

**Montcalm County, Michigan**

**FINANCIAL STATEMENTS**

**September 30, 2008**

Montcalm County, Michigan

September 30, 2008

BOARD OF COMMISSIONERS

Patrick Q. Carr	Chairperson
Ronald Retzloff	Vice Chairperson
John McCrackin	Commissioner
Tom Lindeman	Commissioner
John Johansen	Commissioner
Carl Paepke	Commissioner
Roger Caris	Commissioner
Marcia Walker	Commissioner
Ronald Baker	Commissioner

ADMINISTRATION AND OTHER ELECTED OFFICIALS

Chris Hyzer	Controller/ Administrator
Marcia Sawdy	Treasurer
Kristen Millard	Clerk
Lori Wilson	Register of Deeds
Donald Cooper	Drain Commissioner
Andrea Krause	Prosecuting Attorney
William Barnwell	Sheriff

Montcalm County, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of Montcalm County  
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2008, 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'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 Road Commission for Montcalm County, which represents 72% of the assets and 52% of the revenues of the component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us. Our opinion expressed herein, insofar as it relates to the amounts included for the 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 audit of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of September 30, 2008, 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 June 19, 2009, on our consideration of Montcalm County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not 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 Montcalm County's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 19, 2009

## Management's Discussion and Analysis

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This section of Montcalm County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on September 30, 2008. Please read it in conjunction with the County's financial statements, which follow this section. For discussion and analysis of the financial statements of the Road Commission for Montcalm County and the Mid-Michigan District Health Department, please see their separately issued financial statements.

### Financial Highlights

- Governmental Activities Net Assets decreased significantly during the 2008 fiscal year. Net Assets decreased \$1,687,358 to \$6,362,695, a 26.5% decrease. Unrestricted net assets decreased from \$6,904,256 to \$5,184,056, a 33.0% decrease.
- Business-Type Activities Net Assets increased \$10,408,927 to \$10,753,478, a 3.3% increase. Unrestricted Net Assets increased from \$9,615,979 to \$10,753,478.
- Governmental Activities expenses totaled \$18,754,513. \$8,015,556 of those expenses was financed by service charges, contributions, or grants. Tax revenue, revenue sharing, transfers from Business-Type Activities, and other general revenues financed expenses of \$9,085,148.
- The Ambulance Fund expenses totaled \$2,854,653. Service charges and grants financed \$2,097,844 of that amount. The remaining amount was financed by tax revenue, revenue sharing and other general revenue.
- The Delinquent Tax Funds generated service charge revenue of \$834,497. The revenues exceeded expenses by \$339,431, before considering interest earnings generated by the funds.
- The depreciated cost of the governmental capital assets at September 30, 2008 was \$12,911,485.
- The Ambulance Fund generated a positive cash flow of \$307,183 during 2008.
- The Delinquent Tax Funds generated a negative cash flow of \$1,506,779 during 2008.
- Pension Trust Fund net assets decreased \$17,656,930 to \$15,837,226. This was primarily due to the decline in market value.

### Overview of the Financial Statements

This annual report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for nonmajor governmental funds and internal service funds. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the County government, reporting the County's operations in *more detail* than the government-wide statements.
- The *governmental funds* statements tell how *general government* services like public safety were financed in the *short term* as well as what remains for future spending.

- Proprietary *fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses*, such as the ambulance service.
- Fiduciary *fund* statements provide information about the financial relationships - like the retirement plan for the County’s employees - in which the County acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. In addition to these required elements, we have included a section with combining statements that provide details about our nonmajor governmental funds and internal service funds, each of which are added together and presented in single columns in the basic financial statements.

Figure A-1 summarizes the major features of the County’s financial statements, including the portion of the County government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure A-1. Major Features of Montcalm County’s Government-Wide and Fund Financial Statements

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Government Funds</b>	<b>Proprietary Fund</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire County government (except fiduciary funds)	Activities of the County that are not proprietary or fiduciary, such as police, fire, and parks	Activities the County operates similar to private businesses; the ambulance service, and building official	Instances in which the County is the trustee or agent for someone else’s resources, such as the retirement plan for County employees
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the County’s funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid



## Government-wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the County's *net assets* and how they have changed. Net assets - the difference between the County's assets and liabilities - are one way to measure the County's financial health or *position*.

- Over time, increases or decreases in the County's net assets are an indicator of whether or not its financial health is improving or deteriorating, respectively.
- To assess the overall health of the County you need to consider the additional nonfinancial factors such as changes in the County's property tax base and the condition of the County's infrastructure.

The government-wide financial statements of the County are divided into three categories:

- *Governmental activities* - Most of the County's basic services are included here, such as the Sheriff, courts, public works, and parks department, and general administration. Property taxes, service charges, state and federal grants finance most of these activities.
- *Business-type activities* - The County charges fees to customers to help it cover the costs of certain services it provides. The County's ambulance service is included here.
- *Component units* - The County includes other entities in its reports. Although legally separate, these "component units" are important because the County is financially accountable for them. Examples are the Road Commission, Central Dispatch Authority, Drainage Districts, and the District Health Department.

## Fund Financial Statements

The fund financial statements provide more detailed information about the County's most *significant funds* - not the County as a whole. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The County Board of Commissioners establishes other funds to control and manage money for particular purposes (like Solid Waste) or to show that it is properly using certain taxes and grants (like aid from the Michigan State Housing Development Authority).

The County has three kinds of funds:

- *Governmental funds* - Most of the County's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

- *Proprietary funds* - Services for which the County charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
  - In fact, the County's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
  - We use *internal services* (the other kind of proprietary fund) to report activities that provide supplies and services for the County's other programs and activities - such as the County's Office Equipment Pool Fund.
- *Fiduciary funds* - The County is the trustee, or *fiduciary*, for its employees' pension plans. It is also responsible for other assets that - because of a trust arrangement - can be used only for the trust beneficiaries. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

### Financial Analysis of the County as a Whole

**Net assets.** The County's combined net assets decreased 7.6% to \$17,116,173 at September 30, 2008. (See Table A-1)

	Governmental		Business-type		Total		Total
	Activities		Activities		Total		Percentage
	2007	2008	2007	2008	2007	2008	Change
Current and Other Assets	\$ 8,714,958	\$ 7,027,265	\$ 9,722,979	\$ 10,197,038	\$ 18,437,937	\$ 17,224,303	-7.0%
Capital Assets	13,331,682	12,563,506	798,711	701,007	14,130,393	13,264,513	-6.5%
<b>Total Assets</b>	<b>22,046,640</b>	<b>19,590,771</b>	<b>10,521,690</b>	<b>10,898,045</b>	<b>32,568,330</b>	<b>30,488,816</b>	<b>-6.8%</b>
Long-term debt outstanding	12,064,707	11,364,658	-	-	12,064,707	11,364,658	-6.1%
Other Liabilities	1,751,528	1,863,418	112,763	144,567	1,864,291	2,007,985	2.8%
<b>Total Liabilities</b>	<b>13,816,235</b>	<b>13,228,076</b>	<b>112,763</b>	<b>144,567</b>	<b>13,928,998</b>	<b>13,372,643</b>	<b>-4.1%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	637,278	574,047	792,948	701,007	1,430,226	1,275,054	-12.1%
Restricted	688,871	604,592	-	-	688,871	604,592	-13.9%
Unrestricted	6,904,256	5,184,056	9,615,979	10,052,471	16,520,235	15,236,527	-8.4%
<b>Total Net Assets</b>	<b>\$ 8,230,405</b>	<b>\$ 6,362,695</b>	<b>\$ 10,408,927</b>	<b>\$ 10,753,478</b>	<b>\$ 18,639,332</b>	<b>\$17,116,173</b>	<b>-8.8%</b>

Of the total Current and Other Assets figure of \$17,224,303, \$8,945,573 is Cash or Investments. That represents 52% of the total current assets, down from 52% from the previous year. Of the total cash and investments amount, \$5,525,294 was in the Delinquent Tax Revolving Fund. This figure is down \$1,104,314 from the previous year. The fund's primary purpose is to administer collection and distribution of delinquent real property taxes. Any surplus in the fund is currently pledged to the payment of debt service on new construction indebtedness that began in 2000 and to increased operating costs of a county jail that was expanded and began full operation in 2002. Receivables of \$6,699,636 represent another 39% of the current assets. \$3,005,307, or 45%, of that amount is Delinquent Tax Receivables.

The total depreciated cost of capital assets reported in the governmental activities statement of net assets is \$12,563,506, compared to \$13,331,682 in the previous year. The gross cost of those assets is \$25,474,991, compared to \$25,498,182 at the end of the previous year. The accumulated depreciation on those assets is \$12,911,485, compared to \$12,166,500 at the end of the previous year.

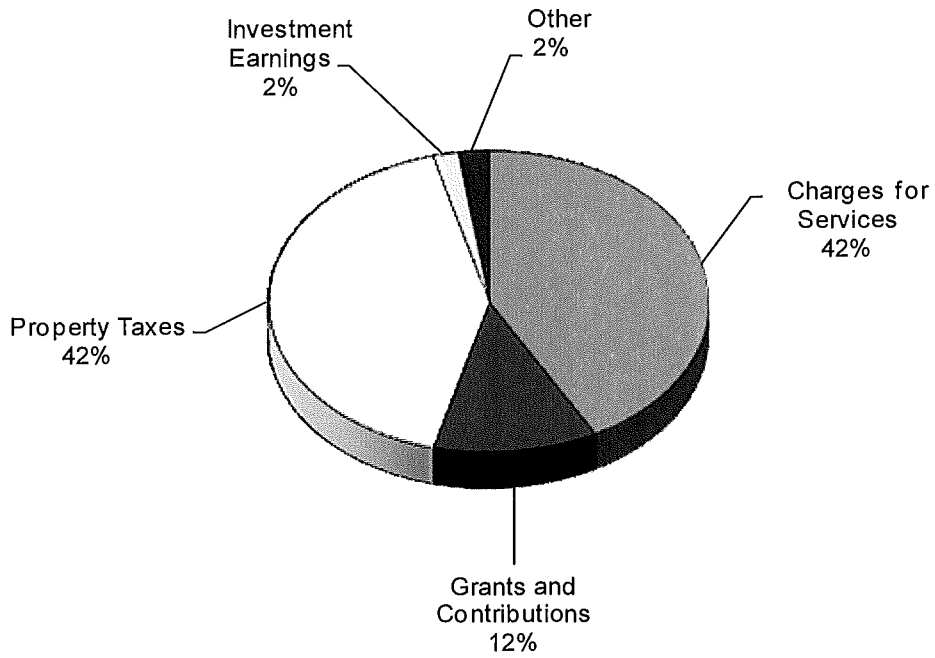
**Changes in net assets.** The County's net assets decreased by \$1,342,807 (See Table A-2). Governmental activities net assets decreased \$1,687,358. Business-Type activities net assets increased by \$344,551.

Table A-2  
Changes in Montcalm County's Net Assets

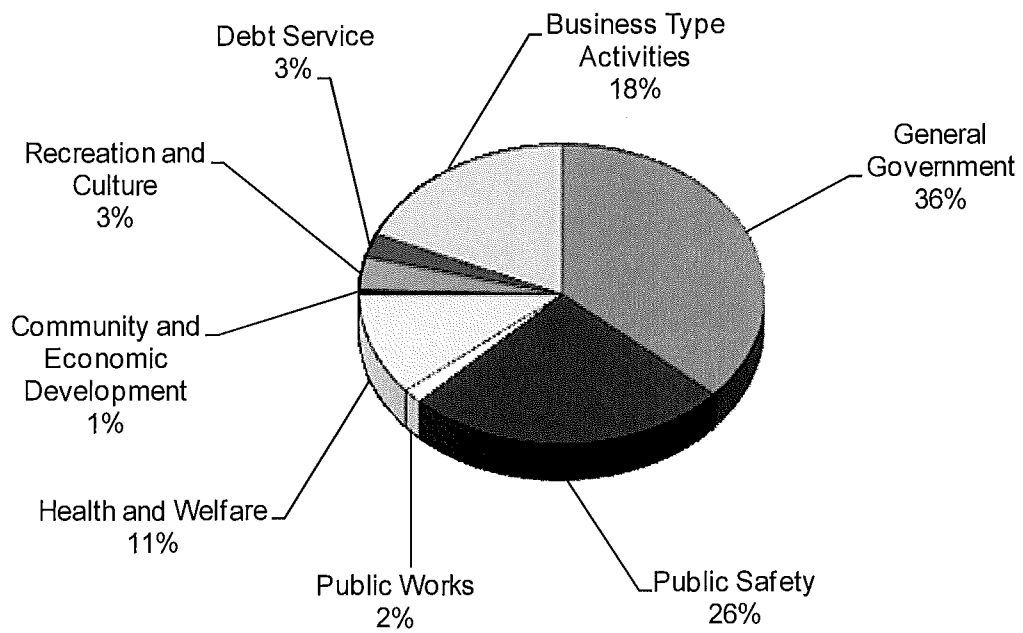
	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2007-2008
	2007	2008	2007	2008	2007	2008	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 5,051,129	\$ 5,494,785	\$ 3,213,453	\$ 3,327,796	\$ 8,264,582	\$ 8,822,581	-6.32%
Grants and Contributions	2,716,606	2,520,771	16,562	5,908	2,733,168	2,526,679	8.17%
General Revenues							
Property Taxes	10,274,327	8,005,074	733,733	769,273	11,008,060	8,774,347	25.46%
Investment earnings	259,790	183,272	307,399	204,567	567,189	387,839	46.24%
Other	384,578	376,826	136,606	58,809	521,184	435,635	19.64%
<b>Total Revenues</b>	<b>18,686,430</b>	<b>16,580,728</b>	<b>4,407,753</b>	<b>4,366,353</b>	<b>23,094,183</b>	<b>20,947,081</b>	<b>10.25%</b>
<b>Expenses</b>							
General Government	8,085,007	8,422,193			8,085,007	8,422,193	-4.00%
Public Safety	5,562,978	5,894,124			5,562,978	5,894,124	-5.62%
Public Works	381,311	361,089			381,311	361,089	5.60%
Health and Welfare	2,623,513	2,539,446			2,623,513	2,539,446	3.31%
Community and Economic Development	329,639	138,756			329,639	138,756	137.57%
Recreation and Cultural	728,982	808,479			728,982	808,479	-9.83%
Other	-	-			-	-	0.00%
Debt Service	512,387	590,426			512,387	590,426	-13.22%
Delinquent Tax			141,372	124,667	141,372	124,667	13.40%
Jail Commissary			99,061	116,102	99,061	116,102	-14.68%
Building Official			431,214	393,850	431,214	393,850	9.49%
Ambulance			2,602,238	2,900,756	2,602,238	2,900,756	-10.29%
<b>Total Expenses</b>	<b>18,223,817</b>	<b>18,754,513</b>	<b>3,273,885</b>	<b>3,535,375</b>	<b>21,497,702</b>	<b>22,289,888</b>	<b>-3.55%</b>
Excess (deficiency) before transfers	462,613	(2,173,785)	1,133,868	830,978	1,596,481	(1,342,807)	
Transfers	567,867	486,427	(567,867)	(486,427)	-0-	-0-	
<b>Increase (decrease) in net assets</b>	<b>\$ 1,030,480</b>	<b>\$ (1,687,358)</b>	<b>\$ 566,001</b>	<b>\$ 344,551</b>	<b>\$ 1,596,481</b>	<b>\$ (1,342,807)</b>	

In general, an increase in net assets means that current citizens and taxpayers are paying for services being provided today. A decrease in net assets means that current citizens and taxpayers aren't contributing enough to pay for the services they are currently receiving. The allocation of revenues and expenses to the categories displayed in the Statement of Changes in Net Assets can be displayed graphically, as follows:

### Sources of Revenue for Fiscal Year 2008



### Functional Expenses for Fiscal Year 2008



## Financial Analysis of the County's Funds

### Governmental Funds

Governmental Funds include the General Fund, Special Revenue Funds (Parks, Commission on Aging, Child Care Fund, etc.), Debt Service Funds, and Capital Project Funds. For the fiscal year ended September 30, 2008, the County's governmental funds reported a total Fund Balance of \$5,865,736. Of that amount, \$4,618,458 was unreserved and undesignated. The unreserved/undesignated Fund Balance decreased \$1,758,930 from its September 30, 2007 level. This change will be examined more closely on an individual fund basis.

**General Fund.** The total General Fund Balance decreased by \$262,805 to \$2,855,019 at September 30, 2008. The decrease is allocated to the following categories of Fund Balance:

Reserved for Prepayments	\$( 12,749 )
Unreserved-Undesignated Fund Balance	<u>( 250,056 )</u>
Total Decrease	\$( 262,805 )

The reserve for prepayments decreased as the result of payments for workers compensation insurance being paid for before the end of the fiscal year. Expenditures for these items that were paid during the 2008 fiscal year, but benefit periods after the end of the fiscal year, are recorded as prepaid expenditures.

The unreserved-undesignated Fund Balance decreased \$250,056 to \$2,177,389 at September 30, 2008. The year-end unreserved-undesignated Fund Balance figure represents 15% of 2008 General Fund expenditures. The decrease was due to the transfer to Building Official Fund and the increase in Child Care Fund expenditures. The Board of Commissioners also adopted a budget that was conservative in nature so as to protect itself from final results not meeting expectations.

General Fund Revenue was less than the final amended budget by \$607,367. General Fund revenue for 2008 totaled \$14,557,804 vs. \$16,783,826 in 2007, a \$2,226,022 decrease. The following items were the reason for the revenue decrease:

- Property Taxes decreased by 2,313,763 due to the ending of the property tax shift that the County collected an extra 1/3 of property tax for three to offset the loss of revenue sharing..

General Fund Expenditures was less than the final amended budget by \$346,774. General Fund expenditures totaled \$14,820,609 in 2008 vs. \$15,991,072 in 2007, a \$1,170,463 decrease. Decreases to the General Fund was because a transfer to the Revenue Sharing Reserve Fund was not necessary because of not collecting an extra third of property taxes.

**Special Revenue Funds.** The Special Revenue Funds in total ended the 2008 fiscal year with an unreserved-undesignated Fund Balance of \$1,532,041. All but one of these funds meets the criteria for nonmajor funds for financial reporting purposes. The Fund Balances for each of the individual funds at September 30, 2008 as compared to September 30, 2007 are as follows:

<u>Fund</u>	<u>2007 Total Fund Balance</u>	<u>2008 Total Fund Balance</u>	<u>Change</u>	<u>2007 Unreserved Fund Balance</u>	<u>2008 Unreserved Fund Balance</u>	<u>Change</u>
Parks and Recreation	\$ 91	\$ 196	\$ 105	\$ 91	\$ 196	\$ 105
Solid Waste Planning	223,123	163,470	(59,653)	223,123	163,470	(59,653)
Friend of the Court	117,707	28,287	(89,420)	24,624	-	(24,624)
Law Enforcement	420	445	25	-	-	-
County Libraries	8,108	7,272	(836)	8,108	7,272	(836)
Law Library	-	9,017	9,017	-	9,017	9,017
Commission on Aging	158,747	88,788	69,959	158,747	88,788	(69,959)
DHS Child Care	-	-	-	-	-	-
CDBG Housing	-	65,940	65,940	-	65,940	65,940
Juvenile Child Care	1,544	1,615	71	1,544	1,615	71
Drug Law Enforcement	6,978	7,163	185	6,978	7,163	185
Homeland Security Grant	-	197	197	-	197	197
CIS	16,898	18,930	2,032	16,898	18,930	2,032
Veterans Trust	6,618	4,938	(1,680)	6,618	4,938	(1,680)
Public Improvement	16,538	20,745	4,207	16,538	20,745	4,207
Soldiers and Sailors Relief	1,453	12,925	11,472	1,453	12,925	11,472
DHS	-	-	-	-	-	-
Animal Shelter Donation	663	663	-	-	663	663
Register of Deeds Automation	166,908	205,642	38,734	166,908	205,642	38,734
Cemetery	9,720	7,797	(1,923)	-	-	-
Law Enforcement Trust	28,558	33,440	4,882	-	-	-
Victim Support Team	13	-	(13)	-	-	-
Local CO Training	29,749	32,420	2,671	29,749	32,420	2,671
Revenue Sharing Reserve	<u>2,313,827</u>	<u>1,118,507</u>	<u>(1,195,320)</u>	<u>2,313,827</u>	<u>1,118,507</u>	<u>(1,195,320)</u>
Total	<u>\$ 3,107,663</u>	<u>\$ 1,828,397</u>	<u>\$ (1,279,266)</u>	<u>\$ 2,975,206</u>	<u>\$ 1,758,428</u>	<u>\$ (1,216,778)</u>

Some financial highlights for some of these individual funds are as follows:

- The Solid Waste Planning Fund decreased its fund balance to \$223,123, after the additional of a collection site and two hazardous waste collections.

