480,027	1,078,909	-	-	-	(401,118)	-	-	(401,118)
<b>University Center:</b>									
Recreation and Culture	616,955	-	208,894	-	-	-	(408,061)	-	(408,061)
<b>Sportsplex:</b>									
Recreation and Culture	1,561,916	514,123	2,840	-	-	-	-	(1,044,953)	(1,044,953)
<b>Total Component Units</b>	<u>\$ 9,968,228</u>	<u>\$ 2,867,797</u>	<u>\$ 5,387,360</u>	<u>\$ -</u>	<u>141,061</u>	<u>(401,118)</u>	<u>(408,061)</u>	<u>(1,044,953)</u>	<u>(1,713,071)</u>
<b>General Revenues and Transfers:</b>									
Property Tax					-	440,643	613,821	1,189,887	2,244,351
Investment Earnings					126,280	3,263	14,376	27,489	171,408
Other					19,841	-	36,310	487	56,638
Operating Transfers					-	-	(231,238)	(596,525)	(827,763)
<b>Total General Revenues and Transfers</b>					<u>146,121</u>	<u>443,906</u>	<u>433,269</u>	<u>621,338</u>	<u>1,644,634</u>
Changes in Net Assets					287,182	42,788	25,208	(423,615)	(68,437)
Net Assets - Beginning					17,273,356	622,542	596,181	1,082,193	19,574,272
Net Assets - Ending					<u>\$ 17,560,538</u>	<u>\$ 665,330</u>	<u>\$ 621,389</u>	<u>\$ 658,578</u>	<u>\$ 19,505,835</u>

## **Notes to Financial Statements**

---

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

Otsego County was organized in 1840 and covers an area of approximately 527 square miles divided into nine townships, one village, and one city. The county seat is located in the City of Gaylord. The County of Otsego operates under an elected board of commissioners (nine members) with an appointed county coordinator who assists with day-to-day operations. The County of Otsego provides services to its more than 23,300 residents in many areas including law enforcement, administration of justice, community enrichment, and development, and human services.

The accounting policies of the County of Otsego conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Otsego County.

**A – Reporting Entity:**

The accompanying financial statements present the government and its component units; entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit). Each discretely presented component unit is reported separately in the financial statements.

**Blended Component Units**

Building Authority – The Otsego County Building Authority is governed by a three member board appointed by the county board of commissioners. Although it is legally separate from the County, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the County's public buildings. The financial statements of the Otsego County Building Authority are reported in the County's Debt Service Fund and Capital Projects Fund as presented in this report.

Bus System – The Otsego County Bus System is not legally separate but is administered by a three member standing committee of the county board of commissioners. The Bus System Committee may not issue debt and the tax levy is subject to county board of commissioners' approval. The Bus System taxes are levied under the taxing authority of the County, as approved by the county electors, and is included as part of the County's total tax levy as well as reported in the Bus System Fund.

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

Commission on Aging – The Otsego County Commission on Aging (Commission) is not legally separate, but is administered by an advisory board of directors (board) with twelve members. Members of the board are selected by the County from nine districts and an additional three at-large members. The Commission may not issue debt and the tax levy is subject to county board of commissioners' approval. The Commission's taxes are levied under the taxing authority of the County, as approved by the county electors, and is included as part of the County's total tax levy as well as reported in the Commission on Aging Fund.

**Discretely Presented Component Units**

County Road Commission – The Otsego County Road Commission which is established pursuant to the County Road Law (MCL 224.1) is governed by a three member board of county road commissioners elected biannually to serve a six year term. The Road Commission may not issue debt without the County's approval and the tax levy is subject to county board of commissioners' approval. If approval is granted, Road Commission taxes are levied under the taxing authority of the County, as approved by the county electors, and would be included as part of the County's total tax levy as well as reported in the County Road Fund.

Otsego County Sportsplex – The Otsego County Sportsplex, a nonprofit corporation that was established pursuant to the provisions of Public Act 162 of 1982, has an agreement with the County of Otsego to operate and maintain a recreational and sports complex for Otsego County. The sports complex was constructed during 1995 and opened in early 1996. The Sportsplex is operated by a board of directors, which consist of between seven to fifteen members. Members are elected by the affirmative vote of a majority of the directors. The Sportsplex may not issue debt without the County's approval and the tax levy is subject to county board of commissioners' approval. The Sportsplex taxes are levied under the taxing authority of the County, as approved by the County electors and are included as part of the County's total tax levy recorded in the County's Sprotsplex Fund. The county board of commissioners also approves the budget and fee charges. Although this is a nonprofit corporation, the activities fit the description of a governmental special revenue fund type and, accordingly, are reported as a special revenue fund in this report.

Otsego County Ambulance Corporation, Inc. – The Otsego County Ambulance Corporation, Inc., a nonprofit corporation which was established pursuant to the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, has an agreement with the County of Otsego to provide ambulance service in and about the County of Otsego. A nine member board governs the Ambulance Corporation. The Ambulance Corporation may not issue debt without the County's approval and a tax levy is subject to county board of commissioners' approval. If approval is granted, the Ambulance's taxes are levied under the taxing authority of the County, as approved by the county electors, and would be included as part of the County's total tax levy as well as in the Ambulance Fund. All assets are in the name of the County. The activities fit the description of a governmental special revenue fund type and, accordingly, are reported as a special revenue fund in this report.

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

Otsego County University Center – On December 7, 1999, the electors of the County of Otsego authorized the County Board of Commissioners to levy a tax not to exceed .56 mills (\$.56 per \$1,000) for a period of 20 years to provide the funds required to acquire or construct, furnish, equip and operate the Otsego County University Center (the facility) for use by the residents of the County and the public. On July 1, 2000, the County of Otsego entered into an agreement for operating and maintaining the facility with The University Center at Gaylord (University Center), a Michigan nonprofit corporation organized on November 3, 1989 pursuant to the provisions of Act 162, Public Acts of 1982, as amended. The University Center is governed by an eleven member board of directors whose mission is to facilitate the delivery of quality, state-of-the-art education and training that is responsive to personal growth and business needs throughout Otsego County and Northern Michigan through a consortium of colleges offering degrees, enrichment and skill certification programs. The agreement, which expires December 31, 2020 unless amended, requires the University Center to submit by July 1<sup>st</sup> annually a proposed budget for the operation of the facility for the subsequent fiscal year beginning January 1<sup>st</sup>. Prior to September 1<sup>st</sup> each year, the county board of commissioners shall either approve the final budget as submitted for the operation of the facility or reject the budget setting forth reasons why it was not approved. Once approved, the county board of commissioners shall approve a resolution authorizing the levy of such amount of the millage. The facility’s taxes are levied under the taxing authority of the County and are included as part of the County’s total tax levy reported in the Otsego County University Center Fund.

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the County Clerk’s Office at the courthouse.

Administrative Offices

Otsego County Bus System  
1254 Energy Drive  
Gaylord, Michigan 49735

Otsego County Road Commission  
Industrial Park, P.O. Box 537  
Gaylord, Michigan 49735

Otsego County Sportsplex  
1250 Gornick Avenue  
Gaylord, Michigan 49735

Otsego County University Center  
80 Livingston Boulevard  
Gaylord, Michigan 49735

Otsego County Ambulance Corporation, Inc.  
100 McLouth, P.O. Box 642  
Gaylord, Michigan 49735

**Jointly Governed Organizations**

46th Circuit Trial Court – Otsego, Crawford, and Kalkaska counties participate jointly in the operation of the 46th Circuit Trial Court. The funding formula approved by the member counties is based on a cost-study. Member counties’ percentage of net operating budget for the year 2006 were:

Otsego	44.99 percent
Crawford	28.52 percent
Kalkaska	26.49 percent

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

Otsego County pays all expenditures and is reimbursed actual expenditures from Crawford and Kalkaska counties at the percentage listed above.

Northwest Michigan Community Health Agency – Northwest Michigan Community Health Agency provides health service for Otsego County. The counties of Otsego, Antrim, Emmet, and Charlevoix jointly established the agency. The financial operations of the Health Agency are recorded in the records of Charlevoix County. The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operation budget for the year 2006 were:

Otsego	23 percent	Antrim	23 percent
Charlevoix	26 percent	Emmet	28 percent

Otsego County's appropriation and cigarette tax to the Health Agency for the year was \$176,248.

Michigan Technical Education Center (M-TEC) – Kirtland Community College, a community college district established pursuant to the provisions of Public Act 331 of 1996, obtained funding through the Michigan Economic Development Corporation (MEDC) to construct and equip the Michigan Technical Center (M-TEC), and educational facility in the County of Otsego. On December 7, 1999, the electors of the County authorized a tax levy not to exceed .65 mills for a period of twenty years for the purpose of generating funds to operate the facility. The facility provides vocational, technical, job skills, or workforce development programs and services. Pursuant to the operating agreement, Kirtland established an advisory board (which includes representatives of the county) and is to report its preliminary, final and amended M-TEC budgets to the County's board. Financial records for M-TEC are recorded and maintained by the Kirtland Community College and audited separately. Otsego County's tax revenues amounted to \$712,491 for which Otsego appropriated \$724,222 to Kirtland Community College.

The Michigan Technical Education Center (M-TEC) is used in conjunction with and occupied by the University Center established and operated by the University Center of Gaylord, a non-profit corporation.

North Country Community Mental Health – The North Country Community Mental Health consists of the counties of Antrim, Charlevoix, Cheboygan, Emmet, Kalkaska, and Otsego. Financial records for the board are recorded and maintained by the mental health and audited separately.

The funding formula for the community mental health operations and services is in accordance with an agreement approved by each county. The current agreement provides that each county will pay at an agreed upon rate. The 2006 local match for Otsego County was \$94,003.

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

Fiscal Year End Other Than December 31, 2006

The financial information presented in this report is for the year ended December 31, 2006, except for the following funds:

<u>Fund</u>	<u>Fund Presentation</u>	<u>Fiscal Year End</u>
Commission on Aging	Blended – Special Revenue Fund	September 30, 2006
Bus System	Blended – Enterprise Fund	September 30, 2006

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

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

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

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

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation:**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Taxes Receivable – Current or Property Taxes

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

Although the County of Otsego 2005 ad valorem tax is levied and collectible on December 1, 2005 and the 2006 ad valorem tax is levied and collectible on July 1, 2006, it is the County of Otsego's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be paid from the delinquent tax fund within one year.

The 2005 taxable valuation of Otsego County amounted to \$1,122,998,918 on which ad valorem taxes of 2.7001 mills were levied for the County Operating purposes, .3000 mill for Animal Control, 1.0000 mill for Commission on Aging, .1875 mill for Community Center, .0593 mill for County Parks, .2500 for the Bus System, .4000 mill for Library, .4000 for Ambulance, .6464 for M-TEC, .5569 for the University Center, .7860 mill for Sportsplex Construction, and .2948 for Sportsplex Operating (component unit).

The 2005 current tax levied included \$3,032,209 for County Operations, \$336,900 for Animal Control, \$1,122,999 for Commission on Aging, \$210,555 for Community Center, \$66,601 for County Parks, \$280,750 for the Bus System, \$449,200 for the Library, \$449,200 for the Ambulance, \$725,907 for M-TEC, \$625,398 for the University Center, \$882,677 for the Sportsplex Construction, and \$331,060 for Sportsplex Operating. These taxes will be recorded as revenue on County records in and for the year of 2006. An amount equal to 1/3 of the General Fund 2004 levy collected from the winter tax collection was recognized in the Revenue Sharing Reserve Fund. The July 1, 2006 taxable valuation of the County of Otsego totaled \$1,178,509,814 on which ad valorem taxes levied consisted of 2.7001 mills for the General Fund. This amount is recognized as revenue in the General Fund.

The taxes receivable is recorded in the financial statements as taxes receivable-current, with an offsetting credit to deferred revenue based on the 2006 taxable valuation. The Commission on Aging Fund and the Bus System financial statements are for the fiscal year ended September 30, 2006 and accordingly, do not reflect taxes receivable and deferred revenue.

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

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

The County reports the following major governmental funds:

**General Fund**

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

**Revenue Sharing Reserve Fund**

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

**M-Tech**

This Fund accounts for the collection and disbursement of a tax levy to operate the Michigan Technical Center (M-Tech), an educational facility.

**Housing Commission**

This Fund accounts for grant revenue and contributions reserved for the improvement of housing within the County.

**Public Improvement**

This Fund accounts for earmarked revenue set aside for statutory public improvements.

The County reports the following major proprietary funds:

**Delinquent Tax Fund**

This fund accounts for the collection of delinquent taxes.

**Public Transit**

This Fund accounts for the operation of the public transit system.

Additionally, the County reports the following fund types:

**Special Revenue Funds**

These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

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

**Debt Service Funds**

These funds account for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

**Capital Project Fund**

These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

**Internal Service Fund**

This Fund accounts for buildings and grounds, administrative services, and employee health benefits provided to other departments or agencies of the governmental unit on a cost reimbursement basis.

**Agency Funds**

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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

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

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

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

Inventories and Prepaid Items – Inventories are valued at cost, using the consumption method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories – Primary Government

General Fund – The inventory consists of postage and supplies on hand valued at cost in the amount of \$5,908 at December 31, 2006.

Commission on Aging – The inventory consists of food on hand at September 30, 2006 valued at cost in the amount of \$796.

Airport – The inventory at the airport consists of fuel on hand based on average cost with a value of \$34,412 at December 31, 2006.

Inventories – Component Units

Road Commission – Inventories amounting to \$559,752 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

Sportsplex – Inventory consist of items in the Pro Shop with a value of \$63,720.

Accounts Receivable – Component Unit

Ambulance – The accounts receivable balance is net of allowance for doubtful accounts of \$444,000.

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

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

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

Buildings	40 years
Bus Operating Facility	12 to 20 years
Shop Equipment	3 to 10 years
Vehicles	3 to 7 years
Office Equipment	3 to 10 years
Other Infrastructure	20 years

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rate is designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years

Compensated Absences (Vacation and Sick Leave)

It is the County's policy to permit employees to accumulate earned but unused sick for the library employees and vacation pay benefits for all of the employees with certain limitations which vary among employee classification. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

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

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

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

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

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

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

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

Cost Allocations – The Bus System has a cost allocation plan for all allocated expenses that are approved by the Michigan Department of Transportation, Bureau of Urban, and Public Transportation. These allocated expenses include amounts charged to the program for time spent by accounting personnel in maintaining financial records of the program.

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

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

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

- a. Each December, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.

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

- c. Prior to January 1st, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

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

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

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

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

**NOTE 3 - DEPOSITS AND INVESTMENTS**

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Equivalents -- Unrestricted	\$ 4,724,512	\$ 1,955,898	\$ 6,680,410	\$ 1,609,927	\$ 667,175
Total	<u>\$ 4,724,512</u>	<u>\$ 1,955,898</u>	<u>\$ 6,680,410</u>	<u>\$ 1,609,927</u>	<u>\$ 667,175</u>

NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>			
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 6,339,638	\$ 1,609,927	\$ 659,315			
Petty Cash and Cash on Hand	<u>12,555</u>	<u>-</u>	<u>7,860</u>			
Total	<u>\$ 6,352,193</u>	<u>\$ 1,609,927</u>	<u>\$ 667,175</u>			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Investments:						
Money Markets	\$ 515,689	\$ 515,689	\$ -	\$ -	\$ -	
U.S. Treasury Securities	3,886,388	1,547,318	2,339,070	-	-	
Asset Backed Securities	<u>3,072,231</u>	<u>-</u>	<u>-</u>	<u>410,278</u>	<u>2,661,953</u>	
Total Investments	<u>\$ 7,474,308</u>	<u>\$ 2,063,007</u>	<u>\$ 2,339,070</u>	<u>\$ 410,278</u>	<u>\$ 2,661,953</u>	
	Governmental					
	Activities		\$ 3,340,890			
	Business					
	Activities		2,359,145			
	Trust and Agency		450,000			
	Component Units		<u>1,324,273</u>			
	Total		<u>\$ 7,474,308</u>			

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

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

*Custodial credit risk.* Investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the County's \$7,474,308 in investments all are in the name of the County. Investments are unrated or are not available from the rating agency.

*Custodial deposit credit risk.* Custodial deposit credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned. State law does not require and the County does not have a policy for custodial deposit credit risk. As of year end, \$7,976,922 of the County's bank balance of \$8,477,422 was exposed to credit risk because it was uninsured and uncollateralized. \$0 was uninsured and collateralized by the pledging financial institution.

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

Statutory Authority:

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**NOTE 4 - RECEIVABLES**

Loans receivable – Housing Commission Fund (Major Fund)

The amount recorded as loans receivable is long-term mortgage notes in the Housing Commission Fund, consisting of grants and loans made to individuals pursuant to community development block grants received from the State of Michigan. Certain homes are secured with mortgages and grants with liens to qualified applicants. The mortgage interest rates vary from 0 to 35 and the grants with liens are payable upon transfer of title. The receivable is offset with deferred revenue, with revenue recognized on a cash basis when collected. The loans were made for the purpose of repair, renovation, or rehabilitation of residential buildings. At December 31, 2006, the total outstanding loans were \$1,555,456.

**NOTE 5 - CAPITAL ASSETS**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 401,154	\$ -	\$ -	\$ 401,154
Construction in Progress	-	1,238,743	-	1,238,743
Subtotal	<u>401,154</u>	<u>1,238,743</u>	<u>-</u>	<u>1,639,897</u>
<i>Capital assets being depreciated:</i>				
Buildings	12,421,159	105,000	-	12,526,159
Furniture and Fixtures	146,642	-	-	146,642
Equipment:				
Data Handling	1,093,494	14,393	-	1,107,887
Other Equipment	1,736,562	-	-	1,736,562
Commission on Aging	92,741	5,009	-	97,750
Vehicles	1,388,636	50,680	-	1,439,316
Infrastructure	5,143,780	-	-	5,143,780
Subtotal	<u>22,023,014</u>	<u>175,082</u>	<u>-</u>	<u>22,198,096</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(4,882,704)	(467,186)	-	(5,349,890)
Furniture and Fixtures	(142,145)	(3,332)	-	(145,477)
Equipment:				
Data Handling	(847,540)	(98,392)	-	(945,932)
Other Equipment	(828,551)	(61,035)	-	(889,586)
Commission on Aging	(71,838)	(7,507)	-	(79,345)
Vehicles	(1,137,211)	(126,051)	-	(1,263,262)
Infrastructure	(1,840,930)	(257,189)	-	(2,098,119)
Subtotal	<u>(9,750,919)</u>	<u>(1,020,692)</u>	<u>-</u>	<u>(10,771,611)</u>
Net Capital Assets Being Depreciated	<u>12,272,095</u>	<u>(845,610)</u>	<u>-</u>	<u>11,426,485</u>
Governmental Activity Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 12,673,249</u>	<u>\$ 393,133</u>	<u>\$ -</u>	<u>\$ 13,066,382</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

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

Governmental Activities:		
Judicial		\$ 9,247
General Government		314,633
Public Safety		115,013
Public Works		341,023
Health and Welfare		7,507
Recreation and Culture		<u>233,269</u>
Total Depreciation – Governmental Activities		<u>\$ 1,020,692</u>

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 99,998	\$ -	\$ -	\$ 99,998
<i>Capital assets being depreciated:</i>				
Buildings	760,033	-	-	760,033
Vehicles	1,272,886	37,990	(17,123)	1,293,753
Equipment	<u>760,461</u>	<u>-</u>	<u>(196,257)</u>	<u>564,204</u>
Subtotal	<u>2,793,380</u>	<u>37,990</u>	<u>(213,380)</u>	<u>2,617,990</u>
<i>Less accumulated depreciation for:</i>				
Building	(80,226)	(38,002)	-	(118,228)
Vehicles	(1,026,961)	(115,058)	17,123	(1,124,896)
Equipment	<u>(436,560)</u>	<u>(31,361)</u>	<u>196,257</u>	<u>(271,664)</u>
Subtotal	<u>(1,543,747)</u>	<u>(184,421)</u>	<u>213,380</u>	<u>(1,514,788)</u>
Net Capital Assets Being Depreciated	<u>1,249,633</u>	<u>(146,431)</u>	<u>-</u>	<u>1,103,202</u>
Business-type Activities Capital Assets, Net of Depreciation	<u>\$ 1,349,631</u>	<u>\$ (146,431)</u>	<u>\$ -</u>	<u>\$ 1,203,200</u>

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

Business-Type Activities:		
UC Metropolitan Area Network		\$ 12,298
Bus System		<u>172,123</u>
Total Business-Type Activities		<u>\$ 184,421</u>

**NOTE 5 - CAPITAL ASSETS (Continued)**

A summary of changes in the Road Commission's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets not being depreciated:</i>				
Land and Improvements	\$ 159,391	\$ 17	\$ -	\$ 159,408
<i>Capital assets being depreciated:</i>				
Buildings	2,999,960	-	-	2,999,960
Road Equipment	4,944,149	381,141	(59,798)	5,265,492
Shop Equipment	92,412	4,302	(1,561)	95,153
Office Equipment	74,382	2,497	-	76,879
Engineer's Equipment	15,846	-	-	15,846
Yard and Storage Equipment	1,800	-	-	1,800
Depletable Assets	4,760	-	-	4,760
Traffic Signals	44,756	-	-	44,756
Infrastructure – Bridges	805,533	50,012	-	855,545
Infrastructure – Roads	<u>24,429,373</u>	<u>2,009,143</u>	<u>-</u>	<u>26,438,516</u>
Subtotal	<u>33,412,971</u>	<u>2,447,095</u>	<u>(61,359)</u>	<u>35,798,707</u>
<i>Less accumulated depreciation:</i>				
Building	(943,035)	(71,114)	-	(1,014,149)
Road Equipment	(3,994,025)	(417,528)	53,921	(4,357,632)
Shop Equipment	(69,385)	(8,280)	1,429	(76,236)
Office Equipment	(65,145)	(3,453)	-	(68,598)
Engineer's Equipment	(15,846)	-	-	(15,846)
Yard and Storage Equipment	(1,800)	-	-	(1,800)
Traffic Signals	(11,141)	(2,984)	-	(14,125)
Infrastructure – Bridges	(181,213)	(30,555)	-	(211,768)
Infrastructure – Roads	<u>(12,756,642)</u>	<u>(1,191,636)</u>	<u>-</u>	<u>(13,948,278)</u>
Subtotal	<u>(18,038,232)</u>	<u>(1,725,550)</u>	<u>55,350</u>	<u>(19,708,432)</u>
Net Capital Assets Being Depreciated	<u>15,374,739</u>	<u>721,545</u>	<u>(6,009)</u>	<u>16,090,275</u>
Total Net Capital Assets	<u>\$ 15,534,130</u>	<u>\$ 721,562</u>	<u>\$ (6,009)</u>	<u>\$ 16,249,683</u>

Depreciation expense was charged entirely to Public Works.