### **Proprietary Funds**

Proprietary Funds include Enterprise Funds (Ambulance Fund, Delinquent Tax Funds, Inmate Commissary Fund, Building Official Fund) and Internal Service Funds (Office Equipment Fund, Retiree Health Benefits Fund). The Enterprise Funds had total net assets at September 30, 2008 of \$10,753,478. Of that amount, \$701,007 was invested in capital assets, net of related debt. Internal Service Funds had net assets of \$166,753 at September 30, 2008 with \$9,543 of that amount invested in capital assets, net of related debt.

**Enterprise Funds.** The Ambulance Fund had net assets of \$1,052,672 at September 30, 2008. Of that amount, \$692,123 was invested in capital assets, net of related debt. The net assets decreased by \$9,424 during the 2008 fiscal year. The Ambulance Fund financial results compared to the prior fiscal year are as follows:

	<b>Sept. 30, <u>2008</u></b>	<b>Sept. 30, <u>2007</u></b>
Operating Revenues	\$ 2,122,035	\$ 2,019,690
Operating Expenses	<u>2,854,653</u>	<u>2,602,238</u>
Operating Income (Loss)	<u>(732,618)</u>	<u>(582,548)</u>
Nonoperating Revenues	723,391	736,126
Income (Loss) Before Transfers	<u>(9,227)</u>	<u>153,578</u>
Transfers In (Out)	<u>(197)</u>	<u>(179)</u>
Change in Net Assets	<u>\$ (9,424)</u>	<u>\$ 153,399</u>

The Delinquent Tax Revolving Fund had net assets of \$9,660,891 at the end of the 2008 fiscal year. The net assets increased \$339,431 during the fiscal year. The fund generated a net income of \$948,661 during the fiscal year, but then transferred \$609,230 to the General Fund.

### **General Fund Budgetary Highlights**

Over the course of the year, the Board of Commissioners approved revisions to the County budget several times. These budget amendments primarily fall into three categories:

1. Amendments approved shortly after the beginning of the fiscal year to reflect actual beginning fund balances and to transfer items from the prior year budget to the current year budget that were still in process.
2. Increases in appropriations to approve budget overruns.
3. Amendments after quarterly reviews to revise initial budget estimates.

A comparison of beginning revenue and expenditure budgets to the final budget follows:

Revenue	Original Budget	Amended Budget	Change	% Change
Taxes	\$ 7,081,214	\$ 7,081,214	\$ -	0.00%
Licenses and Permits	149,000	149,000	-	0.00%
Intergovernmental	1,487,620	1,502,120	14,500	1.00%
Charges for Services	3,402,768	3,648,768	246,000	6.70%
Fines or Forfeits	130,120	160,120	30,000	18.7%
Interest and Rents	182,750	182,750	-	0.00%
Other	380,753	342,753	(38,000)	-10.00%
Other Financing Sources	2,098,446	2,098,446	-	0.00%
 Total Revenue and Other Financing Sources	\$ 14,912,671	\$ 15,165,171	\$ 252,500	1.70%
 <b>Expenditures</b>				
General Government	\$ 7,304,168	\$ 7,150,068	\$ 154,100	2.10%
Public Safety	5,160,239	5,335,939	(175,700)	-3.30%
Public Works	114,800	114,800	-	0.00%
Health and Welfare	886,771	909,496	(22,725)	-2.50%
Community and Economic Dev.	15,000	15,000	-	0.00%
Other	225,000	279,000	(54,000)	-19.4%
Debt Service	191,046	191,046	-	0.00%
Other Financing Uses	1,000,534	1,172,034	(171,500)	-14.60%
 Total Expenditures and Other Financing Uses	\$ 14,897,558	\$ 15,167,383	\$ (269,825)	-1.80%

### Description of Significant Capital Asset and Long-Term Debt Activity

As of the 2008 fiscal year, the County had invested over \$27 million in a broad range of capital assets, including police equipment, buildings, park facilities, and computer equipment. (See Table A-4)

	Governmental	Business
<u>Category</u>	<u>Activities</u>	<u>Activities</u>
Land and Land Improvements	\$ 86,822	\$ -
Buildings and Additions	22,642,422	433,270
Equipment and Furniture	2,014,085	549,532
Vehicles	731,662	1,069,659
<b>Total at Historical Cost</b>	<b>\$ 25,474,991</b>	<b>\$ 2,052,461</b>



The depreciated value of the assets in total as of September 30, 2008 for Governmental Activities and Business-Type Activities was \$12,563,506 and \$701,007, respectively. Capital Asset additions totaled \$149,436 for the Governmental Activities and \$164,823 for the Business-Type Activities.

As of September 30, 2008, the County, excluding its component units, had \$12,250,742 in long-term debt outstanding. The most significant single debt issue of the total is the Building Authority Bond issued in September 2000 for the construction of the court and public safety complex. Of the total of \$15.0 million in debt issued, \$2.84 million and the 2005 bond refunding of 9.085 million remains outstanding. Debt related to compensated absences (vacation and sick leave) totaled another \$261,283.

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

- The unemployment rate for the County as of December 2008 was 13.9%. The rate has increased from 11.3% as of January 2008. The State of Michigan's unemployment rate was 10.5% for December 2008.

The County considered these factors in preparing the budget for 2009. The following factors will also affect the County's financial position and operations into the future:

- The State of Michigan's budget problems continue to affect the County's finances. The creation of the revenue sharing reserve fund will be exhausted during the 2009 fiscal year and revenue sharing is slated to return if funded by the State of Michigan.

### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the County Controller, 211 W. Main St., PO Box 368, Stanton, MI 48888.

## **BASIC FINANCIAL STATEMENTS**

Montcalm County, Michigan

STATEMENT OF NET ASSETS

September 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 922,445	\$ 2,132,518	\$ 3,054,963	\$ 3,243,081
Investments	1,827,621	3,049,736	4,877,357	1,897,830
Receivables	3,633,289	27,490	3,660,779	2,175,458
Delinquent tax receivable	-	3,005,307	3,005,307	-
Internal balances	(164,925)	164,925	-0-	-
Due from other governmental units	365,152	863,117	1,228,269	1,646,402
Inventories	-	-	-0-	860,352
Prepaid expenses	92,349	812	93,161	107,340
Total current assets	6,675,931	9,243,905	15,919,836	9,930,463
Noncurrent assets				
Investments	-	1,013,253	1,013,253	-
Investments - restricted	-	-	-0-	170,645
Internal balances	164,318	(164,318)	-0-	-
Advance to other governmental units	187,016	104,198	291,214	-
Capital assets not being depreciated	81,157	-	81,157	5,041,409
Capital assets, net of accumulated depreciation	12,482,349	701,007	13,183,356	33,030,721
Total noncurrent assets	12,914,840	1,654,140	14,568,980	38,242,775
<b>TOTAL ASSETS</b>	<b>19,590,771</b>	<b>10,898,045</b>	<b>30,488,816</b>	<b>48,173,238</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	456,340	57,803	514,143	430,198
Accrued liabilities	296,226	74,205	370,431	290,934
Due to other governmental units	-	-	-0-	9,222
Accrued interest payable	224,365	-	224,365	78,134
Unearned revenue	403	12,559	12,962	330,232
Current portion of compensated absences	150,268	-	150,268	81,201
Current portion of long-term debt	735,816	-	735,816	637,424
Total current liabilities	1,863,418	144,567	2,007,985	1,857,345
Noncurrent liabilities				
Advances from other governmental units	-	-	-0-	498,079
Noncurrent portion of compensated absences	111,015	-	111,015	406,063
Noncurrent portion of long-term debt	11,253,643	-	11,253,643	4,313,219
Total noncurrent liabilities	11,364,658	-0-	11,364,658	5,217,361
<b>TOTAL LIABILITIES</b>	<b>13,228,076</b>	<b>144,567</b>	<b>13,372,643</b>	<b>7,074,706</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	574,047	701,007	1,275,054	33,121,487
Restricted for:				
Public safety	7,608	-	7,608	-
Solid waste planning	163,470	-	163,470	-
Other purposes	433,514	-	433,514	2,428,966
Unrestricted	5,184,056	10,052,471	15,236,527	5,548,080
<b>TOTAL NET ASSETS</b>	<b>\$ 6,362,695</b>	<b>\$ 10,753,478</b>	<b>\$ 17,116,173</b>	<b>\$ 41,098,533</b>

See accompanying notes to financial statements.

Montcalm County, Michigan

STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 8,422,193	\$ 3,471,151	\$ 1,141,567	\$ -	\$ (3,809,475)	\$ -	\$ (3,809,475)	\$ -
Public safety	5,894,124	1,642,921	912,545	-	(3,338,658)	-	(3,338,658)	-
Public works	361,089	200,203	-	-	(160,886)	-	(160,886)	-
Health and welfare	2,539,446	105,383	364,410	-	(2,069,653)	-	(2,069,653)	-
Community and economic development	138,756	61,804	102,249	-	25,297	-	25,297	-
Recreation and cultural	808,479	13,323	-	-	(795,156)	-	(795,156)	-
Interest on long-term debt	590,426	-	-	-	(590,426)	-	(590,426)	-
Total governmental activities	18,754,513	5,494,785	2,520,771	-0-	(10,738,957)	-0-	(10,738,957)	-0-
Business-type activities								
Delinquent tax	124,667	834,497	-	-	-	709,830	709,830	-
Jail Commissary	116,102	130,068	-	-	-	13,966	13,966	-
Building Official	393,850	271,295	-	-	-	(122,555)	(122,555)	-
Ambulance	2,900,756	2,091,936	5,908	-	-	(802,912)	(802,912)	-
Total business-type activities	3,535,375	3,327,796	5,908	-0-	-0-	(201,671)	(201,671)	-0-
Total primary government	\$ 22,289,888	\$ 8,822,581	\$ 2,526,679	\$ -0-	(10,738,957)	(201,671)	(10,940,628)	-0-
Component units								
Drainage Districts	\$ 1,139,480	\$ 165,234	\$ -	\$ 947,921	-	-	-	(26,325)
Central Dispatch Authority	1,311,452	1,266,333	-	-	-	-	-	(45,119)
District Health Department	7,217,781	1,502,214	4,336,408	-	-	-	-	(1,379,159)
Road Commission	9,244,288	1,293,178	5,521,287	3,387,477	-	-	-	957,654
Total component units	\$ 18,913,001	\$ 4,226,959	\$ 9,857,695	\$ 4,335,398	-0-	-0-	-0-	(492,949)
		General revenues:						
		Taxes			8,005,074	769,273	8,774,347	569
		Investment earnings			183,272	204,567	387,839	123,647
		County appropriations			-	-	-0-	1,334,485
		Cigarette tax			-	-	-0-	57,337
		Other			376,826	58,809	435,635	8,167
		Transfers			486,427	(486,427)	-0-	-
		Total general revenues and transfers			9,051,599	546,222	9,597,821	1,524,205
		Change in net assets			(1,687,358)	344,551	(1,342,807)	1,031,256
		Restated net assets, beginning of the year			8,050,053	10,408,927	18,458,980	40,067,277
		Net assets, end of the year			\$ 6,362,695	\$ 10,753,478	\$ 17,116,173	\$ 41,098,533

See accompanying notes to financial statements.

Montcalm County, Michigan

GOVERNMENTAL FUNDS BALANCE SHEET

September 30, 2008

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,513,748	\$ (578,186)	\$ (98,962)
Investments	41,990	-	1,703,770
Accounts receivable	62,461	-	145,914
Taxes receivable	3,173,564	-	-
Due from other funds	3,769	1,696,693	28,005
Due from other governmental units - Federal/State	195,537	-	169,615
Prepays	91,052	-	1,297
Land contracts receivable	125,675	-	125,675
Advances to other funds	-	-	164,318
Advances to other governmental units	187,016	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 5,394,812</u></b>	<b><u>\$ 1,118,507</u></b>	<b><u>\$ 2,239,632</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 282,452	\$ -	\$ 163,392
Accrued wages	252,234	-	37,842
Accrued liabilities	-	-	6,150
Due to other funds	1,879,432	-	13,960
Deferred revenue	125,675	-	126,078
<b>TOTAL LIABILITIES</b>	<b>2,539,793</b>	<b>-0-</b>	<b>347,422</b>
<b>FUND BALANCES</b>			
Reserved for			
Prepays	91,052	-	1,297
Marriage Counseling	-	-	26,990
Advances	187,016	-	164,318
General fund activities	399,562	-	-
Trust activities	-	-	150,164
K-9 program	-	-	445
Debt service	-	-	1,047
Unreserved			
Designated for capital expenditures	-	-	226,387
Undesignated, reported in:			
General fund	2,177,389	-	-
Special revenue funds	-	1,118,507	413,534
Capital projects funds	-	-	908,028
<b>TOTAL FUND BALANCES</b>	<b><u>2,855,019</u></b>	<b><u>1,118,507</u></b>	<b><u>1,892,210</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 5,394,812</u></b>	<b><u>\$ 1,118,507</u></b>	<b><u>\$ 2,239,632</u></b>

See accompanying notes to financial statements.

Total  
Governmental  
Funds

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\$ 836,600  
1,745,760  
208,375  
3,173,564  
1,728,467  
365,152  
92,349  
251,350  
164,318  
187,016

---

\$ 8,752,951

\$ 445,844  
290,076  
6,150  
1,893,392  
251,753

---

2,887,215

92,349  
26,990  
351,334  
399,562  
150,164  
445  
1,047

226,387

2,177,389  
1,532,041  
908,028

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5,865,736

\$ 8,752,951

Montcalm County, Michigan

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

September 30, 2008

**Total fund balance - governmental funds** \$ 5,865,736

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

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

The cost of capital assets is	\$ 25,474,991	
Accumulated depreciation is	<u>(12,911,485)</u>	
Capital assets, net		12,563,506

Internal Service Funds are used by management to charge the costs of certain activities, such as the and office equipment pool, to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets.

Office Equipment Pool	16,221	
Post-Retirement Health	<u>140,989</u>	157,210

Governmental funds report the difference between the carrying amount of the defeased debt and its reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Net Assets. These amounts consist of:

Unamortized defeased debt		565,574
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Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

Deferred revenue		251,350
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Direct County obligations	(12,555,033)	
Accrued interest payable	(224,365)	
Compensated absences	<u>(261,283)</u>	<u>(13,040,681)</u>

**Net assets of governmental activities** \$ 6,362,695

See accompanying notes to financial statements.

Montcalm County, Michigan

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended September 30, 2008

	General	Revenue Sharing Reserve	Nonmajor Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 6,910,069	\$ -	\$ 1,095,005
Licenses and permits	149,604	-	7,320
Intergovernmental	1,349,993	-	1,092,787
Charges for services	3,661,900	-	533,563
Fines and forfeits	119,055	-	6,500
Interest and rents	129,789	-	1,144,807
Other	329,241	-	84,645
<b>TOTAL REVENUES</b>	<b>12,649,651</b>	<b>-0-</b>	<b>3,964,627</b>
<b>EXPENDITURES</b>			
Current			
General government	6,967,194	-	792,908
Public safety	5,194,353	-	168,101
Public works	93,880	-	261,468
Health and welfare	892,932	-	1,549,805
Community and economic development	32,317	-	104,233
Recreation and cultural	-	-	775,952
Other	271,946	-	-
Debt service	190,989	-	1,118,516
Capital outlay	-	-	253,255
<b>TOTAL EXPENDITURES</b>	<b>13,643,611</b>	<b>-0-</b>	<b>5,024,238</b>
<b>EXCESS OF REVENUES (UNDER) EXPENDITURES</b>	<b>(993,960)</b>	<b>-0-</b>	<b>(1,059,611)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,908,153	-	1,079,222
Transfers out	(1,176,998)	(1,195,320)	(168,630)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>731,155</b>	<b>(1,195,320)</b>	<b>910,592</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(262,805)</b>	<b>(1,195,320)</b>	<b>(149,019)</b>
Fund balances, beginning of year	3,298,176	2,313,827	2,041,229
Prior period adjustment	(180,352)	-	-
<b>Fund balances, end of year</b>	<b>\$ 2,855,019</b>	<b>\$ 1,118,507</b>	<b>\$ 1,892,210</b>

See accompanying notes to financial statements.



Total  
Governmental  
Funds

---

\$ 8,005,074  
156,924  
2,442,780  
4,195,463  
125,555  
1,274,596  
413,886

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16,614,278

7,760,102  
5,362,454  
355,348  
2,442,737  
136,550  
775,952  
271,946  
1,309,505  
253,255

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18,667,849

---

(2,053,571)

2,987,375  
(2,540,948)

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446,427

---

(1,607,144)

7,653,232

(180,352)

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\$ 5,865,736

Montcalm County, Michigan

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

Year Ended September 30, 2008

**Net change in fund balances - total governmental funds** **\$ (1,607,144)**

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

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

Capital outlay	\$ 149,436	
Depreciation expense	<u>(910,612)</u>	
Excess of depreciation expense over capital outlay		(761,176)

In the statement of activities, only the gain or loss on the disposal of the capital assets is reported, whereas in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of capital assets disposed of. (7,000)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenues or expenses from governmental activities accounted for in the Internal Service funds are:

Office Equipment Pool	(6,730)	
Post-Retirement Health	<u>9,023</u>	2,293

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Change in deferred revenue		(33,550)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of the difference between the carrying amount of defeased debt and it reacquisition price when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. In the current year, these amounts consist of:

Amortization of defeased debt	(34,446)	
Bond and loan principal and capital lease retirement	<u>739,391</u>	704,945

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

Decrease in accrued interest payable	14,134	
Decrease in accrued compensated absences	<u>140</u>	<u>14,274</u>

**Change in net assets of governmental activities** **\$ (1,687,358)**

See accompanying notes to financial statements.