**NOTE 5 - CAPITAL ASSETS (Continued)**

A summary of changes in the Otsego County Ambulance Corporation's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 725,000	\$ -	\$ -	\$ 725,000
Other Equipment	392,388	-	-	392,388
Vehicles	<u>913,323</u>	<u>16,325</u>	<u>-</u>	<u>929,648</u>
Subtotal	<u>2,030,711</u>	<u>16,325</u>	<u>-</u>	<u>2,047,036</u>
<i>Less accumulated depreciation for:</i>				
Building	(261,000)	(29,000)	-	(290,000)
Other Equipment	(317,416)	(11,939)	-	(329,355)
Vehicles	<u>(705,502)</u>	<u>(100,659)</u>	<u>-</u>	<u>(806,161)</u>
Subtotal	<u>(1,283,918)</u>	<u>(141,598)</u>	<u>-</u>	<u>(1,425,516)</u>
Net Capital Assets Being Depreciated	<u>\$ 746,793</u>	<u>\$ (125,273)</u>	<u>\$ -</u>	<u>\$ 621,520</u>

Depreciation expense was charged entirely to Health and Welfare.

A summary of changes in the Otsego County University Center's capital assets are as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 12,908	\$ -	\$ -	\$ 12,908
Leasehold Improvements	24,854	-	-	24,854
Furniture and Fixtures	198,941	20,660	-	219,601
Data Handling Equipment	<u>427,249</u>	<u>27,027</u>	<u>-</u>	<u>454,276</u>
Subtotal	<u>663,952</u>	<u>47,687</u>	<u>-</u>	<u>711,639</u>
<i>Less accumulated depreciation for:</i>				
Buildings	(1,032)	(516)	-	(1,548)
Leasehold Improvements	(16,589)	(8,264)	-	(24,853)
Furniture and Fixtures	(128,628)	(35,070)	-	(163,698)
Data Handling Equipment	<u>(352,558)</u>	<u>(51,221)</u>	<u>-</u>	<u>(403,779)</u>
Subtotal	<u>(498,807)</u>	<u>(95,071)</u>	<u>-</u>	<u>(593,878)</u>
Net Capital Assets Being Depreciated	<u>\$ 165,145</u>	<u>\$ (47,384)</u>	<u>\$ -</u>	<u>\$ 117,761</u>

Depreciation expense was charged entirely to Recreation and Culture.

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County of Otsego, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS			
	Airport	General Fund	Public Improvement	Total
Component Units	\$ -	\$ 12,349	\$ -	\$ 12,349
Nonmajor Governmental Funds	<u>6,993</u>	<u>169,498</u>	<u>216,030</u>	<u>392,521</u>
Total	<u>\$ 6,993</u>	<u>\$ 181,847</u>	<u>\$ 216,030</u>	<u>\$ 404,870</u>

ADVANCES FROM OTHER FUNDS	ADVANCES TO OTHER FUNDS			
	General Fund	Public Improvement	Delinquent Tax Fund	Total
Public Transit	\$ -	\$ 26,704	\$ -	26,704
Ambulance Funds	<u>23,515</u>	<u>63,049</u>	<u>55,000</u>	<u>141,564</u>
Total	<u>\$ 23,515</u>	<u>\$ 89,753</u>	<u>\$ 55,000</u>	<u>\$ 168,268</u>

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

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Interfund Transfers

		TRANSFERS (OUT)						
TRANSFERS IN		General Fund	Housing Fund	Revenue Sharing Reserve	Nonmajor Governmental	Delinquent Tax	Component Units	Total
		General Fund	\$ -	\$ -	\$ 408,204	\$ 395,505	\$ 160,023	\$ -
	Nonmajor Government	1,030,256	250	-	-	-	827,763	1,858,269
	Delinquent Tax	75,000	-	-	-	-	-	75,000
	Nonmajor Proprietary	4,500	-	-	4,500	-	-	9,000
	Total	<u>\$ 1,109,756</u>	<u>\$ 250</u>	<u>\$ 408,204</u>	<u>\$ 400,005</u>	<u>\$ 160,023</u>	<u>\$ 827,763</u>	<u>\$ 2,906,001</u>

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

**NOTE 7 - LONG-TERM DEBT**

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

The long-term debt and other long-term obligations of the County's governmental funds, and the changes therein, may be summarized as follows:

	<u>Balance</u> <u>01/01/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/06</u>	<u>Due</u> <u>Within</u> <u>One Year</u>
<b>LONG-TERM DEBT</b>					
Otsego County Building Authority Series 1991 Bonds, (Alpine Center Project) maturing serially through 2012 in annual amounts ranging from \$15,000 to \$95,000 and at interest rates ranging from 7% to 9.5%.	\$ 515,000	\$ -	\$ 55,000	\$ 460,000	\$ 55,000
Otsego County Building Authority Series 1994-1 Bonds, maturing serially through 2014 in annual amounts ranging from \$20,000 to \$60,000 and at interest rates ranging from 4.1% to 6.3%.	405,000	-	30,000	375,000	35,000
Otsego County Building Authority Series 1995 Bonds, maturing serially through 2006 in annual amounts ranging from \$290,000 to \$565,000 and at interest rates ranging from 4.7% to 5.5%.	565,000	-	565,000	-	-
Otsego County Building Authority Series 2000 Bonds, maturing serially through 2020 in annual amounts ranging from \$75,000 to \$250,000 and at interest rates from 5% to 5.5%.	2,550,000	-	100,000	2,450,000	125,000
Vested Employee Benefits Payable	<u>123,822</u>	<u>-</u>	<u>4,840</u>	<u>118,982</u>	<u>-</u>
<b>Total Long-Term Debt</b>	<b><u>\$ 4,158,822</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 754,840</u></b>	<b><u>\$ 3,403,982</u></b>	<b><u>\$ 215,000</u></b>

NOTE 7 - LONG-TERM DEBT (Continued)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 215,000	\$ 178,603
2008	225,000	166,130
2009	245,000	152,455
2010	255,000	137,865
2011	285,000	122,158
2012-2016	1,160,000	392,274
2017-2020	900,000	102,357
Total	<u>\$ 3,285,000</u>	<u>\$ 1,251,842</u>

The long-term debt of the Road Commission is summarized as follows:

	<u>Balance</u>		<u>Balance</u>	<u>Due</u>
	<u>01/01/06</u>	<u>Increases</u>	<u>12/31/06</u>	<u>Within</u>
				<u>One Year</u>
General Obligation:				
Equipment Installment Loan	\$ 123,302	\$ 177,240	\$ 176,956	\$ 105,063
Compensated Absences (1)	<u>72,277</u>	<u>497</u>	<u>72,774</u>	<u>-</u>
Total	<u>\$ 195,579</u>	<u>\$ 177,737</u>	<u>\$ 249,730</u>	<u>\$ 105,063</u>

(1) The change in compensated absences is shown as a net addition.

The Road Commission entered into an installment loan with Fifth Third Bank for the purchase of three International trucks on July 6, 2004. The initial debt was \$228,073 with interest accruing at 2.92%. The equipment installment agreement requires 36 payments of \$6,624.60 per month with the final payment due on July 6, 2007.

The Road commission entered into an installment loan with First Federal of Northern Michigan for the purchase of two International 5500I plow trucks on March 1, 2006. The initial debt was \$177,240 with interest accruing at 4.29%. The equipment installment agreement requires 36 payments of \$5,256 per month with the final payment due on March 1, 2009.

<u>Annual Debt Service Requirements:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 105,063	\$ 4,446	\$ 109,509
2008	61,190	1,880	63,070
2009	<u>10,703</u>	<u>56</u>	<u>10,759</u>
Totals	<u>\$ 176,956</u>	<u>\$ 6,382</u>	<u>\$ 183,338</u>

**NOTE 8 - COMPENSATED ABSENCES**

Primary Government

Substantially all County employees are entitled to certain vacation and sick pay benefits that accrue and vest under various parameters. The amounts depend upon which labor contract the employee is subject to or upon which department or fund the employee is within. Accrued benefits for all governmental fund types are reported as long-term debt.

A summary of vested benefits payable at December 31, 2006 is as follows:

Vacation	\$	98,132
Sick Leave		<u>20,850</u>
TOTALS	\$	<u>118,982</u>

Vested Employee Benefits Payable – Bus System (Enterprise Fund)

Vacation leave is earned in varying amounts depending on the number of years of service of an employee and is made available on the anniversary date of the employee.

Sick leave is earned at the beginning of the calendar year at a rate of 52 1/2 or 56 hours per full-time employee per year. Any unused sick leave is paid to the employee on the closest pay period to Christmas. There is no carry over of sick leave hours allowed.

Upon termination, an employee receives payment for the balance of any unused vacation leave which begins to accrue on the employee's anniversary date. Employees can carry over a maximum of 40 hours of vacation leave to the next year. Unused sick leave is paid upon termination. Therefore, accumulated vacation and sick leave at September 30, 2006 will be paid from current financial resources and is not recorded as long-term liability.

Road Commission – Component Unit

Substantially all employees of the Road Commission can accumulate vacation hours. The accumulated hours at December 31, 2006 at current wage rates amounted to \$72,774 and is reflected in the Long-Term Debt. Sick leave is not vested and accordingly is not accrued.

**NOTE 9 - OPERATING LEASES**

Primary Government Operating Leases

Commission on Aging – The Commission on Aging has an operating lease with Ricoh for the use of a copier. The Monthly payment is \$388, with the lease agreement effective through April, 2008. Additionally, the Commission has an operating lease with Pitney Bowes for a mailing system. The quarterly payment is \$174, effective through March 2009. Future lease obligations for the copier are as follows:

<u>Year Ending September 30</u>	<u>Copier</u>	<u>Mailing System</u>
2007	\$ 4,656	\$ 696
2008	4,656	696
2009	1,164	348

The Commission on Aging entered into a sublease with Northwest Michigan Community Health Agency to rent the space commonly known as “Otsego Haus.” The sublease terms beginning January 1, 2001 calls for monthly payments of \$1,620 or \$19,440 annually, and is renewable on a month to month basis.

The Commission on Aging leases office and activity space from Alpine Alten Zimmer. The rent payment totals \$10,200 per year, and is renewable annually.

The Commission on Aging leases the Elkland Senior Center for both programmatic and social events. The rent payments total \$6,600 per year, and is renewable annually.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS**

Primary Government

Description of Plan and Plan Assets

The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees’ Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement and service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement for General Non-Union, Sheriff Non-Union, General-Local 1534 and Elected Officials is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The service requirement for General-Local 214 is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% of (FAC), with a maximum benefit of 80% of FAC. The service requirement for Elected and Appointed Supervisors, 46th Trial Court and the Sheriff-Union is computed using credited service at the time of termination of membership multiplied by the sum of 2.5% of (FAC), with a maximum benefit of 80% of FAC. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2005.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

MERS was organized pursuant to Section 12a of Public Act 156 of 1851; MCL 46.12 (a), as amended, State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

Funding Policy

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

Annual Pension Cost

During the calendar year ended December 31, 2006, the County's contributions totaled \$727,328 and the employee contributions totaled \$0; these contributions are made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2004, and personnel agreement. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his project benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% plus a percentage based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three year trend information as of December 31st is as follows:

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 8,862,940	\$ 9,846,623	\$ 10,723,733
Actuarial Accrued Liability	13,282,225	14,272,389	15,402,046
Unfunded AAL	4,419,285	4,425,766	4,678,313
Funded Ratio	67%	69%	70%
Covered Payroll	5,579,432	5,370,888	5,323,075
UAAL as a Percentage of Covered Payroll	79%	82%	88%

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 680,432	100%	0
2004	726,048	100%	0
2005	833,027	100%	0

Road Commission – Component Unit

Description of Plan and Plan Assets

The Otsego County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employee’s Retirement System (MERS). The plan covers substantially all full-time employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401 (a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the payers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report available to the public that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 49817.

All full-time Road Commission employees and Commissioners are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 60 with 10 years credited service are entitled to an annual retirement benefit, payable monthly for life in an amount equal to 2.0 percent of the member’s five-year final average compensation. The system also provides death and disability benefits which are established by State Statute.

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Contributions Required and Contributions Made

MERS funding policy provide for periodic employer contributions are actuarially determined rates that, expressed as percentage of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 2005. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%, (b) projected salary increase of 4.5% per year compounded annually, attributable to inflation, and on age, attributable to seniority/merit.

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method used to determine the entries at disclosure.

GABS 25 INFORMATION (as of 12/31/05)

Actuarial Accrued Liability:

Retirees and beneficiaries currently receiving benefits	\$ 3,233,801
Terminated employees not yet receiving benefits	71,892
Current Employees:	
Accumulated employees contributions including allocated investment income	71,443
Employer financed	<u>4,045,635</u>
Total actuarial accrued liability	7,422,771
Net assets available for benefits, at actuarial value (Market value is \$5,774,850)	<u>5,931,141</u>
Unfunded (over funded) actuarial accrued liability	<u>\$ 1,491,630</u>

**NOTE 10 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

GABS 27 INFORMATION (as of 12/31/05)

Fiscal year beginning	January 1, 2007
Annual required contribution (ARC)	\$ 215,640
Amortization factor used	0.053632

Annual Pension Cost

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2003	\$ 195,468	100%	0
2004	216,904	100%	0
2005	215,640	100%	0

The Road Commission was required to contribute \$220,284 for the year ended December 31, 2006. Payments were based on contribution calculation made by MERS.

Aggregated Accrued Liabilities – Comparative Schedule

	<u>2003</u>	<u>2004</u>	<u>2005</u>
Actuarial Value of Assets	\$ 5,493,694	\$ 5,706,795	\$ 5,931,141
Actuarial Accrued Liability	6,783,459	7,209,588	7,422,771
Unfunded AAL	1,289,765	1,502,793	1,491,630
Funded Ratio	81%	79%	80%
Covered Payroll	1,568,776	1,639,489	1,637,342
UAAL as a Percentage of Covered Payroll	82%	92%	91%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations.

**NOTE 11 - POST EMPLOYMENT BENEFITS**

Primary Government

Retiree Health Coverage Summary as of Plan Year 2006

MERS Division	Pre 65	Post 65
1 - Non Union	Access only for retiree and spouse if covered at time of retirement - must pay illustrated rate	County pays 95% of illustrated rate for retiree only, retiree pays 5%. If spouse was covered at time of retirement and continued to pay illustrative rate until age 65, they can continue coverage with payment of illustrated rate.
10 - Teamsters Bus	Access only - must pay illustrative rate	Access only - must pay illustrative rate
10 - Teamsters Clerical	Access only - retiree only - must pay illustrative rate *Would transfer to surviving spouse upon death of the employee if the retiree elects the death after retirement surviving spouse benefit	County pays 95% of illustrated rates for retiree only, retiree pays 5%. *Would transfer to surviving spouse upon death of the employee if the retiree elects the death after retirement surviving spouse benefit
11 - AFSCME	Access only - retiree only - must pay illustrative rate *Would transfer to surviving spouse upon death of the employee if the retiree elects the death after retirement surviving spouse benefit	County pays illustrated rate for retiree only. *Would transfer to surviving spouse upon death of the employee if the retiree elects the death after retirement surviving spouse benefit
13 - Department Heads/Elected Officials	Access only for retiree and spouse if covered at time of retirement - must pay illustrated rate. The County will pay \$250.00 towards the monthly illustrated rate from age 62-65 for a maximum of 3 years for department heads.	County pays 95% illustrated rates for retiree only, retiree pays 5%. If spouse was covered at time of retirement and continued to pay illustrative rate until age 65, they can continue coverage with payment of illustrated rate.
20 - Sheriff Union	Access only for retiree and spouse if covered at time of retirement - must pay illustrated rate. The County will pay \$250.00 towards the monthly illustrated rate until the retiree becomes Medicare eligible.	None

\*\*Retirees are only eligible for our retiree healthcare if they retire from the county under our MERS provisions and are enrolled in our health plan at time of retirement. If they drop coverage for any reason after retirement they can not be reinstated.

\*\*All eligible retirees move into the retiree suffix which covers medical and rx only. Dental and vision coverage is not offered in the retiree suffix.

\*\*Retiree coverage levels are evaluated annually. For 2007, Pre-65: BCBS PPO3, Pharmacare \$15/35/55, Post-65: BCBS Supplemental, Pharmacare \$15/35/55

During 2006 23 retirees were eligible for post-employment health care benefits at a cost of \$106,414.

**NOTE 11 - POST EMPLOYMENT BENEFITS (Continued)**

Component Unit

In addition to the pension benefits described in Note 10, the County Road Commission provides post retirement health care benefits, payment of Blue Cross health premiums on a pay as you go basis, to 25 people who have retired from the Road Commission. The premiums for the retirees amounted to \$246,764 for the year ended December 31, 2006.

**NOTE 12 - DEFERRED COMPENSATION PLAN**

Primary Government

Otsego County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract describe in IRC Section 457(g) for the exclusive benefit for the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Nationwide Retirement Solutions) is an agent of the employer. The Administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with provisions of GASB Statement No. 32, plan balances and activities are not reflected in the County's financial statements.

Commission on Aging

The Otsego County Commission on Aging offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current earnings until the employee's termination, retirement, death, or unforeseeable emergency.

The Commission's liability to each participant is equal to the participant's deferred compensation adjusted by an amount equal to the investment performance in a related assets account. Investments are managed by a trustee, and investment decisions are made by individual employees. The Commission, through Otsego County, provides the duty of due care that would be required of an ordinary prudent investor.

The plan assets totaled \$254,113 as of September 30, 2006.

Component Unit – Road Commission

The Otsego County Road Commission offers it employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all Road Commission employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency.

**NOTE 12 - DEFERRED COMPENSATION PLAN (Continued)**

In the past, the Road Commission was custodian of the assets of the plan and therefore recorded the plan's activity in a trust fund in accordance with Statement No. 2 of the Government Accounting Standards Board (GASB). With the implementation of GASB Statement No. 32 and the Road Commission transferring custodianship of the plan to an independent party, balances for the deferred compensation plan are no longer reported in the financial statements.

Component Unit – Sportsplex

The Otsego County Sportsplex offers its employees a Saving Incentive Match Plan for Employees (SIMPLE plan) Individual Retirement Account (IRA) in accordance with IRC Section 408(p). The plan, available to Sportsplex employees earning at least \$5,000 in annual compensation, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death, or unforeseeable emergency. The employer matches employee contributions up to 3% of the employees elected salary contribution.

**NOTE 13 - RISK MANAGEMENT/SELF-INSURANCE PROGRAMS**

Primary Government

The County is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and commercial insurance and excess coverage policies. The following is a summary of these self-insurance programs and risk management pool participation.

The County participates in the Michigan Municipal Risk Management Authority (MMRMA) for general and automobile liability, motor vehicle physical damage, and property damage coverages. The MMRMA was established in January 1980, pursuant to laws of the State of Michigan, which authorize local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the Authority is to provide cooperative and comprehensive risk financing and risk control services. The MMRMA provides risk management, underwriting, reinsurance and claim review and processing services for all member governments pursuant to its charter.

The government makes annual contributions to MMRMA based on actuarial studies using historical data and insurance industry statistics. These contributions are paid from the general fund using premiums paid into it by other funds of the government. Such contributions are received by MMRMA are allocated between its general and member retention funds. Economic resources in the MMRMA's general fund are expended for reinsurance coverage, claim payments and certain general and administrative costs, whereas resources in the member retention fund are used for loss payments and defense costs up to the members' self-insurance retention limits along with certain other member-specific costs.

**NOTE 13 - RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (Continued)**

Accordingly, because contributions to the member retention fund are essentially recognized as revenue by MMRMA to the extent of expenditures, the government records an asset and a related liability, equal to the loss reserves estimated by MMRMA, for its portion of the unexpended member retention fund in the Michigan Municipal Risk Agency Fund. At December 31, 2006, the balance of the County's member retention was \$105,955.