Montcalm County, Michigan  
Proprietary Funds  
STATEMENT OF NET ASSETS  
September 30, 2008

	Business-type	
	Delinquent Tax Revolving	Ambulance
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 1,469,562	\$ 616,433
Investments	3,042,479	3,336
Accounts receivable, net	-	27,490
Delinquent taxes receivable	3,005,307	-
Due from other governmental units - local	863,117	-
Due from other funds	392,492	-
Prepays	-	812
Total current assets	8,772,957	648,071
Noncurrent assets		
Investments	1,013,253	-
Advances to other governmental units	104,198	-
Capital assets, net of accumulated depreciation	-	692,123
Total noncurrent assets	1,117,451	692,123
<b>TOTAL ASSETS</b>	9,890,408	1,340,194
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	1,950	47,909
Accrued wages	-	62,736
Due to other funds	227,567	-
Unearned revenue	-	12,559
Total current liabilities	229,517	123,204
Noncurrent liabilities		
Advances from other funds	-	164,318
<b>TOTAL LIABILITIES</b>	229,517	287,522
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	-	692,123
Unrestricted	9,660,891	360,549
<b>TOTAL NET ASSETS</b>	\$ 9,660,891	\$ 1,052,672

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 46,523	\$ 2,132,518	\$ 85,845
3,921	3,049,736	81,861
-	27,490	-
-	3,005,307	-
-	863,117	-
-	392,492	-
-	812	-
50,444	9,471,472	167,706
-	1,013,253	-
-	104,198	-
8,884	701,007	9,543
8,884	1,818,458	9,543
59,328	11,289,930	177,249
7,944	57,803	10,496
11,469	74,205	-
-	227,567	-
-	12,559	-
19,413	372,134	10,496
-	164,318	-
19,413	536,452	10,496
8,884	701,007	9,543
31,031	10,052,471	157,210
\$ 39,915	\$ 10,753,478	\$ 166,753

Montcalm County, Michigan

Proprietary Funds

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

Year Ended September 30, 2008

	Business-type	
	Delinquent Tax Revolving	Ambulance
OPERATING REVENUES		
Charges for services	\$ 349,855	\$ 2,091,936
Sales	-	-
Intergovernmental - Federal/State	-	5,908
Penalties and interest on delinquent taxes	484,642	-
Other	34,618	24,191
<b>TOTAL OPERATING REVENUES</b>	<b>869,115</b>	<b>2,122,035</b>
OPERATING EXPENSES		
Personnel services	-	1,453,426
Fringe benefits	-	453,559
Operating supplies	28,979	296,209
Contractual services	58,487	59,460
Repairs and maintenance	-	221,383
Insurance	-	1,387
Rent expense	-	60,660
Vehicle expense	-	4,112
Depreciation	-	162,366
Communications	-	18,188
Utilities	-	11,612
Training	-	16,199
Indirect operating	-	92,401
Other	37,201	3,691
<b>TOTAL OPERATING EXPENSES</b>	<b>124,667</b>	<b>2,854,653</b>
<b>OPERATING INCOME (LOSS)</b>	<b>744,448</b>	<b>(732,618)</b>
NONOPERATING REVENUES (EXPENSES)		
Tax revenue	-	769,273
Interest revenue	204,213	221
Loss on sale of asset	-	(46,103)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>204,213</b>	<b>723,391</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>948,661</b>	<b>(9,227)</b>
TRANSFERS IN (OUT)		
Transfers in	-	-
Transfers out	(609,230)	(197)
<b>TOTAL TRANSFERS IN (OUT)</b>	<b>(609,230)</b>	<b>(197)</b>
<b>CHANGE IN NET ASSETS</b>	<b>339,431</b>	<b>(9,424)</b>
Net assets, beginning of year	9,321,460	1,062,096
Net assets, end of year	<u>\$ 9,660,891</u>	<u>\$ 1,052,672</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 271,295	\$ 2,713,086	\$ -
130,068	130,068	-
-	5,908	-
-	484,642	-
-	58,809	35,692
401,363	3,392,513	35,692
245,946	1,699,372	-
83,649	537,208	-
112,693	437,881	3,762
7,976	125,923	13,571
441	221,824	-
3,698	5,085	-
-	60,660	-
3,625	7,737	-
7,004	169,370	4,579
5,601	23,789	-
-	11,612	-
-	16,199	-
-	92,401	-
39,319	80,211	49,450
509,952	3,489,272	71,362
(108,589)	(96,759)	(35,670)
-	769,273	-
133	204,567	2,781
-	(46,103)	-
133	927,737	2,781
(108,456)	830,978	(32,889)
123,000	123,000	40,000
-	(609,427)	-
123,000	(486,427)	40,000
14,544	344,551	7,111
25,371	10,408,927	159,642
\$ 39,915	\$ 10,753,478	\$ 166,753

Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended September 30, 2008

	Business-type	
	Delinquent Tax Revolving	Ambulance
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 608,121	\$ 2,317,813
Cash receipts from federal operating grants	-	5,908
Cash paid to other funds	(669,294)	-
Cash paid to other governmental units	(513,457)	-
Cash paid to suppliers	(124,667)	(753,868)
Cash paid for fringe benefits	-	(453,559)
Cash paid to employees	-	(1,453,426)
<b>NET CASH (USED) BY OPERATING ACTIVITIES</b>	<b>(699,297)</b>	<b>(337,132)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers from other funds	-	-
Transfers to other funds	(609,230)	(197)
Tax revenue	-	769,273
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(609,230)</b>	<b>769,076</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital acquisitions	-	(164,823)
Proceeds from sale of capital assets	-	47,054
Transfers from other funds	-	-
Payments on borrowings	-	(5,763)
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>-0-</b>	<b>(123,532)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(501,149)	(3,336)
Maturity of investments	98,684	1,886
Interest revenue	204,213	221
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<b>(198,252)</b>	<b>(1,229)</b>

Activities		Governmental
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 401,363	\$ 3,327,297	\$ 35,692
-	5,908	-
-	(669,294)	-
-	(513,457)	-
(171,257)	(1,049,792)	(7,961)
(83,703)	(537,262)	(49,450)
(245,946)	(1,699,372)	-
(99,543)	(1,135,972)	(21,719)
123,000	123,000	20,000
-	(609,427)	-
-	769,273	-
123,000	282,846	20,000
-	(164,823)	(9,397)
-	47,054	-
-	-0-	20,000
-	(5,763)	-
-0-	(123,532)	10,603
(134)	(504,619)	(2,781)
-	100,570	-
133	204,567	2,781
(1)	(199,482)	-0-



Montcalm County, Michigan

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended September 30, 2008

	Business-type	
	Delinquent Tax Revolving	Ambulance
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (1,506,779)	\$ 307,183
Cash and cash equivalents, beginning of year	2,976,341	309,250
Cash and cash equivalents, end of year	<u>\$ 1,469,562</u>	<u>\$ 616,433</u>
Reconciliation of operating income (loss) to net cash (used) by operating activities		
Operating income (loss)	\$ 744,448	\$ (732,618)
Adjustments to reconcile operating income (loss) to net cash (used) by operating activities		
Depreciation	-	162,366
(Increase) decrease in receivables	(260,994)	197,595
(Increase) in due from other government units	(513,457)	-
(Increase) in due from other funds	(392,492)	-
Increase in accounts payable	-	24,384
Increase in accrued liabilities	-	7,050
(Decrease) in due to other funds	(276,802)	-
Increase in deferred revenue	-	4,091
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (699,297)</u>	<u>\$ (337,132)</u>

See accompanying notes to financial statements.

Activities		Governmental Activities
Nonmajor Enterprise Funds	Total	Internal Service Funds
\$ 23,456	\$ (1,176,140)	\$ 8,884
23,067	3,308,658	76,961
<u>\$ 46,523</u>	<u>\$ 2,132,518</u>	<u>\$ 85,845</u>
\$ (108,589)	\$ (96,759)	\$ (35,670)
7,004	169,370	4,579
-	(63,399)	-
-	(513,457)	-
-	(392,492)	-
2,096	26,480	9,372
(54)	6,996	-
-	(276,802)	-
-	4,091	-
<u>\$ (99,543)</u>	<u>\$ (1,135,972)</u>	<u>\$ (21,719)</u>

Montcalm County, Michigan  
 Fiduciary Funds  
 STATEMENT OF NET ASSETS  
 September 30, 2008

	Agency Funds	Pension Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,389,882	\$ 227,620
Investments		
U.S. Treasury Notes	-	5,880,984
U.S. Government obligations	-	2,354,629
Corporate bonds and notes	-	2,730,378
Common stocks	-	4,244,555
Foreign stocks	-	399,060
	<u>\$ 3,389,882</u>	<u>15,837,226</u>
<b>TOTAL ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable		
Due to other governmental units	\$ -	595
Federal/State	3,148,762	-
Local	119,511	-
Due to individuals and agencies	121,609	-
	<u>\$ 3,389,882</u>	<u>595</u>
<b>TOTAL LIABILITIES</b>		
<b>NET ASSETS</b>		
Held in trust for pension benefits		<u>\$ 15,836,631</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Pension Trust Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

Year Ended September 30, 2008

	<u>Pension Fund</u>
ADDITIONS	
Investment income (loss)	
Interest and dividends	\$ 500,045
Net (decrease) in fair value of investments	(2,032,799)
Less investment expenses	<u>(70,506)</u>
Net investment income (loss)	(1,603,260)
Contributions	
Employer	312,306
Employee	<u>348,840</u>
Total additions	(942,114)
DEDUCTIONS	
Benefit payments	863,659
Administrative expenses	<u>14,526</u>
Total deductions	<u>878,185</u>
CHANGE IN NET ASSETS	(1,820,299)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	
Beginning of year	<u>17,656,930</u>
End of year	<u>\$ 15,836,631</u>

See accompanying notes to financial statements.

Montcalm County, Michigan

Component Units

COMBINING STATEMENT OF NET ASSETS

September 30, 2008

	Drainage Districts	Central Dispatch Authority	District Health Department
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 1,140,168	\$ 183,948	\$ 1,102,247
Investments	1,489,855	407,975	-
Accounts receivable	39,615	252,361	235,054
Special assessment receivable	1,647,926	-	-
Due from other governmental units	-	-	242,787
Inventories	-	-	201,039
Prepaid expenses	-	-	107,340
Total current assets	<u>4,317,564</u>	<u>844,284</u>	<u>1,888,467</u>
Noncurrent assets			
Investments - restricted	-	-	-
Capital assets not being depreciated	75,650	-	-
Capital assets, net of accumulated depreciation	<u>5,777,885</u>	<u>126,207</u>	<u>229,081</u>
Total noncurrent assets	<u>5,853,535</u>	<u>126,207</u>	<u>229,081</u>
<b>TOTAL ASSETS</b>	<u>10,171,099</u>	<u>970,491</u>	<u>2,117,548</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	92,416	4,768	61,469
Accrued liabilities	1,529	27,601	208,866
Due to other governmental units	-	-	-
Accrued interest payable	77,773	361	-
Unearned revenue	-	-	330,232
Current portion of compensated absences	-	-	81,201
Current portion of long-term debt	<u>296,079</u>	<u>35,140</u>	<u>-</u>
Total current liabilities	<u>467,797</u>	<u>67,870</u>	<u>681,768</u>
Noncurrent liabilities			
Advances from other governmental units	291,214	-	-
Advance from State	-	-	-
Noncurrent portion of compensated absences	-	-	324,805
Noncurrent portion of long-term debt	<u>3,476,686</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>3,767,900</u>	<u>-0-</u>	<u>324,805</u>
<b>TOTAL LIABILITIES</b>	<u>4,235,697</u>	<u>67,870</u>	<u>1,006,573</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,080,770	91,067	229,081
Restricted for County Roads	-	-	-
Unrestricted	<u>3,854,632</u>	<u>811,554</u>	<u>881,894</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 5,935,402</u>	<u>\$ 902,621</u>	<u>\$ 1,110,975</u>

See accompanying notes to financial statements.

<u>Road Commission</u>	<u>Total</u>
\$ 816,718	\$ 3,243,081
-	1,897,830
502	527,532
-	1,647,926
1,403,615	1,646,402
659,313	860,352
-	107,340
<hr/>	<hr/>
2,880,148	9,930,463
170,645	170,645
4,965,759	5,041,409
26,897,548	33,030,721
<hr/>	<hr/>
32,033,952	38,242,775
<hr/>	<hr/>
34,914,100	48,173,238
271,545	430,198
52,938	290,934
9,222	9,222
-	78,134
-	330,232
-	81,201
306,205	637,424
<hr/>	<hr/>
639,910	1,857,345
50,000	341,214
156,865	156,865
81,258	406,063
836,533	4,313,219
<hr/>	<hr/>
1,124,656	5,217,361
<hr/>	<hr/>
1,764,566	7,074,706
30,720,569	33,121,487
2,428,966	2,428,966
-	5,548,080
<hr/>	<hr/>
<u>\$ 33,149,535</u>	<u>\$ 41,098,533</u>

Montcalm County, Michigan

Component Units

STATEMENT OF ACTIVITIES

Year Ended September 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities</b>							
Drainage Districts	\$ 883,459	\$ 10,855	\$ -	\$ 947,921	\$ 75,317	\$ -	\$ 75,317
Central Dispatch Authority	1,311,452	1,266,333	-	-	(45,119)	-	(45,119)
District Health Department	7,217,781	1,502,214	4,336,408	-	(1,379,159)	-	(1,379,159)
Road Commission	9,244,288	1,293,178	5,521,287	3,387,477	957,654	-	957,654
<b>Total governmental activities</b>	<b>18,656,980</b>	<b>4,072,580</b>	<b>9,857,695</b>	<b>4,335,398</b>	<b>(391,307)</b>	<b>-0-</b>	<b>(391,307)</b>
<b>Business-type activities</b>							
Drainage Districts	256,021	154,379	-	-	-	(101,642)	(101,642)
<b>Total component units</b>	<b>\$ 18,913,001</b>	<b>\$ 4,226,959</b>	<b>\$ 9,857,695</b>	<b>\$ 4,335,398</b>	<b>(391,307)</b>	<b>(101,642)</b>	<b>(492,949)</b>
<b>General revenues</b>							
					569	-	569
					53,058	70,589	123,647
					1,334,485	-	1,334,485
					57,337	-	57,337
					8,167	-	8,167
				<b>Total general revenues</b>	<b>1,453,616</b>	<b>70,589</b>	<b>1,524,205</b>
				<b>Change in net assets</b>	<b>1,062,309</b>	<b>(31,053)</b>	<b>1,031,256</b>
				<b>Net assets, beginning of year</b>	<b>37,730,938</b>	<b>2,336,339</b>	<b>40,067,277</b>
				<b>Net assets, end of year</b>	<b>\$ 38,793,247</b>	<b>\$ 2,305,286</b>	<b>\$ 41,098,533</b>

See accompanying notes to financial statements.

Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Montcalm, Michigan, was incorporated in 1850, and covers an area of approximately 710 square miles with the County seat located in the City of Stanton. The County operates under an elected Board of Commissioners and provides services to its more than 61,000 residents in many areas including law enforcement, administration of justice, community enrichment and development, and human services.

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

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Montcalm County (primary government) and its component units. The component units described in Sections 2 and 3 below should be included in the County's reporting entity because of the significance of their operational or financial relationship with the County. Blended component units, although legally separate entities, are in substance, part of the County's operations, so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

2. Blended Component Units

In accordance with the above criteria, the activities of the following Boards, Commissions, and Authorities have been blended in with the County's primary government financial statements:

The Montcalm County Commission on Aging  
The Montcalm County Department of Human Services  
The Montcalm County Building Authority  
The Montcalm County Library Board

Separate reports are not prepared for these Boards, Commissions, and Authorities.

3. Discretely Presented Component Units

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

The Drainage Districts in the County come under the jurisdiction of the Montcalm County Drain Commissioner. This includes planning, developing, and maintaining surface water drainage systems. A complete file of finance, construction, and maintenance is maintained for each of the drains. The Drain Commissioner has authority to spend up to \$2,500 per mile on drain maintenance and may borrow up to \$300,000 from any source to provide for maintenance of a drain without Board of Commissioner approval and without going through the Local Audit and Finance Division, State of Michigan. The Drain Commissioner has authority to levy special assessments on properties benefiting from maintenance.



NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Discretely Presented Component Units - continued

The County is a member of the Montcalm County Central Dispatch Authority. The Authority is governed by a nine (9) member board. The Authority Board consists of three (3) members appointed by the Montcalm County Board of Commissioners, one (1) member representing the Montcalm Township Association, and two (2) members from the City of Greenville. The three (3) statutory representatives are appointed by the Sheriff, the Fire Chief, and the Michigan State Police. The Authority has responsibility for preparing the annual budget (which is approved by the County) and to carry out all activities of the Authority.

The Authority's intent is to support and operate central dispatch services primarily with funds generated from operations (i.e., telephone surcharge fees). Any required local contributions would be calculated based on a pro rated scale, which takes into account the impact and use of the system for each participating unit.

The financial activities of the Montcalm County Central Dispatch Authority are reported in the County's audited financial statements as a discretely presented component unit due to the County being responsible for the receipt and disbursement of the Authority's funds.

The Road Commission for Montcalm County is responsible for the maintenance and construction of the County road system. The Road Commission operations are financed primarily from the State distribution of gas and weight taxes, Federal financial assistance, and contributions from other local government units within the County. The three (3) Board Members of the Road Commission are elected by the people of Montcalm County. This component unit is audited individually and complete financial statements may be obtained from the Road Commission's administrative office located at 619 West Main Street, Stanton, Michigan 48888.

4. Joint Venture

The County participates in the following activity which is considered to be a joint venture in relation to the County due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Mid-Michigan District Health Department - The County is a member of the Mid-Michigan District Health Department, which is a joint venture between Montcalm, Clinton, and Gratiot counties. Each unit appoints two (2) of the six (6) members to the governing Board. The Department has responsibility for preparing the annual budget (which is approved by each County) and to carry out all activities of the Department.

Montcalm County is responsible to fund 39% of the required local contribution to cover operational costs. For the year ended September 30, 2008, the County contributed \$489,134 to cover its share of operational costs. In addition, the treasury function for the Mid-Michigan District Health Department rests with the Montcalm County Treasurer. For this reason the District Health Department is a discretely presented component unit in the Montcalm County Financial Statements as required by accounting principles generally accepted in the United States of America.

The financial activities of the Mid-Michigan District Health Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended September 30, 2008, are available at the Department's administrative offices. As of September 30, 2008, the Department had net assets of \$1,110,975.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

5. Related Organizations

The County participates in the following activity which is considered to be a related organization in relation to the County due to the County appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility, but the County does sign the grant agreements and would be liable for questioned costs in excess of Commission resources.

Montcalm Center for Behavioral Health - Mental Health Authority - The County appoints all of the twelve (12) Board members. The County does not have an ongoing day-to-day financial interest or responsibility for the Board.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Authority is legally separate and fiscally independent, for the Authority's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Board for their year ended September 30, 2008. A copy of the financial statements is available at the Board's administrative offices. As of September 30, 2008, the Board had total assets of \$2,507,336; total liabilities of \$929,458; and total net assets of \$1,577,878. For year ended September 30, 2008, the Board had total revenues of \$8,215,116; total expenditures of \$7,990,487; and a net increase in net assets of \$224,629.

Montcalm County Housing Commission - The County appoints all of the five (5) Commission members. The County does not have an ongoing day-to-day financial interest or responsibility for the Commission and does not approve or sign the Commission's annual grant agreement with the U.S. Department of Housing and Urban Development (HUD). The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the County's notes to the financial statements only, instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2007. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2007, the Commission had total assets of \$1,499,089; total liabilities of \$31,416, and total net assets of \$1,467,673. For the year ended December 31, 2007, the Commission had total revenues of \$1,242,384; total expenses of \$1,069,680; and a net increase in net assets of \$172,704.

6. Jointly Governed Organizations

The County participates in the following activities which are considered to be jointly governed organizations in relation to the County due to there being no ongoing financial interest or responsibility.

West Michigan Regional Planning Commission - Montcalm County, in conjunction with 10 other Counties, has entered into an agreement which created the West Michigan Regional Planning Commission. This organization's Board is composed of 20 members, of which two (2) are appointed by Montcalm County. The County's financial responsibility is to contribute a pro rata share of "local match" funds based on the proportion of State equalized valuation. For the year ended September 30, 2008 the County's contribution to the Commission was \$17,317.

Central Area Michigan Works Consortium - Montcalm County, in conjunction with three (3) other Counties, has entered into an agreement which created the Central Area Michigan Works Consortium. This organization's Board is composed of eight (8) members, of which two (2) are appointed by Montcalm County. The organization receives all of its funding from State and Federal grants and, as a result, the County has no financial responsibility other than potential liability related to appropriate use of the funds.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

7. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

FUND FINANCIAL STATEMENTS

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

The major funds of the County are:

- a. The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Revenue Sharing Reserve Fund was established to account for the shift of State Revenue Sharing dollars from State to local funding.
- c. The Ambulance Fund is used to report ambulance services which are financed primarily by user charges or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control, or other purposes.
- d. The Delinquent Tax Revolving Fund accounts for money advanced by the County to other local taxing units and various county funds to pay for their delinquent taxes. Revenues are generated by the collection of the delinquent taxes, penalties, and interest.

8. Measurement Focus

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

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Measurement Focus - continued

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

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

9. Basis of Accounting

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

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

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

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

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

10. Cash and Cash Equivalents

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

Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

11. Restricted Investments

A portion of the investment of the Road Commission (Component Unit) is classified as restricted investment because their use is limited. The Road Commission's investment restriction consists of \$170,645 for road improvements.

12. Investments

Investments during the year consisted of Pension Fund securities, commercial paper, certificates of deposit and U.S. Government Securities with original maturities of greater than 90 days. Investments are recorded at market value in accordance with GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

13. Receivables

Receivables consist of amount due from governmental units for various financial assistance programs and accounts receivable related to charges for services.

14. Prepayments

Prepayments consist of certain insurance premiums and other expenditures representing costs applicable to future periods. These prepayments recorded in the governmental fund types do not reflect current expendable resources and, therefore, an equal portion of fund balance is reserved.

15. Inventories

Inventory of the Road Commission (component unit) consist of various operating parts, supplies, and road material, and the cost is recognized using the consumption method (inventories recorded as expenditures when they are used). Inventories are priced at cost as determined on the average cost valuation method.

Inventory of the District Health Department (component unit) consists of vaccines received from the State of Michigan. Inventories are stated at cost on a first in/first out basis. Vaccine inventory received from the State of Michigan that is on hand at year-end has been reported as unearned revenue.