<u>Coverage</u>	<u>Self-Insured Retention</u>
Liability	\$75,000
Vehicle Physical Damage \$1,000 Member Deductible	\$15,000 Per Vehicle \$30,000 Per Occurrence
Property and Crime \$1,000 Deductible Per Occurrence	10% of the Next \$100,000
Employee Benefits	Commercial Insurance Provider

Workers' Compensation

The County is a member of the Michigan Counties Workers' Compensation Fund. Full statutory coverage for workers' disability compensation and employers' liability is guaranteed by the fund for Michigan operations through authority granted by the State of Michigan under Chapter 6, Section 418.611, Paragraph (2) of the Workers' Disability Compensation Act of 1969, as amended.

At December 31, 2006 there were no claims that exceeded insurance coverage. The County had no significant reduction in insurance coverage from previous years.

Bus System – The Bus System is included in the County's insurance policies.

Commission on Aging – The Commission on Aging has insurance coverage provided by independent insurance companies for property, general liability, fire, workers' compensation and employee bond coverage. The Commission on Aging liability is normally limited to the deductible.

Component Unit – Road Commission

Otsego County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool (Pool) established pursuant to the laws of the State of Michigan, which authorizes contracts between municipal corporations (interlocal agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

**NOTE 13 - RISK MANAGEMENT/SELF-INSURANCE PROGRAMS (Continued)**

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protections, claims administration and risk management, and loss control services pursuant to Public Act 138 of 1982.

The Otsego County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability and bodily injury, property damage and personal injury liability. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance to the limits determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation and is a member of the County Road Association Self-Insurance Fund.

At December 31, 2006, there were no claims that exceeded insurance coverage. The Road Commission did not have any significant reduction in insurance coverage from previous years.

Component Unit – Ambulance Corporation

The Ambulance Corporation is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Ambulance's general liability, property, and vehicle insurance is included in the County's plan. Additional vehicle insurance, health insurance, and workers' compensation is obtained through commercial insurance providers.

At December 31, 2006, there were no claims that exceeded insurance coverage. The Ambulance Corporation had no significant reduction in insurance coverage from previous years.

Component Unit – Sportsplex

The Sportsplex is exposed to risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Sportsplex's general liability and property insurance is included in the County's plan. Health insurance and workers' compensation is obtained through commercial insurance providers. At December 31, 2006, there were no claims that exceeded insurance coverage. The Sportsplex had no significant reduction in insurance coverage from previous years.

**NOTE 14 - CONTINGENT LIABILITIES**

The County has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2006.

Litigation – On November 19, 2002, the 46th Circuit Trial Court filed suit against Crawford and Kalkaska County, with Otsego County later being named as third-party defendant. In July of 2006, the Michigan State Supreme Court ruled in favor of Crawford and Kalkaska and remanded the case back to the Appeals Court to reconsider the responsibility of funding the Trial Court’s legal fees. The immediate outstanding liability to Otsego County will be the amount of attorney fees awarded to those representing the court through this litigation. It is believed that the gross amount of fees that have accumulated since the beginning is between \$1.5 and \$2 million; however, the portion attributable to Otsego County has not been determined.

**NOTE 15 - STATE EQUIPMENT PURCHASE ADVANCE**

Component Unit – Road Commission

State equipment purchase advance is determined by a formula applied to the book value of equipment of the previous fiscal year. This amount is adjusted each fiscal year in accordance with the formula and would be refunded to the State Department of Transportation upon termination of the State Highway Maintenance Contract.

**NOTE 16 - LEASES – COMPONENT UNIT**

Capital Leases – The County leases three ambulances and equipment under capital leases with yearly lease payments of \$76,800, including an interest rate of 1% to 6%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

The future minimum lease obligations and the net present values are as follows:

2007	\$	63,810
2008		31,425
2009		<u>1,305</u>
Total minimum lease payments		96,540
Less amount representing interest		<u>(8,799)</u>
Present value of minimum lease payment	\$	<u>87,741</u>

**NOTE 17 - DEFICIT FUND EQUITY BALANCES:**

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

Courthouse Restoration	\$	342,521
Jail Study		6,657

The County plans to recover these deficits with future fee increases and transfers from governmental funds.

**NOTE 18 - PRIOR PERIOD ADJUSTMENT:**

Transfers from court restoration building to the public improvement in the amount of \$338,996 were not recorded in prior years. The prior period adjustment will affect the beginning fund balances of those funds as follows:

	<u>Public Improvements</u>	<u>Court Restoration Building</u>
Beginning Balance	\$ 1,078,344	\$ (60,969)
Prior Period Adjustment	<u>338,996</u>	<u>(338,996)</u>
Restricted Beginning Fund Balance	<u>\$ 1,413,340</u>	<u>(399,965)</u>

THIS PAGE LEFT BLANK INTENTIONALLY

## **Required Supplementary Information**

---

# County of Otsego, Michigan

## Required Supplementary Information Budgetary Comparison Schedule General Fund For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUES:</b>				
Taxes and Penalties	\$ 4,500,804	\$ 4,500,804	\$ 4,630,702	\$ 129,898
Licenses and Permits	43,300	38,800	38,742	(58)
Federal Grants	316,542	505,768	668,867	163,099
State Grants	995,812	1,113,533	962,776	(150,757)
Local Contributions	2,115,819	2,225,651	1,708,366	(517,285)
Charges for Services	1,181,080	1,172,780	1,105,875	(66,905)
Fines & Forfeits	24,400	24,400	23,325	(1,075)
Interest & Rentals	60,000	60,000	76,476	16,476
Other Revenues	98,863	73,837	206,138	132,301
<b>TOTAL REVENUES</b>	<b>9,336,620</b>	<b>9,715,573</b>	<b>9,421,267</b>	<b>(294,306)</b>
<b>EXPENDITURES:</b>				
Legislative:				
Board of Commissioners	208,166	208,166	194,014	14,152
Judicial:				
46th Trial Court	2,705,666	2,152,116	1,994,872	157,244
Circuit Court	252,216	653,266	643,095	10,171
District Court	-	26,000	25,160	840
Court Grants	54,956	54,956	42,568	12,388
Friend of the Court	839,700	949,700	973,881	(24,181)
Jury Commission	11,100	11,100	5,720	5,380
Probate Court	327,003	331,835	288,582	43,253
Family Counseling	1,092	6,592	6,556	36
<b>Total judicial</b>	<b>4,191,733</b>	<b>4,185,565</b>	<b>3,980,434</b>	<b>205,131</b>
General Government:				
Administrative Services	238,359	238,359	238,359	-
Building & Grounds	330,568	354,592	353,366	1,226
Clerk and Register of Deeds	325,953	325,953	317,556	8,397
Audit Services	45,000	45,000	40,000	5,000
IT Department	77,260	70,810	55,793	15,017
Equalization	244,478	248,478	235,649	12,829
Treasurer	136,942	136,942	128,666	8,276
Cooperative Extension	84,281	85,781	68,341	17,440
Elections	26,300	39,428	37,247	2,181
Prosecuting Attorney	513,247	522,319	516,706	5,613
Surveyor	200	200	-	200
Soil Conservation	4,000	4,000	-	4,000
Survey and Remonumentation	30,000	55,448	55,448	-
<b>Total general government</b>	<b>2,056,588</b>	<b>2,127,310</b>	<b>2,047,131</b>	<b>80,179</b>
Public Safety:				
Sheriff	815,453	815,453	790,597	24,856
Civil Division	52,973	52,973	36,496	16,477
SANE	10,000	10,000	10,000	-
Justice Training	6,200	6,200	3,592	2,608
Marine Safety	-	12,235	3,674	8,561
Motorcycle Safety Education	40,918	64,844	57,993	6,851
Secondary Road Patrol	71,220	71,220	46,854	24,366
Jail	892,218	924,658	901,477	23,181
Emergency Services	52,333	74,897	68,448	6,449
<b>Total public safety</b>	<b>1,941,315</b>	<b>2,032,480</b>	<b>1,919,131</b>	<b>113,349</b>

Required Supplementary Information  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Works:				
Drains	2,500	3,250	3,250	-
Total public works	2,500	3,250	3,250	-
Health And Welfare:				
Communicable Diseases	500	500	500	-
Medical Examiner	80,280	81,780	81,773	7
District Health	176,248	176,248	176,248	-
Mental Health	94,003	94,003	94,003	-
Veterans' Burial	8,000	8,000	6,740	1,260
Veterans' Affairs	24,584	23,110	20,476	2,634
Substance Abuse	67,766	83,742	83,656	86
Total health and welfare	451,381	467,383	463,396	3,987
Community and Economic Development:				
Planning and Zoning	97,965	56,804	52,203	4,601
Link Michigan	1,000	1,000	1,000	-
Total community and economic development	98,965	57,804	53,203	4,601
Other Expenditures:				
Appropriations	-	100	165	(65)
Bonds and Insurance	444,150	265,658	265,494	164
Retiree Insurance	125,000	125,000	94,093	30,907
Other	127,600	46,218	44,953	1,265
Total other expenditures	696,750	436,976	404,705	32,271
TOTAL EXPENDITURES	9,647,398	9,518,934	9,065,264	453,670
EXCESS OF REVENUES OVER EXPENDITURES	(310,778)	196,639	356,003	159,364
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	810,778	913,117	963,732	50,615
Operating Transfers Out	(500,000)	(1,109,756)	(1,109,756)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	209,979	<u>\$ 209,979</u>
FUND BALANCES, JANUARY 1			245,646	
FUND BALANCES, DECEMBER 31			<u>\$ 455,625</u>	

**County of Otsego, Michigan**

**Required Supplementary Information  
Budgetary Comparison Schedule  
M-TEC Fund  
For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 692,970	\$ 725,000	\$ 712,491	\$ (12,509)
TOTAL REVENUES	<u>692,970</u>	<u>725,000</u>	<u>712,491</u>	<u>(12,509)</u>
EXPENDITURES:				
Community/Economic Development	692,970	725,000	724,222	778
TOTAL EXPENDITURES	<u>692,970</u>	<u>725,000</u>	<u>724,222</u>	<u>778</u>
EXCESS OF REVENUES (EXPENDITURES)	<u>\$ -</u>	<u>\$ -</u>	(11,731)	<u>\$ (11,731)</u>
FUND BALANCE, JANUARY 1			<u>11,774</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 43</u>	