16. Capital Assets

**PRIMARY GOVERNMENT AND COMPONENT UNIT - DRAINAGE DISTRICTS**

Capital assets include land, buildings, equipment, and vehicles and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and component unit columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Buildings and improvements	5 - 50 years
Equipment and furniture	4 - 20 years
Vehicles	4 - 10 years
Drain infrastructure	10 - 50 years

Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

16. Capital Assets - continued

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported in the government-wide financial statements. Capital assets are defined by Montcalm County Road Commission as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of five years. However, all equipment items (regardless of purchase price or useful life) that have a Schedule C code and rate (Michigan Department of Transportation's "Equipment Rental Rates" report) are capitalized. Such assets are recorded at historical costs or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets include equipment and land improvements and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements. Capital assets are those with an initial individual cost of \$1,000 or more, with estimated useful lives of more than one year. Capital assets are not recorded in the governmental fund. Instead, capital acquisitions are reflected as expenditures in the governmental fund, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

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

Equipment	5 - 20 years
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The Department has no assets that would be classified as infrastructure assets.

COMPONENT UNIT - ROAD COMMISSION

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the government-wide financial statements. Capital assets are defined by Montcalm County Road Commission as assets with an initial individual cost of more than \$1,500 and an estimated useful life in excess of five years. However, all equipment items (regardless of purchase price or useful life) that have a Schedule C code and rate (Michigan Department of Transportation's "Equipment Rental Rates" report) are capitalized. Such assets are recorded at historical costs or estimated historical cost of purchase or construction. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

17. Deferred and Unearned Revenue

Deferred revenue consists of amounts related to long-term receivables recorded at the fund level that are not available to finance current period expenditures or amounts that have been received but have not been earned.

The Statement of Net Assets reports unearned revenue for resources that have been received but not yet earned.

18. Long-Term Obligations

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

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

19. Treatment Rights

Little Whitefish Lake (Component Unit) Fund has contracted with Big Whitefish Lake (Component Unit) Fund for the right to distribute wastewater through the sewer system to the Big Whitefish Lake treatment plant and for the treatment of its wastewater.

These rights are being amortized over the period of the related contract.

20. Advances to Other Funds/Governmental Units

Long-term advances from some funds to other funds/component units are made to finance new activities during their initial operations, to finance the purchase of real property taxes receivable from the municipalities within the County, and to finance capital acquisitions. The applicable fund balance is reserved for such advances to reflect the amount of fund balance not currently available for expenditure within the governmental funds.

21. Accrued Compensated Absences

In accordance with the County personnel policies and/or contracts negotiated with the various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested vacation and sick leave earned as of September 30, 2008, including related payroll taxes, is recorded in the government-wide financial statements.

Vested vacation and sick leave earned as of September 30, 2008, for the District Health Department and Road Commission (component units) is recorded in the respective component unit's government-wide financial statements.

Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE A: DESCRIPTION OF COUNTY OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

22. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds and component units, 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. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Internal Service Funds are used to record charges for services to all County departments and funds as charges for services. All County funds record these payments to the Internal Service Funds as operating expenditures/expenses.

23. Budgets and Budgetary Accounting

Budgets are adopted for the General and Special Revenue Funds and are prepared on a basis consistent with the modified accrual basis used to reflect actual results. The County employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to July 1, the County departments, in conjunction with the Controller's office, prepare and submit their proposed operating budgets to the Finance Committee for the fiscal year commencing the following October 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is held to obtain taxpayers' comments.
- c. Prior to September 30, the budgets are legally enacted through passage of an annual budget resolution.
- d. The budgets are legally adopted at the activity level for the General Fund and the fund level for the Special Revenue fund. Budgetary transfers between funds and amendments to total fund budgets are not permitted without Board approval. For control purposes, all funds' budgets are maintained at the activity and account level. The Board must preapprove transfers of budget amounts between accounts.
- e. The County does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. All unexpended appropriations lapse at year-end.
- f. Budgeted amounts are reported as originally adopted or as amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were adopted.

24. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since the inclusion of comparative data would make the statements unduly complex and difficult to read.

25. Federal Programs

Federal Programs are accounted for in the funds to which the programs pertain. The County has not integrated its Single Audit Reports and financial data as part of the financial statements. The Single Audit reports and financial data will be issued under separate cover as supplementary information to the basic financial statements.



Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE B: POOLING OF CASH AND INVESTMENTS**

The County's balance sheet reflects cash and investments with a negative balance. These amounts do not represent actual bank overdrafts; rather, they merely reflect that specific funds have disbursed amounts from the County's common checking account in excess of the amount recorded as an asset. In total, the bank account has a positive balance.

Cash disbursed in excess of amounts recorded as assets as of September 30, 2008, are as follows:

<u>Fund</u>	<u>Negative Pooled Cash</u>	<u>Nonpooled Cash and Cash Equivalents</u>	<u>Financial Statements</u>
<b>PRIMARY GOVERNMENT</b>			
Governmental Funds			
Special Revenue Funds			
Friend of the Court	\$( 71,412 )	\$ 100	\$( 71,312 )
County Libraries	( 59,617 )	-	( 59,617 )
Revenue Sharing Reserve	( 578,186 )	-	( 578,186 )
Homeland Security Grant	( 22,117 )	-	( 22,117 )
Register of Deeds Automation	( 22,587 )	-	( 22,587 )
Capital Projects Funds			
General Projects	<u>( 507,134 )</u>	<u>-</u>	<u>( 507,134 )</u>
TOTAL PRIMARY GOVERNMENT	( 1,261,053 )	100	( 1,260,953 )
<b>COMPONENT UNITS</b>			
Drainage Districts			
Drain Special Assessment	<u>( 33,124 )</u>	<u>3</u>	<u>( 33,121 )</u>
TOTAL REPORTING ENTITY	<u>\$( 1,294,177 )</u>	<u>\$ 103</u>	<u>\$( 1,294,074 )</u>

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

The County utilizes various pooled cash accounts and investments for approximately 50 funds. The County's pooled cash and investments consist of a common checking account, savings, treasury notes, and mutual funds.

The County's pooled cash and investments are utilized by the General Fund, Special Revenue Funds, Capital Project Funds, Enterprise Funds, Internal Service Funds (except for the Delinquent Tax Revolving Funds), Trust and Agency Funds, and Component Unit Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the financial statements.

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

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

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC), Federal Savings and Loan Insurance Corporation (FSLIC), and the National Credit Union Administration (NCUA) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits, and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of September 30, 2008, the carrying amounts and bank balance for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 3,052,828	\$ 3,650,281
FIDUCIARY FUNDS		
Checking	3,677,223	3,285,588
COMPONENT UNITS		
Checking	<u>3,242,932</u>	<u>3,090,871</u>
TOTAL REPORTING ENTITY	<u>\$ 9,972,983</u>	<u>\$ 10,026,740</u>

Deposits of the County are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the County. As of September 30, 2008, the primary government and component unit accounts were insured by the FDIC for \$378,399 and the amount of \$9,648,341 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the current period, the amount the County held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at September 30, 2008.

Montcalm County, Michigan  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

As of September 30, 2008, the market values, which are the carrying values for each investment, are as follows:

Investments

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>				
Federal National Mortgage Association	\$ 1,013,253	\$ 1,013,253	Aa3	4.3 years
Uncategorized pooled investment funds	<u>4,877,357</u>	<u>4,877,357</u>	Aa3	4.3 years
Total primary government	5,890,610	5,890,610		
<b>FIDUCIARY FUNDS</b>				
U.S. Government Securities	2,354,630	2,354,630	Aa3	4.3 years
Corporate Bonds and Notes	2,730,378	2,730,378	Aa3	4.3 years
Common Stock	4,244,555	4,244,555		N/A
Foreign Stock	399,060	399,060		N/A
Uncategorized pooled investment funds	2,166,316	2,166,316	Aa3	4.3 years
Uncategorized pooled investment funds	<u>3,654,946</u>	<u>3,654,946</u>	AA+	6.1 years
Total fiduciary funds	15,549,885	15,549,885		
<b>COMPONENT UNITS</b>				
Uncategorized pooled investment funds	268,573	268,573	Aa3	4.3 years
Uncategorized pooled investment funds	<u>1,799,902</u>	<u>1,799,902</u>	Aa3	4.3 years
Total component units	<u>2,068,475</u>	<u>2,068,475</u>		
<b>TOTAL REPORTING ENTITY</b>	<u>\$23,508,970</u>	<u>\$23,508,970</u>		

The pension investments in U.S. Treasury Notes and other Governmental Securities, corporate bonds and notes, common stock, and guaranteed annuity contracts are insured or registered for which the applicable securities are held by the Macatawa Bank, and Raymond James Financial Services, Inc.

The County has investments purchased for the County employee's Pension Trust Fund through three (3) banks. Michigan Compiled Law, Section 38.1121, authorizes the County to invest pension assets in a wide variety of investments including: stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types. As of September 30, 2008, the market value, which is the carrying amount of the pension trust plan assets were \$15,609,606.

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of September 30, 2008, rating information on the County's investments is presented above.

Interest rate risk

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

Montcalm County, Michigan  
 NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

Concentration of credit risk

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

Custodial credit risk

The County will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by:

- Limiting investments to the types of securities listed in this investment policy.
- Pre-qualifying the financial institutions, brokers/dealers, intermediaries and advisors with which the County will do business in accordance with this investment policy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of September 30, 2008:

	Primary Government	Component Units	Fiduciary Funds	Reporting Entity
Cash and cash equivalents	\$ 3,054,963	\$ 3,243,082	\$ 3,617,502	\$ 9,915,547
Investments	5,890,610	1,897,830	15,609,606	23,398,046
Investments - restricted	-	170,645	-	170,645
	<u>\$ 8,945,573</u>	<u>\$ 5,311,557</u>	<u>\$19,227,108</u>	<u>\$33,484,238</u>

The primary government cash and cash equivalents captions on the financial statements include \$2,135 in imprest cash. The component unit cash and cash equivalents captions on the financial statements includes \$150 in imprest cash.

**NOTE D: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Revenue Sharing Reserve Fund	\$ 1,195,320
Delinquent Tax Revolving Fund	609,230
Nonmajor governmental funds	103,603
	<u>\$ 1,908,153</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 1,013,998
Ambulance Fund	197
Nonmajor governmental funds	65,027
	<u>\$ 1,079,222</u>

Montcalm County, Michigan  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2008

**NOTE D: INTERFUND TRANSFERS - CONTINUED**

Transfer to Internal Service Funds from:	
General Fund	<u>\$ 40,000</u>
Transfer to nonmajor enterprise funds from:	
General Fund	<u>\$ 123,000</u>
Transfer to component unit funds from:	
Component unit funds	<u>\$ 248,680</u>

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

The following schedule details interfund receivables and payables related to the primary government at September 30, 2008:

Due to General Fund from:	
Nonmajor governmental funds	<u>\$ 3,769</u>
Due to Revenue Sharing Reserve Fund from:	
General Fund	\$ 1,484,762
Delinquent Tax Revolving Fund	<u>211,931</u>
	<u>\$ 1,696,693</u>
Due to Delinquent Tax Revolving Fund from:	
General Fund	<u>\$ 392,492</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 2,178
Delinquent Tax Revolving Fund	15,636
Nonmajor governmental funds	<u>10,191</u>
	<u>\$ 28,005</u>

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

**NOTE F: ADVANCES RECEIVABLE AND PAYABLE**

The following schedule details advances receivable and payable between funds of the primary government at September 30, 2008:

Advance from nonmajor governmental funds to:	
Ambulance Fund	<u>\$ 164,318</u>

The advances were made to finance capital acquisitions.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE G: CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2008, was as follows:

**Primary Government**

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 81,157	\$ -	\$ -	\$ 81,157
Capital assets being depreciated				
Land improvements	5,665	-	-	5,665
Buildings and additions	22,642,422	-	-	22,642,422
Equipment and furniture	1,961,459	52,626	-	2,014,085
Vehicles	<u>807,479</u>	<u>96,810</u>	<u>( 172,627 )</u>	<u>731,662</u>
Subtotal	25,417,025	149,436	( 172,627 )	25,393,834
Less accumulated depreciation for				
Land improvements	( 1,700 )	( 566 )	-	( 2,266 )
Buildings and additions	( 9,968,498 )	( 666,490 )	-	( 10,634,988 )
Equipment and furniture	( 1,617,218 )	( 145,111 )	-	( 1,762,329 )
Vehicles	<u>( 579,084 )</u>	<u>( 98,445 )</u>	<u>165,627</u>	<u>( 511,902 )</u>
Subtotal	<u>( 12,166,500 )</u>	<u>( 910,612 )</u>	<u>165,627</u>	<u>( 12,911,485 )</u>
Net capital assets being depreciated	<u>13,250,525</u>	<u>( 761,176 )</u>	<u>( 7,000 )</u>	<u>12,482,349</u>
Total Net Capital Assets	<u>\$ 13,331,682</u>	<u>\$ ( 761,176 )</u>	<u>\$ ( 7,000 )</u>	<u>\$ 12,563,506</u>

Depreciation expense was charged to the following governmental activities:

Governmental activities:		
General government		\$ 388,338
Public safety		445,037
Health and welfare		57,246
Recreation and cultural		<u>19,991</u>
		<u>\$ 910,612</u>

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 10,660	\$ -	\$( 10,660 )	\$ -0-
Capital assets being depreciated				
Land improvements	17,491	-	( 17,491 )	-0-
Buildings and improvements	432,070	1,200	-	433,270
Equipment and furniture	703,429	21,451	( 175,348 )	549,532
Vehicles	<u>1,304,516</u>	<u>142,172</u>	<u>( 377,029 )</u>	<u>1,069,659</u>
Subtotal	2,457,506	164,823	( 569,868 )	2,052,461

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Primary Government - continued**

	Balance <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2008</u>
Business-type activities - continued				
Less accumulated depreciation for				
Land improvements	\$( 17,491 )	\$ -	\$ 17,491	\$ -0-
Buildings and additions	( 54,167 )	( 21,739 )	-	( 75,906 )
Equipment and furniture	( 583,769 )	( 38,653 )	154,149	( 468,273 )
Vehicles	( 1,014,028 )	( 108,978 )	315,731	( 807,275 )
Subtotal	( 1,669,455 )	( 169,370 )	487,371	( 1,351,454 )
Net capital assets being depreciated	<u>788,051</u>	<u>( 4,547 )</u>	<u>( 82,497 )</u>	<u>701,007</u>
Total Net Capital Assets	<u>\$ 798,711</u>	<u>\$( 4,547 )</u>	<u>\$( 93,157 )</u>	<u>\$ 701,007</u>

**Component Units**

**Drainage Districts**

Capital assets not being depreciated				
Land	\$ 75,650	\$ -	\$ -	\$ 75,650
Capital assets being depreciated				
Drains	6,394,491	414,047	-	6,808,538
Less accumulated depreciation for Drains	( 895,212 )	( 135,441 )	-	( 1,030,653 )
Net capital assets being depreciated	<u>5,499,279</u>	<u>278,606</u>	<u>-0-</u>	<u>5,777,885</u>
Total Net Capital Assets	<u>\$ 5,574,929</u>	<u>\$ 278,606</u>	<u>\$ -0-</u>	<u>\$ 5,853,535</u>

**Central Dispatch Authority**

Capital Assets being depreciated				
Equipment and furniture	\$ 557,819	\$ 93,711	\$ -	\$ 651,530
Vehicles	-	16,490	-	16,490
Subtotal	557,819	110,201	-0-	668,020
Accumulated depreciation				
Equipment and furniture	( 453,507 )	( 85,008 )	-	( 538,515 )
Vehicles	-	( 3,298 )	-	( 3,298 )
Subtotal	( 453,507 )	( 88,306 )	-0-	( 541,813 )
Total Net Capital Assets	<u>\$ 104,312</u>	<u>\$ 21,895</u>	<u>\$ -0-</u>	<u>\$ 126,207</u>

**Road Commission**

Capital assets not being depreciated				
Land	\$ 28,708	\$ -	\$ -	\$ 28,708
Infrastructure - land improvements	4,690,355	-	-	4,690,355
Construction in Progress	-	246,696	-	246,696
Subtotal	4,719,063	246,696	-0-	4,965,759

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	Balance <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Sept. 30, 2008</u>
<b>Road Commission - continued</b>				
Capital assets being depreciated				
Buildings	\$ 2,204,785	\$ -	\$ -	\$ 2,204,785
Road equipment	6,832,238	83,589	-	6,915,827
Shop equipment	118,954	1,672	-	120,626
Office equipment	161,763	-	-	161,763
Engineer's equipment	44,892	2,000	-	46,892
Yard and storage	359,683	-	-	359,683
Infrastructure - bridges	9,151,205	731,707	-	9,882,912
Infrastructure - roads	53,280,437	2,196,270	-	55,476,707
Depletable assets	<u>6,750</u>	<u>-</u>	<u>-</u>	<u>6,750</u>
Subtotal	72,160,707	3,015,238	-0-	75,175,945
Less accumulated depreciation for				
Building	( 616,128 )	( 45,305 )	-	( 661,433 )
Road equipment	( 6,278,684 )	( 243,302 )	-	( 6,521,986 )
Shop equipment	( 76,873 )	( 3,275 )	-	( 80,148 )
Office equipment	( 140,447 )	-	3,512	( 136,935 )
Engineer's equipment	( 38,042 )	( 4,345 )	-	( 42,387 )
Yard and storage	( 359,683 )	-	-	( 359,683 )
Infrastructure - bridges	( 3,349,052 )	( 200,178 )	-	( 3,549,230 )
Infrastructure - roads	( 34,644,819 )	( 2,275,025 )	-	( 36,919,844 )
Depletable assets	<u>( 6,750 )</u>	<u>-</u>	<u>-</u>	<u>( 6,750 )</u>
Subtotal	<u>( 45,510,478 )</u>	<u>( 2,771,430 )</u>	<u>3,512</u>	<u>( 48,278,396 )</u>
Net capital assets being depreciated	<u>26,650,229</u>	<u>3,015,238</u>	<u>( 2,767,918 )</u>	<u>26,897,549</u>
Total Net Capital Assets	<u>\$ 31,369,292</u>	<u>\$ 3,261,934</u>	<u>\$( 2,767,918 )</u>	<u>\$ 31,863,308</u>

The reduction to office equipment of \$3,512 is due to an over charge of depreciation in a prior year which was corrected in 2008.

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 223,489
Indirect equipment	
Buildings	36,043
Shop equipment	3,275
Net Administrative Expense	
Buildings	9,262
Office equipment and furniture	(3,512)
Road equipment	19,813
Engineer's equipment	4,345
Infrastructure	<u>2,475,203</u>
Total depreciation expense	<u>\$ 2,767,918</u>



Montcalm County, Michigan  
NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE G: CAPITAL ASSETS - CONTINUED**

**Component Units - continued**

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>
<b>District Health Department</b>				
Capital assets being depreciated				
Equipment	\$ 620,764	\$ 33,910	\$( 3,320 )	\$ 651,354
Less accumulated depreciation for				
Equipment	( 378,770 )	( 46,823 )	3,320	( 422,273 )
Total Net Capital Assets	<u>\$ 241,994</u>	<u>\$( 12,913 )</u>	<u>\$ -0-</u>	<u>\$ 229,081</u>

**NOTE H: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the County for the year ended September 30, 2008:

	<u>Balance</u> <u>Oct. 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Sept. 30, 2008</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
Direct County Obligations	\$13,294,424	\$ -	\$ 739,391	\$12,555,033	\$ 770,262
Compensated absences	261,423	522,597	522,737	261,283	150,268
Business-type Activities					
Capital leases	<u>5,763</u>	<u>-</u>	<u>5,763</u>	<u>-0-</u>	<u>-</u>
	13,561,610	522,597	1,267,891	12,816,316	920,530
Less: deferred amounts on refunding	( 600,020 )	-	34,446	( 565,574 )	( 34,446 )
<b>TOTAL PRIMARY GOVERNMENT</b>	12,961,590	522,597	1,233,445	12,250,742	886,084
<b>COMPONENT UNIT FUNDS</b>					
Drainage Districts					
Governmental Activities					
Drain bonds and notes	1,719,918	1,050,429	232,082	2,538,265	275,579
Business-type Activities					
Little Whitefish Lake					
Drain bonds	1,255,000	-	20,500	1,234,500	20,500
Central Dispatch Authority					
Installment purchase agreement	69,222	-	34,082	35,140	35,140
District Health Department					
Compensated absences	378,629	373,427	346,050	406,006	81,201
Road Commission					
Michigan transportation revenue note	1,200,000	-	200,000	1,000,000	200,000
Installment purchase agreements	216,694	-	73,956	142,738	106,205
Compensated absences	<u>75,427</u>	<u>10,929</u>	<u>5,098</u>	<u>81,258</u>	<u>-</u>
<b>TOTAL COMPONENT UNITS</b>	<u>4,914,890</u>	<u>1,434,785</u>	<u>911,768</u>	<u>5,437,907</u>	<u>718,625</u>
<b>TOTAL REPORTING ENTITY</b>	<u>\$17,876,480</u>	<u>\$ 1,957,382</u>	<u>\$ 2,145,213</u>	<u>\$17,688,649</u>	<u>\$ 1,604,709</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

PRIMARY GOVERNMENT

Direct County Obligations

The Montcalm County Board of Commissioners is party to a long-term lease agreement for rental of the Montcalm Center for Behavioral Health facility from the Montcalm County Building Authority. The lease agreements stipulate that the annual rentals be paid by the County to the Building Authority in amounts sufficient to meet the annual principal and interest on bonds, which shall be pledged exclusively for that purpose. When all debt has been retired for the buildings, the rentals will cease, title to the buildings will be transferred to the County, and any cash balances remaining with the Building Authority will be returned to the County.