Required Supplementary Information  
 Budgetary Comparison Schedule  
 Housing Commission Fund  
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Federal Sources	\$ -	\$ -	\$ 61,670	\$ 61,670
State Sources	192,500	192,500	-	(192,500)
Local Sources	80,000	59,577	38,526	(21,051)
Interest and Rentals	7,000	6,712	12,478	5,766
Other Revenues	67,086	102,770	115,763	12,993
<b>TOTAL REVENUES</b>	<u>346,586</u>	<u>361,559</u>	<u>228,437</u>	<u>(133,122)</u>
<b>EXPENDITURES:</b>				
Community and Economic Development	285,779	501,083	385,919	115,164
<b>TOTAL EXPENDITURES</b>	<u>285,779</u>	<u>501,083</u>	<u>385,919</u>	<u>115,164</u>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<u>60,807</u>	<u>(139,524)</u>	<u>(157,482)</u>	<u>(17,958)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In	105,465	309,512	-	(309,512)
Operating Transfers Out	(77,665)	(327,955)	(250)	327,705
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<u>\$ 88,607</u>	<u>\$ (157,967)</u>	<u>(157,732)</u>	<u>\$ 235</u>
<b>FUND BALANCE, JANUARY 1</b>			<u>292,443</u>	
<b>FUND BALANCE, DECEMBER 31</b>			<u>\$ 134,711</u>	

Required Supplementary Information  
 Budgetary Comparison Schedule  
 Revenue Sharing Reserve Fund  
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,462,159	\$ 1,462,159	\$ 1,462,159	\$ -
Interest & Rentals	-	-	60,589	60,589
<b>TOTAL REVENUES</b>	<u>1,462,159</u>	<u>1,462,159</u>	<u>1,522,748</u>	<u>60,589</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(407,809)	(408,204)	(408,204)	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER OTHER FINANCING USES</b>	<u>\$ 1,054,350</u>	<u>\$ 1,053,955</u>	1,114,544	<u>\$ 60,589</u>
FUND BALANCE, JANUARY 1			<u>2,281,600</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 3,396,144</u>	

County of Otsego, Michigan

Required Supplementary Information  
 Budgetary Comparison Schedule  
 Public Improvement Fund  
 For the Year Ended December 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Interest and Rentals	\$ 50,000	\$ 50,000	\$ 52,913	\$ 2,913
Other Revenues	-	70,000	75,932	5,932
<b>TOTAL REVENUES</b>	<b>50,000</b>	<b>120,000</b>	<b>128,845</b>	<b>8,845</b>
EXPENDITURES:				
Capital Outlay	-	105,710	105,700	10
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>105,710</b>	<b>105,700</b>	<b>10</b>
<b>EXCESS OF REVENUES (EXPENDITURES)</b>	<b>50,000</b>	<b>14,290</b>	<b>23,145</b>	<b>8,855</b>
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	35,000	35,000	-	(35,000)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 85,000</b>	<b>\$ 49,290</b>	<b>23,145</b>	<b>\$ (26,145)</b>
FUND BALANCE, JANUARY 1			1,078,344	
Prior Period Adjustment			338,996	
<b>FUND BALANCE, DECEMBER 31</b>			<b>\$ 1,440,485</b>	

## **Other Supplementary Information**

---

	Special Revenue Funds							
	Parks & Recreation	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Gypsy Moth Control	Building Department	Register of Deeds Automation Fund	Budget Stabilization Fund
<b>ASSETS:</b>								
Cash and Equivalents	\$ 51,846	\$ 21,846	\$ 267,545	\$ 19,511	\$ 19,145	\$ 171,184	\$ 39,869	\$ 6,781
Investments	99,229	-	-	-	145,682	-	-	300,000
Taxes Receivable	289,527	-	347,432	-	-	-	-	-
Accounts Receivable	-	-	-	-	-	1,123	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	82,633	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 440,602</b>	<b>\$ 104,479</b>	<b>\$ 614,977</b>	<b>\$ 19,511</b>	<b>\$ 164,827</b>	<b>\$ 172,307</b>	<b>\$ 39,869</b>	<b>\$ 306,781</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	2,445	2,693	4,178	-	-	4,878	-	-
Due to Other Governmental Units	-	47,838	-	-	-	-	-	-
Accrued Liabilities	2,786	596	1,975	-	-	5,289	-	-
Advances from State	-	-	-	-	-	-	-	-
Deferred Revenues	289,527	-	347,432	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>294,758</b>	<b>51,127</b>	<b>353,585</b>	<b>-</b>	<b>-</b>	<b>10,167</b>	<b>-</b>	<b>-</b>
<b>FUND EQUITY:</b>								
Fund Balances:								
Reserved for inventory	-	-	-	-	-	-	-	-
Reserved for Schneider Trust	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-
Reserved for Capital Expenditures	-	-	-	-	-	-	-	-
Unreserved-								
Designated	-	-	-	-	-	-	-	-
Undesignated	145,844	53,352	261,392	19,511	164,827	162,140	39,869	306,781
<b>TOTAL FUND EQUITY</b>	<b>145,844</b>	<b>53,352</b>	<b>261,392</b>	<b>19,511</b>	<b>164,827</b>	<b>162,140</b>	<b>39,869</b>	<b>306,781</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 440,602</b>	<b>\$ 104,479</b>	<b>\$ 614,977</b>	<b>\$ 19,511</b>	<b>\$ 164,827</b>	<b>\$ 172,307</b>	<b>\$ 39,869</b>	<b>\$ 306,781</b>

	Special Revenue Funds							
	Legal Defense	Emergency 911 Funds	Local Officers Training	Drug Law Enforcement Fund	Law Library	Library	Department of Human Services	Child Care Probate
<b>ASSETS:</b>								
Cash and Equivalents	\$ 45,400	\$ 120,949	\$ 11,017	\$ 395	\$ 8,907	\$ 212,744	\$ 56,985	\$ 127,193
Investments	-	236,426	-	-	-	473,163	-	-
Taxes Receivable	-	-	-	-	-	405,338	-	-
Accounts Receivable	-	26,453	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-
Due from Other Governmental Units	-	27,397	-	-	-	-	-	38,518
Inventory	-	-	-	-	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 45,400</b>	<b>\$ 411,225</b>	<b>\$ 11,017</b>	<b>\$ 395</b>	<b>\$ 8,907</b>	<b>\$ 1,091,245</b>	<b>\$ 56,985</b>	<b>\$ 165,711</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	13,186	23,928	343	-	343	28,278	-	-
Due to Other Governmental Units	-	-	-	-	-	-	3,000	39,240
Accrued Liabilities	-	4,513	-	-	-	-	-	-
Advances from State	-	-	-	-	-	-	50,000	-
Deferred Revenues	-	-	-	-	-	405,337	-	-
<b>TOTAL LIABILITIES</b>	<b>13,186</b>	<b>28,441</b>	<b>343</b>	<b>-</b>	<b>343</b>	<b>433,615</b>	<b>53,000</b>	<b>39,240</b>
<b>FUND EQUITY:</b>								
Fund Balances:								
Reserved for Inventory	-	-	-	-	-	-	-	-
Reserved for Schneider Trust	-	-	-	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	-
Reserved for Capital Expenditures	-	-	-	-	-	-	-	-
Unreserved-								
Designated	-	-	-	-	-	-	-	-
Undesignated	32,214	382,784	10,674	395	8,564	657,630	3,985	126,471
<b>TOTAL FUND EQUITY</b>	<b>32,214</b>	<b>382,784</b>	<b>10,674</b>	<b>395</b>	<b>8,564</b>	<b>657,630</b>	<b>3,985</b>	<b>126,471</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 45,400</b>	<b>\$ 411,225</b>	<b>\$ 11,017</b>	<b>\$ 395</b>	<b>\$ 8,907</b>	<b>\$ 1,091,245</b>	<b>\$ 56,985</b>	<b>\$ 165,711</b>

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006

	Special Revenue Funds							Debt Service Fund
	Soldiers and Sailors Relief	Veteran's Trust	Commission on Aging 9/30/2006	Airport	Bradford Lake	Equipment Revolving	Jail Study	Debt Service
<b>ASSETS:</b>								
Cash and Equivalents	\$ 9,821	\$ 520	\$ 363,824	\$ 47,528	\$ 19,351	\$ 33,713	\$ 43,343	\$ 92,707
Investments	-	-	-	-	-	-	-	-
Taxes Receivable	-	-	-	-	-	-	-	-
Accounts Receivable	-	-	9,110	11,380	-	-	-	-
Due from Other Funds	-	-	-	6,993	-	-	-	-
Due from Other Governmental Units	-	-	-	-	-	54	-	19,484
Inventory	-	-	796	34,412	-	-	-	-
Prepaid Expenditures	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 9,821</b>	<b>\$ 520</b>	<b>\$ 373,730</b>	<b>\$ 100,313</b>	<b>\$ 19,351</b>	<b>\$ 33,767</b>	<b>\$ 43,343</b>	<b>\$ 112,191</b>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -
Accounts Payable	23	-	-	5,815	-	6,956	-	-
Due to Other Governmental Units	-	-	-	-	-	-	-	-
Accrued Liabilities	-	-	32,365	8,506	-	-	-	-
Advances from State	-	-	-	-	-	-	-	-
Deferred Revenues	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>23</b>	<b>-</b>	<b>32,365</b>	<b>14,321</b>	<b>-</b>	<b>6,956</b>	<b>50,000</b>	<b>-</b>
<b>FUND EQUITY:</b>								
Fund Balances:								
Reserved for Inventory	-	-	796	34,412	-	-	-	-
Reserved for Schneider Trust	-	-	50,860	-	-	-	-	-
Reserved for Debt Service	-	-	-	-	-	-	-	112,191
Reserved for Capital Expenditures	-	-	-	-	-	-	-	-
Unreserved-								
Designated	-	-	10,000	-	-	-	-	-
Undesignated	9,798	520	279,709	51,580	19,351	26,811	(6,657)	-
<b>TOTAL FUND EQUITY</b>	<b>9,798</b>	<b>520</b>	<b>341,365</b>	<b>85,992</b>	<b>19,351</b>	<b>26,811</b>	<b>(6,657)</b>	<b>112,191</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 9,821</b>	<b>\$ 520</b>	<b>\$ 373,730</b>	<b>\$ 100,313</b>	<b>\$ 19,351</b>	<b>\$ 33,767</b>	<b>\$ 43,343</b>	<b>\$ 112,191</b>