The Montcalm County Board of Commissioners is also party to six (6) long-term loan agreements. The proceeds of these loans were used to defray the cost of capital acquisition and construction.

Bonds and loans payable at September 30, 2008 are as follows:

\$15,000,000 Montcalm County Building Authority - Jail Expansion Bonds Series 2000, dated September 1, 2000, due in annual installments ranging from \$270,000 to \$560,000 through May 1, 2014, with interest ranging from 5 to 5.125 percent, payable semi-annually.	\$ 2,840,000
\$82,699 Montcalm County installment loan payable, dated December 18, 2003, due in a final installment of \$14,726 on December 18, 2008 with interest of 2.9 percent.	14,726
\$227,000 Montcalm County installment loan payable, dated June 9, 2004, due in annual installments of \$32,430 through June 1, 2012 with interest of 3.04 percent.	120,307
\$500,000 Capital Improvement Bonds, dated December 15, 2005, due in annual installments ranging from \$100,000 to \$105,000 through November 1, 2010 with interest ranging from 3.70 percent to 3.90 percent, payable semi-annually.	310,000
\$9,320,000 Building Authority Refunding Bonds, dated October 4, 2005, due in annual installments ranging from \$35,000 to \$945,000 through May 1 2025 with interest ranging from 3.50 percent to 5.00 percent, payable semi-annually.	9,050,000
\$275,000 Capital Improvement Bonds, dated July 28, 2006, due in annual installments of \$55,000 through November 1, 2011 with interest ranging from 4.00 percent to 4.15 percent, payable semi-annually.	<u>220,000</u>
	<u>\$12,555,033</u>

Compensated Absences

In accordance with County personnel policies and/or contracts negotiated with various employee groups of the County, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights, including related payroll taxes, amounted to \$185,127 and \$76,156 for vacation and sick, respectively, at September 30, 2008. Of the total liability of \$261,283, \$150,268 has been reported as a current liability and \$111,015 has been reported as a noncurrent liability.

Montcalm County, Michigan  
 NOTES TO FINANCIAL STATEMENTS  
 September 30, 2008

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

COMPONENT UNIT - DRAINAGE DISTRICTS

The County has irrevocably pledged its full faith and credit as collateral for the following drain bonds and notes. These projects are administered by the Montcalm County Drain Commission for various local drainage districts. The drain bonds and notes were issued to finance the various Construction Funds for the purpose of paying costs in connection with various drainage district projects and are payable out of assessments to be made against the benefited properties.

Drain Bonds and Notes

Bonds and notes payable at September 30, 2008, per respective Drain projects serviced from the Component Unit Debt Service Funds are as follows:

\$100,000 Village of Pierson Sanitary Drain District Bonds, Series A, dated November 1, 1985 due in annual installments ranging from \$1,700 to \$6,000 through November 1, 2014 with interest of 5.0 percent payable semi-annually.	\$ 34,000
\$405,000 Weatherby Drain District Bonds, Series 2002, dated August 1, 2002, due in annual installments of \$60,000 through June 1, 2009 with interest rate of 3.70 percent, payable semi-annually.	60,000
\$180,500 Stillwater Drain District Note dated May 20, 2003, due in annual installments of \$25,786 through June 1, 2010 with interest of 3.50 percent.	51,570
\$1,151,000 Duck Lake Drain District Bonds, Series A and B, dated March 17, 2004, due in annual installments ranging from \$23,000 to \$59,000 through March 1, 2034 with interest of 4.50 percent, payable semi-annually.	962,280
\$761,772 Greenville West Drain District Bonds, Series 2008, dated February 7, 2008, due in annual installments of \$50,785, through June 1, 2023 with interest of 3.84 percent, payable semi-annually.	761,772
\$288,657 Number Five Drain District Bonds, Series 2008, dated July 30, 2008, due in annual installments of \$41,237 through June 1, 2015 with interest of 3.69 percent, payable semi-annually.	288,657
Various drain notes due in various annual installments and interest rates through 2014.	<u>379,986</u>
	<u>\$ 2,538,265</u>

Bonds and notes payable at September 30, 2008 per respective Drain projects serviced from the Component Unit proprietary funds are as follows:

\$1,262,000 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated March 18, 1997 due in annual installments ranging from \$19,000 to \$55,000 through November 1, 2036, with interest of 5.0 percent, payable semi-annually.	\$ 1,119,000
\$121,500 Little Whitefish Lake Sanitary Sewer System G.O. Bonds dated January 24, 2003 due in annual installments ranging from \$1,500 to \$8,000 through May 1, 2043, with interest of 4.625 percent payable semi-annually.	<u>115,500</u>
	<u>\$ 1,234,500</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

COMPONENT UNIT - CENTRAL DISPATCH AUTHORITY

\$165,978 Montcalm County installment loan payable, dated July 7, 2004, due in annual installments of \$36,221 through June 1, 2009 with interest of 3.04 percent, payable annually.

\$ 35,140

COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Compensated Absences

In accordance with the District Health Department personnel policies and/or contracts negotiated with various employee groups, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amounts of these vested rights including the related payroll taxes reported by the District Health Department at September 30, 2008, amounts to \$406,006. Of the total liability, \$81,201 has been reported as a current liability and \$324,805 has been reported as a noncurrent liability.

COMPONENT UNIT - ROAD COMMISSION

Notes Payable - Michigan Department of Transportation

On August 1, 2002, the Road Commission for Montcalm County borrowed \$2,000,000 at interest rates ranging from 2 to 3.4 percent. Payments are to be made in varying amounts for 10 years from the Michigan Department of Transportation Fund Revenue Notes of 2003 to defray the cost of constructing certain road improvements and facilities under the provisions of Public Act 143 of 1943.

\$ 1,000,000

Installment Leases

The Road Commission for Montcalm County entered into a lease agreement for \$176,944 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$1,675 and one payment of \$105,000 which was refinanced.

The Road Commission for Montcalm County entered into a lease agreement for \$128,175 at 4 percent interest on February 1, 2002 from Caterpillar Financial Services for the purpose of financing a grader. The lease agreement called for 59 monthly payments of principal and interest of \$777 and one payment of \$105,000 which was refinanced.

On February 1, 2008, the Montcalm County Road Commission combined into one agreement the above leases (which called for balloon payments) in the amount of \$210,000, at 4% interest with Caterpillar Financial Services for the two graders. The lease agreement extended the time to pay into 26 monthly payments and interest of \$9,188.

\$ 142,738

Compensated Absences

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

Compensated Absences - continued

The dollar amount of these vested rights, including related payroll taxes, amounts to \$81,258 at September 30, 2008.

The annual requirements to pay the debt principal and interest outstanding for the following Bonds, Notes, and Leases are as follows:

Year Ending September 30,	Primary Government Direct County Obligations	
	Principal	Interest
2009	\$ 770,262	\$ 535,834
2010	789,608	500,434
2011	700,520	463,838
2012	614,643	433,634
2013	560,000	405,570
2014-2018	3,240,000	1,599,663
2019-2023	4,025,000	872,325
2024-2025	<u>1,855,000</u>	<u>113,890</u>
	<u>\$12,555,033</u>	<u>\$ 4,925,188</u>

Year Ending September 30,	Component Units					
	Drain Bonds and Notes		Installment Purchase Agreements		Road Commission Notes Payable	
	Principal	Interest	Principal	Interest	Payment	Interest
2009	\$ 296,079	\$ 168,704	\$ 141,345	\$ 5,140	\$ 200,000	\$ 30,400
2010	238,079	156,748	36,533	221	200,000	25,300
2011	213,293	146,937	-	-	200,000	19,500
2012	216,293	137,933	-	-	200,000	13,300
2013	218,292	128,812	-	-	200,000	6,800
2014-2018	605,805	533,464	-	-	-	-
2019-2023	629,424	398,891	-	-	-	-
2024-2028	476,500	269,297	-	-	-	-
2029-2033	559,500	144,172	-	-	-	-
2034-2038	288,500	33,511	-	-	-	-
2039-2043	<u>31,000</u>	<u>4,556</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,772,765</u>	<u>\$ 2,123,025</u>	<u>\$ 177,878</u>	<u>\$ 5,361</u>	<u>\$ 1,000,000</u>	<u>\$ 95,300</u>

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE I: EMPLOYEE RETIREMENT SYSTEMS**

RETIREMENT SYSTEM - COUNTY GENERAL

Montcalm County is in a combined County single employer defined-benefit pension plan covering substantially all of its employees. The plan is administered by the Montcalm County Controller/Administrator and the County Pension Trust Committee. The plan is funded through the purchase of various investment vehicles as described in Note C. To be eligible for the plan, an employee must be a regular full-time employee who is not employed on a contract or fee basis with the County, provided such employee is not eligible for coverage, by reason of compensation received from the County, under any pension plan or retirement system other than that provided by the Social Security Act. The County's contributions for the year ended September 30, 2008, and 2007, were based on the payroll for employees covered by the plan for the year ending December 31, 2008 and 2007. The covered payroll for 2008 and 2007 was \$5,692,579 and \$5,581,076, respectively. The total payroll for the year ended September 30, 2008, and 2007, for the County General employees was \$9,221,975 and \$8,900,402, respectively. The plan provides retirement benefits, as well as death and disability benefits in accordance with benefit provisions as adopted by the Montcalm County Board of Commissioners Retirement benefits are based on service and compensation and vested after five (5) years of service. At December 31, 2008, membership consisted of 83 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 142 current active employees. The plan is recorded as a Pension Trust Fund in the County financial statements and is accounted for on the accrual basis of accounting.

The obligation to contribute to and maintain the plan for covered employees was established in the County of Montcalm Pension Plan, as amended July 3, 1997, and requires the following employee contributions:

<u>Employee Group</u>	<u>Contribution Rate</u>
Fraternal Order of Police	6.87%
Employees not covered by any collective bargaining agreement and County General employees in Unit 1 - AFSCME prior to 7/6/97	5.0
 <u>Period</u>	
On or after 7/6/97 and before 1/3/98	4.5%
On or after 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5
 <u>Employee Group</u>	
Probate/Juvenile Court employees of Unit 2 - AFSCME 64B District Court employees of Unit 3 - AFSCME	
 <u>Period</u>	
On or before 9/14/97 and before 1/3/98	4.5%
On or before 1/4/98 but before 1/2/99	4.0
On or after 1/3/99	3.5

The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings. The actuarially determined combined employer and employee contributions for the plan year ended December 31, 2007, were \$508,261 and actual contributions were \$618,796. The actual employer contribution for the year ended September 30, 2008, was \$316,879. Employee contributions for the year ended September 30, 2008, were \$345,632.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED**

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded AAL (UAAL) (a-b)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a % of Covered Payroll</u>
1/1/06	\$15,145,142	\$20,021,389	\$( 4,876,247 )	75.64 %	\$5,608,251	86.94 %
1/1/07	16,648,958	20,980,177	( 4,331,219 )	79.36	5,581,076	77.61
1/1/08	17,584,732	23,594,621	( 6,008,890 )	74.53	5,692,579	105.56

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Plan Year Ended December 31,</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
2007	\$ 234,794	\$ 316,879	134.96 %
2006	284,908	363,914	127.73
2005	348,844	369,651	105.96

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007, the latest actuarial valuation follows:

Actuarial cost method	Aggregate Cost Method
Amortization method	Level percent, closed
Remaining amortization period	*
Asset Valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5 %
Projected salary increased attributable to inflation	4.0 %
Cost of living adjustments	None

\* Information not provided in actuarial valuation report.

NOTE: The aggregate actuarial cost method does not identify and separately amortize unfunded actuarial liabilities.

The County also provides pension benefits for substantially all permanent, full and part time, non-union and union employees through a defined contribution plan, which was established by the Board of Commissioners and may be amended from time to time by the Board. This plan is administered by Michigan Municipal Employees Retirement System. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The County contributes 5% of each participant's earnings to the plan. Employees are required to contribute 3.5% of their wages. The County's contributions are vested at a rate of 33% after one (1) year of service and an additional 33% per year for each year thereafter with full vesting after three (3) years of continuous service.

During the year ended September 30, 2008, the contributions to the plan by employer and employee were \$160,597 and \$112,418, respectively.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED**

RETIREMENT SYSTEM - COMPONENT UNIT - DISTRICT HEALTH DEPARTMENT

Plan Description

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the Board of Public Health. The plan requires a contribution from the employees ranging from 0-2.75 percent of wages depending on the employee group covered. The Department is required to contribute the remaining amounts necessary to fund the system.

Annual Pension Cost

For the year ended September 30, 2008, the Department's annual pension cost of \$223,376 for the plan was equal to the Department's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Actual required contributions are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will increase 2.5% per year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five (5) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions over 30 years.

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 5,102,145	\$ 5,542,334	\$ 6,005,665
Actuarial accrued liability (AAL) (entry age)	5,692,860	6,193,621	6,559,881
Unfunded AAL	590,715	651,287	554,216
Funded ratio	90 %	89 %	92 %
Covered payroll	2,886,089	3,148,011	3,052,556
UAAL as a percentage of covered payroll	20 %	21 %	18 %

	Year Ended September 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 283,421	\$ 232,583	\$ 223,376
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

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



Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED**

RETIREMENT SYSTEM - COMPONENT UNIT - ROAD COMMISSION

Description of Plan and Plan Assets

The Road Commission for Montcalm County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: Normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death allowance, duty-connected death allowance, post-retirement adjustments, and death-after-retirement surviving spouse benefit. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0% of the final average compensation (FAC). The service requirement for salaried employees and commissioners is under the B-4 provision of the retirement contract. This requirement is computed using the same criteria as the B-2 provisions except a sum of 2.5% of the FAC is used. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851 (MSA 5.333 (a); MCLA 46.12 (a)), as amended, State of Michigan. MERS is regulated under Public Act 220 of 1996, as amended. 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 MERS at 1134 Municipal Way, Lansing, Michigan, 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining units and requires a 1.5% contribution from general employees and a 3.5% contribution from salaried employees and commissioners. The employees contributed \$40,626 during the calendar year ended December 31, 2007. The Road Commission is required to contribute at an actuarially determined rate; the rate was 13.04% for general employees and 25.53% for the manager for the calendar year ending December 31, 2007.

Annual Pension Cost

For the year ended December 31, 2007, the Road Commission's annual pension cost was \$433,737. 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 projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity and promotional salary increases.

Three (3) year trend information for GASB Statement No. 27

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 373,284	\$ 489,512	\$ 433,737
Percentage of APC contributed	100 %	100 %	100 %

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE I: EMPLOYEE RETIREMENT SYSTEMS - CONTINUED**

RETIREMENT SYSTEM - COMPONENT UNIT - ROAD COMMISSION - CONTINUED

Required Supplementary Information for GASB Statement No. 27

	Year Ended September 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 8,035,791	\$ 8,660,369	\$ 9,183,285
Accrued liability (AAL)	11,380,187	12,091,658	12,610,748
(Overfunded) AAL (UAAL)	3,344,396	3,431,289	3,427,463
Funded ratio	71 %	72 %	73 %
Covered payroll	2,089,052	1,919,975	1,884,740
Percent of covered payroll	160 %	179 %	182 %

**NOTE J: POST-EMPLOYMENT BENEFITS**

UPCOMING REPORTING CHANGE

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting By Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

Road Commission (Component Unit)

Road Commission for Montcalm County provides post-employment health care benefits, in accordance with the labor contract and personnel policy, to all employees who retire from the Road Commission. The employer will pay all costs for health and vision insurance and prescription drugs, including spouse, for all vested employees who retire at age 60. The employer continues to pay the premiums until age 65. At age 65, retirees must reimburse the employer for the cost of insurance. For employees choosing to retire at age 55 with at least 15 years of service during an open window period, the Road Commission will pay ½ of the retiree's/spouse's monthly health insurance premium until the retiree turns age 60. The Road Commission pays 100% of the retiree's health insurance premium from age 60-65.

Currently, 28 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized when insurance premiums are paid. Premiums paid by the Road Commission for the fiscal year ending September 30, 2008, totaled \$101,732. The expenditures are recognized as the insurance premiums become due on a pay-as-you-go-basis.

**NOTE K: FEDERAL GRANTS**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the fiscal year ended September 30, 2008, the Federal aid received and expended by the Road Commission was \$570,538 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE L: RISK MANAGEMENT**

The County participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, electronic data processing equipment, crime, employee benefits, officials' errors and omissions, and liability losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

The County also participates in a pool, the Michigan Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The County has not been informed of any special assessments being required.

Road Commission (Component Unit)

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits' claims other than dental and participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, error and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Montcalm County Road Commission became a charter member in 1982.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. If for any reason the Pool's resources available to pay losses are depleted, the payment of all unpaid losses of the member is the sole obligation of the member.

Dental claims are paid by the Road Commission to the employee up to a maximum per household. Benefits lapse at year end.

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

The County property tax is levied each December 1 and July 1 on the taxable valuation of property located in the County as of the preceding December 31.

The County's Winter 2007 and Summer 2008 ad valorem taxes were levied and collectible on December 1, 2007, and July 1, 2008, respectively. It is the County's policy to recognize revenues from the tax levy in the year when the proceeds of the levy are budgeted and made available for the financing of County operations. As a result, the County's Winter 2007 and Summer 2008 tax levies have been recognized as revenue in the current fiscal year. The 2007 taxable value of Montcalm County amounted to \$1,571,833,522 on which ad valorem taxes levied for County general operating purposes consisted of 4.4082 mills for Summer 2008. For the year ended September 30, 2008, the County levied 0.2433 mills for the Commission on Aging, 0.4959 mills for Ambulance Services, 0.4407 mills for the library, and 0.0200 mills for Veterans.

Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

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

By resolution of the Board of Commissioners and agreement with various taxing authorities, the County purchased at face value the 2007 real property taxes receivable returned delinquent on March 1, 2008. Subsequent collections of delinquent taxes receivable, plus interest thereon and investment earnings, are used to repay the funds distributed by the Delinquent Tax Revolving Fund. This activity is accounted for in the Delinquent Tax Revolving (Enterprise) Fund.

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

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of fund balance that the County has set aside for specific purposes.

The following are the various fund balance reserves as of September 30, 2008:

PRIMARY GOVERNMENT

General Fund

Reserved for

Prepays	\$ 91,052
Advances	187,016
General fund activities	<u>399,562</u>

\$ 677,630

Nonmajor governmental funds

Reserved for

Prepays	\$ 1,297
Marriage counseling	26,990
Advances	164,318
Trust activities	149,936
Debt service	1,047
K-9 program	<u>445</u>

\$ 344,033

COMPONENT UNITS

Central Dispatch Authority

Reserved for

Wireless surcharge	\$ 248,798
Wireless training	<u>5,774</u>

\$ 254,572

The following are the various fund balance designations as of September 30, 2008:

PRIMARY GOVERNMENT

Nonmajor governmental funds

Designated for capital projects	<u>\$ 226,387</u>
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COMPONENT UNITS

Drainage Districts

Designated for capital projects	<u>\$ 2,062,274</u>
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Montcalm County, Michigan

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE O: RESTRICTED NET ASSETS**

Restrictions on net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source preclude their use for unrestricted purposes. The following are the various net asset restrictions as of September 30, 2008:

PRIMARY GOVERNMENT

Governmental activities

Restricted for

Public safety

Drug law enforcement

\$ 7,163

Law enforcement

445

\$ 7,608

Solid waste planning

\$ 163,470

Other purposes

Public improvement

\$ 20,745

Cemetery

116,724

Register of Deeds Automation

205,642

Commission on Aging

88,788

Childcare - juvenile

1,615

\$ 433,514

COMPONENT UNITS

Other Purposes

Restricted for County Road

\$ 2,428,966

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

In the budgetary comparison schedules shown as required supplementary information to the financial statements, the County's budgeted expenditures in the General and major Special Revenue Funds have been shown at the functional classification level. The approved budgets of the County have been adopted at the activity level for the General Fund and the fund level for the Special Revenue Funds.

During the year ended September 30, 2008, the County incurred expenditures in the General Fund and Special Revenue Funds in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other financing uses			
Transfers out	\$ 1,172,034	\$ 1,176,998	\$ 4,964
Revenue Sharing Reserve Fund	1,168,446	1,195,320	26,874
Local Correction Officer Training Fund	18,340	21,334	2,994
County Libraries Fund	665,000	718,781	53,781
Commission on Aging Fund	638,110	699,764	61,654

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

**NOTE Q: CONTINGENT LIABILITIES**

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

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

**NOTE R: PRIOR PERIOD ADJUSTMENT AND RESTATED NET ASSETS**

The following prior period adjustment was made during the year, which was the result of a correction of an accounting error. This adjustment was reported as a change to the beginning fund balance. The effect on operations and other affected balances for the current and prior year are as follows:

	September 30,		
	<u>2008</u>	<u>2007</u>	<u>Description</u>
PRIMARY GOVERNMENT			
Governmental Funds			
General Fund			
Taxes receivable	\$ -	\$( 180,352 )	To correct overstated
Revenues over (under) expenditures	-	( 180,352 )	taxes receivable
Fund balance - beginning	( 180,352 )	-	

The net assets of the governmental activities as of September 30, 2007 were decreased by \$180,352 from \$8,230,405 to \$8,050,053 as a result of the correction of this accounting error.

**REQUIRED SUPPLEMENTARY INFORMATION**

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES  
AND OTHER FINANCING SOURCES

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Taxes</b>				
Current property taxes	\$ 7,049,406	\$ 7,049,406	\$ 6,886,003	\$ (163,403)
Delinquent property taxes	25,000	25,000	15,158	(9,842)
Payments in lieu of taxes	1,500	1,500	3,862	2,362
Mobile home park taxes	3,500	3,500	4,672	1,172
Other taxes	1,808	1,808	374	(1,434)
<b>Total taxes</b>	<b>7,081,214</b>	<b>7,081,214</b>	<b>6,910,069</b>	<b>(171,145)</b>
<b>Licenses and permits</b>				
Dog licenses	143,000	143,000	141,546	(1,454)
Marriage license fees	3,000	3,000	3,680	680
Gun permits	3,000	3,000	4,378	1,378
<b>Total licenses and permits</b>	<b>149,000</b>	<b>149,000</b>	<b>149,604</b>	<b>604</b>
<b>Intergovernmental - Federal/State</b>				
Cooperative reimbursement - Prosecutor	74,635	74,635	56,229	(18,406)
Central Michigan Enforcement Team	20,000	28,000	30,772	2,772
Probate Judge's salary	101,655	101,655	102,896	1,241
Judicial salary standardization	137,172	137,172	137,172	-0-
Case flow assistance	13,225	13,225	15,416	2,191
Sheriff secondary road patrol	118,000	118,000	143,024	25,024
Marine safety	26,300	32,800	31,866	(934)
Victims Rights Act	44,900	44,900	44,473	(427)
Juvenile officer grant	42,320	42,320	42,073	(247)
State remonumentation	130,000	130,000	109,443	(20,557)
Convention and tourism tax	191,787	191,787	152,153	(39,634)
Cigarette tax	36,000	36,000	29,567	(6,433)
Liquor license fees	7,500	7,500	7,938	438
Michigan justice training	6,000	6,000	6,411	411
BVP grant	1,000	1,000	-	(1,000)
Community corrections grant	178,310	178,310	84,860	(93,450)
Court equity	340,000	340,000	341,358	1,358
Homeland security	13,816	13,816	10,043	(3,773)
Highway safety	5,000	5,000	4,299	(701)
<b>Total intergovernmental - Federal/State</b>	<b>1,487,620</b>	<b>1,502,120</b>	<b>1,349,993</b>	<b>(152,127)</b>



Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - REVENUES  
AND OTHER FINANCING SOURCES - CONTINUED

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Charges for services				
District Court	\$ 820,300	\$ 835,300	\$ 833,143	\$ (2,157)
Circuit Court	106,100	132,100	136,180	4,080
Probate Court	42,650	42,650	42,447	(203)
County Treasurer	44,200	44,200	22,823	(21,377)
County Clerk	160,008	207,008	210,113	3,105
Register of Deeds	697,400	448,400	512,689	64,289
Sheriff department	337,210	344,210	347,207	2,997
Care of prisoners	786,150	1,036,150	1,110,262	74,112
Animal shelter	13,000	13,000	15,961	2,961
Phone services	67,000	217,000	62,697	(154,303)
Central services	325,000	325,000	354,728	29,728
Mapping services	2,000	2,000	9,479	7,479
Other	1,750	1,750	4,171	2,421
Total charges for services	3,402,768	3,648,768	3,661,900	13,132
Fines and forfeits				
Ordinance fines and costs	130,120	160,120	119,055	(41,065)
Interest and rents				
Interest revenue	181,250	181,250	128,289	(52,961)
Rental fees	1,500	1,500	1,500	-0-
Total interest and rents	182,750	182,750	129,789	(52,961)
Other				
Insurance dividends	40,000	40,000	30,496	(9,504)
Sale of capital assets	20,000	20,000	21,624	1,624
Reimbursement and refunds	291,553	246,553	243,592	(2,961)
Remonumentation contribution	25,200	32,200	32,400	200
Other	4,000	4,000	1,129	(2,871)
Total other	380,753	342,753	329,241	(13,512)
TOTAL REVENUES	12,814,225	13,066,725	12,649,651	(417,074)
OTHER FINANCING SOURCES				
Transfers in	2,098,446	2,098,446	1,908,153	(190,293)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 14,912,671	\$ 15,165,171	\$ 14,557,804	\$ (607,367)

Montcalm County, Michigan

General Fund

BUDGETARY COMPARISON SCHEDULE - EXPENDITURES AND  
OTHER FINANCING USES BY ACTIVITY

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
General government				
Board of Commissioners	\$ 173,670	\$ 173,670	\$ 172,180	\$ 1,490
Circuit Court	412,119	387,919	385,733	2,186
Circuit Court probation	5,525	5,525	4,835	690
District Court	695,255	697,755	697,468	287
District Court probation	181,869	181,869	172,576	9,293
Probate Court	911,191	991,191	988,100	3,091
Jury Board	4,375	5,375	5,046	329
Witness fees	14,000	14,000	10,463	3,537
Elections	157,645	151,645	124,195	27,450
Clerk	378,849	378,849	354,937	23,912
Professional consultants	55,000	55,000	50,338	4,662
Controller	375,817	362,817	349,886	12,931
Equalization	272,531	222,531	212,732	9,799
Prosecuting Attorney	550,381	550,381	517,121	33,260
Register of Deeds	300,427	300,427	281,628	18,799
Information Systems	33,600	14,600	12,457	2,143
Central services	14,650	18,650	18,586	64
Survey and remonumentation	189,504	205,504	195,661	9,843
Treasurer	337,996	337,996	332,454	5,542
Cooperative extension	231,080	231,080	227,479	3,601
Building and grounds	811,745	811,745	806,690	5,055
Building rent	1,015,000	865,500	860,983	4,517
Drain Commission	181,939	186,039	185,646	393
Total general government	7,304,168	7,150,068	6,967,194	182,874
Public safety				
Sheriff - general	1,802,456	1,913,456	1,913,051	405
Sheriff - road patrol	167,298	174,298	173,858	440
Contracted police service	255,629	255,629	250,027	5,602
Justice training	6,000	6,000	3,823	2,177
Building security	102,348	112,348	109,100	3,248
Marine safety	47,277	47,277	40,208	7,069
Jail	2,541,612	2,587,612	2,487,398	100,214
Disaster relief	500	500	-	500
Emergency management relief	40,889	41,289	41,251	38
Animal control	174,495	175,795	175,637	158
Total public safety	5,138,504	5,314,204	5,194,353	119,851
Community and economic development				
West Michigan Planning	3,465	3,465	3,367	98
Planning commission	18,270	18,270	13,950	4,320
Economic development	15,000	15,000	15,000	-0-
Total community and economic development	36,735	36,735	32,317	4,418

Montcalm County, Michigan

General Fund

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

Year Ended September 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Health and welfare				
Contagious diseases	\$ 5,700	\$ 15,700	\$ 15,104	\$ 596
Medical examiner	99,640	99,640	93,116	6,524
Veterans burials	7,115	7,115	4,800	2,315
Substance Abuse Commission	90,000	102,725	102,725	-0-
Mental Health	188,053	188,053	188,053	-0-
District Health Department	496,263	496,263	489,134	7,129
Total health and welfare	886,771	909,496	892,932	16,564
Public works				
Drains at large	114,800	114,800	93,880	20,920
Other				
Insurance	150,000	279,000	271,946	7,054
Contingency	75,000	-	-	-0-
Total other	225,000	279,000	271,946	7,054
Debt service				
Principal	166,540	166,540	166,540	-0-
Interest	24,506	24,506	24,449	57
Total debt service	191,046	191,046	190,989	57
TOTAL EXPENDITURES	13,897,024	13,995,349	13,643,611	351,738
OTHER FINANCING USES				
Transfers to other funds				
Parks and Recreation Fund	30,000	44,000	43,953	47
Friend of the Court Fund	16,000	16,000	2,961	13,039
DHS Fund	5,000	9,500	9,500	-0-
Juvenile Child Care Fund	650,000	650,000	695,325	(45,325)
DHS Child Care Fund	6,000	6,000	4,000	2,000
Law Enforcement Fund	1,200	1,200	-	1,200
Law Library Fund	5,000	5,000	4,919	81
Equipment Purchase and Replacement Fund	152,334	182,334	181,362	972
Office Equipment Pool Fund	20,000	20,000	20,000	-0-
Register of Deeds Automation Fund	95,000	95,000	71,750	23,250
Victim Support Team Fund	-	-	228	(228)
Building Official Fund	-	123,000	123,000	-0-
Post-Employment Health Fund	20,000	20,000	20,000	-0-
TOTAL OTHER FINANCING USES	1,000,534	1,172,034	1,176,998	(4,964)
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 14,897,558	\$ 15,167,383	\$ 14,820,609	\$ 346,774

Montcalm County, Michigan  
Revenue Sharing Reserve Fund  
BUDGETARY COMPARISON SCHEDULE  
Year Ended September 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -0-
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	-0-	-0-	-0-	-0-
OTHER FINANCING (USES)				
Transfer out	<u>(1,168,446)</u>	<u>(1,168,446)</u>	<u>(1,195,320)</u>	<u>(26,874)</u>
NET CHANGE IN FUND BALANCE	(1,168,446)	(1,168,446)	(1,195,320)	(26,874)
Fund balance, beginning of year	<u>2,313,827</u>	<u>2,313,827</u>	<u>2,313,827</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,145,381</u>	<u>\$ 1,145,381</u>	<u>\$ 1,118,507</u>	<u>\$ (26,874)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

Montcalm County, Michigan  
 Nonmajor Governmental Funds  
 COMBINING BALANCE SHEET  
 September 30, 2008

	Special		
	Parks and Recreation	Solid Waste Planning	Local Correction Officer Training
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,138	\$ 127,810	\$ 37,267
Investments	-	-	-
Accounts receivable	-	48,351	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 2,138</u></b>	<b><u>\$ 176,161</u></b>	<b><u>\$ 37,267</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 409	\$ 12,691	\$ 2,660
Accrued wages	1,533	-	2,187
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>1,942</b>	<b>12,691</b>	<b>4,847</b>
<b>FUND BALANCES</b>			
Reserved for			
Prepays	-	-	-
Marriage Counseling	-	-	-
Advances	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	196	163,470	32,420
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>196</u></b>	<b><u>163,470</u></b>	<b><u>32,420</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,138</u></b>	<b><u>\$ 176,161</u></b>	<b><u>\$ 37,267</u></b>

Revenue

Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ (71,312)	\$ 8,889	\$ (59,617)	\$ 10,090	\$ 92,772
11,814	-	-	-	429
1,577	-	71,659	-	21,327
-	-	-	-	-
-	2,164	1,380	-	-
107,057	-	-	-	-
-	-	-	-	-
1,297	-	-	-	-
<u>\$ 50,433</u>	<u>\$ 11,053</u>	<u>\$ 13,422</u>	<u>\$ 10,090</u>	<u>\$ 114,528</u>
\$ 2,044	\$ -	\$ -	\$ 1,073	\$ 13,141
20,102	-	-	-	12,599
-	-	6,150	-	-
-	10,608	-	-	-
-	-	-	-	-
22,146	10,608	6,150	1,073	25,740
1,297	-	-	-	-
26,990	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	445	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	7,272	9,017	88,788
-	-	-	-	-
<u>28,287</u>	<u>445</u>	<u>7,272</u>	<u>9,017</u>	<u>88,788</u>
<u>\$ 50,433</u>	<u>\$ 11,053</u>	<u>\$ 13,422</u>	<u>\$ 10,090</u>	<u>\$ 114,528</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2008

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ 92,834	\$ 40,966
Investments	-	24,918	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	14	-
Due from other governmental units - Federal/State	-	-	34,105
Advances to other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ -0-</u>	<u>\$ 117,766</u>	<u>\$ 75,071</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 51,826	\$ 73,456
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	51,826	73,456
<b>FUND BALANCES</b>			
Reserved for			
Prepays	-	-	-
Marriage Counseling	-	-	-
Advances	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	-	65,940	1,615
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>-0-</u>	<u>65,940</u>	<u>1,615</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -0-</u>	<u>\$ 117,766</u>	<u>\$ 75,071</u>



Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ 7,163	\$ (22,117)	\$ 11,270	\$ 2,138	\$ 6,982
-	-	4,888	-	13,763
-	-	3,000	-	-
-	-	-	-	-
-	25,653	-	2,800	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,163</u>	<u>\$ 3,536</u>	<u>\$ 19,158</u>	<u>\$ 4,938</u>	<u>\$ 20,745</u>
\$ -	\$ 1,515	\$ 228	\$ -	\$ -
-	1,421	-	-	-
-	-	-	-	-
-	-	-	-	-
-	403	-	-	-
<u>-0-</u>	<u>3,339</u>	<u>228</u>	<u>-0-</u>	<u>-0-</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	20,745
7,163	197	18,930	4,938	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>7,163</u>	<u>197</u>	<u>18,930</u>	<u>4,938</u>	<u>20,745</u>
<u>\$ 7,163</u>	<u>\$ 3,536</u>	<u>\$ 19,158</u>	<u>\$ 4,938</u>	<u>\$ 20,745</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2008

	Special		
	Soldiers and Sailors Relief	DHS	Register of Deeds Automation
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,540	\$ -	\$ (22,587)
Investments	-	-	228,685
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	-	-	-
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	-	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<b><u>\$ 13,540</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 206,098</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 615	\$ -	\$ 456
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	<b>615</b>	<b>-0-</b>	<b>456</b>
<b>FUND BALANCES</b>			
Reserved for			
Prepays	-	-	-
Marriage Counseling	-	-	-
Advances	-	-	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	205,642
Undesignated, reported in:			
Special revenue funds	12,925	-	-
Capital projects funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b><u>12,925</u></b>	<b><u>-0-</u></b>	<b><u>205,642</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 13,540</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 206,098</u></b>

Revenue				Debt Service
Cemetery	Law Enforcement Trust	Victim Support Team	Animal Shelter Donation	Building Authority
\$ 1,500	\$ 33,440	\$ 977	\$ 663	\$ 2,783
6,289	-	-	-	639
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 7,789</u>	<u>\$ 33,440</u>	<u>\$ 977</u>	<u>\$ 663</u>	<u>\$ 3,422</u>
\$ (8)	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	977	-	2,375
-	-	-	-	-
(8)	-0-	977	-0-	2,375
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
7,797	33,440	-	-	-
-	-	-	-	-
-	-	-	-	1,047
-	-	-	-	-
-	-	-	663	-
-	-	-	-	-
<u>7,797</u>	<u>33,440</u>	<u>-0-</u>	<u>663</u>	<u>1,047</u>
<u>\$ 7,789</u>	<u>\$ 33,440</u>	<u>\$ 977</u>	<u>\$ 663</u>	<u>\$ 3,422</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

COMBINING BALANCE SHEET - CONTINUED

September 30, 2008

	Capital		
	Building Authority	General Projects	Jail Improvement
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,025	\$ (507,134)	\$ 12,062
Investments	11,576	1,287,612	-
Accounts receivable	-	-	-
Land contract receivable	-	-	-
Due from other funds	13,839	-	-
Due from other governmental units - Federal/State	-	-	-
Advances to other funds	-	164,318	-
Prepays	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 52,440</u>	<u>\$ 944,796</u>	<u>\$ 12,062</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Accrued wages	-	-	-
Accrued liabilities	-	-	-
Due to other funds	-	-	-
Deferred revenue	-	-	-
<b>TOTAL LIABILITIES</b>	-0-	-0-	-0-
<b>FUND BALANCES</b>			
Reserved for			
Prepays	-	-	-
Marriage Counseling	-	-	-
Advances	-	164,318	-
Trust activities	-	-	-
K-9 program	-	-	-
Debt service	-	-	-
Unreserved			
Designated for capital expenditures	-	-	-
Undesignated, reported in:			
Special revenue funds	-	-	-
Capital projects funds	52,440	780,478	12,062
<b>TOTAL FUND BALANCES</b>	<u>52,440</u>	<u>944,796</u>	<u>12,062</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 52,440</u>	<u>\$ 944,796</u>	<u>\$ 12,062</u>

Projects		Permanent	
Park Improvements	Equipment Purchase and Replacement	Cemetery	Total
\$ 49,561	\$ 1,935	\$ -	\$ (98,962)
3,147	1,083	108,927	1,703,770
-	-	-	145,914
125,675	-	-	125,675
-	10,608	-	28,005
-	-	-	169,615
-	-	-	164,318
-	-	-	1,297
<u>\$ 178,383</u>	<u>\$ 13,626</u>	<u>\$ 108,927</u>	<u>\$ 2,239,632</u>
\$ -	\$ 3,286	\$ -	\$ 163,392
-	-	-	37,842
-	-	-	6,150
-	-	-	13,960
125,675	-	-	126,078
125,675	3,286	-0-	347,422
-	-	-	1,297
-	-	-	26,990
-	-	-	164,318
-	-	108,927	150,164
-	-	-	445
-	-	-	1,047
-	-	-	226,387
-	-	-	413,534
52,708	10,340	-	908,028
<u>52,708</u>	<u>10,340</u>	<u>108,927</u>	<u>1,892,210</u>
<u>\$ 178,383</u>	<u>\$ 13,626</u>	<u>\$ 108,927</u>	<u>\$ 2,239,632</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2008

	Special		
	Parks and Recreation	Solid Waste Planning	Local Correction Officer Training
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Charges for services	13,323	200,203	21,370
Interest and rents	-	-	-
Fines and forfeits	-	-	-
Other	-	1,612	2,635
<b>TOTAL REVENUES</b>	<b>13,323</b>	<b>201,815</b>	<b>24,005</b>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	21,334
Public works	-	261,468	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	57,171	-	-
Capital outlay	-	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>57,171</b>	<b>261,468</b>	<b>21,334</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(43,848)</b>	<b>(59,653)</b>	<b>2,671</b>
OTHER FINANCING SOURCES (USES)			
Transfers in	43,953	-	-
Transfers out	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>43,953</b>	<b>-0-</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>105</b>	<b>(59,653)</b>	<b>2,671</b>
Fund balances, beginning of year	91	223,123	29,749
Fund balances, end of year	\$ 196	\$ 163,470	\$ 32,420

Revenue

Friend of the Court	Law Enforcement	County Libraries	Law Library	Commission on Aging
\$ -	\$ -	\$ 686,978	\$ -	\$ 377,342
7,320	-	-	-	-
522,890	-	-	-	182,039
131,080	-	-	-	52,429
401	25	-	-	15
-	-	-	6,500	-
-	-	30,967	-	17,980
661,691	25	717,945	6,500	629,805
754,072	-	-	2,402	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	628,091
-	-	-	-	-
-	-	718,781	-	-
-	-	-	-	-
-	-	-	-	32,430
754,072	-0-	718,781	2,402	660,521
(92,381)	25	(836)	4,098	(30,716)
2,961	-	-	4,919	-
-	-	-	-	(39,243)
2,961	-0-	-0-	4,919	(39,243)
(89,420)	25	(836)	9,017	(69,959)
117,707	420	8,108	-	158,747
\$ 28,287	\$ 445	\$ 7,272	\$ 9,017	\$ 88,788