Capital Project Funds							
	MUNIS Information System	Animal Control Shelter Building	Library Building	Airport Construction	Court Restoration Building	Capital Projects	Total
<b>ASSETS:</b>							
Cash and Equivalents	\$ 14,638	\$ 45,522	\$ 47,512	\$ 11,354	\$ -	\$ 500,000	\$ 2,411,150
Investments	-	-	192,968	87,733	-	-	1,535,201
Taxes Receivable	-	-	-	-	-	-	1,042,297
Accounts Receivable	-	-	-	-	-	-	48,066
Due from Other Funds	-	-	-	-	-	-	6,993
Due from Other Governmental Units	-	-	-	-	-	-	168,086
Inventory	-	-	-	-	-	-	35,208
Prepaid Expenditures	-	-	-	5,398	-	-	5,398
<b>TOTAL ASSETS</b>	<b>\$ 14,638</b>	<b>\$ 45,522</b>	<b>\$ 240,480</b>	<b>\$ 104,485</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ 5,252,399</b>
<b>LIABILITIES:</b>							
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 342,521	\$ -	\$ 392,521
Accounts Payable	-	-	-	1,160	-	-	94,226
Due to Other Governmental Units	-	-	-	-	-	-	90,078
Accrued Liabilities	-	-	-	-	-	-	56,030
Advances from State	-	-	-	-	-	-	50,000
Deferred Revenues	-	-	-	-	-	-	1,042,296
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,160</b>	<b>342,521</b>	<b>-</b>	<b>1,725,151</b>
<b>FUND EQUITY:</b>							
Fund Balances:							
Reserved for Inventory	-	-	-	-	-	-	35,208
Reserved for Schneider Trust	-	-	-	-	-	-	50,860
Reserved for Debt Service	-	-	-	-	-	-	112,191
Reserved for Capital Expenditures	14,638	45,522	240,480	103,325	-	500,000	903,965
Unreserved-							
Designated	-	-	-	-	-	-	10,000
Undesignated	-	-	-	-	(342,521)	-	2,415,024
<b>TOTAL FUND EQUITY</b>	<b>14,638</b>	<b>45,522</b>	<b>240,480</b>	<b>103,325</b>	<b>(342,521)</b>	<b>500,000</b>	<b>3,527,248</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 14,638</b>	<b>\$ 45,522</b>	<b>\$ 240,480</b>	<b>\$ 104,485</b>	<b>\$ -</b>	<b>\$ 500,000</b>	<b>\$ 5,252,399</b>

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2006

	Special Revenue Funds							
	Parks & Recreation	Friend of the Court	Animal Control	Animal Control Forfeited Funds	Gypsy Moth Control	Building Department	Register of Deeds Automation Fund	Budget Stabilization Fund
REVENUES:								
Taxes	\$ 271,764	\$ -	\$ 331,352	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	88,698	-	-	-	-	-	-
State Grants	-	-	-	-	-	-	-	-
Local Contributions	-	60,933	-	-	-	-	-	-
Charges for Services	169,425	8,472	58,630	-	-	466,557	48,753	-
Fines & Forfeits	-	-	-	-	-	-	-	-
Interest & Rentals	9,123	-	15,391	-	6,934	5,975	1,196	6,781
Other Revenues	18,980	-	17,773	1,415	-	13,163	-	-
<b>TOTAL REVENUES</b>	<b>469,292</b>	<b>158,103</b>	<b>423,146</b>	<b>1,415</b>	<b>6,934</b>	<b>485,695</b>	<b>49,949</b>	<b>6,781</b>
EXPENDITURES:								
Judicial	-	152,054	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	293,305	59	-	549,025	52,354	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	-	-
Recreation and Culture	447,311	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>447,311</b>	<b>152,054</b>	<b>293,305</b>	<b>59</b>	<b>-</b>	<b>549,025</b>	<b>52,354</b>	<b>-</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	21,981	6,049	129,841	1,356	6,934	(63,330)	(2,405)	6,781
OTHER FINANCING SOURCES (USES):								
Operating Transfers In	-	-	-	-	-	-	-	-
Operating Transfers Out	-	-	-	-	-	(4,500)	-	(251,254)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	21,981	6,049	129,841	1,356	6,934	(67,830)	(2,405)	(244,473)
FUND BALANCES (DEFICIT), JANUARY 1	123,863	47,303	131,551	18,155	157,893	229,970	42,274	551,254
PRIOR PERIOD ADJUSTMENT	-	-	-	-	-	-	-	-
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 145,844</b>	<b>\$ 53,352</b>	<b>\$ 261,392</b>	<b>\$ 19,511</b>	<b>\$ 164,827</b>	<b>\$ 162,140</b>	<b>\$ 39,869</b>	<b>\$ 306,781</b>

# County of Otsego, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds							
	Legal Defense	Emergency 911 Funds	Local Officers Training	Drug Law Enforcement Fund	Law Library	Library	Department of Human Services	Child Care Probate
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 440,473	\$ -	\$ -
Federal Grants	-	-	-	-	-	-	-	-
State Grants	-	5,190	-	-	-	28,661	299,901	254,534
Local Contributions	-	-	-	-	-	-	-	-
Charges for Services	-	514,495	5,516	-	-	27,366	-	53,757
Fines & Forfeits	-	-	-	-	3,500	194,298	-	-
Interest & Rentals	-	12,913	-	-	-	32,657	325	-
Other Revenues	-	44,769	-	1,001	-	16,396	-	42,306
<b>TOTAL REVENUES</b>	<b>-</b>	<b>577,367</b>	<b>5,516</b>	<b>1,001</b>	<b>3,500</b>	<b>739,851</b>	<b>300,226</b>	<b>350,597</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	-	6,801	-	-	-
General Government	116,933	-	-	-	-	-	-	-
Public Safety	-	541,778	343	4,823	-	-	-	-
Public Works	-	-	-	-	-	-	-	-
Health And Welfare	-	-	-	-	-	-	297,603	529,173
Recreation and Culture	-	-	-	-	-	770,546	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>116,933</b>	<b>541,778</b>	<b>343</b>	<b>4,823</b>	<b>6,801</b>	<b>770,546</b>	<b>297,603</b>	<b>529,173</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(116,933)</b>	<b>35,589</b>	<b>5,173</b>	<b>(3,822)</b>	<b>(3,301)</b>	<b>(30,695)</b>	<b>2,623</b>	<b>(178,576)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	42,756	-	-	-	-	-	3,500	325,000
Operating Transfers Out	-	(12,300)	-	-	-	-	-	(131,951)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>(74,177)</b>	<b>23,289</b>	<b>5,173</b>	<b>(3,822)</b>	<b>(3,301)</b>	<b>(30,695)</b>	<b>6,123</b>	<b>14,473</b>
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<b>106,391</b>	<b>359,495</b>	<b>5,501</b>	<b>4,217</b>	<b>11,865</b>	<b>688,325</b>	<b>(2,138)</b>	<b>111,998</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 32,214</b>	<b>\$ 382,784</b>	<b>\$ 10,674</b>	<b>\$ 395</b>	<b>\$ 8,564</b>	<b>\$ 657,630</b>	<b>\$ 3,985</b>	<b>\$ 126,471</b>

# County of Otsego, Michigan

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2006

	Special Revenue Funds						Debt Service Fund	
	Soldiers and Sailors Relief	Veteran's Trust	Commission on Aging 9/30/2006	Airport	Bradford Lake	Equipment Revolving	Jail Study	Debt Service
<b>REVENUES:</b>								
Taxes	\$ -	\$ -	\$ 1,099,380	\$ -	\$ -	\$ -	\$ -	\$ -
Federal Grants	-	-	107,747	-	-	-	-	-
State Grants	-	4,644	72,755	-	-	-	-	-
Local Contributions	-	-	-	-	-	-	-	-
Charges for Services	-	-	119,645	858,461	-	-	-	-
Fines & Forfeits	-	-	-	-	-	-	-	-
Interest & Rentals	-	-	13,941	104,416	581	2,327	-	163,194
Other Revenues	-	-	128,211	15,611	-	-	-	-
<b>TOTAL REVENUES</b>	<b>-</b>	<b>4,644</b>	<b>1,541,679</b>	<b>978,488</b>	<b>581</b>	<b>2,327</b>	<b>-</b>	<b>163,194</b>
<b>EXPENDITURES:</b>								
Judicial	-	-	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-	-	-
Public Works	-	-	-	1,036,856	-	-	6,657	-
Health And Welfare	2,360	4,682	1,361,746	-	-	-	-	-
Recreation and Culture	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	42,516	-	-
Debt Service	-	-	-	-	-	-	-	972,900
<b>TOTAL EXPENDITURES</b>	<b>2,360</b>	<b>4,682</b>	<b>1,361,746</b>	<b>1,036,856</b>	<b>-</b>	<b>42,516</b>	<b>6,657</b>	<b>972,900</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(2,360)</b>	<b>(38)</b>	<b>179,933</b>	<b>(58,368)</b>	<b>581</b>	<b>(40,189)</b>	<b>(6,657)</b>	<b>(809,706)</b>
<b>OTHER FINANCING SOURCES (USES):</b>								
Operating Transfers In	5,000	250	-	87,000	-	67,000	-	827,763
Operating Transfers Out	-	-	-	-	-	-	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>2,640</b>	<b>212</b>	<b>179,933</b>	<b>28,632</b>	<b>581</b>	<b>26,811</b>	<b>(6,657)</b>	<b>18,057</b>
<b>FUND BALANCES (DEFICIT), JANUARY 1</b>	<b>7,158</b>	<b>308</b>	<b>161,432</b>	<b>57,360</b>	<b>18,770</b>	<b>-</b>	<b>-</b>	<b>94,134</b>
<b>PRIOR PERIOD ADJUSTMENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICIT), DECEMBER 31</b>	<b>\$ 9,798</b>	<b>\$ 520</b>	<b>\$ 341,365</b>	<b>\$ 85,992</b>	<b>\$ 19,351</b>	<b>\$ 26,811</b>	<b>\$ (6,657)</b>	<b>\$ 112,191</b>

Combining Statement of Revenues, Expenditures, and  
Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2006

	Capital Project Funds						
	MUNIS Information System	Animal Control Shelter Building	Library Building	Airport Construction	Court Restoration Building	Capital Project	Total
REVENUES:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,142,969
Federal Grants	-	-	-	990,995	-	-	1,187,440
State Grants	-	-	-	216,780	-	-	882,465
Local Contributions	-	-	-	30,968	-	-	91,901
Charges for Services	-	-	-	-	57,444	-	2,388,521
Fines & Forfeits	-	-	-	-	-	-	197,798
Interest & Rentals	-	1,031	9,043	4,350	-	-	390,178
Other Revenues	-	-	-	20,312	-	-	319,937
TOTAL REVENUES	-	1,031	9,043	1,263,405	57,444	-	7,601,209
EXPENDITURES:							
Judicial	-	-	-	-	-	-	158,855
General Government	-	-	-	-	-	-	169,287
Public Safety	-	-	-	-	-	-	1,395,990
Public Works	-	-	-	-	-	-	1,036,856
Health And Welfare	-	-	-	-	-	-	2,195,564
Recreation and Culture	-	-	-	-	-	-	1,217,857
Capital Outlay	16,839	-	-	1,252,300	-	-	1,311,655
Debt Service	-	-	-	-	-	-	972,900
TOTAL EXPENDITURES	16,839	-	-	1,252,300	-	-	8,458,964
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(16,839)	1,031	9,043	11,105	57,444	-	(857,755)
OTHER FINANCING SOURCES (USES):							
Operating Transfers In	-	-	-	-	-	500,000	1,858,269
Operating Transfers Out	-	-	-	-	-	-	(400,005)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	(16,839)	1,031	9,043	11,105	57,444	500,000	600,509
FUND BALANCES (DEFICIT), JANUARY 1	31,477	44,491	231,437	92,220	(60,969)	-	3,265,735
PRIOR PERIOD ADJUSTMENT	-	-	-	-	(338,996)	-	(338,996)
FUND BALANCES (DEFICIT), DECEMBER 31	\$ 14,638	\$ 45,522	\$ 240,480	\$ 103,325	\$ (342,521)	\$ 500,000	\$ 3,527,248