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2008

	Special		
	DHS Child Care	CDBG - Housing	Juvenile Child Care
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	102,249	126,856
Charges for services	-	61,804	52,954
Interest and rents	-	420	-
Fines and forfeits	-	-	-
Other	-	5,700	25
TOTAL REVENUES	-0-	170,173	179,835
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	4,000	-	875,089
Community and economic development	-	104,233	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
TOTAL EXPENDITURES	4,000	104,233	875,089
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,000)	65,940	(695,254)
OTHER FINANCING SOURCES (USES)			
Transfers in	4,000	-	695,325
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	4,000	-0-	695,325
NET CHANGE IN FUND BALANCES	-0-	65,940	71
Fund balances, beginning of year	-	-	1,544
Fund balances, end of year	\$ -0-	\$ 65,940	\$ 1,615



Revenue				
Drug Law Enforcement	Homeland Security Grant	Community Information Systems	Veterans Trust	Public Improvement
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	146,767	-	11,986	-
-	-	-	-	-
-	-	166	-	4,207
-	-	-	-	-
185	-	2,900	-	-
185	146,767	3,066	11,986	4,207
-	-	1,034	-	-
-	146,767	-	-	-
-	-	-	-	-
-	-	-	13,666	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-0-	146,767	1,034	13,666	-0-
185	-0-	2,032	(1,680)	4,207
-	197	-	-	-
-	-	-	-	-
-0-	197	-0-	-0-	-0-
185	197	2,032	(1,680)	4,207
6,978	-	16,898	6,618	16,538
<u>\$ 7,163</u>	<u>\$ 197</u>	<u>\$ 18,930</u>	<u>\$ 4,938</u>	<u>\$ 20,745</u>

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2008

	Special		
	Soldiers and Sailors Relief	DHS	Register of Deeds Automation
REVENUES			
Taxes	\$ 30,685	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Charges for services	-	-	-
Interest and rents	-	-	6,607
Fines and forfeits	-	-	-
Other	-	-	320
TOTAL REVENUES	30,685	-0-	6,927
EXPENDITURES			
Current			
General government	-	-	33,077
Public safety	-	-	-
Public works	-	-	-
Health and welfare	19,213	9,500	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	6,866
Debt service	-	-	-
TOTAL EXPENDITURES	19,213	9,500	39,943
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,472	(9,500)	(33,016)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	9,500	71,750
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	9,500	71,750
NET CHANGE IN FUND BALANCES	11,472	-0-	38,734
Fund balances, beginning of year	1,453	-	166,908
Fund balances, end of year	\$ 12,925	\$ -0-	\$ 205,642

Revenue				Debt Service
Cemetery	Law Enforcement Trust	Victim Support Team	Animal Shelter Donation	Building Authority
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
400	-	-	-	-
-	-	5	-	1,086,106
-	-	-	-	-
-	4,882	-	663	-
400	4,882	5	663	1,086,106
2,323	-	-	-	-
-	-	-	-	-
-	-	246	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,086,086
2,323	-0-	246	-0-	1,086,086
(1,923)	4,882	(241)	663	20
-	-	228	-	-
-	-	-	-	-
-0-	-0-	228	-0-	-0-
(1,923)	4,882	(13)	663	20
9,720	28,558	13	-	1,027
\$ 7,797	\$ 33,440	\$ -0-	\$ 663	\$ 1,047

Montcalm County, Michigan

Nonmajor Governmental Funds

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

Year Ended September 30, 2008

	Capital		
	Building Authority	General Projects	Jail Improvement
REVENUES			
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental - Federal/State	-	-	-
Charges for services	-	-	-
Interest and rents	870	41,611	184
Fines and forfeits	-	-	-
Other	-	-	-
<b>TOTAL REVENUES</b>	<b>870</b>	<b>41,611</b>	<b>184</b>
EXPENDITURES			
Current			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Community and economic development	-	-	-
Recreation and cultural	-	-	-
Capital outlay	-	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-0-</b>	<b>-0-</b>	<b>-0-</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>870</b>	<b>41,611</b>	<b>184</b>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	(103,603)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-0-</b>	<b>(103,603)</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>870</b>	<b>(61,992)</b>	<b>184</b>
Fund balances, beginning of year	51,570	1,006,788	11,878
Fund balances, end of year	<u>\$ 52,440</u>	<u>\$ 944,796</u>	<u>\$ 12,062</u>

Projects		Permanent	
Park Improvements	Equipment Purchase and Replacement	Cemetery	Total
\$ -	\$ -	\$ -	\$ 1,095,005
-	-	-	7,320
-	-	-	1,092,787
-	-	-	533,563
107	36	4,047	1,144,807
-	-	-	6,500
16,776	-	-	84,645
16,883	36	4,047	3,964,627
-	-	-	792,908
-	-	-	168,101
-	-	-	261,468
-	-	-	1,549,805
-	-	-	104,233
-	-	-	775,952
-	246,389	-	253,255
-	-	-	1,118,516
-0-	246,389	-0-	5,024,238
16,883	(246,353)	4,047	(1,059,611)
-	246,389	-	1,079,222
(25,784)	-	-	(168,630)
(25,784)	246,389	-0-	910,592
(8,901)	36	4,047	(149,019)
61,609	10,304	104,880	2,041,229
<u>\$ 52,708</u>	<u>\$ 10,340</u>	<u>\$ 108,927</u>	<u>\$ 1,892,210</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2008

	<u>Inmate Commissary</u>	<u>Building Official</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 42,858	\$ 3,665	\$ 46,523
Investments	-	3,921	3,921
	<u>42,858</u>	<u>7,586</u>	<u>50,444</u>
Noncurrent assets			
Capital assets, net of accumulated depreciation	-	8,884	8,884
	<u>42,858</u>	<u>16,470</u>	<u>59,328</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	6,815	1,129	7,944
Accrued wages	-	11,469	11,469
	<u>6,815</u>	<u>12,598</u>	<u>19,413</u>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	-	8,884	8,884
Unrestricted	36,043	(5,012)	31,031
	<u>36,043</u>	<u>3,872</u>	<u>39,915</u>
<b>TOTAL NET ASSETS</b>			
	<u>\$ 36,043</u>	<u>\$ 3,872</u>	<u>\$ 39,915</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

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

Year Ended September 30, 2008

	Inmate Commissary	Building Official	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ -	\$ 271,295	\$ 271,295
Sales	130,068	-	130,068
<b>TOTAL OPERATING REVENUES</b>	<b>130,068</b>	<b>271,295</b>	<b>401,363</b>
<b>OPERATING EXPENSES</b>			
Personnel services	-	245,946	245,946
Fringe benefits	-	83,649	83,649
Operating supplies	105,780	6,913	112,693
Contractual services	-	7,976	7,976
Communications	-	5,601	5,601
Depreciation	-	7,004	7,004
Insurance	-	3,698	3,698
Vehicle expense	-	3,625	3,625
Repairs and maintenance	-	441	441
Other	10,322	28,997	39,319
<b>TOTAL OPERATING EXPENSES</b>	<b>116,102</b>	<b>393,850</b>	<b>509,952</b>
<b>OPERATING INCOME (LOSS)</b>	<b>13,966</b>	<b>(122,555)</b>	<b>(108,589)</b>
<b>NONOPERATING REVENUES</b>			
Interest revenue	-	133	133
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>13,966</b>	<b>(122,422)</b>	<b>(108,456)</b>
<b>TRANSFERS IN</b>	<b>-</b>	<b>123,000</b>	<b>123,000</b>
<b>CHANGE IN NET ASSETS</b>	<b>13,966</b>	<b>578</b>	<b>14,544</b>
Net assets, beginning of year	22,077	3,294	25,371
Net assets, end of year	<u>\$ 36,043</u>	<u>\$ 3,872</u>	<u>\$ 39,915</u>

Montcalm County, Michigan

Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2008

	Inmate Commissary	Building Official	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 130,068	\$ 271,295	\$ 401,363
Cash paid to suppliers	(114,161)	(57,096)	(171,257)
Cash paid for fringe benefits	-	(83,703)	(83,703)
Cash paid to employees	-	(245,946)	(245,946)
	<u>15,907</u>	<u>(115,450)</u>	<u>(99,543)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	123,000	123,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(134)	(134)
Interest revenue	-	133	133
	<u>-0-</u>	<u>(1)</u>	<u>(1)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
	15,907	7,549	23,456
Cash and cash equivalents, beginning of year	<u>26,951</u>	<u>(3,884)</u>	<u>23,067</u>
Cash and cash equivalents, end of year	<u><u>\$ 42,858</u></u>	<u><u>\$ 3,665</u></u>	<u><u>\$ 46,523</u></u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>			
Operating income (loss)	\$ 13,966	\$ (122,555)	\$ (108,589)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	-	7,004	7,004
Increase in accounts payable	1,941	155	2,096
(Decrease) in accrued liabilities	-	(54)	(54)
	<u>15,907</u>	<u>(115,450)</u>	<u>(99,543)</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
	<u><u>\$ 15,907</u></u>	<u><u>\$ (115,450)</u></u>	<u><u>\$ (99,543)</u></u>



Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

September 30, 2008

	Office Equipment Pool	Post- Employment Health	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 26,717	\$ 59,128	\$ 85,845
Investments	-	81,861	81,861
Total current assets	26,717	140,989	167,706
Noncurrent assets			
Capital assets, net of accumulated depreciation	9,543	-	9,543
TOTAL ASSETS	36,260	140,989	177,249
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	10,496	-	10,496
<b>NET ASSETS</b>			
Invested in capital assets	9,543	-	9,543
Unrestricted	16,221	140,989	157,210
TOTAL NET ASSETS	<u>\$ 25,764</u>	<u>\$ 140,989</u>	<u>\$ 166,753</u>

Montcalm County, Michigan

Internal Service Funds

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

Year Ended September 30, 2008

	Office Equipment Pool	Post- Employment Health	Total
OPERATING REVENUES			
Other	\$ -	\$ 35,692	\$ 35,692
OPERATING EXPENSES			
Contractual services	13,571	-	13,571
Supplies	3,762	-	3,762
Depreciation	4,579	-	4,579
Other	-	49,450	49,450
TOTAL OPERATING EXPENSES	<u>21,912</u>	<u>49,450</u>	<u>71,362</u>
OPERATING (LOSS)	(21,912)	(13,758)	(35,670)
NONOPERATING REVENUES			
Interest revenue	-	2,781	2,781
LOSS BEFORE TRANSFERS	(21,912)	(10,977)	(32,889)
TRANSFERS IN	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
CHANGE IN NET ASSETS	(1,912)	9,023	7,111
Net assets, beginning of year	<u>27,676</u>	<u>131,966</u>	<u>159,642</u>
Net assets, end of year	<u>\$ 25,764</u>	<u>\$ 140,989</u>	<u>\$ 166,753</u>

Montcalm County, Michigan

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

Year Ended September 30, 2008

	Office Equipment Pool	Post- Employment Health	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ -	\$ 35,692	\$ 35,692
Cash paid to suppliers	(7,961)	-	(7,961)
Cash paid for fringe benefits	-	(49,450)	(49,450)
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH (USED) BY OPERATING ACTIVITIES	(7,961)	(13,758)	(21,719)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers from other funds	-	20,000	20,000
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Capital acquisitions	(9,397)	-	(9,397)
Transfer from other funds	20,000	-	20,000
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	10,603	-0-	10,603
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(2,781)	(2,781)
Interest revenue	-	2,781	2,781
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	-0-	-0-	-0-
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,642	6,242	8,884
Cash and cash equivalents, beginning of year	24,075	52,886	76,961
	<u>          </u>	<u>          </u>	<u>          </u>
Cash and cash equivalents, end of year	<u>\$ 26,717</u>	<u>\$ 59,128</u>	<u>\$ 85,845</u>
<b>Reconciliation of operating (loss) to net cash (used) by operating activities</b>			
Operating (loss)	\$ (21,912)	\$ (13,758)	\$ (35,670)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities			
Depreciation	4,579	-	4,579
Increase in accounts payable	9,372	-	9,372
	<u>          </u>	<u>          </u>	<u>          </u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (7,961)</u>	<u>\$ (13,758)</u>	<u>\$ (21,719)</u>

Montcalm County, Michigan

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

September 30, 2008

	Agency Funds			Total
	Trust and Agency	Inmate Trust	Library Fund	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,268,552	\$ 1,819	\$ 119,511	\$ 3,389,882
<b>LIABILITIES</b>				
Due to other governmental units				
Federal/State	\$ 3,148,762	\$ -	\$ -	\$ 3,148,762
Local	-	-	119,511	119,511
Due to individuals and agencies	119,790	1,819	-	121,609
<b>TOTAL LIABILITIES</b>	<b>\$ 3,268,552</b>	<b>\$ 1,819</b>	<b>\$ 119,511</b>	<b>\$ 3,389,882</b>

Montcalm County, Michigan

Component Unit Funds

COMBINING BALANCE SHEET/STATEMENT OF NET ASSETS - DRAINAGE DISTRICTS

September 30, 2008

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
<b>ASSETS</b>			
Cash and cash equivalents	\$ -	\$ (33,121)	\$ 170,016
Investments	-	920,226	-
Accounts receivable	-	-	-
Special assessments receivable	1,487,837	-	-
Due from other funds	-	-	-
Capital assets not being depreciated	-	-	-
Capital assets, net of accumulated depreciation	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 1,487,837</u></u>	<u><u>\$ 887,105</u></u>	<u><u>\$ 170,016</u></u>
<b>LIABILITIES AND FUND EQUITY</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 24,463	\$ -
Accrued wages	-	1,529	-
Due to other funds	-	-	-
Accrued interest payable	-	-	-
Deferred revenue	1,487,837	-	-
Bonds and notes payable	-	-	-
Advances from other governmental units	-	-	170,016
<b>TOTAL LIABILITIES</b>	<u>1,487,837</u>	<u>25,992</u>	<u>170,016</u>
<b>FUND EQUITY</b>			
Net assets			
Invested in capital assets, net of related debt	-	-	-
Unrestricted	-	-	-
Fund balances			
Unreserved			
Designated for capital expenditures	-	861,113	-
<b>TOTAL FUND EQUITY</b>	<u>-0-</u>	<u>861,113</u>	<u>-0-</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 1,487,837</u></u>	<u><u>\$ 887,105</u></u>	<u><u>\$ 170,016</u></u>

Projects			Enterprise		Total
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Big Whitefish Lake	Little Whitefish Lake	
\$ 107,775	\$ 491,611	\$ 15,482	\$ 250,192	\$ 138,213	\$ 1,140,168
-	203,745	-	-	365,884	1,489,855
-	-	-	31,156	8,459	39,615
-	-	-	-	160,089	1,647,926
-	-	1,518	-	-	1,518
-	-	-	75,650	-	75,650
-	-	-	568,209	2,107,853	2,676,062
<u>\$ 107,775</u>	<u>\$ 695,356</u>	<u>\$ 17,000</u>	<u>\$ 925,207</u>	<u>\$ 2,780,498</u>	<u>\$ 7,070,794</u>
\$ 1,430	\$ 54,428	\$ -	\$ 7,142	\$ 4,953	\$ 92,416
-	-	-	-	-	1,529
-	1,518	-	-	-	1,518
-	-	-	24,258	25,368	49,626
-	-	-	-	-	1,487,837
-	-	-	-	1,234,500	1,234,500
-	-	17,000	104,198	-	291,214
1,430	55,946	17,000	135,598	1,264,821	3,158,640
-	-	-	643,859	873,353	1,517,212
-	-	-	145,750	642,324	788,074
106,345	639,410	-	-	-	1,606,868
106,345	639,410	-0-	789,609	1,515,677	3,912,154
<u>\$ 107,775</u>	<u>\$ 695,356</u>	<u>\$ 17,000</u>	<u>\$ 925,207</u>	<u>\$ 2,780,498</u>	<u>\$ 7,070,794</u>

Montcalm County, Michigan

Component Unit Funds

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

September 30, 2008

**Total fund balance - governmental funds** \$ 1,606,868

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

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

The cost of capital assets is	\$ 3,277,057	
Accumulated depreciation is	<u>(175,234)</u>	3,101,823

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

Deferred revenue		1,487,837
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bonds and notes payable	(2,538,265)	
Accrued interest payable	<u>(28,147)</u>	<u>(2,566,412)</u>

**Net assets of governmental activities** \$ 3,630,116

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2008

	Debt Service	Capital	
	Regular Drain	Regular Drain	Drain Revolving
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Charges for services	-	-	-
Interest	-	16,620	-
Other			
Special assessments	55,423	374,899	-
Other	-	1,093	-
TOTAL REVENUES	55,423	392,612	-0-
EXPENDITURES			
Current			
Public works	-	261,698	-
Capital outlay	-	441,479	-
Debt service			
Principal	232,082	-	-
Interest and fiscal charges	72,021	-	-
TOTAL EXPENDITURES	304,103	703,177	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(248,680)	(310,565)	-0-
OTHER FINANCING SOURCES (USES)			
Proceeds from notes	-	1,050,429	-
Transfers in	248,680	-	-
Transfers out	-	(248,680)	-
TOTAL OTHER FINANCING SOURCES (USES)	248,680	801,749	-0-
NET CHANGE IN FUND BALANCES	-0-	491,184	-0-
Fund balances, beginning of year	-	369,929	-
Fund balances, end of year	<u>\$ -0-</u>	<u>\$ 861,113</u>	<u>\$ -0-</u>



Projects			
Drain Maintenance Revolving	Lake Level	Lake Level Revolving	Total
\$ 4,394	\$ -	\$ -	\$ 4,394
6,461	-	-	6,461
-	6,923	-	23,543
-	523,680	-	954,002
-	6,719	-	7,812
10,855	537,322	-0-	996,212
12,067	427,447	-	701,212
-	-	-	441,479
-	-	-	232,082
-	-	-	72,021
12,067	427,447	-0-	1,446,794
(1,212)	109,875	-0-	(450,582)
-	-	-	1,050,429
-	-	-	248,680
-	-	-	(248,680)
-0-	-0-	-0-	1,050,429
(1,212)	109,875	-0-	599,847
107,557	529,535	-	1,007,021
<u>\$ 106,345</u>	<u>\$ 639,410</u>	<u>\$ -0-</u>	<u>\$ 1,606,868</u>

Montcalm County, Michigan

Component Unit Funds

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

Year Ended September 30, 2008

**Net change in fund balances - total governmental funds** \$ 599,847

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

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

Capital outlay	\$ 414,047	
Depreciation expense	<u>(65,542)</u>	
Excess of capital outlay over depreciation expense		348,505

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Decrease in deferred revenue	(6,081)
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Long-term debt proceeds	(1,050,429)	
Bond and note principal retirement	<u>232,082</u>	(818,347)

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

Increase in accrued interest payable	<u>(17,252)</u>
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**Change in net assets of governmental activities** \$ 106,672

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS - DRAINAGE DISTRICTS

Year Ended September 30, 2008

	Enterprise		Total
	Big Whitefish Lake	Little Whitefish Lake	
OPERATING REVENUES			
Charges for services	\$ 98,229	\$ 55,134	\$ 153,363
Other	-	1,016	1,016
TOTAL OPERATING REVENUES	98,229	56,150	154,379
OPERATING EXPENSES			
Contractual services	42,365	27,537	69,902
Depreciation	18,489	51,410	69,899
Other	33,689	18,519	52,208
TOTAL OPERATING EXPENSES	94,543	97,466	192,009
OPERATING INCOME (LOSS)	3,686	(41,316)	(37,630)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	33,102	37,487	70,589
Interest expense	(2,605)	(61,407)	(64,012)
TOTAL NONOPERATING REVENUES (EXPENSES)	30,497	(23,920)	6,577
CHANGE IN NET ASSETS	34,183	(65,236)	(31,053)
Net assets, beginning of year	755,426	1,580,913	2,336,339
Net assets, end of year	\$ 789,609	\$ 1,515,677	\$ 2,305,286

Montcalm County, Michigan

Component Unit Funds

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
- DRAINAGE DISTRICTS

Year Ended September 30, 2008

	Enterprise		Total
	Big Whitefish Lake	Little Whitefish Lake	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from users	\$ 70,952	\$ 84,929	\$ 155,881
Cash paid to suppliers	(67,187)	(41,535)	(108,722)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>3,765</b>	<b>43,394</b>	<b>47,159</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Interest expense	(2,605)	(61,407)	(64,012)
Payments of borrowings	-	(20,500)	(20,500)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(2,605)</b>	<b>(81,907)</b>	<b>(84,512)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	-	(365,884)	(365,884)
Maturity of investments	-	353,453	353,453
Interest revenue	33,102	37,487	70,589
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>33,102</b>	<b>25,056</b>	<b>58,158</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DURING YEAR</b>	<b>34,262</b>	<b>(13,457)</b>	<b>20,805</b>
Cash and cash equivalents, beginning of year	215,930	151,670	367,600
Cash and cash equivalents, end of year	<u>\$ 250,192</u>	<u>\$ 138,213</u>	<u>\$ 388,405</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities</b>			
Operating income (loss)	\$ 3,686	\$ (41,316)	\$ (37,630)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	18,489	51,410	69,899
(Increase) decrease in accounts receivable	(27,277)	3,862	(23,415)
Decrease in special assessments receivable	-	24,917	24,917
Increase in accounts payable	6,262	4,953	11,215
Increase (decrease) in accrued interest	2,605	(432)	2,173
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 3,765</b>	<b>\$ 43,394</b>	<b>\$ 47,159</b>

Montcalm County, Michigan

Component Unit Funds

BALANCE SHEET - CENTRAL DISPATCH AUTHORITY

September 30, 2008

	<u>Special Revenue</u>
ASSETS	
Cash and cash equivalents	\$ 183,948
Investments	407,975
Accounts receivable	<u>252,361</u>
TOTAL ASSETS	<u><u>\$ 844,284</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 4,768
Accrued liabilities	<u>27,601</u>
TOTAL LIABILITIES	32,369
FUND BALANCE	
Reserved for wireless surcharge	248,798
Reserved for wireless training	5,774
Unreserved Undesignated	<u>557,343</u>
TOTAL FUND BALANCE	<u>811,915</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 844,284</u></u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE BALANCE SHEET TO  
THE STATEMENT OF NET ASSETS - CENTRAL DISPATCH AUTHORITY

September 30, 2008

**Total fund balance - governmental fund** \$ 811,915

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

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

The cost of capital assets is	\$ 668,020	
Accumulated depreciation is	<u>(541,813)</u>	
Capital assets, net		126,207

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

Long-term liabilities at year-end consist of:

Installment purchase agreement	(35,140)	
Accrued interest payable	<u>(361)</u>	<u>(35,501)</u>

**Net assets of governmental activities** \$ 902,621

Montcalm County, Michigan

Component Unit Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - CENTRAL DISPATCH AUTHORITY

Year Ended September 30, 2008

	<u>Special Revenue</u>
REVENUES	
Charges for services	\$ 1,266,333
Interest	12,653
Other	<u>355</u>
TOTAL REVENUES	1,279,341
EXPENDITURES	
Current	
Public safety	1,331,560
Debt service	<u>36,221</u>
TOTAL EXPENDITURES	<u>1,367,781</u>
NET CHANGE IN FUND BALANCE	(88,440)
Fund balance, beginning of year	<u>900,355</u>
Fund balance, end of year	<u><u>\$ 811,915</u></u>

Montcalm County, Michigan

Component Unit Funds

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES - CENTRAL DISPATCH AUTHORITY

Year Ended September 30, 2008

**Net change in fund balance - governmental fund** \$ (88,440)

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

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

Capital outlay	\$ 110,201	
Depreciation expense	<u>(88,306)</u>	
Excess of capital outlay over depreciation expense		21,895

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

Debt retirement		34,082
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in accrued interest payable		<u>352</u>
--------------------------------------	--	------------

**Change in net assets of governmental activities** \$ (32,111)



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
of Montcalm County  
Stanton, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2008, and have issued our report thereon dated June 19, 2009. We did not audit the financial statements of the Montcalm County Road Commission (discretely presented component unit) which represents 72 percent and 52 percent of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Montcalm County Road Commission, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Montcalm County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Montcalm County's financial statements that is more than inconsequential will not be prevented or detected by Montcalm County's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiencies described below to be material weaknesses in internal control over financial reporting.

#### 2008-1 RESTATEMENT OF NET ASSETS/PRIOR PERIOD ADJUSTMENT

Condition: During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of beginning net assets at the government-wide level and a prior period adjustment to correct the fund balance of the General Fund were recorded.

Criteria: These errors were not detected by the County's internal control over financial reporting in the prior year and as a result, there were material misstatements in the September 30, 2007 financial statements.

Effect: Since these errors were not detected by the County's internal control over financial reporting in the prior year, the County's internal controls did not effectively allow management to detect material misstatements in the County's financial statements in a timely manner.

Recommendation: We recommend that the County review procedures related to the review of financial reporting and take steps to ensure that similar issues do not occur in the future.

Corrective Action Response: The County feels this is a one time error due to the shifting in tax revenue collection that resulted in booking a higher tax receivable in previous year.

#### 2008-2 BANK RECONCILIATIONS

Condition: The bank account for the General Fund and A/P checking were not reconciled properly. Large unidentifiable variances appeared on the two reconciliation reports for September 30, 2008. Because of these unidentifiable variances the bank reconciliations were not completed in a timely manner. Also, Treasury deposits from August 2008 did not match amounts recorded by the bank.

Criteria: The County must accurately reconcile bank accounts each month and identify variances if any and must ensure that County records match those of the bank.

Effect: The County has not maintained adequate internal controls over cash activities.

Recommendation: We recommend that bank reconciliations be periodically reviewed by management and tied to the computerized general ledger.

Corrective Action Response: The County is looking into reasons why these errors have occurred in order to correct and prevent them in the future.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters required to be reported under *Government Auditing Standards*, which are described below.

#### 2007-1 UNFAVORABLE BUDGET VARIANCES

Condition: As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and four (4) Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

## 2007-1 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Criteria: The Uniform Budgeting and Accounting Act (Public Act 621 of 1978) requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined." The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body." The County adopted the budget for the General Fund at the department level and the total expenditure level for the Special Revenue funds.

Effect: The County is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustments as needed.

Corrective Action Response: Management of the County is currently reviewing and making modification to our procedures related to budgetary compliance in accordance with State law. This issue was noted and reported in our audit comments last year.

## 2007-2 UNCLAIMED PROPERTY

Condition: During our audit, it was noted that the County had outstanding checks listed on their bank reconciliations that were over three (3) years old. A similar issue was noted and reported in our audit comments last year.

Criteria: The Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

Effect: The County is holding unclaimed property that should be escheated to the State of Michigan.

Recommendation: We recommend the County attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we recommend the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

Corrective Action Response: Management of the County is currently in the progress of remitting the escheats to the State of Michigan. This issue was noted and reported in our audit comments last year.

## 2007-3 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2008, the audited financial statements is approximately three (3) months delinquent to the State of Michigan. A similar issue was noted and reported in our audit comments last year.

Criteria: Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Effect: The County will be required to file the "long form" for any borrowing requiring State approval for the next fiscal year. Additional costs are associated with the filing the long form as opposed to filing the Qualifying Statement.

Recommendation: We recommend the County assure that the audit is completed six (6) months subsequent to the fiscal year end.

Corrective Action Response: Montcalm County will takes steps in the future to assure year-end financial information is received in a timely manner so the County's audited financial statements may be released prior to the State's deadline.

Montcalm County's responses to the findings identified in our audit are described above. We did not audit Montcalm County's responses and, accordingly, we express no opinion on them.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 19, 2009

**Montcalm County, Michigan**

**SUPPLEMENTARY INFORMATION  
TO FINANCIAL STATEMENTS  
(FEDERAL AWARDS)**

**September 30, 2008**

Montcalm County, Michigan

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

To the Board of Commissioners  
of Montcalm County  
Stanton, Michigan

Compliance

We have audited the compliance of Montcalm County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended September 30, 2008. Montcalm County's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of Montcalm County's management. Our responsibility is to express an opinion on Montcalm County's compliance based on our audit.

Montcalm County's basic financial statements include the operations of the Mid-Michigan District Health Department, which received \$2,211,249 in federal awards during the year ended September 30, 2008. Our audit described below did not include the operations of the Mid-Michigan District Health Department because the component units have engaged us or other auditors to perform separate audits in accordance with OMB Circular A-133.

Montcalm County's basic financial statements include the operations of the Montcalm County Road Commission, discretely presented component unit, which received \$570,538 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2008. The Montcalm County Road Commission did not have a single audit required because the Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2008, the Federal aid received and expended by the Road Commission was \$570,538 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

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

In our opinion, Montcalm County complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ending September 30, 2008.

## Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County as of and for the year ended September 30, 2008, and have issued our report thereon dated June 19, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Montcalm County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of Commissioners and management of Montcalm County, others within the County, the pass-through grantors, and the Federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 19, 2009



Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE Passed through Michigan Department of Natural Resources Schools and Roads - Grants to States 2008	10.665	N/A	\$ 348	\$ 348
U.S. DEPARTMENT OF HOUSING AND AND URBAN DEVELOPMENT Passed through Michigan Department of Commerce Community Development Block Grants (CDBG) State's Program FY 07/08 (Housing)	14.228	MSC-2008-0765-HOA	99,554	99,554
NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION, DEPARTMENT OF TRANSPORTATION Passed through Michigan Department of State Police, Office of Highway Safety Planning State and Community Highway Safety	20.600	PT-08-27	4,299	4,299
U.S. DEPARTMENT OF JUSTICE Passed through Michigan Department of Community Health Office of Drug Control Policy and the City of Big Rapids Edward Byrne Memorial Justice Assistance Grant Program	16.738	20071549	30,772	30,772
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Passed through State Department of Office on Services to the Aging and Area Agency on Aging of Western Michigan, Inc. Title III-D Special Programs for the Aging (Disease Prevention and Health Promotion Services) FY 07/08	93.043	51.76	1,000	1,000
Title III-B Special Programs for the Aging (Grants for Supportive Services and Senior Centers) FY 07/08	93.044	51.76	51,290	51,290
Title III-E National Family Caregiver Support (Adult Day Care) FY 07/08	93.052	51.76	15,114	15,114
			67,404	67,404

Montcalm County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2008

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Current Year</u>	
			<u>Revenues</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Michigan Department of Health and Human Services				
Child Support Enforcement (Title IV-D) <sup>(b)</sup>	93.563			
Cooperative Reimbursement - Friend of the Court <sup>(a)</sup>		CS/FOC-08-59001	\$ 336,415	\$ 336,415
Cooperative Reimbursement - Prosecuting Attorney <sup>(a)</sup>		CS/PA-08-59002	<u>55,905</u>	<u>55,905</u>
			<u>392,320</u>	<u>392,320</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			459,724	459,724
U.S. DEPARTMENT OF HOMELAND SECURITY				
The State Homeland Security Grant Program				
Passed through Michigan Department of State Emergency Management				
Performance Grants	97.042			
2008 Emergency Management Grant		N/A	10,043	10,043
2007 Emergency Management Grant		N/A	<u>5,908</u>	<u>5,908</u>
			15,951	15,951
Passed through West Michigan Shoreline Regional Development Commission				
State Homeland Security Grants	97.067			
2006 Homeland Security Grant Program		N/A	<u>146,767</u>	<u>146,767</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>162,718</u>	<u>162,718</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 757,415</u>	<u>\$ 757,415</u>

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2008

**NOTE A: BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Montcalm County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements, which are reconciled in Note C.

**NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE**

The following descriptions identified below as (a) - (b) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursement of these contracts is passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) Denotes program tested as a "major program".

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following reconciles the federal revenues reported in the September 30, 2008, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
<b>PRIMARY GOVERNMENT</b>				
<b>GENERAL FUND</b>				
Cooperative Reimbursement				
Prosecuting Attorney	\$ 56,229	\$( 324 )	\$ -	\$ 55,905
Highway Safety	4,299	-	-	4,299
Central Michigan Enforcement Team	30,772	-	-	30,772
Homeland Security	10,043	-	-	10,043
Other Programs	<u>1,248,650</u>	<u>( 1,248,650 )</u>	<u>-</u>	<u>-0-</u>
<b>TOTAL GENERAL FUND</b>	1,349,993	( 1,248,974 )	-0-	101,019
<b>SPECIAL REVENUE FUNDS</b>				
Friend of the Court	522,890	( 186,475 )	-	336,415
Commission on Aging	182,039	( 114,635 )	-	67,404
Homeland Security Grant	146,767	-	-	146,767
CDBG - Housing	102,249	( 2,695 )	-	99,554
Other Programs	<u>138,842</u>	<u>( 138,842 )</u>	<u>-</u>	<u>-0-</u>
<b>TOTAL SPECIAL REVENUE FUNDS</b>	1,092,787	( 442,647 )	-0-	650,140

Montcalm County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

September 30, 2008

**NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**

	<u>Federal/State Revenue</u>	<u>Less: State Revenue</u>	<u>Adjustments</u>	<u>Federal Expenditures</u>
ENTERPRISE FUNDS				
Ambulance	\$ 5,908	\$ -	\$ -	\$ 5,908
TRUST AND AGENCY FUNDS				
Trust and Agency	<u>-</u>	<u>-</u>	<u>348</u> <sup>(a)</sup>	<u>348</u>
TOTAL PRIMARY GOVERNMENT	2,448,688	(1,691,621)	348	757,415
COMPONENT UNITS				
District Health Department Special Revenue	3,439,679	-	( 3,439,679 ) <sup>(b)</sup>	-0-
Road Commission Special Revenue	<u>6,947,057</u>	<u>-</u>	<u>( 6,947,057 )</u> <sup>(c)</sup>	<u>-0-</u>
TOTAL COMPONENT UNITS	<u>10,386,736</u>	<u>-0-</u>	<u>(10,386,736)</u>	<u>-0-</u>
TOTAL REPORTING ENTITY	<u>\$ 12,835,424</u>	<u>\$(1,691,621)</u>	<u>\$(10,386,388)</u>	<u>\$ 757,415</u>

Following is a summary of the adjustment in the above schedule:

- (a) The adjustment related to amounts reported as an increase when received and a decrease when disbursed within the trust and agency fund's activity because the County acts in a trustee capacity of these funds and distributes them to the local units of government and therefore does not recognize the funds as revenue of expenditures, but recognizes the amounts as expenditures in the Schedule of Expenditures of Federal Awards as of September 30, 2008 in accordance with OMB Circular A-133.
- (b) The District Health Department Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level, as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements and Single Audit are available at the District Health Department administrative offices.
- (c) The Road Commission Federal/State revenues are eliminated from the Schedule of Expenditures of Federal Awards at the County level, as they are a discretely presented component unit whose audit, issued under separate cover, was conducted separately under the Single Audit Act. Their Federal/State funds were audited under the Act at that level and were not considered in the process of performing the County's Single Audit. The separate audited financial statements are available at the Road Commission administrative offices.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
of Montcalm County  
Stanton, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Montcalm County, Michigan as of and for the year ended September 30, 2008, which collectively comprise Montcalm County's basic financial statements, and have issued our report thereon dated June 19, 2009. We did not audit the financial statements of the Montcalm County Road Commission (discretely presented component unit) which represents 72 percent and 52 percent of the assets and revenues, respectively, of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Montcalm County Road Commission, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Montcalm County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Montcalm County's financial statements that is more than inconsequential will not be prevented or detected by Montcalm County's internal control. We consider the deficiencies described as Findings 2008-1 and 2008-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that Findings 2008-1 and 2008-2 described in the schedule of findings and questioned costs to be material weaknesses in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Montcalm County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and questioned costs as Findings 2007-1, 2007-2, and 2007-3.

Montcalm County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Montcalm County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management and the Board of Commissioners of Montcalm County, others within the County, the Federal awarding agencies, and pass-through grantors and is not intended to be and should not be used by anyone other than these specified parties.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

June 19, 2009

Montcalm County, Michigan  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended September 30, 2008

**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_X\_\_\_ Yes \_\_\_\_\_ No

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

Significant deficiencies identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes \_\_\_X\_\_\_ None reported

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Child Support Enforcement (Title IV-D)

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes \_\_\_X\_\_\_ No

**Section II - Financial Statement Findings**

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2007-1 UNFAVORABLE BUDGET VARIANCES

**Condition:** As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and four (4) Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

**Criteria:** The Uniform Budgeting and Accounting Act (Public Act 621 of 1978) requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined." The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body." The County adopted the budget for the General Fund at the department level and the total expenditure level for the Special Revenue funds.

Montcalm County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2008

**Section II - Financial Statement Findings - Continued**

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2007-1 UNFAVORABLE BUDGET VARIANCES - CONTINUED

Effect: The County is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the County monitor expenditures against adopted budgets in all applicable funds and make appropriated budget adjustments as needed.

Corrective Action Response: Management of the County is currently reviewing and making modification to our procedures related to budgetary compliance in accordance with State law. This issue was noted and reported in our audit comments last year.

2007-2 UNCLAIMED PROPERTY

Condition: During our audit, it was noted that the County had outstanding checks listed on their bank reconciliations that were over three (3) years old. A similar issue was noted and reported in our audit comments last year.

Criteria: The Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan in the year after they have been outstanding for more than one year.

Effect: The County is holding unclaimed property that should be escheated to the State of Michigan.

Recommendation: We recommend the County attempt to contact the payees in an effort to clear old outstanding checks. In the event that the rightful property owners cannot be located, we recommend the County review their unclaimed property and escheat funds to the State of Michigan as necessary.

Corrective Action Response: Management of the County is currently in the progress of remitting the escheats to the State of Michigan. This issue was noted and reported in our audit comments last year.

2007-3 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2008, the audited financial statements is approximately three (3) months delinquent to the State of Michigan. A similar issue was noted and reported in our audit comments last year.

Criteria: Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Effect: The County will be required to file the "long form" for any borrowing requiring State approval for the next fiscal year. Additional costs are associated with the filing the long form as opposed to filing the Qualifying Statement.

Recommendation: We recommend the County assure that the audit is completed six (6) months subsequent to the fiscal year end.

Corrective Action Response: Montcalm County will takes steps in the future to assure year-end financial information is received in a timely manner so the County's audited financial statements may be released prior to the State's deadline.



SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended September 30, 2008

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**Section II - Financial Statement Findings - Continued**

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2008-1 RESTATEMENT OF NET ASSETS/PRIOR PERIOD ADJUSTMENT

Condition: During the course of our audit, it was noted that previously issued financial statements were materially misstated. A restatement of beginning net assets at the government-wide level and a prior period adjustment to correct the fund balance of the General Fund were recorded.

Criteria: These errors were not detected by the County's internal control over financial reporting in the prior year and as a result, there were material misstatements in the September 30, 2007 financial statements.

Effect: Since these errors were not detected by the County's internal control over financial reporting in the prior year, the County's internal controls did not effectively allow management to detect material misstatements in the County's financial statements in a timely manner.

Recommendation: We recommend that the County review procedures related to the review of financial reporting and take steps to ensure that similar issues do not occur in the future.

Corrective Action Response: The County feels this is a one time error due to the shifting in tax revenue collection that resulted in booking a higher tax receivable in previous year.

2008-2 BANK RECONCILIATIONS

Condition: The bank account for the General Fund and A/P checking were not reconciled properly. Large unidentifiable variances appeared on the two reconciliation reports for September 30, 2008. Because of these unidentifiable variances the bank reconciliations were not completed in a timely manner. Also, Treasury deposits from August 2008 did not match amounts recorded by the bank.

Criteria: The County must accurately reconcile bank accounts each month and identify variances if any and must ensure that County records match those of the bank.

Effect: The County has not maintained adequate internal controls over cash activities.

Recommendation: We recommend that bank reconciliations be periodically reviewed by management and tied to the computerized general ledger.

Corrective Action Response: The County is looking into reasons why these errors have occurred in order to correct and prevent them in the future.

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**Section III - Federal Award Findings and Questioned Costs**

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None

Montcalm County, Michigan  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
Year Ended September 30, 2008

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

**2007-1 UNFAVORABLE BUDGET VARIANCES**

Condition: As noted in the annual financial statements, some of the budgeted activities of the County exceeded the amounts appropriated. The variances noted were in the General Fund and five (5) Special Revenue Funds. A similar issue was noted and reported in our audit comments last year.

Resolution: This issue was not resolved during the current audit. This condition is reported in 2008.

**2007-2 THE COUNTY SHOULD ESCHEAT UNCLAIMED PROPERTY TO THE STATE OF MICHIGAN**

Condition: During our audit, it was noted that the County had outstanding checks listed on their bank reconciliations that were over two (2) years old.

Resolution: This issue was not resolved during the current audit. This condition is reported in 2008.

**2007-3 DELINQUENT ANNUAL FINANCIAL REPORT**

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended September 30, 2007, the audit report is approximately two (2) months delinquent to the State of Michigan.

Resolution: This issue was not resolved during the current audit. This condition is reported in 2008.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

No prior audit findings.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.