County of Otsego, Michigan

Combining Statement of Nets Assets  
Internal Service Funds  
December 31, 2006

	Building and Grounds	Administrative Services	Health Care	Total
<b>ASSETS:</b>				
Current Assets:				
Cash and Equivalents	\$ 41,116	\$ 20,304	\$ -	\$ 61,420
Investments	-	-	515,689	515,689
Accounts Receivable	17,741	-	348	18,089
Due from Governmental Units	3,057	-	-	3,057
Inventory	-	325	-	325
<b>TOTAL ASSETS</b>	<b>\$ 61,914</b>	<b>\$ 20,629</b>	<b>\$ 516,037</b>	<b>\$ 598,580</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Accounts Payable	\$ 31,825	\$ 402	\$ 15,128	\$ 47,355
Accrued Liabilities	2,304	1,335	-	3,639
Deferred Revenue	9,315	-	-	9,315
<b>TOTAL LIABILITIES</b>	<b>43,444</b>	<b>1,737</b>	<b>15,128</b>	<b>60,309</b>
<b>NET ASSETS:</b>				
Unrestricted	18,470	18,892	500,909	538,271
<b>TOTAL NET ASSETS</b>	<b>18,470</b>	<b>18,892</b>	<b>500,909</b>	<b>538,271</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 61,914</b>	<b>\$ 20,629</b>	<b>\$ 516,037</b>	<b>\$ 598,580</b>

Combining Statement of Revenues, Expenses, and Changes  
in Net Assets - Internal Service Funds  
For the Year Ended December 31, 2006

	Building and Grounds	Administrative Services	Health Care	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 563,046	\$ 376,904	\$ -	\$ 939,950
Other	-	-	1,470,747	1,470,747
<b>TOTAL OPERATING REVENUES</b>	<b>563,046</b>	<b>376,904</b>	<b>1,470,747</b>	<b>2,410,697</b>
<b>OPERATING EXPENSES:</b>				
Salaries, Wages, and Fringe Benefits	157,970	345,896	-	503,866
Contractual Services	21,580	841	-	22,421
Materials and Supplies	5,984	3,917	-	9,901
Equipment Repair and Maintenance	68,638	1,055	-	69,693
Utilities	257,092	4,562	-	261,654
Other	571	3,945	1,494,739	1,499,255
<b>TOTAL OPERATING EXPENSES</b>	<b>511,835</b>	<b>360,216</b>	<b>1,494,739</b>	<b>2,366,790</b>
<b>OPERATING INCOME (LOSS)</b>	<b>51,211</b>	<b>16,688</b>	<b>(23,992)</b>	<b>43,907</b>
<b>Non operating Revenues (Expenses):</b>				
Interest Earnings	-	-	24,901	24,901
Changes in Net Assets	51,211	16,688	909	68,808
Net Assets - January 1, 2006	(32,741)	2,204	500,000	469,463
<b>Net Assets - December 31, 2006</b>	<b>\$ 18,470</b>	<b>\$ 18,892</b>	<b>\$ 500,909</b>	<b>\$ 538,271</b>

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2006

	Building and Grounds	Administrative Services	Health Care	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from Customers	\$ 548,773	\$ 377,745	\$ 1,470,635	\$ 2,397,153
Payments to Suppliers	(362,654)	(15,425)	(1,490,567)	(1,868,646)
Payments to Employees for Services and Benefits	(157,367)	(347,180)	-	(504,547)
Net Cash Provided (Used) by Operating Activities	<u>28,752</u>	<u>15,140</u>	<u>(19,932)</u>	<u>23,960</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest Earnings	-	-	24,901	24,901
Net Sale or (Purchase) of Investments	-	-	(515,689)	(515,689)
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>(490,788)</u>	<u>(490,788)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	28,752	15,140	(510,720)	(466,828)
Balances - Beginning of the Year	<u>12,364</u>	<u>5,164</u>	<u>510,720</u>	<u>528,248</u>
Balances - End of the Year	<u>\$ 41,116</u>	<u>\$ 20,304</u>	<u>\$ -</u>	<u>\$ 61,420</u>
<b>Reconciliation of Operating Income (Loss) to</b>				
<b>Net Cash Provided (Used) by Operating Activities:</b>				
Operating Income (Loss)	\$ 51,211	\$ 16,688	\$ (23,992)	\$ 43,907
Adjustments to Reconcile Operating Income (Loss) to				
Net Cash Provided (Used) by Operating Activities:				
Change in Assets and Liabilities:				
Due from Other Governmental Units	(14,128)	-	-	(14,128)
Accounts Receivable	(145)	841	(112)	584
Accounts Payable	(8,789)	(1,005)	4,172	(5,622)
Accrued Liabilities	603	(1,384)	-	(781)
Net Cash Provided (Used) by Operating Activities	<u>\$ 28,752</u>	<u>\$ 15,140</u>	<u>\$ (19,932)</u>	<u>\$ 23,960</u>

# County of Otsego, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2006

	Tax Foreclosure Fund	Global Positioning System Fund	University Center Metropolitan Area Network	Jail Commissary	Total
<b>ASSETS:</b>					
<b>Current Assets:</b>					
Cash and Equivalents	\$ 49,334	\$ 51,196	\$ 25,573	\$ 18,324	\$ 144,427
<b>Total Current Assets</b>	49,334	51,196	25,573	18,324	144,427
<b>Noncurrent Assets:</b>					
Capital Assets (Net of Accumulated Depreciation)	-	-	209,074	-	209,074
<b>TOTAL ASSETS</b>	<u>\$ 49,334</u>	<u>\$ 51,196</u>	<u>\$ 234,647</u>	<u>\$ 18,324</u>	<u>\$ 353,501</u>
<b>LIABILITIES:</b>					
<b>Current Liabilities:</b>					
Accounts Payable	\$ 2,798	\$ 9,647	\$ -	\$ 54	\$ 12,499
<b>TOTAL LIABILITIES</b>	2,798	9,647	-	54	12,499
<b>NET ASSETS:</b>					
Invested in Capital Assets	-	-	209,074	-	209,074
Unrestricted	46,536	41,549	25,573	18,270	131,928
<b>TOTAL NET ASSETS</b>	<u>\$ 46,536</u>	<u>\$ 41,549</u>	<u>\$ 234,647</u>	<u>\$ 18,270</u>	<u>\$ 341,002</u>

County of Otsego, Michigan

Combining Statement of Revenues, Expenses, and Changes  
in Net Assets - Nonmajor Enterprise Funds  
For the Year Ended December 31, 2006

	Tax Foreclosure Fund	Global Positioning System Fund	University Center Metropolitan Area Network	Jail Commissary	Total
<b>OPERATING REVENUES:</b>					
Local Sources	\$ -	\$ 9,000	\$ -	\$ -	\$ 9,000
Charges for Services	52,175	45,820	39,883	6,197	144,075
<b>TOTAL OPERATING REVENUES</b>	<b>52,175</b>	<b>54,820</b>	<b>39,883</b>	<b>6,197</b>	<b>153,075</b>
<b>OPERATING EXPENSES:</b>					
Contractual Services	-	60,747	-	-	60,747
Materials and Supplies	5,650	2,462	43,274	12,944	64,330
Depreciation	-	-	12,298	-	12,298
<b>TOTAL OPERATING EXPENSES</b>	<b>5,650</b>	<b>63,209</b>	<b>55,572</b>	<b>12,944</b>	<b>137,375</b>
<b>OPERATING INCOME (LOSS)</b>	<b>46,525</b>	<b>(8,389)</b>	<b>(15,689)</b>	<b>(6,747)</b>	<b>15,700</b>
<b>NON OPERATING REVENUES (EXPENSES):</b>					
Interest Earnings	11	-	438	-	449
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>46,536</b>	<b>(8,389)</b>	<b>(15,251)</b>	<b>(6,747)</b>	<b>16,149</b>
Operating Transfers In	-	9,000	-	-	9,000
Changes in Net Assets	46,536	611	(15,251)	(6,747)	25,149
Net Assets - January 1, 2006	-	40,938	249,898	25,017	315,853
<b>Net Assets - December 31, 2006</b>	<b>\$ 46,536</b>	<b>\$ 41,549</b>	<b>\$ 234,647</b>	<b>\$ 18,270</b>	<b>\$ 341,002</b>

**Combining Statement of Cash Flows  
Non-Major Enterprise Funds  
For the Year Ended December 31, 2006**

	Tax Foreclosure Fund	Global Positioning System Fund	University Center Metropolitan Area Network	Jail Commissary	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Receipts from Customers	52,175	\$ 54,820	\$ 50,063	\$ 6,197	\$ 163,255
Payments to Suppliers	(2,852)	(57,484)	(43,274)	(12,990)	(116,600)
Net Cash Provided (Used) by Operating Activities	<u>49,323</u>	<u>(2,664)</u>	<u>6,789</u>	<u>(6,793)</u>	<u>46,655</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>					
Operating Transfers In	-	9,000	-	-	9,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>9,000</u>	<u>-</u>	<u>-</u>	<u>9,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Interest Earnings	11	-	438	-	449
Net Cash Provided (Used) by Investing Activities	<u>11</u>	<u>-</u>	<u>438</u>	<u>-</u>	<u>449</u>
Net Increase (Decrease) in Cash and Cash Equivalents	49,334	6,336	7,227	(6,793)	56,104
Balances - Beginning of the Year	-	44,860	18,346	25,117	88,323
Balances - End of the Year	<u>\$ 49,334</u>	<u>\$ 51,196</u>	<u>\$ 25,573</u>	<u>\$ 18,324</u>	<u>\$ 144,427</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>					
Operating Income (Loss)	\$ 46,525	\$ (8,389)	\$ (15,689)	\$ (6,747)	\$ 15,700
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation Expense	-	-	12,298	-	12,298
Change in Assets and Liabilities:					
Accounts Receivable	-	-	10,180	-	10,180
Accounts Payable	2,798	5,725	-	(46)	8,477
Net Cash Provided (Used) by Operating Activities	<u>\$ 49,323</u>	<u>\$ (2,664)</u>	<u>\$ 6,789</u>	<u>\$ (6,793)</u>	<u>\$ 46,655</u>